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FINANCE & RECORDS

MEMO

To: Gregg Mandsager, City Administrator
From: Nancy A. Lueck, Finance Director
Date: October 30, 2015
Re: Resolutions for Internal Advances of TIF funds (3)

Introduction and Background:

Cities in Iowa are required to certify the amount of TIF funds to be claimed for each TIF district no later than December 1 of the year prior to the fiscal year for which the funds will be collected. The City must have incurred debt in order to claim the TIF funds to be certified. Debt certified can be in the form of general obligation bonds, tax increment revenue bonds, TIF rebate agreements, or internal advances (loans). In recent years the City has claimed less than the full amount of incremental taxes available in the City's TIF districts.

TIF Debt Certification Resolutions:

For the upcoming 2016/2017 fiscal year, the following three internal advances (loans) are proposed to be established:

1. Internal advance for TIF administrative and professional support costs in the amount of \$142,100. This internal advance will fund City staff costs for TIF administration and economic development efforts as well as outside legal fees related to TIF administration. City staff costs reflect allocated costs of the City Administrator, Community Development Director, City Planner, Community Development Coordinator, Finance Director, Public Works Director, City Engineer, and Communications Manager. Fiscal year 2016/2017 will be the sixth year the City has claimed TIF funds for administrative and professional support costs.
2. Internal advance for the City's budgeted allocation to the Greater Muscatine Chamber of Commerce and Industry (GMCCI) for economic development activities in the amount of \$38,000. Fiscal year 2016/2017 will be the sixth year the City has claimed TIF funds for the GMCCI economic development activities.
3. Internal advance for the City's Small Business Forgivable Loan Program for fiscal year 2016/2017 for an amount not to exceed \$100,000 for the third year of this program. Use of tax increment funds for this program will provide forgivable loans to private businesses for the promotion of infill, redevelopment, and facilities enhancements in certain designated areas of the City.

**"I remember Muscatine for its sunsets. I have never seen any
on either side of the ocean that equaled them" — Mark Twain**

In order to claim TIF funds for these purposes, resolutions are needed for each of the three internal advance loans listed above. It is proposed these three internal advances totaling \$280,100 be funded from the Southend TIF fund.

Recommendation:

Funding the above items from TIF funds should again assist during the upcoming budget process in the City's ability to continue to provide funding for General Fund services and also provide economic development assistance to small businesses in designated areas of the City.

Please include the attached three resolutions on the agenda for the November 5, 2015 meeting. If there are any questions or if any additional information is needed, please contact me.

RESOLUTION NO _____

AUTHORIZING INTERNAL ADVANCE OF FUNDS FOR
2015-2016 URBAN RENEWAL ADMINISTRATION AND PROFESSIONAL
SUPPORT PROGRAM

WHEREAS, the City of Muscatine, Iowa (the "City"), has established the Consolidated Muscatine Urban Renewal Area (the "Urban Renewal Area") and has created the Urban Renewal Area Tax Increment Revenue Fund (the "Tax Increment Fund") in connection therewith; and

WHEREAS, the City has undertaken the 2015-2016 Urban Renewal Administration and Professional Support Program (the "Program") as an urban renewal project in the Urban Renewal Area, and the City will incur costs (the "Costs") as set forth on Exhibit A hereto, in connection with the carrying out of such Program;

WHEREAS, in order to cover the Costs and to make such Costs eligible to be recouped from future incremental property tax revenues, it is necessary to facilitate an internal advance of funds;

NOW, THEREFORE, IT IS RESOLVED by the City Council of the City of Muscatine, Iowa, as follows:

Section 1. It is hereby directed that One Hundred Forty-Two Thousand One Hundred Dollars (\$142,100) be advanced from the General Fund (the "Advance") in order to fund the Costs. The Advance shall be repaid to the General Fund, out of future incremental property tax revenues received with respect to the Urban Renewal Area. The Advance shall not bear interest.

It is intended that the Advance, shall be repaid in one annual installment, on June 1, 2017, provided, however, that repayment of the Advance is subject to the determination of future City Councils that there are incremental property tax revenues available for such purpose which have been allocated to or accrued in the Tax Increment Fund relative to the Advance, and the City Council reserves the right to appropriate funds to the repayment of the Advance, or to withhold such appropriation, at its discretion.

Section 2. A copy of this Resolution shall be filed in the office of the County Auditor of Muscatine County, Iowa to evidence the Advance. Pursuant to Section 403.19 of the Code of Iowa, the City Clerk is hereby directed to certify, no later than December 1, 2015, the full amount of the Advance.

Section 3. All resolutions or parts thereof in conflict herewith, are hereby repealed, to the extent of such conflict.

PASSED AND APPROVED this 5th day of November, 2015.

Mayor

Attest:

City Clerk

Exhibit A – Spreadsheet of Costs

**City of Muscatine
TIF Administration and Economic Development-Related Staff Cost Worksheet
For FY 2016/2017 Budget**

	<u>Budgeted Wages/Long. FY 2015/2016</u>	<u>Budgeted Benefits FY 2015/2016</u>	<u>Total Budgeted Employee Costs</u>	<u>Percent TIF/Economic Development</u>	<u>Allocated FY 2015/2016 TIF/Economic Development</u>
Personnel Costs:					
City Administrator	\$ 141,540	\$ 39,482	\$ 181,022	25%	\$ 45,256
Community Development Director	98,183	19,320	117,503	25%	29,376
City Planner	72,970	28,376	101,346	15%	15,202
Community Development Coordinator	50,438	15,512	65,950	10%	6,595
Finance Director	99,275	23,042	122,317	10%	12,232
Public Works Director	100,871	29,504	130,375	5%	6,519
City Engineer	77,813	29,308	107,121	5%	5,356
Communications Manager	46,711	22,372	<u>69,083</u>	16.67%	<u>11,516</u>
Total Staff Costs For TIF Administration and Economic Development			<u>\$ 894,717</u>		\$ 132,051
Prior Year Costs Funded by Internal Advance to be Repaid in FY 17 (Internal Advance November 2015):					
Dorsey& Whitney Legal Paid in FY 15 - Small Business Forgivable Loan Program					5,696
Dorsey& Whitney Legal Paid in FY 15 - Other Economic Development					6,716
Downtown Reinvestment Project - Economic Impact Analysis					3,050
Less Amount Allowed for in FY 15 for TIF legal and marketing costs					(5,477)
Rounding/Misc.					<u>64</u>
Total Administrative and Professional Support					<u>\$ 142,100</u>

RESOLUTION NO _____

AUTHORIZING INTERNAL ADVANCE
OF FUNDS AND ECONOMIC DEVELOPMENT GRANT FOR GREATER
MUSCATINE CHAMBER OF COMMERCE AND INDUSTRY SUPPORT
PROGRAM

WHEREAS, the City of Muscatine, Iowa (the “City”), has established the Consolidated Muscatine Urban Renewal Area (the “Urban Renewal Area”) and has created the Urban Renewal Area Tax Increment Revenue Fund (the “Tax Increment Fund”) in connection therewith; and

WHEREAS, Chapter 15A of the Code of Iowa (“Chapter 15A”) declares that economic development is a public purpose for which a city may provide grants, loans, guarantees and other financial assistance to or for the benefit of private persons; and

WHEREAS, Chapter 15A requires that before public funds are used for grants, loans or other financial assistance, a city council must determine that a public purpose will reasonably be accomplished by the spending or use of those funds; and

WHEREAS, Chapter 15A requires that, in determining whether funds should be spent, a city council must consider any or all of a series of factors; and

WHEREAS, the City has undertaken the Greater Muscatine Chamber of Commerce and Industry (the “Chamber”) Support Program (the “Program”) as an economic development urban renewal project in the Urban Renewal Area, and the City will incur costs (the “Costs”) in connection with the carrying out of such Program and providing funding support to the Chamber in its 2016 fiscal year; and

WHEREAS, in order to cover the Costs and to facilitate the use of future incremental property tax revenues for the funding of the Program, it is necessary to facilitate an internal advance of funds;

NOW, THEREFORE, IT IS RESOLVED by the City Council of the City of Muscatine, Iowa, as follows:

Section 1. It is hereby directed that an amount not in excess of Thirty-Eight Thousand Dollars (\$38,000) be advanced (the “Advance”) from the General Fund in order to fund the Costs. The Advance shall be repaid to the General Fund out of incremental property tax revenues received with respect to the Urban Renewal Area. The Advance shall not bear interest.

It is intended that the Advance, shall be repaid in one annual installment on June 1, 2017, provided, however, that repayment of the Advance is subject to the determination of future City Councils that there are incremental property tax revenues available for such purpose which have been allocated to or accrued in the Tax Increment Fund relative to the Advance, and the City Council reserves the right to appropriate funds to the repayment of the Advance, or to withhold such appropriation, at its discretion.

Section 2. Pursuant to the factors listed in Chapter 15A, the City Council hereby finds that:

a) The Program will add diversity and generate new opportunities for the Muscatine and Iowa economies;

b) The Program will generate public gains and benefits, which are warranted in comparison to the amount of the proposed Grant;

Section 3. The City Council further finds that a public purpose will reasonably be accomplished by making the Grant to the Chamber.

Section 4. The Grant in an amount not to exceed \$38,000 is hereby approved. The City staff are hereby authorized and directed to prepare any additional documentation, with the advice of bond counsel, as are deemed necessary to carry out the purposes of this Resolution. The Mayor and the City Clerk are hereby authorized execute such documents as may be necessary to implement the Grant approved herein.

Section 5. A copy of this Resolution shall be filed in the office of the County Auditor of Muscatine County, Iowa to evidence the Advance. Pursuant to Section 403.19 of the Code of Iowa, the City Clerk is hereby directed to certify, no later than December 1, 2015, the original amount of the Advance.

Section 6. All resolutions or parts thereof in conflict herewith, are hereby repealed, to the extent of such conflict.

PASSED AND APPROVED this November 5, 2015.

Mayor

Attest:

City Clerk

RESOLUTION NO _____

AUTHORIZING INTERNAL ADVANCE
OF FUNDS FOR SMALL BUSINESS FORGIVABLE LOAN PROGRAM

WHEREAS, the City of Muscatine, Iowa (the “City”), has established the Consolidated Muscatine Urban Renewal Area (the “Urban Renewal Area”) and has created the Urban Renewal Area Tax Increment Revenue Fund (the “Tax Increment Fund”) in connection therewith; and

WHEREAS, the City has authorized and undertaken the Small Business Forgivable Loan Program (the “Program”) as an urban renewal project in the Urban Renewal Area, and the City will incur costs (the “Costs”), by funding grants under the Program in the City’s 2017 fiscal year; and

WHEREAS, in order to cover a portion of the Costs and to make such Costs eligible to be recouped from future incremental property tax revenues, it is necessary to facilitate an internal advance of funds;

NOW, THEREFORE, IT IS RESOLVED by the City Council of the City of Muscatine, Iowa, as follows:

Section 1. It is hereby directed that an amount not in excess of One Hundred Thousand Dollars (\$100,000) be advanced (the “Advance”) from the General Fund in order to fund the Costs. The Advance shall be repaid to the General Fund out of incremental property tax revenues received with respect to the Urban Renewal Area. The Advance shall not bear interest.

It is intended that the Advance, shall be repaid in one annual installment, on or before June 1, 2017, provided, however, that repayment of the Advance is subject to the determination of future City Councils that there are incremental property tax revenues available for such purpose which have been allocated to or accrued in the Tax Increment Fund relative to the Advance, and the City Council reserves the right to appropriate funds to the repayment of the Advance, or to withhold such appropriation, at its discretion.

Section 2. A copy of this Resolution shall be filed in the office of the County Auditor of Muscatine County, Iowa to evidence the Advance. Pursuant to Section 403.19 of the Code of Iowa, the City Clerk is hereby directed to certify, no later than December 1, 2015, the original amount of the Advance.

Section 3. All resolutions or parts thereof in conflict herewith, are hereby repealed, to the extent of such conflict.

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