



**AGENDA**  
**CITY OF CEDAR FALLS, IOWA**  
**COMMITTEE OF THE WHOLE MEETING**  
**MONDAY, FEBRUARY 19, 2024**  
**5:25 PM AT CITY HALL, 220 CLAY STREET**

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**Call to Order**

**Roll Call**

1. Railroad Crossing Elimination (RCE) Grant Application 2024 – Potential regional application: Cedar Falls, Butler County, & Shell Rock.  
(25 Minutes, Planner I Chris Sevy)
2. Budget Presentation.  
(60 Minutes, Director of Finance & Business Operations Jennifer Rodenbeck)

**Adjournment**

# Federal Railroad Crossing Elimination Grant

*Proposed Rail Removal and Restoration of Streets Along CFU Rail Spur*



# Federal Railroad Crossing Elimination Grant

## *RCE Grant Program Details*



U.S. Department of Transportation

**Federal Railroad Administration**

- Infrastructure and Investment Jobs Act of 2021
- \$573M annually (over 5 years) for railroad crossing elimination projects nationwide
- 20% match required (20/80 Grant)
- Administered by the Federal Railroad Administration
- Eligible applicants are units of local government from (City, County, MPO)
- Our application submitted last year was not chosen for funding

# Federal Railroad Crossing Elimination Grant Proposal



- Removal of rail
- Purchase of lands and right-of-way from IANR
- Restoration of right-of-way
- Closure of floodwall at 7<sup>th</sup> and Grove
- Repurpose the rail bridge over Dry Run Creek by HWY 58

# Federal Railroad Crossing Elimination Grant

## *Benefits*

- Public Safety Benefit: Crossings and operational hazards eliminated
- Economic: Save \$\$ on future pavement management items including 5<sup>th</sup> Street
- Economic: Free up underutilized lands for redevelopment Downtown
- Community Resilience: Lower flood risk
- Recreational: Improved trail connectivity to Downtown



# Federal Railroad Crossing Elimination Grant

*Benefits (cont'd)*



# Federal Railroad Crossing Elimination Grant

*Why eliminating the CFU Spur makes sense*

- Primary purpose of the Spur was to receive coal which is now federally restricted to no more than 10% of annual energy output.
- Last shipment was received in 2010 and CFU currently has enough coal stocked up to last up to two decades given the rate of allowable usage.
- There are less intrusive methods of arranging for reception of coal at CFU through last-mile service from a nearby rail yard.



**Bottom Line: Direct rail service to CFU is past its useful life**

# Federal Railroad Crossing Elimination Grant

## *Cost/Benefit*

### Full Cedar Falls project cost: \$13M

- Cost to City: \$1.3M
- Cost to IANR: \$1.3M
- Federal Funding: \$10.4M

### Quantifiable Benefits

- \$2.6M value in land acquisition
- \$5M savings in pavement management projects downtown
- \$.33M in other improvements





# Federal Railroad Crossing Elimination Grant

## Additional Potential Partners Added to the Project:

- Grant is very competitive
- To improve our grant application for the next round of funding, we are in discussions with Butler County and the City of Shell Rock
- Demonstrate a corridor approach: elimination of both urban and rural crossings to enhance safety and improve efficiency
- Relocation of the rail asset to Butler County
- Costs associated with that part of the project will be split between IANR and the local governments where the work will be done.
- INRCOG and IANR are assisting Butler County and Shell Rock to prepare documentation.
- 28E Agreement will be needed to manage the grant between the various jurisdictions, if awarded.



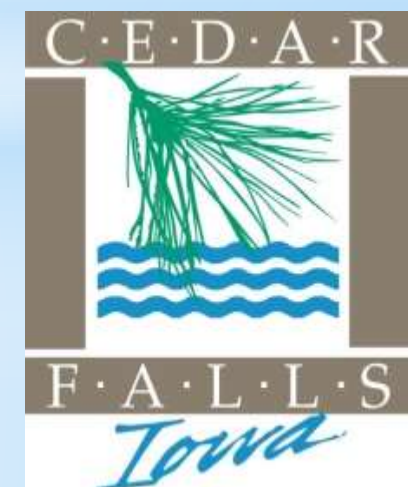
# Federal Railroad Crossing Elimination Grant

- Staff requests City Council consensus to proceed in preparing an application for the Federal Railroad Crossing Elimination Grant for the next round of funding.
- Questions?



# City Council Committee of the Whole

February 19, 2024



# ***FY 25 Budget Presentation***

## ***Committee of the Whole***

### ***February 19, 2024***



# ***Budget Process***

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- October/November: Departments submit their budget requests to Finance.
- November/December: City Council holds goal setting session that outlines budget goals (cash reserves, budget limits, TIF, CIP, debt, and priorities)
- December: TIF certification
- December/January – Review and approve CIP

# Budget Process

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- January: Black Hawk County certifies valuations & Finance finalizes revenues
- February: City Council holds a budget worksession to set the proposed levy rate and the date of the special budget hearing (New requirements under HF718)
- March: The County sends a letter to all taxpayers which includes the maximum proposed total rate that the Council set and the date of the special hearing. (New requirements under HF718)

# *Budget Process*

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- April: The Council will need to hold two public hearings
  - **Public Hearing on the Proposed Property Tax Rate (Special time from regular City Council meeting – new requirement under HF718)**
  - **Public Hearing on Budget Adoption**
- By April 30<sup>th</sup>: Budget filed with County & State of Iowa

# Budget Challenges

- Loss of Backfill funds to General Fund
- Employee Pay & Benefit Costs
- Rollback and Tax Burden Shifts
- Capital Projects – Increased Costs
- Operating Expenses – Increased Costs
- Consolidated Dispatch
- **HF718 and consolidated levy**



# ***HF718 Background***

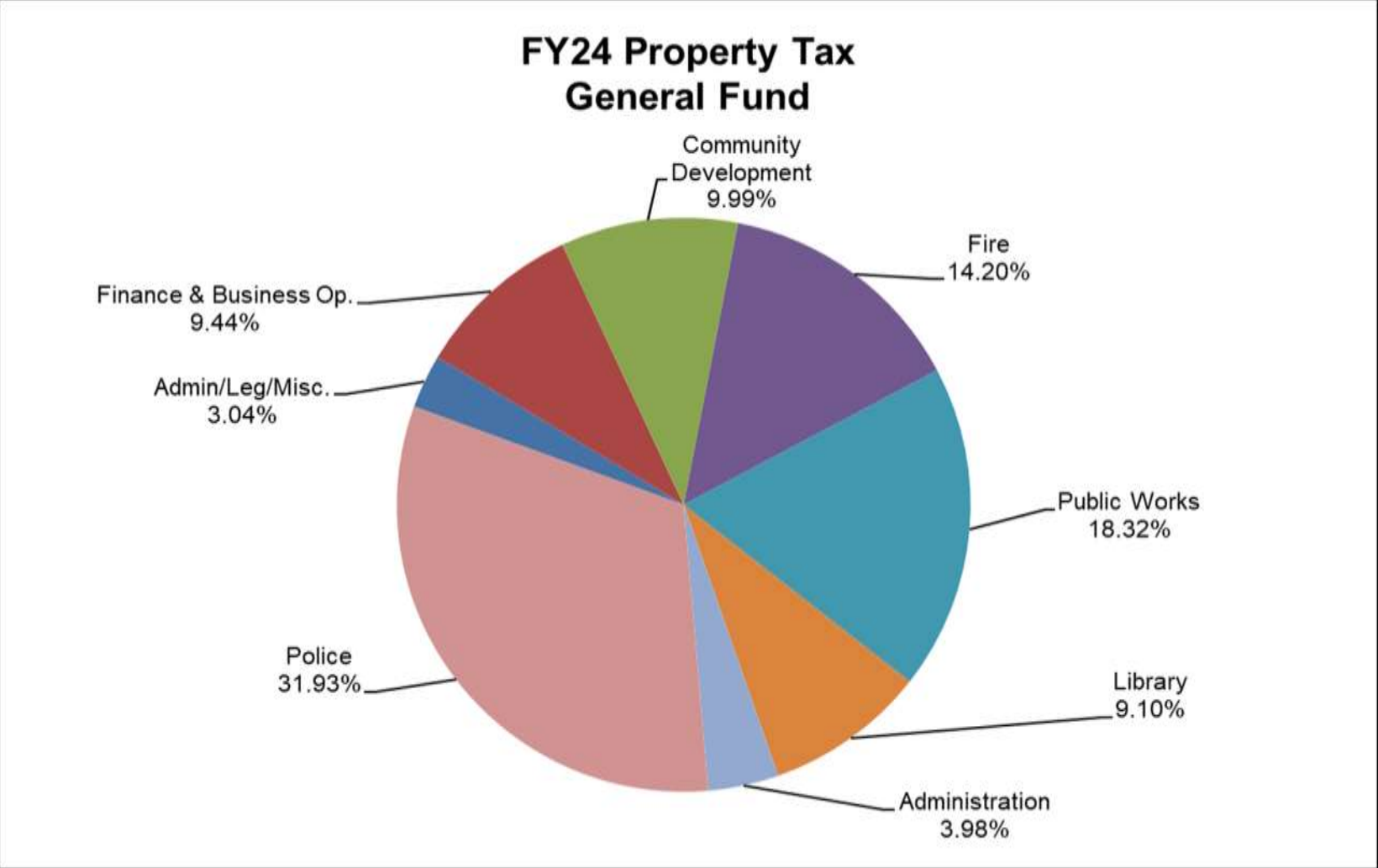
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- House File 718 (HF 718) was passed late in the 2023 legislative session and signed by Governor Reynolds
- Immediate effect as some of it starts applying to the City's FY25 budget
- Different components of the bill
- Impacts all cities (and really all government entities)

# HF 718 – Levy Rate

- Certain levies will be eliminated by FY29 – they will have to come under the \$8.10 cap. (Library & Band)
- For FY25-FY28 – they will be reduced depending on the City's growth for those fiscal years
- For FY25 – that will reduce rate from \$8.39 to \$8.22.
- Based on FY25 valuations we could have seen growth in income of \$760,000, but only can see growth of \$412,000 in our general levy.
- Library levy doesn't only affect library – other budgets within the \$8.10 could be reduced (police, fire, parks,)

# Use of General Fund Levy



# ***HF 718 – Other Budget Effects***

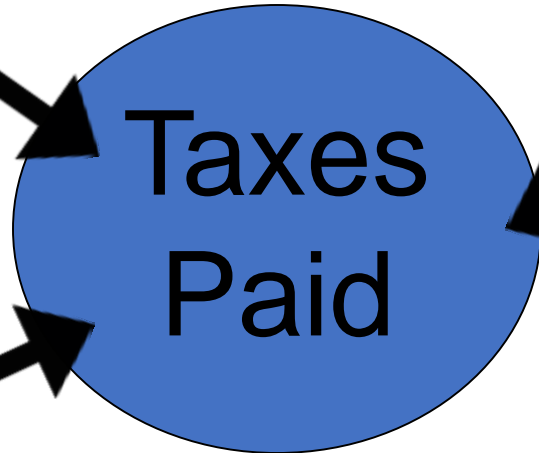
- Homestead and military credits have been expanded and will not be backfilled by state. It involves an additional credit for those 65 and over. Approx = \$200,000
- Move budget filing deadline back to April 30<sup>th</sup>.
- However, new requirement for a property tax statement to be mailed to every property owner by March 20th. Statement needs to show proposed tax rate, impact, explanation of any increases, date of public hearing. Letter will not describe the “true” impact.



Valuations



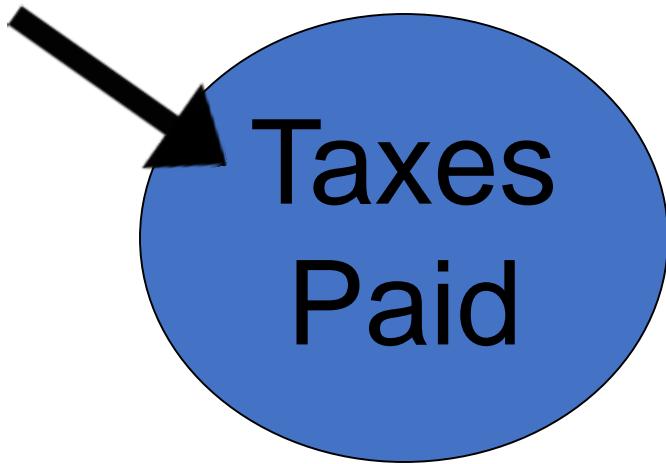
Rollback



\$Tax Rate



Valuations



*(Set by County)*

# ***Property Valuations - Assessed***

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Assessed (100% Value) Valuations - increased  
\$748 Million or 19.67%

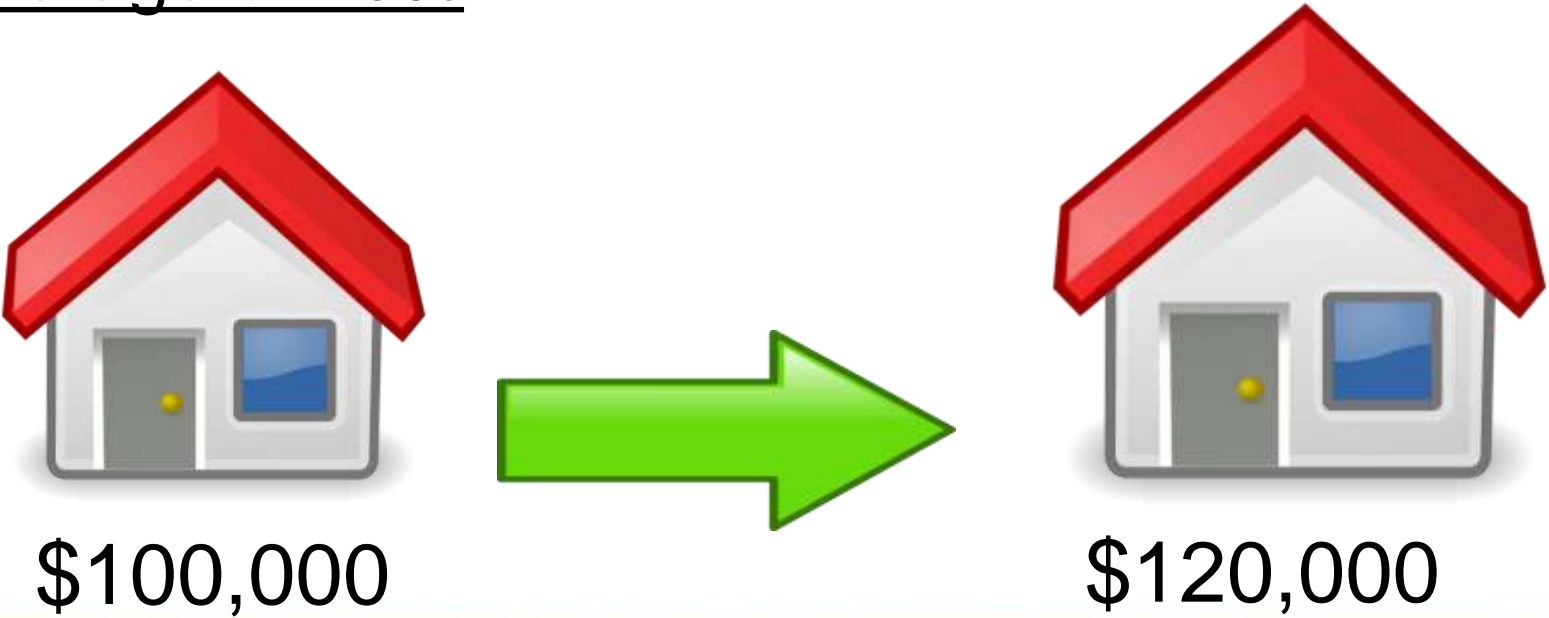
Residential                      \$562 million

Commercial/Industrial   \$186 million

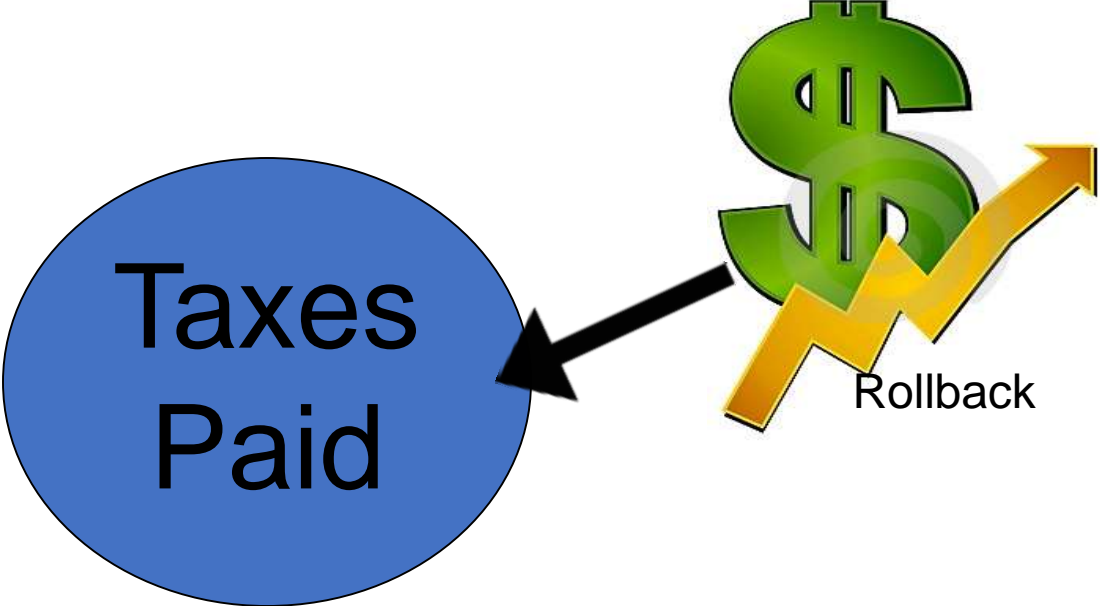
Assessed Valuation = \$748 million

# Property Valuations –

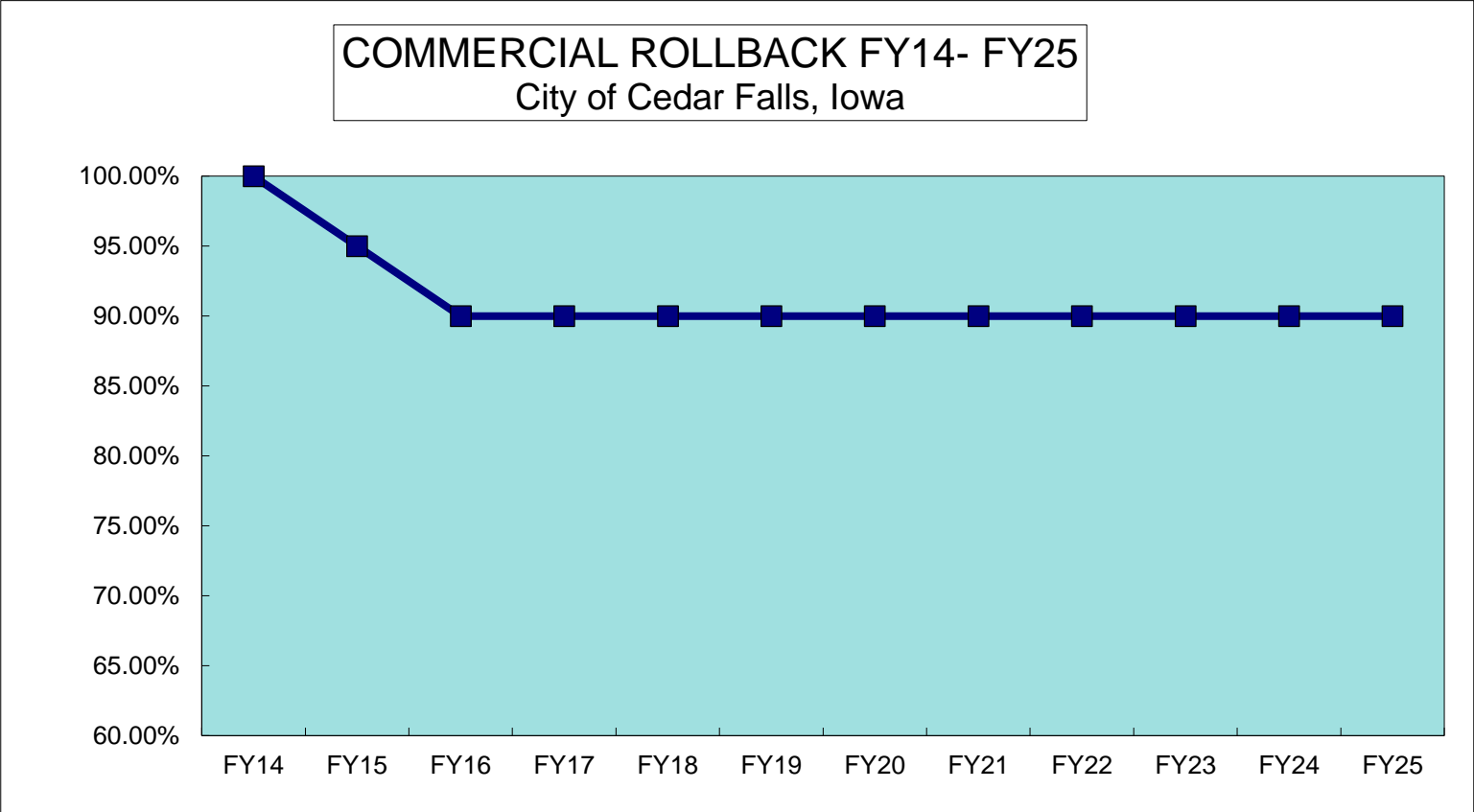
County-wide revaluation this year – Using an average of 20%





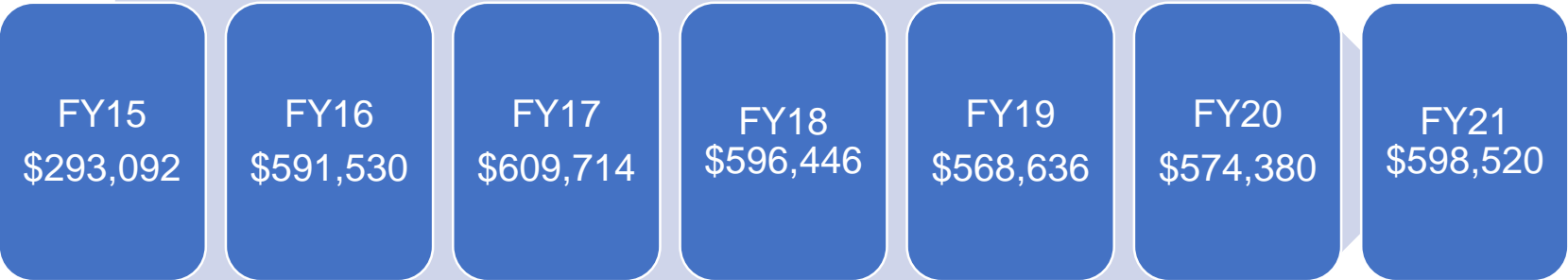


*(Set by State)*



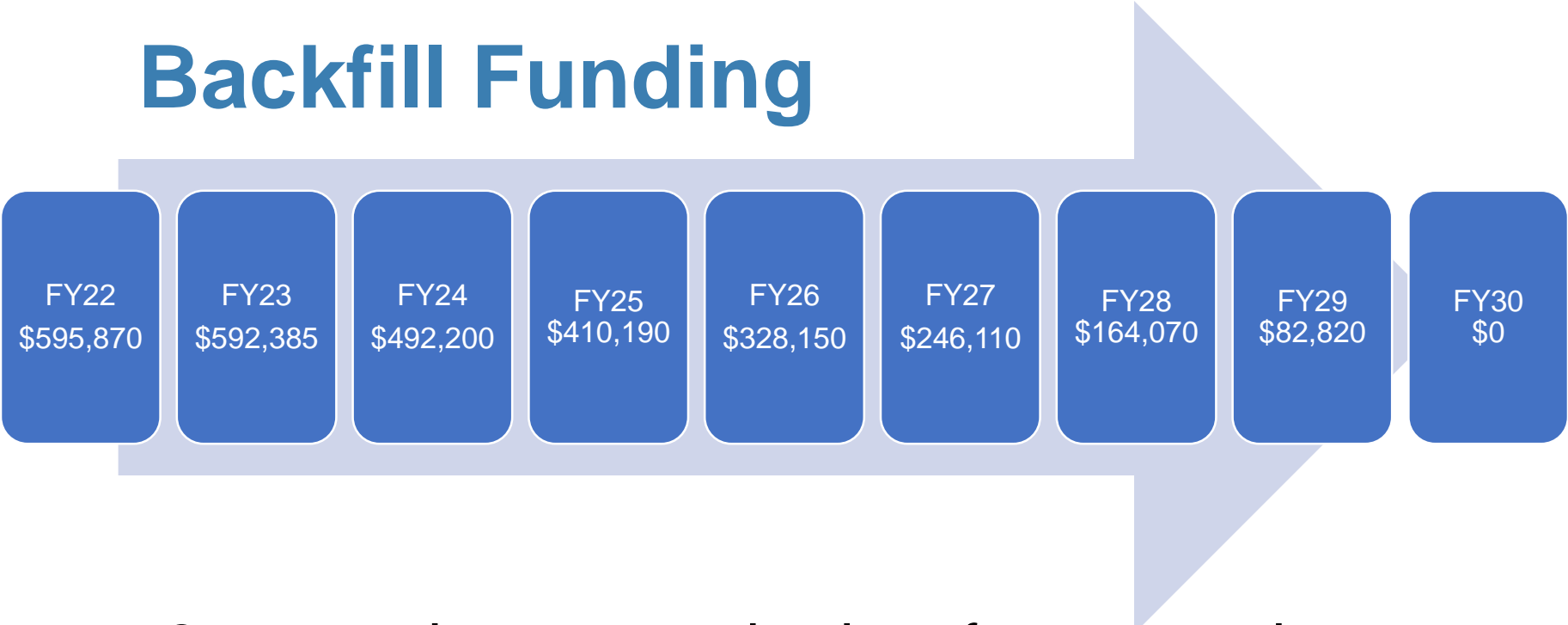
- Rollback will be same for FY25 as FY24 at 90%.

# Backfill Funding



- After FY17, the backfill was not guaranteed
- FY18 – FY22 budgets did not include any backfill revenue, but if received will be used for one-time capital project

# Backfill Funding



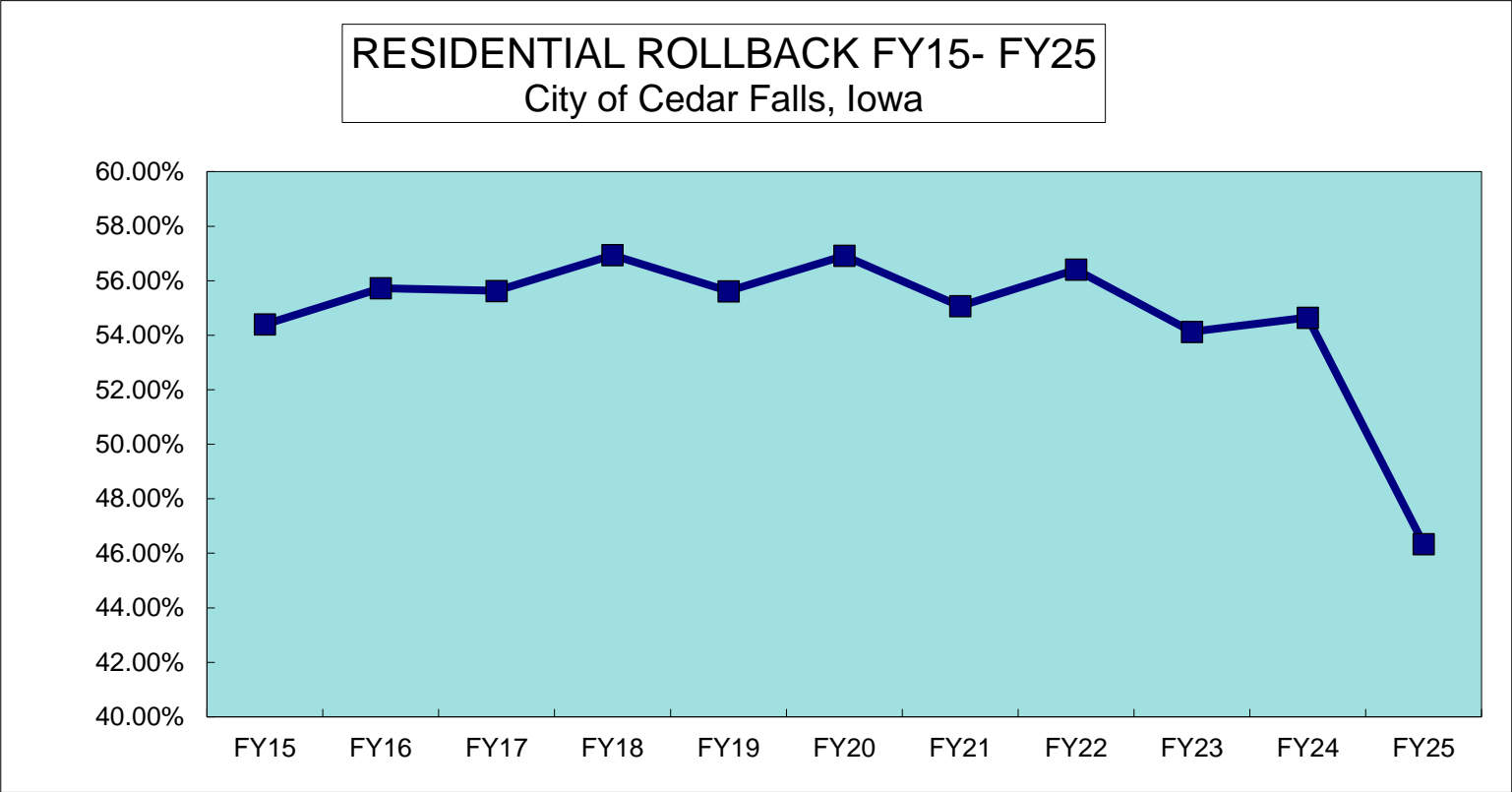
- 8 years phase out – budget for reduced revenue and continue to budget for use of the funds for one-time capital project
- Lose approx. \$82,000/year

# ***Legislation in 2023– Business Tax Credit***

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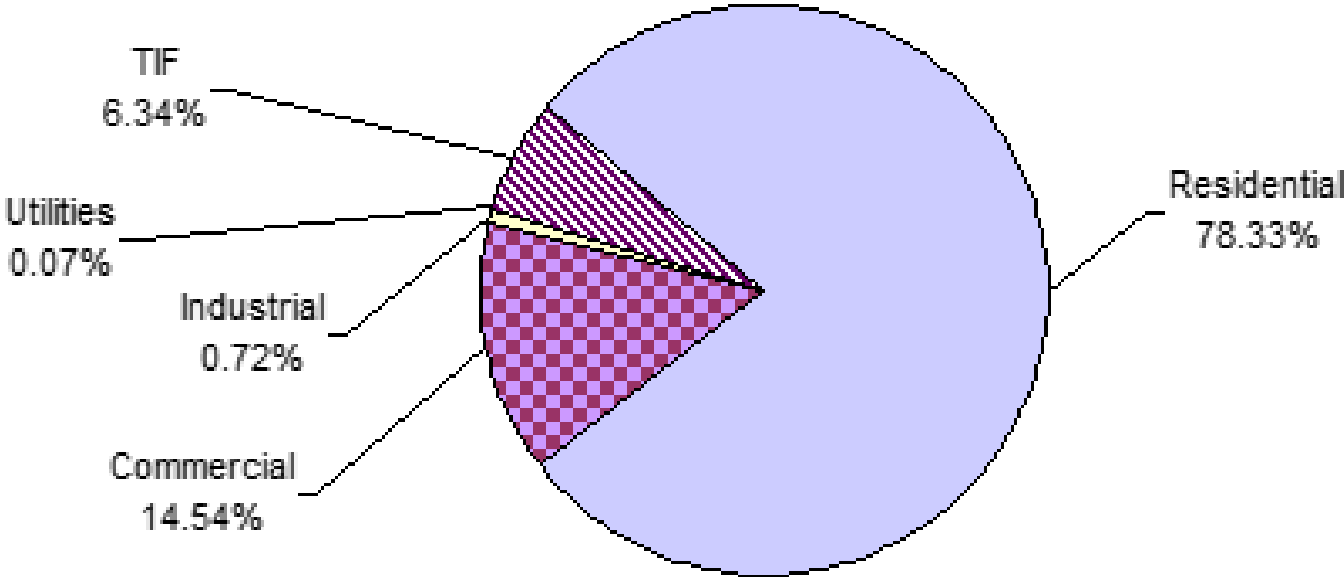
Item 2.

- Business Property Tax Reimbursement (BPTR)
- HF2552
- First \$150,000 of taxable value on commercial/industrial taxed at residential rollback rate.
- State appropriated funds to backfill this amount (estimating it at \$330,000 for Cedar Falls) – “Backfill 2.0”
- FY25 the second year for the credit and backfill.



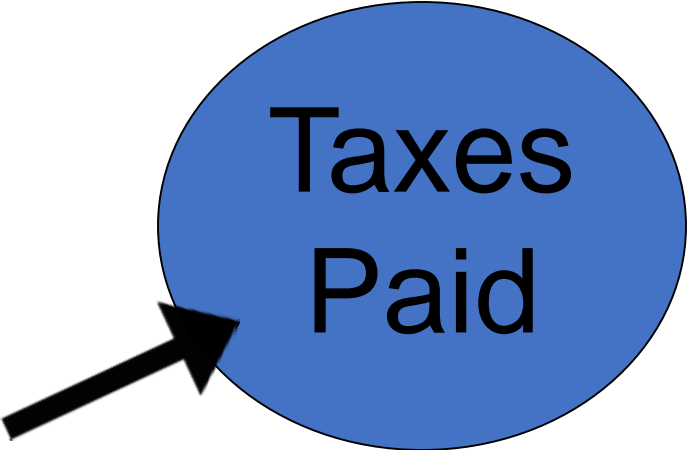
- Rollback factor for FY25 is 46.34% (FY24=54.65%)
- Fluctuating over the last few years up and down.
- When residential rollback goes down, tax burden shifts back to commercial/industrial.

### FY25 Distribution of Total Property Values by Property Type



- Cedar Falls is over 78% Residential so any changes in the rollback factor has a major impact.

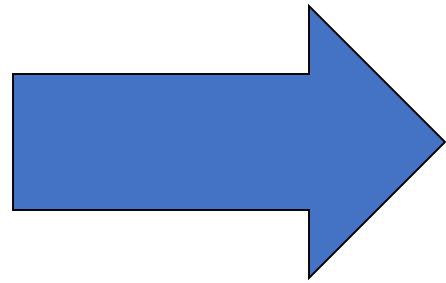
**\$Tax Rate**





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FY24 \$11.40



FY25 \$11.93

Increase of 53 cents

# FY24 Tax Rates – Other Cities

Property Tax Rate (FY24)  
20 Largest Iowa Cities

| City               | FY24 Tax Rate | 2020 Population | Abbreviation |
|--------------------|---------------|-----------------|--------------|
| Dubuque            | 9.90          | 59,667          | DU           |
| Ankeny             | 9.90          | 67,887          | AN           |
| Urbandale          | 10.01         | 45,580          | UR           |
| Ames               | 10.20         | 66,427          | AM           |
| Johnston           | 10.86         | 24,064          | JO           |
| West Des Moines    | 10.90         | 68,723          | WDM          |
| <b>Cedar Falls</b> | <b>11.40</b>  | <b>40,713</b>   | <b>CF</b>    |
| Bettendorf         | 12.65         | 39,102          | BE           |
| Mason City         | 13.99         | 27,338          | MC           |
| Marion             | 15.03         | 41,535          | MR           |
| Clinton            | 15.34         | 24,469          | CL           |
| Iowa City          | 15.63         | 74,828          | IC           |
| Sioux City         | 15.76         | 85,797          | SC           |
| Marshalltown       | 16.00         | 27,591          | MA           |
| Cedar Rapids       | 16.25         | 137,710         | CR           |
| Des Moines         | 16.61         | 214,133         | DM           |
| Davenport          | 16.78         | 101,724         | DA           |
| Council Bluffs     | 18.26         | 62,799          | CB           |
| Waterloo           | 19.73         | 67,314          | WA           |
| Fort Dodge         | 20.74         | 24,871          | FD           |
| Average            | 14.30         |                 |              |

# Property Tax Effect – FY25

|                                | <u>Residential</u> |                |
|--------------------------------|--------------------|----------------|
| Assessed Value                 | \$                 | 100,000        |
| FY24 Rollback                  |                    | 54.65%         |
| Rollback Value                 | \$                 | 54,650         |
| FY24 Tax Rate                  |                    | 11.400         |
| FY24 Taxes Paid                | \$                 | 623.01         |
|                                |                    |                |
| Assessed Value                 | \$                 | 100,000        |
| FY25 Rollback                  |                    | 46.34%         |
| Rollback Value                 | \$                 | 46,343         |
| FY25 Tax Rate                  |                    | 11.930         |
| FY25 Taxes Paid<br>(Projected) | \$                 | 552.87         |
|                                |                    |                |
| <b>Change in Taxes Paid</b>    | <b>\$</b>          | <b>(70.14)</b> |
| <b>Percentage Change</b>       |                    | <b>-11.26%</b> |

# Property Tax Effect – FY25

|                                       | <u>Commercial *</u> | <u>Commercial *</u> |
|---------------------------------------|---------------------|---------------------|
| Assessed Value                        | \$ 500,000          | \$ 100,000          |
| FY24 Rollback                         | 90.00%              | 90.00%              |
| Rollback Value-Com/Ind-1st \$150,000  | \$ 81,975           | \$ 54,650           |
| Rollback Value-Com/Ind-Over \$150,000 | \$ 315,000          | \$ -                |
| Rollback Value-Com/Ind-Total          | \$ 396,975          | \$ 54,650           |
| FY24 Tax Rate                         | 11.400              | 11.400              |
| FY24 Taxes Paid                       | \$ 4,525.52         | \$ 623.01           |
| Assessed Value                        | \$ 500,000          | \$ 100,000          |
| FY25 Rollback                         | 90.00%              | 90.00%              |
| Rollback Value-Com/Ind-1st \$150,000  | \$ 69,514           | \$ 46,343           |
| Rollback Value-Com/Ind-Over \$150,000 | \$ 315,000          | \$ -                |
| Rollback Value-Com/Ind-Total          | \$ 384,514          | \$ 46,343           |
| FY25 Tax Rate                         | 11.930              | 11.930              |
| FY25 Taxes Paid<br>(Projected)        | \$ 4,587.25         | \$ 552.87           |
| <b>Change in Taxes Paid</b>           | <b>\$ 61.74</b>     | <b>\$ (70.14)</b>   |
| <b>Percentage Change</b>              | <b>1.36%</b>        | <b>-11.26%</b>      |

# Total Proposed Levy - Letters

## Tax Rate Comparison - Current VS. Proposed

Residential property with an actual/assessed value of \$100,000

City Regular Resident

| Current Year<br>Certified 2023/2024 | Budget Year<br>Certified 2023/2024 | Percent<br>Change |
|-------------------------------------|------------------------------------|-------------------|
| \$623                               | \$553                              | -11.24%           |

Commercial property with an actual/assessed value of \$100,000

City Regular Commercial

| Current Year<br>Certified 2023/2024 | Budget Year<br>Certified 2023/2024 | Percent<br>Change |
|-------------------------------------|------------------------------------|-------------------|
| \$623                               | \$553                              | -11.24%           |

# Property Tax Effect – FY25

|                                | <u>Residential</u> | <u>Commercial</u>  | <u>Industrial</u>  |
|--------------------------------|--------------------|--------------------|--------------------|
| Assessed Value                 | \$ 100,000         | \$ 500,000         | \$ 1,000,000       |
| FY24 Rollback                  | 54.65%             | 90.00%             | 90.00%             |
| Rollback Value                 | \$ 54,650          | \$ 450,000         | \$ 900,000         |
| FY24 Tax Rate                  | 11.400             | 11.400             | 11.400             |
| FY24 Taxes Paid                | \$ 623.01          | \$ 5,130.00        | \$ 10,260.00       |
| FY25 Value                     | \$ 100,000         | \$ 500,000         | \$ 1,000,000       |
| <b>Revaluation</b>             | <b>20.00%</b>      | <b>20.00%</b>      | <b>20.00%</b>      |
| Assessed Value                 | \$ 120,000         | \$ 600,000         | \$ 1,200,000       |
| FY25 Rollback                  | 46.34%             | 90.00%             | 90.00%             |
| Rollback Value                 | \$ 55,611          | \$ 540,000         | \$ 1,080,000       |
| FY25 Tax Rate                  | 11.930             | 11.930             | 11.930             |
| FY25 Taxes Paid<br>(Projected) | \$ 663.44          | \$ 6,442.20        | \$ 12,884.40       |
| <b>Change in Taxes Paid</b>    | <b>\$ 40.43</b>    | <b>\$ 1,312.20</b> | <b>\$ 2,624.40</b> |
| <b>Percentage Change</b>       | <b>6.49%</b>       | <b>25.58%</b>      | <b>25.58%</b>      |

**Illustrates the Tax Burden Shift**

# ***Other Budget Factors***



# ***Hotel/Motel Tax Revenue***

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- Budgeted back up to “normal”
  - \$1,200,000
- This impacts support for parks, cultural, tourism, and quality of life projects



# ***FY25 Budget***

- Incorporated projects listed in the FY25 column of the CIP into the budget, however, did move some projects listed as general fund to capital projects.
- EMA – Consolidated dispatch
  - Costs for FY25 went up \$90,000 or about 8.7%
  - County-wide EMA levy – still an option?

# FY25 Budget - Rental Conversion Program Item 2.

| Year         | Projects funded          |
|--------------|--------------------------|
| FY16         | 0                        |
| FY17         | 2                        |
| FY18         | 2                        |
| FY19         | 12                       |
| FY20         | 6                        |
| FY21         | 2                        |
| FY22         | 1                        |
| FY23         | 2                        |
| FY24         | 0 (no funding available) |
| <b>Total</b> | <b>28</b>                |

## Unique Situations:

- Two projects were withdrawn after City Council approval:
  - Applicant did not want to provide valid ID
  - Applicant withdrew, due to changed project scope
- One project received half payment, contractor did some work for free (order delays)
- One project ongoing

# ***FY25 Budget - Rental Conversion Program*** Item 2.

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- Forgivable loan up to \$10,000 for exterior improvements to a single unit residential property being converted from rental to owner-occupied.
- Level of private investment is an evaluation criteria. A minimum 1:1 match is preferred.
- Couple of projects funded less than \$10,000 due to lower match.
- Constraints we hear:
  - 1:1 match
  - City funding is exterior improvements only

# ***FY25 - Outside Agency Funding***

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- Continue to have outside agency funding under the following programs:
  - Community Betterment Funding
  - Economic Development Funding
  - Health Trust Funding
  - Band – funded at \$35,000 per their request. (Same as FY24, even though HF718 removed the dedicated levy).
  - MET – 3.0% increase per their request. \$488,570 budgeted for FY25.

# ***FY25 Salaries & Benefits***

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- Salary increases in accordance with union agreement (3.5%-5% range) and additional market adjustments.
- Additional health insurance contribution.
- New positions outlined at goal setting session were budgeted for FY25.

# ***FY25 Salaries & Benefits***

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- Staffing Positions:
  - Aquatic Supervisor – One year overlap due to upcoming retirement to train new position.
  - Policy & Admin Specialist – Duties would include grant writing, assist in ERP implementation, policy development, and special projects.
  - Property Acquisition – Be responsible for property acquisition on projects.
  - Public Safety Officer – To fund an additional School Resource Officer (SRO) position.

# ***FY25 Salaries & Benefits***

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## IPERS

- FY24 – 9.44% - remained the same for FY25.
- Formula shares cost increases between employee and employer

# ***FY25 Salaries & Benefits***

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- ❑ 411 Pension
  - ❑ FY24 – 22.98% and decreased to 22.66% for FY25.
  - ❑ Only a slight decrease in rate.
  - ❑ Property tax support will be \$1.5 million in FY25.



# ***Looking Forward-Challenges - Revenues***

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Item 2.

- Backfill continued to be phased out.  
(\$82,000/year)
- New Business Tax Credit – will State continue to fund the Backfill 2.0?
- HF718 – will have to reduce rate again next year and even years will not have revaluation.

# ***Looking Forward – Challenges - Expenses***

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Item 2.

- Health insurance costs
- Personnel costs
- Inflation effects
- Construction costs

# Looking Forward – “Tools”

- Saved up capital replacement funds for capital projects
- Continue to save a portion of the TIF release for future economic development
- Still have capacity in our trust and agency levy – this is really what helped us in FY25.
- \$.27 Emergency Levy - This used to be a tool but was taken away by HF718.

# Budget Schedule

- Feb. 19<sup>th</sup> – Hold committee meeting on budget to determine proposed property tax rate. Set date of special meeting on proposed property tax rate.
- March 5<sup>th</sup> – Required to provide Black Hawk County rate information and date of special meeting to include in mailing to all taxpayers
- March 14<sup>th</sup> – Publish the notice for special meeting and proposed tax rate
- April 1<sup>st</sup> – Hold a **special council meeting at 5:15 pm** to hold the Hearing for the proposed property tax rate
- April 1<sup>st</sup> – Set Public Hearing Date for Approval of the Budget
- April 4<sup>th</sup> – Publish the notice of the budget hearing
- April 15<sup>th</sup> – Hold Public Hearing on Budget

Certify Budget to County before deadline of April 30<sup>th</sup>

# Next Steps

- Recommend to City Council to set the proposed tax levy rate at \$11.93 and to hold the special public hearing on April 1<sup>st</sup> at 5:15 pm.
- Note: The rate can always go down when you have your formal hearings in April.

# *Questions?*

