



# 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

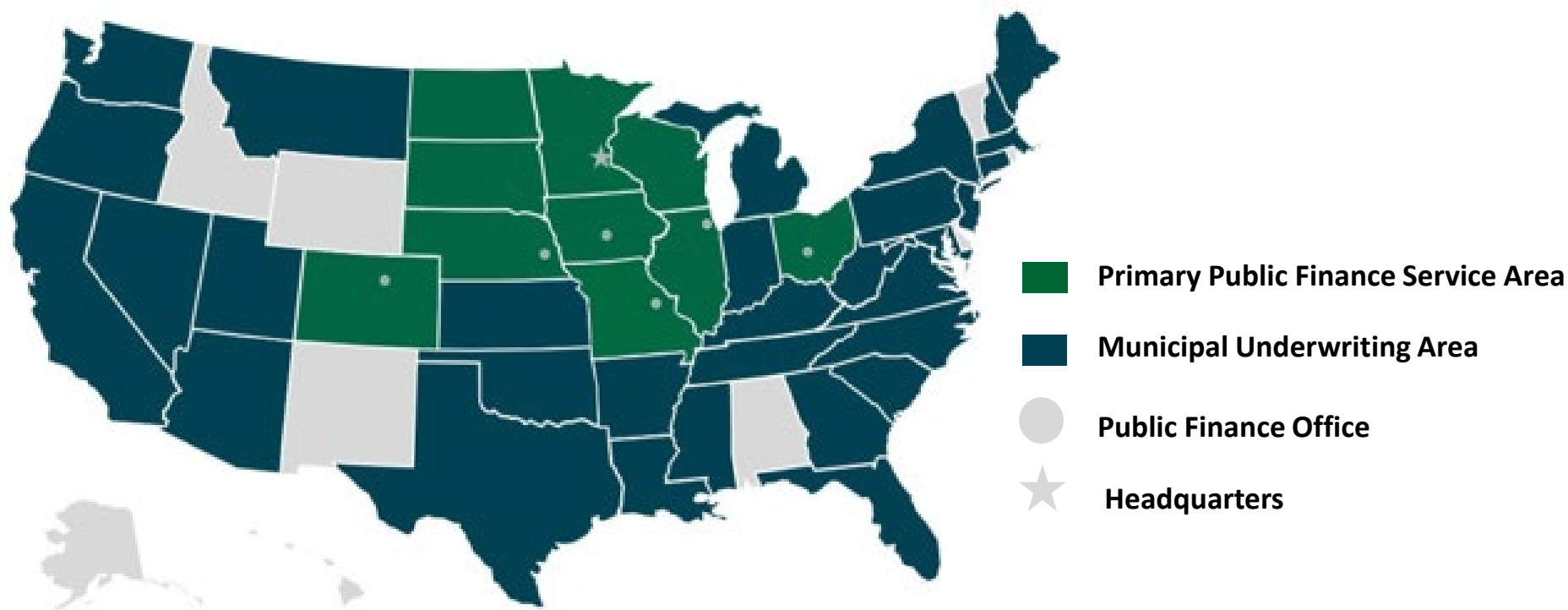
Direct: 515-657-4677

# Session Agenda

## 10:45 am Welcome & Fiscal Snapshot Overview

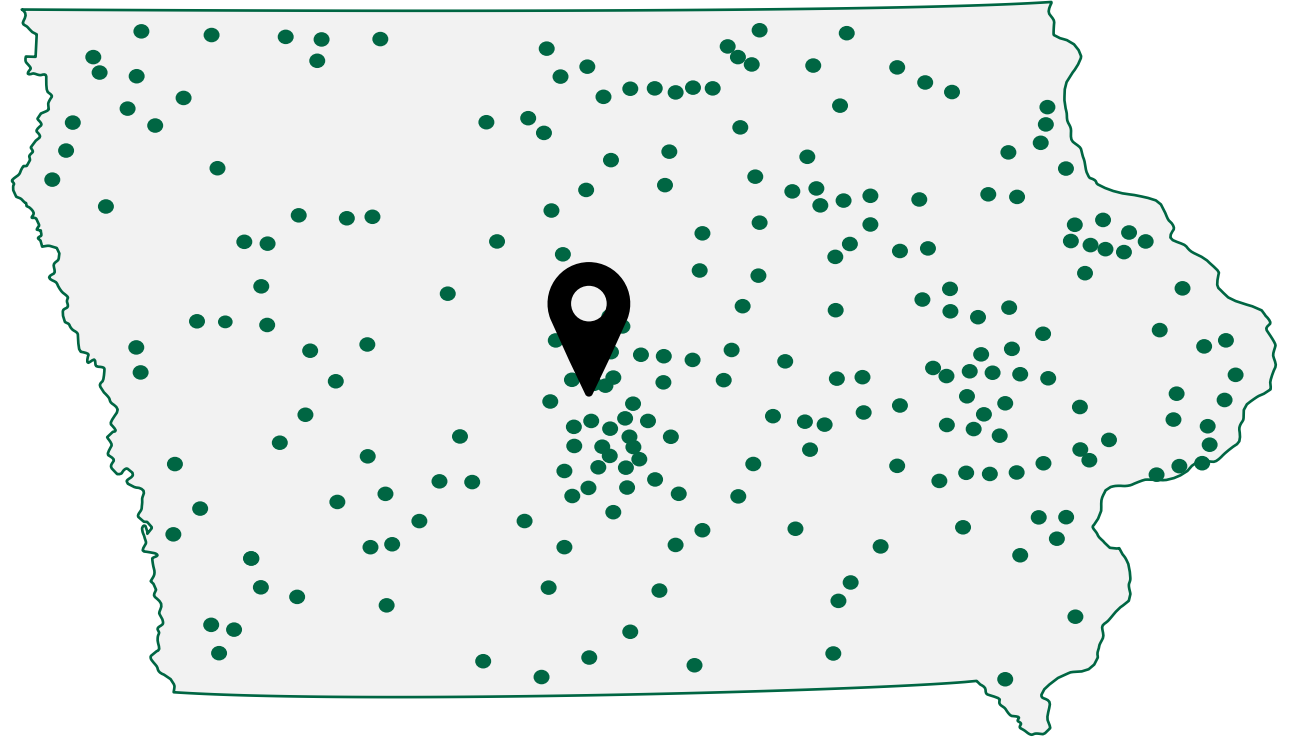
*While municipal finance has similarities from town to town, there are unique fiscal challenges facing Iowa's smallest communities. We'll take an inside look at challenges and opportunities for financial management and planning as it relates to towns below 3,000 population.*

## 11 – 11:45 am Panel



# Welcome

*Northland's Public Finance offices in the state of Iowa are in West Des Moines. The firm serves public entities, ranging from less than 200 residents to some of the largest cities across the Midwest.*



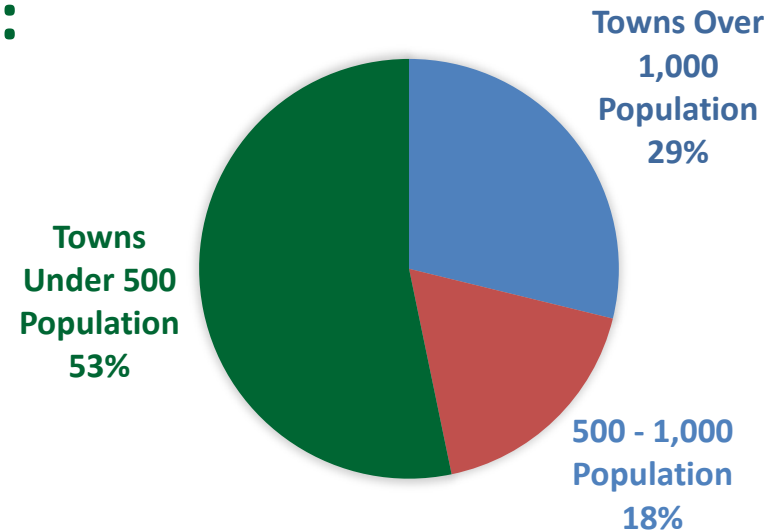
*Source: Map of Northland clients served 2000-Present.*

# 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**

*Source: State Revolving Fund, 2027 Census Data.*

## 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**

*Source: State Revolving Fund, 2027 Census Data.*

# 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**

*Source: State Revolving Fund, 2027 Census Data.*

# 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**

*Source: State Revolving Fund, 2027 Census Data.*

# 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

**10.1%**

% Vacant Homes<sup>[1]</sup>

**State of Iowa**

*Source: State Revolving Fund, 2027 Census Data. Excludes seasonal and vacation homes.*

## 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**

*Source: State Revolving Fund, 2027 Census.*

# 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**

*Source: State Revolving Fund, 2027 Census.*

# 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

Source: Department of Revenue.

# 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*  
*[mel.pins@dnr.iowa.gov](mailto:mel.pins@dnr.iowa.gov)*

GO Debt Financing Ability for Small Cities

| Approximate Median<br>100% Valuation                                        | Approximate Median<br>GO Debt Capacity |
|-----------------------------------------------------------------------------|----------------------------------------|
| <b>Populations 4,000-5,000</b><br><i>Approximately 20 Iowa Communities</i>  |                                        |
| \$367,700,000                                                               | \$18,400,000                           |
| <b>Populations 3,000-4,000</b><br><i>Approximately 20 Iowa Communities</i>  |                                        |
| \$307,200,000                                                               | \$15,400,000                           |
| <b>Populations 2,000-3,000</b><br><i>Approximately 50 Iowa Communities</i>  |                                        |
| \$167,400,000                                                               | \$8,400,000                            |
| <b>Populations 1,000-2,000</b><br><i>Approximately 110 Iowa Communities</i> |                                        |
| \$104,200,000                                                               | \$5,200,000                            |
| <b>Populations 500-1,000</b><br><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 (See Q&A Appendix)*

One example of a downtown project's "capital stack" to redevelop a building into two 2nd-floor apartments and a successful first floor restaurant

#### Funding Sources

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



Source: Mel Pinsat Iowa DNR Brownfield Redevelopment.

# Unique Fiscal Opportunities

# Partners are Diverse And Aligned

|                                                                                                                                                                                                                                                     |                                                                                                                                                                                                    |                                                                                                                         |                                                                                                          |                                                                                                                                                                                                                    |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>City Staff, Mayor,<br/>Council, and Public<br/>Committees</b>                                                                                                                                                                                    | <b>County Development<br/>Officials</b>                                                                                                                                                            | <b>Engineering and<br/>Architecture Teams</b>                                                                           | <b>Federal and State<br/>Grants and Program<br/>Officials</b>                                            | <b>Iowa Council of<br/>Governments (ICOG)</b><br><a href="https://www.iowacog.com">https://www.iowacog.com</a>                                                                                                     |
| <b>Iowa DNR Brownfield<br/>Redevelopment Program</b><br><a href="https://www.iowadnr.gov/environmental-protection/land-quality/brownfield-redevelopment">https://www.iowadnr.gov/environmental-protection/land-quality/brownfield-redevelopment</a> | <b>Iowa Economic<br/>Development &amp;<br/>Finance Authority (IEDA)</b><br><a href="https://opportunityiowa.gov/community/revitalization">https://opportunityiowa.gov/community/revitalization</a> | <b>Iowa Rural Development<br/>Council (IRDC)</b><br><a href="https://iowardc.org/about/">https://iowardc.org/about/</a> | <b>Legal Bond Counsel</b>                                                                                | <b>Local Philanthropy</b>                                                                                                                                                                                          |
| <b>Professional<br/>Developers of Iowa<br/>(PDI)</b><br><a href="https://www.pdiowa.com/">https://www.pdiowa.com/</a>                                                                                                                               | <b>Public Finance Bankers<br/>and Municipal Advisors</b>                                                                                                                                           | <b>Regional Energy<br/>Utility/Co-op</b>                                                                                | <b>USDA Rural<br/>Development</b><br><a href="https://www.rd.usda.gov/ia">https://www.rd.usda.gov/ia</a> | <b>University Extension<br/>Offices</b><br><a href="https://www.extension.iastate.edu/contracts-and-grants/funding-opportunities">https://www.extension.iastate.edu/contracts-and-grants/funding-opportunities</a> |

# 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*



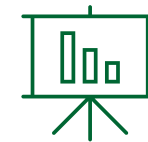
## **Job Training and Construction**

*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

## ⊘ Challenges

- Losing one major LOST contributor has immediate budget impact in a small town
- Diversify where possible: avoid over-dependence on a single business type
- Online sales 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 + Q&A Appendix***

| Question Appendix                                                                                                                                                       |                                                 |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------|
| Discussing Available Grants                                                                                                                                             |                                                 |
| Community Development Block Grants (CDBG)                                                                                                                               | Iowa Community Catalyst Grants                  |
| Derelict Building Program (DNR)                                                                                                                                         | Destination Iowa                                |
| Paint Iowa Building                                                                                                                                                     | Enhance Iowa – Community Attraction and Tourism |
| <i>Others are more niche toward Child Care, Transportation, Emergency Services, Utilities</i>                                                                           |                                                 |
| Discussion on League’s Tax Increment Financing Discussions on Abatement, SRF & USDA Options                                                                             |                                                 |
| Discussion on lack of audits / AFR or other tips in place of annual audit                                                                                               |                                                 |
| What tools or practices help you maintain a clear picture of fund balances throughout the year?                                                                         |                                                 |
| How do you manage revenues and cash flow across employee transitions and fiscal cycles?                                                                                 |                                                 |
| Have there been particular successes you’ve found for looking ahead at revenue for the next year, 5 years, or more?                                                     |                                                 |
| Where are you seeing the most strain — personnel, infrastructure, services — and how are you adjusting?                                                                 |                                                 |
| What advice would you give to a small municipality just beginning to explore collaborative arrangements?                                                                |                                                 |
| How are private partnerships — in areas like housing, regional airports, or senior living — structured financially, and what should small municipalities watch out for? |                                                 |

# Common Utility Financing Options

## USDA and Grants

USDA has several programs administered by the federal government for qualified projects and communities.

- **Terms:** Water financings could qualify for a loan for up to 40 years
- Some grants and loan forgiveness available
- **Purpose:** Federal funding typically assists communities and qualified projects with water, sewer, bridge, and other city infrastructure

## State Revolving Fund (SRF)

SRF has two programs for sewer projects administered by the Iowa Finance Authority (IFA) and Department of Natural Resources (DNR).

- **Terms:** SRF is a loan for up to 30 years (commonly 20)
- Some loan forgiveness available up to \$2 million
- **Purpose:** State funding typically assists Iowa communities with low-cost funds to invest in infrastructure that delivers safe drinking water and keeps waterways clean

## Other Bonding

Outside of state and federal programs, most Bonding is administered through an underwriter or placement agent.

- **Terms:** Traditional bonding is a loan for up to 20 years
- **Purpose:** Bonds have typically served as the most common and lowest cost financing tool for infrastructure projects outside of federal and state assistance

# Overview of SRF Financing Process

## 1 *Planning and IUP*

- ✓ City is assigned a DNR project manager and hires an engineer
- ✓ Preparation of facility plan as well as planning and design loan application (as needed)
- ✓ Project must appear on Intended Use Plan ("IUP") before it can be considered

## 2 *Environmental Review*

- ✓ Evaluation of impact on natural and cultural resources

## 3 *Bid Letting and Construction*

- ✓ Identifies lowest responsive bidder
- ✓ SRF staff review eligible costs/concurrence with bid award and other specifications, including Davis-Bacon Wages, and a construction permit is issued

## 4 *Construction Financing*

- ✓ Construction loan application outlines cost and amount of financing with input from the engineer, MA, and City as well as includes pro forma financial analysis from MA
- ✓ Bond counsel assists with public hearing (4- and 20-day notice) and bond resolution

## 5 *Loan Disbursements*

- ✓ Closing occurs once prepared to begin construction, which is made weekly (generally disbursed on Fridays)
- ✓ Disbursement requests reviewed by IFA and checked against eligible expenses; Change orders reviewed by DNR project manager to verify additional expenses are acceptable



### **Lowest Interest Rate Available**

Low rates, up-front costs and reserve requirements have saved cities ~\$90 million through interest rate reductions



### **Better Water for Iowa**

Two funds, one for drinking water and one for wastewater and pollution, allows critical water projects to move forward



### **Billions Financed**

SRF has provided financing to critical water projects in 700 Iowa communities

# Overview of SRF Financing Terms

- ❑ SRF issues both tax-exempt and taxable loans with rates published quarterly.
- ❑ Rates are set by taking 75% of the average daily Bloomberg BVAL GO Municipal AAA 20-year yield ("BVAL") for the calendar month immediately preceding the re-calculation date.
- ❑ Terms are typically set for 20 years; however, extended terms of up to 30 years are available for qualifying projects (as approved by DNR) by adding 1% to the standard rates.

**Rates until Sept. 30, 2026, are currently as follows:**

## Planning and Design

Can be rolled into SRF or other long-term financing option such as USDA-RD loans or bond issue

- 0% for up to 3 years

## Standard

Loans operate with a draw-down mechanism, and interest is only paid on funds borrowed to-date

| Standard   | Term (years) | Interest Rate | Servicing Fee | Total |
|------------|--------------|---------------|---------------|-------|
| Tax Exempt | 20           | 2.85%         | 0.25%         | 3.10% |
| Taxable    | 20           | 3.98%         | 0.25%         | 4.23% |

## Extended

Loans operate with a draw-down mechanism, and interest is only paid on funds borrowed to-date

| Standard   | Term (years) | Interest Rate | Servicing Fee | Total |
|------------|--------------|---------------|---------------|-------|
| Tax Exempt | 21-30        | 3.85%         | 0.25%         | 4.10% |
| Taxable    | 21-30        | 4.98%         | 0.25%         | 5.23% |



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