

ADMINISTRATOR/CLERK'S REPORT

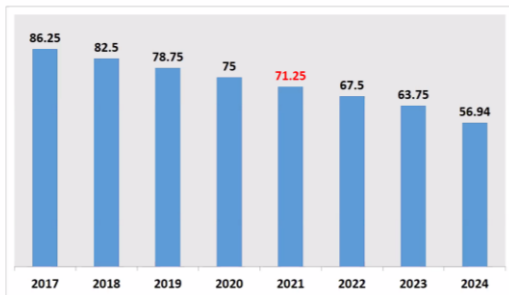
FY 2023 - 2024 BUDGET

The city's 100% valuation has increased \$1,482,314. Regular taxable value is down from \$27,552,594 to \$27,492,089 (a decrease of \$60,505), which will give us less property tax dollars for the General Fund. I believe this is due to the rollback on residential property lowered from 56.4919% to 54.6501% (the amount of property tax dollars that we will get at the same rate will be lower than under the previous taxable valuation).

During the 2013 legislative session, several major changes were made to the property tax rollback system. Commercial, industrial and railroad property now have their own rollback, which was 95% for valuations established during the 2013 assessment year (affecting FY2015) and 90% for the 2014 assessment year and thereafter. The legislature created a standing appropriation, beginning in FY2015, to reimburse local governments for the property tax reductions resulting from this new commercial rollback. The backfill was funded 100% for FY15–FY18. Then, the backfill was capped at the FY17 level. A new property class was established for multi-residential property, which first took effect in FY17. The definition of multi-residential property is broad and includes mobile home parks, manufactured home communities, land-leased communities, assisted living facilities, property primarily used or intended for human habitation containing three or more separate living quarters (excluded properties include, hotels & motels). Multi-residential properties are subject to a separate rollback schedule before reaching the residential rollback percentage and there is no backfill funding to offset revenue reductions for the multi-residential property rollback. The multi-residential rollback drops each year (see chart below) which will give us a little less in the General Fund each year.

Property Tax System Basics

Multi-Residential Rollback Schedule



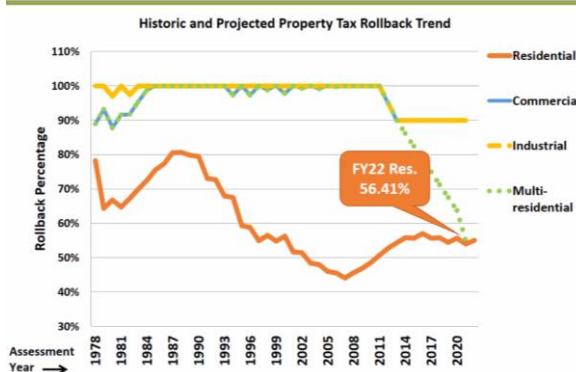
Backfill History:

Fiscal Year	Amount Received/Estimated
2018	\$9,551 - General Fund \$5,477 [reducing general fund insurance levy] - Special Revenue \$4,074 [reducing Special Revenue Benefits levy or employee benefits, FICA & IPERS]
2019	\$9,148 - General Fund \$5,713 - Special Revenue \$3,435
2020	\$8,573 - General Fund \$5,580 - Special Revenue \$2,993
2021	\$9,204 - General Fund \$5,771 - Special Revenue \$3,433
2022	\$9,116 - General Fund \$6,182 (estimate) - Special Revenue \$2,934 (estimate)
2023	\$7,819 (Now this will be phased out over the next 7 years)
2024	\$6,702
2025	\$5,585
2026	\$4,468
2027	\$3,351
2028	\$2,234
2029	\$1,117

Legislatures finally decided to eliminate the backfill and it will be phased out over the next 7 years for the city of Fayette.

Township valuations are up slightly, so we will receive \$395.26 more for the Ambulance & Fire Departments.
(Below are older graphs, but they still may come in useful to give you an idea)

Rollback – Historical and Projected



Property Tax Examples

Residential Property

Assessed Value	Rollback	Taxable Value/Calculation	Tax Obligation (city only)
\$100,000	56.4094%	(\$56,409/ \$1,000) x \$8.10	\$456.92

Commercial/Industrial Property

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

GENERAL OBLIGATION BONDING CAPACITY JANUARY 1, 2022

01-01-2021 100% Valuation (Actual Value for Debt Limit Calculation):

5% of Actual Value for Debt Limit Calculation:

Legal Debt Limit for Fiscal Year 2023/2024:

*Outstanding GO Bonds/Notes/Debt Applicable to Debt Limit June 30, 2022:
(see below for break-down)

25% of \$501,753 for Emergency:

\$52,113,568
x 5%
2,605,678
- 1,732,469*

873,209
- 218,302

G.O. Bonding Capacity to Use: \$654,907

(FY23 we are bonding another \$400,000 for N. Main St. project, so will now be \$254,907)

*Outstanding GO Bonds/Notes/Debt June 30, 2022 Breakdown:

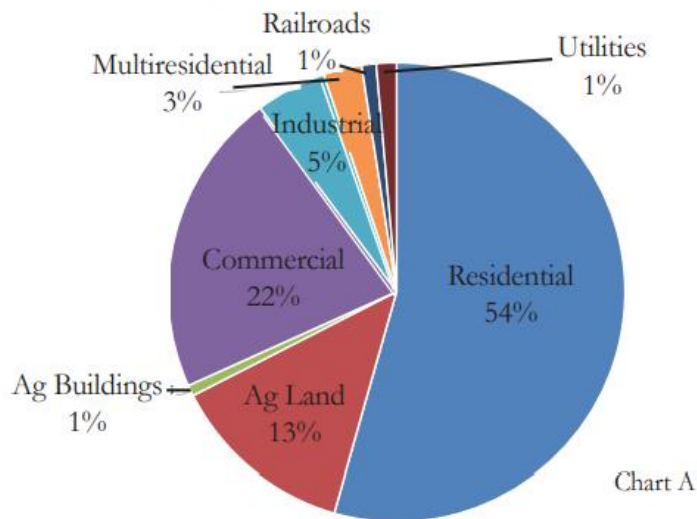
TIF #4 - Hodapp Dev.	30,000
SRF-2015 Sewer Loan	856,000
SRF-2018 Sewer Repair/Lining Loan	345,000
SRF-2019 Sewer Extra Repair/Lining Loan	21,000
2020 Police Tahoe Lease	10,467
2021 W. Water St. Project Loan/Note	470,000
Balance	\$1,732,469*

Here are additional informational graphs (not specifically for Fayette, but averages for all cities in Iowa):

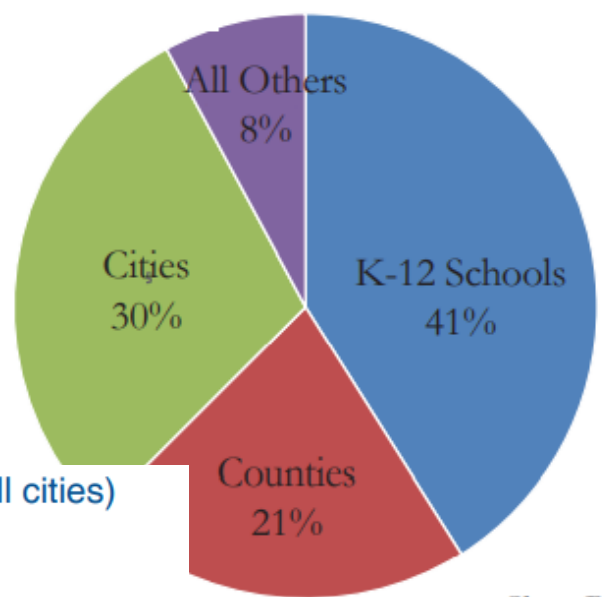
Who pays/how much?

Chart A shows revenue of dollars collected from each property classification in Iowa.

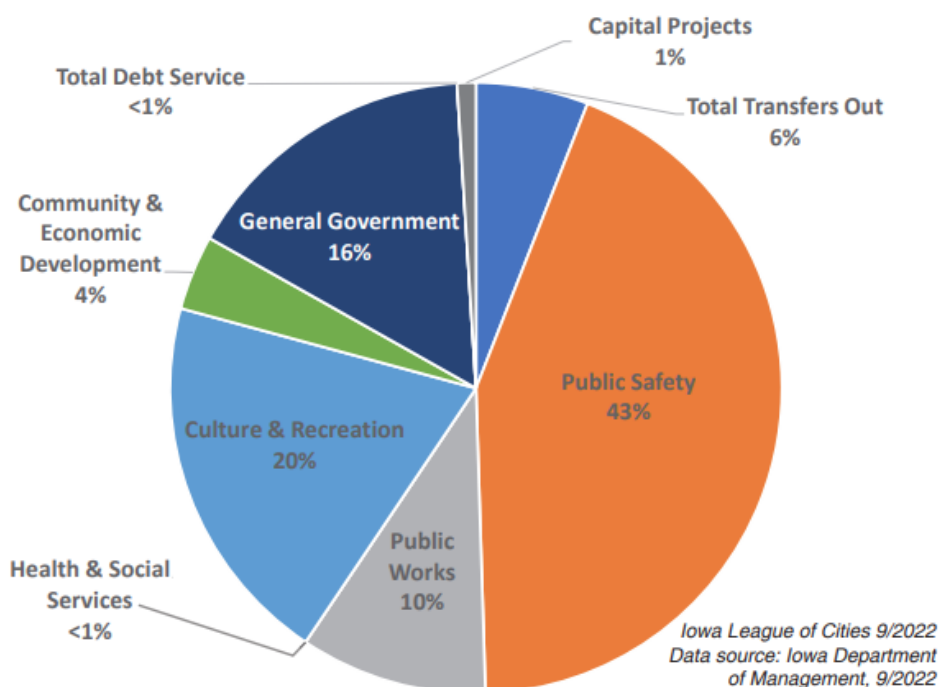
Property Tax Revenues by Class FY23:



Property Tax Revenue by Class



General Fund Expenditures by Category, FY23 (avg. all cities)



FY2024 Budget at a Glance
(LEVIES PER \$1,000 VALUATION LIMIT)

GENERAL FUND LEVIES:

Regular General Fund: We will levy the maximum \$8.10, which will bring in approximately \$216,749 in property taxes.

Liability, Property & Self Insurance: We will levy separately for general fund insurance. For FY24 it will be \$0.90964 and will bring in approximately \$24,341 to help pay the total estimated amount of \$25,008.

Emergency Management Support: We will levy separately for Emergency Management support. For FY24 it will be \$0.16205 and will bring approximately \$4,336 to help pay the total amount of \$4,455.

Ag Land: We will levy at the maximum \$3.00375 for ag land, which will bring in approximately \$434.

SPECIAL REVENUE LEVIES:

FICA & IPERS: Since we levy at the maximum limit for the Regular General Fund (\$8.10), we can levy for the FICA and IPERS for employees paid out of the General Fund (the portion of the salaries that are paid out of Water & Sewer we cannot levy for). For FY24 it will be \$2.39578, which will bring in approximately \$64,109 to help pay the total amount of \$65,865.

Other Employee Benefits: We can levy for other employee benefits (Workers Compensation and Health Insurance) for employees paid out of the General Fund (same as the FICA & IPERS Levy). For FY24 it will be \$3.59751, which will bring in approximately \$96,266 to help pay the total amount of \$98,903.

For the current FY23, our Special Revenue was \$5.2079 and for FY24 it will be \$5.99329. The majority of the change is due to increasing salaries to keep up with the current job market as well as the increase in health insurance premiums.

DEBT SERVICE LEVY:

The city took out a \$500,000 General Obligation Note in February of 2021 to help cover the cost of the W. Water St. reconstruction project. It was a great time to take out a loan because we received an incredibly low interest rate. The city will owe approximately \$34,995 in FY24 for this note payment. At the beginning of 2023, the city took out a \$400,000 General Obligation Note to help cover the cost of the N. Main St. construction project. The city will owe approximately \$36,000 in FY24 for this note payment. To help with the loan payments, the city may levy under the Debt Service Levy. The city may also use current reserves or expected revenue to help cover the costs of the payments. The more reserves or revenue the city uses, the less they have to levy under the Debt Levy. For FY24 the city will use \$60,000 of Road Use Tax funds to use towards the total payments of \$70,995. That will make the total debt service levy \$0.39993, which will bring in approximately \$10,702 to help pay the total payment. The estimated debt service rollback the city will receive is \$178 and an additional \$115 out of the Road Use Tax funds will pay the difference due.

TOTAL LEVIES: \$15.56491 [Current FY23: \$14.37933, an increase of \$1.18558]

CITY EMPLOYEE SUMMARY:

In FY22, the Personnel and Finance Committees discontinued the Employee Wage Scale for all full-time employees and changed to a 2.2% increase for all full-time employees. In FY23 the job market and drastic increases in wages around the country, including locally, forced the city council to update specific employees' wages as needed. This occurred when the city needed to hire new employees in specific departments. The Personnel Committee tried to continue to gradually increase employee wages by recommending to the city council to approve a 3% wage increase for all full-time and part-time employees in February 2023. Trying to continue to keep the City Administrator/Clerk's wage competitive and catch up with the job market, the Finance Committee recommended to the city council to approve a 5% wage increase for Kris McGrane in March 2023. The Personnel and Finance Committees both agreed to budget for a 5% increase for all full-time and part-time employees at the start of FY24. Employees receiving the 5% increase include: Annette Butikofer (\$18,3021/hour; \$38,068.37), Ben Davis (\$61,228.22), Nicole Ball (\$24,5129/hour; \$50,986.83), Joshua McCraney (\$22.171/hour; \$46,115.68), another full-time police officer (\$50,986.83 budgeted), Adam Hildebrand (\$67,835.59), Jacob Palmer (\$23.6727/hour; \$49,239.22), Dylan Larson (\$22.1993/hour; \$46,174.54), another part-time Public Works employee (\$10,000 budgeted), Nancy Creery (\$17.304/hour; \$35,992.32), and Kris McGrane (\$67,350.75). Both committees approved giving both part-time employees a 5% raise: Michelle Whitlock (\$13.8713/hour) and Alyssa Tenney (\$11.269/hour). A seasonal, part-time employee was budgeted for the Recreation Board to help with activities and events throughout the year (\$26,000). A few part-time reserve officers for the police department was also budgeted.

The Finance Committee felt the wage increases recommended were fair and did not approve a cost-of-living allowance for FY24. The U.S. Consumer Price Index increased 6.5% from Dec. 2021 to Dec. 2022. The U.S. Employment Cost Index increased 4.6% from Sept. 2021 to Sept. 2022. Social Security & Supplemental Security Income benefits will increase 8.7% in 2023.

NOTE: Part of the City Administrator/Clerk's and Deputy Clerk's wages come out of the water & sewer funds because of the significant amount of time that is spent on administration of these utilities. This relieves some of the cost from the General Fund. This is common practice in most cities.

In 2021 the City Council changed health insurance to a partial self-fund plan (PSF) that carries a high deductible that the city funds down for the employee's deductible and out-of-pocket maximum. The city will continue to contribute \$1,000 into a health savings account (HSA) for employees receiving single health insurance and \$2,000 into a HSA for employees receiving family health insurance through the city. On 1/1/2022, the city changed so the new health insurance premiums take effect on Jan. 1st of each year. We budgeted for a 5% increase on health insurance premiums. Employees who receive family insurance pay 25% of the premium. The finance committee budgeted to continue to pay for the entire single health insurance premium for retired Public Works Director Jerry Hildebrand, as previously agreed upon, as well as fund down the deductible and out-of-pocket maximum of \$7,500 until August 2025.

IPERS employer rates for regular members will remain the same at 9.44% and 9.31% for protection occupation members.

Public Safety: Fire, Ambulance & Police:

Fire: Recommended expenses: \$94,527; Estimated income: \$66,335 (Difference of -\$28,192). Township levy is at its maximum asking of 40.5 cents per \$1,000 valuation which will bring in \$23,763.16. This amount is split as follows: Fayette Fire Dept. (67% \$15,385.32) & the Ambulance Dept. (33% \$7,577.84). The city also receives \$800 from the City of Randalia per year for fire protection (\$200 per quarter). We have budgeted using \$50,000 from the Fire savings account to purchase new radios and pagers if the Fayette County Supervisors and E-911 move forward in purchasing a new radio system throughout the county.

Ambulance: Recommended expenses: \$288,678; Estimated income: \$288,678 (Difference of \$0). We usually balance this budget because they usually bring in more revenue than expenses unless they decide to purchase an expensive piece of equipment. Any extra revenue transfers to their savings for the service to save for a future vehicle or large expense. At the end of 2022, the service received a donation of \$348,344.20 from the Minnie Lee Miller Unified Credit Trust. We have budgeted using \$30,000 from the Ambulance savings account to purchase new radios and pagers if the Fayette County Supervisors and E-911 move forward in purchasing a new radio system throughout the county. We also budgeted to spend an additional \$180,000 from the Minnie Lee Miller Trust if the service finds a large purchase during the year.

Police: Recommended expenses: \$467,750; Estimated income: \$263,185 (Difference of -\$204,565). We will be in the 7th year of a contract with Upper Iowa University (UIU) to provide law enforcement services. UIU is currently renegotiating the contract and we are estimating receiving \$70,000 in FY24 for law enforcement services. The portion from the Local Option Sales Tax allocation for streets and police will be divided with 25% (estimated at \$18,375) to Police revenue and 75% (estimated at \$55,125) to streets (which is not included in above estimated income due to budgeting purposes – if it was, the difference would be -\$186,190). The contract with the Fayette County Sheriff's Office for Dispatching Services is currently under negotiations with the Fayette County Supervisors and we will budget using the current contract, \$5,814.40. We are budgeting to use \$7,000 out of Police savings to purchase new radio equipment if the Fayette County Supervisors and E-911 move forward in purchasing a new radio system throughout the county. We also budgeted to use \$7,000 out of Police savings to purchase radios, lights and sirens for a new squad vehicle. We budgeted to lease two new squads, one we received in FY23 and a new one for FY24. Two in-car cameras are budgeted; however, one will be paid for by the GTSB grant. New computer towers and monitors were budgeted for at \$4,500. If the city council decides to purchase new body cameras and tasers, then an annual fee of approximately \$10,300 for 5 years will be needed, so \$11,000 was budgeted. We budgeted \$675 to help pay for painting the outside bricks of the police department. We budgeted \$150,000 again for the speed traffic cameras because we are anticipating a drop in revenue as people become more familiar with them.

Emergency Management: Recommended expenses: \$4,455; Estimated income: \$4,340 (Difference of -\$115). We will levy for \$0.16205, which will help bring in \$4,336.

Public Works: Streets, Landfill/Recycling/Yard Waste:

Streets: Recommended expenses from the RUT (Road Use Tax) is \$353,667; Estimated income: \$151,000 (Difference - \$202,667). We budgeted a low \$150,000 for RUT funds to be on the safe side because estimates show it will drop with our population decrease. We budgeted to spend \$50,000 to overlay some roads and \$40,000 to repair roads. We budgeted \$157,000 for a new snowplow truck. We also budgeted to spend approximately \$60,000 to pay for the W. Water Street and N. Main Street bond note payments to keep the Debt Levy low. We have around a million dollars in the Road Use Tax fund and are using that to help with road projects and large equipment.

Recommended expenses from the General Fund: \$31,274; Estimated income: \$570 (Difference -\$30,704).

Total Streets expenses (including Employee Benefits): \$415,091; total estimated Streets income: \$151,570 (Difference - \$263,521). Estimating \$55,125 [75% of the 70% split between Police and Streets] in Local Option Sales Tax revenue (which is not included in above estimated income due to budgeting purposes – if it was, the difference would be - \$208,396). We budgeted for the Tree Board to spend the \$1,000 and \$570 of that from their savings. The budget also includes expenses to assist with uniforms, trainings, utilities, vehicle maintenance, building/street maintenance.

Landfill/Recycling: Landfill expenses: \$42,800; Estimated income \$42,800 (Difference of \$0); Recycling expense \$15,510; Estimated income \$18,000 (Difference of \$2,490). Fayette's population for the 2020 census decreased and these fees are based on population, so there is a small decrease in expenses. The last few years the revenue was a little less than expenses. We will monitor this to determine if we need to adjust rates in the future.

Yard Waste: Recommended expenses \$14,175; Estimated income \$10,750 (Difference of -\$3,425). The leaf pick-up remains to be a very popular service. The Public Works employees spend many hours picking up leaves and hauling them. We will continue to transfer \$5,000 from the Yard Waste fund to the Streets to save for a new Street Sweeper. We will monitor this in FY24 to determine if we need to raise rates in the future to continue these services.

Culture and Recreation: Library, Park, Recreation, Cemetery:

Library: Recommended expenses \$121,875; Estimated income \$13,940 (Difference -\$107,935). The budget includes \$5,000 for either upgrading a bathroom to make it ADA compliant or to install insulation. The Library Memorial Fund (LMF) recommended expenses \$12,000; Estimated income \$1,075 (Difference -\$10,925). The LMF has an estimated balance of \$60,000 and the library is using this fund to pay for their computer technology and server.

Park: Recommended expenses \$54,661; Estimated income \$22,000 (Difference of -\$32,661). In FY21 we raised the camping rates from \$10 to \$12/night at the campground to help generate a little more revenue to cover all expenses, such as an increase in electricity. We budgeted \$25,000 to replace 2 doors and Tnemec/recoat the inside of the shower-house at the campground. We budgeted to use \$10,000 of the Parks savings to assist with the costs.

Recreation Board: Recommended expenses \$178,770; Estimated income \$101,000 (Difference -\$77,770). The portion from the Local Option Sales Tax allocation for Rec is 30% (estimated at \$31,500), which is not included in above estimated income due to budgeting purposes – if it was, the difference would be -\$46,270. The Rec Board budgeted \$27,000 to hire a part-time employee to work about 20 hours/week all year to help plan and run activities and events. The Recreation Board is working with the UIU Recreation Center to determine if the city will continue to offer a payment in exchange for a 75% discount for Fayette residents on Rec Center memberships. The Recreation Board previously donated \$10,000 per year and budgeted for this again. We budgeted \$90,000 to redo the pickleball courts at Rainbowland Park. We budgeted \$35,000 to help with costs to finish the Recreation Trail to the Volga State Park if the projects moves forward. We are budgeting to use \$100,000 of the savings to assist with the pickleball courts and part-time employee.

Cemetery: Recommended expenses \$7,500. Same as last year.

Community and Economic Development: TIF, TIF LMI, Bolger, 9 S. Main St., Hotel/Motel Tax & RLF:

TIF: Estimated expenses \$0; Estimated income \$0. We have no more TIF. FY23 was the last TIF rebate for the Cory & Melissa Hodapp/Mechanic Street condos agreement we signed with them in 2013. As long as we keep TIF debt, the city may continue to use our existing Urban Renewal Plan. The city may do TIF rebates instead of financing up front. The majority of cities do rebates rather than using city funds up front. In FY13 we included the downtown business district in our TIF so we are able to offer TIF incentives for new construction in downtown.

TIF LMI: Estimated expenses \$0; Estimated income \$0. We will still have some TIF LMI funds to use towards low to moderate income families.

Bolger: Estimated expenses \$309,425; Estimated income \$13,500. (Difference of -\$295,925) Expenses would include money for the Community Revitalization/Demo Program, sidewalk incentives and new construction incentives. We budgeted \$215,000 to help with the demolition of the 606 W. Water Street house and any other demolitions, remodeling, or other economic development projects that may come up. Most of the additional expenses we did in previous years (Donations to the Fayette County Fair, Main Street Flowers, Community Garden, Watermelon Days and new holiday decorations we moved to Hotel/Motel Tax).

9 S. Main St: Estimated expenses \$950; Estimated income \$0 (Difference of -\$950). In FY19 we separated this from the Bolger Fund, so we can better track revenue and expenses. In FY21 we remodeled the office space by replacing the flooring, removing the wallpaper, and painting the entire interior. The goal of this space is to get a new small business started and eventually move to another empty commercial building in town. We currently are considering moving City Hall to the space, so we did not budget for any revenue or expenses (besides taxes and insurance).

Hotel/Motel Tax: Estimated expenses \$75,000; Estimated income \$75,000 (Difference \$0). We are unsure exactly what to expect for revenue. We are budgeting to spend all the revenue in case we have opportunities come up. We are budgeting expenses for new holiday bows/decorations (\$10,000), the city's 150th celebration (\$5,000), completing the Recreation trail to Volga State Park (\$35,000), \$1200 for the LMI Housing Trust Match, \$1500 donation to the Fayette County Fair, \$1,000 for flowers on main/community garden, and \$3,000 for Watermelon Days. Half of the Hotel/Motel funds must be spent for tourism/recreational/etc. and the remainder may be spent however the city council wishes.

Revolving Loan Fund (RLF): Estimated expenses \$100,000; Estimated income \$100,000. In FY19 we were awarded a grant that paid approx. 49% of any RLF that we loaned to small businesses. We received an extension on the grant through FY21 due to COVID-19. In FY22 the grant ended, and we paid back the amount we borrowed from the grant. We continue to offer this loan and we budgeted to loan out \$100,000, if needed.

General Government: Council & Mayor, Administrator/Clerk's Office, Legal, Election:

Council & Mayor: Recommended expenses \$18,857 for wages, trainings/meetings and insurance. Budgeted \$6,000 for a facilitator, engineer, and/or financial advisor to assist with a Capital Projects Plan and Comprehensive Plan.

Legal: Recommended expenses \$5,000.

Election: Recommended expenses \$1,500 budgeted. There will be a city election in FY24.

Administrator/Clerk's Office (P&A): Recommended expenses \$108,420. Recommending giving \$600 to Helping Services of Northeast Iowa and \$550 to Northeast Iowa Community Action as we did the past 4 years. Recommending giving \$250 to the Turkey River Watershed Management Authority Board and \$2,000 for the Fayette County Economic Development and Tourism. Budgeted \$4,000 for the remainder balance due for codification services and \$6,500 to remodel 9 S. Main Street, if we decide to move City Hall. Budgeted \$7,000 for a new, updated website.

Business Type Activities (Enterprises): Sewer, Water and Storm Water Utilities:

Sewer (Wastewater Treatment): Recommended expenses \$315,367; Estimated income \$344,750 (Difference \$29,383). Expenses include \$30,000 to add a special 6 foot tube to assist the pump. Expenses also include paying on the loan to the State Revolving Loan Fund (SRF) for the Sewer lagoon project.

Water Utility: Recommended expenses \$336,017; Estimated income \$272,000 (Difference -\$64,017) We budgeted \$9,500 to install a new liquid chlorine system. We budgeted \$60,000 to paint the outside of the water tower (last time was in 2009). We also budgeted \$12,500 to start restocking new water meters.

Water/Sewer Capital/Administration: Estimated income \$50,000. We started this 2%/month usage fee on all active utility bills in March 2019. It started as a \$10 flat fee but was later changed to 2% of the water usage used. We do not have any projects for this fiscal year to spend these funds.

Storm Water Utility: Recommended expenses \$2,500; Estimated income \$6,900 (Difference of \$4,400). We started this utility in FY16 to help address drainage issues and to help cover the expenses of installing storm sewers in town so more curb and gutters can eventually be installed. We only charge \$1.00 per month on all city utility bills and we do not receive much revenue. We only budget to spend a small amount to pay for any minor repairs.

Capital Projects: N. Main Street/Old HWY 150 Project and American Rescue Plan

N. Main St./Old HWY 150 Street Project: Recommended expenses \$890,000; Estimated income \$400,000 (Difference -\$490,000). We budgeting to transfer in \$490,000 from the Road Use Tax Fund to pay for approximately half of the project. We are planning on taking out a \$400,000 General Obligation Note to pay for the other half of the project.

American Rescue Plan: Recommended expenses \$215,463; Estimated income \$0 (Difference \$215,463). We already have this income and will not be receiving any more. In FY21, President Biden signed the American Rescue Plan (ARP) to help cities recover and stabilize from the fiscal impacts of the COVID-19 pandemic. There are specific items and projects this money must be spent on. We have budgeted to spend these funds in FY24 and are looking at sewer lining throughout the town.

Summary:

Total FY 2024 Estimated Budget Revenues \$3,602,682

Total FY 2024 Estimated Budget Expenditures \$4,284,616

Difference -\$681,934

There are quite a few expenditures that are budgeted for that may not be spent or may be used as a loan. For example, in the Bolger fund, we budgeted \$80,000 for incentives (economic development, new construction, sidewalks, demolitions, etc.) that we may not spend, \$215,000 for any remodeling/demo the old Tourism home. We are spending Road Use Tax funds that we have been saving for a long time to help pay for about half of the N. Main Street/Old HWY 150 street project and purchase a new snowplow (\$157,000). We are also using Road Use Tax funds to help pay most of the loan/note payments for the W. Water Street project and N. Main Street project. We are budgeting to spend the American Rescue Plan funds totaling \$215,463.

FINAL THOUGHTS:

The Annual Budget Estimate is just that, an estimate. The Iowa League of Cities and the Office of Management & Finance stress that it is *just an estimate* because no city knows what can happen during a fiscal year, and that is why most cities end up doing budget amendments. Just because we budget for all these projects, equipment, and expenditures, does not mean we have to spend the money. We should all be proud of Fayette because the city has saved money for years and are spending it wisely on improving Fayette.

The total tax asking will be \$15.56491 for FY 2024. The levy will be up \$1.18558 cents.

The main reason for the increase is because of the additional G.O. Bond (Debt) we took out (\$400,000) for the N. Main Street project. We already have one G.O. Bond (Debt) for the W. Water Street project. We must pay these loans/notes back and we use the tax levy to help. We also had an increase in insurance, employee benefits and wages that also help raise the levy.

History of tax levies for Fayette:

FY2023 \$14.37933

FY2022 \$13.95265

FY2021 \$13.90998

FY2020 \$13.73404

FY2019 \$14.28785

FY2018 \$15.13614

FY2017 \$14.43223

FY 2016 \$14.38162

FY 2015 \$14.59214

Kris McGrane

City Administrator/Clerk

March 19, 2023