State of the County

Fiscal Year 2024 Budget
May 18, 2023

Sara Bearrows
Budget Director

BUDGET SUMMARY

- Countywide levy rate increased to $5.96 from $5.85 in FY23. Rural rate remains unchanged at $2.71 and includes a reduction of $1.00 for rural residents from Local Option Sales Tax (LOST) allocation.

- Impact to homeowner: an increase of 2.8% due to the increase in the countywide levy rate and state rollback change. This is equal to $18.00 on a $200,000 home.

- Commercial and industrial property taxes will increase 1.9% due to the increase in the countywide levy rate. This is equal to $39.00 on a $400,000 business.

- Farm taxes will increase approximately 4.2% due to the annual change in the state agricultural rollback and the increase in the countywide levy rate. This is equal to $291.00 on a $900,000 farm.

- Property taxes levied: $78.2 million, an increase of 3.5% from FY23 due to the increase in the countywide levy rate and change in the state rollbacks.

LINN COUNTY

BUDGET SUMMARY (CONTINUED)

- Wage increases for non-bargaining unit and confidential budgeted at 4.5%. Bargaining unit increases will be 2.5% for AFSCME, AFSCME Conservation, and AFSCME EMA. Bargaining unit increases will be 5.75% for PPME (deputies), IBEW (sergeants) and IBEW (assistant county attorneys).
- Health insurance rates will increase 5.7%. No change to dental insurance.
- Budget of $152.2 million, a decrease of $2.6M or 1.7% due to reductions made to accommodate SF181 and a decrease in American Rescue Plan Act (ARPA) project appropriations.
- Revenue budget of $148.2 million, an increase of 0.1% primarily due to an increase in investment earnings.
- LOST revenue of $3.3 million is budgeted for road construction, $1.5 million for Conservation projects, and $1.5 million in property tax relief for rural residents.
- No approved offers in the FY24 budget.

LINN COUNTY

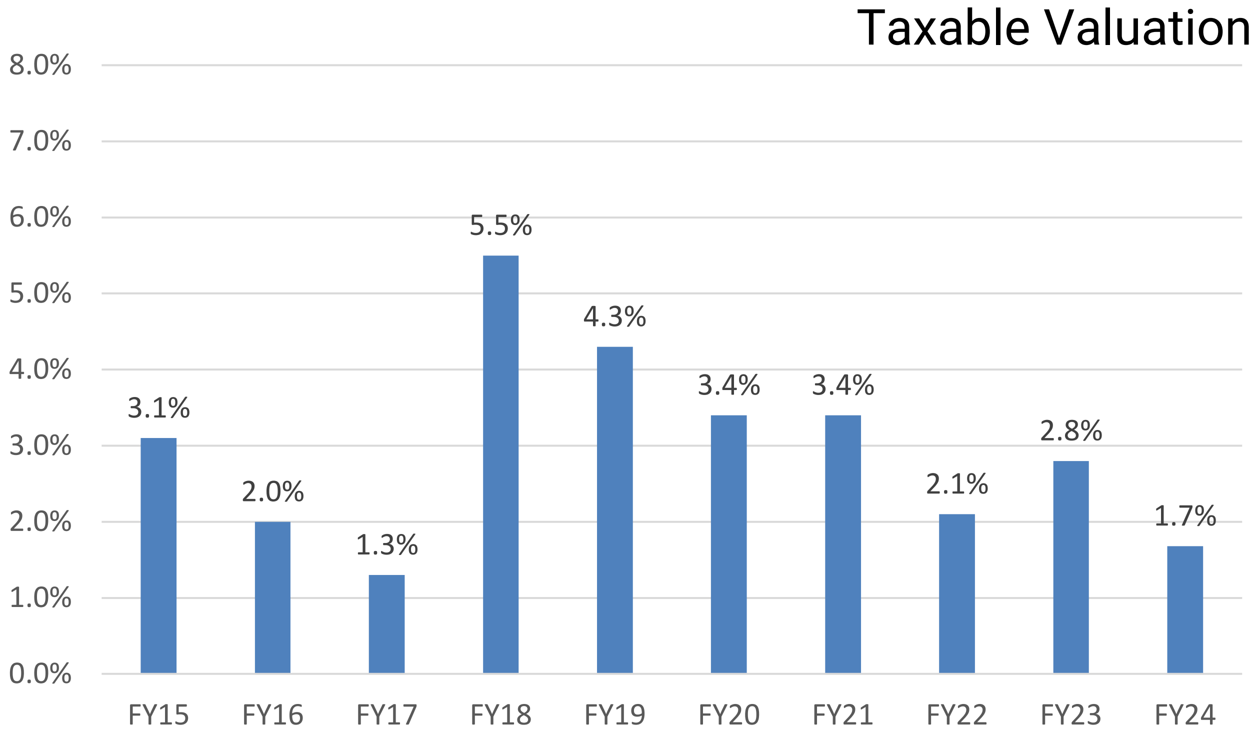
BUDGET INITIATIVES

- Align budget process and initiatives with County Strategic Plan
- General fund ending balance of 25% of general fund expenditures
- Wage increases funded for existing staff
- No increase in operations (justifiable increases for contracts and material costs)
- Offer process for additional funding requests

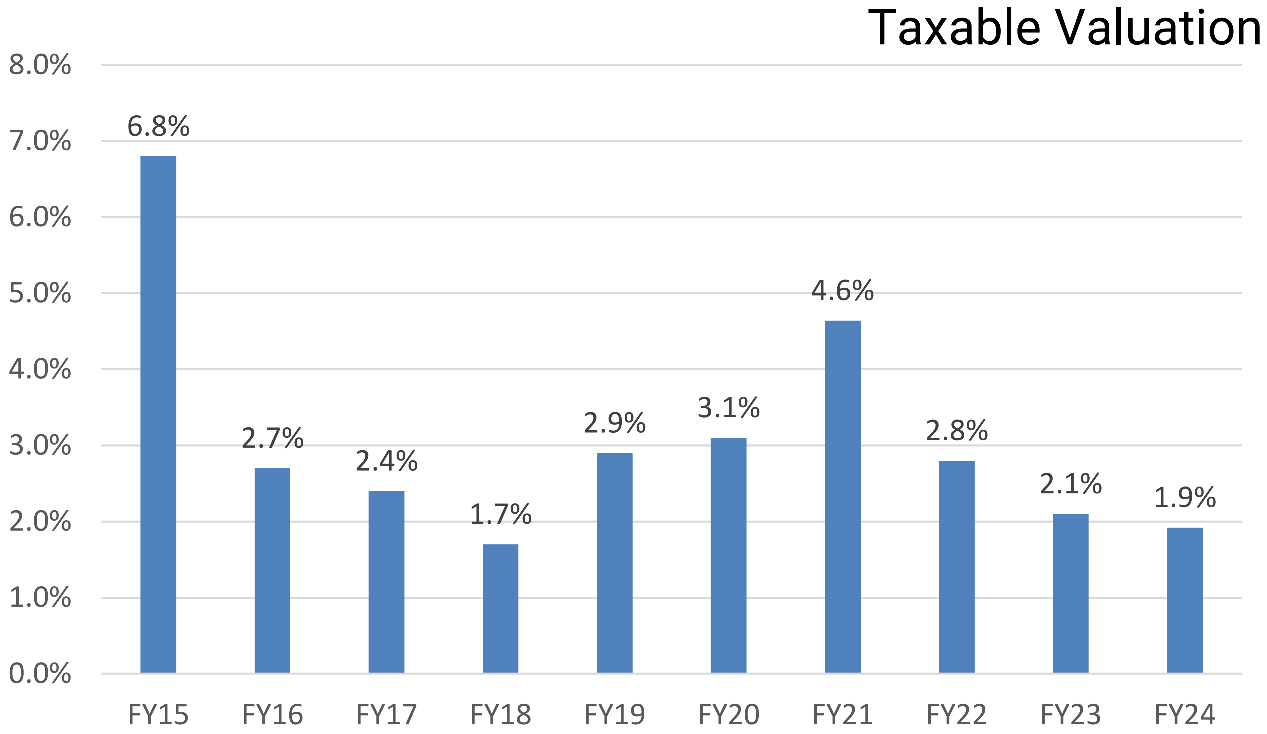
BUDGETING FOR OUTCOMES (BFO)

1. Determine how much money is available
2. Define priorities – elected leaders determine what programs are important to their constituents
3. Allocate resources among high-priority results
4. Conduct analysis to decide which offers to accept
5. Budget available dollars to the most important offers
6. Set measures of annual progress
7. Check what actually happened
8. Communicate performance results

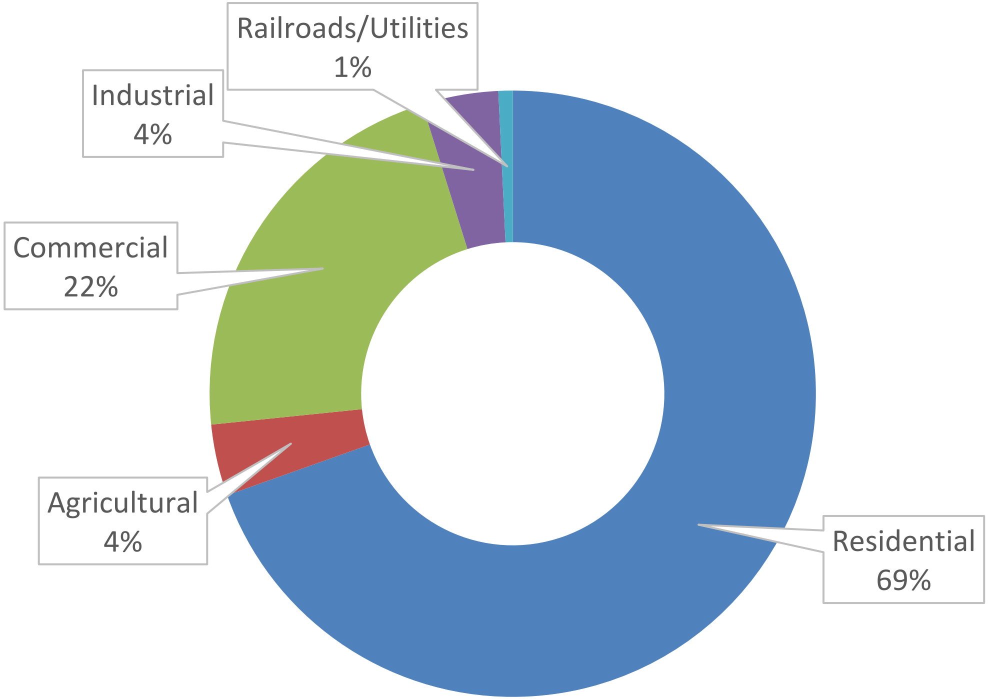
COUNTYWIDE VALUATION GROWTH



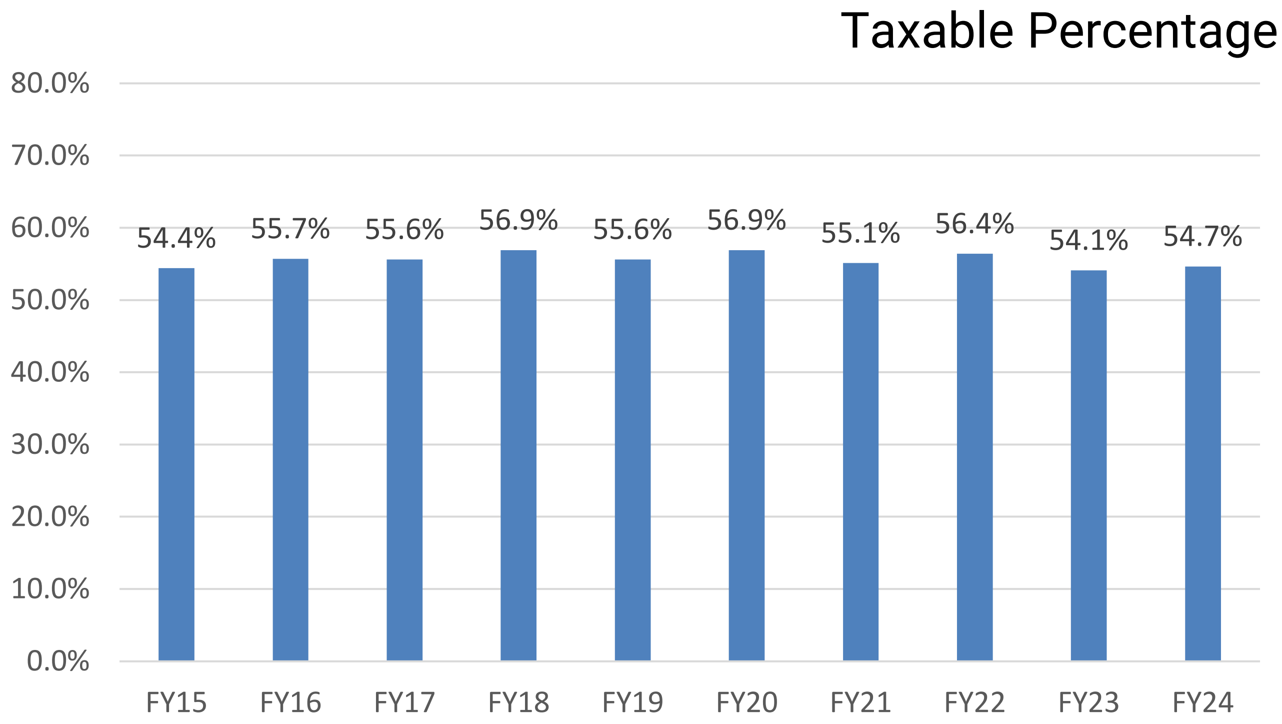
RURAL VALUATION GROWTH



COMPOSITION OF TAXABLE VALUES



RESIDENTIAL ROLLBACK



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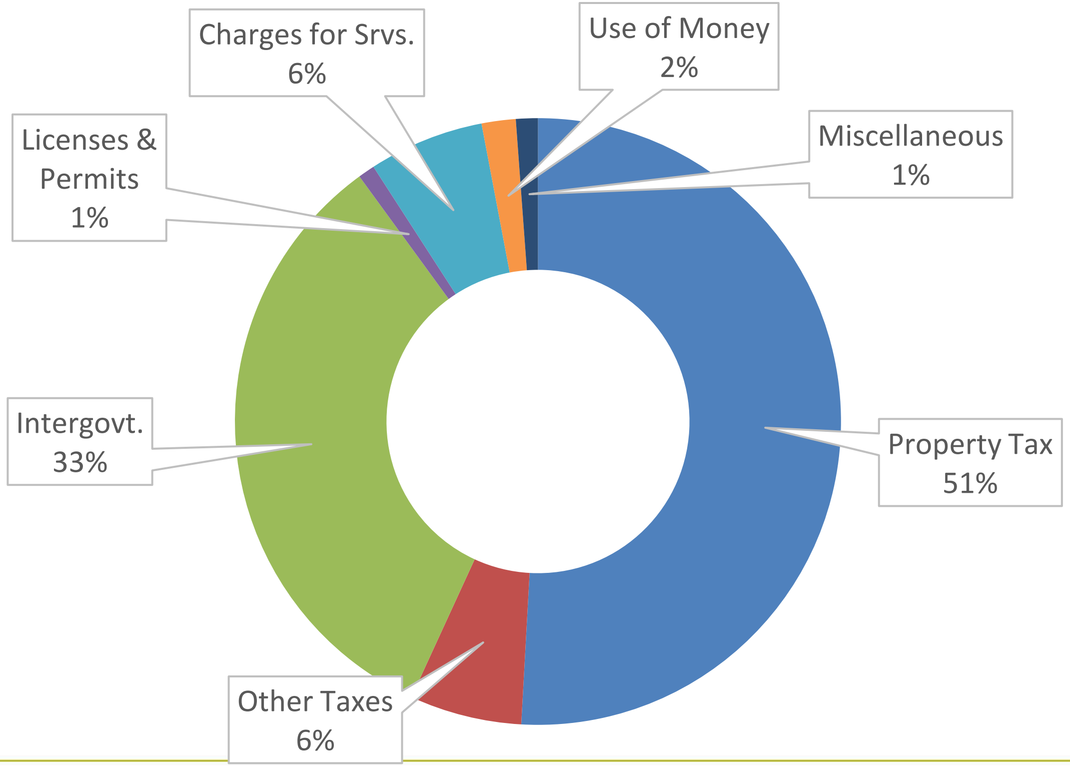
REVENUE SOURCES

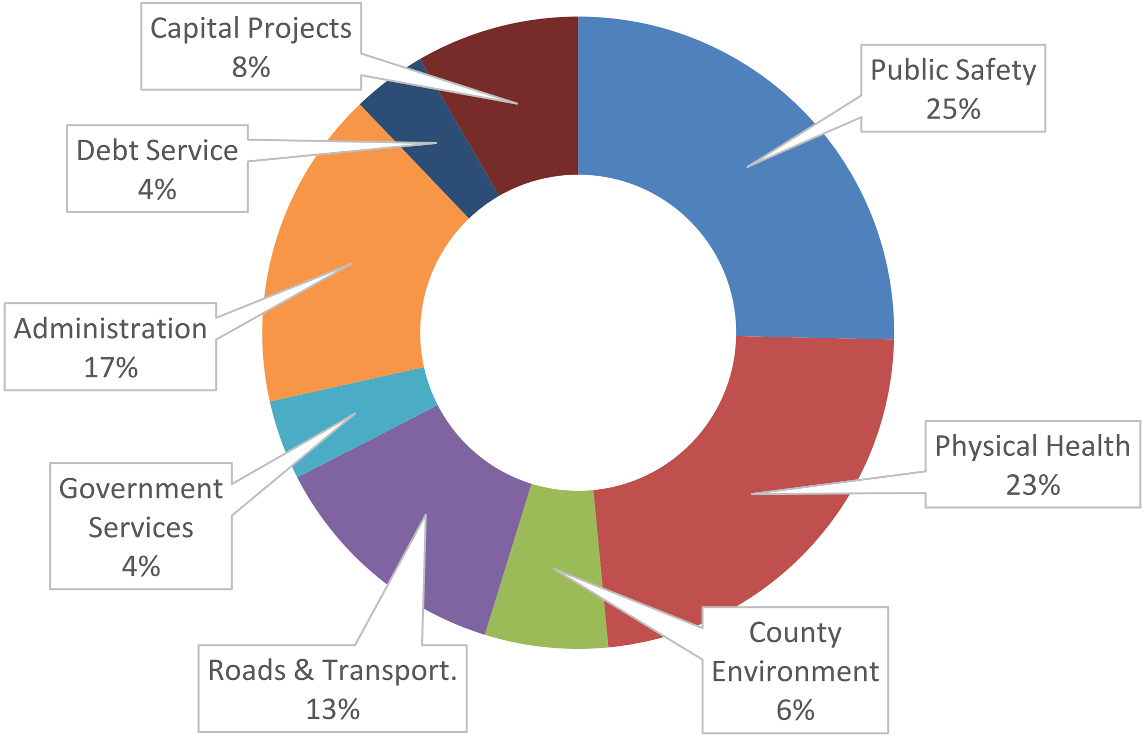


REVENUE DETAIL

	FY24	FY23	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Property taxes levied	$ 78,195	$ 75,515	$ 2,680	3.5%
Less delinquent taxes	(242)	(233)	(9)	3.9%
Less credits to taxpayers	(3,003)	(3,204)	201	-6.3%
Net current property taxes	74,950	72,078	2,872	4.0%
Delinquent property taxes collected	8	62	(54)	-87.1%
Penalties & interest on taxes	457	590	(133)	-22.5%
Other county taxes	8,863	9,413	(550)	-5.8%
Intergovernmental	49,070	53,675	(4,605)	-8.6%
Licenses & permits	1,328	1,300	28	2.2%
Charges for service	9,116	8,826	290	3.3%
Use of money and property	2,693	669	2,024	302.5%
Miscellaneous	1,733	1,444	289	20.0%
Total	$ 148,218	$ 148,057	$ 161	0.1%

Expressed in thousands

EXPENDITURE USES



EXPENDITURE DETAIL

	FY24	FY23	Increase/(Decrease) Amount	Increase/(Decrease) Percent
Public safety & legal services	$ 38,577	$ 36,134	$ 2,443	6.8%
Physical health and social services	35,227	41,695	(6,468)	-15.5%
County environment and education	9,585	9,081	504	5.6%
Roads and transportation	19,271	18,629	642	3.4%
Government services to residents	6,205	5,715	490	8.6%
Administration	24,882	23,195	1,687	7.3%
Debt service	5,794	5,796	(2)	0.0%
Capital projects	12,696	14,552	(1,856)	-12.8%
Total	$ 152,237	$ 154,797	$ (2,560)	-1.7%

Expressed in thousands

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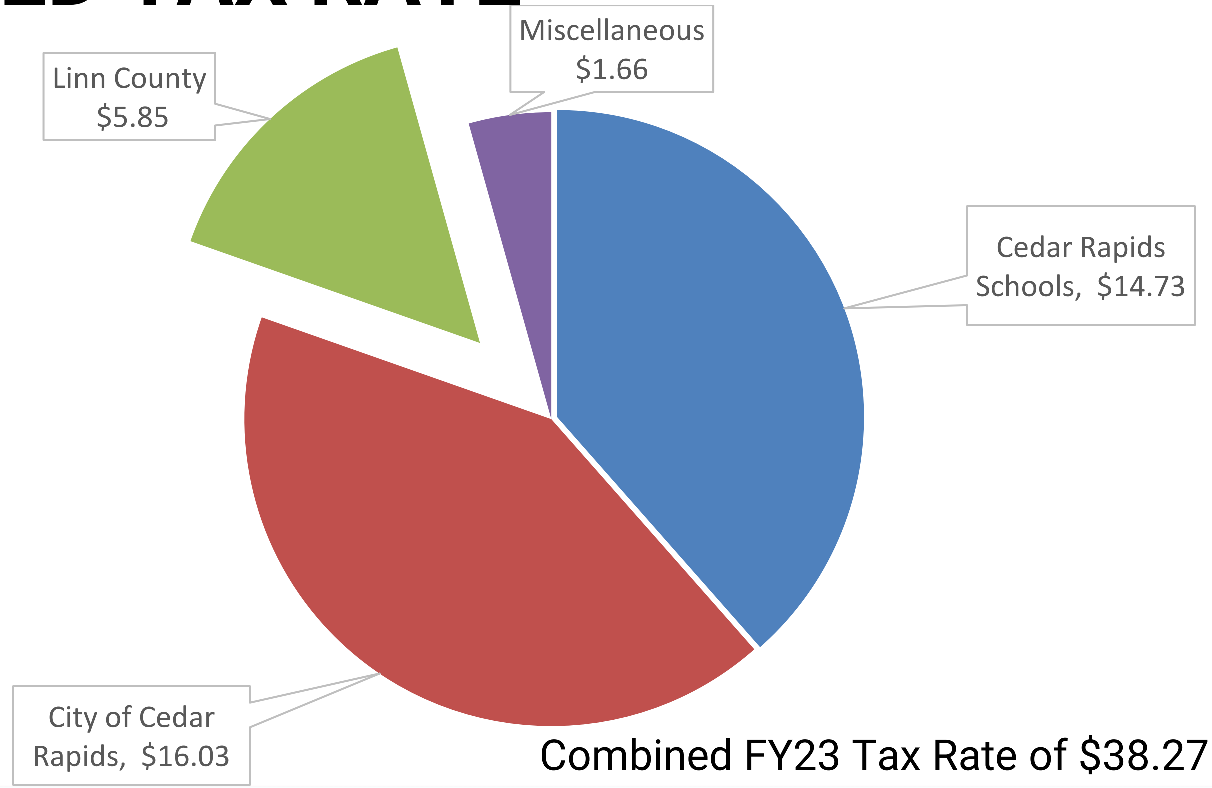
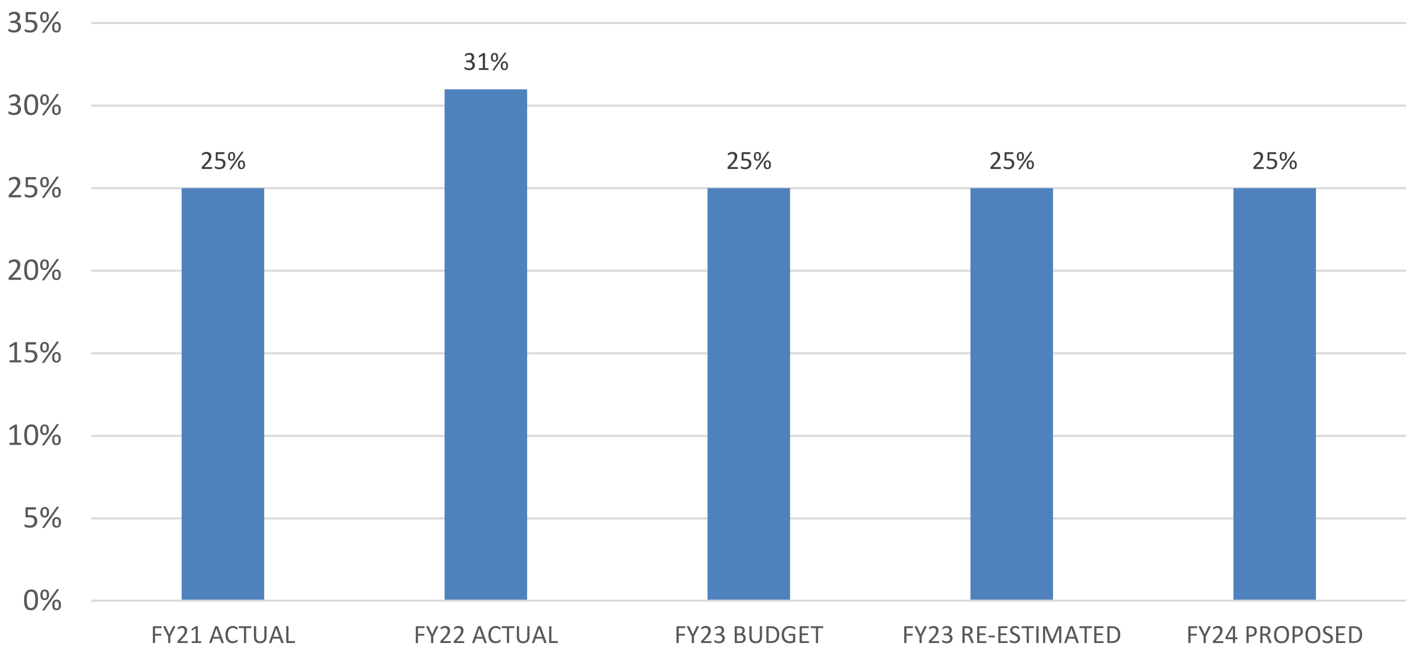
COMBINED TAX RATE

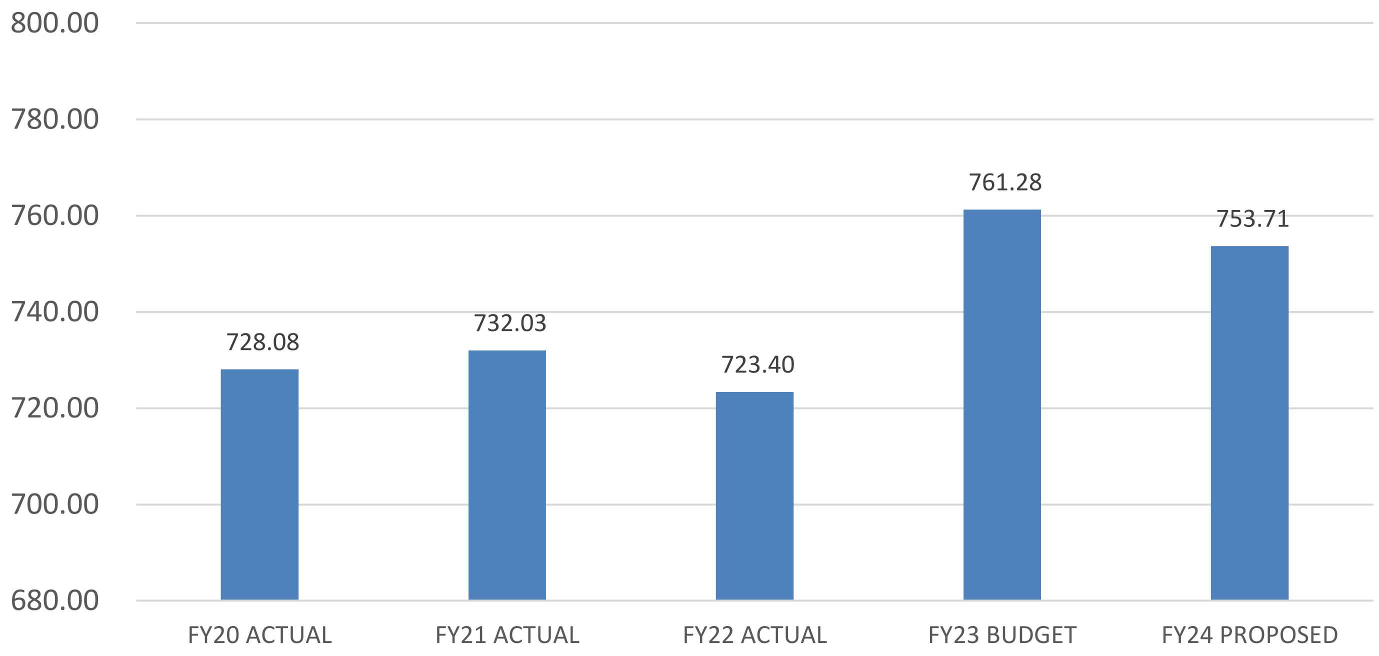


Combined FY23 Tax Rate of $38.27

FUND BALANCE – GENERAL FUND



PERSONNEL POSITIONS



LINN COUNTY

State of the County

Financial Outlook

May 18, 2023

Dawn Jindrich
Linn County Finance Director

Iowa Property Tax Basics

Iowa property tax is primarily a tax on real property, land, buildings, structures, and other improvements.

Classes of real property include:

- Residential
- Agricultural
- Commercial
- Industrial
- Utilities/railroad (state assessed)

Assessment of Property

Assessment of real property:

- Residential, commercial, industrial, and state assessed properties are assessed at market value.
- Agricultural property assessment is based on a statewide productivity calculation intended to measure the property's capacity to generate farm income.
- Real property is assessed during odd-numbered years.
- Utilities and railroads are assessed by the state every year.

Assessment Dates

January 1, 2023, assessed values determine the taxable values of local governments for fiscal year 2025 budgets. Property taxes levied based on this value will be billed in two installments:

- Installment #1 due in September 2024
- Installment #2 due in March 2025

Iowa state and local government fiscal year 2025 is July 1, 2024, through June 30, 2025.

Taxable Values

- Every odd numbered year, the Iowa Department of Revenue (IDR) reviews sales transactions from jurisdictions. The assessments submitted by the assessor must be within 5% above or below the aggregate value for each county based on this review.

- The IDR also calculates limitations on taxable valuation growth statewide for residential and agricultural property values. This process is referred to as “rollbacks.” In addition to the statewide limit of 3%, residential and agricultural property are also limited in growth so that neither can exceed the growth of the other.

Assessment Timeline

- **January 1** – Assessment date
- **April 1** – Assessments complete, taxpayers notified
- **April 1-30** – Taxpayers may protest assessment
- **May 1-31** – Board of Review meets
- **July 1** – Assessments abstracts submitted to Iowa Department of Revenue (IDR)
- **August 15** – IDR issues tentative equalization notices
- **October 1** – IDR issues final equalization notices
- **November 1** – IDR certifies assessment limitations (rollbacks)
- **January 1** – County auditors file valuation reports with the Department of Management (DOM) to be used by local taxing jurisdictions to calculate property taxes

LINN COUNTY

New Property Tax Legislation

- Originally statewide growth in residential and agricultural property was capped at 6% and a few years later capped at 4%. SF295 reduced statewide growth to 3% beginning with budget year FY15.
- HF718 was passed late in the legislative session and on May 4, 2023, it was signed into law.
- Under HF718, the general supplemental and the debt service levies will remain the same.
- Currently, the general basic levy is capped at $3.50. If a county is levying at the $3.50 maximum rate, the general supplemental levy can be added to pay for specific purposes listed under Iowa Code Section 331.424. These uses include substance use treatment, elections, employee benefits, EMA and insurance.

New Property Tax Legislation (continued)

- In Linn County, the general basic levy rate will be impacted by HF718. Currently, the taxable valuation growth percentage is also the total tax increase levied in the general basic fund.
- If a county has assessed value growth exceeding 3% but less than 6%, then the county will be allowed 2% growth in tax collections from the general basic levy. If necessary, the general basic levy rate, currently $3.50, will be reduced to limit the additional tax revenue to the 2% allowed.
- If assessed value growth is 6% or higher, then the tax revenue in the general basic fund will be allowed to grow by 3%.
- In Linn County, property tax growth in the general basic fund from FY15-FY24 has increased by 2.96% on average.

Prior Legislative Changes

- Commercial and industrial property was taxed at 100% or close to that amount for approximately 30 years. This changed when SF295 was adopted in 2013 and affected budgets beginning in FY15. This was “the largest property tax cut in Iowa’s history”.
- Effective for FY15 budgets, commercial and industrial taxable values were reduced to 95% and then further reduced to 90% for FY16 budgets where it has remained. Beginning in FY24, the first $150,000 of commercial and industrial value is taxed at the residential rollback percentage of 54.6501%, further reducing taxes on businesses.
- These legislative changes effectively shifted the property tax burden from businesses to homeowners. In FY15 residential property taxes were 61% of total taxes levied. In FY24, homeowners will be paying 69% of all taxes.
- Losses to local governments were offset by the Commercial & Industrial “backfill” replacement that increased for two years and then was frozen in FY17 with future years capped at the FY17 dollar amount (approximately $155 million statewide).

LINN COUNTY

Recent Legislative Changes

- Multi-residential property was a new classification created with SF295. This includes apartments, assisted living facilities, and mobile home parks. The phase-in period reduced taxable value by 3.75% annually, until budget year FY24 when the residential rollback percentage applies.

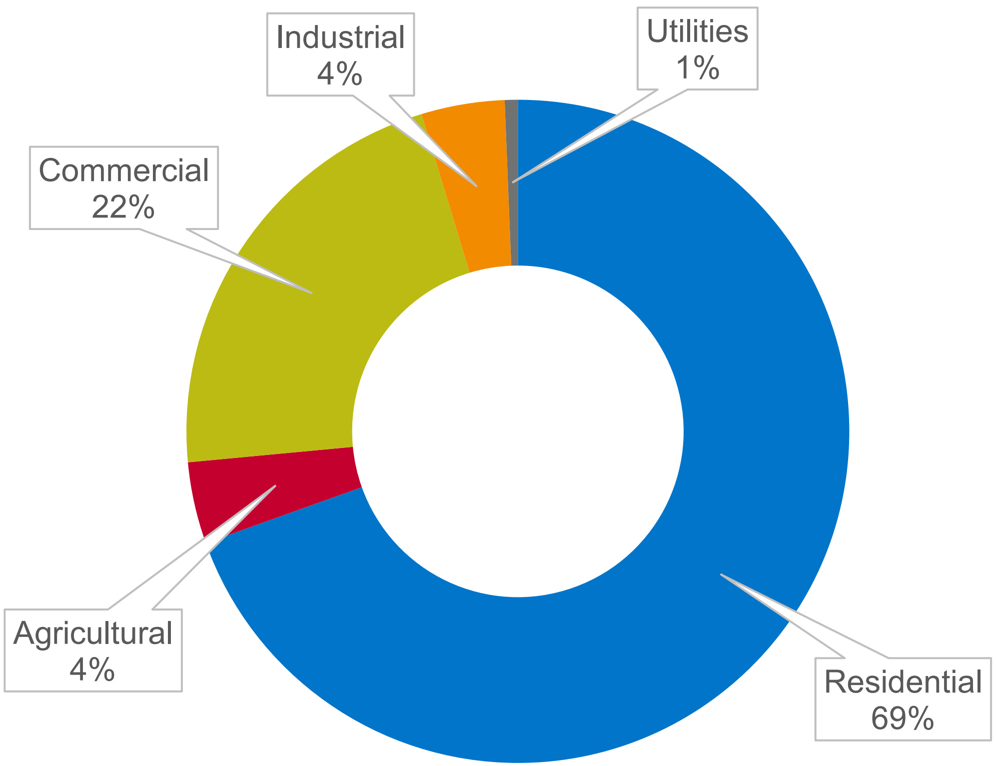
- The Commercial & Industrial (C&I) backfill replacement funding to local governments that was part of SF295 has been phased out by SF619. Legislation was passed, effective for FY23 budgets, to phase-out the backfill replacement to local governments over several years, depending on the valuation growth of the jurisdiction.

Recent Legislative Changes - Impact

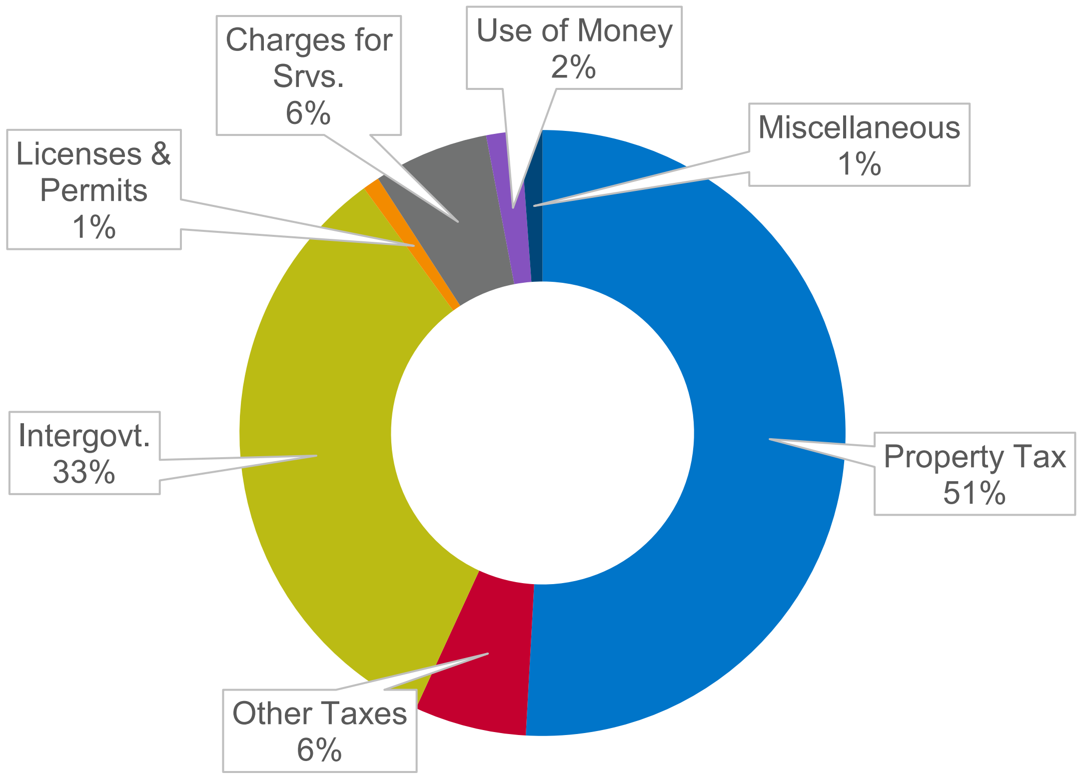
Effect on the budget:

- Linn County is losing $332K in revenue in the FY24 budget due to the phase-out of the commercial & industrial backfill.
- Linn County will also lose $244K in the FY24 budget due to the Business Property Tax Credit (BPTC) legislative change effective for FY24 budgets.
- SF181 required budget cuts of approximately $1.7 million in the County's proposed general fund budget for FY24.

Taxable Valuation by Class



Revenue Sources



FY25 Budget and Beyond

- FY25 property tax revenue is expected to grow by 3%, consistent with the past few years.
- FY26 may not have enough growth for a 3% increase in the general basic levy due to recent declines in the housing market, but commercial development may offset those losses.
- Inflation and wage growth will provide the greatest challenges in future years, possibly requiring cuts and longer wait times.

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