

ADMINISTRATOR/CLERK'S REPORT FY 2022 - 2023 BUDGET

The city's 100% valuation has increased \$3,099,612. Regular taxable value is up from \$27,240,849 to \$27,552,594 (an increase of \$311,745), 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. 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, 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 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



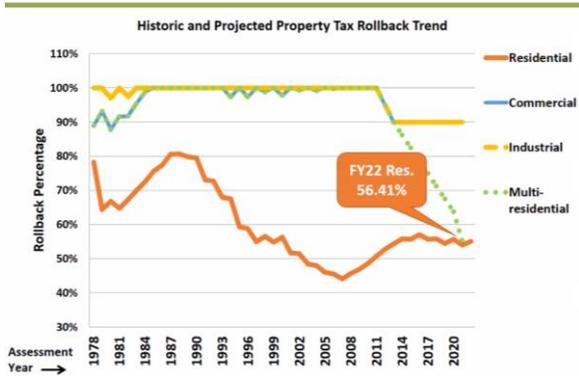
Backfill History:

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 \$1,076.10 more for the Ambulance & Fire Departments. They all have paid their final payments for the fire tanker. (Below are last year's 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, 2021

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 2022/2023:

*Outstanding GO Bonds/Notes/Debt Applicable to Debt Limit June 30, 2021:
(see below for break-down)

25% of \$501,753 for Emergency:

\$50,631,254

x 5%

2,531,563

- 2,029,810*

501,753

- 125,438

\$376,315

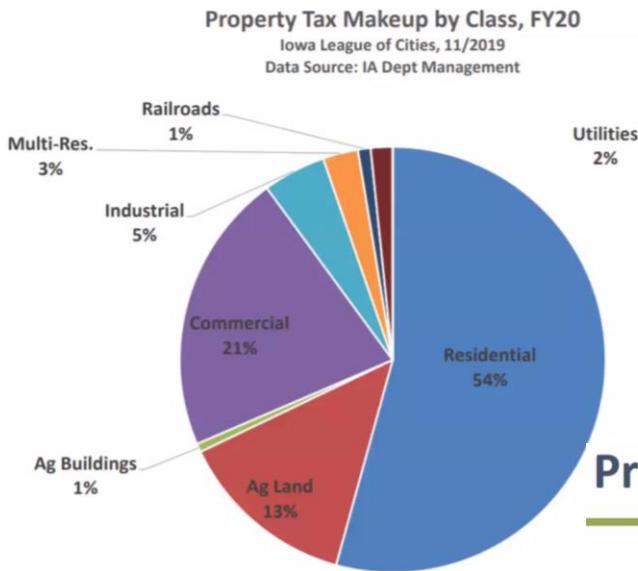
G.O. Bonding Capacity to Use:

*Outstanding GO Bonds/Notes/Debt June 30, 2021 Breakdown:

TIF #4 - Hodapp Dev.	184,669
TIF #5 - Colonial Manors Memory	28,000
SRF-2015 Sewer Loan	913,000
SRF-2018 Sewer Repair/Lining Loan	363,000
SRF-2019 Sewer Extra Repair/Lining Loan	24,000
2020 Police Tahoe Lease	20,651
2021 W. Water St. Project Loan/Note	496,490
Balance	\$2,029,810*

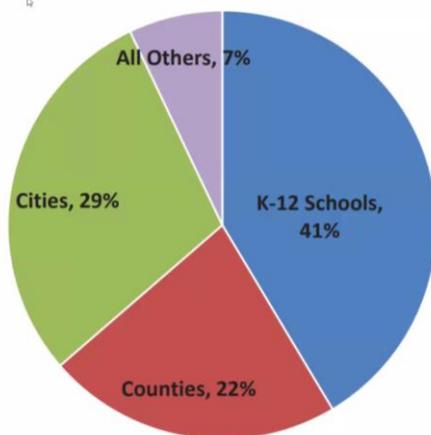
Here are additional informational graphs (not specifically for Fayette, but averages for all cities in Iowa):

Property Tax System Basics

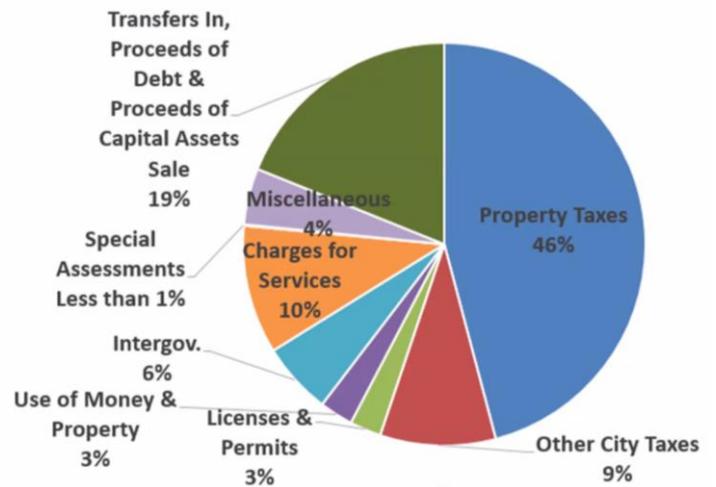


Property Tax System Basics

Property Tax Revenue by Class

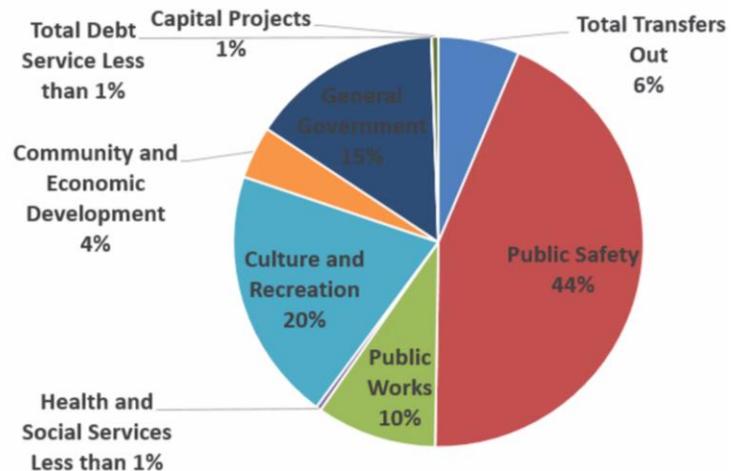


City General Fund Revenues by Category FY20 (Budgeted) All Cities



Expenditures

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



FY2023 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 \$217,235 in property taxes.

Liability, Property & Self Insurance: We will levy separately for general fund insurance. For FY23 it will be \$0.72980 and will bring in approximately \$19,573 to help pay the total estimated amount of \$20,108.

Emergency Management Support: We will levy separately for Emergency Management support. For FY23 it will be \$0.16169 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 \$394.

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 FY23 it will be \$2.11650, which will bring in approximately \$56,763 to help pay the total amount of \$58,315.

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 FY23 it will be \$3.09140, which will bring in approximately \$82,909 to help pay the total amount of \$85,176.

For the current FY22, our Special Revenue was \$4.20243 and for FY23 it will be \$5.2079. A variety of reasons increased this including hiring a 4th full-time public works employee, paying for Public Works Director Jerry Hildebrand's health insurance retirement package, changing the Deputy Clerk from a part-time to a full-time position, employee raises, and an increase in health insurance premiums. We are not levying the full amount we can levy for, which is approximately \$5.63.

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. To help with the loan payment, 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 payment. The more reserves or revenue the city uses, the less they have to levy under the Debt Levy. For FY23 the city will use \$30,000 of Road Use Tax funds to use towards the payment. That will make the total debt service levy \$0.17994, which will bring in approximately \$4,998 to help pay the total payment of \$35,130.

TOTAL LEVIES: \$14.37933 [Current FY22: \$13.95265, an increase of \$0.42668]

CITY EMPLOYEE SUMMARY:

Consensus of the Personnel and Finance Committees are to discontinue the Employee Wage Scale for all the full-time employees and stick with a 2.2% increase for all full-time employees, except for Public Works Director Jerry Hildebrand whose wage was frozen in FY21 at \$67,238 until he retires in November of 2022. Employees receiving the 2.2% increase include: Annette Butikofer (\$34,679.54), Ben Davis (\$55,777.50), Nicole Ball (\$46,447.86), Olivia Hake (\$45,044.85), Charles Cunningham (\$46,447.86), Adam Hildebrand (\$56,885.33), Jacob Palmer (\$44,855.76), Mark Jencks (\$42,525.83), and Kris McGrane (\$58,433.32). Both committees approved giving both part-time employees a 6% raise: Michelle Whitlock (\$12.826/hour) and Alyssa Dean (\$10.4198/hour). The Finance Committee budgeted for Deputy Clerk Nancy Creery to transition from part-time to a full-time position at \$16/hour (37% Water, 51% Sewer & 12% P&A) due to the increasing work duties and responsibilities at City Hall. A seasonal, part-time employee was budgeted for the Recreation Board to help with summer activities and events. A few part-time reserve officers for the police department was also budgeted. The finance committee took Jerry's recommendation to transition all the public works employee's wages and benefits from 32.83% Water, 32.83% Streets, 32.84% Sewer and 1.5% Yard Waste to 31% Water, 31% Streets, 31% Sewer, 5% Parks and 2% Yard Waste. The finance committee budgeted to cash in the Sewer CD of \$25,000 to use to pay Jerry Hildebrand's vacation and sick pay-out at a maximum of \$22,534.52 when he retires.

The Finance Committee approved a cost-of-living allowance increase of 1.5% for all full-time employees, including Jerry Hildebrand (\$68,929.04), Annette Butikofer (\$35,199.73), Ben Davis (\$56,614.17), Nicole Ball (\$47,144.57), Olivia Hake (\$45,720.53), Charles Cunningham (\$47,144.57), Adam Hildebrand (\$57,738.61), Jacob Palmer (\$45,528.60), Mark Jencks (\$43,163.72), and Kris McGrane (\$59,309.82). The U.S. Consumer Price Index increased 6.3-7.0% from Dec. 2020 to Dec. 2021. The U.S. Employment Cost Index increased 2.6% from Sept. 2021 to Dec. 2021. Social Security & Supplemental Security Income benefits will increase 5.9% in 2022.

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, and most cities do this.

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 January 1, 2022, the city changed so the new health insurance premiums take effect on January 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 \$13,326.11 (1/3 out of Water, Streets and Sewer) to pay for the single health insurance premium for Jerry Hildebrand from December 2022 through the end of the fiscal year (June 2023) as well as fund down the deductible and out-of-pocket maximum of \$7,000 as a retirement package. The city will continue the retirement package for Jerry until August of 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: \$93,305; Estimated income: \$66,071 (Difference of -\$27,234). Township levy is at its maximum asking of 40.5 cents per \$1,000 valuation which will bring in \$23,367.90. This amount is split as follows: Fayette Fire Dept. (67% \$15,120.49) & the Ambulance Dept. (33% \$7,447.41). We also get \$800 from the City of Randalia per year for fire protection (\$200 per quarter). We had previously 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, but in FY2022 all the townships and Randalia have paid off their balances. 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: \$138,025; Estimated income: \$138,025 (Difference of \$0). We usually balance their budget because they usually bring in more revenue than expenses unless they decide to purchase an expensive piece of equipment. The service purchased a new ambulance in 2021 and this will be the seventh year that they will continue to budget extra money to set back for future vehicle replacement (\$19,739). Any extra revenue transfers to their savings for the service to save for a future vehicle or large expense. 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.

Police: Recommended expenses: \$459,612; Estimated income: \$290,893 (Difference of -\$168,719). We will be in the 6th year of a contract with UIU to provide law enforcement services. Upper Iowa University is expected to pay the City of Fayette approximately \$107,648 in FY23 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 \$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 -\$150,344). The contract with the Fayette County Sheriff’s Office for Dispatching Services is currently under negotiations with the Fayette County Supervisors and will be the same as last year’s amount, \$5,321; however, we budgeted \$3,990.75 (75% of FY22’s total payment of \$5,321, the other 25% comes out of the ambulance budget). We are budgeting to use \$16,000 out of Police savings to purchase new laptops. We budgeted to trade in one squad car and lease two new squads, one outfitted for the K9. Two in-car cameras are budgeted; however, one will be paid for by the GTSB grant. New radios/pagers were budgeted for the 2 new squads. Training increased to \$18,000 to cover K9 trainings. It is unknown what to expect for revenue from the new speed traffic cameras. We budgeted \$150,000.

Emergency Management: Recommended expenses: \$4,455; Estimated income: \$4,336 (Difference of -\$119). A 4% increase will take effect in FY23. We will levy for \$0.16169, which will help bring in \$4,336.

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

Streets: Recommended expenses from the RUT (Road Use Tax) is \$199,301; Estimated income: \$156,500 (Difference -\$42,801). We budgeted a low \$155,000 for RUT funds to be on the safe side. We budgeted to use \$30,031 to pay the \$35,130 loan payment for the 2021 W. Water St. project so we could keep the Debt Levy low. Recommended expenses from the General Fund: \$30,474; Estimated income: \$1,570 (Difference -\$28,904). Total Streets expenses (including Employee Benefits): \$271,030; total estimated Streets income: \$158,070 (Difference -\$112,960). 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 -\$57,835). The budget out of the General Fund includes \$6,000 for a new sander. We budgeted for the Tree Board to spend the \$570 in their savings. The budget also includes expenses to assist with uniforms, trainings, utilities, vehicle maintenance, building maintenance and street maintenance.

Landfill/Recycling: Landfill expenses: \$42,205; Estimated income \$44,000 (Difference of \$1,795); Recycling expense \$15,455; Estimated income \$18,000 (Difference of \$2,545). 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 \$16,210; Estimated income \$10,500 (Difference of -\$5,710). 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 FY23 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 \$126,281; Estimated income \$18,215 (Difference -\$108,066). The budget doesn't include any large expenses.

Park: Recommended expenses \$29,540; Estimated income \$12,000 (Difference of -\$17,540). In FY21 we raised 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. We budgeted \$1,400 to clean the septic tank at the campground.

Recreation Board: Recommended expenses \$37,970; Estimated income \$11,000 (Difference -\$26,970). 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 \$4,530. The Rec Board once again budgeted to hire a part-time, seasonal employee. 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 are budgeting to use \$10,000 of the savings for a possible dog park.

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

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

TIF: Estimated expenses \$30,000; Estimated income \$30,000. The TIF Rebate for FY23 to Cory & Melissa Hodapp for the condo. agreement we signed with them in 2013 will be \$30,000. About \$17,505 will be paid to Cory & Melissa Hodapp and the remainder will be transferred to the TIF LMI fund. We must make these payments out of the Debt fund, so we transfer the funds to the Debt fund. This will be the final year for the Hodapp TIF and we have no other TIF agreements. 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. 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 \$70,609; Estimated income \$12,495 (Difference -\$58,114). We budgeted to spend all the TIF LMI funds to purchase a Homes for Iowa home to be sold to a LMI (low to moderate income) family.

Bolger: Estimated expenses \$172,402; Estimated income \$15,500. (Difference of -\$156,902) 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/Community Garden, however, \$1,000 of that will be a donation from the city out of the Bolger Fund for the downtown flowers and \$500 will be a donation to the community garden. The remaining \$1,000 is only to pay back reimbursements from donations the city receives for the Main Street Flowers/Community Garden. Budgeted \$2,700 for Watermelon Days fireworks and porta-potties. We budgeted \$20,000 to remodel/demo the old Tourism home at 606 W. Water St. We budgeted \$66,000 for the Homes for Iowa project and a portion of that will be reimbursed back into the Bolger fund when the home sells.

9 S. Main St: Estimated expenses \$3,150; Estimated income \$3,150 (Difference of \$0). 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 have a tenant and will hopefully keep the tenant throughout FY23. Expenses include insurance, utilities (if it becomes vacant), property taxes and any other costs.

Homes for Iowa Home: Estimated expenses \$81,000; Estimated income \$81,000. We are purchasing a Homes for Iowa home with our TIF LMI funds to be sold to a LMI family. This project is to develop the land at 207 Alexander Street for the house. The funds will come from the Bolger fund and be repaid back when we sell the house.

Revolving Loan Fund (RLF): Estimated expenses \$100,000; Estimated income \$100,750. 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 \$18,622 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 \$1,075 budgeted. There will not be a city election in FY23 but we budget in case we need to hold a special election.

Administrator/Clerk's Office (P&A): Recommended expenses \$78,124. 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, which was a new expense in FY20 and \$2,000 for the Fayette County Economic Development and Tourism. Budgeted \$4,000 for the remainder balance due for codification services and \$500 to scan in old, large maps that are falling apart.

General Income: We will start to receive hotel/motel tax funds in 2022 (the end of FY22) but we have no idea how much revenue to expect. We only budgeted \$3,000 to be conservative. Half of these funds must be spent for tourism/recreational/etc. and the remainder may be spent however the city council wishes.

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

Sewer (Wastewater Treatment): Recommended expenses \$299,650; Estimated income \$331,400 (Difference \$31,750). Expenses include paying on the loan to the State Revolving Loan Fund (SRF) for the Sewer lagoon project and the spot repairs/sewer lining. The budget doesn't include any large expenses.

Water Utility: Recommended expenses \$326,171; Estimated income \$249,050 (Difference -\$77,121)
We budgeted \$27,500 to check the equipment and make any repairs at Well #2. We budgeted \$65,000 to paint the outside of the water tower. We have reached out to UIU to inquire if they want to help pay for painting the water tower as they did the last time in 2009.

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. We do not have any projects for this fiscal year to spend these funds.

Storm Water Utility: Recommended expenses \$2,500; Estimated income: \$6,800 (Difference of \$4,300). 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: Radio Tower, W. Water Street Project, and American Rescue Plan

Radio Tower: Starting in FY19 we budgeted to transfer \$15,000 each year to go towards replacing the radio tower south of town. We recently discovered it would be too costly to replace the tower and the city would not see enough revenue to make it worth it. We are no longer budgeting to set money aside for this tower.

W. Water Street Project: We are not budgeting for this project in hopes it will be completed before FY23.

American Rescue Plan: 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. The city of Fayette is estimated to receive approximately \$215,463. There are specific items and projects this money must be spent on. We have budgeted to spend these funds in FY23, although we do not have a specific project in mind yet and the city council will discuss project ideas this year.

Summary:

Total FY 2023 Estimated Budget Revenues \$2,473,967

Total FY 2023 Estimated Budget Expenditures \$3,079,529

Difference -\$605,562

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 \$63,000 for incentives (economic development, new construction, sidewalks, demolitions, etc.) that we may not spend, \$66,000 for a new Homes for Iowa home that will be partially reimbursed when we sell the home and \$20,000 to remodel/demo the old Tourism home at 606 W. Water Street. We also budgeted \$100,000 to loan out to a business, if needed, with the Revolving Loan Fund. We are budgeting to spend the American Rescue Plan funds totaling \$215,463. We are also budgeting to spend quite a bit of the Fire, Ambulance and Police savings for the new radios/pagers when the new Fayette County E-911 radio towers are updated.

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 the expenditures, doesn't 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 \$14.37933 for FY 2023. The levy will be up \$0.42665 cents.

History of tax levies for Fayette:

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 3, 2022