

Iowa League of Cities

SPECIAL REPORT

Budget Information Bulletin for Fiscal Year (FY) 2010-11

Electronic Budget

Reminder: All city budgets must be completed using the spreadsheet provided by the Iowa Department of Management (IDOM) and submitted electronically as prescribed by IDOM. Forms can be found at www.dom.state.ia.us/local/city/index.html.

317 Sixth Avenue, Suite 800

Des Moines, IA 50309

Phone (515) 244-7233

Fax (515) 244-0740

www.iowaleague.org

Cities in Iowa continue to face difficult and complex fiscal conditions. While the national, state and local economies begin to slowly recover, the recent state budget cuts show there is still a long way to go. To provide the quality of life Iowans expect, while still maintaining a sound and fiscally responsible budget, city officials will be forced to make tough decisions in the upcoming budget process.

Information in this Special Report touches on the key issues needed to prepare your city budget and serves as a starting point for city budgeting in the upcoming fiscal year. It is also important to note that several issues included in this report are not only important to the city budget process, but are also likely to be major issues during the 2010 Iowa legislative session.

The numbers indicated in this report are projections only and may be subject to change based on actions by the General Assembly and the Governor. If the League becomes aware of changes to the numbers in this report, the information will be posted at www.iowaleague.org.

Property Tax

- The rollback for residential property for fiscal year 2011 is 46.9094 percent and commercial and industrial property taxable value is 100 percent.

Employee Salaries

- The change in IPERS regular contribution rates will increase July 1, with a 4.50 percent contribution rate for employees and 6.95 percent contribution rate for the employer.
- The cost of many raw materials, goods and ser-

vices is trending downward. The Consumer Price Index for All Urban Consumers (CPI-U) was 1.3 percent lower in September 2009 than in September 2008.

Legislation

- A review of legislation passed in 2009 that may affect city budgets.

Other Budget Issues

- The cost of many raw materials, goods and ser-



Revenues

Assessment Limitation Order – Rollback

The January 1, 2009 property valuation serves as the basis for calculating property taxes in fiscal year (FY) 2011. Beginning in 1978, residential, commercial, industrial and agricultural classifications have been subject to an assessment limitation order, or "rollback", that limits annual growth in property values to 4 percent. However, there is a further restriction in that the growth of residential property cannot exceed that of agricultural property. In essence, the growth of residential property is capped at four percent or the growth in agricultural value, whichever is less. Since the law's inception, residential property has always been rolled-back from its full valuation to comply with the law. The limitation can also be applied to industrial and commercial property when necessary. Below you will find a chart that lists the rollback figures for FY2011 as compared to FY2010 through FY2008:

FISCAL YEAR				
Property Class	2011	2010	2009	2008
Residential	46.9094%	45.5893%	44.0803%	45.5596%
Commercial	100%	100%	99.7312%	100%
Agricultural	66.2715%	93.8568%	90.1023%	100%
Industrial	100%	100%	100%	100%

A Special Report with more detailed information on Iowa's Residential Property Tax Rollback is available at www.iowaleague.org.

Property Tax Levies

Cities may levy up to \$8.10/\$1,000 of the taxable value on residential, commercial and industrial property and up to \$3.00375/\$1,000 on the taxable value of agricultural property for their general fund (*Code of Iowa* Section 384.1). If a city is unable to meet the essential costs for services within the \$8.10/\$1,000 levy limit, there are several other levies available.

- A city may levy for the city's contribution under the Federal Insurance Contributions Act (FICA), the Iowa Public Employees' Retirement System (IPERS), the Municipal Fire and Police Retirement System of Iowa (MFPRSI) and certain other employee benefits. On the state budget forms, these are levied in the special revenues fund column of the Revenues Detail (Form 631.B). The expense would be shown on the Expenditures Schedule (Form 631a) under the appropriate activity in the special revenues fund (column D).
- Insurance premiums, including workers' compensation, necessary for the operation of the city and the costs of self-insurance or risk pools may also be levied outside the \$8.10/\$1,000 limit. The levy rate is the actual cost of

the premiums divided by the total property tax base. Insurance costs on projects or improvements covered by revenue bonds and insurance on proprietary fund activities may not be levied, as these activities should fund-themselves. These revenues are typically credited to the general fund even though they are restricted.

- An emergency levy rate of \$0.27/\$1,000 of taxable valuation that can be used for any governmental purpose (*Code of Iowa* Section 384.8). This is a Special Revenue that is required to be transferred to the general fund for expenditure prior to the end of the fiscal year.
- A city may levy to cover principal and interest payments on general obligation bonds under debt service. Provided proper procedures were followed on lease-purchase or loan agreements, the annual principal and interest payments may also be levied under debt service. The debt service levy is the dollars needed to cover the annual debt obligations divided by the total property tax base.

Code of Iowa Section 384.12 lists several other levies available to the city for specific purposes, some requiring a referendum. Non-voted levy activities include funding for the operation and maintenance of a publicly owned transit system; liability, property and self insurance costs; a joint county-city building lease and rent; and operation and maintenance of a city-owned civic center. Activities requiring a voted levy include funding for instrumental or vocal music groups, memorial buildings, symphony orchestras, cultural and scientific facilities, aid to public transportation companies, library services and emergency medical districts.

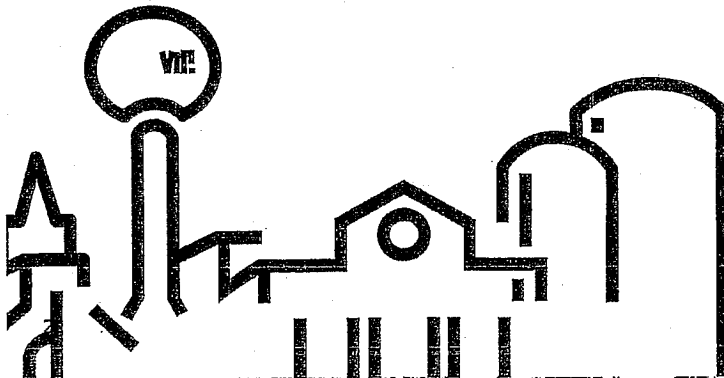
Property Tax Credits Cut

The most direct impact to cities as a result of the state budget cuts will be related to property tax credit programs. The Homestead Tax Credits received a total cut of about \$5.39 million. Since property tax bills were sent before the state budget cuts were made, cities will not be able to adjust for the shortfall and will receive a lower reimbursement this year. More information, including other state budget cuts that could impact cities, is available at www.iowaleague.org.

Employee Benefits Levy

Cities may levy for the city's contribution for certain employee benefits. The definition of employee benefits was updated in December 2006 and includes:

- Retiree hospital/medical/prescription benefits pursuant to *Code of Iowa* Section 364.25
- Workers' compensation cost or insurance premiums
- Employer's share of employee benefit plan costs for employees and their dependents which would include only:
 - Hospital/medical/prescription benefits
 - Dental benefits
 - Disability insurance benefits
 - Life insurance benefits
 - Long-term care insurance benefits
 - Vision benefits
- Deferred compensation programs for city managers, fire chiefs and police chiefs who do not participate in either IPERS or the MFPRSI
- Employee wellness programs that are a part of or included in a document approved by the city council (by motion, resolution or ordinance)
- Employee assistance program providing free counseling for employees and their dependents



- Occupational Safety and Health Administration (OSHA) required tests
- Regularly-scheduled, city-required post-employment physicals for employees, police reserves and volunteer firefighters

Utility Replacement Tax

Utility Replacement excise tax is collected on the generation, distribution and delivery of electricity and natural gas. This tax replaced the taxation on utility property in 1999. Cities are required to calculate their property tax revenues with and without utility property valuations. The difference that is calculated is necessary to establish the *General Property Tax Equivalents*, the basis for determining the distribution of the excise tax.

The Iowa Department of Revenue calculates the amount of revenue that a city will receive and includes this information with the budget packet cities receive from the Iowa Department of Management.

For a detailed explanation of the Utility Replacement Tax, see the League's Utility Replacement Tax Special Report, available at www.iowaleague.org.

Franchise Fee Legislation

Section 228 of SF478 passed by the 2009 Iowa General Assembly prospectively legalized gas and electric franchise fees that are based on a percentage of the franchisee's gross revenues "without regard to the city's cost of inspecting, supervising, and otherwise regulating the franchise." As a result of this legislative action, cities may consider the possibility of establishing this type of fee as an alternative revenue source. Revenue from franchise fees can only be used for certain purposes outlined in the bill, but does include such items as public improvements, property tax relief, public safety, energy conservation and economic development activities. The League is planning to publish a Special Report on franchise fees before the end of the year. The report will be available on the League's Web site, www.iowaleague.org.

TIME-21

The Transportation Investment Moves the Economy in the 21st Century (TIME-21) Fund Act, enacted during the 2007 legislative session, allocates revenues from the TIME-21 Fund to the Primary Road Fund (60 percent), Secondary Road Fund (20 percent) and City Street Fund (20 percent). The Iowa Department of Transportation reported in 2007 that the state faced a \$27.7 billion shortfall in road infrastructure funding over the next twenty years. The act provides that the fund will sunset June 30, 2028. During the 2008 legislative session additional funding was established through increased fees collected on certain motor vehicles and trailer registrations and titles. No additional funds were added to the TIME-21 fund during the 2009 legislative session. By 2012 this fund will raise approximately \$115 million annually to help fund essential infrastructure improvements on Iowa's public roads system. Cities began to receive money from the TIME-21 program January 1, 2009. Due to recent poor economic conditions, the Road Use Tax Fund has decreased and TIME-21 funding has helped maintain the level of road use money cities receive.

Road Use Tax Fund

The Road Use Tax Fund (RUTF) is accumulated through motor vehicle registration fees, motor vehicle fuel taxes, an excise

tax imposed on the rental of automobiles and a use tax on trailers. Economic instability and fluctuating fuel costs can result in immediate changes in the fund. In addition, city populations continue to increase and this further impacts the per capita distribution. Cities are reminded that the Iowa Department of Transportation (IDOT) issues per capita forecasts only. Cities are only entitled to receive their share of the amount actually collected. The estimates are subject to dramatic changes, and cities should consider using a conservative estimate.

In addition, the estimates are based on current law regarding specific revenue to and disbursement from the RUTF. Any change in the law could change the per capita amount to be distributed to cities. You will notice significant increases in the forecasts below; the increases are generally a result of the higher vehicle registration fees passed into law in 2008 and the addition of TIME-21 funding.

Finally, cities have received money for road infrastructure spending from the I-JOBS program. The first of two payments was received in July 2009, and the second payment will be sent July 2010. Cities should enter these payments in a separate account in their budgets.

Fiscal Year	Current IDOT per capita forecast	Nov 2006 IDOT per capita forecast
FY08	\$84.30	\$84.40
FY09	\$86.00	\$85.40
FY10	\$89.50	\$85.50
FY11	\$92.50	\$85.60
FY12	\$95.50	
FY13	\$97.50	
FY14	\$97.50	

For a more detailed explanation of the Road Use Tax Fund, see the League's Road Use Tax Fund Special Report, available at www.iowaleague.org.

Transfer of Road Jurisdiction: Cities under 500

July 1, 2004, counties in Iowa assumed responsibility for maintenance of Farm-to-Market (FM) roads in cities with a population less than 500. A transfer of RUTF money based on the total length of the FM roads in each of these cities was also transferred to the respective county. Many cities have entered into 28E agreements with the county to return a portion or all of the responsibility for the road back to the city, along with a corresponding amount of RUTF funds. The Office of Auditor of State has taken the position that funds transferred back to the city from the county are still restricted in the same manner as all Road Use Tax revenue, because road use tax funds are restricted to be spent for roads by Article VII (8), Iowa Constitution. As such, the revenue received under the 28E agreement should be recorded in the city's Special Revenue Fund, Road Use Tax account as:

- Intergovernmental
- Local grants and reimbursements
- County contributions

This revenue should not be recorded as "road use tax" revenue by the city since it is already recorded as road use tax revenue when received by the county. The money must also be spent in accordance with the *Code*

of Iowa Chapter 312 and any terms and conditions of the 28E agreement.

Enrich Iowa Funds for Libraries

The Enrich Iowa Program includes Direct State Aid, Open Access and Access Plus.

- Direct State Aid is a direct payment to public libraries and is intended to be used to improve and enhance library services.
- Open Access provides a partial reimbursement to participating libraries to make it possible for patrons to check out materials at other participating libraries.
- Access Plus provides partial reimbursement for interlibrary loans among all types of libraries.

Additional information on these programs is available at the State Library of Iowa Web site, www.statelibraryofiowa.org/ld/enrich-ia.

Fuel Tax Refunds

Cities are eligible for refunds from both federal and state governments for taxes paid on gasoline. In most cases, cities must pay the fuel taxes at the pump and then file for a refund with the state and federal governments. Cities on a modified accrual accounting basis should not consider payment of the tax as an expenditure nor should they consider the refund as revenue. However, cities on a cash accounting basis should charge the tax as an expense and receipt the refund as revenue. In order to receive a refund from the state, the city must:

- 1) Have a refund number
- 2) Keep a record of gallons purchased (cities are not required to send the actual invoices with the refund request)
- 3) Apply for the refund within one year of purchase

Cities may apply for a refund number and obtain forms necessary for filing the refund by contacting the Iowa Department of Revenue at (800) 367-3388 or download the forms by visiting www.iowa.gov/tax/forms/motor.html. Cities may also file for a refund by telephone and request direct deposit of their refunds.

If your city is entitled to a federal refund of \$750 or more per quarter for tax paid on gasoline purchases, you may file quarterly for a refund. If the refund is less than \$750 per quarter, you must file annually. To receive the refund on the gas tax, a refund request must be filed on Internal Revenue Service (IRS) Form 8849. See IRS Publication 378 Fuel Tax Credits and Refunds for further information.

You may request IRS forms by calling (800) 829-3676 or download the forms at www.irs.gov/formspubs.

Local Option Sales Tax

The Iowa Department of Revenue (IDR) is required to send an estimate of the monthly tax revenues each city will receive for the year by August 15 of each fiscal year. Ninety-five percent of estimated tax receipts are paid to the city monthly. A final payment of any remaining tax due to a city for the fiscal year will be made before the due date of the first payment of the next fiscal year. If an overpayment to a city exists for a previous fiscal year, the first and/or second payment of the subsequent fiscal year will be adjusted to deduct the overpayment. Sales tax revenues have generally decreased across the state recently and cities should use the most accurate number possible when re-estimating revenues for the current budget and making projections for FY 2011.

More detailed information may be obtained by contacting the IDR at (800) 367-3388 or www.iowa.gov/tax/index.html.

Expenditures

U.S. Consumer Price Index

The U.S. Consumer Price Index (CPI) is a measure of the changes in retail prices of a fixed market grouping of consumer goods and services. The CPI for all urban consumers (not seasonally adjusted) (CPI-U) for September 2009 was 215.969, which is 1.3 percent lower than September 2008. These figures are derived from eight major expenditure categories: food and beverages, housing, apparel, transportation, medical care, recreation, education and communication and other goods and services. The CPI-U is updated monthly.

The most recent CPI-U figures and information on Frequently Asked Questions can be obtained by visiting www.bls.gov/cpi/.

FICA Deductions

The city (employer) and the employee each contribute 7.65 percent of wages for Social Security and Medicare. The maximum taxable earnings subject to the Social Security portion (6.2 percent) of the Federal Insurance Contributions Act (FICA) for 2009 and 2010 is \$106,800; there is no limit on the salary covered for the Medicare portion (1.45 percent) of FICA. Please note that coverage may change in the middle of the fiscal year. Questions on FICA may be directed to the Des Moines office of the Social Security Administration (SSA) at (800) 772-1213.

You can also visit the SSA Web site at www.ssa.gov for questions, publications and other information.

Iowa Public Employees' Retirement System (IPERS)

The graduated increase in the regular IPERS rate continues this budget year. IPERS has been increasing a fixed half percent each year, with employers paying 60 percent of the increase and employees paying 40 percent of the increase. Beginning July 1, 2011, IPERS will set regular member contribution rates using an annual actuarial valuation, which will be based on a snapshot of IPERS' finances. This actuarial rate is currently limited to no more than a half percent increase per year. With recent instability in the financial markets and investment losses by the system, it is expected that contribution rates will increase a total of a half percent for the foreseeable future.

Several pieces of legislation impacting IPERS will likely be considered by the 2010 Iowa General Assembly. Market instability in FY2009 resulted in an investment loss of 16.27 percent; since



	July 1-09	July 1-10
Employee Rate	4.30%	4.50%
Employer Rate	6.65%	6.95%
Combined Rate	10.95%	11.45%

the system assumes a 7.5 percent increase each year, changes will be needed to achieve a fully funded system in the future. Changes could impact the future accumulation of benefits and also increase the rate of contributions by both employees and employers. Any changes to benefits or contributions would have to be made legislatively.

IPERS contribution rates for police and other protection class employees will not officially be available until early December 2009. The rates for FY 2011 are estimated to be 6.64 percent for the employee and 9.95 percent for the employer for a combined rate of 16.59 percent. The finalized contribution rates will be posted to the IPERS Web site as soon as they are available at: www.ipers.org/contributionrates.html. The rates for the current fiscal year (FY2010) are 6.14 percent for the employee and 9.20 percent for the employer for a combined rate of 15.34 percent.

Important Note: All part-time elected officials must be covered by IPERS unless they specifically opt out of coverage. All employers will be audited on a regular cycle, based on the number of employees.

Questions may be directed to the IPERS office at (800) 622-3849 or visit their Web site at www.ipers.org for more information.

Municipal Fire and Police Retirement System of Iowa (MFPRSI)

The MFPRSI Board of Trustees has determined the city's contribution rate, effective July 1, 2010, will be 19.9 percent (the employee rate is currently fixed at 9.40 percent). The city's contribution rate effective July 1, 2011 is expected to be 24.91 percent. It is expected that the MFPRSI system will have rather dramatic city contribution increases over the next several years as a result of recent investment losses. As of October 2009, the city contribution rate is estimated to increase to 38.55 percent within the next five years. As a result of these unprecedented increases and the unbalanced contribution formula, the League along with cities in the system are advocating for several legislative changes to the system.

Mileage

While cities are not required to match the Internal Revenue Service (IRS) rate, any changes made in the city reimbursement rate should be done by resolution. Cities may reimburse city officials and employees using their own vehicles up to the amount allowable under IRS rules. The current IRS rate of 55 cents per mile is valid until December 31, 2009. Rates for 2010 have not been determined and will be available at www.irs.gov.

Minimum Wage Rate

Both state and federal minimum wage was increased by recent legislative action. The state hourly wage increased to \$7.25 effective January 1, 2008. The hourly wage for employees working less than 90 days increased to \$6.35 as of January 1, 2008. The federal minimum wage increased to \$7.25

per hour on July 24, 2009. As a reminder, if there is a disparity between the federal and state minimum wage rate, employers are required to pay the higher of the two.

Unemployment Compensation

Cities are reimbursable upon application, unless they elect to be contributory by completing an additional form stating such. Most cities in Iowa are reimbursable. Cities must reimburse the state for actual unemployment benefits paid out by Iowa Workforce Development (IWD) within 30 days following the billing for any quarter in which the state has made payments to the cities' former employees. If a city anticipates the possibility of layoffs during a fiscal year, they may want to budget for the expense of reimbursing unemployment benefits.

Contributory tax rates are determined based on the extent that tax payments made by the city are in excess of benefits paid out by IWD, and this reserve balance is then divided by the average taxable payroll. As of January 1, 2010, the tax due is calculated on the percentage calculated for the city times the first \$24,500 of each employee's gross salary. IWD will mail tax rate notices giving the percentage for each city in November. The city has 30 days from the Rate Notice Date on the form to appeal their contribution rate.

All cities have the option to change from contributory to reimbursable status, or vice versa. Cities can change their status by December 1 for the next calendar year by contacting IWD for the appropriate forms in advance of the December 1 deadline. However, if a city opts to switch from contributory to reimbursable, it is required to pay to IWD any deficit that may be due to claims against its current account in excess of contributions.

Information regarding IWD can be found at www.iowaworkforce.org.

Workers' Compensation Insurance

Premiums for workers' compensation coverage can be estimated using the audited payroll from the previous year with adjustments for cost of living and other increases, taking into consideration anticipated changes in personnel and/or operations. Once payroll has been adjusted for each class code, apply the rate for each code per \$100 of payroll. The city should check with its agent to see if any rate changes will go into effect prior to its renewal.

General Liability and Property Insurance

Liability coverage contribution is based on several factors such as number of employees, number and types of automobiles and expenditures. However, the easiest way to project cost of liability coverage is to apply the current inflation factor. Premiums for liability coverage is based on the number of employees and a five percent increase to the entity's total budget. Rating for property and auto physical damage coverage is based solely on the total insured value (TIV) of the schedule. A simple way to project cost is to calculate the TIV of the previous year, divide it into last year's contribution and apply the factor to this year's TIV.

Legislation

When re-estimating revenues and expenditures for FY2010 and budgeting for FY2011, cities should keep in mind recent legislative actions that may have a significant fiscal impact on the city. Full coverage of the laws passed by the 2009 General Assembly is included in New Laws of Interest to Iowa Cities; this document can be downloaded from the League Web site at www.iowaleague.org.

SF376, SF477, SF474, HF822 and HF820 – I-JOBS Program

The I-JOBS program components were spread among five bills and were designed to assist in the development and completion of public construction projects relating to local infrastructure, disaster relief and mitigation. An 11 member I-JOBS board was established and located within the Iowa Finance Authority (IFA) to oversee the program and award grants.

I-JOBS is an \$830 million program implemented to create jobs, help disaster-damaged communities, invest in Iowa's infrastructure and promote long-term growth. It addresses five key areas of unmet infrastructure needs across the state, including transportation projects, water infrastructure, broadband technology, housing and alternative energy infrastructure. To learn more about the funding opportunities along with application deadlines, visit the I-JOBS Web site at www.ijobsiowa.gov.

SF457 – Disaster Recovery Local Bonding Authority

- legalizes certain budgetary actions for cities and counties in disaster areas during the period from May 1 to August 31, 2008
- expands the categories of essential corporate purposes for which General Obligation (GO) bonds may be issued without an election
- provides that GO bonds issued for such disaster related purposes, and bonds issued to refund such bonds, may have extended maturities of up to 30 years
- allows a city or county to designate portions of a disaster area as disaster revitalization areas
- provides up to \$3 million in housing tax credits for disaster recovery housing projects in disaster areas for each of the next five tax years

HF759 – Cities with Flood Hazard Areas Must Join the National Flood Insurance Program

This legislation requires all cities with flood hazard areas within their boundaries to join the National Flood Insurance Program (NFIP). Cities with a flood insurance rate map or a flood hazard boundary map published by FEMA must join within

two years, and cities without maps must join within two years of the final publication of such a map. It also makes state financial assistance for a flood-related disaster contingent upon the county or city participating in the NFIP. New Section 455B.262A.

SF226 – MFPRSI Cancer and Infectious Disease Presumption

- adds 14 types of cancer and several infectious diseases presumed to have been contracted while on active duty as a result of that duty, by members of the statewide fire and police retirement system, for purposes of establishing a disability pension or providing a death benefit
- increases the member contribution rate from 9.35 to 9.40 percent
- Sections 411.1 and 411.6

SF114 – Number of Historic Preservation Grants Awarded in a County

- changes the limit of historic preservation grants awarded in a county from allowing only two per county, to capping the amount that can be awarded in a county at \$200,000
- 2008 Iowa Acts, Chapter 1179

SF481 – State Historic Tax Credit Program

- increases the annual cap for Iowa's historic preservation and cultural entertainment district tax credit program from the current \$20 million to \$50 million by FY2013
- Chapter 404A

SF207 – Iowa Finance Authority Omnibus

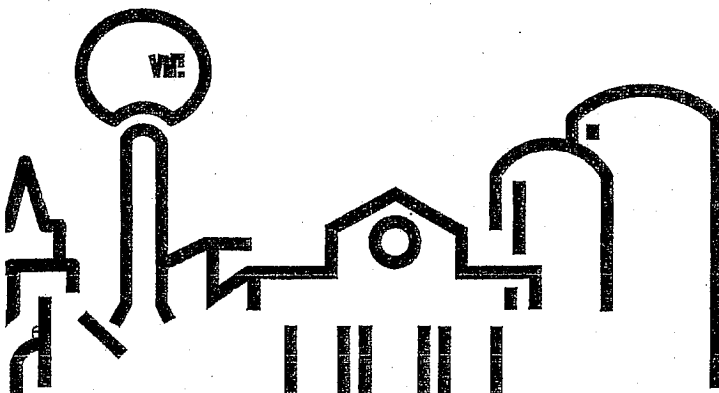
- amends the programs under the Housing Trust Fund
- provides that at least 60 percent of housing fund money be allocated for the local housing trust fund program
- provides that remaining money be used to make awards to the project-based housing programs located in areas where a local housing trust fund does not exist, or for a project-based housing program that is not eligible for funding through a local housing trust fund
- Section 16.181

HF468 – Unsewered Community Revolving Loan Fund

- creates an unsewered community revolving loan fund under the purview of the Iowa Finance Authority (IFA). Loans given will be no interest loans for a term of no more than 40 years
- directs IFA to encourage applicants to use innovative, cost-effective-sewage disposal technologies, and to establish rules that prioritize applications for disadvantaged unsewered communities
- No money has been appropriated for this fund
- New Section 16.191

SF339 – Wastewater Infrastructure

- creates consistent criteria for disadvantaged communities to be used by state agencies when providing financing, grants and variances
- sets up a program within the State Revolving Fund (SRF) to help cities partner with qualified watershed improvement 28Es to do water quality projects
- requires the DNR to adopt rules to allow for use of alternative wastewater treatment systems to eliminate regulatory barriers and increase the use of new or innovative technologies



SF419 – DOT Omnibus Bill

- places a cap of \$225 million on the TIME-21 fund in which all revenue generated above that amount shall be directed to the Road Use Tax Fund
- Sections 805.6 and 312A.2

SF456 – Wind Energy Tax Credits

- grants an additional 12 months for applicants for 476C tax credits to become operational
- expands the usability of 476B tax credits
- transfers 300 MW of credits from Chapter 476B to Chapter 476C to allow for more use of the small wind credits
- Sections 476B.1- 476B.6 and Section 476C.3

SF452 – Energy Efficiency Community Grant Program

- grants limited to \$50,000 with 50 percent matching requirement
- grants are to encourage partnerships between public and private sector groups and to develop collaboration and community involvement in energy efficiency
- Section 469.10 and new Section 469.11

SF478 – Standing Appropriations Bill

This bill contained numerous provisions that impact municipal finance:

- Section 137: Strikes hotel/motel tax law changes made last session that exempted universities and other governmental entities from paying tax on hotel rooms. It clarifies that "lodging rooms" subject to hotel/motel tax does not include rooms that are not used for sleeping accommodations.
- Section 228: Authorizes cities to impose up to a five percent franchise fee by ordinance on franchised gas and electric utilities. Cities must prepare a revenue purpose statement prior to the adoption of the ordinance. If property tax relief is listed as a purpose, the revenue purpose statement must also include information regarding the amount of property tax relief to be provided. No mandated amount must go to property tax relief, but cities must restrict spending of franchise fee revenue to specific purposes.

Other Budget Issues

GASB 45

Governmental Accounting Standards Board Statement 45 (GASB 45) requires many public entities to reflect the value of post employment benefits (health, life, dental, etc.) that are provided to retired employees in your future audited financial statements. Your auditor has likely informed you when (and if) your city will meet the requirements for compliance with this accounting standard. The League has developed a list of preferred actuarial providers with the other partnering sponsors of the Iowa Public Agency Investment Trust (IPAIT). The list was developed based on a request for proposals and each firm was evaluated on the scope, quality and price of services. The recommended vendors are Alliance Benefit Group of Indiana; Silverstone Group; and J. Robert Hopson, Inc. A side by side comparison is available at www.iowaleague.org.

Red Flag Rules

The Fair and Accurate Credit Transactions (FACT) Act of 2003 requires utilities and government entities to implement iden-

tity theft prevention programs. These provisions are known more commonly as the Red Flags Rule. Municipal utilities, local governments and any entity that can broadly be classified as a creditor should develop and implement a written identity theft prevention program. This was scheduled to go into effect November 1, 2008, however the Federal Trade Commission announced enforcement will be delayed. For more information regarding this policy contact the League at marktomb@iowaleague.org or (515) 244-7282. Information is also available at <http://ftc.gov/redflagrule>.

Bid Thresholds for Iowa Cities

January 1, 2009, significant changes to the bidding process for public improvements and roads, streets and culverts projects went into effect. The thresholds for when cities are required to seek publicly-let, sealed bids increased as follows:

Competitive bidding process: applicable to public improvement projects with an estimated cost exceeding \$100,000.

Competitive quotation process: applicable to public improvement projects with an estimated cost exceeding \$45,000 for city with a population less than 50,000; \$65,000 for city with 50,000 or more population; but not exceeding \$100,000. For a more complete explanation of this legislative change see Construction Bidding Procedures by Terry Timmins. This article and an interactive flow chart covering typical bidding situations and thresholds are available at www.iowaleague.org.

Training Costs

The League and others will offer several training events directed at city officials during the upcoming fiscal year. The below list includes the planned workshops and their estimated registration price:

Annual Conference & Exhibit	\$175
Budget Workshops	\$30
Small City Workshops	\$30
Municipal Leadership Academy	Varies
Iowa Municipal Professionals Institute	Varies
Iowa Municipal Professionals Academy	Varies
Iowa Municipal Finance Officers Association	\$75
Iowa Municipal Attorney Association Annual Seminar....	\$60

Consumer Confidence Report

As a result of the Clean Water Act, enacted in 1996, cities are required to complete a Consumer Confidence Report. The purpose of the report is to inform consumers of their local water quality. A copy of the report must be mailed or otherwise directly delivered to each customer annually by July 1. A city with a population less than 10,000 with no violations during the past year may use a mailing waiver. If these cities choose to use the mailing waiver:

- For a city with a population less than 500, the mailing waiver must provide notice at least once per year to their customers by mail, door-to-door delivery or posting that the report is available upon request.
- For a city between 500 and 10,000 in population, the mailing waiver must inform customers that the report will not be mailed. The cities must publish the report in the newspaper and make the report available upon request.

Certification Date for TIF Debt

Cities must certify debt payable with Tax Increment Financing (TIF) funds on or before December 1. *Code of Iowa* Section 403.19 requires cities to certify to the county auditor the amount of any "loans, advances, indebtedness, or bonds" that qualify for payment from TIF revenue from a TIF district. This certification of TIF debt is only required once. However, due to the unique nature of many TIF financing programs, the city may need to file on an annual basis. The auditor is responsible for collecting and distributing the funds available from the increment in subsequent years until the entire certified amount is paid into the city's tax increment fund. However, if additional debt is incurred, that amount must be certified by the following December 1 in order for the county auditor to make the proper distribution in the next fiscal year. Failure to certify the debt before December 1 will delay payments to the city by one year. The Iowa Department of Management and the Office of the Auditor of the State have developed a TIF Debt Certification form that cities may use when certifying their debt to the county auditor.

Single Audit Act

Cities that expend a total of \$500,000 or more in federal assistance in a fiscal year must comply with the Single Audit Act, which requires a single or program-specific audit of city financial records.

Budget Calendar

The following schedule is an example for cities to follow during the budget process. The schedule assumes the city has a Thursday newspaper with a Tuesday deadline and the council meets on the first and third Monday. Cities should adopt a calendar that meets their specific circumstances. Dates noted by an asterisk are statutory deadlines or requirements.

Typical Budget Timeline

City department heads give budget and proposals to city finance officer January 4

Budget work session(s) with finance officer and city council ...
..... January 18 (and February 8)

Council receives and adopts final proposed budget and orders notice of hearing February 22

Notice of hearing on adoption of final budget published
..... February 25

NOTICE REQUIREMENT: Notice of the budget hearing must be given not more than 20* days nor less than 10* days before the date of the hearing.

DETAILED BUDGET: The detailed budget must be available for public inspection at least 10* days before the final budget hearing and 20* days before final date for certification, and are to be available at the clerk's and mayor's offices and the public library, or posted at three places designated by ordinance if there is no library.

Budget hearing March 8

Adoption of final budget March 8

Certified budget to county auditor March 15*

Persons affected by the budget have 10 days after the date of certification* to file a written protest March 25

IDOM certifies taxes back to county auditor.....June 15*

Budget takes effect.....July 1*

*Dates noted by an asterisk are statutory deadlines or requirements.

Cities might find that they need to exceed the general fund levy limit set by statute (\$8.10 per \$1,000 of taxable property value). If that is the case, a city may need to appeal to the IDOM/City Finance Committee and use a unique schedule and set of guidelines. These schedules and more are available at www.iowaleague.org.

One-Stop Web References

Iowa's Residential Property Tax Rollback Special Report

Requires login to League's Members Only section
www.iowaleague.org/MembersOnly/Downloads/SpecialReports/2003/rollback.pdf

Code of Iowa

Requires Entry of Chapter and Section numbers
www.legis.state.ia.us/IowaLaw.html

Utility Replacement Tax Special Report

Requires login to League's Members Only section
www.iowaleague.org/MembersOnly/Downloads/SpecialReports/2000/URTreport.pdf

Road Use Tax Fund Special Report

Requires login to League's Members Only section
www.iowaleague.org/MembersOnly/Downloads/SpecialReports/2002/roadusetaxfund.pdf

State Library of Iowa Enrich Iowa Funds

www.statelibraryofiowa.org/ld/enrich-ia

Iowa Department of Revenue Fuel Tax Refund Forms

www.iowa.gov/tax/forms/motor.html

Internal Revenue Service

www.irs.gov

Local Option Sales Tax information

www.iowa.gov/tax/locgov/locgov.html

U.S. Department of Labor Consumer Price Index Information

www.bls.gov/cpi/

Social Security Administration

www.ssa.gov/

Iowa Public Employees' Retirement System

www.ipers.org

Iowa Workforce Development

www.iowaworkforce.org

Cityscape Q&A, September 2004 - Federal Overtime Laws

www.iowaleague.org/Resources/SearchByTopicContent.aspx?FAQID=79&SubcategoryID=41

U.S. Department of Labor

www.dol.gov/

*Franchise Fee Special Report

A special report on municipal franchise fees will be available in December on the League's Web site.

