

TO: Michael C. Van Milligen, City Manager

FROM: Jennifer Larson, Budget Director

SUBJECT: Amendment to Bee Branch Watershed Flood Mitigation Project, State Flood Mitigation Board Funding Agreement

DATE: April 16, 2015

INTRODUCTION

The purpose of this memorandum is to request approval of an amendment to the Bee Branch Watershed Flood Mitigation Project, State Flood Mitigation Board Funding Agreement.

BACKGROUND

The Bee Branch Watershed, which includes the City's most developed areas where over 50% of city residents either live or work, has experienced repeated flooding impacting thousands of properties and over seventy businesses. Six Presidential Disaster Declarations have been issued since 1999 as a result of flood damage to public and private property.

In 2012 the State of Iowa Flood Mitigation Program (Program) was created. It established two possible funding sources for flood mitigation projects: a Flood Mitigation Fund and a Sales Tax Increment Fund. To date, no funds have been appropriated for the Flood Mitigation Fund. The Sales Tax Increment Fund is to consist of the increase in the state share of the sales tax revenues from communities with qualifying applications. The maximum state share of sales tax increment that can be diverted from the state and used instead for flood mitigation projects is \$30 million per year. The maximum award for any qualifying single community is \$15 million per year. To qualify for sales tax increment funding, federal financial assistance must have been secured for the project. A local match is also required and the state sales tax increment cannot exceed 50% of the total project cost. In April of 2013 the State Flood Mitigation Program Board (the Board) was established. And at its third meeting in July of 2013, the Board adopted the administrative rules for the Program.

In 2013, the City Council adopted the Drainage Basin Master Plan authored by HDR Engineering that outlines improvements to mitigate flooding. Collectively, the 12-phase project is referred to as the Bee Branch Watershed Flood Mitigation Project.

In November of 2013 the City Council adopted Resolution 336-13 authorizing the City's application to the State for the use of up to \$98,494,178 in sales tax increment funds for the Bee Branch Watershed Flood Mitigation Project. The City's application included a Project Plan that included information about the various phases of the project, the schedule for construction, and a financing plan.

On December 4, 2013, the Iowa Flood Mitigation Board approved the City's application and use of \$98,494,178.00 in state sales tax increment funds for the Bee Branch Watershed Flood Mitigation Project.

In February of 2014, the City Council adopted Resolution 31-14 authorizing the execution of an agreement with the Iowa Flood Mitigation Board binding the City to the terms of the agreement as required for the City's receipt of up to \$98,494,178.00 in state sales tax increment funds for the Bee Branch Watershed Flood Mitigation Project through the State Flood Mitigation Program. The City's application (and associated Project Plan) was established as an integral part of the agreement.

DISCUSSION

On April 13, 2015, the Iowa Flood Mitigation Board approved the City's requested funding agreement amendment to provide an additional \$5 million in sales tax increment in Fiscal Years 2014 through 2018 and remove \$5 million in sales tax increment from Fiscal Years 2031 through 2033. This request was approved because the City's actual sales tax collection growth in Fiscal Year 2014 was 5.20%, well above the projected growth of 1.97%. As a result, 70% of the actual sales tax increment collected in Fiscal Year 2014 was \$882,784. When the actual Fiscal Year 2014 sales tax growth is considered, the ten year historic sales tax growth rate is 2.15%. As a result, the available sales tax increment funding is projected to be more in each subsequent fiscal year than anticipated and what was reflected in the original funding agreement. The estimated sales tax increment revenue receipts for the City are shown in following table.

Table 1
Estimated Sales Tax Increment Revenue Receipts to City of Dubuque

Fiscal Year	Original Estimated Sales Tax Increment Revenue Receipts	Amended Estimated Sales Tax Increment Revenue Receipts	Change in Estimated Sales Tax Increment Revenue Receipts
2015	\$1,068,677	\$1,784,299	\$715,622
2016	\$1,786,625	\$3,084,781	\$1,298,156
2017	\$2,518,644	\$3,915,672	\$1,397,028
2018	\$3,265,011	\$4,764,427	\$1,499,416
2019	\$4,026,006	\$4,764,911	\$738,905
2020	\$4,801,918	\$4,801,918	\$0
2021	\$5,593,037	\$5,593,037	\$0
2022	\$6,399,662	\$6,399,662	\$0
2023	\$6,869,796	\$6,869,796	\$0
2024	\$6,956,900	\$6,956,900	\$0
2025	\$6,956,900	\$6,956,900	\$0
2026	\$6,952,300	\$6,952,300	\$0
2027	\$6,952,300	\$6,952,300	\$0
2028	\$6,947,494	\$6,947,494	\$0
2029	\$6,713,458	\$6,713,458	\$0
2030	\$6,238,500	\$6,238,500	\$0
2031	\$5,738,500	\$4,397,435	(\$1,341,065)
2032	\$4,328,480	\$2,184,888	(\$2,143,592)
2033	\$3,032,469	\$1,500,000	(\$1,532,469)
2034	\$1,347,501	\$715,500	(\$632,001)
Total	\$98,494,178	\$98,494,178	\$0

Through the agreement with the Iowa Flood Mitigation Board, the City will receive up to \$98,494,178.00 in sales tax increment revenue over a twenty-year period per the schedule outlined in the City's Project Plan. There is a six month delay from the time sales tax quarterly returns are submitted to the Iowa Department of Revenue and when the sales tax increment is remitted to the City of Dubuque. The first sales tax increment revenue receipt was received on September 2, 2014. Subsequent receipts will be received every three months.

The Iowa Flood Mitigation Board (the Board) has provided an amendment to the Bee Branch Watershed Flood Mitigation Project, State Flood Mitigation Board Funding Agreement.

RECOMMENDATION

I respectfully recommend the adoption of the attached approving the amendment to the Bee Branch Watershed Flood Mitigation Project, State Flood Mitigation Board Funding Agreement.

JML

Attachments

cc: Barry Lindahl, City Attorney
Cindy Steinhauser, Assistant City Manager
Teri Goodmann, Assistant City Manager
Ken TeKipper, Finance Director
Gus Psihoyos, City Engineer