



TO: Michael C. Van Milligen, City Manager

FROM: Deron Muehring, Civil Engineer II *DM*

DATE: August 31, 2015

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

INTRODUCTION

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

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 that sales tax increment collected in a City can be used to fund flood mitigation projects. 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. 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 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 12-phase 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 the financing plan utilizing sales tax increment funds.

On December 4, 2013, the Iowa Flood Mitigation Board approved the City's application and the City's 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 a funding 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. The sales tax increment is to be distributed to the City based on a set schedule over a twenty-year period as outlined in the City's Project Plan and as reflected in the funding agreement.

The legislation establishing the State Flood Mitigation Program (Program) and the subsequent amendments to the Iowa Code enacting the Program established limitations on a city's use of sales tax increment. A city is only eligible to use state sales tax if the sales tax collections grow. And a city can only use the portion of sales tax that represents the actual growth. As part of its application, the City of Dubuque projected that the state sales tax collected within the City would grow annually by 1.97% based on the average growth from 2003 to 2013. This annual growth rate was then utilized to predict the amount of sales tax increment that would be available for the City's use in order to fund the Bee Branch Watershed Flood Mitigation Project. The 1.97% annual growth rate was thought to a conservative approach which would ensure that the actual sales tax growth would allow the City to receive the annual sales tax increment funding outlined in the Project Plan and reflected in the City's budget.

The actual sales tax growth from Fiscal Year 2013 to Fiscal Year 2014 was 5.20%. Therefore, In March of 2015, the City sought an amendment to the funding agreement that would modify the 20-year distribution schedule and allow the City's use of \$5 million more in sales tax increment in Fiscal Years 2014 through 2018 and \$5 million less in sales tax increment from Fiscal Years 2031 through 2033. This request was subsequently approved by the Board on April 13, 2015. This amendment did not modify the total sales tax increment funding available for the City's use; the amended schedule still reflects that the City will receive a total of \$98,494,178.00 in sales tax increment funds for the Bee Branch Watershed Flood Mitigation Project.

DISCUSSION

Because the actual sales tax growth in Fiscal Year 2014 and Fiscal Year 2015 exceeded the projected totals, the City is eligible to receive the additional sales tax increment if the funding agreement is amended accordingly. Therefore, a letter was sent (attached) to the State requesting 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 inquired about the use of the actual sales tax increment generated in Fiscal Year 2014 in the amount of \$487,080.00 and the estimated increase in sales tax increment to be generated in Fiscal Year 2015 in the amount of \$1,475,000.00 for a total request of \$1,962,080.00. If approved, the funding agreement would reflect that the City will receive \$100,456,258.00 in sales tax increment disbursed from 2014 through 2033. Attachment 1 shows a comparison between the adopted annual disbursement schedule versus the proposed schedule.

RECOMMENDATION

I recommend that the City seek an amendment to the State Flood Mitigation Board Funding Agreement in order to secure an additional \$1,962,080.00 in sales tax increment funding for the Bee Branch Watershed Flood Mitigation Project.

BUDGET IMPACT

The use of the additional \$1,962,080.00 in sales tax increment funding would be considered as part of an amendment to the Fiscal Year 2016 Storm Water Utility Fund Budget.

REQUESTED ACTION

I respectfully request adoption of the attached resolution approving the City's request for the use of additional sales tax increment collected in Fiscal Years 2014 and 2015 for the Bee Branch Watershed Flood Mitigation Project.

Encl.

Cc: Barry Lindahl, City Attorney
Jennifer Larson, Budget Director
Teri Goodmann, Assistant City Manager
Gus Psihoyos, City Engineer
Alexis Steger, Senior Budget Analyst