

Creating an emergency tax levy could free up the general fund

By Jennifer Meyer of the Muscatine Journal

MUSCATINE, Iowa — Two “big impact” ideas could increase tax dollars coming into Muscatine’s general fund, and free up about \$290,000 the city spends to support emergency services from the overburdened fund.

During a budget planning session Thursday, city staff introduced the Muscatine City Council to possibilities of creating an emergency management levy and diverting fewer taxes to pay debt in tax increment financing districts.

“Because of the status of the general fund, it won’t be possible for the city to improve services by adding employees, whether it’s the police or parks and rec or building and zoning or anywhere else, unless we find savings in areas we’ve already identified — a lot of those fees and savings are more nickel and dime — or if we find new sources of revenue,” said councilman Bill Trent, 5th Ward.

The Council began meeting this summer for monthly budget planning sessions, after wrestling with the fiscal year 2007-08 budget. Limited growth restricted new property tax dollars the Council had to work with and required departments to cut operating costs, and the Council to deny requests for new personnel, including requests from the police and fire departments.

During a two-month hiatus since the Council’s last budget meeting in August, City Administrator A.J. Johnson and department heads reviewed budgets for ways to cut expenditures and create new revenue.

He said most suggestions focused on raising or implementing new fees, or eliminating services that were occasionally provided or that benefited only a small, select group. Combined, Johnson said the measures totaled about \$40,000-\$50,000, which didn’t amount to the “price of a body.”

New levy

Johnson said implementing a new emergency management tax levy would give the Council the option to shift the approximately \$290,000 annual costs to support MUSCOM, Muscatine County’s emergency communications center, out of the general fund.

“This is what I call a big impact, big ticket item for you to consider, because it does free up the general fund,” Johnson said.

He said the first step toward establishing the levy was for the 911 Board, which determines how 911 tax revenue is used, to reach a legal agreement with MUSCOM to act as its fiscal agent.

The Muscatine County Joint Communications Commission would maintain oversight of MUSCOM operations.

The 911 Board would bill the city for the 45 percent it pays now toward MUSCOM’s operating expenses, and the county for 55 percent. Either or both government entities could then pay their share from an emergency management levy or general fund.

Currently, both the city and the county pay for the expenses from their general fund.

Johnson noted it may be possible to minimize the effects of the new tax by reducing other levies that are included in the city's overall tax rate. The levy would not require voter approval.

"We have a lot of people who don't want more taxes," Trent said. "So you have to balance — do you want more firefighters or policemen or do you not want more taxes?"

Councilman Phil Fitzgerald, 1st Ward, asked how the tax could affect implementing a county-wide levy, where all county taxpayers would share equally in the costs.

"It doesn't preclude that from happening," Johnson said. "If the county would come out and say we're going to do a county-wide levy to cover improvements and [operating] costs, they can implement that and do that. This agreement gives them the authority to do that on their share or a county-wide share. This agreement gives the Council the option to utilize that tool if it doesn't go county-wide."

"In an ideal world, you'd have the county-wide levy," Trent said. "This gives us the flexibility to initiate the levy, and it gives us the flexibility we could pay 100 percent of it from the general fund or 100 percent of it from a levy, or anywhere in between. We don't have to levy the whole amount."

Councilman Bob Howard, At Large, said he was concerned that city taxpayers would be taxed twice if both the city and county enacted the emergency management levy. Johnson said that scenario was essentially the same as the current situation, in which both entities levied dollars for their general funds to pay the expenses.

"Any way you do it, it still frees up that general fund dollar opportunity," Johnson said of whether there was county-wide or individual levies.

If the Council approves, Johnson said the levy could be in place in time to affect the fiscal year budget that begins July 1, 2008.

Increment adjustments

Unlike creating an emergency management levy, capturing fewer tax dollars for TIF districts would boost the general fund without asking taxpayers for new money.

Cities or counties can direct all or part of the taxes from the increased property valuation — called increment — that a project generates to fund debt from improvements within the TIF district. The districts are areas targeted for economic development, and offer developers incentives through the city such as rebate agreements or utility extensions.

"This isn't new taxes. This isn't an additional tax," Trent said. "This isn't anything taxpayers won't like."

"Like me," Howard interjected his opposition to more taxes.

Trent continued, "Now, the bad news is, though, is that if there was a great new project you wanted to do in the TIF district but you're using the money back in the general fund, the Council may have to make a decision: now we have to fund that project out of the general fund or we've got to bond for it, or whatever."

Finance director Nancy Lueck said the city typically claims the full increment for the TIF district each year, which reduces the valuation that the city, county and school district can tax.

Lueck said growth in the Southend, for example, is rapid enough that the increment will generate enough money to pay off the debt ahead of the original schedule.

Assuming no new debt is issued, Lueck said the Southend — the city's largest and most successful TIF district — would have a great enough balance to repay its debt in fiscal year 2009-10. The city can't pay the bonds off before 2015,

however, and can claim incremental taxes only as long as there are outstanding debt obligations, including rebates.

By claiming \$294,000 less incremental taxes in fiscal year 2009-10, Lueck calculated the city would receive nearly \$66,000 more in its general fund. Claiming \$366,000 less in fiscal year 2010-11 would add almost \$82,000.

The impact would be even greater in subsequent years, when the city could claim as much as \$450,000 less increment.

Adding valuation to the tax rolls would increase balances for other property tax-based city funds, as well as increase the base valuation for county and school levies.

Lueck said the city has until Dec. 1 each year to certify its increment claim with the county treasurer.

The Council did not take any action Tuesday on the two measures that could generate more significant revenue, but will receive more information at its in-depth meeting on Thursday, Nov. 8.

At least two Council members — Scott Day, 3rd Ward, and Trent — are not seeking re-election and won't be serve on the Council when it votes on the fiscal year 2008-09 budget next March. Shihadeh faces to challengers in his bid for re-election.

Decisions will be made, however, before their terms end on Jan. 31 that will affect whether the new revenue is available.

Several candidates running for City Council attended the planning session.

Reporter contact information

Jennifer Meyer: 563-262-0525

jennifer.meyer@muscatinejournal.com

© 2007, [Muscatine Journal](#), Muscatine, IA