



Tom Phillips  
Mayor

March 3, 2016

Council Members:  
Erika Isley  
Ed Kuhl  
David Lester  
Jaki Livingston  
Stephanie Riva

The Honorable Mayor and City Council Members  
City of Norwalk  
705 North Avenue  
Norwalk, Iowa 50211

RE: FY 2016/2017 Budget and Tax Levy

Marketa George Oliver  
City Manager

Dear Mayor Phillips and City Council Members:

Jean Furler  
Finance Director

Submitted for your review and consideration is the 2016-2017 Proposed Budget for the City of Norwalk. The budget provides the financial plan for all City funds and activities for the fiscal year beginning July 1, 2016 and ending June 30, 2017. The tax levy rate is proposed to be \$15.69499 per thousand dollars of taxable valuation, which is roughly equal to the current levy of \$15.69376.

Jodi Eddleman  
City Clerk

Ryan Coburn  
Acting Fire Chief

This budget reflects the City's priorities of not only maintaining, but enhancing, strong core services of public safety and public works. The budget enhances core services by adding a police officer and providing funding for nighttime EMS services from Monday through Thursday. This gives Norwalk 24/7 emergency medical services, which has been a goal of the city.

Greg Staples  
Police Chief

Tim Hoskins  
Public Works  
Director

The budget includes operational funding to maintain current staffing levels and includes an additional police officer as well as several capital projects. The budget also has some funding for enhancing fire department staffing which will provide 24/7 staffing levels. Capital equipment purchases include two police cars, dump trucks, a 1-ton truck; some computer equipment and possibly a new rescue truck and upgraded storm sirens as well as a backup generator.

Nancy Kuehl  
Parks & Recreation  
Director

Holly Sealine  
Library Director

The capital spending plan reflects council priorities set in July, 2014. The priorities which rose to the top at that meeting were the NCIS projects, water main replacements, the library roof, storm siren upgrades, Beardsley Street improvements, trail connections and the pool. The proposed capital spending includes those immediate needs and the capital plan that is part of this budget lays out a vision for future capital spending that addresses the majority of those top priorities. The only project which was a top priority that is not currently addressed in the capital plan is the pool. Funding for a pool/aquatic center remains unidentified and this will require further Council discussion and direction. Included in the current budget is funding for the Norwalk Community Infrastructure Study (NCIS) projects on Holly and Wakonda Drives (which also constructs sidewalks on Happy Hollow Drive); Colonial Parkway expansion; Cedar Street completion; Norwalk Easter Public Library roof repair/replacement; two regional stormwater retention/detention ponds; sump pump removal; fire hydrant replacement; water meter change outs; a major water main replacement project; Cherry Parkway tree replacements; some Highway 28 streetscaping. A comprehensive Capital Improvement and Capital Equipment plan with proposed funding sources is included in your budget documents.

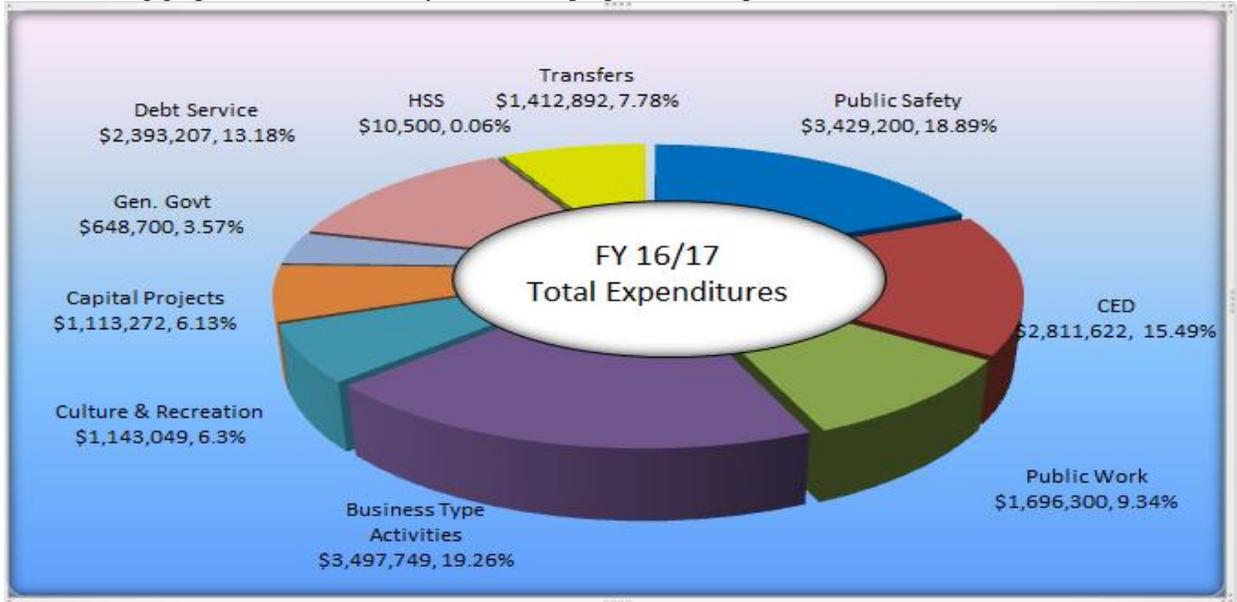
Tim Geyer  
Technology Director

Jim Dougherty  
City Attorney

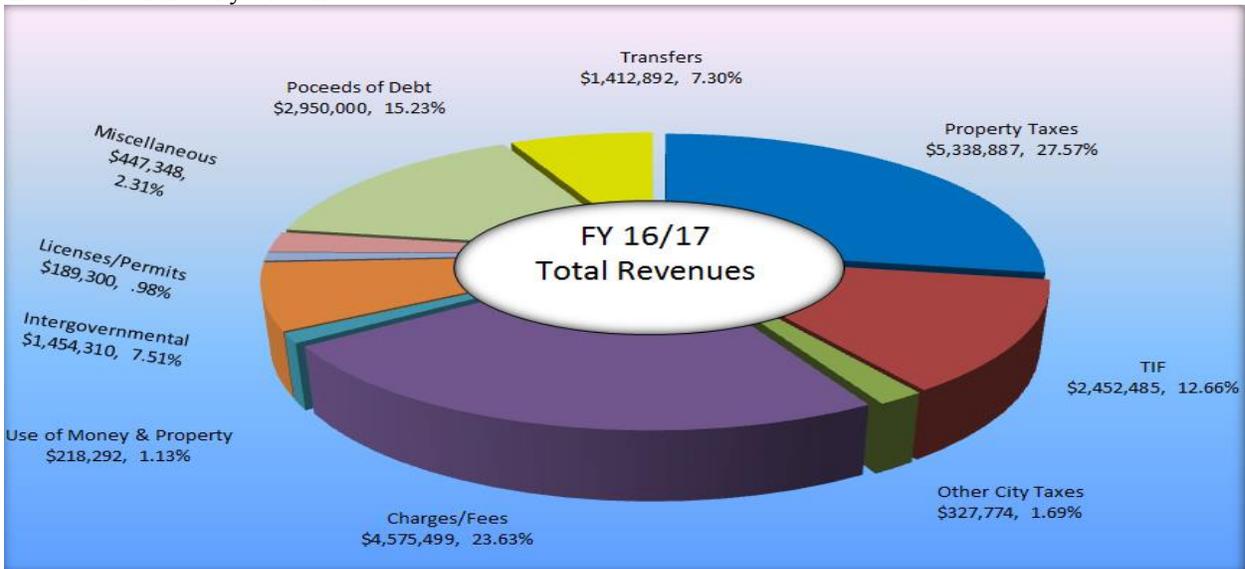
**Revenues and Expenditures**

The City’s overall proposed expenditures for FY 17 are \$18,156,491, down from \$23,250,488 in FY 16 projected year end. This is due to the number of capital projects begun and/or completed in FY 16. The largest projects include the NCIS projects of Holly and Wakonda Drives. These projects are funded with bond proceeds, the revenues from which were included in the FY 15 year end and the bulk of the expenditures included in the FY 16 year end estimate.

The following graphs show how the City’s funds are proposed to be spent.



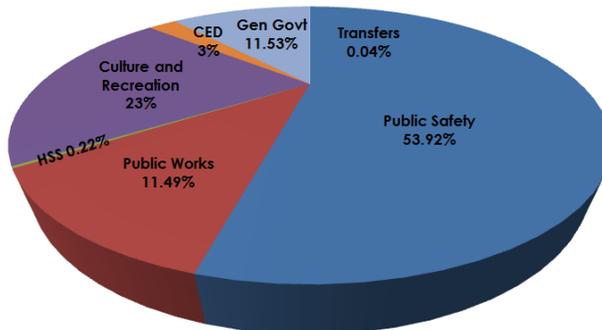
In order to pay for the services that the City provides and the capital improvement projects, the City collects property taxes, charges fees for service, applies for and is fortunate quite often to receive grants and donations, and also receives reimbursements. Total projected revenues for FY 17 are \$19,058,877. It is important to note here that the projected revenue on the State budget form totals \$19,366,787, which is \$307,910 greater than the City’s budget reporting shows. The difference in the revenues is from the reimbursement from the State of Iowa for “backfilling” a portion of city revenue loss that resulted from the state devaluation of property a few years ago. The City could certainly use these funds as there are capital needs that could be met with these dollars, however the City has not included them while balancing the budget in case the reimbursement is not approved during the legislative budget session. Following is a graph showing the sources of the City’s revenues.



## General Fund

The City maintains many “funds” within the City budget. The General Fund supports the bulk of the City’s operations and the operations most identified with the City, such as Police and Fire. The Police, Fire, Parks, Recreation, Library, Building Inspection, Community Development and Administrative operations are funded primarily with General Fund and Trust and Agency dollars. Some grants and donations are also included in the General Fund. Donations and revenue from Parks and Recreation programs help fund those operations. Other General Fund revenues consist of property taxes, licenses and permits, fines, miscellaneous revenues and charges for services. Other funds, such as Water, Stormwater, Sewer (Wastewater) and Trust and Agency (Employee Benefits), are charged an administrative service fee to offset the support provided by administrative staff. This is reflected in the budget through transfers. A list explaining the transfers included in the re-estimated FY 16 budget, the FY 17 proposed budget and the FY 18 projected budget is included with your detailed budget information. Following is a graph showing how the General Fund is broken down by expenditure category. Total General Fund expenditures, as shown below, including transfers are \$4,747,800. Total General Fund revenues are \$4,936,997. (Please note when referring to the fund balance sheet, funds 001 and 003 are those included in this “General Fund” total.)

The proposed and projected budget adds to the City’s general fund reserve levels. This is largely due to the release of TIF valuation again for the fiscal year. Council has given staff direction to work towards less reliance on TIF and the proposed budget accomplishes that goal. You will notice later in the budget that even though the City released significant TIF valuation, there is still an increase in TIF revenues. That is reflective of the significant increase in valuation experience through growth.



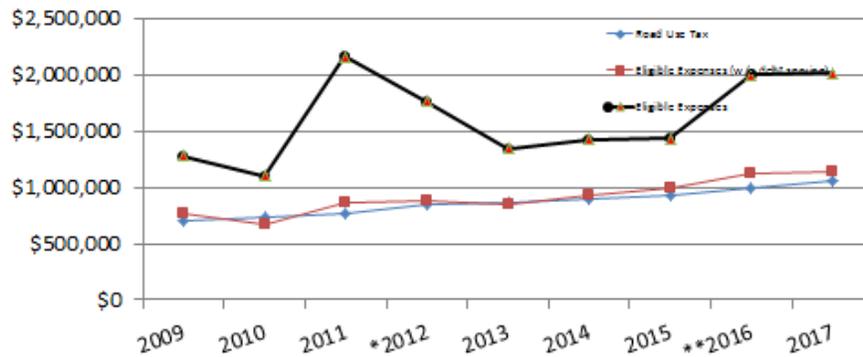
## Special Revenue Funds

Special Revenue Funds contain proceeds from a specific source and are required by law to be accounted for separately and used for a specific purpose. Examples include Road Use Tax (RUT) and Employee Benefits (T&A).

Public Works operations are funded primarily with Road Use Tax and Employee Benefits dollars. The increase of the gas tax by \$.10 last year by the State of Iowa Legislature has been a great help in covering RUT expenses and enabled the hiring of an additional Public Works employee. Budgeted conservatively, the City is projected to receive \$1,060,000 in RUT revenues in FY 17. Combining the RUT from the State with other sources of revenue brings the total FY 17 RUT fund revenues to \$1,156,800. RUT operating expenditures are \$1,142,000. Following is a graph tracking seven years of RUT revenues, expenses and eligible expenses. As you can see, due to the increased gas tax revenues, the RUT largely covers the cost of routine maintenance of the City’s roadways, but generally does not cover the cost of capital improvements.

Road Use Tax	Fiscal Year									
	2009	2010	2011	*2012	2013	2014	2015	**2016	2017	Total
Road Use Tax	\$701,507	\$730,665	\$770,329	\$848,443	\$856,626	\$893,192	\$930,123	\$999,999	\$1,060,000	\$7,790,884
Eligible Expenses (w/o debt serv)	\$772,946	\$676,119	\$855,279	\$880,706	\$853,169	\$933,307	\$999,540	\$1,128,200	\$1,142,000	\$8,241,266
Eligible Expenses	\$1,282,016	\$1,099,942	\$2,161,446	\$1,760,443	\$1,343,862	\$1,425,594	\$1,434,028	\$1,997,616	\$2,011,271	\$14,516,217

**\*This is when updated census figures were implemented for per capita payment.**  
**\*\* Projected year end and increase in gas tax.**



\*This is when updated census figures were implemented for per capita payment.  
 \*\* Projected year end and increase in gas tax revenue.

The Parks Trust is also a special revenue fund. Last year in the budget message, the Parks Trust fund (Fund 184 in Department 430) was discussed at length. As you recall, this is the fund that receives the revenue from the “Friends of the Park” check off on residential utility bills. In FY 2014, the City sent confirmation letters to customers asking them to reaffirm their participation in what was previously known as the “Buck-a-Month” club and explained the money was used to support special events, like 4<sup>th</sup> of July Fireworks and Parks improvements. The number of people reaffirming their participation to support these events was very low, leading to an 80% drop in anticipated revenue, from more than \$28,000 annually to approximately \$4,800. The City’s contribution for fireworks came directly from this funding source and was approximately 45% of it. The City previously contributed \$12,500 annually for fireworks, which was approximately 45% of the revenue. Therefore, in the FY 15 budget, the City’s budgeted \$2,400 for fireworks, reflecting the level of contributions. Since that time, largely thanks to articles written by the Mayor in Norwalk Living and in the newspaper about the issue, the City now has many more people contributing to this fund and the revenue projection is now \$8,398.

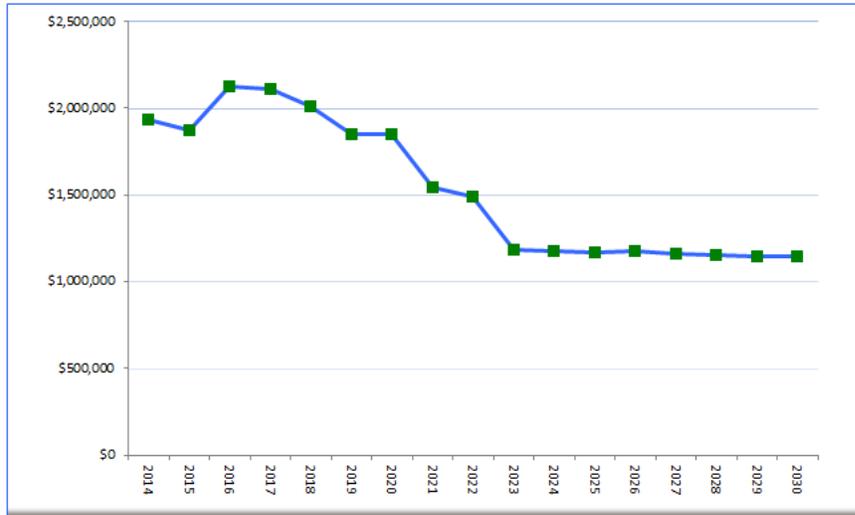
### TIF Special Revenue Funds

Tax Increment Financing (TIF) expenditures are reported in a separate category on the State budget documents. The use of TIF dollars is restricted to certain projects within an urban renewal area or can be used to repay debt for urban renewal projects. In FY 17, the City is projected to receive a total of \$2,452,485 of revenue into the TIF fund. Expenses for the same period are \$3,440,652. The fund balance is planned to be used in conjunction with the annual revenue to pay for the expenses, which in FY 17 include \$1.5 million for a development agreement recently approved by the Council to develop commercial ground at Highway 28/Masteller Road. The TIF fund pays for rebates created through economic development agreements and debt service for certain urban renewal bond issues and capital projects. It is also used to pay for costs that are directly connected with economic development. Many of the budgeted projects, such as the annual economic development administration program, will require an urban renewal plan amendment. Staff will work with legal counsel to prepare the necessary amendments and proceedings for Council consideration.

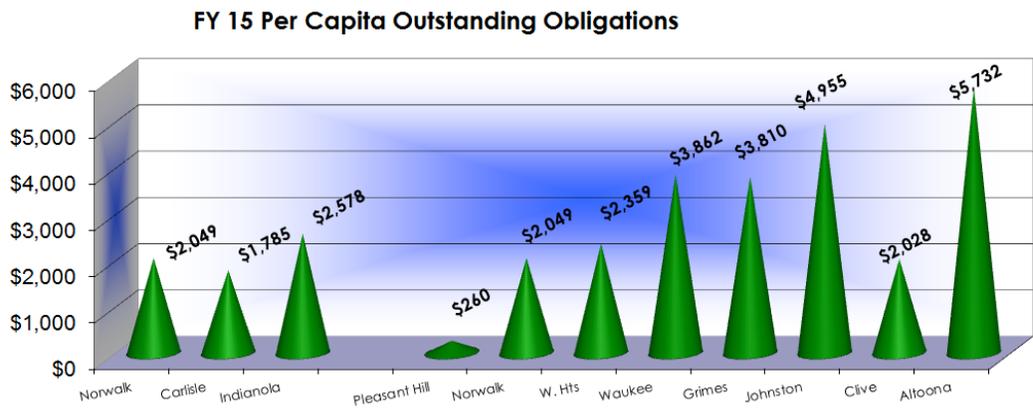
It has been the Council’s goal to reduce reliance on TIF in order to release funds back into the City’s general fund and to other taxing entities. Last year, the City released \$24.7 million in TIF valuation and this year released \$25,387,077 in TIF valuation. Even with the greater release of TIF valuation, TIF revenues still increased. That increase is due to significant overall valuation increases through growth.

**Debt Services Fund**

The Debt Services Fund is dedicated for the payment of the principal and interest on the City’s long term debt. Revenue for this fund comes from property tax or from TIF, but can also come from other fund transfers. Following is a graph showing the long-term, annual debt service expenditures. As of June 30, 2015, the City has a constitutional debt limit of \$35,494,073 and outstanding obligations attributable to that debt limit of \$17,185,000, of which \$6,320,000 is abated by TIF, leaving \$10,865,000 as straight general obligation bonds. The City also has outstanding revenue bonds in the amount of \$1,141,879.



Following is a graph showing the per capita outstanding obligations as June 30, 2015. Cities in Iowa are required to report this to the State annually and the information is available from the State Treasurer.



Cities in Warren County  
Ave. \$2,137

Metro Cities 4K to 20K  
Ave. \$3,132

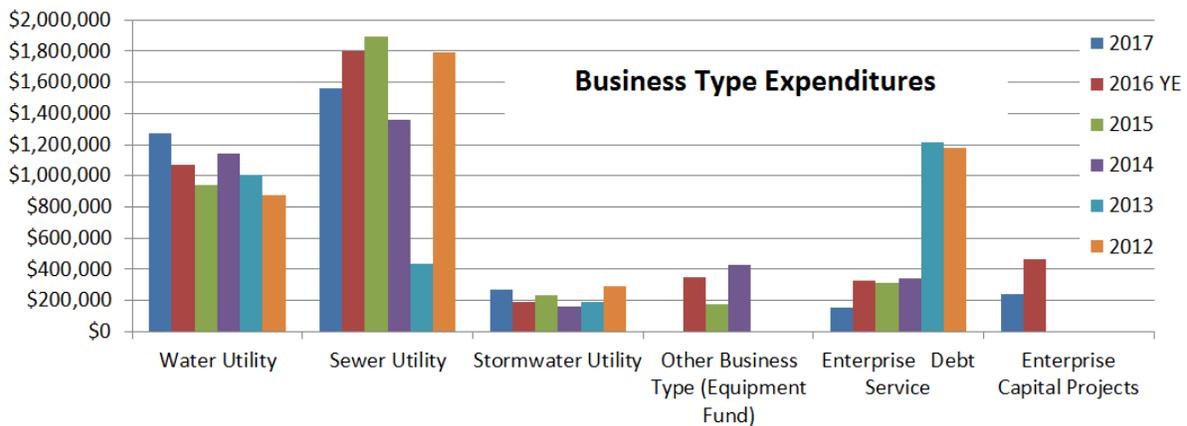
**The Enterprise Funds**

Enterprise Funds are often referred to as “proprietary.” These funds account for operations that function in a manner similar to a business, usually city utilities. Norwalk’s main enterprise funds are water, sewer (wastewater), stormwater and the equipment revolving fund.

As discussed later under Capital Projects, the City is facing the need for some major investments in water infrastructure. Last year the City Improvement Advisory Committee for Infrastructure developed recommendations for priorities and their top areas of concern were in water infrastructure. Staff will work with the City's financial advisor to develop options for a water revenue bond. Norwalk is also a participant in the regional drinking water governance study which should bring forth some recommendations at some point in the near future.

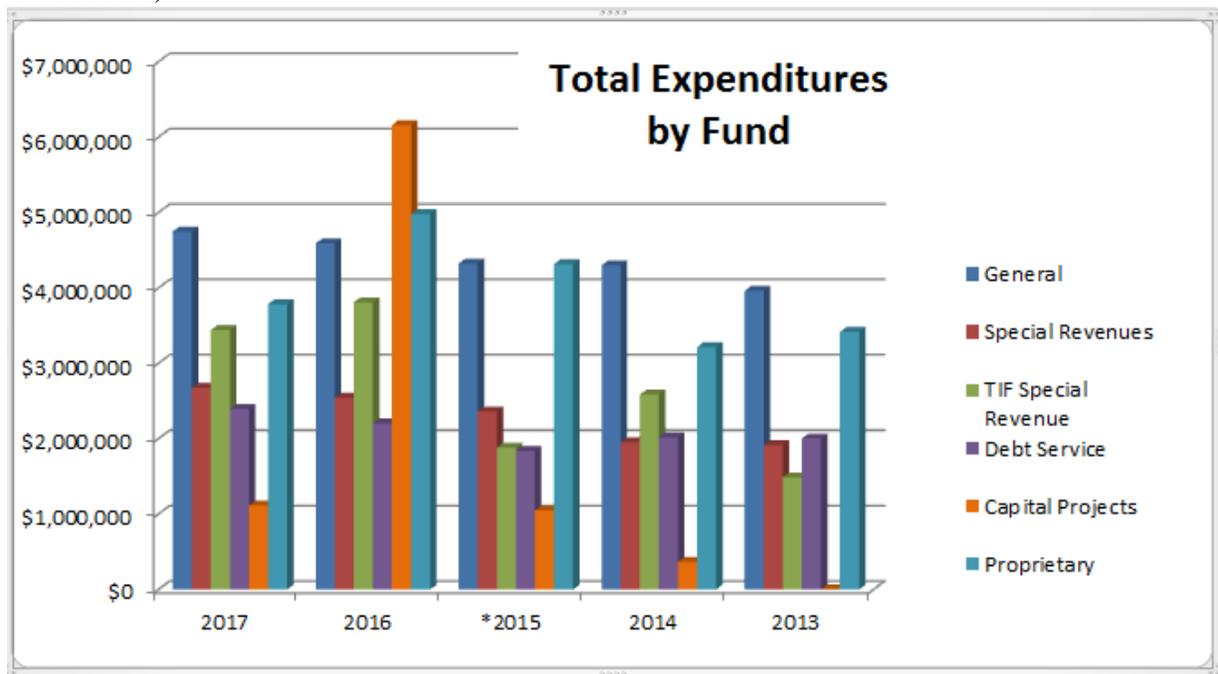
Included in the FY 15 and FY 16 year-end budgets is funding for a sewer trunk extension for the Warrior Run project, located on the southeast corner of the city. Staff is also working on manhole rehabilitation and rebuilding storm water intakes. A major water main replacement project in the older area of Norwalk is also under construction, which means better water pressure to an entire neighborhood.

Following is a graph showing recent history of the Business Type Expenditures fund.



**Total Expenditures**

Following is a graph showing a history of the City's budgeted expenditures in the various funds. (Please note the TIF Special Revenue is broken out as its own category pursuant to how the City is required to report these expenditures to the State of Iowa.)

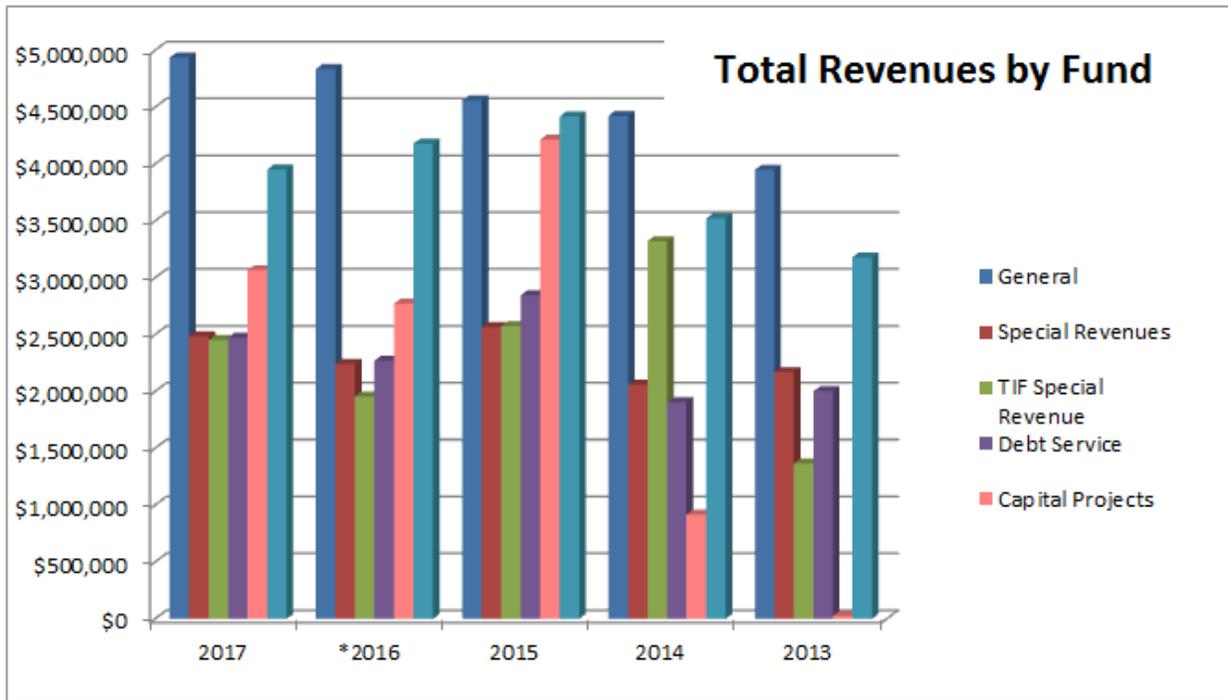


\*Year End Estimate

The total expenditures in all funds and all categories proposed for FY 17 are \$18,156,491. This includes \$1,351,272 for capital improvements (budgeted in the Capital Projects Fund and the Business Type Activities Fund) and \$355,700 for capital equipment and furniture. Please note that FY 17 expenditures are more than FY 17 revenues. This is not anything to cause alarm. This is due to some large capital projects which are paid in part by fund balances (for example, see narrative under the TIF Fund.) A fund balance sheet of all of the different funds the City has, including projected revenues, expenditures and balances through June 30, 2018 is included in your budget packet.

**Total Revenues**

Following is a graph showing a history of the City’s revenues in the various funds. (Please note the TIF Special Revenue is broken out as its own category pursuant to how the City is required to report these expenditures to the State of Iowa.)



\*Year End Estimate

**Personnel**

The bulk of the City’s budget is driven by personnel costs. The City currently has 52 regular, full-time and 12 part-time regular authorized positions. (Not all positions are currently occupied.)

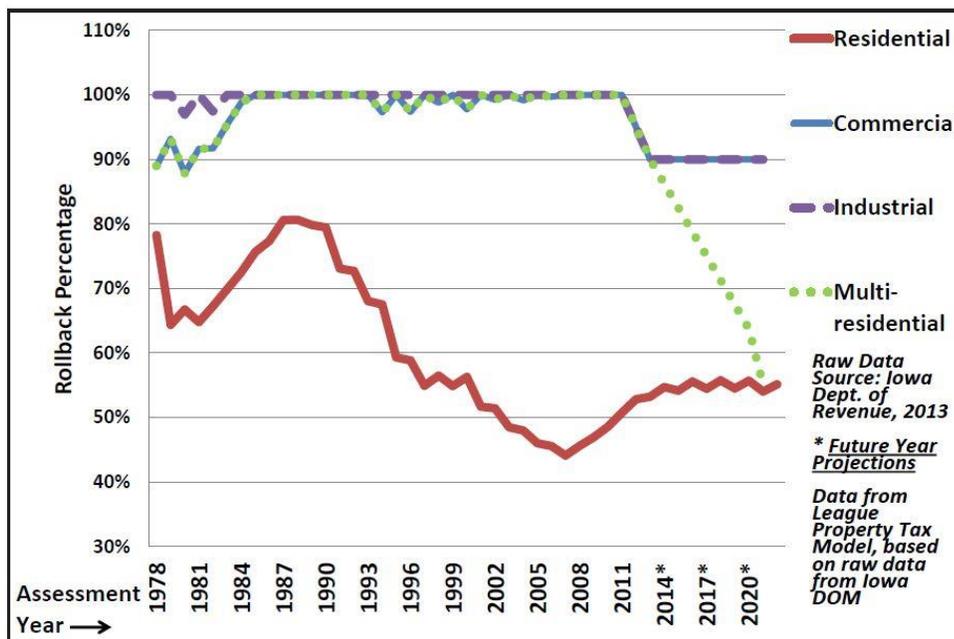
Of the 52 current full-time employees: 15 are in the Police Department; 15 in Public Works; four in Fire, three in Library; two in Administration; two in administrative support roles; two in customer service/utility billing; one and a half in Community and Economic Development; three and a half in Planning and Building; and four in Parks and Recreation. Approximately 28 *paid on call* positions comprise the rest of the employees in the Fire Department. A current organizational chart is included in your packet. Of the 12 regular part-time positions, all are in the Library. This includes the positions added to Public Works and Building Inspections through the year. The City Council also made the decision this past year to split the City Clerk and Finance Director positions and this new structure has been working very well.

The City has been working to expand emergency services for the past several years. Last year, the City was able to add a police officer through a COPS grant. This year, the City proposes to add a 15<sup>th</sup> patrol officer and proposes to add funding to the Fire Department to allow for 24/7 emergency medical coverage in Norwalk. Combined with the positions added through the organization over the past year (the Building Inspector and another Public Works staff member) this should carry the City at an appropriate staffing level for the next three to five years. Now that these core public safety needs have been met, the City’s most pressing needs are in the water infrastructure area and in the area of economic development, particularly industrial land development and recreational amenities.

**Future Issues**

On March 1, 2016, citizens will vote on a local option sales tax. The tax is estimated to generate approximately \$454,000 for Norwalk. Based on Council direction, one-quarter, or \$112,500 would be directed to property tax relief (which would effectively eliminate the emergency levy that is currently being levied) and the rest would be for costs related to the construction and/or rehabilitation and operation of public safety, public works, street maintenance and any other lawful purpose. While the City, with this proposed budget, has met short-term public safety needs, that does not mean that there are not needs that still need to be addressed. As a growing community, the City has infrastructure needs and will continue to have pressures to add staff as we grow in order to meet the needs and demands of our current and future citizens. The proposed sales tax could provide a source to offer property tax relief while also offering revenues to meet those needs and, at the same time, diversify the community’s revenue stream. Diversification of revenue would be extremely helpful as we look into the future. There still is a great deal of uncertainty as to the extent of the impact of the *property tax reform* that was passed by the State in 2013. While the City of Norwalk is growing currently, which helps offset losses of the devaluation of property occurred with that legislation, if growth slowed or stopped, a diversification of the City’s revenue stream would be critical. Additionally, a large piece of the property tax reform bill was rolling back the valuation on multiple family housing developments. Following is a graph that depicts the historic and projected property tax rollback trend, for all categories, prepared by the Iowa League of Cities.

*Historic and Projected Property Tax Rollback Trend*



City staff is constantly looking for ways in which we can reduce expenditures, increase efficiencies or secure outside funding to help accomplish the City's goals. This past year, the Council approved to change to more efficient light fixtures throughout city buildings, action which reduces operational costs immediately. The Police Department received \$10,000 in Governor’s Traffic Safety Bureau money to offset overtime for traffic enforcement and a \$5,000 grant from Warren County Philanthropic to begin a bike patrol. The City again received MidAmerican Trees Please! money, a contribution that was doubled by the use of volunteer labor to plant trees. The City also received a Warren County Philanthropic grant and a Build It With Bags grant for new picnic tables. Staff will continue to aggressively pursue alternative revenue sources to fund City projects whenever possible.

Previously in the budget message, the cost of Westcom services has been discussed. Staff is currently working to draft legislation that would enable the City Council, if they chose to do so, to be able to levy for those costs for support of local and collaborative emergency management efforts. We have spoken with State legislators about this and will try to advance the issue.

## **Capital Updates**

This City began a number of large capital projects. First, the Norwalk Community Infrastructure Study that was finished in 2013 produced a project list based on the condition of the streets. The streets conditions were then correlated with the amount of use they receive to develop recommendations to prioritize projects. The Council identified the two sections of Wakonda Drive and a section of Holly Drive (between Shady Lane and Knoll Drive), along with sidewalks on Happy Hollow Drive as the first areas for construction. The bond to fund the improvements was sold in January, 2015. Another \$1.2 million bond is anticipated in FY17 for ongoing NCIS projects.

A regional stormwater retention pond in the industrial park is in the final design stages and the first steps are currently let for bids/quotes. Another facility in the Orchard Hills area is in design as well. A full copy of the capital plan is included in your budget.

It should be worth noting here that there are significant identified needs for which no funding source has been identified. There are ongoing needs in water and streets. The City is facing several challenges both short term and long term with its water system. As the community grows so will the demand. The water distribution system is in need of some major upgrades in the older part of the community and one of the larger capital improvement projects underway is the replacement of water mains in the area south of North Avenue. There are several small water lines and dead end lines that hinder water quality and fire protection. Limited funds have been budgeted to address some of these issues on an annual basis as they directly impact health and safety. The community has only one transmission line that feeds our system. That combined with limited storage will need to be considered. In water, in FY 20, the City is planning for the construction of a pump station and trunk main. This project is estimated to be around \$2,000,000. In the streets area, money was budgeted last year and again this year to begin a mill and overlay program, through which a little is done each year throughout the community.

Parks is another area in which capital improvements have been sporadic due to funding. Funding for park equipment (\$150,000) for a new Orchard Hills Park is currently identified in FY 17 thru FY19 in the capital plan. The City knows that there are serious maintenance and other concerns with the pool and this is a policy discussion.

## **Policy Initiatives/Accomplishments**

Throughout the past year to few years, the City has taken on some major initiatives. We partnered with local developers to solicit and ultimately win the 2014 Home Show Expo. The Expo was held the last three weekends in July of 2014 and brought approximately 12,000 people into Norwalk. The Expo was considered a huge success by the developers and the Home Builders Association. The City's valuation totals and increases in the FY 17 budget were significantly bolstered by the Home Show area. The City today is reaping the rewards of the Council's vision and investment and the hard work of our elected officials, staff members and our partners to make the Home Show so successful in Norwalk.

The City was named a "certified site" through the State of Iowa this past year, which means that our property information will be immediately available for out of state inquiries and will give us a competitive edge. There were only six communities awarded the designation this past year.

The City Improvement Advisory Committee (CIAC) process, in conjunction with the School Improvement Advisory Committee process was a huge success. The response from the community was fantastic. Following an article the Mayor wrote in Norwalk Living, a number of residents volunteered and worked on the three different committees, which included Infrastructure and Public Safety. There was also an Economic Development Committee that began work but halted last year in the absence of an economic development director. That Committee is meeting, along with a Culture and Recreation Committee for this year's CIAC process.

In last year's budget message, street lighting was identified as an issue to address in an effort to reduce operational costs in that area. In August, 2015, the City Council approved an agreement with MidAmerican Energy for the installation of LED street lights. The City is one of the first in the state to move in this direction.

## **Upcoming issues**

There are infrastructure issues particularly in the water area that have already been discussed that will need attention. Another critical need is for the City to identify industrial land. The City is currently, effectively out of industrial land, specifically for light industrial use. This type of use is in great demand and it will be essential to our economic development efforts to identify some area for this purpose.

**Reserve Levels**

The City’s General Fund reserve levels have reached a level that is in much sounder condition than it has been in the past, hovering at the approximate 30% level from FY 16 through FY 18, up from 23% in FY 15. This is an area the City identified for improvement and has accomplished that.

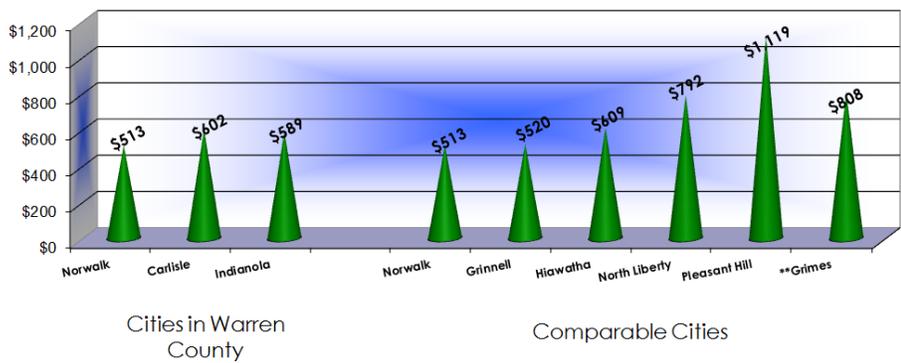
**Legislative Issues**

The City remains concerned about the elimination of the backfill to local governments. The projected FY 17 budget does not include any of the reimbursements, but would be helped a great deal by their presence. Addressing transportation funding is critical and the City is grateful for the additional revenues to help with road maintenance.

**Benchmarking**

City staff members are continually looking for ways to enhance efficiency and reduce costs. Following is a graph benchmarking Norwalk’s General Fund expenditures for FY 16 compared to those of surrounding and comparable communities. This information is taken from State budget forms filed with the Department of Management.

**FY 16 Per Capita General Fund Expenditures**

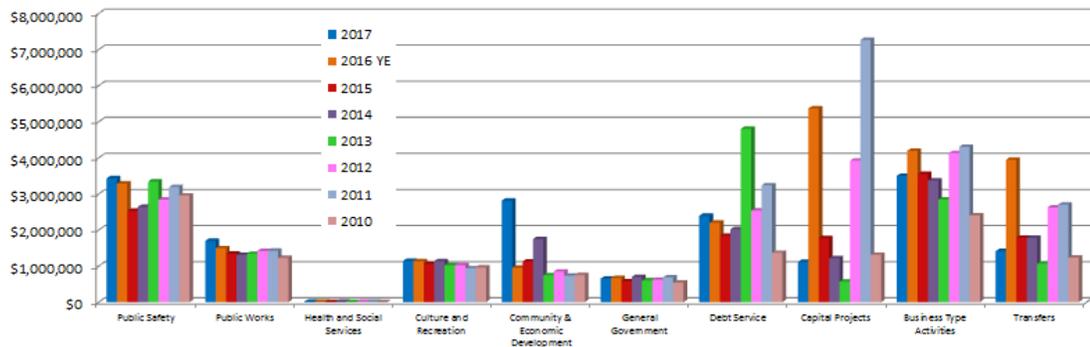


The median General Fund per capita expenditure for larger cities in Warren County is \$589 which is \$76 MORE than Norwalk. The median per capita expenditure for comparable cities across the state is \$700, or \$187 MORE than Norwalk.  
 \*\*Grimes does not have a City Police Department and contracts for service from Polk County.

Another way we benchmark is to review our expenditures from year to year. Following is a graph showing the multi-year total expenditure overview.

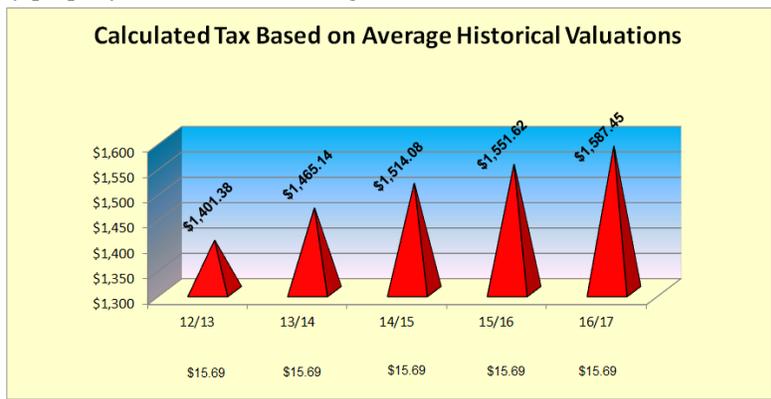
**Multi Year Total Expenditure Overview**

	2017	2016 YE	2015	2014	2013	2012	2011	2010
Public Safety	\$3,429,200	\$3,284,095	\$2,529,439	\$2,640,190	\$3,341,804	\$2,837,904	\$3,190,312	\$2,952,778
Public Works	\$1,696,300	\$1,493,600	\$1,340,641	\$1,308,504	\$1,339,381	\$1,416,198	\$1,423,703	\$1,227,318
Health and Social Services	\$10,500	\$10,500	\$7,000	\$9,464	\$6,000	\$7,655	\$9,150	\$3,150
Culture and Recreation	\$1,143,049	\$1,135,725	\$1,062,658	\$1,132,083	\$1,025,486	\$1,022,186	\$937,365	\$960,937
Community & Economic Development	\$2,811,622	\$953,554	\$1,122,235	\$1,745,052	\$744,800	\$846,408	\$732,164	\$750,486
General Government	\$648,700	\$671,400	\$577,963	\$698,217	\$604,369	\$617,892	\$685,978	\$540,786
Debt Service	\$2,393,207	\$2,197,656	\$1,841,006	\$2,021,991	\$4,804,575	\$2,536,235	\$3,236,356	\$1,366,197
Capital Projects	\$1,113,272	\$5,365,527	\$1,773,976	\$1,215,492	\$567,448	\$3,920,141	\$7,267,099	\$1,311,028
Business Type Activities	\$3,497,749	\$4,191,528	\$3,551,747	\$3,366,326	\$2,843,870	\$4,131,069	\$4,302,424	\$2,398,092
Transfers	\$1,412,892	\$3,946,903	\$1,786,620	\$1,780,060	\$1,064,252	\$2,623,879	\$2,701,266	\$1,233,400
<b>All Expenditures</b>	<b>\$18,156,491</b>	<b>\$23,250,488</b>	<b>\$15,593,285</b>	<b>\$15,917,379</b>	<b>\$16,341,985</b>	<b>\$19,959,567</b>	<b>\$24,485,817</b>	<b>\$12,744,172</b>

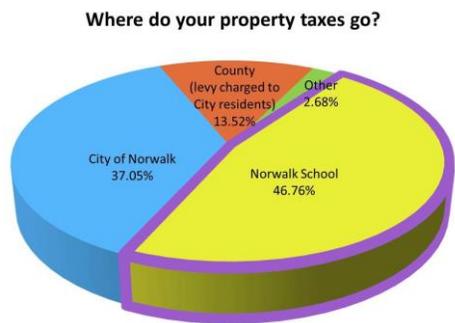


**Tax Rate/Residential Rollback**

The projected tax rate is \$15.69499 per \$1,000 of taxable valuation. This rate is effectively the same as last year’s rate of \$15.68944. Combined with the residential rollback rate of 55.6259%, the average homeowner in Norwalk will pay a total of \$1,587.45 in City property taxes, which is \$35.83 above FY 2016 amount of \$1,551.61. The stability of the City levy rate and the amount of taxes a property owner will actually pay is a primary objective in our budgeting. With the City property taxes of \$1,587.45, this means that for approximately \$132.29 per month, the citizens and visitors of Norwalk receive 24 hour Police and Fire protection; 24 hour, in-station emergency medical services; recreational facilities and parks programming; road repair and reconstruction; utility assistance for those in need; capital projects upgrading the infrastructure they use every day; snow removal; and a host of other services and protections. Following is a graph showing city property taxes based on average historical valuations.



It is important to note that City property taxes are not the only taxes a resident pays. To that end, the City works with the Norwalk Community School District to try to contain costs for the end payer. The joint maintenance facility and technology project have been very successful. Continuing those partnerships, the City and School are also partnering on HVAC maintenance, an effort which is also going well and last year purchased a joint piece of equipment, part of which was paid for by a grant. Following is a chart depicting the distribution of property taxes for FY 15.



It has been a pleasure to work with many, talented team members to develop this budget for Council consideration. This budget represents the culmination of Council priorities and financial planning. It reflects a great deal of hard work and difficult choices that Council has undertaken past and present. The oversight of the City’s finances is likely the most difficult and laborious task of any public official. If there is anything I can do to make the information clearer or easier to understand, please do not hesitate to call on either of us.

Thank you.

Sincerely,

Jean Furler  
Finance Director

Marketa George Oliver  
City Manager

