

February 15, 2024
Tipton Fire Station
301 Lynn Street
Tipton, Iowa

The City Council of the City of Tipton, Cedar County, Iowa, met in special session at 5:30 p.m. Mayor Goerdts called the meeting to order. Upon roll being called the following named council members were present: Cummins, Johnston, and Helm. Absent: Welker and Paustian. Also present: Wagner, Armstrong, Lenz, Nash, DuFour, Walsh, Ratliff, Beck, Smith, Dodson, S. Paustian, other visitors, and the press.

Agenda:

Motion by Johnston, second by Helm to approve the agenda as presented. Following the roll call vote the motion passed unanimously.

City Business:

1. FY 2022-2023 Budget (*discussion only*)

FY 2024-2025 Budget Highlights

The city's current tax rate is \$16.892. Within are two budget scenarios. Both show decreases in the tax rate. Option 1 has a tax rate of \$16.365. Option 2 has a tax rate of \$16.136.

Option 1 refers to the Hinson study. The study's goal was to look at wages of similar sized communities and try to close the gap as much as possible between us and those communities. Another goal of the study was that the outcome would help retain the current employees we have while help us fill the vacancies. The full Hinson study was adopted in Option 1.

Option 2 shows a 5% increase from current City wages for all employees while adopting the Hinson study wage scale that was proposed. The 5% increase overall has a lower financial impact so the excess funds were able to be put towards the Police, Library and Finance & Administration CIP to help pay for projects sooner than anticipated.

Budget Details

There were some major challenges in the proposed budget. Some of those challenges were the result of legislation that became effective for FY 24-25.

Rollback

The current rollback percentage for FY24 was 54.6501%. The new one is 46.3428%. In our budget training they told us this is the largest change ever from one year to the next.

Currently a property worth \$100,000 has a taxable valuation of \$54,650. In FY25 the taxable valuation on \$100,000 is \$46,343. That is a drop of \$8,307.00 in taxable valuation for every \$100,000 in residential valuation. That is a decrease of 15.20% in taxable valuation.

Multi-Family Property

This is a change which was voted a couple of years ago and effective for FY25:

- Multi-family Property used to be taxed as a Commercial Property. For a property worth \$200,000 the commercial taxable valuation is \$180,000 (90%). These properties are now taxed as Residential Property. For a property worth \$200,000 this will make the taxable valuation \$92,685.60 (46.3428%). That is a drop of \$87,314.40 in taxable valuation for each \$200,000 in valuation. That is a decrease of 48.51% of the taxable valuation.

Other changes made with House File 718 in 2023:

- Increased Homestead Credit & Exemption for seniors. In FY25 there will be a Homestead Exemption of \$3,250 for individuals 65 and over. Starting in FY26 it is going up to \$6,500. Previously the Homestead was just a Tax Credit. This Exemption removes the \$3,250 from the taxable valuation. Seniors do not need to apply; it should be automatically applied.
- Increased Military Exemption. The current Military Exemption is \$1,852. It is being raised to \$4,000. This will remove this amount from the taxable valuation.
- The first \$150,000 in Business Property valuation will have its taxable valuation calculated as residential property. For a Business Property worth \$300,000 the current taxable valuation is \$270,000 (90%). With this change a property worth \$300,000 will now have a taxable valuation of \$204,514.20 (using 46.3428% and 90%). That is a drop of \$65,485.80 in taxable valuation. That is a decrease of 24.25% of the taxable valuation.
- The State of Iowa has combined several previously permitted city levies into one City Rate Consolidation. One levy that was in this list that we have consistently been using is the Emergency levy. The elimination of this levy is a loss of an average of \$32,000 in the general fund.
- The State of Iowa has set new rules to try and control city levies. They say it is to try to keep cities at the \$8.10 or below. The new rules ratchet down the City Rate for cities showing growth in their taxable valuation of over 3%.
 - If the Non-TIF taxable growth is over 3.0%, but less than 6.0% the State of Iowa is constraining growth by a reduction factor of 2%.
 - If the Non-TIF taxable growth is over 6.0% the State of Iowa is constraining growth by a reduction factor of 3%. This is the category we fell into this year.
- The State of Iowa has not eliminated cities' ability to levy for insurance costs, employee benefits, or debt service.

In addition to the General levy, the city is also utilizing the following levies:

- Debt Service – The City levies for the debt service funds necessary to make our annual payments.
- The Liability, property, and self-insurance costs - The City Insurance policy is estimated to increase by 15%. This has increased premium amounts across all budgets. This allows the City to levy for the General Fund amount of these expenses.

- Support of a Local Emerg. Mgmt. Comm. - The city is charged an EMA assessment fee annually. We utilize this levy for this fee. This year the fee is \$15,745 and accounts for \$0.12215 of the levy.
- Ag Land – The City can certify taxes to be levied by the county on land assessed for agricultural purposes. Like the 8.10 levy, the city cannot exceed a certain dollar amount set by the State.
- FICA & IPERS – The City levies for the employer’s share of the General Fund costs of FICA & IPERS.
- Other Employee Benefits – The City also levies for the employer’s share of the General Fund costs of the City’s benefits plan. We were advised by North Risk Partners to estimate a 5% increase for health insurance benefits to have enough in the budget to offset any increased costs.

Budget option 1 – Full Hinson study adopted

The current tax rate is 16.892. The proposed tax rate for option 1 for FY 24-25 is \$16.365. The chart below shows an estimate of how much the \$16.365 tax rate would impact a residential property. This would be a \$0.527 tax rate decrease per \$1,000 of assessed value. The table below shows an example of how the decrease could impact the residents. In each case, the amount of the proposed decrease is 3.169%.

Tax Rate for FY 24-25 at \$16.365				
Assessed Value	Rollback	FY 23-24 Tax Obligation (city only)	FY 24-25 Tax Obligation (city only)	Difference
\$ 100,000.00	46.34%	\$ 923.17	\$ 758.44	\$ (164.73)
\$ 150,000.00	46.34%	\$ 1,349.30	\$ 1,137.66	\$ (211.64)
\$ 200,000.00	46.34%	\$ 1,799.07	\$ 1,516.87	\$ (282.20)

Budget option 2 – 5% wage increase for all employees with proposed Hinson scales

The current tax rate is 16.892. The proposed tax rate for option 2 for FY 24-25 is \$16.136. The chart below shows an estimate of how much the \$16.136 tax rate would impact a residential property. This would be a \$0.756 tax rate decrease per \$1,000 of assessed value. The table below shows an example of how the decrease could impact the residents. In each case, the amount of the proposed decrease is 4.577%.

Tax Rate for FY 24-25 at \$16.136				
Assessed Value	Rollback	FY 23-24 Tax Obligation (city only)	FY 24-25 Tax Obligation (city only)	Difference
\$ 100,000.00	46.34%	\$ 923.17	\$ 747.79	\$ (175.38)
\$ 150,000.00	46.34%	\$ 1,349.30	\$ 1,121.69	\$ (227.61)
\$ 200,000.00	46.34%	\$ 1,799.07	\$ 1,495.59	\$ (303.48)

As a reminder, when you look at your tax statement, you are seeing the total for all taxing entities including the City, School, and County. The estimates above only concern the City's share of the total tax bill.

PILOT Details

The Department of Management has encouraged cities to have consistent transfer percentages across utility accounts. The FY 24-25 budget includes an 6.75% PILOT (payment in lieu of taxes) from each of the utility account. This is the same PILOT percentage as the current FY 23-24 budget.

CIP Details

This is the fifth year that we have included CIPs from each department in the budget. The goal of the CIPs is to identify projects or reoccurring equipment expenses that can be saved and planned for to help show the Council the vision and game plan each department has. In years past, there have been some projects that have occurred prior to having the funding saved up. The CIP acted as a loan for those departments. The departments then repay the costs of the project over time. The concern with this method is it ties up General Fund cash and it also prevents those departments from being able to save for other projects due to having to repay the loan. Departments that have purchases that fall under that category this year includes the Police Department.

Below is a list of proposed purchases:

Police Department

\$8,000 – duty handguns with tactical lights

Fire Department

\$17,000 – turnout gear

\$20,000-air bags

Ambulance

\$7,200 – HVAC repairs

\$15,000 – living quarters addition (this will be explained more at the budget workshop)

Library

\$26,000 – boiler **(if budget option 2 is approved)**

\$30,000 – roof repair **(if budget option 2 is approved)**

\$3,000 – back entrance repair

There are three departments within the General Fund that have had their CIP funded by LOST. They include:

Park

\$9,000 – playground replacement (subject to grant funds received)

Aquatic Center

\$1,450 – chemical pumps

\$500 – deck chairs

\$4,000 – auto pool vacuum

Economic Development

\$500 – veteran pole banners misc. costs

\$1,500 – mural/art project

\$3,500 – Christmas decorations

The utility departments CIPs include:

Water

\$350,000 – Advanced Metering Infrastructure (AMI) is a system that provides the ability to remotely read water, gas and electric meters with a common AMI platform through the utility's financial system.

Wastewater

\$50,000 – AMI contribution

Electric

\$40,000 – Pickup truck

\$30,000 – LED streetlight conversion

\$276,755 – AMI

Gas

\$ 300,000 – AMI (internal loan from general fund & water fund (split 50/50) to offset costs)

\$16,000 – Laser leak detector

Storm

\$145,052 – north north plum road work

\$20,000 – Pipe lining & I&I mitigation

Central Garage

\$61,500 – flatbed truck

\$12,000 – scanner to read codes for larger trucks

Administrative Services

\$8,000 – Laserfiche Software/Training

Adjourn:

With no further business to come before the council a motion to adjourn was made by Johnston, second by Cummins. Following the roll call vote the motion passed unanimously.
Meeting adjourned at 6:30 p.m.

Mayor _____

Attest: _____
City Clerk