



PRESS RELEASE
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FOR IMMEDIATE RELEASE

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CITY SEEKS 15-YEAR LOCAL OPTION SALES TAX RENEWAL

March 6 referendum asks voters to approve extension to pay for sewer projects

MUSCATINE, Iowa – City of Muscatine residents will be heading to the polls in March to answer the question of whether to continue the Local Option Sales and Services Tax (LOSST) through 2034. This tax is currently used to fund the storm and sanitary sewer projects and pavement management projects in the City of Muscatine.

City residents are not the only ones voting on LOSST as the election is also on the ballot in throughout Muscatine County Fruitland, Atalissa, Blue Grass, Conesville, Durant, Nichols, Stockton, West Liberty, Wilton, and unincorporated areas of Muscatine County.

Muscatine has had a one (1) percent LOSST in place since 1994 when voters first approved the tax for the purpose of funding storm and sanitary sewer improvement and extension projects. In January 2003, voters approved using 10 percent of the proceeds (from May 1, 2003, through June 30, 2009) for the Pearl of the Mississippi Project and in 2008 voters approved using 20 percent of the amount collected for the Pavement Management Program.

While the mandatory sewer projects (per EPA/DNR settlement agreement) were the main reason for the original question in 1994, LOSST has also benefitted other projects in Muscatine during the history of the program. One benefit from the sewer projects have been the street and sidewalk improvements as the sewer separation work was completed. Instead of just cutting

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down the middle of the streets, Muscatine opted to replace the entire street, curb to curb, which has proved to benefit all residents.

As has been mentioned, LOSST has also provided money for the Pavement Management program that has aided concrete replacement projects on several streets along with the annual asphalt overlay projects that have proved to be a cost effective way to smooth out some of the roughest streets in Muscatine.

The current LOSST, which allocates 80 percent to sanitary and storm sewer projects and 20 percent to pavement management projects, expires on June 30, 2019, unless it is renewed by voter referendum.

One hundred percent of the funds must be spent on the projects specified in the referendum and nothing else.

The Muscatine City Council approved submitting a special election request to Muscatine County and the ballot question at its November 16, 2017, meeting. The date for a special election on the LOSST renewal was set for March 6, 2018.

That ballot question states:

“Shall the local sales and service tax be continued in the City of Muscatine at the rate of one (1) percent to be effective from July 1, 2019 until June 30, 2034? Revenues from the sales and service tax are to be allocated as follows: Not less than 80 percent for sanitary and storm sewer projects including principal and interest payments on debt issued for those projects; up to 20 percent for the Pavement Management Program; and zero (0) percent to property tax relief.”

“A major benefit of this program is that it allows the City to fund major sewer separation projects that would otherwise require an increase in the sewer rates or the city tax rate,” Nancy Lueck, Finance Director for the City of Muscatine, said. “We are now at a point where we need to look at the long-term financial plan for the remaining years of the sewer separation projects.”

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Revenue generated in the 23-year history of LOSST has funded \$55,426,873 of sewer, street, and Pearl of the Mississippi project costs through June 30, 2017. The amount includes \$49,723,406 for sewer projects, \$4,254,124 for pavement management projects, and \$1,449,343 for Pearl of the Mississippi project costs. Subsequent stories will look at each of the projects and the benefits derived from them.

The cost of the remaining phases of the West Hill Sewer Separation project is estimated at \$40.1 million with a December 31, 2028, E.P.A. Consent Order deadline looming to complete the project. City staff and Public Financial Management (PFM), the City's financial consultant, developed a long term financial plan for the remaining phases of the West Hill project.

The plan is based on the continuation of the 80 percent LOSST allocation after its current expiration date, and forecasts that enough cash flow will be generated to fund the project through 2023. After that, however, a State Revolving Fund Loan (SRF) estimated at \$22.8 million will be needed for the final phases of the project. City staff and PFM anticipates that with voter approval in March, the LOSST would be able to fund annual costs of the West Hill project through 2022 as well as debt service payments for the 10-year period of the SRF loan.

Let's not forget about pavement management.

Twenty percent of the LOSST allocation goes toward funds from the Road Use Tax used to support the Pavement Management Program that features two projects: the annual asphalt overlay and full-depth concrete patching. In the first eight years of the LOSST allocation into this program, \$3,622,822 has been spent on the two featured projects. More about the Pavement Management Program will be written about in the coming weeks.

So what does this mean for the residents of Muscatine?

The continuation of the one percent LOSST through 2034 means that costs associated with the West Hill project will not impact the City's property tax rate nor will it impact sewer rates.

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Continuation will also mean that potholes in streets and alleys will be filled, sections of streets will receive a fresh coat of asphalt, and other portions will be completely replaced with new concrete based on city staff assessment.

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