



Financing Rural Resilience: A Fiscal Snapshot of Iowa's Smallest Municipalities

Thursday, September 24 | 10:45–11:45 AM

Northland Iowa Public Finance

6903 Vista Drive | West Des Moines, IA 50266

Session Agenda

10:45 am Welcome & Fiscal Snapshot Overview

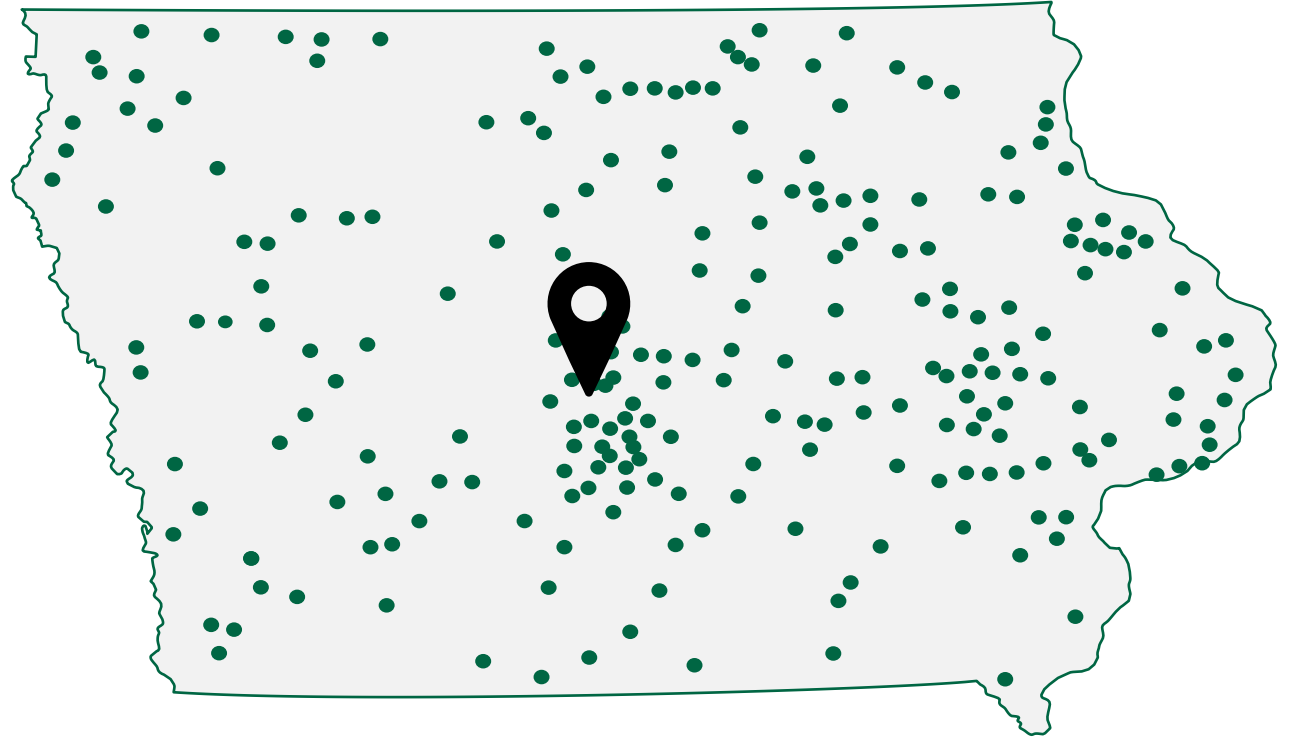
While municipal finance has similarities from town to town, there are unique fiscal challenges facing Iowa's smallest communities. We'll take an inside look at challenges and opportunities for financial management and planning as it relates to towns below 3,000 population.

11 – 11:45 am Panel



Welcome

Northland's Iowa Public Finance offices are in West Des Moines to exclusively serves public governments, ranging from than 200 residents to some of the largest cities across the Midwest.



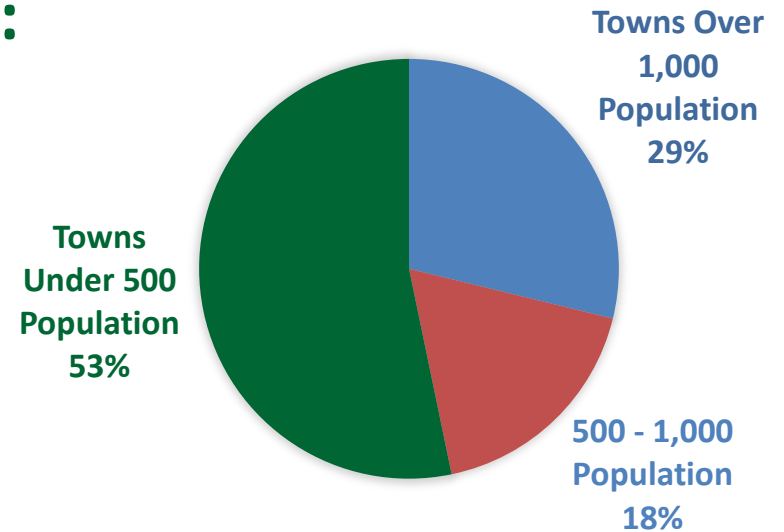
Source: Map of Northland clients served 2009-Present.

Iowans Live in Small Towns

Out of about 950 **incorporated municipalities**:

- ❑ **670** (70%) below 1,000 Pop.
- ❑ **820** (85%) below 3,000 Pop.

Only about 15% of cities have populations above 3,000 residents.



Source: Iowa Secretary of State and 2020 U.S. Census Bureau data

Common Struggles

- 1. Juggling Multiple Hats, Small Teams with Diverse Responsibilities*
- 2. Changing Requirements, Deadlines, and Rules*
- 3. Limited Revenue Diversity / Outsized Impact of Single Decision*

Common Successes

- 1. Electing an Engaged, Optimistic Mayor or Council*
- 2. Hosting a New Business or Development*
- 3. Hiring and Retaining an Experienced, Well-Trained Clerk*

Fast Facts

Fast Fact #1 Household Income

\$70,100

Average MHI for
Cities between 500-1,000 Population

\$76,100

Average MHI for
Cities 1,000 – 3,000 Population

\$75,100

Median Household Income
State of Iowa

Fast Fact #2 Unemployment Rate

3.6%

Unemployment Rate
Cities between 500-1,000 Population

3.4%

Unemployment Rate
Cities 1,000 – 3,000 Population

3.6%

Unemployment Rate
State of Iowa

Fast Fact #3 Poverty Level

9.7%

Below Poverty Level
Cities between 500-1,000 Population

9.2%

Below Poverty Level
Cities 1,000 – 3,000 Population

11.1%

Below Poverty Level
State of Iowa

Fast Fact #4 Receiving Public Assistance

9.8%

Receiving Public Assistance
Cities between 500-1,000 Population

9.1%

Receiving Public Assistance
Cities 1,000 – 3,000 Population

9.7%

Receiving Public Assistance
State of Iowa

Fast Fact #5 Vacant Homes

13.4%

% Vacant Homes
Cities between 500-1,000 Population

10.1%

% Vacant Homes
Cities 1,000 – 3,000 Population

23.7%

% Vacant Homes
State of Iowa

Fast Fact #6 Education Level

44%

% of High School Diploma of Less
Cities between 500-1,000 Population

40%

% of High School Diploma of Less
Cities 1,000 – 3,000 Population

37%

% of High School Diploma of Less
State of Iowa

Fast Fact #7 Population Trend

-2.2%

2010 – 2020 Population Trend
Cities between 500-1,000 Population

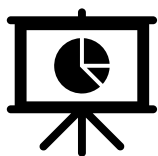
3.2%

2010 – 2020 Population Trend
Cities 1,000 – 3,000 Population

4.7%

2010 – 2020 Population Trend
State of Iowa

Neighboring — But Not the Same



Structure of Municipal Revenue

- Town A (750 Pop) Northeast Iowa
\$70M 100pct Valuation
- Town B (750 Pop) Northeast Iowa
\$50M 100pct Valuation



Economic Development Tools

- Town A (375 Pop) Western Iowa
\$700K Tax Increment Financing
- Town B (950 Pop) Western Iowa
\$70K Tax Increment Financing



Commutable Gains & Regional Hubs

- Town A (1,000 Pop) Eastern Iowa
\$725K Hotel Motel, Gamer, LOST
- Town B (1,400) Pop Eastern Iowa
\$250K Hotel Motel, Gamer, LOST

Unique Fiscal Challenges



- Downtown districts are difficult to renovate/revitalize old infrastructure (Cost vs. Income)
- The math doesn't work solely with private capital/investment alone
- Finding public financing assistance programs – grants, loans, and other support
- Sometimes requires 'foster parenting' of a building/project for eligibility
- Stack funding to have multiple investors



Mel Pins, Iowa DNR Head of Brownfield Program

GO Debt Financing Ability for Small Cities

Approximate Median 100% Valuation	Approximate Median GO Debt Capacity
Populations 4,000-5,000 <i>Approximately 20 Iowa Communities</i>	
\$367,700,000	\$18,400,000
Populations 3,000-4,000 <i>Approximately 20 Iowa Communities</i>	
\$307,200,000	\$15,400,000
Populations 2,000-3,000 <i>Approximately 50 Iowa Communities</i>	
\$167,400,000	\$8,400,000
Populations 1,000-2,000 <i>Approximately 110 Iowa Communities</i>	
\$104,200,000	\$5,200,000
Populations 500-1,000 <i>Approximately 170 Iowa Communities</i>	
\$51,200,000	\$2,600,000

Source: Iowa Department of Management 2026 Data and 2020 Census

- 1. Non-Audited
- 2. Uninsured (Usually <\$100M)
- 3. Unrated

Results in a greater reliance from federal or state funding (USDA, SRF), less from private sources.

One example of a downtown project's “capital stack” to redeveloped in 2023 into two 2nd-floor apartments and a successful first floor restaurant

Funding Sources

ECIA Brownfields Coalition – US EPA Assessment Grant Funds	\$22,380
IEDA Downtown Housing Grants	\$200,000
IEDA Community Catalyst Grant	\$100,000
IA DNR Brownfields Program	\$14,850
City of Tipton – TIF	\$150,000
City of Tipton – Local Funds	\$27,474
Private/Investor Funds	\$500,000
Est Total Costs	\$1,014,704
IEDA Brownfield/Grayfield Redevelopment Tax Credit	Up to \$40,000

Source: Iowa DNR Brownfield Redevelopment.



Unique Fiscal Opportunities

Partners are Diverse And Aligned

City Staff, Mayor, Council, and Public Committees	County Development Officials	Engineering and Architecture Teams	Federal and State Grants and Program Officials	Iowa Council of Governments (ICOG) https://www.iowacog.com
Iowa DNR Brownfield Redevelopment Program https://www.iowadnr.gov/environmental-protection/land-quality/brownfield-redevelopment	Iowa Economic Development & Finance Authority (IEDA) https://opportunityiowa.gov/community/revitalization	Iowa Rural Development Council (IRDC) https://iowardc.org/about/	Legal Bond Counsel	Local Philanthropy
Professional Developers of Iowa (PDI) https://www.pdiowa.com/	Public Finance Bankers and Municipal Advisors	Regional Energy Utility/Co-op	USDA Rural Development https://www.rd.usda.gov/ia	US EPA Brownfields

Budget & Development Decisions Often Start... Local



Façade Grant Program

Development of incentives by city and counties for exterior Improvements



Urban Renewal Area

Since 1949, UR laws have earmarked incentives to promote a "decent home and a suitable living environment"



Special Assessments

Local Option Sales Tax



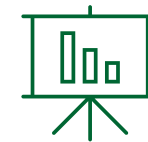
Job Training and Construction

Public-Private Partnerships between cities, schools, and trade organizations



Development Agreements

Specific "visioning zones" that set incentives for economic purposes



Tax Increment Financing (TIF)

Financing mechanism such as TIF, annual appropriations, and other debt tools can encourage private sector investment and economic development

Example #1 — Levy Planning & Abatement

A	B	C	D	E	G	H	I	J	K	L
								[2021A Bonds]	1.44%	Assumed Growth
DEBT SERVICE LEVY			USES OF REVENUE			SOURCES OF REVENUE			DEBT SERVICE LEVY and REVENUE	
			Payment of GO Debt Service			Abatements of GO Debt				
Fiscal Year	Valuation Year		Principal	Interest	Total Fiscal Year Debt Service	Local Option Sales Tax	Special Assessments	Reg Taxable Valuation	Debt Service Levy	TAX Dollars Generated
					[Prin. & Int.]				[per \$1,000]	[from Levy]
1	FY 2025-26	1/1/2024	460,856	111,851	572,707	183,482	9,000	61,771,765	\$6.1553	\$380,225
2	FY 2026-27	1/1/2025	455,091	98,442	566,333	143,799	9,000	67,212,736	\$6.1526	\$413,534
3	FY 2027-28	1/1/2026	471,452	84,300	555,752	127,108	9,000	68,177,261	\$6.1552	\$419,644
4	FY 2028-29	1/1/2027	402,852	70,905	473,757	175,227	9,000	69,155,628	\$4.1866	\$289,530
5	FY 2029-30	1/1/2028	412,230	59,779	472,009	171,119	9,000	70,148,035	\$4.1611	\$291,890
6	FY 2030-31	1/1/2029	392,616	48,618	441,234	148,239	9,000	71,154,682	\$3.9912	\$283,995
7	FY 2031-32	1/1/2030	398,133	37,938	436,071	140,971	9,000	72,175,776	\$3.9639	\$286,100
8	FY 2032-33	1/1/2031	395,000	27,269	422,269	130,319	9,000	73,211,523	\$3.8648	\$282,950
9	FY 2033-34	1/1/2032	250,000	16,419	266,419	97,719	9,000	74,262,133	\$2.1505	\$159,700
10	FY 2034-35	1/1/2033	65,000	9,713	74,713	74,713	-	75,327,819	-	-
11	FY 2035-36	1/1/2034	70,000	6,706	76,706	76,706	-	76,408,799	-	-
12	FY 2036-37	1/1/2035	75,000	3,469	78,469	78,469	-	77,505,291	-	-
Total			3,848,231	575,407	4,436,438	1,547,870	81,000			

Example #2 — Local Option Sales Tax

✓ Opportunities

- Voter-approved 1% sales tax on top of Iowa's 6% state rate
- Revenue stays local — designated by Revenue Statement
- Key Iowa exemptions affecting LOST revenue:
 - Unprepared groceries and prescription drugs — exempt, gasoline/motor fuel — exempt from Iowa sales tax and therefore LOST
 - Gas stations still generate LOST through in-store taxable sales
- County-level collection, distributed by population + property valuation formula
- Ballot renewal risk: LOST expiration creates a fiscal cliff for small towns

⊘ Challenges

- Losing one major LOST contributor has immediate budget impact in a small town
 - A truck stop closing or restaurant shutting down can shift the fiscal picture overnight
- Plan for renewal: LOST ballot timing belongs on the long-range financial calendar
- Diversify where possible: avoid over-dependence on a single business type
- Online sales (SF 2417, 2018) are a growing and more stable LOST source

Business Type	Why They Generate LOST
Convenience Stores & Truck Stops	High-volume taxable merchandise, prepared food, beverages
Restaurants & Fast Food	Prepared food fully taxable; high transaction volume
Hotels & Motels	Lodging subject to LOST; highway-adjacent properties especially impactful
Lumber Yards & Building Supply	Construction materials taxable; large per-transaction values
Auto Parts & Repair Shops	Parts sales taxable; steady demand in rural communities
General Merchandise / Dollar Stores	Broad taxable inventory; often one of few retail options
Online / Remote Sellers	Since SF 2417 (2018), marketplace facilitators contribute meaningfully

Example #3 — Private Development and Partnerships



Community Healthcare Options

- Critical Access Hospitals
- Rural Emergency Hospital Designation
- Rural Health Clinics
- Rural Health Transformation Act



Community Senior Housing Options

- Skilled Nursing Homes: *Swing Beds within Critical Access Hospitals*
- Assisted Living / Memory Care: *“Bee Hive” Model*
- In-home Care and PACE



USDA Rural Development

- Pre-development Grants: *Community Facilities*
- Guaranteed Loan Program: *Direct Loan Program*
- Business & Industry Loan Guarantees

Panel



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Northland Securities, Inc. | 800-851-2920
150 S. 5th Street, Suite 3300 | Minneapolis, MN 55402
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www.northlandsecurities.com/public_finance

Northland Iowa Public Finance Office
Division of Northland Securities, Inc.
6903 Vista Drive | West Des Moines, IA 50266