



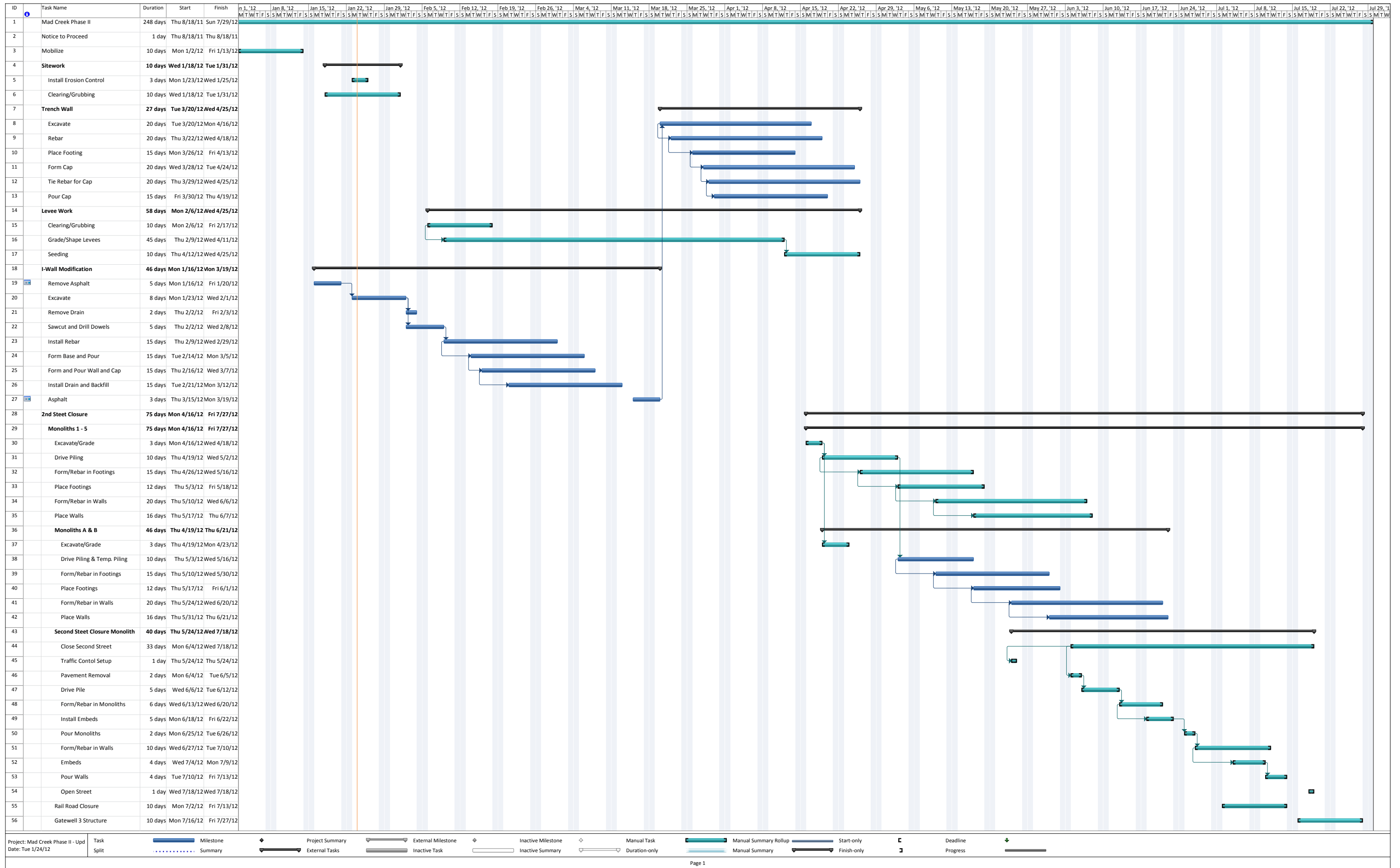
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City Administrator Report to Mayor & City Council

January 27, 2012, Edition No. 34

Report:

1. Mad Creek: Here is an updated construction schedule for Mad Creek Phase II if you want to share it with City Council. I have a meeting next Tuesday (Jan 31) to go over the schedule with the contractor and USACE. I expect some "tweaking" after that.
2. Iowa League Legislative Day: Please see the attached materials/handouts from the Iowa League's Legislative Day. Property tax, TIF, and ATE legislation are all key items that we are tracking during the legislative session.
3. Parks & Recreation: The department is looking to team with several local restaurants to assist the Muscatine Parks and Recreation department raise funds for our "scholarship" program that will provide local children the opportunity to participate in recreation programs for free or at a reduced rate. These children would not normally be able to participate in the great programs that the department has to offer. As a fund raiser for this new program the Parks and Rec department is looking to host a progressive dinner at the Municipal golf course on February 18th from 6-8pm. This will be an outdoor activity where the participants will walk from station to station sampling food from local restaurants. This will also be the kickoff event for the Cabin Fever week that is being put on by the Muscatine Business Partners. This will be a great opportunity to showcase other activities that will be taking place that week. To make this event a success we need help from local businesses that are willing to donate a little time and product. We are looking for an additional 4-5 restaurants that might be willing to help. If you have any questions please give me a call at the golf course (Dan McGinn) or call Matt Beatty at City Hall in the parks and rec office at (563) 263-0241. Staff will proceed assuming we can get local support in sufficient time to properly advertise for the event.
4. Bridge Lighting Update: I spoke with Musco today and received an update as to the fixtures. Generally, Musco is working with the manufacturer to ensure that the fixtures are as good as they can possibly be prior to acceptance and installation. The original order had some custom modifications that were not included per the order. Those fixtures were returned, but came back with some minor quality issues that will be repaired by a Cedar Rapids company that Musco is confident will provide proper repairs. Once the repairs are made in the next few weeks, installation can occur depending on scheduling and weather.



Tuesday, January 24
Embassy Suites, Des Moines IA

IOWA LEAGUE OF CITIES LEGISLATIVE DAY 2012

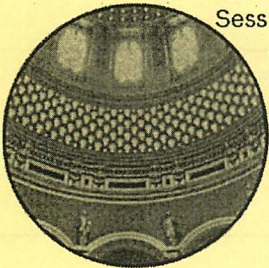
League Legislative Team

- ◉ Alan Kemp, Executive Director
- ◉ Kate Carlucci, Government Affairs Coordinator
- ◉ Erin Mullenix, Research & Fiscal Analyst
- ◉ Megan Peiffer, Governmental Affairs Associate
- ◉ Jessica Harder, Julie Smith and Larry Pope, Legislative Counsels
- ◉ Terry Timmins and Bruce Bergman, Co-General Counsels

Lobbying Efforts

- ◉ Represent League interests before General Assembly and Executive Branch and Agencies
 - We work frequently and closely with other city lobbyists.
 - Provide accurate, timely research and fiscal analysis to legislators.
 - "Go to" people on city issues.

Issues



Session Atmosphere

Makeup is the same as last year:

- Very Republican House 60 Rs/40 Dems
- Closely Democratic Senate 26Dems/24Rs

Only new face is Sen. Liz Mathis, just elected from Linn County

Property Taxes

- ◎ What's out there?
 - House bill – HSB500
 - 40 percent "exemption" phased in over 14 years on commercial and industrial property
 - No backfill or alternative revenue sources
 - Governor's Bill – HSB519
 - Phased-in 40 percent rollback with cumulative growth trigger
 - Provides uncertain backfill and TIF protection
 - Senate
 - Still backing the tax credit approach passed last session

HSB500 House Bill

- ◉ The bill has similarities to the House property tax legislation from last session.
 - Sets up an "exemption" approach instead of a "rollback," but achieves a similar rollback-like effect.
- ◉ **Division II** of the bill phases in a 40 percent rollback over 14 years on commercial and industrial property improvements
 - It would take effect in two 7-year, 20-percent steps,
 - Incremental annual increases in exempted valuation amounts per property on the actual value of permanent improvements

HSB500 Division II

- ◉ First 7-year step (January 1, 2013-December 31, 2019)
 - 20 percent of the annual designated amount of valuation of permanent improvements (starting at \$100,000) would be exempted, until in 2019, **20 percent** of the actual value of permanent improvements to the property worth up to a \$1 million would be exempted.

HSB500 Division II

- ◉ Second 7-year step (January 1, 2020-December 31, 2026)
 - **40 percent** of the annual designated amount of valuation (starting with the first \$500,000 in valuation) would be exempted, until 40 percent of the total actual value of the permanent improvements to the property were exempted, no matter what the valuation.
- ◉ Makes 40 percent of the actual value of permanent improvements on all commercial and industrial property exempt by 2026.

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HSB500 Division II

- ◎ Provision to reduce the exemption amount by any other “property tax exemptions” already given to the property, to prevent a ‘double-dipping’ effect
- ◎ No backfill is included in the legislation, so city budgets would be affected by the exempted amount.
- ◎ The bill does not address TIF protection.

HSB500 Impacts Division II

- ◉ Cities
 - Done by parcel
 - Info not readily available on statewide basis (DOM does not collect)
 - Each city would have to get data from county assessor to calculate local impact
- ◉ Businesses
 - **At first**, small businesses would receive a proportionally larger property tax break

HSB500 Division III

- ◉ Division III Midwest Consumer Price Index (CPI) Limitation
 - Similar to last session
 - Replaces 8.10 levy with a CPI limitation
 - Exempts some key levies e.g. trust and agency
 - Requires special election to go over limitation
 - Includes restrictions on ending fund balance

HSB500 Division I

- ◉ State "buy down" of school levy
- ◉ State increases its share of the school foundation funding from 87.5 percent to 100 percent
- ◉ Phased in over seven years

Governor's Message

- ◉ *"Over the eight years of our plan, if nothing is done, total property tax revenues will increase statewide by \$2.3 billion."*
- ◉ *"Residential property alone over that time will see an increase in valuation of more than \$48 billion."*

Governor's Message

- ◎ "According to recent studies, the owner of Des Moines commercial property valued at \$500,000 would pay more in tax than the owner of similar property in New York City, Chicago, Kansas City and Philadelphia."

HSB519 Governor's Bill

- ◎ Automatic 15 percent rollback on commercial and industrial property at 5 percent per year for three years.
 - Gov office projects \$71 million loss to local governments each year.
 - But, says cities and counties will see more than \$780 million in property tax revenue growth, not including backfill.

HSB519 Governor's Bill

- ◎ An additional 5 percent rollback each year thereafter up to a maximum of 40 percent, if
 - a four percent statewide growth trigger for commercial and industrial growth is met,
 - along with the state fulfilling its previous year's backfill amount required under the bill
- ◎ Goal after 8 years 40 percent rollback on all commercial and industrial achieved

Senate Tax Credit Approach

- ◎ SF522 passed Senate last session on 46-4 vote
- ◎ Sets aside \$50 million in state funds annually beginning for a new business property tax credit program
- ◎ Additional \$50 million could be added to the fund if the state's Revenue Estimating Conference certifies that the total amount of general fund revenues has grown by at least 4 percent as compared to the previous fiscal year.
 - Total appropriation to the fund would be restricted to \$200 million in any one fiscal year

Senate Tax Credit Approach

- ◎ The bill is designed to particularly to help small businesses.
- ◎ A formula would apply the residential rollback to the first \$32,000 in valuation for each qualified property, usually amounting to a tax credit between \$500 and \$600 per property in first year
- ◎ Tax credits would be claimed with the assessor directly by the owner of eligible parcels or property units, as defined in the bill, for commercial, industrial, or railway property improved with permanent construction

Senate Tax Credit Approach

- ◎ League supports this proposal
 - Of all the property tax proposals on the table, the bill holds local governments harmless and still meets the goal of commercial property tax reduction.
 - Cities can pro-rate the credit if the state does not fully fund it.

Telecom Property Tax Reform

- ◉ Will likely be rolled into larger bill on House side
- ◉ Additional hit to local government revenue base
- ◉ HSB531
 - The bill provides that for assessment years beginning on or after January 1, 2013, a company's property, excluding central office equipment, transmission equipment, and qualified telephone company property, all as defined in the bill, shall be subject to assessment and taxation as commercial property.
 - Phases out taxation of transmission equipment in phases from 2013-2017:
 - ◉ 2013: \$5M, 2014: \$50M, 2015: \$100M, 2016: \$150M

TIF Reform

- ◉ We anticipate a lot of TIF discussion this session and proposals from both Chambers.
- ◉ Many committees getting involved
 - Economic Development
 - Ways and Means
 - Government Oversight
- ◉ Multiple bills with multitude of ideas on how to change TIF/ what should be done

TIF Reform

- ◉ Many interested groups
 - Developers
 - Chambers
 - Businesses
 - Schools
 - Counties
 - Cities
 - Farm Bureau
 - Tax Groups

HSB540

- ◉ One TIF bill filed HSB540, League opposes
 - Would effectively eliminate TIF as it exists in current code
 - Creates a new "project development area" program to replace current law
 - Repeals LOST TIF

HSB 540 – Division I

- ◉ All current urban renewal areas, plans, projects and ordinances to allow the use of incremental taxes **shall terminate** on or before **June 30, 2023**.
 - Exceptions to this provision are provided for urban renewal areas which are already subject to a 20-year limitation and those that terminate at the end of the 20-year period..
- ◉ Phases out the \$5.40 levy over five years beginning 2018.
- ◉ Annual report/auditing requirements for current urban renewal areas

HSB540 – Division II

- ◉ Establishes new "project development areas" program for cities to alleviate and prevent slum and blight areas, shortages of affordable housing, and residential development for low and moderate income families.
- ◉ Must make a finding of slum or blight in the area to be developed, or that rehabilitation, conservation, or development or redevelopment is necessary for the health and safety of its residents.
- ◉ A city must also develop a project development plan and have it approved by all other taxing entities affected by the project.

HSB540 – Division II (con't)

- The actual value of all property located in project development areas cannot exceed 25 percent of the total actual value of all property in the city.
- Public projects and costs would not be permitted as part of a project development plan.
- The \$5.40 levy would be excluded from taxes available for use as available tax increment dollars, and project development areas would be restricted to a ten-year limit.
- Bonds issued under the new program would constitute indebtedness within the meaning of any constitutional or statutory debt limitation.
- The bill also requires reporting and a bi-annual audit of any project development funds.

Senate TIF Bill

- ◉ We anticipate the introduction of a bill by Sen. Sodders
 - Eliminate or reduce the \$5.40 levy
 - Some kind of veto power for other taxing entities
 - Cap on percent of a city that can be in an urban renewal area
 - Required annual audit of TIF dollars

TIF/Property Tax

- ◉ Complicating factor = property tax reform
- ◉ TIF affected by property tax proposals

MFPRSI

- ⊙ Pension year, but little to no momentum for pension legislation
 - No major changes needed for other systems like IPERS
- ⊙ Only push for big change on city side of 411 system
- ⊙ Lack support for major 411 changes
 - Big difference of opinion between Rs and Ds
 - No firm commitment from Gov office
- ⊙ Pension Interim Committee to meet again January 30 to try and decide on recommendations

MFPRSI

- ⊙ Some discussion around having state pick up more cost to cities
- ⊙ Could get caught up in backfill discussions for property tax reform

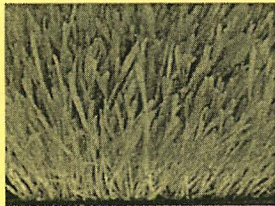
MFPRSI

- ⊙ AG opinion request by Rep. Baltimore
- ⊙ AG declined to interpret provisions that govern how city and employee contribution rates are determined cited
 - Board action
 - Possibility of legislation
- ⊙ Sent an additional letter back to AG asking for reconsideration

Transportation

- ⦿ Automated Traffic Enforcement (ATEs)
 - Bills filed to both constitutionally ban and to ban in code
 - HF2048 by Rep. Rogers, HJR2003 by Rep. Taylor
- ⦿ Bipartisan plan to increase the gas tax
 - Sen. Reilly and Rep. Tjepkes announced plan to increase by 4 cents per year for 2 years starting in 2013
 - Will hold hearings in Transportation committee on the issue starting next week

Grassroots!



Strategic Thinking

- ⦿ League strategic in registrations.
 - Extra thought into when and how to register on each bill.
 - Careful consideration of bill impacts, but also consider overall "big" picture.
- ⦿ Continuing use of League Bill Tracking System implemented last year

League Bill Tracking

- ◉ Way to see what's happening, and keep track of bills on a certain topic, or even those in each week's legislative link.
- ◉ Go to www.iowaleague.org and click to the advocacy page where you will find bill tracking.

Legislative Link

- ◉ Sign up by emailing CV@iowaleague.org
- ◉ Gives you latest legislative news each Friday during session

What QUESTIONS do you have?

