



MEMO

TO: The Mayor and City Council
FROM: Jim Sanders, City Administrator
Teresa Rotschafer, Finance/Human Resource Director
DATE: March 2, 2020
RE: Information for the March 16th public hearing on the 20/21 budget

The public hearing on the 2020-2021 budget will be held on Monday, March 16 at 7:00 p.m. at City Hall. In preparation for the public hearing staff prepared this memo based on budgets presented by department heads at the work session in December and discussion held at the January and February work sessions. If you have any questions regarding the budget or this memo feel free to call or e-mail us in advance of the public hearing. The more staff can be prepared to answer your questions, the more efficiently the meeting will run.

Based on a preliminary tax levy of \$10.63 for the proposed 2020-2021 budget, below are some facts which support the fiscal scrutiny the past and current City Councils have had in making tough decisions, setting the property tax levy and adopting a budget for our **growing** community:

- The Taxable Valuation (used to calculate the general property tax levy) has grown an average of 6.62% in the last four (4) budget years because of community growth, with property tax rollback playing an additional part of the calculation. The revenue the City has taxed for has grown an average of 3.71% the last four years. The City's budgeted general fund expenditure growth for the past four (4) years (FY18, FY19, FY20 and FY21) was 4.32%.
- The Taxable Valuation (used to calculate the general property tax levy) has grown an average of 5.00% in the last six (6) budget years.
 - What changes occurred in the past six years:
 - From 2014-2020 the City experienced a population increase of 18.4% or 3.6% per year.

- From 2014-2020 the City has added 1,608 new residential units, with an average of 110 single family and townhome units and 158 multi-family residential units per year.
- Based upon the 2016 Special Census and the number of building permits issued since that time, population growth estimates can be calculated and the City’s estimated population as of December 30, 2019 is 22,500. An addition of 5,222 residents since 2010, or 522 per year.

Growth and advancement of the Johnston Police Department (JPD) in response to prioritized funding and initiatives since 2016:

- In the Spring of 2016, a new police chief was appointed due to the retirement of the outgoing chief. Added staffing to support growing community public safety needs continued. The new mission, vision, and values initiatives were implemented, along with the establishment of strategic goals to enhance emergency preparedness and bolster community policing initiatives. An agency restructuring was also undertaken to better organize the police department’s daily operations, supervisory structure, and staffing.

	<u>FY16 Staffing</u>	<u>FY21 Staffing</u>
Population:	20,460 (census)	22,699 (estimate)
Authorized sworn:	28	32 (funded for 31)
Authorized civilian:	2.5	4
Ofc/1000 population:	1.37	1.41
Annual Incidents Reports:	1631 (CY16)	2088 (CY19)

- 2016 – Present: The JPD was reorganized to divide daily operations into three separate divisions (Field Operations, Support Services, Administrative Services) with a lieutenant appointed to lead and oversee daily operations of each division. The transition from Officers In Charge to Corporals has also begun further to enhance daily supervision and accountability on each patrol shift.
- 2017 – A fulltime investigator position previously assigned to a metro drug task force was recalled and assigned to the JPD Investigations Unit to provide added in-house resources for criminal case investigations that occur in Johnston. This also brought community drug investigations in-house for greater accountability.
- 2018 – A new fulltime position was created (Community Affairs Officer) to enhance the department’s community policing and diversity and inclusion initiatives, educational programming to include seniors and the business community, re-establish the Crimefree Multi-Housing program, enhance relationships with social services and multidisciplinary problem solving, and

dedicate more time to participating in city-sponsored and special events.

- 2019 – The Community Policing Unit within the Support Services Division was established, and a sergeant appointed to lead this unit and supervise the School Resource Officer program. An additional fulltime civilian Community Service Officer position was also added to better support patrol efforts and reallocate non-sworn duties to utilize limited sworn officer resources better.
- Since 2016 there have been multiple enhancements and upgrades to modernized police equipment to include: added ballistic vests, helmets, shields; department-issued patrol rifles to all staff members; building in-house system-matter experts and providing monthly in-service training and scenarios testing; overhaul of the field training program, standard operations procedures, policies and general orders.
- In the past six years the Fire Department has seen a complete transformation. In 2015 they hired a Deputy Fire Chief. They also started doing medical transports 24-hours a day, 365 days per year. Before that, they only staffed and transported patients during the daytime hours. In July 2016, the City of Johnston and the City of Grimes signed a 28E agreement to consolidate the department into one department and jointly staff the station on 62nd Ave. Three firefighters were promoted to full-time Lieutenants. In October of 2016 the current Fire Chief was hired. Part-time staffing hours were converted to full-time staffing to increase the staff level from two to three positions per shift at the middle station. In July of 2017 three additional full-time personnel were hired (one on the Grimes payroll).

In July of 2019 two additional full-time personnel were hired (one on the Grimes payroll). This provided a dedicated ambulance crew at the middle station and kept one more Fire Engine in service throughout the district when transporting a patient. The three full-time Lieutenants were promoted to Captain and three firefighters were promoted to Lieutenant. In July of 2020 it is anticipated to hire one more full-time firefighter to balance out the shifts with 10 full-time and one part-time shifts per day. It is also anticipated to hire a Deputy Fire Marshal to assist the Fire Marshal with the ever-increasing number of building plans, sprinkler plans, fire alarm plans that need reviewed, as well as the numerous inspections. This person will also help with educating the public in Fire Safety and Community Risk Reduction.

- Parks – The city has 40 miles of trails and another ¾ mile of public sidewalks that need to be maintained. We also have up to 460 acres of parkland (new parks will come online in the next couple years). We will begin maintaining a water trail system. Terra Park is now fully functional attracting thousands of visitors which requires additional park maintenance. We maintain the grounds around the public safety building- highest priority in snow events, etc. We now have more round-a-bouts and medians (62nd, 70th and 100th) which take extra time and special equipment. Our staff will maintain the new bioswales being installed at 57th, 55th, 60th, 63rd, etc. Emerald Ash Borer permits, tree removal, etc. takes more time and money.
- Library circulation in 2013 was 312,197 and 336,520 in 2019. An increase of 7%
- In 2014 we maintained 106 road miles, in 2019 it is 118 miles.
- Since 2014 we have added 19 miles of water mains, 38.5 miles of storm sewer and 1.5 miles of sanitary sewer to the City’s system for a total of:
 - 115 miles of water mains maintained, including 1,402 hydrants, 1,507 water valves and
 - 82.5 miles of sanitary sewer mains maintained, 2,052 manholes, including 316 low-pressure grinder pumps
 - 113.5 miles of storm sewer mains maintained 1,967 manholes
- Utility customers/meters:

	<u>2013</u>	<u>2019</u>	
• Water:	8,936	10,305	15.3% growth
• Sewer	5,518	6,538	18.5% growth
• Garbage	4,854	5,335	9.9% growth

Community Survey and City Council Goal Setting

The community survey was updated in late 2018. The survey identified two areas of improvement the City should focus on:

- Overall flow of traffic in the City
- Overall quality of City streets system

In October/November 2018 the Mayor and City Council completed their bi-annual goal setting session which involved summarizing the past accomplishments and identifying, discussing and establishing future priorities for the City. The priorities (in no order) were:

- Town Center Project – (10-15-year timeline)

- Gateway Project – I-35/80 and MHR – (10-15-year timeline)
- NW Annexation – (15-20-year timeline)
- Connectivity – Water Trails
- Connectivity –Walkability

Department Budget Proposals

Department heads prepared their budgets maintaining the bottom line of the current (FY20) budget. The bottom line is calculated by removing the cost of decision packages which were approved as one-time expenditures in the current budget (this represents ten years in a row the budget was built from the base of the previous year’s budget).

Department heads were allowed growth within their budget for expenditures which are programmed to increase (i.e. bargaining unit wage adjustments, insurance premium adjustments, utility costs, etc.). Decision packages were prepared by department heads for additional budget initiatives including new programs, equipment and positions.

Property valuations and property tax rate

A key component to calculating the property tax rate is the property valuation established by the Polk County Assessor. The January 1, 2019 property valuations serve as the basis for calculating property taxes for the FY21 budget. The property tax rate is calculated by adding the operating funds required for each department/service funded by property taxes and the debt service obligation and dividing the sum by the taxable valuation.

As required by state law, property tax reassessments are completed every other year (odd numbered years) by the Polk County Assessor. 2019 was a reassessment year. As explained on the Polk County Assessor web site – “The updated property assessments reflect changes in the market since the last reassessment in 2017. The real estate market in Polk County has been very strong the last two years. Demand for homes has far outpaced supply of homes for sale. More potential buyers in the market than homes for sale have caused the strong increase in the market. Changes in property values will vary depending on: location, any physical changes made to a property, and overall sales per market area. This revaluation reflects changes in market value over the last two years.”

In Johnston the assessed valuation from 1/1/18 to 1/1/19 grew by 8.51%. After applying the property tax rollback, the taxable value grew by 8.81%.

City services funded primarily from property taxes:

- | | |
|------------------------------|--------------------------------------|
| Police | Parks |
| Fire | Recreation |
| Emergency Medical Services | Trees |
| Emergency Management | City |
| Roads, Bridges and Sidewalks | Council/Administration/Communication |
| Street Lighting | Finance /City Clerk |
| Welfare Assistance | Debt Service |
| Mosquito Control | Planning & Zoning |
| Library | Senior Citizens |
| Code Enforcement | |

City services provided by other funding sources:

- Solid Waste/Recycling Collection and Disposal (garbage and recycling fees)
- Traffic Control and Safety (Road Use Tax - RUT)
- Roads, Bridges and Sidewalks (RUT)
- Regional Cultural (hotel/motel tax)
- Economic Development (hotel/motel tax and tax increment financing)
- Building and Housing (building permit and development fees)
- Storm Water Utility (stormwater utility fees)
- Water Operations (water rates)
- Wastewater Operations (sanitary sewer rates)

Property Tax Rollback

The Iowa Department of Revenue issued the assessment limitation order (property tax rollback) for FY21. Property tax rollback for residential properties will adjust from the current 56.9180% to 55.0743%. So, a residential property owner will pay property taxes based on 55.1% of their assessed value rather than 56.9%.

The property tax rollback on commercial/industrial properties will remain at 90%. The Iowa Legislature committed to reimburse the lost revenue to cities due to the commercial property tax rollback. The City has received reimbursement as follows:

FY 15	\$215,783
FY 16	\$474,499
FY 17	\$526,413
FY 18	\$554,271
FY 19	\$591,392
FY 20 Estimated	\$486,472
FY 21 Estimated	\$459,057

The staff has received guidance from the Iowa Department of Management to anticipate receiving 82% of the projected rollback in FY21.

Beginning with the January 1, 2015 valuations, multi-residential properties began a phased-in rollback. Previously multi-residential properties were considered commercial for property taxation purposes (which means they were taxed at 90% of their value in FY16). The schedule for the phase in of multi-residential rollback is as follows:

Fiscal Year	Rollback Percentage
FY17	86.25%
FY18	82.5%
FY19	78.75%
FY20	75%

FY21	71.25%
FY22	67.5%
FY23	63.75%
After FY24	Same as residential

There is no backfill for the lost revenue.

Current Status

The residential assessed valuation increased \$169,703,775 from the current \$1,975,236,182 to \$2,144,939,957. When you apply the property tax rollback of 55.0743%, the residential taxable value is \$1,160,795,484.

The assessed value on commercial and industrial property increased by \$76,008,537 from the current \$278,558,277 to \$354,566,814. When the commercial property tax rollback of 90% is applied the commercial and industrial taxable value is \$302,312,385.

The assessed value on multi-residential property decreased by \$8,296,075 from the current \$19,533,873 to \$11,237,798. When the multi-residential property tax rollback of 71.25% is applied the multi-residential taxable value is \$8,006,031.

The debt service portion of the budget decreased from \$6,031,469 to \$4,133,978 or \$1,897,491. Due to the increase in assessed valuation and the implementation of using \$2,149,864 in LOSST revenue (65% of estimated LOSST revenue), the debt service levy decreased by \$1.26/\$1,000.

For ease in calculating the effect of decisions regarding the property tax levy, with the current taxable valuation, \$0.01 of property tax levy equates to approximately \$15,039.

As a result of the work session discussions on the FY21 the budget, the city council is proposing a property tax rate of \$10.63, which is \$1.02 less than the current (FY20) tax rate of \$11.65. The rate includes \$7.51 for operating costs, \$0.78 in Special Revenue Levies, and \$2.34 for the debt service levy. This tax rate includes funding for the capital equipment replacement program and funding for approved decision packages. the proposed property tax rate reduction was accomplished by the following:

- Applying the January 1, 2019 taxable valuation to the budget proposals presented by staff in December.
- The receipt of the commercial and industrial replacement funding (estimated to be \$459,057).
- Implementing a \$1.26 decrease in the debt service tax levy with the use of LOSST funds.
- Using \$408,429 of General Fund Reserve.

A summary of the factors considered to obtain the tax rate are as follows:

- Establishing a total levy of \$10.63/\$1,000 of taxable valuation represents a 3.63% decrease in total property tax dollars collected and an average increase of 3.94% collected the past ten (10) years.
- Establishing the general fund property tax levy for operations at \$7.51 is an increase from the \$6.83 in FY20. This represents an increase of \$1,786,291 in general levy property tax dollars collected between FY20 and FY21. This is due to the addition of several full-time positions budgeted in FY21: police officer, firefighter, deputy fire marshal, parks maintenance worker and communication specialist. The City will also be taking on the expense of the new Johnston Town Center and City Hall, workers compensation insurance expense, paramedic school, and building maintenances. This also includes using \$408,429 of the City reserve to lower the property tax rate.
- FY20 was the first year the City of Johnston used the Special Revenue (SR) Levy for Other Employee Benefits. The general fund expenses for health, dental, life, disability, unemployment and workers compensation insurance are what made up the \$1,695,407 SR Levy. In the FY21 budget SR decreases to \$1,178,965. The FY21 levy is \$0.78395/\$1,000 of taxable valuation. The decision to include the expenses for workers compensation insurance in the general fund levy versus the SR levy, resulted in a substantial decrease in the SR Levy.
- The total of the general fund property tax dollars and the special revenue property tax dollars for FY21 will be \$12,466,616, which represents an increase of 11.34% in general and special levy property tax dollars collected and an average of 5.29% collected the past ten (10) years.
- The debt service levy portion of the property tax levy decreases from \$3.60 to \$2.34. The funding for the debt service portion of the budget decreased from \$6,031,469 to \$4,133,978 which represents a -31.5% decrease in debt service property tax dollars collected.
- Funding of the following decision packages has a \$0.26/\$1,000 impact on the property tax levy:
 - Firefighter
 - Police Officer
 - Deputy Fire Marshall
 - Parks Maintenance Worker I
 - Communication Specialist
- The following decision packages are funded with general fund reserve:
 - Zoning & Subdivision Code Update (project spilt over FY20 & FY21)

- Lucas Chest Compression
 - Paramedic School
 - Emerald Ash Borer Program Increase
 - Trail/Overlay Maintenance
 - ¾ Ton Pickup Parks Department
 - Copier
- \$93,568 of the general fund operating reserve was used to reach the \$10.63 property tax levy.
 - Continued incorporating the Commercial and Industrial Backfill Replacement dollars in the operating budget and property tax levy. A total of \$459,057 is used in the FY21 budget.

Exhibit “A” is the chart showing the effect of the proposed FY21 property tax rate (\$10.63) on a \$100,000 home. Exhibit “B” shows the effect on a business with a taxable value of \$100,000. Exhibit “C” shows the breakdown of the property taxes collected for each function funded by the property tax levy for the FY21 budget.

Property Tax Rate

Exhibit “D” is a summary of the January 1, 2019 property valuations for each class of property. The table below shows the breakdown of the general fund tax levy over the past ten budget years and includes the calculation for the FY21 budget based on the preliminary budget proposals and debt service obligations:

Budget Year	General Fund Tax Levy	Special Revenue Levy	Debt Service Tax Levy	Actual Tax Levy
2011/12	\$7.63		\$3.46	\$11.09
2012/13	\$7.70		\$3.59	\$11.29*
2013/14	\$7.57		\$3.58	\$11.15**
2014/15	\$7.57		\$3.77	\$11.34
2015/16	\$7.70		\$3.80	\$11.50
2016/17	\$7.74		\$3.66	\$11.40
2017-18	\$7.74		\$3.65	\$11.39
2018-19	\$7.91		\$3.61	\$11.52
2019-20	\$6.83	\$1.22	\$3.60	\$11.65
2020-21	\$7.51	\$0.78	\$2.34	\$10.63

preliminary				
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* Includes \$0.29 in debt service to pay for the initial debt on the public safety building and fire station #2 (which was approved by 82.28% of the citizens that voted).

**Includes the \$0.41 in debt service levy needed to pay the debt on the public safety building project.

General Comments

There are many factors and expenses that affect the preparation of the budget, following are issues that need to be considered:

1. The community continues to experience residential and commercial growth:

Building permits issued

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Single family	130	139	113	101	86	124	105	68	72	55
Townhome/condos	24	27	14	23	42	45	18	14	17	14
Multi-family	36	16	275	109	98	395	75	118	118	144
Total units	190	182	402	233	226	564	198	200	207	213

The official population in 2010 was 17,278. A special census conducted in 2015 indicated the city has grown to 20,460 residents, an 18.4% increase since 2010 and 137% increase since 2000.

2. Commercial growth in 2019 included five projects generating \$6,811,920 in valuation.

Commercial building activity

	2013	2014	2015	2016	2017	2018	2019
Commercial permits	7	7	8	3	14	8	5
Commercial valuation	\$47,299,334	\$14,638,500	\$36,582,984	\$5,083,805	\$27,881,704	\$8,219,704	\$6,811,920
Industrial permits	0	0	0	0	0	0	0
Industrial valuation	0	0	0	0	0	0	0
Total valuation	\$47,299,334	\$14,638,500	\$36,582,984	\$5,083,805	\$27,881,704	\$8,219,704	\$6,811,920

In FY21, 67% of the taxable value in Johnston comes from residential valuation.

3. Significant public improvements will continue in FY21 with planned projects including:

Street projects:

- Reconstruction of the intersection of NW 62nd Avenue and Merle Hay Road (including a sidewalk on the south side of NW 62nd Avenue from Merle Hay Road to NW 49th Street)
- First phase (from NW 100th Street to NW 97th Street) of the reconstruction of NW 54 Avenue between NW 86th Street to NW 100th Street
- Final phase (NW 61st Place and the west end of NW 60th Avenue) of east of Merle Hay Road, south of NW 62nd Avenue improvements (street/water/sanitary sewer/stormwater/sidewalk)

Sidewalk project:

- Begin the sidewalk repair/replacement/construction program

Stormwater projects:

- Orchard Meadows #1 – Ridge Crest Drive
- Design of Crescent Chase Pond project, West of NW 86th Street
- Design of storm sewer west of Hyperion Point and north of NW Beaver Drive
- Construct Northglenn stream improvements

Fiber project:

- Installation of fiber along NW Beaver Drive (Supervisory Control and Data Acquisition (SCADA) system for water/sanitary sewer)

Water project:

- Repainting the NW 100th Street Water tower

Park/Trail projects:

- Construction of the Pioneer Parkway Trail
- Johnston Commons playground
- Construction of a water trail access at Lew Clarkson Park
- Lew Clarkson Park Master Plan
- Dewey Park Playground
- Dewey Park Shelter
- Crosshaven Park Shelter
- Johnston Commons Shelter
- Roof replacement at Crown Point
- Reconstruction of the Trestle Trail Bridge over Beaver Creek (joint project with Polk County Conservation and Polk County Public Works)

Multi-year projects:

- NW Beaver Drive overlay and Recreation Trail (Third and final phase in 2021)

- Second phase (NW 97th Street to NW 86th Street) of the reconstruction of NW 54th Avenue between NW 86th Street to NW 100th Street (2021)

One characteristic in many suburban communities is the population on weekdays tends to be less during the evenings or on weekends as many residents leave the community during the day to go to work. Although Johnston is a suburb in a larger metropolitan area, staff research indicates the daytime population in Johnston is larger than the number of people that live here. Significant employers such as Corteva, John Deere Financial, Camp Dodge and the Johnston Community School District generate an influx of people on weekdays.

The increase in daytime population places additional burden on city government services, especially public safety (police and fire), as there is more demand for emergency medical and police service.

There are also businesses and organizations that attract thousands of visitors throughout the year, beyond their daily employment. Examples include:

- Corteva – Head count for employees and contractors; 2,919 in 2018 and 2,771 in 2017. They also hosted 23,731 guests in 2018 and 25,766 guests in 2017.
- In 2017 and 2018 Camp Dodge drew more than 400,000 visitors each year which is a mix of military, civilian, events, and law enforcement students. In 2017 886,584 vehicles entered and exited Camp Dodge and the Joint Forces Headquarters on NW 78th Avenue. In 2018 they were averaging 74,452 vehicles per month.

4. According to information on the Polk County Assessor website in 2019 there was \$114,070,900 of tax exempt property in Johnston. This does not include the value of the Camp Dodge property.
5. Employee compensation - All three bargaining unit contracts (AFSCME, IAFF and Teamsters) were negotiated for a four year term and became effective on July 1, 2019. FY21 is the second year of four-year contracts.

As previously directed by Council, the staff has included a pool of funds for non-bargaining unit employee wage increases in the preliminary operating budget. The pool is the equivalent of a 3% wage increase for a total of \$25,000 that will be available to non-bargaining unit employees based on their performance review.

6. Since July 2013 the City operates a self-insured medical expense reimbursement plan, which provides medical benefits to its employees. The plan provides each covered person with unlimited lifetime maximum coverage for health care needs. The plan is funded by both employee and City contributions and is administered through TrueNorth Companies. The City pays 100% of the employee's coverage and 90% of spousal and family care for the High Deductible Health Plan (HDHP). For employees participating in the HDHP, the City contributes monthly to a Health Savings Account \$100/single; \$130/employee/spouse/child; \$175/family. For the

traditional healthcare plan, the City pays 90% of the single premium and either 85%, 84%, or 80% of the spousal and family care premium, depending upon which union or non-union plan an employee is under. The uninsured risk retention per person is \$35,000 and not to exceed 125% of expected claims. Additionally, the City has purchased commercial stop-loss insurance to provide for claims in excess of \$35,000 to reduce our exposure to large losses. At the time of this memo, claims are running above anticipated expense, therefore we are anticipating a 10% increase in our premiums. Over the years we have averaged an increase in the budget of 2.5% per year, which is far better than health insurance trends have been.

7. Most of our employees are covered under the Iowa Public Employers Retirement Program (IPERS). The employee contribution for regular employees remains the same in FY21, 6.29% of their wages. The amount the City pays into the program also remains the same, 9.44% of wages.

The FY21 IPERS rates for protected class employees (police and fire) is decreasing from 6.61% to 6.41% for the employee contribution and from 9.91% to 9.61% for the employer contribution.

General Fund Reserve

The proposed general fund reserve is at the minimum per policy. Our goal is to maintain a minimum reserve of 25% of the annual general fund operating budget. The actual reserve on June 30, 2019 was \$6,099,245 which was 40% of the general fund operating budget expenses. In the FY20 budget we anticipate a general fund reserve of \$4,115,183 at year-end which is 27%. Based on the preliminary FY21 budget, 25% of the general fund operating budget is \$3,727,278 and the proposed budget anticipates a 25.09% reserve (\$3,740,592).

Exhibit “E” shows the reserve fund for FY 19, the anticipated reserve for FY20 and the proposed FY21 budget.

Decision Packages

Exhibit “F” is the updated decision package spreadsheet. The list of decision packages is separated into four categories. After discussion at the budget work sessions the city council decided to fund the following decision packages (highlighted in yellow on the exhibit):

- Personnel-General Fund; items 1-5.
- Equipment and Services – General Fund; items 8 – 18 and item 22.
Item 10 was reduced to \$75,000; item 11 was changed to a one-time expenditure; items 13-15 were incorporated into the operating budget as on-

going expenditures; item 22 was added as a result of the work session discussion.

- Personnel – Other Funding Sources; items 23 & 24.
- Equipment and services – Other Funding Sources; items 25 & 26.

Capital Equipment Program (CEP)

The FY21 preliminary budget includes spending \$818,254 for the Capital Equipment Program. The equipment purchases from the equipment reserve funds will be from Road Use Tax (RUT) \$365,000; Water/Sewer \$25,000 and General Fund \$428,254. The funding of the reserve funds for FY21 will be transfers in the amount of \$964,917 and are based on the depreciation schedule for city equipment. The transfers proposed will be from Road Use Tax (RUT) \$402,320; Water \$33,258; Sewer \$51,386 and General Fund \$477,953. This is the ninth year of funding the program which was developed as a way to make sure adequate funds are set aside to pay for the replacement of equipment when it is at the end of its” useful life. Funding the CEP provides a sustainable method to ensure the City has the equipment necessary to provide quality and efficient service to the community.

Exhibit G is the list of the equipment proposed to be funded in FY21. Attachment “G1” is a summary of the CEP for the general fund and attachments “G-2” & G-3” is the CEP for all departments including water and sanitary sewer.

Capital Improvements Program (CIP)

The Public Hearing for the FY21 – FY 25 CIP was conducted on December 16, 2019. The projects approved in the CIP are included in the FY21 budget document.

Road Use Tax (RUT)

Road Use Tax funds come from motor vehicle registration fees, motor vehicle fuel taxes, an excise tax imposed on the rental of automobiles and a use tax on trailers. The actual amount of RUT funds available fluctuates based on the economy and fuel consumption.

RUT funds are distributed to cities on a per capita basis. The Iowa Department of Transportation forecasts the per capita rate will increase from \$126.00 in FY20 to \$127.00 in FY21. Staff typically budgets revenue based on \$5.00 to \$6.00 less than the DOT forecast. For FY21, staff is estimating \$121.50 per capita or \$2,485,890.

Des Moines Water Works Rate

Des Moines Water Works has announced they are increasing the rate charged to Johnston to purchase water by 3%. The new rate goes into effect April 1, 2020.

History of cost to purchase water and Johnston's water rates

Year	DMWW Rate/1000 gallons	% increase	Johnston Rate to customers/ 1000 gallons
2014	\$3.17	5%	\$6.96 water availability fee \$5.15/1,000 gallons \$4.12 irrigation availability fee \$6.44/1,000 irrigation fee
2015	\$3.33	5%	\$7.21 water availability fee \$5.36/1,000 gallons \$4.24 irrigation availability fee \$6.70/1,000 irrigation fee
2016	\$3.66	10%	\$8.29 water availability fee*** \$6.63/1,000 gallons*** \$4.88 irrigation availability fee*** \$7.71/1,000 irrigation fee***
2017	\$3.84	5%	\$8.91 water availability fee \$6.62/1,000 gallons \$5.25 irrigation availability fee \$8.29/1,000 irrigation fee
2018	\$4.03	5%	\$9.58 water availability fee \$7.12/1,000 gallons \$5.64 irrigation availability fee \$8.91/1,000 irrigation fee
2019	\$4.31	7%	Proposed fees adopted by ordinance 976; 6/18/17 \$10.06 water availability fee \$7.47/1,000 gallons \$5.93 irrigation availability fee \$9.36/1,000 irrigation fee
2020	\$4.44	3%	Fees adopted by ordinance 976; 6/18/17 \$10.56 water availability fee \$7.85/1,000 gallons \$6.22 irrigation availability fee \$9.83/1,000 irrigation fee

History of Sanitary Sewer rates

Year	Rates charged to Johnston Customers
2014	\$5.41 - Service availability fee \$5.00/1,000 gallons usage fee \$28.58 flat rate inside the city* \$42.87 flat rate outside the city*
2015	\$5.58 - Service availability fee \$5.15/1,000 gallons usage fee \$29.44 flat rate inside the city* \$44.18 flat rate outside the city*
2016	No rate change
2017	\$5.72 - Service availability fee \$5.28/1,000 gallons usage fee \$30.18 flat rate inside the city* \$45.27 flat rate outside the city*
2018	Proposed fees adopted in ordinance No.977; 6/19/17 \$5.86 - Service availability fee \$5.41/1,000 gallons usage fee \$30.93 flat rate inside the city* \$46.40 flat rate outside the city*
2019	Fees adopted in ordinance No.977; 6/19/17 \$6.01 - Service availability fee \$5.55/1,000 gallons usage fee \$31.71 flat rate inside the city* \$47.57 flat rate outside the city*
2020	Fees adopted by ordinance 1016; 6/17/19 \$6.15 - Service availability fee \$5.68/1,000 gallons usage fee \$32.47 flat rate inside the city* \$48.71 flat rate outside the city*

*Flat rate fees are charged to customers that do not have water service due to difficulty in metering the sewer usage.

History of Storm Water Utility

Year	Cost per ERU (Equivalent Residential Rate)
2012	\$4.55
2013	No rate change
2014	\$5.05
2015	No rate change

2016	\$5.55
2017	No rate change proposed
2018	\$6.05
2019	No rate change proposed
2020	\$6.55

Curb-It Recycling Program

Staff included a 3% increase in the preliminary budget. On February 17, the City received notification from Metro Waste Authority that the FY21 Curb It! The recycling rate is increasing \$.02 from \$3.43 to \$3.45 per household per month (less than 1% increase).

The budget was not adjusted to reflect the new rate as this is a pass-through expense which means the rates are paid by the customer. It does not have an impact on the property tax rate.

Issues related to the “Curb It!” Recycling program are evolving. Information provided by Metro Waste Authority (MWA):

- In 2018 the recycling processing contract with Mid America Recycling increased by 37%, a significant, yet unforeseen, change in the contract mid-stream. Due to this increase, and the downturn in the recycling commodity markets, Metro Waste Authority could no longer subsidize costs through revenue from commodities as they had done in the previous 3.5 years.
- After years of internalizing increases, in 2019 MWA Board instituted a \$.74 per household per month increase to cover processing costs.
- The recycling industry is struggling, and Metro Waste Authority has decided to construct a Materials Recovery Facility (MRF). Constructing a MRF will enable MWA to have better control over processing costs and assure the quality of the recycled materials.

Garbage rates

The contract with Waste Management of Iowa expires on June 30, 2020. The city plans to work with Metro Waste Authority and place the solid waste contract out for competitive bid. For budgeting purposes, staff used a 3% rate increase for the FY21 budget.

In the past annual adjustments to solid waste and recycling contracts have been limited to the Consumer Price Index (CPI). In speaking with professionals in the industry it appears solid waste haulers are moving toward using a different index for their contracts; Water, Sewer and Trash (WST). WST is more reflective of the costs associated with the industry. WST tends to track about 1 – 1.5 % higher than the CPI.

Requests from Outside Organizations

At the January 4th work session, the City Council received requests for funding from outside organizations. Below are the proposed funding levels for outside organizations as a result of the work session discussion:

Community Education – \$88,245 (1.35% increase above the current amount of \$87,073);

Greater Des Moines Partnership – \$5,590, same as the current year;

Johnston Chamber of Commerce – \$8,000, same as the current year;

Johnston Economic Development Corporation (JEDCO) – \$30,000, same as the current year;

Johnston Partnership for a Healthy Community – \$15,000, a \$3,184 increase

Johnston Arts Council (new request) - \$2,200

DART

DART has taxing authority, so they can set their own property tax rates. The DART tax rates are not included in the city property tax levy and the funds collected go directly to DART. Below is a history of the DART levy for the past ten years.

Budget Year	Tax Rate (per \$1,000)
FY14	.48
FY15	.55
FY16	.61
FY17	.63
FY18	.63
FY19	.63
FY20	.655
FY21	.66*

*The DART Commission recently adopted its FY21 budget. The budget includes a 0.5 cent tax levy increase. The justification for the increase:

- covers a \$169,000 loss in revenue due to changes in the Iowa Medicaid system.
- includes additional service to Bondurant to meet economic growth needs; and
- supports the addition of a staff accountant and financial system modifications to allow for segregation of local and federal funds, which is necessary in order for DART to pursue any new partnerships with private transportation companies, such as Uber and Lyft.

The Consumer Price Index - Urban (CPI-U)

Per the Iowa League of Cities, the CPI rose by 1.7 % from September 2018 to September 2019. The CPI is based on the major expenditure categories of food and beverages, housing, clothing, transportation and energy, medical care, recreation, education and communication as well as other goods and services.

The Midwest Region CPI increased 1.4% over the same period largely due to increases in medical care and housing costs.

Mileage Reimbursement

The IRS allowable mileage reimbursement rate for 2020 is \$0.575 cents per mile which is a decrease from the 2019 rate of \$.58 cents per mile.

Establishing the Final Property Tax Rate

At the direction of the City Council, the public hearing notice was published with a property tax rate of \$10.63. Once the public hearing notice is published, the Council can only lower the property tax levy at the public hearing, they cannot increase the levy.

It is essential to point out to the Mayor and Council, that at \$10.63 you are hiring a new fire fighter, police officer, deputy fire marshal, parks maintenance worker, and communication specialist and are funding services to meet the needs of a growing community. Over the past six years you have averaged an increase of 4.28% in general fund expenditure growth. We would encourage the elected body to be proud in stating that the community's general valuation grew 8.3% this year and you've captured that growth to continue to offer the services the citizens of Johnston expect while also decreasing the levy \$1.02:

- Great police protection
- Top notch fire and rescue response
- Miles and miles of trails for the citizens
- Acres and acres of parks for all
- Miles of good roads and infrastructure, and
- Receive excellent customer service from the great people at City Hall and the Public Library

Additional FY21 budget graphs and comparisons

Attached are a number of exhibits that illustrate comparative information regarding the city property tax rate:

- Exhibit "H" is a table that illustrates the City tax rate as it compares to the consolidated tax rate for Johnston. As the table indicates, the City tax rate had consistently been 28–29%. We have remained at 27% for the past four (4) years.

- Exhibit “T” is a graph that illustrates the percentage of the 2019-2020 property tax rate that is attributed to each taxing authority.
- Exhibit “J” is a graph that illustrates the revenues by funding source for the proposed FY21 budget.
- Exhibit “K” is a graph that illustrates expenditures by category for the proposed FY21 budget.
- Exhibit “L-1” illustrates the projection of General Obligation Debt Capacity as prepared by Johnston’s Financial Advisor, PFM. Exhibit “L-2” illustrates the projection of Debt Service Levy and tax rate impact. This shows the past four years along with the future years for all debt service.
- Exhibit “M” compares the Johnston tax rate with other metro area communities. Note: the chart shows the Johnston proposed FY21 tax rate information and the FY20 tax rate for the other communities. The chart will be updated once the other communities certify their FY21 budget.
- Exhibit “N-1” is provided by the Iowa League of Cities and shows property tax revenue by class for cities in Iowa.
- Exhibit “N-2” is provided by the Iowa League of Cities and shows the percentage of property tax rate that is attributed to each of the taxing authorities for all cities in the state.
- Exhibit “N-3” is provided by the Iowa League of Cities and shows all Iowa cities averaged total property tax levy from FY2002 - FY2018 (the City of Johnston’s proposed levy in FY21 is \$10.63).
- Exhibit “N-4” is provided by the Iowa League of Cities and shows all Iowa cities General Fund \$8.10 levy averaged from FY2002 - FY2018. In FY18 the average was \$7.78/\$1,000 taxable valuation - Johnston was \$7.91 in FY19, \$6.83 in FY20 and the proposed FY21 rate is \$7.51. In addition, exhibit “N-5” the Iowa League of Cities reports the \$8.10 General Fund limitation has remained unchanged since 1975 and currently 812 Iowa Cities (out of 942) are at the \$8.10 limit.
- Exhibit “N-6(a)” is provided by the Iowa League of Cities and it shows how many cities are in each population group in 2010 census; Exhibit “N-6(b)” shows the emergency levy rate over time for FY 2008 to 2018. The blue line shows the simple average for all cities (including those not using the emergency levy, or, whose levy is zero). The red line considers the average only for cities using the emergency levy over the same time period. That line illustrates that the emergency levy history for those using it has been near the maximum (27-cents per \$1,000 in taxable valuation) for the last decade. Exhibit “N-6(c)” shows the percentage of cities using the emergency levy for FY 2018. The blue bars show those using the levy at its 27-cent per \$1,000 in taxable valuation maximum. The red portion indicates cities who are using the levy, but not at its maximum.

- Exhibit “N-7” is provided by the Iowa League of Cities and shows the employee benefits levies rates from FY 2008 to 2018 (all levies in this category combined). The blue line shows the aggregate average for all cities, including those who do not use any of the employee benefits levies (at \$0). The red line shows the aggregate average for cities using at least one of the employee benefit subcategories (excluding cities not using these levies).
- Exhibit “O-1” is provided by the Iowa League of Cities and illustrates the historic and projected rollback for different classes of property. Exhibit “O-2” is provided by the Iowa League of Cities and breaks out just the residential class and illustrates the historic and projected rollback for different classes of property
- Exhibit “P” is the list of all internal transfers included in the 2020-2021 budget.