
BRIDGING CITIES

THROUGH INNOVATION & TRADITION



I Want to be Abated

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Handouts and presentations are available in the conference app.

D.A. Davidson & Co. – A Legacy of Client Service

- Founded in 1935 as a small brokerage firm, D.A. Davidson has grown into a diversified financial services company comprised of five distinct business units across the United States.
 - ✓ Clients not only benefit from our expansive platform of solutions and services, but also from strong values rooted in tradition and a deep sense of responsibility to our communities.
- Our most important service has remained consistent: a uniquely personalized approach that reflects the individuality of each of our clients – **we partner with clients to create successful outcomes.**
- As part of an employee-owned company, each of our associates has a unique perspective of success.
 - ✓ We believe in doing what is right for our clients and, as employee-owners, are empowered to deliver high-impact solutions.

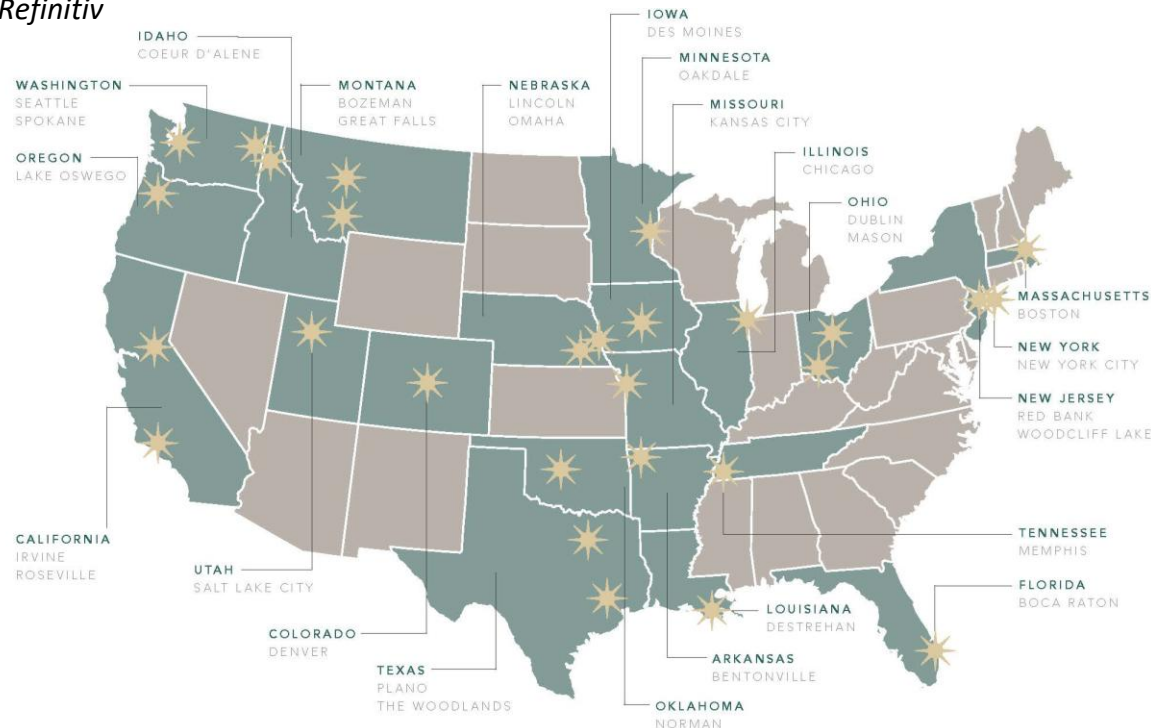


D.A. Davidson & Co. – Fixed Income Capital Markets

National in scope, local in practice: With offices that stretch coast to coast, D.A. Davidson is able to balance local expertise with a national presence, and our clients span the globe.

- D.A. Davidson ranked sixth nationally by the number of negotiated municipal bond transactions underwritten in 2025.
 - ✓ In 2025, Davidson underwrote 351 negotiated municipal bond transactions totaling \$6.815 billion in par amount nationwide.

Source: Bloomberg / Refinitiv



Overview

- Recent property tax reforms have reshaped the financial landscape for Iowa cities, requiring local officials to rethink long-standing budgeting and debt management practices.
- With the implementation of House File 718 and Senate File 2472, cities face new revenue growth limitations, changing incentives around tax increment financing, and fresh considerations for property tax abatements.
- As communities prepare for future budget cycles, understanding how these changes affect general obligation debt repayment strategies and economic development incentives will be critical to maintaining financial flexibility while supporting local priorities.

General Obligation (G.O.) Debt Abatement

- Many communities plan for multiple repayment sources on their General Obligation (G.O.) bond issues.
- However, we are typically asked to run those as 'fixed' internal repayment schedules for sources other than the debt service levy that are abating the total debt payment.
- Whether this is utility revenue, TIF revenue, local options sales tax revenue, road use tax revenue or other sources, there is usually a set it and forget it annual target established at the time of bond issuance that persists for the life of the bonds.

Debt Abatement – Level Annual Effort Illustration

		50.00%	30.00%	20.00%	10.00%
	TOTAL Annual Debt Service	Paid by Debt Service Levy Rate	Paid by Projected TIF Revenue	Paid by Projected Water Revs	Paid by Projected Stormwater
6/1/2027	1,000,000	500,000	300,000	200,000	100,000
6/1/2028	1,000,000	500,000	300,000	200,000	100,000
6/1/2029	1,000,000	500,000	300,000	200,000	100,000
6/1/2030	1,000,000	500,000	300,000	200,000	100,000
6/1/2031	1,000,000	500,000	300,000	200,000	100,000
6/1/2032	1,000,000	500,000	300,000	200,000	100,000
6/1/2033	1,000,000	500,000	300,000	200,000	100,000
6/1/2034	1,000,000	500,000	300,000	200,000	100,000
6/1/2035	1,000,000	500,000	300,000	200,000	100,000
6/1/2036	1,000,000	500,000	300,000	200,000	100,000
TOTAL	10,000,000	5,000,000	3,000,000	2,000,000	1,000,000

Post HF 718 & Post SF 2472

- In a post-House File 718 (HF 718) and now post-Senate File 2472 (SF 2472) world, it may make sense to have a more dynamic approach to the annual level of abatement from non-debt levy repayment sources.
 - ✓ The reason for this is how the revenue growth limitation on the consolidated general fund levy (CGFL) will lead to fluctuations in the CGFL rate, and in turn, the overall property tax rate for cities.

		3.50%	3.50%	3.50%	3.50%
	Current FY 27	Budget FY 28	Projected FY 29	Projected FY 30	Projected FY 31
Taxable Valuation	737,458,842	763,269,901	789,984,348	817,633,800	846,250,983
Total Levy Rate	\$15.00000	\$14.89146	\$14.78448	\$14.67906	\$14.57517
Non-Voted Levies	(\$0.46040)	(\$0.46040)	(\$0.46040)	(\$0.46040)	(\$0.46040)
Special Revenue Levies	(\$4.00000)	(\$4.00000)	(\$4.00000)	(\$4.00000)	(\$4.00000)
Debt Service Levy	(\$3.05000)	(\$3.05000)	(\$3.05000)	(\$3.05000)	(\$3.05000)
"General Fund Levies"	\$7.48960	\$7.38106	\$7.27408	\$7.16866	\$7.06477
"General Fund Revenues"	\$5,523,272	\$5,633,737	\$5,746,412	\$5,861,340	\$5,978,567
Revenue Growth		2.00%	2.00%	2.00%	2.00%

'Smoothing' Property Tax Rates vs. 'Flat' Historical Targets

- While a 'flat' overall property tax rate is less meaningful in a post-HF 718 and post-SF 2472 budget process, there may still be communities that want to at least 'smooth' annual changes in the overall property tax rate.
- The CGFL will be limited by formula, and we anticipate most cities will levy for the full amount of employee benefits in the employee benefits levies.
 - ✓ As a result, this leaves the debt service levy rate as the main remaining variable rate where a city retains some flexibility.

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Special Revenue Levies	(\$4.00000)	(\$4.00000)	(\$4.00000)	(\$4.00000)	(\$4.00000)
Debt Service Levy	(\$3.05000)	(\$3.15854)	(\$3.26552)	(\$3.37094)	(\$3.47483)
"General Fund Levies"	\$7.48960	\$7.38106	\$7.27408	\$7.16866	\$7.06477
"General Fund Revenues"	\$5,523,272	\$5,633,737	\$5,746,412	\$5,861,340	\$5,978,567
Revenue Growth		2.00%	2.00%	2.00%	2.00%

Dynamic Annual Budget Process

- There is no one-size-fits-all approach here!
 - ✓ Rather than having a fixed schedule set at the time of bond issuance, cities could use that information to establish an appropriate allowable share of a total debt service schedule attributable to different abatement sources.
 - ✓ Each budget cycle your community can potentially mix and match those abatement sources to build up or shrink down the debt service levy to meet any potential fiscal year targets/constraints for the overall property tax rate.

Debt Abatement – Dynamic Annual Budgeting Illustration

	TOTAL Annual Debt Service	50.00% Paid by Debt Service Levy Rate	30.00% Paid by Projected TIF Revenue	20.00% Paid by Projected Water Revs	10.00% Paid by Projected Stormwater
6/1/2027	1,000,000	500,000	300,000	200,000	100,000
6/1/2028	1,000,000	650,000	300,000	50,000	0
6/1/2029	1,000,000	675,000	275,000	50,000	0
6/1/2030	1,000,000	700,000	250,000	50,000	0
6/1/2031	1,000,000	725,000	225,000	50,000	0
6/1/2032	1,000,000	450,000	0	350,000	200,000
6/1/2033	1,000,000	450,000	0	350,000	200,000
6/1/2034	1,000,000	350,000	150,000	300,000	200,000
6/1/2035	1,000,000	250,000	250,000	300,000	200,000
6/1/2036	1,000,000	250,000	350,000	300,000	100,000
TOTAL	10,000,000	5,000,000	2,100,000	2,000,000	1,000,000

TIF as Powerful Budgeting Tool

- TIF can be particularly powerful here as historically cities were working to balance TIF increment collection vs. general fund revenues.
- HF 718 changed this and SF 2472 piled on with not only the 2% CGFL cap, but also the definition of 'new valuation' (to be explained further in the Tax Abatement section).
 - ✓ There is now strong incentive to capture as much revenue as possible each budget year, and maximizing (existing) TIF is a clear route to this goal (as the consolidated TIF rate is often a 2.5 x – 3.0 x revenue multiplier vs. the city-only tax rate).
 - TIF application is limited to the amount spent on a TIF project (a city may not apply TIF dollars to abate a levy in an amount greater than the percentage of the bond issue spent on a TIF project).

G.O. Urban Renewal Debt – Year-to-Year Approach

G.O. Urban Renewal Debt - Eligible to be Repaid by TIF or Debt Levy

	Projected Annual Debt Service	Target D/S Levy Rate	TOTAL Taxable Valuation	Paid by D/S Levy	Paid by TIF
1	535,000	\$0.23000	1,106,365,602	254,464	280,536
2	534,500	\$0.27000	1,195,153,865	322,692	211,808
3	543,500	\$0.30000	1,255,029,696	376,509	166,991
4	541,500	\$0.34000	1,299,038,432	441,673	99,827
5	539,000	\$0.04000	1,364,108,491	54,564	484,436
6	536,000	\$0.05000	1,405,031,746	70,252	465,748
7	542,500	\$0.05000	1,447,182,698	72,359	470,141
8	538,000	\$0.05000	1,490,598,179	74,530	463,470

- G.O. debt is commonly issued for TIF purposes and able to repaid by either TIF revenues or the debt service levy.
 - ✓ City can certify up to the full amount OR levy for the full amount as part of each budget year's planning.
 - Can balance overall property tax rate, valuation growth and available TIF funds to be nimble each year.

Tax Abatement

- By popular demand (or our mistake in focusing on a catchy topic title rather than a clearer subtitle or explanation), tax abatement is also even more interesting post-SF 2472.
- While prior legislation had already removed the school levy from the consolidated tax abatement rate for 7/1/26 and beyond, the definition of 'new valuation' in SF 2472 creates the potential for a unique workaround to the 2% growth cap.
- Organic, new valuation (new home construction, new commercial building, etc.) would be outside of the 2% CGFL growth cap for FY 28 and beyond.
 - ✓ However, if that valuation is abated or included in an urban renewal area increment collection from inception, it would be subject to the 2% city-wide growth cap starting in FY 28.

Deferred Tax Abatement to Preserve 'New Valuation'

- One of the solutions for cities on the abatement side would be to set the sliding scale whereby the abatement in Year 1 would be 0%.
- ✓ In this case, the new valuation would be outside the 2% CGFL in that first year, and then incentives could start in Year 2 (in theory, with the same or equivalent schedule to what a city currently has adopted and in-place).

100% Assessed Valuation **\$1,000,000**
 1/1/25 Rollback (FY 27) 90.0000%
 1/1/25 Rollback (FY 27) 44.5345% Residential (first \$150,000)
 Assessed Valuation \$831,802

Taxing Entity	Tax Rate /\$1,000	Tax Amount	% Total
School District	\$17.5000	\$14,557	45.81%
City	\$13.5000	\$11,229	35.34%
County	\$5.8500	\$4,866	15.31%
CC	\$0.8000	\$665	2.09%
County Assessor	\$0.4000	\$333	1.05%
County Ag Extension	\$0.1500	\$125	0.39%
TOTAL	\$38.2000	\$31,775	100.00%

	Pre-2024 City Tax Abatement	Post-2024 Actual Tax Abatement	Option 1 CONCEPT Deferred	Option 1 Actual Tax Abatement
Year 1	100.00%	53.79%	0.00%	0.00%
2	80.00%	43.03%	100.00%	53.79%
3	60.00%	32.27%	80.00%	43.03%
4	40.00%	21.52%	60.00%	32.27%
5	0.00%	0.00%	40.00%	21.52%

Tax Revenue to City and Developer

TO DEVELOPER

Year	% City Tax Abatement	Post-2024 Actual Tax Abatement	% CONCEPT Deferred	CONCEPT Deferred Abatement
1	100.00%	\$17,092	0.00%	\$0
2	80.00%	\$13,673	100.00%	\$17,092
3	60.00%	\$10,255	80.00%	\$13,673
4	40.00%	\$6,837	60.00%	\$10,255
5	0.00%	\$0	40.00%	\$6,837
		<u>\$47,857</u>		<u>\$47,857</u>

CITY TAXES ONLY (PAID TO CITY)

Year	% City Taxes	Post-2024 Actual Tax Abatement	% City Taxes	CONCEPT Deferred Abatement
1	0.00%	\$0	100.00%	\$11,229
2	0.00%	\$0	0.00%	\$0
3	0.00%	\$0	20.00%	\$2,246
4	0.00%	\$0	40.00%	\$4,492
5	0.00%	\$0	60.00%	\$6,738
6	0.00%	\$0	80.00%	\$8,983
7	0.00%	\$0	100.00%	\$11,229
8	0.00%	\$0	100.00%	\$11,229
9	0.00%	\$0	100.00%	\$11,229
10	0.00%	\$0	100.00%	\$11,229
		<u>\$0</u>		<u>\$78,605</u>

Summary of Considerations

- While public finance professionals hope that this law is further clarified or amended in future years, any and all efforts to continue to spurn economic development should be considered and leveraged when possible as we all embark on what will be a unique and interesting FY 28 budget cycle.
- As always, please reach out to your professionals (bond / TIF attorneys, municipal advisors, investment bankers, etc.) early and often to review this information and other public finance matters as we start the pre-budget process!

Questions?



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