

**ADMINISTRATOR/CLERK'S REPORT  
FY 2020 - 2021 BUDGET**

The city's 100% valuation has increased \$1,648,193. Regular taxable value is up from \$26,328,019 to \$26,900,437 (an increase of \$572,418), which will give us a little more money in the General Fund.

As a reminder, 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 will be 95% for valuations established during the 2013 assessment year (affecting FY2015) and 90% for the 2014 assessment year and thereafter. The rollback percentage for these properties will remain fixed at 90% regardless of how fast or slow valuations grow. 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. Future backfill will be capped at the FY17 level. A new property class was established for multi-residential property, which first took effect in FY17 and will likely have a long-term impact. 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 from 86.25% in FY17 to 82.5% in FY18 to 78.75% in FY19 to 75% in FY20 and 71.25% in FY21, which will give us a little less in the General Fund.

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 (estimating) - Special Revenue \$2,993 (estimating)
2021	\$8,430 - General Fund \$5,286 [I used a proration of 75%, meaning we are budgeting to receive 75%...] - Special Revenue \$3,144 ...meaning we are budgeting to receive 75% of the backfill for FY21]

Last year we came very close to the backfill being taken away. If that occurs, the city would have to make up the difference for the \$8,430 that we are estimating on receiving.

The rollback on residential property is going down from 56.9180% to 55.0743%, so that will also decrease the amount we receive in the General Fund. Township valuations are up slightly, so we will receive \$740.93 more for the Ambulance & Fire Departments. If all the townships plan on paying their final payments for the fire tanker this Fiscal Year as planned, then we will not receive any additional money for that because they will have paid off their share.

**GENERAL OBLIGATION BONDING CAPACITY  
JANUARY 1, 2019**

01-01-2019 100% Valuation (Actual Value for Debt Limit Calculation):	\$47,782,820
5% of Actual Value for Debt Limit Calculation:	<u>          5%</u>
Legal Debt Limit for Fiscal Year 2020/2021:	2,389,141
*Outstanding GO Bonds/Notes/Debt Applicable to Debt Limit June 30, 2019: (see below for break-down)	<u>      346,812*</u>
	2,042,329
25% of \$2,042,329 for Emergency:	<u>      510,582</u>
<b>G.O. Bonding Capacity to Use:</b>	<b>\$1,531,747</b>

\*Outstanding GO Bonds/Notes/Debt June 30, 2019 Breakdown:

TIF #3 - Decker (Ideal Industries)	\$ 9,905
TIF #4 - Hodapp Dev.	238,631
TIF #5 – Colonial Manors Memory	84,000
2017 Police Vehicle Lease #1	2,845
<u>2017 Police Vehicle Lease #2</u>	<u>11,431</u>
Balance	\$346,812*

## FY2021 Budget at a Glance

### CITY EMPLOYEE SUMMARY:

Consensus of the Personnel and Finance Committees are to continue to use the Employee Wage Scale for all the full-time employees, except for Public Works Director Jerry Hildebrand who's wage is not on the scale. Employees receiving their normal step or years-of-service increase include: Annette Butikofer (\$32,939.48), Stone Allen (\$40,652.03), Anthony Landis (\$41,522.25), Brian Waid (\$47,249.46), Ben Davis (\$51,544.85) and Kris McGrane (\$54,036.44).

The Finance Committee would like to continue discussion on possibly having Adam Hildebrand move up the wage scale (to Scale #9, Step #10) for learning the new radio water meter readers (\$54,978.34). They budgeted for the wage scale increase, however, if they decide to not grant the scale increase, Adam would receive his normal step or years-of-service increase (\$52,412.99). Jacob Palmer is budgeted to move up the wage scale (Scale #7, Step #1) if he completes his water and sewer certifications (\$42,272.25). If he does not, he will receive his normal step or years-of-service increase of (\$40,908.62). They budgeted for Jerry Hildebrand to receive a 7.85% wage increase (\$67,238) and to freeze that wage until his retirement on December 31, 2022. The wage freeze may be discussed in future budget meetings if significant wage increases are granted to all other city employees.

The Finance Committee approved giving part-time employee Michelle Whitlock (Library Assistant) a 6.7% increase (\$11.20/hour) and part-time employee Alyssa Dean (Library Clerk) a 1.1% increase (\$9.10/hour) as recommended by the Fayette Library Board. Part-time employee Nancy Creery (Deputy Clerk) was approved with a 9.1% increase (\$12/hour).

The Finance Committee approved a cost of living increase of 2% for all full-time employees, except for Jerry Hildebrand (who is budgeted to receive a salary increase of 7.85%) and the part-time employees (Michelle Whitlock, Alyssa Dean and Nancy Creery who are receiving flat hourly rate increases) for FY2021. All items index increased 2.3% for the last 12 months ending December 2019 and Social Security & Supplemental Security Income benefits will increase 1.6% in 2020.

NOTE: Part of the City Administrator/Clerk's and Deputy Clerk's wages (68%) 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 and most cities do this.

Health insurance premiums are increasing 20.06%, the first increase since 2016. The family premium is going from \$16,337.52 up to \$19,615.44 and the single premium is going from \$6,535.20 up to \$7,846.08. The increase begins on 3/1/2020. Employees who receive family insurance pay 25% of the premium.

IPERS employer rates for regular members will remain the same at 9.44% and for protection occupation members, it will decrease from 9.91% to 9.61%.

The proposed budget includes the following changes:

- 1) Library: Decreasing the Library Assistants hours from 29 hours/week to 26 hrs/wk and increasing the Library Clerks hours from 4 hrs/wk to 12 hrs/wk.
- 2) Police: Increasing the Part-Time/Reserve budget from \$4,000 to \$5,000 to start a Reserve Officer program.
- 3) Administration: Increasing the Deputy Clerks hours from 25 hrs/wk to 29 hrs/wk. Transitioning from quarterly utility billing to monthly billing added a significant number of hours as predicted. Monthly utility billing almost tripled the work for the Deputy Clerk and the City Administrator/Clerk. The Deputy Clerk has also learned other duties including payroll. The extra hours will be monitored closely and only used if needed.
- 4) Recreation: The Recreation Board budgeted to hire a part-time, seasonal employee to help with summer activities and events (\$5,000 + FICA, IPERS & Work Comp.).

**(LEVIES PER \$1,000 VALUATION LIMIT)**

**GENERAL FUND LEVIES:**

Regular General Fund: We will again levy at the maximum \$8.10.

Liability, Property & Self Insurance: We will again levy separately for general fund insurance. This year it will be \$0.46293.

Emergency Management Support: We will again levy separately for Emergency Management support. This year it will be \$0.15918.

Ag Land: We will again levy at the maximum \$3.00375 for ag land.

**SPECIAL REVENUE LEVIES:**

FICA & IPERS: Since we levy at the maximum limit for the Regular General Fund (\$8.10), we can levy for all the FICA and IPERS we pay for employees paid out of the General Fund (the portion of the salaries that are paid out of Water & Sewer we cannot levy for). We have done this in the past and this year it will be \$1.91815.

Other Employee Benefits: We can levy for other employee benefits (Work Comp. and Health Insurance) for employees paid out of the General Fund (same as the FICA & IPERS Levy). We have done this in the past and this year it will be \$3.26972.

**TOTAL LEVIES: \$13.90998 [Current FY20: \$13.73404, an increase of \$0.17594]**

**Public Safety: Police, Fire & Ambulance:**

**Police:** Recommended expenses: \$380,782; Estimated income: \$115,413 (Difference of -\$265,369). We will be in the 4<sup>th</sup> year of the contract with UIU to provide law enforcement services. Upper Iowa University is expected to pay the City of Fayette approximately \$103,468 in FY21 for law enforcement services, a 2% increase from the current year. The portion from the Local Option Sales Tax allocation for streets and police will be divided with 25% (estimated at \$17,719) to Police revenue and 75% (estimated at \$53,156) to streets (which is not included in above estimated income due to budgeting purposes – if it was, the difference would be -\$247,650). The 3<sup>rd</sup> year of the contract (2020-2021) with the Fayette County Sheriff's Office for Dispatching Services will be \$5,321, in which 75% of the amount (\$3,990.75) will be paid out of the police budget. We are budgeting \$6,600 (1/2 of the costs) for the annual server, firewall, network switch, wireless access points and IT support which will be shared with City Hall. The budget includes purchasing 3 in-car computers (\$4,500) and 2 in-car camera systems (\$8,400, however UIU will reimburse the city for one of the cameras) and the money will come out of the police departments savings account. Both squad car leases will be paid off in FY20. The FY21 budget includes leasing a new squad car. The police will use money from the savings account to outfit the new squad car with lights, sirens, etc. at a cost of \$15,000. Total savings used will be \$23,920 (which is not included in the above estimated income due to budgeting purposes – if it was, the difference would be -\$223,730). Other expenses included garage door repairs and 50% of the cost of a new security camera system (\$2,000).

**Fire:** Recommended expenses: \$35,660; Estimated income: \$15,101 (Difference of -\$20,559). Township levy is at its maximum asking of 40.5 cents per \$1,000 valuation which will bring in \$21,034.69. This amount is split as follows: Fayette Fire Dept. (67% \$14,093.24) & the Ambulance Dept. (33% \$6,941.45). We also get \$800 from the City of Randalia per year for fire protection (\$200 per quarter). We had charged the townships and Randalia an additional 20.25 cents on their levies to help pay off the costs of the 2012 tanker that we paid off in December 2017. Randalia should be the only one left paying their portion of the tanker off and will generate approximately \$150.44. This money will go back into the Fire Department.

**Ambulance:** Recommended expenses: \$131,920; Estimated income: \$127,250 (Difference of -\$4,670). We usually balance their budget because they usually bring in more revenue than expenses, unless they decide to purchase an expensive piece of equipment. This is the fifth year that the Service is budgeting \$21,000 to set back for future vehicle replacement. Any extra revenue transfers to their savings for the service to save for a future vehicle replacement or large expense.

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

**Streets:** Recommended expenses from RUT (Road Use Tax): \$280,955; Estimated income: \$165,000 (Difference -\$115,955). RUT (Road Use Tax) funds estimated at \$127 per capita (1,338), so estimated to receive \$169,926 from the State in FY21. We budgeted a little lower (\$165,000) to be on the safe side.

Recommended expenses from the General Fund: \$18,750; Estimated income: \$5,600 (Difference -\$13,150). Total Streets expenses: \$299,705; total estimated Streets income: \$170,600 (Difference -\$129,105). Estimating \$53,156 [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 -\$75,949). The budget includes replacing sidewalk steps at two intersections on College St. & S. Main Street (\$4,000), reconstruct the sidewalks, storm water drainage and street at King St. & Madison St. to make it safer (\$15,000), purchasing a new back blade (\$4,100) and repairing more roads than we normally do with slurry seal (\$100,000). The extra money will come out of RUT that the city has been saving for multiple years. Budgeting \$2,000 again for a part-time employee.

**Landfill/Recycling:** Landfill expenses: \$44,905; Estimated income \$45,000 (Difference of \$95); Recycling expense \$16,455; Estimated income \$16,500 (Difference of \$45). At the beginning of FY18, the Fayette County Solid Waste increased the landfill rates and we increased the rates on the utility bills. We are slightly adjusting landfill and recycling to make them balance better, without raising rates to the community because we are bringing in enough revenue. We will continue to monitor this in FY21 and make adjustments if needed.

**Yard Waste:** Recommended expenses \$11,480; Estimated income \$27,000 (Difference of \$15,520). The leaf pick-up still remains to be a very popular service. The Public Works Department employees spend many hours picking up leaves and hauling them. The yard waste site is locked and monitored when open by our Public Works employees, but we started a new check-out system. We will monitor the funds for this in FY21. We will continue to transfer \$5,000 from the Yard Waste fund to the Streets to save for a new Street Sweeper.

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

**Library:** Recommended expenses \$104,193; Estimated income \$14,820 (Difference -\$89,373). Changes include extra hours for part-time library employees as mentioned under CITY EMPLOYEE SUMMARY. We are budgeting to replace all the lights with LED lights (\$1,700).

**Park:** Recommended expenses \$25,005; Estimated income \$12,000 (Difference of -\$13,005). We are budgeting for a new tractor/mower (\$30,000) and splitting the cost with Recreation and Sewer making each department pay \$10,000. We are also budgeting \$4,000 for a new piece of play equipment for Klock's Island. We are raising the camping rates from \$10/night to \$12/night at the campground to help generate a little more revenue to cover all expenses, such as an increase in electricity.

**Recreation Board:** Recommended expenses \$47,670; Estimated income \$1,000 (Difference -\$46,670). The Rec. Board paid off the loan to the Bolger Fund for the 16-year Sports Complex loan in FY20. The portion from the Local Option Sales Tax allocation for Rec. is 30% (estimated at \$30,375), which is not included in above estimated income due to budgeting purposes – if it was, the difference would be -\$16,295. The Rec. Board budgeted to hire a part-time, seasonal employee, as mentioned under CITY EMPLOYEE SUMMARY. We are budgeting to pay the 2<sup>nd</sup> payment of \$10,000 to the UIU Recreation Center for 3 consecutive years (\$30,000 total) to assist with replacing the UIU Rec Center floor and other maintenance costs [in return, city of Fayette residents receive a 75% discount on Rec Center memberships]. We are budgeting for a new tractor/mower (\$30,000) and splitting the cost with Parks and Sewer making each department pay \$10,000. We budgeted to replace/repair the lights at Rainbowland Park including the Volleyball Courts (\$10,000). We budgeted to continue to host Music in the Park events and porta-potty rentals for Rainbowland Park and the Open Air Market. UIU contributes \$500 a year to help with electricity costs at the Sports Complex.

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

**Community and Economic Development: TIF, Bolger, 9 S. Main St., CDBG Rehab & RLF:**

**TIF:** Estimated expenses \$61,917; Estimated income \$61,917. This will be the last payment for the debt of the \$50,000 loaned to Decker (Blessings, no Ideal Industries) in 2006 (\$4,917). The TIF Rebate for FY21 to Cory & Melissa Hodapp for the condominium agreement we signed with them in 2013 will be \$29,000. This is the 4<sup>th</sup> FY we pay on the \$28,000 TIF Rebate to Colonial Manors of Fayette, Inc. (Memory Unit) that we signed with them in FY15. We file a TIF Debt Certificate by December 1st each year to the Fayette County Auditor letting her know the amount of funds that are required for the following fiscal year to pay off our TIF debt. The Decker TIF loan matures July 2020. 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.

**Bolger:** Estimated expenses \$46,200; Estimated income \$19,217. (Difference of -\$26,983) FY20 was the last payment from the Recreation (taken from the LOST income) for repaying the Bolger fund annually until the \$200,000 borrowed for the Sports Complex and Trail was repaid. The Lions Club is making payments of \$1,125 per year for the Sports Complex donation loan made to them in October 2005. FY21 will be their 16th payment (but I believe they are ahead of schedule). Expenses would include money for the Community Revitalization/Demo Program, sidewalk incentives and new construction incentives. A donation of \$1,200 to the Fayette County Fair and \$5,000 for new holiday bows for the streetlights are budgeted. Budget \$2,500 for Main Street Flowers, however, only \$1,000 of that will be money from the Bolger Fund. The remaining \$1,500 is only to pay back reimbursements from donations the city receives for the Main Street Flowers. Budgeted \$2,700 for Watermelon Day fireworks and porta-potties again. Budgeted \$1,000 to install a new electrical box on the back of the Fayette Fire Station to be used for events and celebrations held downtown.

**9 S. Main St:** Estimated expenses \$2,485; Estimated income \$4,150 (Difference of \$1,665). In FY19 we separated this from the Bolger Fund, so we can better track revenue and expenses. We are budgeting \$4,000 from rent of 9 S. Main Street. Expenses would include insurance, utilities (if it remains empty), property taxes and any other costs.

**CDBG LMI Housing Rehab Grant:** Estimated expenses \$251,890; Estimated income \$251,790 (Difference of \$100). This should balance because we are reimbursed through a grant. In FY19 we were awarded this grant. In case things get pushed back to FY21, in which it looks like it will, we will have it budgeted. The grant pays for 100% of this project to rehab homes owned by low-to-moderate income residents.

**Revolving Loan Fund (RLF):** Estimated expenses \$93,000; Estimated income \$202,300. In FY19 we were awarded a grant that pays approximately 49% of any RLF that we award to small businesses (that meet necessary requirements). We received an extension on the grant through FY20, but I doubt we will receive another extension however, I did budget for it.

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

**Council & Mayor:** Recommended expenses \$14,573 for wages, trainings/meetings and insurance. Budgeted \$3,500 for a facilitator, engineer and financial advisor to assist the city with a Capital Projects Plan.

**Legal:** Recommended expenses \$5,000.

**Election:** Recommended expenses \$1,275 budgeted. There should not be a city election in FY21, but in case we need a special election for any reason, we will have it budgeted.

**Administrator/Clerk's Office (P&A):** Recommended expenses \$75,520. Recommending giving \$600 to Helping Services of Northeast Iowa and \$550 to Northeast Iowa Community Action as we did the past 3 years. Recommending giving \$250 to the Turkey River Watershed Management Authority Board per their request, which was a new expense for FY20. It is unsure with the new Fayette County Economic Development contract how much will be asked to participate, so we budgeted \$2,000. Budgeted \$6,600 (1/2 of the cost) for a new server, firewall, network switch, wireless access points and IT support which will be shared with the Police Dept. Budgeted 50% of the cost of a new security camera system (\$2,000).

## **Business Type Activities (Enterprises): Sewer and Water Utilities:**

**Sewer (Wastewater Treatment):** Recommended expenses \$231,950; Estimated income \$287,700 (Difference \$55,750). Expenses include paying on the loan to the State Revolving Loan Fund (SRF) for the Sewer lagoon project and the spot repairs/sewer lining. We are budgeting for a new tractor/mower (\$30,000) and splitting the cost with Parks and Recreation making each department pay \$10,000.

We will also be budgeting to transfer \$117,000 out of the sewer fund to pay on the loan to the State Revolving Loan Fund (SRF) for the Sewer lagoon project and the spot repairs/sewer lining (FY19). We are also budgeting to transfer \$75,000 out of the sewer fund to pay for the sewer portion of the Water Street project that we are hoping to start in FY21. If you add these extra expenses in to the above amounts, the overall difference would be -\$136,250, however, this is money we currently have been saving in the sewer fund.

**Water Utility:** Recommended expenses \$238,975; Estimated income \$240,100 (Difference \$1,125)

Budgeted \$21,000 for maintenance on Well #3 which should be done about every 6 years. Budgeted \$40,000 to paint the outside of the water tower, however, we may not do this until we can find out what is causing the stains. There are always the unexpected water main breaks that we budget a little extra for.

We are also budgeting to transfer \$150,000 out of the water fund to pay for the water portion of the Water Street project that we are hoping to start in FY21. If you add these extra expenses in to the above amounts, the overall difference would be -\$148,875, however, this money we currently have been saving in the water fund.

**Water/Sewer Capital/Administration:** Estimated income \$50,000. This is a new 2%/month usage fee on all active utility bills that we started when we went to monthly billing in March 2019. It started as a \$10 flat fee but was later changed to 2% of the water usage used. By making this change, we are estimating about a \$4,000 decrease in revenue received.

**Storm Water Utility:** Recommended expenses \$25,000; Estimated income: \$6,900 (Difference of -\$18,100). 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 charge \$1.00 per month on all city utility bills. We have a little over \$25,000 in the fund and we are budgeting to spend that in repairing and lining storm water lines near Upper Iowa University that have been getting worse. The project could cost up to \$135,000, so we may need to use money from another fund.

## **Capital Projects: Replace Radio Tower South of Town and Water Street**

**Radio Tower:** Recommended expenses \$15,000. Budgeted \$15,000 to replace the tower south of town. The Fayette County E911 Board in the past indicated they may be interested in splitting the cost, depending on the research they receive back from where the new radio towers would need to be placed. Unknown how much it would cost, but this is a start. We budgeted for this in FY19 & FY20 but we are waiting to find out if it will be needed or not, depending on the route the Fayette County E911 Board takes on the future of the radio system in Fayette County. We are transferring this money from the General Fund, so if we do not need this money for a new tower, we may use it for another project.

**Water Street Project:** Recommended expenses \$900,000. Budgeted to transfer \$675,000 out of the Street: Road Use Tax fund, \$150,000 out of the Water fund and \$75,000 out of the Sewer fund. The hope is to replace Water Street from HWY 150 to S. Main Street and upgrade the Water lines from 4 inch to 6 inch lines, add some sewer lines to places there are not any and hopefully upgrade the storm water lines to make them larger. Part of this rough estimate is from an Engineer a few years ago, however, an Engineer will need to provide us another estimate. The council may also decide to borrow money for this project, however, I believe the city may have enough money to finance if not all, then most of the project. Again, this depends on the new Engineer estimates.

**Summary:**

Total FY 2021 Estimated Budget Revenues \$3,426,633  
Total FY 2021 Estimated Budget Expenditures \$4,336,592  
Difference -\$909,959

The city is budgeting to spend money it has been saving for multiple years to complete some projects and purchases. We are estimating about \$900,000 for the Water Street project and using money that has been saved in the Street: Road Use Tax fund, Water fund and Sewer fund. We are budgeting to make some sidewalks and streets better and safer. It is great to save money, but eventually you need to choose projects and purchases to spend the money to keep improving the City of Fayette. We also budgeted for \$26,000 out of the Bolger fund for incentives (economic development, new construction, sidewalks, demolitions, etc.) that we may not spend.

Other purchases include car cameras and in-car computers for the Police Department. They had in-car computers donated to them, which is a big cost savings to the city, however, there are extra costs to get them implemented and they plan on using money from their savings. Purchasing a security camera system for City Hall and the Police Department is also budgeted. Purchasing a new tractor/mower for the Parks, Recreation and Sewer. Purchasing some new equipment for Klock’s Island Park and Campground, repairing the lights at Rainbowland Park, and hiring a part-time, season employee to help with getting more Recreational programs going in Fayette.

**FINAL THOUGHTS:**

The Annual Budget Estimate is just that. 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 the expenditures, doesn’t mean we have to spend the money. We should all be proud of Fayette. The City has saved money for years and now we have a game plan on how to spend some on improving Fayette.

**The total tax asking will be \$13.90998 for FY 2021. The levy will be up \$0.17594 cents.**

History of tax levies for Fayette:

FY 2020 \$13.73404	FY 2019 \$14.28785	FY 2018 \$15.13614
FY2017 \$14.43223	FY 2016 \$14.38162	FY 2015 \$14.59214

Kris McGrane  
City Administrator/Clerk  
February 16, 2020