
AGENDA ITEM SUMMARY

Subject: Local Option Sales Tax – Renewal Follow Up Discussion #2

Background Summary:

At our last council workshop, we reviewed how the Local Option Sales Tax (LOST) has been used in Charles City. Since the initial adoption of a LOST tax in 2004 and with a subsequent renewal of the tax in 2013, the city has completed over \$20M in street and road projects equating to about 14 miles worth of street work. This revenue source is a critical part of our city street/road construction projects and is the major funding source. The LOST has allowed much more street work to be done that we could have not gotten completed had there not been the tax. Street work projects funding would have required general obligation borrowing via property taxes and likely street assessments to adjacent property owners just to do a portion of what has been done via the LOST. There are more street and road projects that are needed in the future. (See attached maps of completed to date and work to come)

There are other needs in the city as well. LOST funds can be used for any legal purpose of the city as approved by the voters. And we started a conversation about possibly asking to use some of those LOST funds for another purpose. After the last workshop a couple elected officials reached out and wanted to discuss this a little further, so that is why this topic is on the workshop agenda.

At that last council workshop, I introduced the idea of possibly dedicating a portion of the option tax (10%, roughly \$100,000 a year currently) to cover some general fund operational expense, specifically "Public Safety". We've seen large increases in expense to proving ambulance services in the last few years (new costs equal to a \$100,000 cost share for FY23) in the community as well as some significant additional costs with providing policing (added \$165,000 in FY23).

The city general fund is what covers the majority of expense when it comes to "public safety" operations. We're seeing more demand on the general fund, and more than what can be generated in revenue. \$8.10 general fund and \$0.27 Emergency levies are already in place at their state capped levels, so growth of funds received via these levies only comes through increased taxable valuation in property. Property value continues to steadily grow but not at a rate that covers the growth in expense. Couple that with Commercial/Industrial rollback, multi-residential property rollback and now the eight-year phase out of the State of Iowa backfill (beginning FY23) and it gets tougher and tougher.

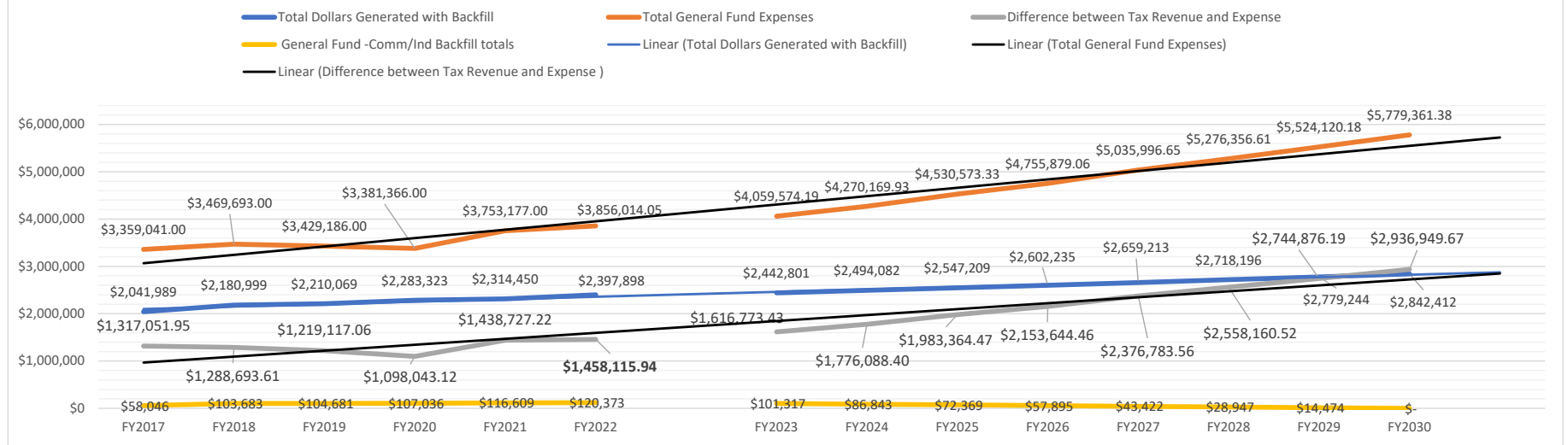
I've put together a rough spreadsheet (attached) along with a graph to help depict the \$8.10 & \$0.27 levy supported revenues (blue), compared with general fund expenses (orange) and the differences between the two (gray). You can also see how the state backfill phases out (yellow).

As we look to ask the citizens to approve a third local option sales tax on March 1, 2022, I think that continuing funding for streets and roads should be a strong consideration going forward. But we may want to see about dedicating a portion of that tax to assist the growing costs associated with ambulance and policing costs.

Whatever we decide this is an incredibly important issue for the City of Charles City and we need to take the steps needed to seek continued funding of the Local Option Sales Tax.

Year	Total Dollars Generated with Backfill	Total General Fund Expenses	Difference between Tax Revenue and Expense	General Fund - Comm/Ind Backfill totals	Taxable Valuations w/ G&E	% change	100% Valuations- Military exemptions deducted	% Change	\$8.10 Generated	\$0.27 Emergency Levy Generated	Total Dollars Generated
FY2017	\$2,041,989	\$3,359,041.00	\$1,317,051.95	\$ 58,046	\$237,030,233		\$369,009,381		\$1,919,945	\$63,998	\$1,983,943
FY2018	\$2,180,999	\$3,469,693.00	\$1,288,693.61	\$ 103,683	\$248,185,949	0.047	\$380,154,149	0.030	\$2,010,306	\$67,010	\$2,077,316
FY2019	\$2,210,069	\$3,429,186.00	\$1,219,117.06	\$ 104,681	\$251,539,778	0.014	\$393,513,341	0.035	\$2,037,472	\$67,916	\$2,105,388
FY2020	\$2,283,323	\$3,381,366.00	\$1,098,043.12	\$ 107,036	\$260,010,380	0.034	\$395,967,447	0.006	\$2,106,084	\$70,203	\$2,176,287
FY2021	\$2,314,450	\$3,753,177.00	\$1,438,727.22	\$ 116,609	\$262,585,517	0.010	\$419,906,571	0.060	\$2,126,943	\$70,898	\$2,197,841
FY2022	\$2,397,898	\$3,856,014.05	\$1,458,115.94	\$ 120,373	\$272,105,748	0.036	\$442,259,674	0.053	\$2,204,057	\$73,469	\$2,277,525
FY2023	\$2,442,801	\$4,059,574.19	\$1,616,773.43	\$ 101,317	\$279,747,164	0.028	458,534,830	0.037	\$2,265,952	\$75,532	\$2,341,484
FY2024	\$2,494,082	\$4,270,169.93	\$1,776,088.40	\$ 86,843	\$287,603,170	0.028	475,408,912	0.037	\$2,329,586	\$77,653	\$2,407,239
FY2025	\$2,547,209	\$4,530,573.33	\$1,983,364.47	\$ 72,369	\$295,679,792	0.028	492,903,960	0.037	\$2,395,006	\$79,834	\$2,474,840
FY2026	\$2,602,235	\$4,755,879.06	\$2,153,644.46	\$ 57,895	\$303,983,227	0.028	511,042,825	0.037	\$2,462,264	\$82,075	\$2,544,340
FY2027	\$2,659,213	\$5,035,996.65	\$2,376,783.56	\$ 43,422	\$312,519,843	0.028	529,849,201	0.037	\$2,531,411	\$84,380	\$2,615,791
FY2028	\$2,718,196	\$5,276,356.61	\$2,558,160.52	\$ 28,947	\$321,296,188	0.028	549,347,652	0.037	\$2,602,499	\$86,750	\$2,689,249
FY2029	\$2,779,244	\$5,524,120.18	\$2,744,876.19	\$ 14,474	\$330,318,995	0.028	569,563,646	0.037	\$2,675,584	\$89,186	\$2,764,770
FY2030	\$2,842,412	\$5,779,361.38	\$2,936,949.67	\$ -	\$339,595,186	0.028	590,523,588	0.037	\$2,750,721	\$91,691	\$2,842,412

GF Property Tax Revenue vs. GF total expenditures projections



Street Related Project Construction Costs - 2004 to Present

Street Construction Costs per year since 2012

Project Name	Total Project Cost
2021 Hwy 18 (4th / 5th Ave.) HMA Overlay Project	\$1,100,000 (Estimated)
2021 Grove St / Illinois St Intersection Improvements	\$140,000 (Estimated)
2020 Charley Western Trail Bridge Project	\$1,390,000 (Estimated)
2020 HMA Paving Project Project	\$1,565,864.35
2019 S Main and N Jackson Streets HMA Paving	\$892,642.23
2019 Main Street Bridge Repairs Project	\$327,059.80
2018 Hildreth Street Reconstruction Project	\$1,435,159.36
2018 Illinois Street Riverside Drive Reconstruction Project	\$384,836.83
2018 HMA Paving Project	\$146,607.55
2018 First Avenue Bridge Deck Repairs Project	\$193,157.95
2015 First Avenue Extension Project	\$243,335.19
2015 HMA Paving Project	\$437,301.30
2014 Street Paving Project	\$828,466.24
2013 Salsbury Avenue Reconstruction Project	\$483,873.53
2013 Clark Street HMA Overlay Project	\$140,962.87
2012 Permeable Pavement Project	\$1,991,144.09
2012 N. Grand Avenue Bridge Replacement Project	\$511,573.33
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Subtotal - Years 2012 through 2021 (Est'd)	\$12,210,000

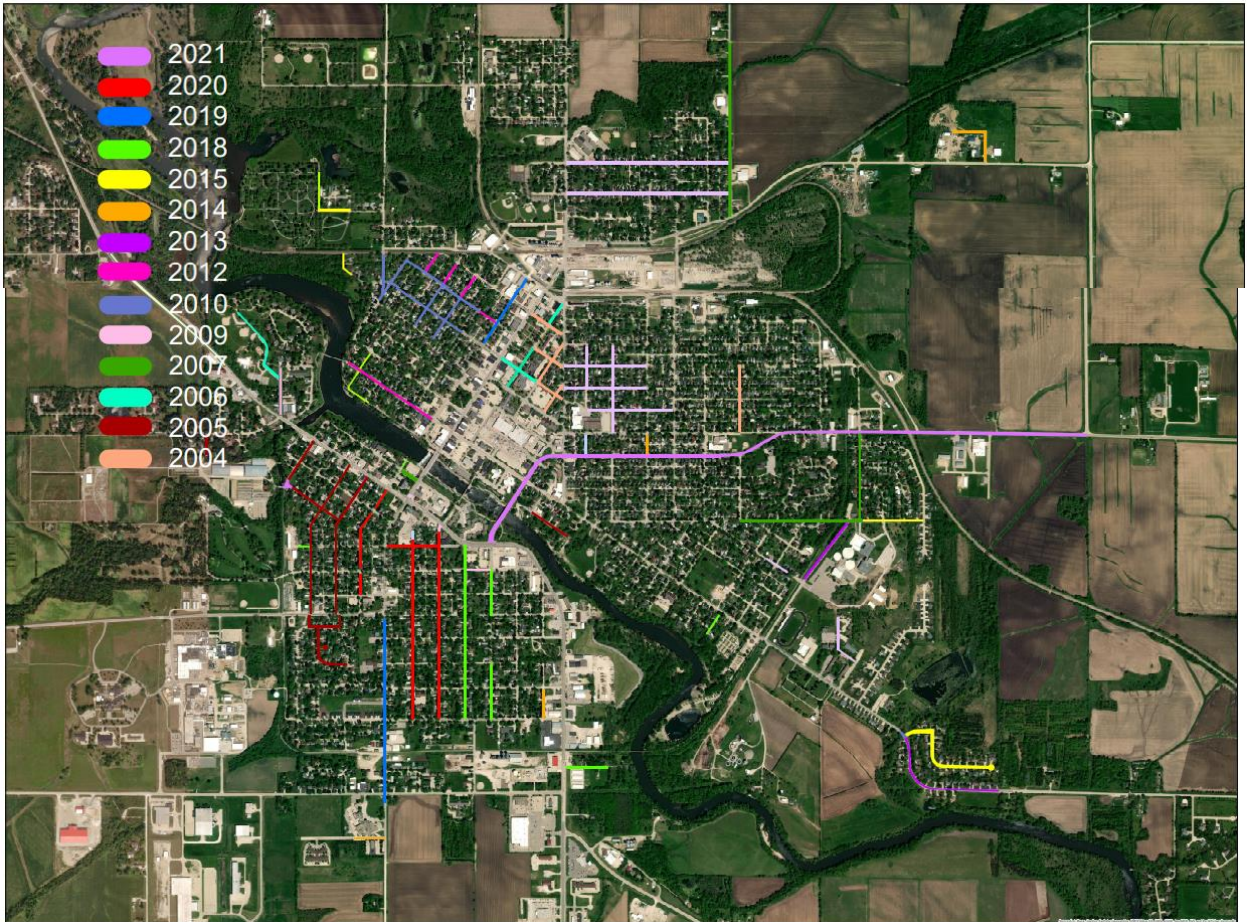
Approximate Street Construction Costs per year prior to 2012

2011	\$3,180,000
2010	\$650,000
2009	\$390,000
2008	\$850,000
2007	\$870,000
2006	\$800,000
2005	\$370,000
2004	\$1,390,000
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Subtotal - Years 2004 through 2011 (Est'd)	\$8,500,000

Total Street Related Construction Costs (2004-2021)	\$20,710,000
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Total approximate cost of accomplished street work is \$20.75 million
or an average of approximately \$1 million per year

CHARLES CITY STREET PAVING 2004 – 2021 USING LOCAL OPTION SALES TAX MONEY



2022 – 2031 LOCAL OPTION SALES TAX MONEY STREET PAVING

