



TO: Michael C. Van Milligen, City Manager

FROM: Kenneth TeKippe, Finance Director

SUBJECT: Proceedings to Set Public Hearing on the Issuance of Not to Exceed \$34,000,000 Stormwater Utility Revenue Capital Loan Notes (State Revolving Loan Fund Program)

DATE: April 28, 2015

INTRODUCTION

The purpose of this memorandum is to recommend the setting of a public hearing on the proposal to issue Stormwater Utility Revenue Capital Loan Notes, the proceeds of which will be used to pay costs for the Upper Bee Branch Creek Restoration. A letter from attorney William Noth detailing information on the bond hearing is enclosed.

DISCUSSION

In September 2012, the City was informed by the U.S. Economic Development Administration that the application for the Bee Branch Disaster Resiliency Project was selected through EDA's competitive application review process for further consideration for funding in the amount of \$1,227,138. In order to have the EDA further consider the application for funding, the City had to provide additional information. The additional information required information about the local match, including what type of debt would be issued and the timing of the issuance of any such debt for the project.

On June 17, 2013, the City Council held a public hearing and took additional action for the issuance of not to exceed \$14,767,000 Stormwater Utility Revenue Capital Loan Notes (State Revolving Loan Fund Program), the proceeds of which were to be used to pay costs associated with the construction of the Bee Branch Disaster Resiliency Project. This action was taken to satisfy the Economic Development Administration grant ("EDA Grant") requirement that the local match for the EDA Grant be fully committed and readily available.

A year later, the design of the waterway to flow beneath the Canadian Pacific Railroad was evaluated and it was determined that a culvert would pass the Bee Branch Creek beneath the railroad tracks instead of the originally designed bridge. The culvert became an eligible element to be funded with the State Revolving Loan fund. The City had also been approved for \$98,494,178 in Sales Tax increment funding from the State Flood Mitigation Program on December 4, 2013. The sales tax increment became a secondary source of income to pay the State Revolving Funds Loan that the City was to issue for the Bee Branch Creek Restoration Project. Therefore, on June 16, 2014 City

Council held a public hearing and took additional action for the issuance of not to exceed \$30,000,000 Sales Tax Increment Revenue Bonds in lieu of the not to exceed \$14,767,000 Stormwater Utility Revenue Capital Loan Notes.

These bonds have not been issued and it is now advisable that the City of Dubuque should provide for the authorization of one or more Loan and Disbursement Agreements and the issuance of Stormwater Utility Revenue Capital Loan Notes, in the amount of not to exceed \$34,000,000 for the purpose of providing funds to pay costs for the Upper Bee Branch Creek Restoration. These notes would be payable from Stormwater Utility fees and also the amounts deposited in the Additional Projects Account of the Flood Project Fund, which would include sales tax increment received from the State Flood Mitigation Program.

On December 16, 2014 the City of Dubuque's proposal for a Catfish Creek Watershed sponsored project was approved by the Environmental Protection Commission. The Upper Bee Branch Creek State Revolving Fund financing will provide the City of Dubuque \$1,400,000 for the Catfish Creek sponsored project at no additional cost to the City of Dubuque. The Iowa Finance Authority will provide an increase loan amount with a reduced interest rate on the first Upper Bee Branch Creek SRF Loan, which will allow the City to use approximately \$1,400,000 for Catfish Creek Improvements. The semi-annual payment for the State Revolving Funds Capital Loan Notes will remain the same. The loan purposes now include funding for a "sponsored project", namely the Catfish Creek Watershed Improvements.

The State Revolving Fund Loan for the Upper Bee Branch also qualifies for the State Revolving Fund Green Project Forgivable Program. Of the not to exceed \$34,000,000 Capital Loan Notes, \$4,430,100 is forgivable if the project is constructed as required. The State Revolving Capital Loan Notes will carry an annual 1.75% interest rate for 20 years, with an annual servicing fee of 0.25%. There is also a onetime 0.5% upfront loan origination fee.

ACTION TO BE TAKEN

I respectfully recommend the adoption of the enclosed resolution fixing the date of May 18, 2015 for a public hearing on the proposition of selling not to exceed \$34,000,000 in Stormwater Utility Revenue Capital Loan Notes (State Revolving Loan Fund Program) to pay costs for the Upper Bee Branch Creek Restoration and providing publication of notice.

KT/AS/eml

Attachments

cc: Barry Lindahl, City Attorney
Cindy Steinhauser, Assistant City Manager
Teri Goodman, Assistant City Manager
Jenny Larson, Budget Director