

Muscatine Journal

City budget vote coming up Thursday

By Jennifer Meyer of the Muscatine Journal

MUSCATINE, Iowa — Most Muscatine residents may not save enough on their city taxes in 2008 to buy half of a tank of fuel for the family van or SUV.

But the approximately \$20 the owner of a home valued at \$100,000 could save from a possible reduction in the city's overall tax rate might be enough to treat the family to a pizza or fast-food dinner.

The Muscatine City Council will vote during its meeting Thursday on a proposed budget for fiscal 2008-09 that would drop the overall tax rate 38 cents from \$16.53 to \$16.15 per \$1,000 of taxable valuation.

The budget is nearly \$200,000 leaner and includes a tax rate about 14 cents lower than a proposal city staff presented to the Council in January. The difference is the result of a compromise between Council members opposed to a new emergency management levy to help fund the city's share of providing joint emergency dispatch service with Muscatine County, and those who felt the initial 27-cent tax was critical for maintaining staff and service levels.

"You might have effectively lowered the property tax, but you still have put in a new levy. And when you put in a new levy and you add new taxes, they never go away," said At-Large Councilman Bob Howard during a planning session last month.

Still \$100,000 shy of the \$322,000 the Council would have to cut to eliminate the emergency management levy, Howard ultimately made a motion for the 14-cent levy to make up the difference. Further cuts likely would have affected staff and service levels.

"The most important thing is we want the city to function after this budget," At-Large Councilman Osama Shihadeh said during another February planning session.

The Council balanced the reduction by cutting \$125,000 for equipment purchases — primarily for the Parks and Recreation department — and trimming expenditures elsewhere, including \$15,000 for the city to update its comprehensive plan. The city will also draw down its fund balance by about \$17,000 to \$1.46 million, which is less than the 10 percent of general fund expenditures that the Council has a policy to keep in reserve.

City Administrator A.J. Johnson previously explained that the levy "frees up dollars" in the general fund being used to pay for activities that can't be funded from an other source of revenue.

It was one of two moves the city initiated following budget planning over the summer to increase the amount of money in its general fund to prevent a repeat of last year. Departments' operating budgets were cut by up to 10 percent in fiscal 2007-08 — not because the city was trying to lower taxes, but because it was necessary to maintain staff and service levels.

Valuations rise

Officials also placed about \$8.4 million valuation back on the tax rolls that was previously reserved for paying for improvements in tax increment financing districts. The Council has approved rebating a portion of property taxes generated from improvements for a specific number of years as a business incentive, but no longer needs the taxes from the full improved value to make the payments.

Money from the TIF districts is part of a nearly \$31 million — or 4.62 percent — total increase in taxable valuations that will generate about \$250,000 more in fiscal 2008-09 from the general levy, which comprises \$8.10 of the overall tax rate and is the largest source of revenue for the general fund.

"This is the second largest increase we've experienced in the last 10 years," Johnson said when he presented

the figures in January.

More than \$21 million of the increase in valuations was due to a state equalization order that contributed 6 percent of an overall 10 percent spike in commercial property values.

County Assessor Dale McCrea said an equalization order is issued when the median sale values are outside of a 5 percent margin of assessed property values. He said sale values in Muscatine County were about one-fifth of a percent outside the upper margin, resulting in the 6 percent increase on all commercial property.

McCrea said the remaining 4-percent increase was due to various new construction and remodeling projects.

"I guess it was little things here and there," he said.

Due to state rollbacks, commercial property will be taxed at about 99.7 percent of its value in fiscal 2008-09. A rollback on residential property will mean homes will be taxed on about 44 percent of their value, as opposed to approximately 45 percent in fiscal 2007-08.

McCrea said changes in residential, as well as industrial, property valuations were "pretty typical."

Industrial valuations, which put the city in a tailspin when they dropped more than 5 percent last year, picked back up to about the level they were before. Residential valuations, which were relatively flat with just under 2 percent growth last year, saw more than a 4 percent increase for fiscal 2008-09.

Like commercial values, the 4-percent bump in residential values also accounts for new construction. A more modest 3-percent cost of living increase on the value of an existing home, combined with the residential rollback, would mean a resident who paid about \$754 to the city for a \$100,000 house in 2007 will pay about \$733 in 2008.

However, city taxes are only one part of the total bill property owners will receive from the county treasurer.

City taxes accounted for about 41 percent of taxes Muscatine residents paid in 2007. The remaining 59 percent was split with about 22 percent going to the county and 37 percent going to schools.

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During budget planning in February, some members of the Muscatine City Council cautioned that the overall rate concealed increases, decreases and creation of one new tax among eight individual levies.

Money collected from a specific levy cannot be transferred for use for another purpose.

Levies that comprise the overall tax rate of \$16.15 per \$1,000 valuation include:

General fund

FY07-08: \$8.10/\$1,000 valuation; \$5,411,410/year

FY08-09: \$8.10/\$1,000 valuation; \$5,661,354/year

Maximum: \$8.10/\$1,000 valuation

Purpose: Primary source of revenue for general fund

Transit system

FY07-08: 49 cents/\$1,000 valuation; \$330,149/year

FY08-09: 23 cents/\$1,000 valuation; \$159,014/year

Maximum: 95 cents/\$1,000 valuation

Purpose: Fund public transit operations through MuscaBus.

Tort liability

FY07-08: 35 cents/\$1,000 valuation; \$233,886/year

FY08-09: 31 cents/\$1,000 valuation; \$216,949/year

Maximum: Not to exceed projected expenditures

Purpose: Fund property and liability insurance costs

Emergency

management levy

FY07-08: N/A

FY08-09: 14 cents/\$1,000 valuation; \$99,381/year

Maximum: Not to exceed projected expenditures

Purpose: Fund joint emergency dispatch services (MUSCOM)

Emergency levy

FY07-08: 27 cents/\$1,000 valuation; \$180,380/year

FY08-09: 27 cents/\$1,000 valuation; \$188,712/year

Maximum: 27 cents/\$1,000 valuation

Purpose: Supplement general fund

Special revenue

FY07-08: \$4.47/\$1,000 valuation; \$2,984,199/year

FY08-09: \$4.07/\$1,000 valuation; \$2,848,682/year

Maximum: Not to exceed projected expenditures

Purpose: Fund police and fire retirement funds, FICA/IPERS and other employee benefits

Debt service

FY07-08: \$2.78/\$1,000 valuation; \$1,933,946/year

FY08-09: \$2.96/\$1,000 valuation; \$2,123,465/year

Maximum: Not to exceed projected expenditures

Purpose: Fund bond payments

Levee improvements levy

FY07-08: 6.75 cents/\$1,000 valuation; \$45,095/year

FY08-09: 6.75 cents/\$1,000 valuation; \$47,178/year

Maximum: 6.75 cents/\$1,000 valuation

Purpose: Finance levee maintenance and improvements (current Mad Creek project)

Capital projects

The following projects are budgeted in the fiscal 2008-09 budget. Amounts can include engineering or actual project costs.

Streets projects

- Pavement management program, \$1.8 million from bond proceeds
- Curb replacement program, \$100,000 from Road Use Tax
- Joint sealing program, \$70,000 from Road Use Tax
- Cedar Street resurfacing, \$280,000 from 80 percent grant, 20 local match from FY09/10
- Hershey Avenue resurfacing, \$200,000 from 80 percent grant, 20 local match from FY09/10
- Carvers Corner (intersection of Green Street and Hershey Avenue) property acquisition, \$750,000 from 80 percent local match, 20 percent local match from future bond proceeds

Water Pollution Control Plant

- Renovation project, \$7 million from state revolving loan (part of estimated \$15 million project)
- Mad Creek sewer separation (Oak Street area), \$2.98 million from local option sales tax
- Hershey Avenue sewer separation, \$1 million from local option sales tax

Other

- Public Safety Building heating and air conditioning, \$100,000 from future bond proceeds
- Golf course maintenance building (rebuild structure destroyed by fire), \$100,000 (\$22,000 is first payment on loan from Water Pollution Control Plant)
- Airport snow equipment storage building, \$100,000 from 95 percent federal grant, 5 percent local match from FY09-10

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