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August 26, 2015

Carol Tomb  
Hazard Mitigation Project Officer - Infrastructure  
Iowa Department of Homeland Security and Emergency Management.  
7900 Hickman Rd., Suite 500  
Windsor Heights, IA 50324

VIA EMAIL

RE: State Flood Mitigation Program, Proposed Amendment to Agreement 2013-0

Dear Ms. Tomb,

The purpose of this letter is to seek an amendment to the funding agreement between the Flood Mitigation Board and the City of Dubuque related to the City's use of state sales tax revenues for the 12-phase Bee Branch Watershed Flood Mitigation Project. Specifically, the City is requesting the use of sales tax increment generated in Fiscal Year 2014 in the amount of \$487,080 and the estimated increase in sales tax increment generated in Fiscal Year 2015 in the amount of \$1,475,000 for a total of \$1,962,080.

On May 18<sup>th</sup>, 2015, two construction contracts for Phase 7, the Upper Bee Branch Creek Restoration, were awarded at \$9,532,946 over the estimate. Due to the current bidding environment it was established that although this was a significant overage, it was in the best interest of the City and its citizens to award the contracts in order to avoid the risk associated with the recurring flash flooding.

The City of Dubuque updated the annual projected increase for sales tax increment in 2014 to reflect the increases that were being realized. The city continues to exceed even the updated 2.15% annual projected increase. The City produced \$316,420 more in sales tax increment in the first two quarters of Fiscal Year 2015 than projected. Previously, through an amendment, the City was allowed to utilize more FY14 increment than originally awarded. The City has yet to receive this increase.

In accordance with Chapter 418.4(3)d of the Iowa Code, the City of Dubuque passed a resolution on February 07, 2014 authorizing the use of sales tax increment revenue for the Bee Branch Creek Watershed Flood Mitigation Project and, as required, provided a copy of the resolution to the Department of Revenue. This established that the Department of Revenue was to begin depositing money in the dedicated sales tax increment fund for the City of Dubuque beginning on April 1, 2014. The City was notified

in June of 2014 that the Department of Revenue was to distribute \$695,828.72 in sales tax increment collected in the 3<sup>rd</sup> quarter of FY 2014 into the sales tax increment fund. The City subsequently asked for and received its first disbursement of FY14 sales tax increment in the amount of \$332,469.00 in August of 2014.

The Department of Revenue later retracted this deposit in March 2015, believing the City was not eligible to use of the 3<sup>rd</sup> Quarter of Fiscal Year 2014 sales tax increment, citing Chapter 418.4(3)d. This was not an issue at the time because the City's sales tax increment for the 4<sup>th</sup> quarter of FY 2014 still exceeded the sales tax increment approved for the City's use in FY14. For reference, Chapter 418.12(3) of the Iowa Code states:

*"The Department of revenue shall deposit in the fund the moneys described in subsection 1 beginning the first day of the quarter following receipt of a resolution under section 418.4, subsection 2, paragraph "d". However, in no case shall a sales tax increment be calculated under section 418.11 or such moneys be deposited in the fund under this section prior to January 1, 2014"*

Chapter 418.12(3) of the Iowa Code outlines when the Department of Revenue is expected to begin depositing sales tax increment into the fund and make it available to the City. The Department of Revenue complied with this provision when it deposited the sales tax increment collected in the 3<sup>rd</sup> quarter of FY 2014 into the fund in June of 2014. Therefore, the City is seeking the use of the \$487,080 sales tax increment generated in the 3<sup>rd</sup> quarter of FY 2014.

Because the actual sales tax increment collected in the first two quarters of FY15 exceeded the City's projections, the City is also seeking the use of an estimated increase in sales tax increment generated in Fiscal Year 2015 in the amount of \$1,475,000.00.

As outlined in the Project Plan, the City purposefully limited its yearly request by proposing to spread the construction of project phases over several years in order to both limit borrowing and allow for the availability of more sales tax increment for other Iowa communities that may have funding requests through the state flood mitigation program. At this time, the additional sales tax increment the City is seeking with this amendment would be unavailable to new applicants. Should the Board approve the City of Dubuque amendment, the board would have several million dollars remaining to allocate to other Cities who may approach the board for an increase in their Fiscal Year 2015 sales tax increment funding.

The City of Dubuque respectfully requests \$1,962,080 additional sales tax increment revenue from Fiscal Year 2014 and Fiscal Year 2015. Therefore amending Exhibit B (Amended #1) of funding Agreement 2013-0 to reflect the increased sales tax increment remittance schedule outlined in the attachment.

Thank you in advance for your consideration.

Sincerely,



Michael C. Van Milligen  
City Manager

Attachments

cc: Jennifer Larson, Budget Director  
Teri Goodman, Assistant City Manager  
Gus Psihoyos, City Engineer  
Deron Muehring, Civil Engineer  
Alexis Steger, Senior Budget Analyst