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FINANCE & RECORDS

MEMO

To: Gregg Mandsager, City Administrator

From: Nancy A. Lueck, Finance Director

Date: February 27, 2019

Re: Resolution Approving and Adopting a Revenue Purpose Statement for the Use or Expenditure of Revenues from the Natural Gas Utility Franchise Fee

Introduction and Background:

The City Council of the City of Muscatine, Iowa, established a utility franchise fee for Interstate Power & Light Company for the natural gas distribution system within the city limits of the City of Muscatine with the adoption of Ordinance 91191-0410 in April of 2010. Section 7 of this Ordinance provides that the franchise fee may be increased or decreased by the City with the fee limited to 5% of the gross receipts from the distribution, supply, or sale of natural gas for customers within the limits of the City of Muscatine. The franchise fee rates have been increased and decreased by the City Council since originally implemented with the most recent franchise fee set by Ordinance 94331-0618 at two percent (2%).

The City of Muscatine budget for the fiscal year beginning July 1, 2019 includes an increase in the utility franchise fee from the current 2% to 5% effective July 1, 2019.

In addition to the public hearing required to be held prior to adoption of the ordinance amendment to increase the franchise fee rate, the City Attorney has advised that the City needs to adopt and publish a Revenue Purpose Statement for the use of proceeds from the utility franchise fee.

In March of 2018 the City adopted the current Revenue Purpose Statement for the franchise fee. This Statement includes all of the permissible uses of this fee which continues to include funding for public safety. While other uses are listed in this Statement, the 2019/2020 budget continues to reflect the utility franchise fee as a funding source for the police (50%) and fire (50%) department budgets. While no changes are being proposed to the current Revenue Purpose Statement, with the proposal to increase the utility franchise fee rate from 2% to 5%, it is necessary for the City Council to officially re-adopt the Revenue Purpose Statement.

Recommendation:

Please include the attached resolution approving and adopting a Revenue Purpose Statement for the use or expenditure of revenues from the franchise fee on the agenda for the March 7, 2019 meeting. Upon its approval the Revenue Purpose Statement will be published as required.

Please contact me if you have any questions or need additional information.

RESOLUTION NO. _____

**A RESOLUTION APPROVING AND ADOPTING
A REVENUE PURPOSE STATEMENT FOR THE USE OR EXPENDITURE
OF REVENUES FROM NATURAL GAS FRANCHISE FEES**

WHEREAS, pursuant to Ordinance No. 91191-0410, the City Council of the City of Muscatine, Iowa, has chosen to establish utility franchise fees for Interstate Power and Light Company (Alliant Energy) for the sale and distribution of natural gas within the city limits of the City of Muscatine;

WHEREAS, Section 7 of Ordinance No. 91191-0410 provided that the franchise fee may be increased or decreased by giving a 90-day notice to the utility with the fee limited to a maximum of five percent (5%);

WHEREAS, the franchise fee rates have been increased and decreased by the City Council since originally implemented with the most recent franchise fee set by Ordinance 94331-0618 at two percent (2%);

WHEREAS, the City of Muscatine intends to amend the franchise ordinance and increase the franchise fee from the current two percent (2%) to five percent (5%) on the gross receipts from the distribution, supply, or sale of natural gas for customers within the city limits of the City of Muscatine; and

WHEREAS, pursuant to the provisions of Iowa Code section 364.2(4)(f)(2) (2018), before the City adopts or amends a franchise fee rate ordinance to increase the percentage rate at which franchise fees are assessed, the City shall prepare a Revenue Purpose Statement specifying the purposes for which the revenue collected from the increased rate will be expended.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF MUSCATINE, IOWA:

SECTION 1. That the Revenue Purpose Statement for the use or expenditure of natural gas franchise fee revenues for the City of Muscatine, Iowa is hereby approved and adopted as follows:

REVENUE PURPOSE STATEMENT

Pursuant to the provisions of Iowa Code section 364.2(4)(f)(2), the City of Muscatine hereby prepares the following purposes allowed under Iowa Code 384.3A(f) for which franchise fee revenues from its natural gas franchises may be used or expended, said purposes which may be narrowed after public hearing:

- a. Inspecting, supervising, and otherwise regulating each franchise approved by the City.
- b. The repair, remediation, restoration, cleanup, replacement, and improvement of existing public improvements and other publicly owned property, buildings, and facilities.
- c. Projects designed to prevent or mitigate future disasters as defined in Iowa Code section 29C.2(4).
- d. Energy conservation measures for low-income homeowners, low-income energy assistance programs, and weatherization programs.
- e. Public safety including the equipping of fire, police, emergency services, sanitation, street, and civil defense departments.

- f. The establishment, construction, reconstruction, repair, equipping, remodeling, and extension of public works, public utilities, and public transportation systems.
- g. The construction, reconstruction, or repair of streets, highways, bridges, sidewalks, pedestrian underpasses and overpasses, street lighting fixtures, public grounds, and the acquisition of real estate needed for such purposes.
- h. Property tax abatements, building permit fee abatements and abatement of other fees for property damaged by a disaster, as defined in Iowa Code section 29C.2(4).
- i. Economic development activities and projects.

SECTION 2. That the City Clerk shall publish the Revenue Purpose Statement as provided in Iowa Code section 362.3.

PASSED AND APPROVED by the Muscatine City Council this 7th day of March 2019.

Diana Broderson, Mayor of the City of Muscatine, Iowa

ATTEST:

Gregg Mandsager, City Clerk