

TO: Michael C. Van Milligen, City Manager

FROM: Gus Psihoyos, City Engineer

DATE: June 14, 2017

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

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 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 outlined 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.

In April of 2015, the City Council adopted Resolution 138-15 authorizing an amendment to the funding agreement with the Iowa Flood Mitigation Board that provided for the City to receive an additional \$5 million in sales tax increment in Fiscal Years 2014 through 2018 offset by a reduction of \$5 million in sales tax increment in Fiscal Years 2031 through 2033.

DISCUSSION

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 increment funding if the sales tax collections within the city actually grow.

Recently, the City of Cedar Falls reached out to the City of Dubuque seeking help. They believe that their sales tax growth in FY17 will not grow as originally projected, preventing them from collecting approximately \$700,000 in sales tax increment funding from the state. And the State Flood Mitigation Board (Board) would not have the ability to re-allocate the funding later on as the Board has already allocated the maximum they can in subsequent years. This is where the City of Dubuque may be able to help.

In contrast to Cedar Falls, sales tax collections in the City of Dubuque have exceeded the projections outlined in the City's original application. It is possible the City will generate enough sales tax increment in FY17 to support the City's receipt of additional funding. The proposal to the Board will be to shift up to \$700,000 in FY17 sales tax increment from the City of Cedar Falls to the City of Dubuque and in FY19 to shift a corresponding amount from the City of Dubuque to the City of Cedar Falls.

The amendment will take into consideration that the amount shifted will be limited to the actual sales tax increment generated in the City of Dubuque above and beyond what the City is currently programmed to receive. Hence, the "up to \$700,000" language. Essentially, the City will not lose out on sales tax increment funding as a result of the proposed amendment.

This amendment will not modify the total sales tax increment funding available for the City's use. It would simply accelerate the City's receipt of up to \$700,000, shifting it from FY19 to FY17.

RECOMMENDATION

I recommend that the City seek an amendment to the State Flood Mitigation Board Funding Agreement in order to secure up to \$700,000.00 in additional sales tax increment funding in FY2017 offset by a corresponding decrease in FY2019 for the Bee Branch Watershed Flood Mitigation Project.

BUDGET IMPACT

If realized, the use of the additional sales tax increment funding would be considered as part of an amendment to the Fiscal Year 2018 Storm Water Utility Fund Budget and further reflected in the upcoming FY19-FY23 Capital Improvement Program Budget.

REQUESTED ACTION

I respectfully request approval to seek an amendment to the State Flood Mitigation Board Funding Agreement in order to secure up to \$700,000.00 in additional sales tax increment funding in FY2017 offset by a corresponding decrease in FY2019 for the Bee Branch Watershed Flood Mitigation Project.

Prepared by Deron Muehring

cc: Crenna Brumwell, City Attorney
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