

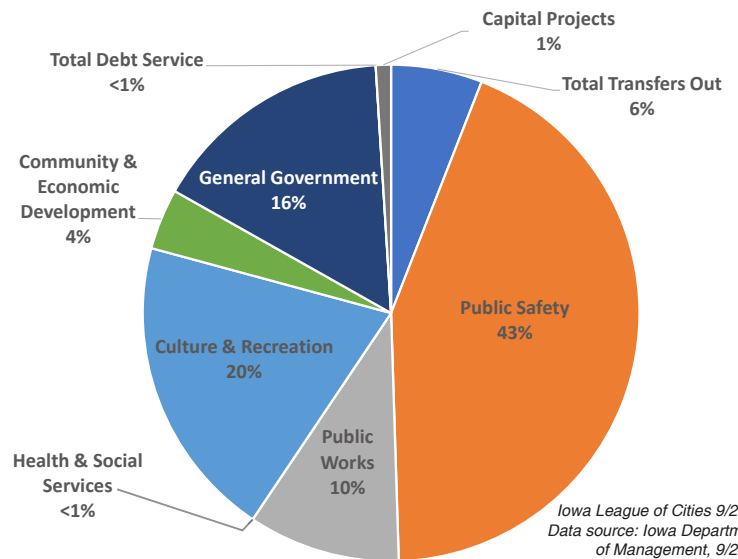
City Expenses Report

City Expenditures in Brief

Cities incur expenses to pay for city services. Some of these services are mandated by state or federal government, or legal precedent (such as staffing the city clerk role, provision of public safety, certain employee benefits). Others are services that contribute to quality of life, attracting residents, and meeting public demands.

Overall, public safety is the largest category of expenditure. The largest category for small communities is typically personnel.

General Fund Expenditures by Category, FY23 (avg. all cities)



MOST COMMON EXPENSE CATEGORIES



PUBLIC SAFETY

- Largest expenditure in city budgets (averaged)
- Handled differently. Some cities have police/fire departments. If so, then they have pension costs. Some cities contract for services.
- Collective Bargaining agreements impact cost increases
- Includes: police, fire, EMS, jail, animal control, emergency management, building inspections, and more



CULTURE AND RECREATION

- Includes parks, recreation, cemetery, library, museum, band and theater, community center, and more



GENERAL GOVERNMENTAL

- Includes personnel - elected and appointed, elections, legal/attorney services, city hall & general buildings, tort liability



PUBLIC WORKS

- Includes water, wastewater, stormwater, snowplows, pothole repair, streets, sidewalks, bridges, street lighting, highway engineering, parking, street cleaning, airport and garbage (if not enterprise services)

HOW DO CITIES PAY FOR IT ALL?

Revenue options include:

- Property Taxes
- Local Option Sales and Services Taxes
- Fees & Licenses
- Intergovernmental (such as road use tax, grants)
- Tax Increment Finance

Debt:

When revenues are not sufficient, or the project has a useful life which make sense for long term financing.

Approximately half of cities in Iowa have outstanding debt obligations.

The main categories in which cities hold debt are:

- Sewer
- Water and transportation infrastructure



RISING COSTS AND CHALLENGES OF VOLATILITY

Volatility in city expenses creates budget challenges.

Some more volatile expenditure areas include recent federal or state legislative change outside the control of the city, uncapped or frequently changing expenses (such as some pension system costs), infrastructure improvements, compliance with environmental regulations, emergency management and disaster response and recovery, inflation and rising market costs (such as construction/goods/materials cost, labor costs (both related to construction and attracting/retaining qualified employees), fuel costs, insurance premiums, vehicle costs, etc. Some revenue sources are volatile or elastic as well, and must be considered as expenditures increase.

Material costs for common construction materials have risen an estimated 20-40% since the beginning of 2020. Many cities have reported substantial construction contract increases and overages.

- *The Iowa DOT's Iowa Highway Construction Price Index Trend notes a 29% composite increase from last year in such areas as roadway excavation, surfacing/pavement, and structural steel and concrete.*

Fuel costs rose this year as a result of several factors, including crude oil supply down globally, international relations, and inflation.

Insurance

Vehicle costs have risen dramatically, and wait times for vehicles have increased. Cities have reported that state-negotiated rates for patrol cars or other city vehicles and equipment have been suspended at times due to the hot market and levels of demand.

Computer/tech equipment increases and low availability, coupled with increasing needs for more advanced technology in public safety and cybersecurity



RESOURCES

Iowa's Property Tax System Special Report

City Property Tax Levies Special Report

Property Tax Assessment Process in Iowa

City Budget Special Report

City Outstanding Debt Obligation Reports

City General Fund Revenue/Expenditures Reports

Iowa Government Finance Initiative - Annual Fiscal Condition Reports



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