



City Hall, 215 Sycamore St.
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FINANCE & RECORDS

MEMO

To: Gregg Mandsager, City Administrator

From: Nancy A. Lueck, Finance Director

Date: November 13, 2017

Re: Local Option Renewal – Request to Approve Ballot Question and Letter Requesting Special Election

Introduction and Background:

The City's current Local Option Sales Tax period expires on June 30, 2019 unless it is renewed by voter referendum. The current local option sales tax is allocated 80% to sanitary and storm sewer projects and 20% to pavement management projects. At the September 14, 2017 In Depth meeting City staff reviewed the following with City Council:

1. December 31, 2028 - E.P.A Consent Order deadline to complete the separation of the combined sewers in the West Hill area
2. March 6, 2018 – date proposed for the special election to consider the renewal of the Local Option Tax.
3. December 7, 2017 – last day to submit the ballot question and request for the special election, to the County Auditor and Muscatine County Board of Supervisors.
4. The cost for the remaining phases of the West Hill Sewer Separation project is estimated at \$40,100,000. A long-term financing plan was prepared by staff and Public Financial Management (PFM), the City's financial consultant, for financing the remaining phases of this project. This financing plan is based on continuation of the 80% allocation of local option sales tax after its current expiration date.
5. The long-term financing plan shows that Local Option Sales Taxes and the funds the City is setting aside each year are expected to cash flow costs of the West Hill project through 2023 when a State Revolving Fund Loan (SRF) will be needed to fund the remaining

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phases of this project. The amount of the loan is currently estimated at \$22.8 million. The interest rate on SRF loans is currently 2.0%.

6. PFM prepared a 10-year SRF loan repayment schedule with the final year of payments on the loan scheduled for fiscal year 2033/2034.
7. It is proposed that the Local Option Tax be renewed for 15 years. Proceeds would be available 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.
8. Using the Local Option Tax as the primary funding source for this project (including the SRF loan payments) means that (a) the City's property tax rate would not be impacted from this project, and (b) sewer rates would also not be impacted.

Proposed Ballot Question for the Special Election to Renew the Tax:

The proposed ballot question below is similar to the ballot question used when the tax was last renewed in 2008, except that it is for a 15-year period and also adds language to include debt service payments related to debt issued for sewer projects based on the long-term financing plan.

“Shall the local sales and service tax be continued in the City of Muscatine at the rate of 1% 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% for sanitary and storm sewer projects including principal and interest payments on debt issued for those projects; up to 20% for the Pavement Management Program; and 0% to property tax relief.”

Summary:

This information was included for discussion on the agenda for the November 9, 2017 In Depth meeting. Based on that discussion, it is proposed that the City Council at the November 16, 2017 meeting consider the approval of the ballot question and also authorize the letter to the Muscatine County Board of Supervisors and Muscatine County Auditor to hold the special election on March 6, 2018.

Please contact me if you have any questions or need additional information.



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November 17, 2017

To: Muscatine County Board of Supervisors
Muscatine County Commissioner of Elections

The City Council of the City of Muscatine adopted the following **motion** at its meeting on November 16, 2017.

"Request to approve ballot question and to authorize the letter to the County Board of Supervisors and County Auditor to hold the special election for the Local Option Sales Tax renewal on March 6, 2018."

The ballot question is:

"Shall the following public measure be adopted?

"Shall the local sales and service tax be continued in the City of Muscatine at the rate of 1% 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% for sanitary and storm sewer projects including principal and interest payments on debt issued for those projects; up to 20% for the Pavement Management Program; and 0% to property tax relief."

On behalf of **the City Council**, I respectfully request that you proceed with actions necessary to bring this question **to the voters on March 6, 2018**, as requested. If additional actions by the City are needed, or if you **have any questions about** this request, please contact City Administrator, Gregg Mandsager, as soon as possible. Thank you for your **assistance** with this process.

Respectfully submitted,

Diana Broderson, Mayor

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