

# FINANCIAL TRENDS ANALYSIS

Prepared by  
Natalie Umsted, Management Analyst  
Lisa Frasier, Financial Assistant

# Table of Contents

Terminology & Resources.....	4
Demographic Trends.....	6
Revenue Trends.....	22
Expenditure Trends.....	32
Operating Trends.....	40
Debt Trends.....	52



## **Purpose**

The City of Newton strives to be accessible and accountable to the public it serves. This Financial Trend Analysis report is designed to help City officials make sense of the many factors that affect financial conditions and develop quantifiable indicators that can be tracked over time. Tracking these variables will allow the City to have a better understanding of its overall financial condition and trends, which will allow the City to better serve the public and plan for the City's future.

The basic questions that all City officials must consider regarding its financial position are as follows:

- Can the City continue to pay for what it is now doing?
- Are there reserves or other vehicles for financing emergencies?
- Is there enough financial flexibility to allow adjustments for change?
- Is the City adequately investing in and preparing for its future?

If a government can meet these challenges, it is in a sound financial condition. If it cannot, it is probably experiencing or can anticipate problems.

## **Background**

This report was accomplished through the use of the Financial Trends Monitoring System developed by the International City/County Management Association (ICMA). This program identifies and organizes the factors that affect financial condition so that they can be measured and analyzed by municipalities. It is a management tool that pulls together information from the City's budgetary and financial reports, combines it with economic and demographic data, and creates a series of financial indicators that, when plotted over time, can be used to monitor changes in financial condition and alert the government to future problems. All of the data used to create this report is available to the public; data sources and where they can be found are indicated throughout the report.

The City of Newton serves as the Jasper County seat and serves as an employment hub for much of the County, with major employers including TPI, Newton Community Schools, Skiff Medical Center, Hy-Vee, Caleris, Rock Communications, and others. The City of Newton is located along major transportation routes, at the intersection of I-80 and U.S. HWY 6. The City of Newton is also located just outside of the Des Moines metro, and as that area continues to expand, the residents of Newton become more involved with the businesses and opportunities there.

# Terminology & Resources

## Terminology

- *Financial Condition:* In this report, the financial condition encompasses two types of solvency.
  - ⇒ *Budgetary Solvency:* A government's ability to generate enough revenue over its normal budgetary cycle in order to meet its expenditures and not incur deficits.
  - ⇒ *Service Level Solvency:* The government's ability to provide services at the level and quality that are required for the health, safety, and welfare of the community and at its citizens' desires.
- *Indicator:* A measurement used for analyzing the City's financial condition.
- *Margin of Error:* The Margin of Error is a statistic expressing the amount of random sampling error in the survey's results; the larger the margin of error, the less confidence one should have that the results are close to "true" figures. Margin of error occurs whenever a population is incompletely sampled.
- *Trend Status:* Each indicator has been given a "trend status" based on the data collected. The trend status represents the prevailing tendency the trend is showing. The trends are broken into three categories:
  - ⇒ *Warning:* A warning trend represents a trend that has been unfavorable for the City's financial condition for two or more years in a row. These trends are called "warning" trends because they serve as a warning to the City, if the warning trends do not reverse or stabilize, the City's financial condition is at risk.
  - ⇒ *Informational:* An informational trend is a trend which does not show a warning or positive trend.
  - ⇒ *Positive:* A positive trend represents a trend that has been favorable for the City's financial condition for multiple years. These trends show a good outlook for the City's current financial condition and for the coming future.
- *Trendline:* A line representing the linear trend of a plotted graph.
- *Constant Dollars:* A metric for valuing the price of something over time, without that metric changing due to inflation or deflation. Using Constant Dollars allows the City to compare different years while controlling for inflation. The Bureau of Labor Statistics publishes the annual Consumer Price Index (CPI) which is used to figure constant dollars.

## Resources

- *American Community Survey:* The American Community Survey is an ongoing Census Bureau survey that samples a small percentage of the population every year. This survey asks questions about age, sex, race, family and relationships, income and benefits, health insurance, education, veteran status, disabilities, employment, transportation, and cost of living. The survey data is available to the public at [www.census.gov](http://www.census.gov)
- *City of Newton Annual Audit Report:* State statutes require an annual audit by independent certified public accountants. The City of Newton Annual Audit Report is based on the annual audit. The Audit Report is available to the public at the Newton Public Library.
- *City of Newton Annual Budget:* Each year, the City staff puts together the Annual Budget Report. The figures included in the budget include the actual numbers for one year and the budgeted numbers for the following two years. The Annual Budget Reports are available to the public at Newton Public Library.
- *City of Newton Annual Financial Report:* The City's year-end financial report of revenues and expenditures. To get a copy of the Annual Financial Report visit Newton City Hall.
- *Iowa Department of Management:* The Iowa Department of Management is the planning and budgeting agency within the executive branch of the Iowa State Government. They publish property valuation statistics online at <http://www.dom.state.ia.us/>.

- *Iowa Workforce Development:* Iowa Workforce Development provides employment services statewide. They publish monthly data on the employment and unemployment rates at [www.iowaworkforce.org](http://www.iowaworkforce.org).
- *Longitudinal Employer-Household Dynamics (LEHD) Program:* A part of the Center for Economic Studies at the U.S. Census Bureau, LEHD works to fill in data gaps so that state and local municipalities have access to detailed local information about their economies to make informed policy decisions. Data is available at [qwiexplorer.ces.census.gov](http://qwiexplorer.ces.census.gov).
- *Newton CHAT Report:* A report based on a Community Housing Assessment Team study performed on Newton in 2011. The CHAT Report analyzed the quality of housing stock in Newton. The CHAT Report is available to the public at City Hall.
- *Newton's Future: A Comprehensive Plan:* The City of Newton's official policy and strategic approach for future development and growth. It is available to the public at [www.newtongov.org](http://www.newtongov.org) and at the Newton Public Library.
- *U.S. Census:* Demographic decennial census performed in the United States. Census data is available at [www.census.gov](http://www.census.gov).
- *U.S. Census On the Map:* On the Map is a tool developed through the Longitudinal Employer-Household Dynamics (LEHD) program. On the Map focuses on where workers are employed and where they live. On the Map is available to the public at [onthemap.ces.census.gov](http://onthemap.ces.census.gov).



# Population

## Demographic Trends

- **Population**
- Population by Age
- Worker Age
- Median Household Income
- Property Value
- Home Ownership Rate
- Unemployment Rate
- Employment Inflow and Outflow

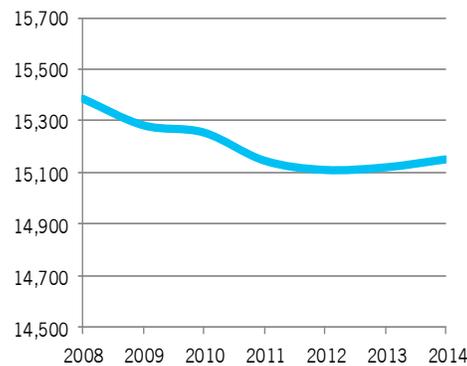


## Informational Trend

- Newton's population has been steady since 1960.
- The #1 goal of the Comprehensive Plan is to "Grow Newton's Population, specifically targeting young families."

## Analysis

Population 2008-2014



This indicator looks at the City's population from 2008 to 2014. While the exact relationship between population changes and the City's economic position may not always be the same from City to City, demographic changes have an impact on City finances.

The chart above illustrates a slight population decline within the City of Newton from 2008 to 2014. However, looking at the years 2012-2014, the prior warning trend appears to

have stabilized, and a slight increase in population was estimated between 2012 and 2014.

Although a decline in population may appear to relieve expenditures, a local government faced with population decline is rarely able to make reductions in expenditures that are proportional to the population loss. This is because many costs, such as debt service, pensions, and government mandates are fixed and cannot be reduced in the short run. Also, if out-migration is composed of middle- and upper-income households, then those remaining in the community are likely to be the poor and aged, who depend the most on government services.

# Is Newton growing?



Year	2008	2009	2010	2011	2012	2013	2014
Population	15,385	15,282	15,254	15,145	15,109	15,119	15,150

Source: U.S. Census<sup>1</sup> and the American Community Survey<sup>2</sup>

## Looking ahead

The Community Housing Assessment Team (CHAT) study<sup>3</sup>, performed in 2011, predicted that if the City does not capture an in-migration of at least 4%, the population of Newton will decline. See the chart below for the CHAT Study's full population predictions for Newton. Based on

the CHAT predictions, between 2010 and 2014, Newton experienced between a 2-3% in-migration.

Additionally, growing Newton's population is a priority for citizens. Following the 2014 Comprehensive Plan<sup>4</sup> update, the number one goal of the Compre-

hensive Plan remains, "Grow Newton's population, specifically targeting young families." The City has begun to take aggressive steps toward attracting new business, retail, and residents in pursuit of this goal. Over the past year, the City has aggressively pursued new housing starts and continued a marketing campaign geared toward growing Newton's population.

Year	2010 Actual	2015 Forecast	2020 Forecast
Natural	15,254	14,977	14,790
2% Migration	15,254	15,126	15,088
4% Migration	15,254	15,276	15,388

Source: CHAT Report<sup>3</sup>

### Population Footnotes

1. U.S. Census data was used for 2010. This data is available to the public at [www.census.gov](http://www.census.gov).
2. American Community Survey Data was used for 2008, 2009, 2011, 2012, 2013, and 2014. This data is available to the public at [www.census.gov](http://www.census.gov).
3. This data was provided by the CHAT Report. This data is available at City Hall.
4. Strategic Objective #1 of Newton's Future: A Comprehensive Plan. This plan is available at [newtongov.org](http://newtongov.org)

# Population by age

## Demographic Trends

- Population
- **Population by Age**
- Worker Age
- Median Household Income
- Property Value
- Home Ownership Rate
- Unemployment Rate
- Employment Inflow and Outflow

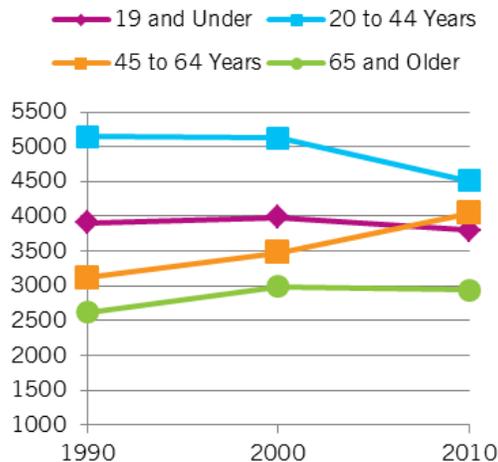


## Informational Trend

- The #1 goal of the Comprehensive Plan is to “Grow Newton’s Population, specifically targeting young families.”
- When compared to neighboring communities, Newton lost a greater percentage of youth and young adults between 2000-2010.

## Analysis

### Population by Age 1990-2010



Taking a closer look at who comprises Newton’s population allows the City to see what areas of the population are growing or shrinking. From a financial standpoint, this indicator helps to measure the level of current and future needs of the community.

From 1990 to 2010, the division of Newton’s population has been fairly

stable. Notable changes are the growth in the number of individuals 45 to 65 years of age and the decline in residents aged 20 to 40 years between 2000 and 2010.

Through the Comprehensive Plan, Newton residents have expressed a desire to “Grow Newton’s population, specifically targeting young families.” The chart on the following page shows the growth percentage from 2000 to 2010 broken down into age divisions comparing Newton with three nearby communities. Between 2000 and 2010, these neighboring communities saw a growing population of youth, while Newton saw a declining population of youth.

However, the class sizes at the Newton Community School District indicate this trend may be changing. Class sizes in the elementary schools

# Who is living in Newton?



**Population by Age**

	1990	2000	2010	Change 2000-2010	
				Number	Percent
<b>Newton</b>					
Total Population	14,789	15,579	15,254	-325	-2.13%
19 and Under	3,905	3,987	3,797	-190	-5.00%
20 to 44 Years	5,147	5,121	4,515	-606	-13.42%
45 to 64 Years	3,118	3,480	4,039	559	13.84%
65 and Older	2,619	2,991	2,943	-48	-1.63%
<b>Indianola</b>					
Total Population		12,998	14,782	1784	12.07%
19 and Under		3,767	4,281	514	12.01%
20 to 44 Years		4,660	4,979	319	6.41%
45 to 64 Years		2,569	3,275	706	21.56%
65 and Older		2,002	2,247	245	10.90%
<b>Marshalltown</b>					
Total Population		26,009	27,552	1543	5.60%
19 and Under		7,111	7,974	863	10.82%
20 to 44 Years		8,337	8,113	-224	-2.76%
45 to 64 Years		5,974	6,864	890	12.97%
65 and Older		4,587	4,601	14	0.30%
<b>Pella</b>					
Total Population		9,832	10,352	520	5.02%
19 and Under		2,747	2,974	227	7.63%
20 to 44 Years		3,429	3,432	3	0.09%
45 to 64 Years		1,837	2,250	413	18.36%
65 and Older		1,819	1,696	-123	-7.25%

Source: U.S. Census<sup>2</sup>

are larger than graduating classes, to the point where the schools are currently evaluating capacity and exploring new building or reorganization options.

## Looking ahead

Changes in population will require different and perhaps additional services. Attracting young families to the area may require updated playground and park facilities. The City may need to add additional recreation or library programs.

Additionally, Newton has a growing population of people aged 45 to 64. As these people retire, the City will need to be able to provide services for them as well. The City will need to ensure services are accessible and housing is available for an aging population.

### Population by Age Footnotes

1. Strategic Objective #1 of Newton's Future: A Comprehensive Plan. This plan is available at [newtongov.org](http://newtongov.org).
2. U.S. Census data is available to the public at [www.census.gov](http://www.census.gov).

# Worker age



## Positive Trend

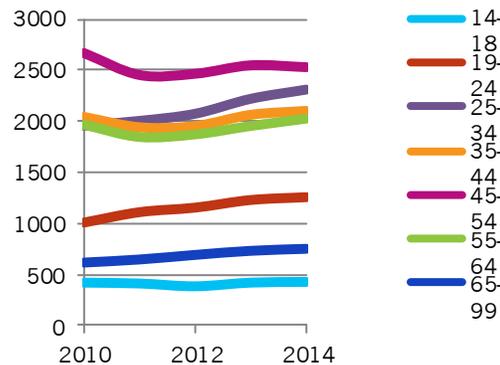
- The #1 goal of the Comprehensive Plan is to “Grow Newton’s Population, specifically targeting young families.”
- Newton, similar to statewide and national trends, has an aging workforce.

## Demographic Trends

- Population
- Population by Age
- **Worker Age**
- Median Household Income
- Property Value
- Home Ownership Rate
- Unemployment Rate
- Employment Inflow and Outflow

## Analysis

### Worker Age



Similar to measuring the breakdown of Newton’s population, measuring the demographic breakdown of Newton’s workforce helps the community measure how well it is working to “grow Newton’s population, specifically targeting young families,” and prepare for potential future needs of the community.

A second way to take a closer look at who comprises Newton’s population is to explore the demographics of those who work in Newton.

The fastest growing demographic in Newton’s workforce is workers ages 19-34. This population has grown by over 600 since 2010, and now accounts for over 30% of Newton’s workforce.

# Who is working in Newton?



Year	2010	2011	2012	2013	2014
Age 14-18	419	410	383	419	426
Age 19-24	1007	1109	1154	1228	1256
Age 25-34	1957	2004	2073	2219	2310
Age 35-44	2042	1941	1953	2063	2101
Age 45-54	2667	2452	2465	2548	2529
Age 55-64	1966	1846	1871	1953	2025
Age 65-99	615	646	690	730	750

Source: Longitudinal Employer-Household Dynamics, Center for Economic Studies at the US Census Bureau<sup>1</sup>

## Looking ahead

Looking at the demographics of Newton's workforce can help the community begin to prepare for the future.

With a growing population of workers ages 19-34, the City should consider if it has appropriate housing and amenities to serve that population. Is the City providing the appropriate services for this population?

Ages 19-34 is also a common age range for people to start developing families. Is the City prepared to serve young families and children? How might the City better prepare to serve this population?

In addition to preparing the younger generation for leadership transition, Newton will also need to prepare for accommodating an older workforce. According to a

Pew Research Center study<sup>2</sup>, the percent of Americans aged 65 to 74 who participate in the workforce is expected to reach 31.9% by 2022. This is for a variety of reasons, including increased health in older citizens, economic conditions, and reductions in benefits. Is the City of Newton prepared to accommodate this workforce?

### Worker Age Footnotes

1. Longitudinal Employer-Household Dynamics information can be found at [qwiexplorer.ces.census.gov](http://qwiexplorer.ces.census.gov).
2. Pew Research Center, "Number of older Americans in the workforce is on the rise." Author Bruce Drake. Published January 7, 2014. Available at [pewresearch.org](http://pewresearch.org).

# Household income



## Positive Trend

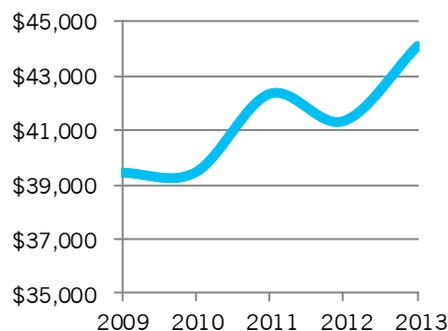
- Measuring household income provides the City with information on how much money residents have to spend in the community.

## Demographic Trends

- Population
- Population by Age
- Worker Age
- **Median Household Income**
- Property Value
- Home Ownership Rate
- Unemployment Rate
- Employment Inflow and Outflow

## Analysis

### Median Household Income



Income is an important variable to measure because it gives an indication of how much money residents will be able to spend in the community. If household income is going down, for example, sales tax is also likely to decline. A decline in median household income can cause a drop in consumer purchasing power. If the trend is seen early it can provide advance notice that business, especial-

ly in the retail sector, will suffer a decline that can ripple through the rest of the local economy.

In the years examined, Newton had a lower median household income than Jasper County as a whole. In 2012, the Jasper County median household income was \$54,652.

# How much do families have to spend?



<b>Year</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>Median Household Income</b>	<b>\$39,443</b>	<b>\$39,461</b>	<b>\$42,348</b>	<b>\$41,345</b>	<b>\$44,115</b>

Source: American Community Survey

## Looking ahead

The City of Newton and the Newton Development Corporation continue to work to bring new industry and employment to Newton.

Additionally, the City is supportive of developing the existing workforce. Programs such as the Goodwill Career Connections Center provide local workers who are seeking employment a free resource to assist them with writing resumes and effective job-searching.

### Median Household Income Footnotes

1. American Community Survey Data is available online at [www.census.gov](http://www.census.gov).

# Property value



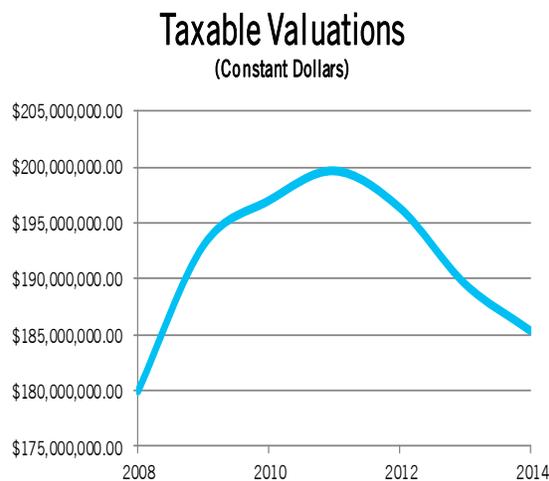
## Warning Trend

- From 2011 to 2014, Newton has seen a decrease in property values.
- Tracking property value is important, because the City relies heavily on property taxes for revenues.

## Demographic Trends

- Population
- Population by Age
- Worker Age
- Median Household Income
- **Property Value**
- Home Ownership Rate
- Unemployment Rate
- Employment Inflow and Outflow

## Analysis



Changes in property value are important to track because local governments depend on property taxes for a substantial portion of revenue. If property assessments dip, the government feels the effects in the budget. Property value is also a useful sign for the health of the local economy.

The chart to the left shows taxable valuations in constant dollars as of

January 1 of the indicated year. This displays an increase in property value from 2008 to 2011, followed by decreases from 2011 through 2014. The decreasing property value is a warning trend for the City of Newton. A warning trend represents a trend that has been unfavorable for the City's financial condition for multiple years. These trends are called "warning" trends because they serve as a warning to the City. If the declining trend in property value does not reverse or stabilize, the City's financial condition is at risk.

The decline in property value between 2012 and 2014 can be partially attributed to the commercial and industrial property tax reduction. In 2013, commercial and industrial taxable valuations were reduced by 5%, and in 2014, they were reduced by an additional 5%.

# How much is Newton's property worth?



Year	2008	2009	2010	2011	2012	2013	2014
Taxable Valuations	\$387,465,909.00	\$414,046,243.00	\$429,590,824.00	\$449,134,295.00	\$450,868,397.00	\$441,575,184.00	\$438,811,677.00
U.S. All Consumers Annual CPI	215.303	214.537	218.056	224.939	229.594	232.957	236.736
U.S. All Consumers Annual CPI in decimal	2.15303	2.14537	2.18056	2.24939	2.29594	2.32957	2.36736
Property Value (Constant Dollars) <sup>2</sup>	\$179,963,079.47	\$192,995,260.96	\$197,009,403.09	\$199,669,374.81	\$196,376,384.84	\$189,552,228.09	\$185,359,082.27

Source: Iowa Department of Management<sup>3</sup>

## Looking ahead

As a part of the state's commercial and industrial property tax reduction program, the state is rebating cities for the amount of property taxes lost in FY2015 and FY2016. However, beyond FY2016, the amount of the state's rebate will be set at the dollar amount equal to 10% of total commercial and industrial valuations in FY2016. This will result in significantly less revenue in coming years, as the rebate from the state will not match inflation rates nor account for future growth or investment in the community.

### Property Value Footnotes

1. Source: Annual City Audit FY 2013. The City Audits are available at the Newton Public Library.
2. This indicator is measured by the calendar year, with valuations being set January 1. For example, the figures for 2008 represent the taxable valuations as of January 1, 2008.
3. In the revenues chapter of this report, there is a property tax indicator. This indicator is measured by the fiscal year. Taxable valuations are used for the following fiscal year. For example, taxable valuations for January 1, 2008 are used to determine the fiscal year 2009/2010 property tax rates.
4. This is the first indicator which has been adjusted for inflation. Current dollars have been converted into "Constant Dollars" in order to account for inflation using the Consumer Price Index (CPI). For more information on the Consumer Price Index or inflation in the U.S., visit [www.bls.gov/cpi](http://www.bls.gov/cpi).
5. Data for this table came from the Iowa Department of Management. This data can be accessed online at [www.dom.state.ia.us](http://www.dom.state.ia.us).

# Home ownership



## Informational Trend

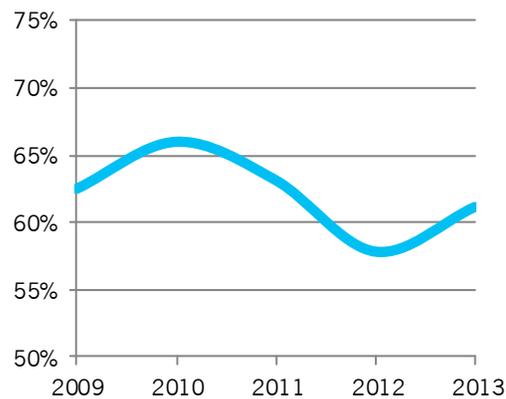
- The home ownership rate decreased in Newton from 2010 to 2012.
- The home ownership rate in Newton is lower than the State of Iowa and Jasper County home ownership rates.

## Demographic Trends

- Population
- Population by Age
- Worker Age
- Median Household Income
- Property Value
- **Home Ownership Rate**
- Unemployment Rate
- Employment Inflow and Outflow

## Analysis

### Home Ownership Rate



the state. In 2012, the home ownership rate in Iowa state-wide was 72.23%. Newton also has a lower home ownership rate than Jasper County, which had a rate of 71.27% in 2012.

Measuring owner-occupied housing helps to identify the affordability of housing and the financial capacity of the population to acquire housing.

Data from the American Community Survey showed a warning trend from 2010 through 2012, but that trend appears to have started to reverse in 2013.

Newton has a significantly lower home ownership rate than the rest of

# Are people buying homes in Newton?



Year	2009	2010	2011	2012	2013
Occupied housing units	6946	6668	6840	6828	6646
Owner-Occupied housing units	4341	4400	4318	3948	4063
Renter-Occupied housing units	2605	2268	2522	2880	2583
Home Ownership Rate	62.50%	65.99%	63.13%	57.82%	61.13%

Source: American Community Survey used for 2009, 2011, and 2012. Census data used for 2010.

## Looking ahead

Over the past couple of years, the City has begun to aggressively pursue housing development. The result of this effort is new housing starts throughout the community. Two homes have been built in the Fountain Hills subdivision. These homes will serve as a basis for the types of homes that will be built out in the rest of that subdivision. In the Eastgate Meadows subdivision, two spec homes are cur-

rently being built. Five homes are currently being built in the Fairmeadows North subdivision.

Without new housing stock and attracting a new population of home buyers, Newton's home ownership rate is likely going to continue to decrease. Approximately 30% of all owner-occupied homes are headed by a person 65 or older<sup>2</sup>. If the community fails to attract a younger

population over the coming years, both population and the home-ownership rate will likely decrease.

### Home Ownership Rate Footnotes

1. American Community Survey Data was used for this indicator. This data is available to the public at [www.census.gov/acs](http://www.census.gov/acs).
2. This statistic came from the CHAT Report. To get a copy of the CHAT report, please call or visit Newton City Hall.

# Unemployment rate



## Positive Trend

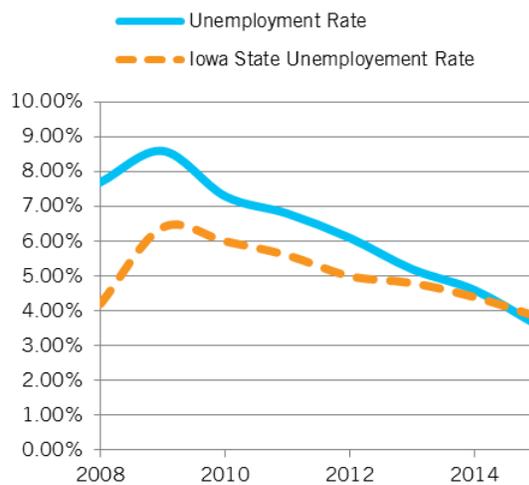
- The unemployment rate in Jasper County has gone down every year from 2010 to 2015.
- In 2015, the Jasper County unemployment rate is lower than the Iowa State unemployment rate. This is the first time this has happened since 2001.

## Demographic Trends

- Population
- Population by Age
- Worker Age
- Median Household Income
- Property Value
- Home Ownership Rate
- **Unemployment Rate**
- Employment Inflow and Outflow

## Analysis

### Unemployment Rate



Changes in unemployment impact personal income, and are consequently a measure of, and an influence on, the community's ability to support its business sector. Increasing unemployment is a sign of a weak economy.

For this indicator, there was no data available specifically for Newton, so Jasper County data was used. The

effects of the recession are clearly seen in the unemployment rate, with unemployment climbing from 2008 through 2010, before beginning to decline again as the community began to recover.

Since 2010, the unemployment rate has lessened every year in Jasper County, making this a positive trend for Newton. In 2015, for the first time since 2001, the Jasper County unemployment rate is lower than the unemployment rate in the state of Iowa.

# Can Newton residents find work?



Year	2008	2009	2010	2011	2012	2013	2014	2015
Jasper County Unemployment Rate	7.70%	8.60%	7.30%	6.80%	6.10%	5.20%	4.60%	3.60%
Iowa State Unemployment Rate	4.20%	6.40%	6.00%	5.60%	5.00%	4.80%	4.40%	3.84%

Source: Iowa Workforce Development<sup>1</sup>

Note: For 2015, the year-to-date average was used, which includes months January-September

## Looking ahead

Economic development continues to be a high priority area for the City of Newton. Within “Newton’s Future: A Comprehensive Plan,” there is a chapter on economic development outlining the community’s goals for building, growing, and sustaining economic development.

Moving forward, the City should continue to work to build the workforce of Newton into a skilled and educated community

ready to face the problems of tomorrow. Reducing the unemployment rate will increase the health of the community and the financial condition of the City, because people will be more able to buy homes and will have more expendable income, which will help generate additional property and sales tax revenues for the City.

In 2014, the Goodwill Career Connection Center opened in

Newton. This center is a free resource for area residents who seek help in writing resumes, practicing for interviews, effectively job-hunting, and other job-related skills. Additionally, the Newton Public Library is a “LearningExpress Library” and has programs for resume-writing, certification test preparation, SAT/ACT/GED test preparation, and other workplace skill-building tools.

### Unemployment Rate Footnotes

1. Source: Iowa Workforce Development. Iowa Workforce Development data is available online at [www.iowaworkforce.org](http://www.iowaworkforce.org).
2. To learn more about the Goodwill Career Connections Center, visit [dmgoodwill.org](http://dmgoodwill.org).
3. For more information on the LearningExpress Library, visit the Newton Public Library.

# Inflow and Outflow



## Informational Trend

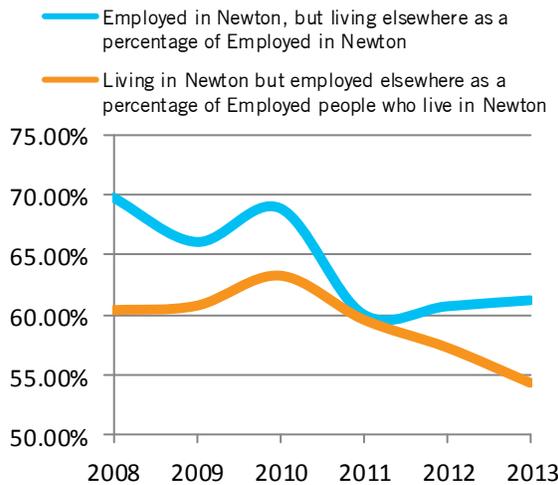
- Newton has a high level of workforce inflow and outflow, with many people commuting in to Newton to work and many people commuting out of Newton to other cities.

## Demographic Trends

- Population
- Population by Age
- Worker Age
- Median Household Income
- Property Value
- Home Ownership Rate
- Unemployment Rate
- **Employment Inflow and Outflow**

## Analysis

### Workforce Inflow & Outflow



Workforce inflow and outflow is the measurement of people who commute into Newton to work and people who commute out to another city to work. Newton's proximity to Des Moines naturally creates a fairly large population of individuals who either commute from or commute to somewhere else in the metro area.

As identified in the Comprehensive Plan, the City would like to attract people to live in Newton and develop a growing population. Based on this goal, it is positive to see a growing percentage of the workforce choosing to live in Newton and work elsewhere, and a declining percentage of those employed in Newton who chose to live elsewhere.

As the graph to the left shows, about 60% of people who work in Newton do not live in Newton. This high percentage is a concern because people who work here are choosing not to live here. The percentage of people living in Newton and commuting out of the community is also high, with nearly 55% of Newton workers commuting out of the community.

# How many people commute?



Year	2008	2009	2010	2011	2012	2013
Employed in Newton	7,226	7,017	6,477	6,353	7,020	7,699
Employed in Newton, but living elsewhere	5,042	4,636	4,462	3,814	4,261	4,712
Employed in Newton, but living elsewhere as a percentage of Employed in Newton	69.78%	66.07%	68.89%	60.03%	60.70%	61.20%
Employed people who live in Newton	5,512	6,066	5,484	6,284	6,457	6,539
Living in Newton but employed elsewhere	3,328	3,685	3,469	3,745	3,698	3,552
Living in Newton but employed elsewhere as a percentage of Employed people who live in Newton	60.38%	60.75%	63.26%	59.60%	57.27%	54.32%
Living and Employed in Newton	2,184	2,381	2,015	2,539	2,759	2,987

Source: U.S. Census On the Map<sup>1</sup>

## Looking ahead

Discussed through the entire Demographics Section, the goal of growing the population of Newton is a strong focus for the community. People currently commuting into Newton already have investment in the community (their jobs!) and should make for a natural population to appeal to for new residents. Completing some of the City's current initiatives that work to increase New-

ton livability will hopefully encourage some of these commuters to become residents.

Additionally, growing the City's population may also increase the amount of individuals commuting out of the community. Having a population of workers that are increasingly commuting creates new challenges for the City regarding sustainability and pub-

lic transportation. This may mean additional expenditures for the City to create projects such as commuter lot or working with DART to expand more services to Newton.

### Employment Inflow and Outflow Footnotes

1. U.S. Census on the Map data is available online at [onthemap.ces.census.gov](http://onthemap.ces.census.gov).

# Revenues per capita



## Informational Trend

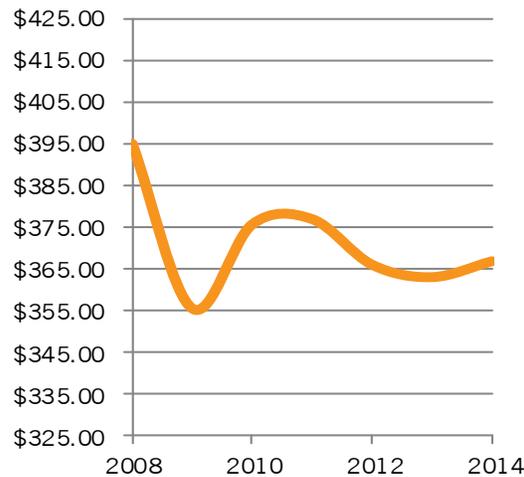
- After a steep decline in revenues from 2008 to 2009, revenues have remained more stable in recent years.

## Revenue Trends

- Revenues per capita
- Shortfall and Surpluses
- Property Tax Revenue
- Additional Tax Revenue
- Intergovernmental Revenue
- One-Time Revenue

## Analysis

### Revenues per Capita (Constant Dollars)



Operating revenues are those revenues derived from the general and special revenue funds. Examining per capita revenue shows changes in revenues relative to changes in population size. If per capita revenues are declining, it may be a warning that the City may be unable to maintain existing service levels in the future.

The trend from 2008 to 2013 was negative, with a steep decline in revenues from 2008 through 2009. Revenues have remained fairly stable in the following years.

The following revenue streams are included in the operating revenues indicator: property tax, sales tax, hotel/motel tax, fees and user charges, sale of property and merchandise, fines, licenses and permits, use of money and property, intergovernmental funds, and miscellaneous revenues. TIF revenues and capital project revenues are not included.

# Are revenues changing in accordance with the population?



Year	2008	2009	2010	2011	2012	2013	2014
General Fund, Special Fund, and Debt Service Revenues	\$13,083,241.00	\$11,656,633.00	\$12,496,533.00	\$12,842,215.00	\$12,697,969.00	\$12,787,436.00	\$13,156,027.00
Consumer Price Index	215.30	214.54	218.06	224.94	229.59	232.96	236.70
CPI in decimal	2.15	2.15	2.18	2.25	2.30	2.33	2.37
Operating Revenues (Constant Dollars)	\$ 6,076,664.51	\$ 5,433,390.51	\$ 5,730,882.43	\$ 5,709,198.94	\$ 5,530,618.83	\$ 5,489,182.98	\$ 5,558,101.82
Population Estimate	15,385	15,282	15,254	15,145	15,109	15,119	15,150
Operating Revenues per Capita (Constant Dollars)	\$ 394.97	\$ 355.54	\$ 375.70	\$ 376.97	\$ 366.05	\$ 363.07	\$ 366.87

Source: Revenue data came from the Annual Audit<sup>1</sup>, CPI data came from the Bureau of Labor Statistics<sup>2</sup>, and population estimates came from the American Community Survey.

## Looking ahead

The City of Newton seeks to establish a stable and diverse revenue stream to fund municipal services.

In 2015, the City issued a bond in order to support capital equipment and infrastructure needs. At that time, City Council discussed implementing a strategy of bonding every two years to help cover these types of needs. If the City Council continues on this schedule, the next bonding will take place in 2017.

### Revenue Footnotes

1. The City's Annual Audit is available at the Public Library.
2. The Bureau of Labor Statistics has data available online at [www.bls.gov](http://www.bls.gov).
3. The Census Bureau has American Community Survey data available online at [factfinder2.census.gov](http://factfinder2.census.gov).

# Shortfalls & surpluses



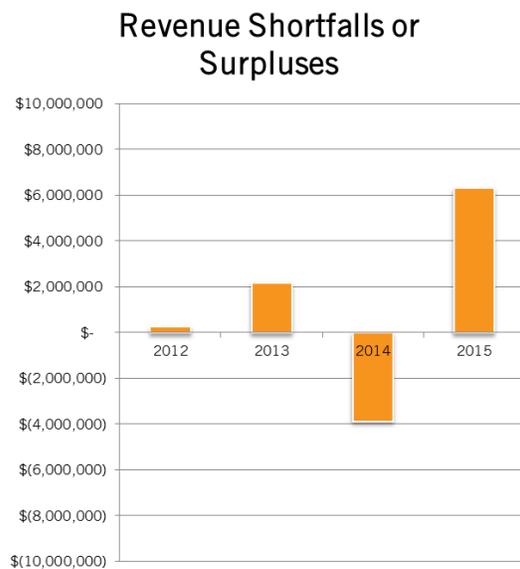
## Informational Trend

- The City's budget and the City's actual revenues have varied in recent years due to bonds that have been taken out that were not budgeted.

## Revenue Trends

- Revenues per capita
- **Shortfall and Surpluses**
- Property Tax Revenue
- Additional Tax Revenue
- Intergovernmental Revenue
- One-Time Revenue

## Analysis



This indicator measures the difference between revenue estimates and actual revenues. When looking at the graph above, the closer the bar is to the zero line, the better. Each year, the City establishes a budget of estimated revenues and expenditures, and then throughout the year the budget is amended when new programs are implemented or other operational changes take place. Dis-

crepancies between the revenue estimate and the actual revenue received can indicate that the City is doing a poor job of estimating the budget.

As the chart shows, there has been a large amount of variance between the City's budgeted revenues and the City's actual revenues. This is due to bonds that have been issued over the past few years. Since the City has not had a regular bonding schedule, it has made it difficult to estimate budgeted revenues years in advance.

# Is the City budgeting correctly?



<b>Year</b>	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>
Budgeted Revenues	\$ 19,870,668	\$20,242,515	\$31,381,710	\$28,152,449
Actual Revenues	\$ 20,137,409	\$22,437,837	\$27,525,859	\$34,474,170
Revenue Shortfalls or Surpluses	\$ 266,741	\$ 2,195,322	\$ (3,855,851)	\$ 6,321,721
Revenue Shortfalls or Surpluses as a percentage of actual revenues	1.34%	10.85%	-12.29%	22.46%

Source: Annual Budget Books<sup>1</sup>

## Looking ahead

The City Council has discussed setting a policy of bonding every other year. Setting a regular schedule for when the City takes out bonds will help in the budgeting process because staff will better be able to predict incoming revenues years in advance.

### Revenue Shortfalls and Surpluses Footnotes

1. The Annual Budget Books are available at the Newton Public Library.

# Property tax revenue

## Revenue Trends

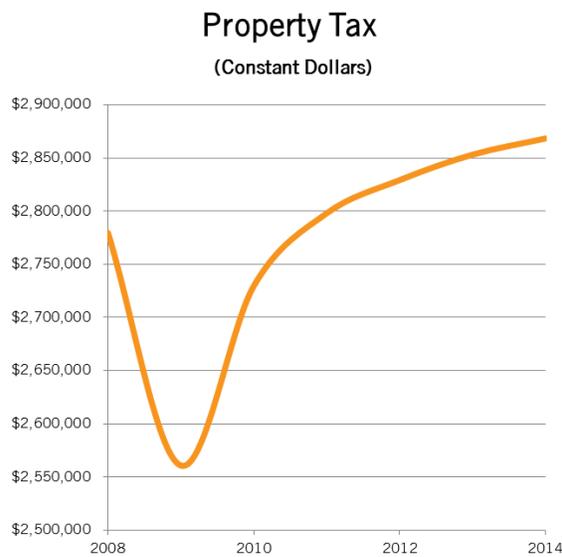


## Informational Trend

- Property tax revenues have increased from 2009 to 2013.
- The state passed policy which will decrease commercial and industrial property taxes by 5% in FY2014 and FY2015.

- Revenues per capita
- Shortfall and Surpluses
- **Property Tax Revenue**
- Additional Tax Revenue
- Intergovernmental Revenue
- One-Time Revenue

## Analysis



From FY2009 through FY2014, there has been an increase in property tax dollars. This shows a positive trend for the city.

It is important to measure property tax revenue because the City relies substantially on property tax revenues for the yearly budget. Frequent or increasing declines in property tax revenue can provide a warning that the City may have to cut programs and services in the future if the trend does not reverse.

# How healthy is Newton's local economy?



Year	2008	2009	2010	2011	2012	2013	2014
Property Tax Revenue	\$5,984,330.00	\$5,493,609.00	\$ 5,951,760.00	\$6,293,597.00	\$6,495,477.00	\$6,646,452.00	\$6,789,270.00
Consumer Price Index	215.303	214.537	218.056	224.939	229.594	232.957	236.700
CPI in decimal	2.15303	2.14537	2.18056	2.24939	2.29594	2.32957	2.367
Property Tax (Constant Dollars)	\$2,779,492.16	\$2,560,681.37	\$ 2,729,463.99	\$2,797,912.77	\$2,829,114.44	\$2,853,081.04	\$2,868,301.65

Source: Tax Revenue data comes from the Annual Audit<sup>1</sup>

## Looking ahead

The taxable valuations in the previous chapter showed a warning trend. This is because taxable valuations declined in calendar years 2012 through 2014. The decline in valuations is partially due to a reassessment of residential property values and partially due to a 5% commercial and industrial property tax cut. The state is rebating a portion of the commercial and industrial tax cuts, but the commercial and industrial tax rebate program will likely lead to stagnant or declining property tax revenues in the future.

### Property Tax Revenue Footnotes

1. The City Audit is available at the Newton Public Library.
2. On June 12, 2013 Governor Branstad signed Senate File 295 into law. For more information, visit [www.legis.iowa.gov](http://www.legis.iowa.gov).
3. In the demographics chapter of this report, there is a property valuations indicator measuring taxable valuations. This indicator is measured by the calendar year. For example, taxable valuations for January 1, 2008 are used to determine the fiscal year 2009/2010 property tax rates.

# Additional tax revenue

## Revenue Trends



## Positive Trend

- Over the past six years, Hotel/Motel tax has shown a positive trend.
- In the past three years, Local Option Sales Tax has shown a positive trend.

- Revenues per capita
- Shortfall and Surpluses
- Property Tax Revenue
- **Additional Tax Revenue**
- Intergovernmental Revenue
- One-Time Revenue

## Analysis

**Local Option Sales Tax**  
(Constant Dollars)



**Hotel/Motel Tax**  
(Constant Dollars)



This indicator measures the City's non-property tax revenue sources. Tax revenue should be reviewed separately from other revenues because most local governments rely heavily on them. Since taxes are a significant resource, the City needs to be attuned to any changes and understand the causes for the change.

From 2008 to 2015, the Hotel/Motel tax showed a steady positive trend. Local option sales tax shows a less positive trend, with revenues falling from 2011 through 2013. However, revenues in 2014 and 2015 showed a reverse of that trend.

# How healthy is Newton's local economy?



Year	2008	2009	2010	2011	2012	2013	2014	2015
Local Option Sales Tax	\$949,311.00	\$1,249,761.00	\$1,253,509.00	\$1,328,199.00	\$1,260,679.00	\$1,158,029.00	\$1,289,441.00	\$1,318,756.51
Hotel/Motel Tax	\$198,821.00	\$ 205,989.00	\$ 234,978.00	\$ 227,589.00	\$ 283,051.00	\$ 283,489.00	\$ 290,967.00	\$ 310,186.31
Consumer Price Index	215.303	214.537	218.056	224.939	229.594	232.957	236.384	236.384
CPI in decimal	2.15303	2.14537	2.18056	2.24939	2.29594	2.32957	2.36384	2.36384
Local Option Sales Tax (Constant Dollars)	\$440,918.61	\$ 582,538.68	\$ 574,856.46	\$ 590,470.75	\$ 549,090.57	\$ 497,099.89	\$ 545,485.74	\$ 557,887.38
Hotel/Motel tax (Constant Dollars)	\$ 92,344.74	\$ 96,015.61	\$ 107,760.39	\$ 101,178.10	\$ 123,283.27	\$ 121,691.56	\$ 123,090.82	\$ 131,221.36

Source: Tax Revenue data comes from the Annual Audit<sup>1</sup>, CPI data come from the Bureau of Labor Statistics

Note: For CPI, annual averages were used for 2008-2013. For 2014, the semiannual average for the first half of the year was used.

## Looking ahead

One of the goals of the City of Newton is to grow our local retail base. Use of the Buxton Report and Main Street Market Analysis is helpful, because it shows City Staff where retail leakage is occurring. If used successfully, these reports should help the City to increase its sales tax revenue.

### Additional Tax Revenue Footnotes

1. The Annual Audit is available to the public at the Newton Public Library.

# Intergovernmental revenue



## Informational Trend

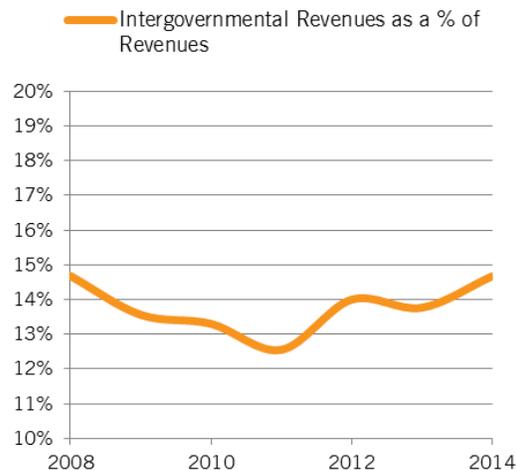
- An over-reliance on intergovernmental revenues can make a City vulnerable to unexpected cutbacks.

## Revenue Trends

- Revenues per capita
- Shortfall and Surpluses
- Property Tax Revenue
- Additional Tax Revenue
- **Intergovernmental Revenue**
- One-Time Revenue

## Analysis

### Intergovernmental Revenues



Tracking intergovernmental revenues is important because an overdependence on such revenues can be harmful. When the economy is not robust, the state and federal government struggle with their own budgets, and cutbacks to their budgets have frequently included withdrawn or reduced payments to local governments. An over-reliance on intergovernmental funds can make a local government vulnerable to unexpected cutbacks.

This indicator measures the percent of revenues received from another governmental entity. This includes federal grants, state grants, road use taxes, state reimbursements, county contributions, school reimbursements, and miscellaneous reimbursements.

# How much does the City rely on state and general funding?



Year	2008	2009	2010	2011	2012	2013	2014
Intergovernmental Operating Revenues	\$ 1,921,256	\$ 1,581,240	\$ 1,662,888	\$ 1,612,436	\$ 1,777,570	\$ 1,760,614	\$ 1,930,204
General, Special, and Debt Service Revenue	\$ 13,083,241	\$ 11,656,633	\$ 12,496,533	\$ 12,842,215	\$ 12,697,969	\$ 12,787,436.00	\$ 13,156,027.00
Intergovernmental Revenues as a % of Revenues	14.68%	13.57%	13.31%	12.56%	14.00%	13.77%	14.67%

Source: Intergovernmental Operating Revenue data comes from the Annual Financial Report<sup>1</sup>

Note: DOJ Cops grant<sup>2</sup> is not included in FY 2013 intergovernmental revenues total.

## Looking ahead

As the City plans for the future, it should continue to make use of Intergovernmental Revenue, but also assess how these funds are being used. While it is healthy for a City to use intergovernmental funds to finance federal or state mandated services or one time capital projects, relying on intergovernmental funds for programs and services may lead to problems down the road.

Beginning in FY2015, the City will be receiving a rebate from the state due to the commercial and industrial tax cut reimbursement. In FY2015, this amount will be equal to 5% of the property valuation and in FY2016 this amount will be equal to 10% of the property valuation. Beyond FY2016, the City will receive a capped amount locked in at the dollar amount of funding received in FY2016.

### Intergovernmental Revenues Footnotes

1. The Annual Financial Report is available at Newton City Hall.
2. Note: In 2013, the City of Newton served as a pass-through for the Newton Community School District for a Department of Justice COPS grant, which allowed the school to update their security. Because the City of Newton did not receive any actual revenue from this transaction, the amount for the grant, \$245,704, has been subtracted from the intergovernmental revenues line for 2013.

# Expenditures per capita



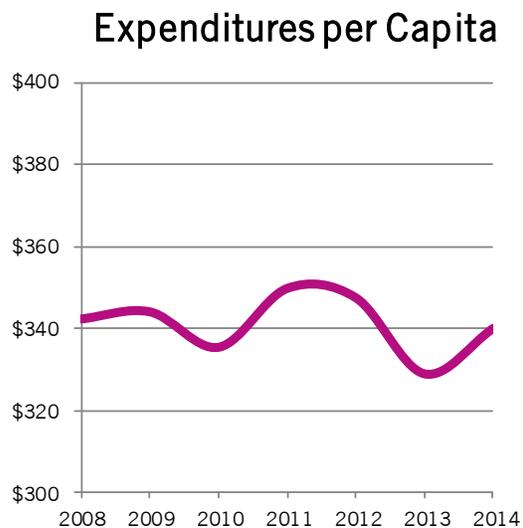
## Informational Trend

- Increasing per capita expenditures can indicate that the cost of providing services is outstripping the community's ability to pay.
- Decreasing per capita expenditures can indicate the City is not investing adequately in its community.

## Expenditure Trends

- Expenditures per capita
- Expenditures by function
- Employee costs per capita
- Employee benefits

## Analysis



The graph to the left depicts Newton's expenditures per capita over the past seven years. There is not a strong positive or negative trend shown in the graph.

Examining per capita expenditures shows changes in expenditures relative to changes in population. Increasing per capita expenditures can indicate that the cost of providing services is outstripping the community's ability to pay. Likewise, decreasing expenditures can indicate that the City is not investing adequately in the community.

# Are expenditures changing with the population?



Year	2008	2009	2010	2011	2012	2013	2014
Operating Expenditures	\$11,337,959.00	\$ 11,278,232.00	\$11,155,103.00	\$ 11,919,661.00	\$12,064,423.00	\$ 11,596,770.00	\$ 12,190,452.00
Consumer Price Index	215.303	214.537	218.056	224.939	229.594	232.957	236.700
CPI in decimal	2.15303	2.14537	2.18056	2.24939	2.29594	2.32957	2.367
Operating Expenditures (Constant Dollars)	\$ 5,266,047.85	\$ 5,257,010.21	\$ 5,115,705.60	\$ 5,299,063.75	\$ 5,254,676.95	\$ 4,978,073.21	\$ 5,150,169.84
Population Estimate	15,385	15,282	15,254	15,152	15,124	15,136	15,150
Operating Expenditures per Capita (Constant Dollars)	\$ 342.28	\$ 344.00	\$ 335.37	\$ 349.73	\$ 347.44	\$ 328.89	\$ 339.95

Source: Annual Audit Reports<sup>1</sup>, U.S. Census<sup>2</sup>, American Community Survey<sup>3</sup>

Notes: TIF Expenditures are not included in Operating Expenditures

## Looking ahead

The City should continue to monitor expenditures per capita in the coming years. Should a warning trend emerge, expenditures should be evaluated accordingly.

A number of indicators in this report indicate that in the coming years, there may be a decrease in revenues due to changes in the collection of commercial and industrial property tax. However, in the current operation, there has not been the same expectation that there will be a reduction in expenditures. Council should consider the future outlook of anticipated revenues and anticipated expenditures and begin to consider what the City's funding options may be.

### Expenditures per Capita Footnotes

1. The City's Annual Audit Reports are available at the Newton Public Library.
2. U.S. Census data is available online at [www.census.gov](http://www.census.gov).
3. American community Survey data is available online at [www.census.gov](http://www.census.gov).

# Expenditures by function



## Informational Trend

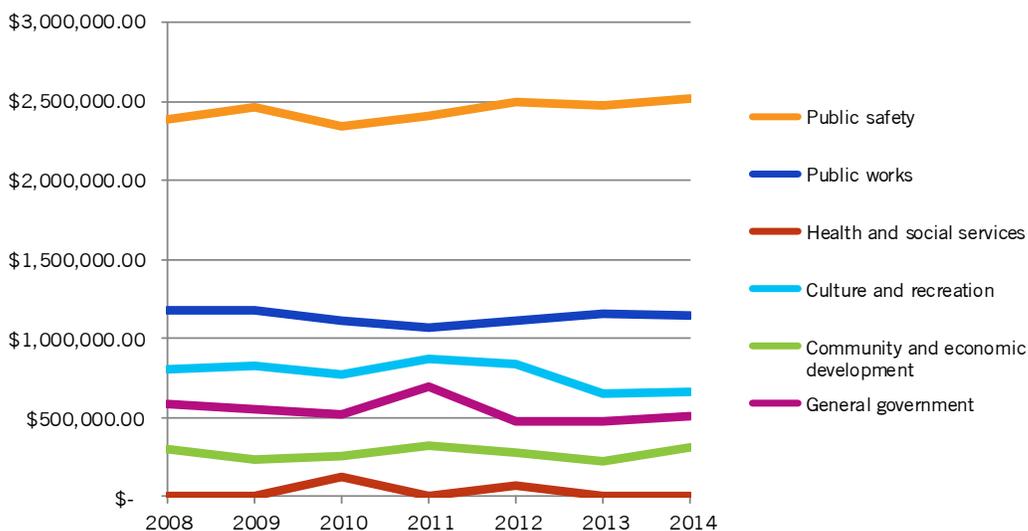
- Departmental expenditures have been steady for the past seven years.

## Expenditure Trends

- Expenditures per capita
- **Expenditures by function**
- Employee costs per capita
- Employee benefits

## Analysis

**Expenditures by Function**  
(Constant Dollars)



Operating expenditures by function shows a breakdown of what the City's expenditures go toward. Looking at individual department spending allows the government to identify where increases in expenditures are coming from.

From 2008 to 2014, expenditures by function have been stable. This high-

lights that none of the City's departments have had sudden or growing expenditures.

# How does the City spend its resources?



Year	2008	2009	2010	2011	2012	2013	2014
<i>Expenditures by Function</i>							
Public safety	\$ 5,134,641.00	\$ 5,284,662.00	\$ 5,093,366.00	\$ 5,410,336.00	\$ 5,717,661.00	\$ 5,761,554.00	\$ 5,968,331.00
Public works	\$ 2,544,558.00	\$ 2,523,491.00	\$ 2,415,994.00	\$ 2,409,348.00	\$ 2,558,601.00	\$ 2,687,209.00	\$ 2,708,791.00
Health and social services	\$ 12,464.00	\$ 12,032.00	\$ 267,944.00	\$ 12,083.00	\$ 153,374.00	\$ -	\$ -
Culture and recreation	\$ 1,723,088.00	\$ 1,774,050.00	\$ 1,689,233.00	\$ 1,960,709.00	\$ 1,917,021.00	\$ 1,513,889.00	\$ 1,572,939.00
Community and economic development	\$ 654,492.00	\$ 493,530.00	\$ 553,151.00	\$ 574,004.00	\$ 614,822.00	\$ 532,059.00	\$ 738,670.00
General government	\$ 1,268,716.00	\$ 1,190,467.00	\$ 1,135,415.00	\$ 1,553,181.00	\$ 1,102,944.00	\$ 1,102,059.00	\$ 1,201,719.00
<b>Operating Expenditures</b>	<b>\$11,337,959.00</b>	<b>\$11,278,232.00</b>	<b>\$11,155,103.00</b>	<b>\$11,919,661.00</b>	<b>\$12,064,423.00</b>	<b>\$11,596,770.00</b>	<b>\$12,190,450.00</b>
<i>Expenditures by Function as a Percent of Net Operating Expenditures</i>							
Public safety	45.29%	46.86%	45.66%	45.39%	47.39%	49.68%	48.96%
Public works	22.44%	22.37%	21.66%	20.21%	21.21%	23.17%	22.22%
Health and social services	0.11%	0.11%	2.40%	0.10%	1.27%	0.00%	0.00%
Culture and recreation	15.20%	15.73%	15.14%	16.45%	15.89%	13.05%	12.90%
Community and economic development	5.77%	4.38%	4.96%	4.82%	5.10%	4.59%	6.06%
General government	11.19%	10.56%	10.18%	13.03%	9.14%	9.50%	9.86%
<i>Expenditures by Function in Constant Dollars</i>							
Public safety	\$ 2,384,844.15	\$ 2,463,286.99	\$ 2,335,806.40	\$ 2,405,245.87	\$ 2,490,335.55	\$ 2,473,226.39	\$ 2,521,474.86
Public works	\$ 1,181,849.77	\$ 1,176,249.78	\$ 1,107,969.51	\$ 1,071,111.72	\$ 1,114,402.38	\$ 1,153,521.47	\$ 1,144,398.39
Health and social services	\$ 5,789.05	\$ 5,608.36	\$ 122,878.53	\$ 5,371.68	\$ 66,802.27	\$ -	\$ -
Culture and recreation	\$ 800,308.40	\$ 826,920.30	\$ 774,678.52	\$ 871,662.54	\$ 834,961.28	\$ 649,857.70	\$ 664,528.52
Community and economic development	\$ 303,986.47	\$ 230,044.23	\$ 253,673.83	\$ 327,651.05	\$ 280,853.16	\$ 228,393.65	\$ 312,070.13
General government	\$ 589,270.01	\$ 554,900.55	\$ 520,698.81	\$ 690,489.87	\$ 480,388.86	\$ 473,074.00	\$ 507,697.08
<b>Operating Expenditures</b>	<b>\$ 5,266,047.85</b>	<b>\$ 5,257,010.21</b>	<b>\$ 5,115,705.60</b>	<b>\$ 5,371,532.73</b>	<b>\$ 5,267,743.50</b>	<b>\$ 4,978,073.21</b>	<b>\$ 5,150,168.99</b>

Source: Annual Audit Report<sup>1</sup>

## Looking Ahead

The City should continue to monitor expenditures by function in the coming years. Should a warning trend emerge, expenditures should be evaluated accordingly.

### Expenditures by Function Footnotes

1. The City's Annual Audit Reports are available at the Newton Public Library.

# Employee costs per capita



## Informational Trend

- Employee costs per capita grew from 2008 to 2012, but steeply declined between 2012 and 2013.

## Expenditure Trends

- Expenditures per capita
- Expenditures by function
- **Employee costs per capita**
- Employee benefits

## Analysis

### Employee Costs per Capita



This indicator measures personnel costs (Salaries + Benefits) per capita. Personnel costs are a major portion of the City's operating budget. An increase in employee costs per capita may indicate that the government is becoming more labor intensive, personnel productivity is declining, or the population is changing in a way that requires more services out of the local government.

Considering this indicator, the City cannot simply view increasing employee costs as an inherently negative trend. An investment in employees can also indicate a commitment by the government to target problems.

In 2015, the City of Newton increased its employee costs per capita. The major changes in the City impacting this increase is due to the Fire Department implementing a part time staffing program and increasing the number of employees on each shift. Additionally, the Department of Finance and Development added a new position to their department. Additional personnel changes impacting this indicator are: a low turn-over rate in 2015, annual steps/raises for employees, and a few additional minor staffing changes.

# What are the City's personnel costs?



Year	2012	2013	2014	2015
Employee Costs (Salary + Benefits)	\$ 10,178,990.91	\$ 13,068,138.49	\$ 10,487,674.85	\$ 11,141,938.76
Consumer Price Index	229.6	233.0	236.7	236.7
CPI in decimal	2.296	2.330	2.367	2.367
Employee Costs (Constant Dollars)	\$ 4,433,474.27	\$ 5,609,678.39	\$ 4,430,787.85	\$ 4,707,198.46
Population Estimate	15,109	15,119	15,150	15,150
Personel Costs per Capita	\$ 293.43	\$ 371.04	\$ 292.46	\$ 310.71

Source: City of Newton General Ledger, Bureau of Labor Statistics<sup>2</sup>

## Looking ahead

As the City works on growing its population, the services that are needed may also change. As discussed throughout the demographics chapter of this report, the City's Comprehensive Plan highlights that one of the citizen's goals for Newton is to attract more young families. Serving this population may lead to a need for new services and programs.

In the coming years, the City will need to prepare for retirements of several employees. The City should work to plan for succession so that key skills are not lost in this transition. This transition could also potentially lead to lower personal costs per capita as tenured staff are replaced with new staff.

### Employee Costs per Capita Footnotes

1. The City's Annual Budget books are available at the Newton Public Library.
2. Data provided by the Bureau of Labor Statistics is available online at [www.bls.gov](http://www.bls.gov).

# Employee benefits



## Warning Trend

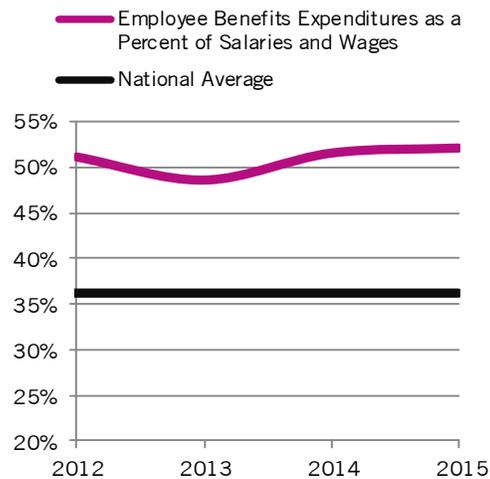
- The cost of employee benefits has risen every year from 2013 through 2015.

## Expenditure Trends

- Expenditures per capita
- Expenditures by function
- Employee costs per capita
- **Employee benefits**

## Analysis

### Employee Benefits



Additionally, when comparing the cost of Newton's employee benefits as a percent of salaries and wages, Newton benefit costs are significantly higher than the national average. The 2015 national average for public agencies was 36%, and Newton has been around 50% for the past several years.

What is "benefit" and what is "salary"?

Benefits represent a significant share of operating costs.

There is a warning trend for this indicator. The cost of employee benefits have risen \$425,227 over the past three years, much faster than employee salaries, which have only risen \$345,573.

Benefit	Salary
FICA	Salaries
IPERS	Overtime Salaries
Health Insurance	Holiday Pay
Worker's Compensation	Mayor & Council Pay
Wellness Committee	Clothing Allowance
Pension	Medical Allowance
COBRA/Retiree Insurance	Sick Leave Allowance
Disability	Car Allowance
	Haz Mat Allowance

# What are the City's personnel costs?



Year	2012	2013	2014	2015
Salaries and Wages	\$6,735,684	\$6,979,447	\$ 6,920,206	\$ 7,325,021
Benefits	\$3,443,307	\$3,391,691	\$ 3,567,468	\$3,816,918
Employee Benefits Expenditures as a Percent of Salaries and Wages	51%	49%	52%	52%

## Looking ahead

As the City seeks to curb these growing expenditures, it should consider action steps that can be taken to help control the growth of these expenditures, ideas include:

- Utilizing the wellness committee to a greater extent and encourage employee wellness and healthy lifestyles
- Negotiating benefit contributions separately from salary in negotiations with bargaining groups, or
- Conducting an analysis of Employee Benefits costs. Typically, 20% of the workforce drives 80% of the claims, researching ways to reduce the claims of the top spenders could lower costs.

### Employee Benefits Footnotes

1. The City's Annual Budget books are available at the Newton Public Library.
2. The National Average benchmark was provided by the Bureau of Labor Statistics.

# Deficit or Surplus



## Warning Trend

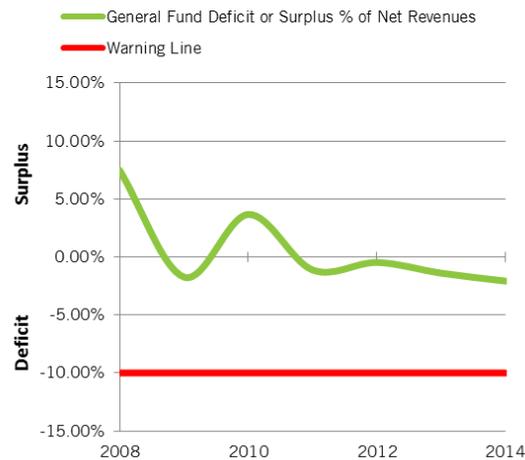
- The City of Newton does not have large deficits, but has had a deficit each year for the past four years.

## Operating Trends

- Deficit or Surplus
- Undesignated Fund Balance
- Liquidity
- Westwood Golf Course
- Landfill
- Water Pollution Control

## Analysis

### Operating Deficit or Surplus



Each year, a local government generates either an operating surplus or an operating deficit. An operating surplus develops when current revenues exceed current expenditures, an operating deficit when the reverse occurs. An operating surplus or deficit may be created intentionally, by a policy decision, or unintentionally, because of the difficulty of precisely predicting revenues and expenditures

or trends in the underlying local and national economies. Deficits are usually funded from undesignated fund balances; surpluses are usually used to increase fund balances. This indicator is important to measure because a pattern of deficits can be one of the first signs of imbalance between revenues and expenditures.

An operating deficit in any one year may not be cause for concern, but frequent and increasing deficits can indicate that current revenues are not supporting current expenditures and that serious problems may lay ahead. The chart to the left shows a slight warning sign for Newton. While Newton's deficits have not been large, there has been a deficit each year for the past four years, and those deficits have increased the past three years.

# How well is the City estimating the operating budget?



Year	2008	2009	2010	2011	2012	2013	2014
General Fund Operating Deficit or Surplus	\$ 978,956	\$ (201,305)	\$ 459,619	\$ (143,006)	\$ (59,066)	\$ (161,407)	\$ (271,869)
General Fund, Special Fund, and Debt Service Revenues	\$13,083,241	\$11,656,633	\$12,496,533	\$12,842,215	\$12,697,969	\$11,629,407	\$13,156,027
General Fund Deficit or Surplus % of Net Revenues	7.48%	-1.73%	3.68%	-1.11%	-0.47%	-1.39%	-2.07%

Source: Annual City Audit<sup>2</sup>

## Looking ahead

Over the past four years, there has been a deficit instead of a surplus. If the City continues to have deficits (even small ones) it should re-evaluate its operating budget so that it does not come to rely on pulling from undesignated funds to cover operating expenditures.

### Expenditures per Capita Footnotes

1. The City's Annual Audit Reports are available at the Newton Public Library.
2. U.S. Census data is available online at [www.census.gov](http://www.census.gov).
3. American community Survey data is available online at [www.census.gov](http://www.census.gov).

# Unreserved Fund Balance



## Informational Trend

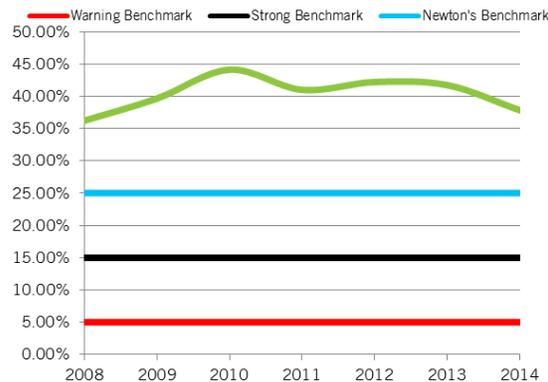
- The City's Unreserved Fund Balance has remained well above Newton's benchmark of 25% in recent years.

## Operating Trends

- Deficit or Surplus
- **Unreserved Fund Balance**
- Liquidity
- Westwood Golf Course
- Landfill
- Water Pollution Control

## Analysis

**Unreserved Fund Balances**  
as a Percentage of General Fund Revenues



Unreserved fund balances are those funds that are available for appropriation, or reserves. The accumulation of operating surpluses builds reserves, which provide a financial cushion against natural disasters, insurance loss, unexpected large-scale capital expenditures, uneven cash flow, or other similar events.

When unreserved funds are at or below 5% of Net Revenues<sup>1</sup>, it is considered a red flag and indicates the

City is in financial stress. A strong fund reserve is considered to be at or above 15% of Net Revenues<sup>2</sup>.

In August 2012, City Council passed a resolution that the budget shall provide for an anticipated Unassigned Fund Balance of 25% of estimated annual revenues for both the General Funds and the Enterprise Funds. Should the Unassigned Fund Balance at the end of a fiscal year fall below 20% of revenues, a plan for expenditure reduction and/or revenue increases shall be submitted to the City Council by the City Administrator. If the fund balance falls below 10% the City shall take immediate measures to rebuild the balance within two fiscal years. If the Unassigned Fund Balance at the end of a fiscal year should exceed 25%, the excess shall be utilized for one-time expenditures.<sup>3</sup>

# How much money is available for appropriation?



Year	2008	2009	2010	2011	2012	2013	2014
Undesignated Fund Balance	\$ 3,083,951	\$ 2,930,671	\$ 3,399,290	\$3,252,347	\$3,280,983	\$ 2,966,379	\$2,694,069
General Fund Revenue	\$ 8,507,884	\$ 7,387,088	\$ 7,699,422	\$7,928,412	\$ 7,768,033	\$ 7,104,283	\$7,116,719
Undesignated Fund Balance as a % of General Fund Revenue	36.25%	39.67%	44.15%	41.02%	42.24%	41.75%	37.86%

Source: Annual City Audit<sup>4</sup>

## Looking ahead

The City has done a good job of maintaining a healthy level of reserves. As long as the City continues to abide to its established financial policy set in 2012, Newton should continue to have adequate funds for unpredicted expenses and emergencies.

### Fund Balances Footnotes

1. This figure comes from *Evaluating Financial Condition*.
2. This figure comes from *Evaluating Financial Condition*.
3. For more information, see Resolution No. 2012-086.
4. The Annual City Audit is available to the public at the Newton Public Library.

# Westwood Golf Course



## Warning Trend

- Golf Operating Income has declined over the past several years.

## Operating Trends

- Deficit or Surplus
- Unreserved Fund Balance
- Liquidity
- **Westwood Golf Course**
- Landfill
- Water Pollution Control

## Analysis

**Golf Operating Income**  
(Constant Dollars)



Looking at Newton's golf operating income, there is a warning trend, because the operating income has steadily declined over the past several years.

The City of Newton's enterprise operations include landfill, sewer, and golf. Measuring enterprise operating income is important because unlike other City government funds, a local government cannot raise taxes to increase support for an enterprise fund—enterprises are subject to the laws of supply and demand.

# What is the operating position at Westwood?



Year	2008	2009	2010	2011	2012	2013	2014	2015
Enterprise Operating Income or Working Capital Total	\$528,143.00	\$ 612,172.00	\$ 533,644.00	\$495,856.00	\$508,075.00	\$ 461,404.00	\$ 524,994.00	\$ 464,829.00
Consumer Price Index	214.537	218.056	224.939	229.594	229.594	232.957	236.700	236.700
CPI in decimal	2.14537	2.18056	2.24939	2.29594	2.29594	2.32957	2.367	2.367
Enterprise Operating Income (Constant Dollars)	\$246,178.05	\$ 280,740.73	\$ 237,239.43	\$215,970.80	\$221,292.80	\$ 198,064.02	\$ 221,797.21	\$ 196,378.96

Source: Annual Audit Records<sup>1</sup>

## Looking ahead

In 2015, the Newton City Council approved several capital equipment items for the golf course in the general obligation bond that was issued. These investments includes new mowers, a new irrigation system, and a concept design for a new club house. In the coming year, the City will receive a cost estimate for constructing the new club house. As the City looks to the future of Westwood, City Council and the Newton Parks Board must look for new ways for the course to bring in additional revenues.

### Westwood Golf Course Footnotes

---

1. The Annual Audit is available to the public at the Newton Public Library.
2. The new website is [www.westwoodgolfcoursenewton.com](http://www.westwoodgolfcoursenewton.com).

# Landfill

## Operating Trends



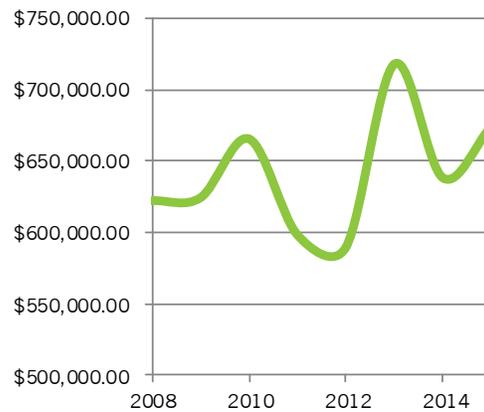
## Informational Trend

- Revenues at the landfill increased significantly in 2013, due to an increase in general fees and the sale of crushed recycled concrete.

- Deficit or Surplus
- Unreserved Fund Balance
- Liquidity
- Westwood Golf Course
- **Landfill**
- Water Pollution Control

## Analysis

### Landfill Operating Income



Although revenues fell at the landfill from 2010 to 2012, there was a large increase in revenue in 2013. This is due in part to an increase in general fees and in part due to the sale of crushed recycled concrete.

The City of Newton's enterprise operations include landfill, sewer, and golf. Measuring enterprise operating income is important because unlike other City government funds, a local government cannot raise taxes to increase support for an enterprise fund—enterprises are subject to the laws of supply and demand.

# What is the operating position at the landfill?



Year	2008	2009	2010	2011	2012	2013	2014	2015
Enterprise Operating Income or Working Capital Total	\$1,334,991.00	\$1,361,354.00	\$1,497,110.00	\$1,373,587.00	\$1,353,952.00	\$1,672,688.00	\$1,510,657.00	\$1,596,608.31
Consumer Price Index	215.303	214.537	218.056	224.939	229.594	232.957	236.700	236.700
CPI in decimal	2.15303	2.14537	2.18056	2.24939	2.29594	2.32957	2.367	2.367
Enterprise Operating Income (Constant Dollars)	\$ 622,266.09	\$ 624,313.94	\$ 665,562.66	\$ 598,267.81	\$ 589,715.76	\$ 718,024.36	\$ 638,215.89	\$ 674,528.23

Source: Annual Audit Records<sup>1</sup>

## Looking ahead

The annual Landfill Budget Workshop is held in January. Over the last several years, the tipping fee has increased annually. The tipping fee is used to meet upcoming equipment and project fees at the landfill.

### Landfill Footnotes

---

1. The Annual City Audit is available to the public at the Newton Public Library.

# Water Pollution Control

## Operating Trends



## Positive Trend

- The operating position of the Water Pollution Control Plan has improved since the implementation of the I & I Program.

- Deficit or Surplus
- Unreserved Fund Balance
- Liquidity
- Westwood Golf Course
- Landfill
- **Water Pollution Control**

## Analysis

**Sewer Operating Income**  
(Constant Dollars)



Looking at Newton's sewer operating income stream over the past seven years, from 2008-2010 there was a steep decline in revenues. However, 2010-2015 shows a reversal of the negative trend. This reversal is due to the implementation of the Inflow and Infiltration Program (I & I Program). In order to fund this program, charges for service were raised across town so that the program could be implemented.

The City of Newton's enterprise operations include landfill, sewer, and golf. Measuring enterprise operating income is important because unlike other City government funds, a local government cannot raise taxes to increase support for an enterprise fund—enterprises are subject to the laws of supply and demand.

# What is the operating position at the Water Pollution Control Plant?



Year	2008	2009	2010	2011	2012	2013	2014	2015
Enterprise Operating Income or Working Capital Total	\$ 2,192,401.00	\$ 1,973,357.00	\$ 1,809,151.00	\$ 1,872,116.00	\$ 2,076,017.00	\$ 2,593,021.00	\$ 2,605,977.00	\$ 2,648,707.82
Consumer Price Index	214.537	218.056	224.939	229.594	229.594	232.957	236.700	236.700
CPI in decimal	2.14537	2.18056	2.24939	2.29594	2.29594	2.32957	2.367	2.367
Enterprise Operating Income (Constant Dollars)	\$ 1,021,922.09	\$ 904,977.16	\$ 804,285.16	\$ 815,402.84	\$ 904,212.22	\$ 1,113,089.97	\$ 1,100,961.98	\$ 1,119,014.71

Source: Annual Audit Report<sup>1</sup>

## Looking ahead

Re-evaluating the City's fees for the Water Pollution Control Plan has not only helped pay for an important service to the community (the I & I Program), but it has also helped to reverse the warning trend seen in years 2008-2010. Looking ahead, the City should continue to evaluate the fees for use of all of the enterprise operations so that user fees keep up with the expense to provide services.

### Water Pollution Control Footnotes

1. The Annual City Audit is available to the public at the Newton Public Library.

# Debt Service



## Positive Trend

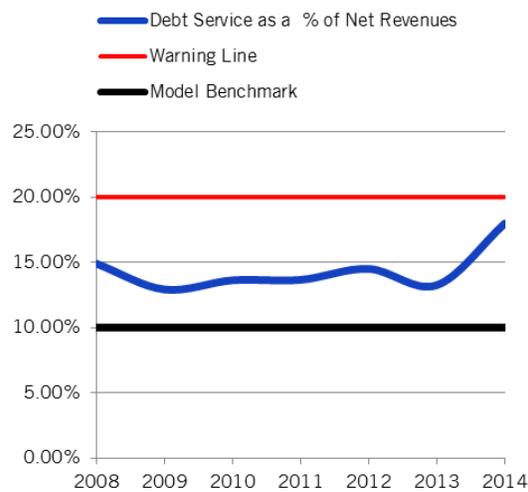
- Newton's debt service has remained stable over the past six years, hovering at about 15% of net revenues.

## Debt Trends

- Debt Service
- Direct Debt

## Analysis

### Debt Service



Debt service, in this indicator, is defined as the amount of principal and interest that a local government must pay each year. Increasing debt service reduces expenditure flexibility by adding to the government's obligations. Debt service which exceeds 20% of the net operating revenues is considered a potential problem. The model benchmark is to have debt ser-

vice at or near 10% of the net operating revenues.<sup>1</sup>

Newton's debt service has remained fairly stable over the past seven years, hovering at about 15% of net revenues, which is below the 20% warning line. This is a positive trend for the City because it indicates that the City has been borrowing responsibly; too little debt service may indicate that a City is not investing in its future, while too much debt service may indicate financial irresponsibility.

# What are the City's fixed debt payment costs?



Year	2008	2009	2010	2011	2012	2013	2014
Debt Service	\$ 2,711,173.00	\$ 2,161,937.00	\$ 2,190,835.00	\$ 2,324,380.00	\$ 2,357,739.00	\$ 2,137,456.00	\$ 2,998,925.90
Net Revenues	\$18,197,307.00	\$16,736,708.00	\$ 16,080,595.00	\$17,025,227.00	\$ 16,260,823.00	\$16,137,120.00	\$16,690,536.00
Debt Service as a % of Net Revenues	14.90%	12.92%	13.62%	13.65%	14.50%	13.25%	17.97%

Source: Annual Audit Report<sup>2</sup>

Note: In 2011, the City refinanced a bond that was not callable, that money is not included in the 2011 debt service.<sup>3</sup>

## Looking ahead

In 2013 and 2015, the City took out general obligation bonds to fund the Housing Initiative and to fund capital improvement and equipment projects. Moving forward, the City should continue to closely monitor its debt service. Taking on too much debt could put the City in financial risk. Ideally, the ratio between debt service and revenues will remain healthy so that Newton can retain flexibility in the City budget to cover unexpected expenses and prepare for the future.

### Debt Service Footnotes

1. These benchmarks were provided by *Evaluating Financial Condition* a handbook created by the International City/County Management Association.
2. The Annual City Audit is available to the public at the Newton Public Library.
3. In 2011, several bonds were refinanced into one bond with a lower interest rate. The amount refinanced was \$3,590,290. This amount was subtracted from the 2011 debt service disbursement listed in the audit (\$5,914,670), since the refinancing is a one-time, not recurring, expense.

# Direct Debt



## Informational Trend

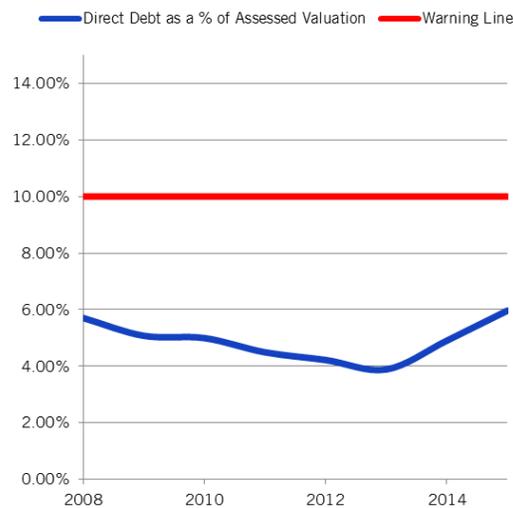
- Direct Debt is bonded debt for which the local government has pledged its full faith and credit.

## Debt Trends

- Debt Service
- **Direct Debt**

## Analysis

### Direct Debt



Direct debt is bonded debt for which the local government has pledged its full faith and credit. An increase in direct debt as a percentage of assessed valuation can indicate that the government's ability to repay is diminishing—because the government depends on property tax to pay its debts. Increasing debt as a percentage of assessed valuation is a warning sign. However, in analyzing

this indicator, it is more complicated than just “the lower, the better” because a low debt profile may indicate underinvestment in public infrastructure and capital facilities. Investment in the community enhances growth prospects for the community both in attracting residents and in attracting new businesses.

The credit industry benchmarks for assessing direct debt warning signs are the following<sup>1</sup>:

- Net debt exceeding 10% of assessed valuation
- An increase of 20% over the previous year in net debt as a percentage of market valuation
- Net debt as a percentage of market valuation increasing 50% over the figure for four years earlier

# How much does the City owe?



Year	2008	2009	2010	2011	2012	2013	2014	2015
Taxable Valuations	\$ 387,465,909	\$414,046,243	\$429,590,824	\$449,134,295	\$450,868,397	\$441,575,184	\$438,811,677	\$ 438,811,677
Net Direct Debt	\$ 22,104,852	\$ 21,019,852	\$ 21,455,000	\$ 20,175,000	\$ 19,025,000	\$ 17,160,000	\$ 21,525,000	\$ 26,190,000
Direct Debt as a % of Assessed Valuation	5.70%	5.08%	4.99%	4.49%	4.22%	3.89%	4.91%	5.97%

Source: Iowa Department of Management<sup>2</sup>, Annual Audit Report<sup>3</sup>

Note: The net debt in 2012 and 2013 has been adjusted for a GO Bond that was refinanced.<sup>4</sup>

The graph on the previous page illustrates that the City's net direct debt does not merit any of these warnings. The City has remained below the 10% mark and there have not been large or frequent increases in long term debt as a percentage of assessed valuation. In 2014 and 2015, the City took on additional debt for the Housing Initiative bond and the capital projects bond. This is why the City's debt has increased an increase in debt between 2013 and 2015.

## Looking ahead

When considering taking on additional debt, the City will need to consider both the short-term and long-term effects of the debt. A conservative approach is good for the City's financial condition in the short run, but if the City is not making an investment in its future, it may face additional challenges in the long-run.

### Direct Debt Footnotes

1. These benchmarks were provided by *Evaluating Financial Condition* a handbook created by the International City/County Management Association.
2. Assessed valuation figures come from the Iowa Department of Management. Information can be found online at <http://www.dom.state.ia.us/>.
3. The Annual City Audit is available to the public at the Newton Public Library.
4. The City refinanced 2006B general obligation bond in June of 2012, and 2006B is not callable until June 2014. Due to this, \$9,700,000 has been subtracted from the above net direct debt in 2012 and 2013; so that the debt from this bond was not counted twice.