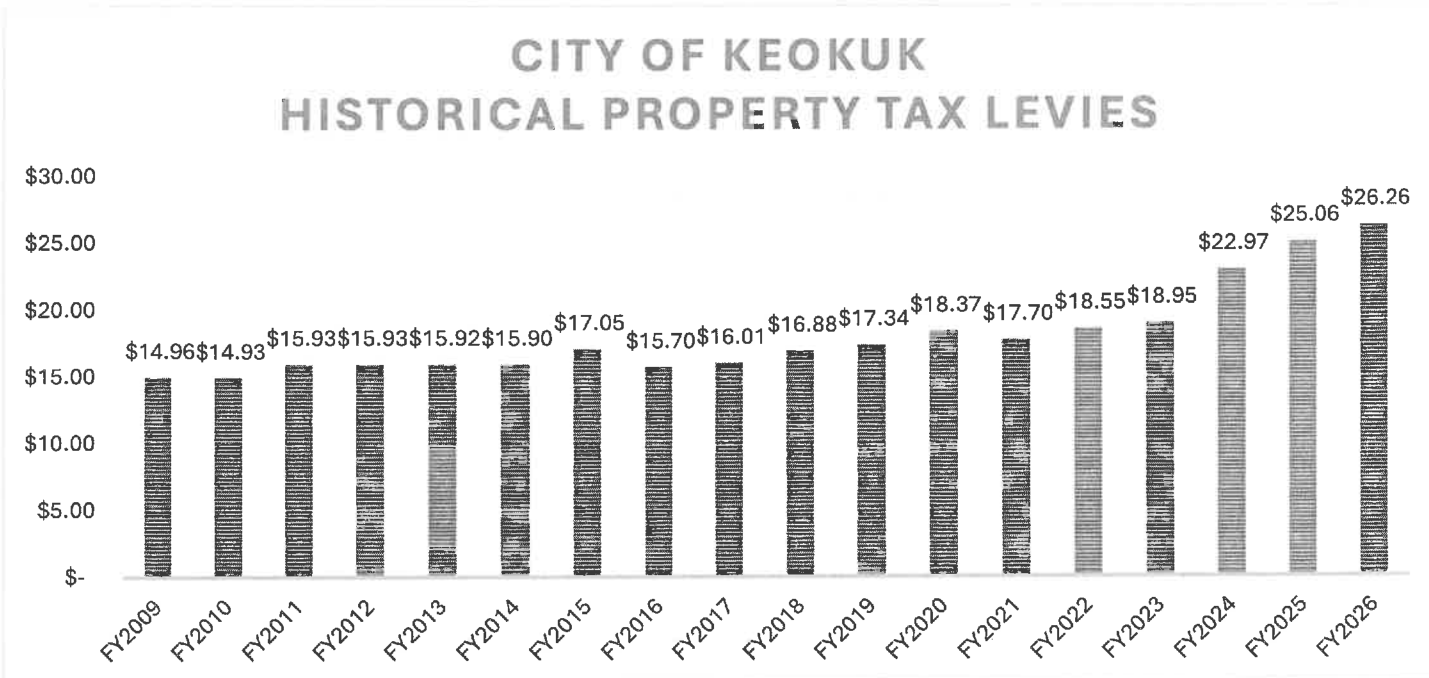
Property Taxes, the Driver of Funding to Support the General Fund

Property taxes are the driving force behind funding city costs. Within the General Fund, where the majority of discretionary expenditures occur in City government, about 50% of the revenue collected to pay for expenditures is based on property tax collections. Let's take a look at the historical growth in property tax valuation over the past decade for the community:

City of Keokuk Property Tax Valuations

Valuation as of:	for Fiscal Year ending:	Actual Valuation	% Change Valuation	Taxable Valuation	% Change Taxable	Net of Tax Increment Fund General Fund Valuation Taxable	% Change
1/1/2025	6/30/2027	-		-		-	
1/1/2024	6/30/2026	767,125,155	0.51%	350,310,699	0.26%	268,493,604	-0.09%
1/1/2023	6/30/2025	763,222,863	13.43%	349,405,687	2.07%	268,748,076	1.78%
1/1/2022	6/30/2024	672,858,894	1.99%	342,308,218	-5.04%	264,053,295	-4.65%
1/1/2021	6/30/2023	659,728,391	2.15%	360,460,675	0.64%	276,936,092	0.40%
1/1/2020	6/30/2022	645,826,062	-0.91%	358,185,078	1.93%	275,823,904	0.79%
1/1/2019	6/30/2021	651,740,187	3.75%	351,401,626	-0.35%	273,654,453	1.07%
1/1/2018	6/30/2020	628,200,776	4.54%	352,644,435	0.91%	270,751,716	1.06%
1/1/2017	6/30/2019	600,923,728	4.14%	349,479,223	0.42%	267,917,302	0.05%
1/1/2016	6/30/2018	577,057,496	1.72%	348,007,388	0.15%	267,772,374	-0.69%
1/1/2015	6/30/2017	567,275,402	4.25%	347,486,181	2.72%	269,628,335	-0.35%
1/1/2014	6/30/2016	544,172,949		338,285,517		270,588,194	
	10-yr Average Historical Growth:		3.56%		0.37%		-0.06%
	Statewide 10-yr Average Growth:		4.53%		3.97%		

Property values, as a whole, have actually had a significant increase over the past 10 years, averaging over 3.5% annual increase. When we look at what is actually taxable, though, the percentage has only increased 0.37% a year. For perspective, on a statewide basis, communities have seen just under 4% average growth in taxable base to support operations, meaning we are falling behind other communities on ability to fund operations every year. The taxable valuation, what supports our general fund, has **actually decreased** due to the way we as a community have used a portion of our value to fund Tax Increment Financing, a fund that sets aside a portion of property tax collections for specific purposes. This has led to upward pressure on our property tax levy over the past few years. The following chart shows the history of our property tax levy over the past 18 years. The trend has been gradually upwards, meaning what we have asked the average property owner to pay, has gradually increased year over year. The following graph demonstrates this increasing property tax asking:



The last three years, Fiscal Years 2024 through Fiscal Year 2026, have been particularly large. Part of this was the result of the ADM plant closure: our Sewer Department lost a significant amount of revenue with the plant closure and did not have the ability to continue paying the department's debt, forcing the City to pay for that existing debt with a higher property tax asking to make the debt service payments. The remainder of the increase over the past several years has been primarily the result of collecting an ever expanding amount of property taxes to cover employee benefits.

The best way to evaluate whether the current property tax levy is at an appropriate level is to look at what people in other communities pay for property taxes, to see how many are higher or lower. For perspective, there are 940 communities in Iowa. The average community across the state of Iowa levied $12.70/$1,000 of property valuation. The highest tax levy of any community in the state is $30.46, with Keokuk's levy of $26.26 being the 3rd highest of any community. More particularly, of the 85 cities with a population of at least 5,000 people, Keokuk is the highest rate.

This type of comparison between communities may be of more value if we look at the communities in the State of Iowa with a population between 7,500 and 12,500 people. There are 22 towns who are in this category, communities that are most similar to us in terms of the level of service that is needed, and that there is a population base to support. There is a follow-up article that will begin some comparisons of this select group of communities in a separate post.

What comes next: Property Tax Comparisons of similar-sized Iowa Communities