

MARSHALLTOWN

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Joel Greer, Mayor
Carol Webb, City Administrator
24 North Center Street
Marshalltown, IA 50158
PH 641.754.5701 | FX 641.754.5717

TO: Mayor and City Council
FROM: Diana Steiner, Finance Director
DATE: February 14, 2025
RE: Set public hearing for proposed property tax levy for FY26

Strategic Plan Objective: N/A

Recommendation: Set public hearing on proposed property tax levy for a special meeting on March 24, 2025 at 5:00 PM.

Budget Impact: The proposed property tax levy rate that is published is the maximum levy rates that can be certified. The rate can be lowered after the public hearing but cannot exceed what was published.

Description/Background: House File 718, passed during the 2023 Legislative Session, and Senate File 2442, passed during the 2024 Legislative Session, requires that a hearing on the property tax rate be held prior to completion of the budget. The proposed property tax hearing is intended to spotlight the change in the property tax levy that is being requested by the City for the upcoming fiscal year. This hearing must be held as a stand-alone meeting, with its own agenda and minutes. No other city business may be on the agenda or discussed during the meeting. This hearing requires a public notice. For cities with a population of more than 200 in the last official census, the notice must be published in a newspaper of general circulation within the city not less than 10 and not more than 20 days prior to the date of the public hearing.

In addition to the published public notice, the proposed property tax hearing also requires a notice to be mailed directly to each taxpayer by March 15th of each year. This property tax notice mailer will show the proposed property tax hearing time, date and location. The mailer also shows the same information for the County and K-12 school proposed property tax hearings. The mailed notice will include the current rate and property tax revenue for 2024-2025, the effective rate for budget year 2025-2026 if no further revenue was requested, and the proposed revenue and total rate for budget year 2025-2026. The County is responsible for sending the mailer out and it will show a breakdown of the consolidated rate by the authority that receives the property tax.

Please refer to the Notice of Public Hearing Proposed Property Tax Levy form:

- The first column is what was certified for each tax levy for this current fiscal year (FY25) for property taxes only. It does not include gas and electric utilities that are taxed based on distribution. The City's regular total property tax revenues are \$14,533,067 with a regular City property tax rate of \$16.00.
- The second column is showing if the tax levied dollars of \$14,533,067 stayed the same for the next fiscal year (FY26) as they were in FY25, the tax rate would be \$14.84 due to the \$30 million increase in taxable valuations. This may be interesting to know, but with rising costs

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in wages, insurance, utilities, vehicles, supplies, etc. it is not realistic to continue to operate on the same amount of dollars.

- The third column is showing levied property tax dollars of \$15,031,079 for FY26. This is an increase of \$498,012 or 3.4 % increase. However, the overall property tax rate of \$16 is staying the same as it was in FY25. This was primarily accomplished by using an additional \$1.4 million in the employee benefit fund balance to bring down the rate.

The bottom of the form shows what property owners that own residential or commercial property would pay if they have an assessed property value of \$100,000 and \$300,000 respectively in FY25 and \$110,000 and \$330,000 in FY26. Since FY26 is an even year, most properties are unlikely to increase in value by 10%, but the legislature wanted to show the change in property tax rates are affected by both valuations and rate changes, since every property is different. Here is an example of the computation:

RESIDENTIAL	FY25	<u>FY26 no increase in valuations</u>	<u>FY26 if 10% increase in valuations</u>
Assessed valuation	\$ 100,000	\$ 100,000	\$ 110,000
Residential rollback (set by State)	46.3428%	47.4316%	47.4316%
Taxable valuation	\$ 46,343	\$ 47,432	\$ 52,175
Divided by 1,000	1000	1000	1000
	\$ 46.34	\$ 47.43	\$ 52.18
City tax rate *NO CHANGE	\$ 16	\$ 16	\$ 16
Property taxes charged	\$ 741	\$ 759	\$ 835
Comparison between fiscal years		\$ 17	\$ 94
% increase (decrease) between fiscal years		2.4%	12.68%
COMMERCIAL	FY25	<u>FY26 no increase in valuations</u>	<u>FY26 if 10% increase in valuations</u>
Assessed valuation	\$ 300,000	\$ 300,000	\$ 330,000
Residential rate first \$150,000, then 90%	Blend	Blend	Blend
Taxable valuation	\$ 204,514	\$ 206,147	\$ 233,147
Divided by 1,000	1000	1000	1000
	\$ 204.51	\$ 206.15	\$ 233.15
City tax rate *NO CHANGE	\$ 16	\$ 16	\$ 16
Property taxes charged	\$ 3,272	\$ 3,298	\$ 3,730
Comparison between fiscal years		\$ 26	\$ 458
% increase (decrease) between fiscal years		0.8%	14.00%

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