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FINANCE & RECORDS

MEMO

To: Gregg Mandsager, City Administrator

From: Nancy A. Lueck, Finance Director

Date: September 12, 2011

Re: Proposed Resolution Authorizing Internal Advance of Funds and TIF Repayment for the Bridge Lighting Repair Project

Introduction and Background:

At the September 8th In Depth Council meeting City Council discussed the repairs needed to restore the LED lighting system on the Mississippi River Bridge. The cost of the repairs is estimated at \$60,000 and Muscatine Power & Water has agreed to fund \$20,000 of this cost. This original project was completed in 2008 at a total cost of \$365,253 with \$100,000 of funding from an IDOT grant, \$255,253 in contributions from MUSCO, and \$10,000 in City costs related to the closeout of the construction contract.

Public Work Director Randy Hill researched the City's responsibilities in accepting the IDOT grant. Specific provisions for future maintenance of this lighting system were included in the grant agreement as follows:

Paragraph 36 states:

"The Recipient shall maintain, or cause to be maintained for the intended public use, the improvement for twenty (20) years from the completion date in a manner acceptable to the DOT. Failure to comply with this provision may be considered a default of this agreement."

Paragraph 34 states:

"In the event a default is not cured the DOT may revoke funding commitments and/or seek repayment of funds loaned or granted by this agreement. By signing this agreement the Recipient agrees to repay said funding if they are found to be in default. Repayment methods must be approved by the DOT Commission and may include cash repayment, installment repayments with negotiable interest rates, charges against the Recipient's share of road use tax funds or other methods as approved by the Commission."

Financing Options and Recommendation:

The proposal to fund the \$40,000 City share of the project cost from TIF was discussed at the In Depth meeting. If the Council chooses this funding option, a resolution approving an Internal Advance to the Tax Increment Fund would be needed to make these costs eligible to be recouped from future incremental property taxes. The attached resolution was prepared by John Danos of Dorsey & Whitney, the City's

bond counsel and would need to be adopted if Council chooses to fund this cost with TIF funds. This resolution also includes language that repeals City Resolution number 91647-0511 which provided for a \$70,000 economic development grant as part of the local match for the Bandag economic development project. This resolution is being repealed since Bridgestone-Bandag chose not to pursue the economic development grant through the State.

Other funding options for the Bridge Lighting Repair Project would be to include funds in the next bond issue for this cost or take this amount from the General Fund balance.

Please include this item on the agenda for the September 15, 2011 meeting. If you have any questions or need additional information, please contact me.

RESOLUTION NO _____

AUTHORIZING INTERNAL ADVANCE TO
TAX INCREMENT REVENUE FUND

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 Funds (the "Tax Increment Funds") that are situated within the Urban Renewal Area; and

WHEREAS, the City has undertaken an urban renewal project in the Urban Renewal Area consisting of paying the costs of certain decorative lighting improvements on and along the Mississippi River Bridge, and the City's share of such improvements are anticipated to cost not less than \$40,000 (the "Lighting Improvement Costs");

WHEREAS, in order to cover the Lighting Improvement Costs 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 Forty Thousand Dollars (\$40,000) be advanced from the South End Urban Renewal Area Tax Increment Fund (the "Advance") in order to Fund the Lighting project Costs. The Advance shall be repaid to the South End Urban Renewal Area Tax Increment Fund Tax Increment Fund, out of future 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 1 annual installment, on June 1, 2013, 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.

Section 2. A copy of this Resolution shall be filed in the office of the County Auditor of Muscatine County, Iowa to evidence the Advance. Pursuant to Section 403.19 of the Code of Iowa, the City Clerk is hereby directed to certify, no later than December 1, 2011, the original amount of the Advance.

Section 3. All resolutions or parts thereof in conflict herewith, are hereby repealed, to the extent of such conflict.

Section 4. Resolution No. 91647-0511 adopted by the City Council on May 5, 2011 is hereby repealed, and the internal advance of funds and the funding of the grant contemplated therein are hereby cancelled and nullified.

PASSED AND APPROVED this 15th day of September, 2011.

Mayor

Attest:

City Clerk