

SPECIAL REVENUE FUNDS

LOCAL OPTION SALES TAX FUND

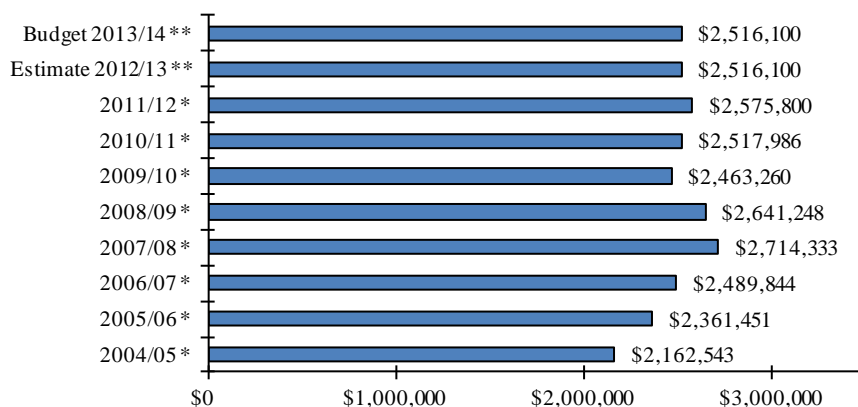
GENERAL INFORMATION:

In May of 1994, voters in the City of Muscatine approved a 1% local option sales and service tax for a five year period beginning July 1, 1994. All of the proceeds from the tax were required by the referendum to be used for City storm and sanitary sewer projects. In August of 1998, voters approved the extension of the local option tax for an additional five years to continue the storm and sanitary sewer improvements. In January 2003, voters approved using up to 10% of the proceeds from the local option sales tax for the “Pearl of the Mississippi” improvement projects effective April 30, 2003. On January 27, 2004 voters approved extending this tax for an additional five years with 90% of the tax to be used for sewer improvements and up to 10% for “Pearl of the Mississippi” projects.

In August, 2008 voters again approved the extension of the local option tax for a period of ten years with up to 20% of the tax to be used for the City’s Pavement Management Program and the remainder to be used for storm and sanitary sewer projects. The focus of the sewer improvements over this ten year period will be on projects mandated in the E.P.A. Consent Order.

Each fiscal year the Iowa Department of Revenue and Finance makes estimated local option sales tax payments to the City. The following fiscal year, the City receives an additional payment, which reconciles actual local option sales tax amounts to the estimates previously remitted to the City. The following chart shows the local option sales taxes earned by the City each fiscal year. These amounts include the reconciliation amounts received the following year. The amounts shown for both 2012/2013 and 2013/2014 have been estimated conservatively at the State’s projected levels without any estimated reconciling amounts to be received in the succeeding years.

Local Option Sales Tax Revenue by Fiscal Year
(* Includes Reconciling Amounts Received in Succeeding Fiscal Year)



CURRENT TRENDS AND ISSUES:

For the revised estimate for 2012/2013 and the 2013/2014 budget, the estimated local option sales tax revenues are \$2,524,600 and \$2,516,100, respectively. The 2013/2014 amount is projected conservatively using the State's estimate for the current year without any prior year reconciliation amount. Transfers out of the Local Option Sales Tax Fund for qualifying City storm and sanitary sewer projects are estimated for the current and upcoming year as follows:

Local Option Sales Tax-Funded Sewer Projects
Revised Estimate 2012/2013 and Estimated 2013/2014

	Projected <u>2012/2013</u>	Projected <u>2013/2014</u>
Project:		
West Hill Sewer Separation - Phase 1	\$ 2,950,000	\$ 860,000
West Hill Sewer Separation - Phase 2	<u>-</u>	<u>2,010,000</u>
Totals	<u>\$ 2,950,000</u>	<u>\$ 2,870,000</u>

The West Hill Sewer Separation project is a \$50+ million project mandated by an E.P.A. Consent Order to be completed by 2028. Plans are to complete this project in multiple phases with the overall project scheduled for completion by the Consent Order deadline. In January of 2012, City staff working with PFM, the City's financial consultant, completed a long-term plan for financing the West Hill Sewer Separation project. The 80% allocation of Local Option Sales Taxes approved by voters to be used for storm and sanitary sewer improvements will provide funding for a portion of the project costs. Beginning in 2017/2018 local option tax will need to be supplemented with other resources to complete the scheduled work on the project. As part of the long-term financing plan, a new "West Hill Sewer Separation Long-Term Financing Plan Reserve" fund was established to accumulate funds to supplement the local option tax funding for this project. The 2011/2012, 2012/2013, and 2013/2014 budgets each include \$200,000 in transfers from the Water Pollution Control fund to the new reserve fund. Like amounts for those same years will be transferred from the Collection and Drainage fund. Annual allocations from both of these funds are proposed to continue to be set aside each year throughout the project. Based on the assumptions used in the long-term financial plan, the Local Option Sales Tax funds and funds from the new reserve are expected to be sufficient to cash flow project costs until 2018/2019 when the City would need to secure a State Revolving Fund Loan to complete the scheduled work on this project. Phase 2 of this project will begin in 2013/2014 and is scheduled to be completed in 2014/2015.

As authorized by the sales tax referendum, funding transfers of \$504,920 in the revised estimate and \$503,220 in 2013/2014 have been included to fund ongoing costs of the Pavement Management program. This represents the 20% allocation of the local option tax allowed for this program in the 2008 voter referendum. A separate sub-fund has been established to account for the portion of the local option tax allocated for the pavement management program. Transfers out of the Local Option Sales Tax Fund for qualifying pavement management projects are estimated for the current and upcoming fiscal year as follows:

Local Option Sales Tax-Funded Pavement Management Projects
Revised Estimate 2012/2013 and Estimated 2013/2014

	<u>Estimated</u> <u>2012/2013</u>	<u>Projected</u> <u>2013/2014</u>
Project:		
Pavement Management Program	\$ 260,000	\$ 500,000
Railroad Crossing Improvements	68,000	-
Highway 38/61 Connector Study	<u>39,000</u>	<u>-</u>
Totals	<u>\$ 367,000</u>	<u>\$ 500,000</u>

Specific projects in the Pavement Management Program allocation of \$500,000 for 2013/2014 will be determined based on balancing the financing of major street improvement projects (Cedar Street and Colorado Street) with ongoing pavement management projects. The estimated balance in the Pavement Management sub-fund on June 30, 2014 is \$411,843.

Local Option Sales Tax Fund

Fund Statement

	<u>Actual 2010/2011</u>	<u>Actual 2011/2012</u>	<u>Budget 2012/2013</u>	<u>Revised Estimate 2012/2013</u>	<u>Budget 2013/2014</u>
Beginning Balance, July 1	\$ 3,364,971	\$ 1,076,470	\$ 1,777,370	\$ 2,319,147	\$ 1,390,327
Revenues					
Local Option Sales Tax	\$ 2,433,919	\$ 2,655,498	\$ 2,558,700	\$ 2,524,600 (1)	\$ 2,516,100 (2)
Interest	<u>5,270</u>	<u>2,438</u>	<u>1,500</u>	<u>1,500</u>	<u>1,500</u>
Total Revenues	<u>\$ 2,439,189</u>	<u>\$ 2,657,936</u>	<u>\$ 2,560,200</u>	<u>\$ 2,526,100</u>	<u>\$ 2,517,600</u>
Funds Available	<u>\$ 5,804,160</u>	<u>\$ 3,734,406</u>	<u>\$ 4,337,570</u>	<u>\$ 4,845,247</u>	<u>\$ 3,907,927</u>
Expenditures					
Transfers Out:					
Hershey Avenue Sewer Separation	\$ 3,975,018	\$ 214,757	\$ 3,817,000	\$ 0	\$ 0
West Hill Sewer - Phase 1	250,888	669,402	0	2,950,000	860,000
West Hill Sewer - Phase 2	0	0	0	0	2,010,000
Other Sewer Projects	15,000	0	0	0	0
Pavement Management Program (3)	<u>486,784</u>	<u>531,100</u>	<u>511,700</u>	<u>504,920</u>	<u>503,220</u>
Total Expenditures	<u>\$ 4,727,690</u>	<u>\$ 1,415,259</u>	<u>\$ 4,328,700</u>	<u>\$ 3,454,920</u>	<u>\$ 3,373,220</u>
Ending Balance, June 30	<u><u>\$ 1,076,470</u></u>	<u><u>\$ 2,319,147</u></u>	<u><u>\$ 8,870</u></u>	<u><u>\$ 1,390,327</u></u>	<u><u>\$ 534,707</u></u>
Increase (Decrease) in					
Fund Balance	\$ (2,288,501)	\$ 1,242,677	\$ (1,768,500)	\$ (928,820)	\$ (855,620)

1. The Revised Estimate Local Option Tax revenue amount is the State's estimate (\$2,516,087) plus a prior year reconciliation amount of \$8,571.
2. The FY 2013/2014 Local Option Tax revenue amount is estimated conservatively at the States's projected 2012/2013 level of \$2,516,087.
3. Effective July 1, 2009 up to 20% of Local Option Tax revenue is being used for the Pavement Management Program per the voter referendum. This 20% allocation is transferred to a subfund to separately account for this portion of the tax.

Local Option Sales Tax Fund

Pavement Management Allocation (20%)

Fund Statement

	<u>Actual 2010/2011</u>	<u>Actual 2011/2012</u>	<u>Budget 2012/2013</u>	<u>Revised Estimate 2012/2013</u>	<u>Budget 2013/2014</u>
Beginning Balance, July 1	\$ 337,218	\$ 311,619	\$ 98,219	\$ 270,103	\$ 408,323
Revenues					
Transfers In:					
Local Option Sales Tax (1)	\$ 486,784	\$ 531,100	\$ 511,700	\$ 504,920 (2)	\$ 503,220 (3)
Interest	<u>0</u>	<u>337</u>	<u>500</u>	<u>300</u>	<u>300</u>
Total Revenues	<u>\$ 486,784</u>	<u>\$ 531,437</u>	<u>\$ 512,200</u>	<u>\$ 505,220</u>	<u>\$ 503,520</u>
Funds Available	<u>\$ 824,002</u>	<u>\$ 843,056</u>	<u>\$ 610,419</u>	<u>\$ 775,323</u>	<u>\$ 911,843</u>
Expenditures					
Transfers for Pavement Management:					
Pavement Management (Curb and Gutter, Full Depth Patch, Crack Sealing, and Resurfacing)	\$ 346,590	\$ 356,796	\$ 500,000	\$ 260,000	\$ 500,000 (4)
Highway 38/61 Connector Study	0	\$ 6,031	0	39,000	0
Railroad Crossing Improvements	<u>165,793</u>	<u>210,126</u>	<u>0</u>	<u>68,000</u>	<u>0</u>
Total Expenditures	<u>\$ 512,383</u>	<u>\$ 572,953</u>	<u>\$ 500,000</u>	<u>\$ 367,000</u>	<u>\$ 500,000</u>
Ending Balance, June 30	<u><u>\$ 311,619</u></u>	<u><u>\$ 270,103</u></u>	<u><u>\$ 110,419</u></u>	<u><u>\$ 408,323</u></u>	<u><u>\$ 411,843</u></u>
Increase (Decrease) in Fund Balance	\$ (25,599)	\$ (41,516)	\$ 12,200	\$ 138,220	\$ 3,520

- Beginning on July 1, 2009 up to 20% of Local Option Tax revenue has been allocated to the Pavement Management Program per the voter referendum.
- The Revised Estimate Local Option Tax revenue amount is 20% of the total of the State's estimate for the year of \$2,516,087 and the prior year reconciliation amount of \$8,571.
- The FY 2014 Local Option Tax revenue amount is estimated conservatively at 20% of the States's projected 2012/2013 amount of \$2,516,087.
- Specific projects in the 2013/2014 funding amount will be determined based on balancing the financing of major street projects (Cedar Street and Colorado Street) with ongoing pavement management projects.