



FINANCE & RECORDS

MEMO

To: Greg Jenkins, Interim City Administrator
From: Nancy A. Lueck, Finance Director
Date: May 4, 2020
Re: Resolution for Internal Advance of TIF funds

Introduction and Background:

At the April 16, 2020 meeting, City Council authorized the expansion of the current Small Business Forgivable Loan Program to include a new “Economic Assistance for Muscatine Small Business” program for small businesses impacted by the COVID-19 public health crisis. Forgivable loans of up to \$2,500 will be entered into with small businesses impacted by the COVID-19 crisis under this new program. Funding for this program is proposed to be from tax increment financing (TIF) funds.

The City’s November 2018 Urban Renewal Plan Amendment included a total of \$600,000 for the Small Business Forgivable Loan Program. The original plan was to use \$100,000 per year for the Small Business Forgivable Loan Program from FY 19 through FY 24. The \$100,000 allocations have been made for FY 19 and FY 20. The remaining \$400,000 is proposed to be re-directed and used for the new “Economic Assistance for Muscatine Small Business” program for small businesses impacted by the COVID-19 public health crisis.

The City must have incurred debt in order to claim or use TIF funds. Debt can be in the form of general obligation bonds, tax increment revenue bonds, TIF rebate agreements, or internal advances (loans). Funding for the new Forgivable Loan Program is proposed to be from an Internal Advance of Funds.

Recommendation:

The attached Resolution will authorize an Internal Advance of \$400,000 for the new “Economic Assistance for Muscatine Small Business” program for small businesses impacted by the COVID-19 public health crisis. The Advance will be from the City’s General Fund. This Advance, however, will be repaid from the available fund balance in the Southend TIF fund on or before June 1, 2020.

Please include the attached resolution on the agenda for the May 7, 2020 meeting. If there are any questions or if any additional information is needed, please contact me.

Section 2. All resolutions or parts thereof in conflict herewith, are hereby repealed, to the extent of such conflict.

PASSED AND APPROVED this 7th day of May, 2020

Mayor

Attest:

Interim City Clerk

RESOLUTION NO _____

AUTHORIZING INTERNAL ADVANCE
OF FUNDS FOR SMALL BUSINESS FORGIVABLE LOAN PROGRAM –
ECONOMIC ASSISTANCE FOR MUSCATINE SMALL BUSINESSES
IMPACTED BY THE COVID-19 CRISIS

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; and

WHEREAS, the Small Business Forgivable Loan program has been expanded to include the “Economic Assistance for Muscatine Small Business” program for small businesses impacted by the COVID-19 public health crisis; and

WHEREAS, forgivable loans of up to \$2,500 will be entered into with small businesses impacted by the COVID-19 crisis under this new program ; and

WHEREAS, in order to cover the Costs of this Program 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 Four Hundred Thousand Dollars (\$400,000) be advanced (the “Advance”) from the General Fund to the Small Business Forgivable Loan Special Revenue 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 installment, on or before June 1, 2020, 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.