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FINANCE & RECORDS

MEMO

To: Gregg Mandsager, City Administrator
From: Nancy A. Lueck, Finance Director
Date: November 4, 2019
Re: Resolutions for Internal Advances of TIF funds (7)

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 2020/2021 fiscal year, the following seven internal advances (loans) are proposed to be established:

1. Internal advance for TIF administrative and professional support costs in the amount of \$159,000. 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, Assistant Community Development Director, City Planner, Finance Director, Public Works Director, City Engineer, and Communications Manager. Fiscal year 2020/2021 will be the 10th 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 \$43,000. Fiscal year 2020/2021 will be the 10th 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 2020/2021 for an amount not to exceed \$100,000 for the 7th 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**

4. Internal advance for the new Forgivable Loan Program for Code Compliance Improvements for small businesses in designated areas of the City. This advance is for a total of \$100,000 with \$50,000 for the current fiscal year 2019/2020 and \$50,000 for fiscal year 2020/2021. The 2019/2020 allocation will allow this program to begin in the current fiscal year.
5. Internal advance of \$100,000 for the new Downtown Façade Improvements Forgivable Loan Program. This advance is for the first year of this program, which will begin in fiscal year 2020/2021.
6. Internal advance to complete the design for the Downtown Streetscape Project. The 2018/2019 City budget included a \$100,000 internal advance to initiate the design of the project. The current request is for an additional \$185,000 to complete the funding for the engineering design for this project.
7. Internal advance for the estimated fiscal year 2020/2021 debt service requirements on the portion of the May 2020 bond issue which will fund the Downtown Streetscape project. Debt service requirements for 2020/2021 are estimated at up to \$350,000.

In order to claim TIF funds for these purposes, resolutions are needed for each of the seven internal advance loans listed above. These seven internal advances total \$1,037,000. It is proposed that the Administrative and Legal costs, the economic development grant to GMCCI, the Small Business Forgivable Loan program allocation, the Forgivable Loan Program for Code Compliance Improvements Program, the Forgivable Loan Program for the Downtown Façade Improvement Program, and the first year of the debt service requirements for the Downtown Streetscape project be funded from the Southend TIF fund and the additional advance for the design services for the Downtown Streetscape project be funded from the Downtown 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, provide economic development assistance to small businesses in designated areas of the City, and to continue to promote economic development throughout the City.

Please include the attached seven resolutions on the agenda for the November 7, 2019 meeting. If there are any questions or if any additional information is needed, please contact me.