



TO: Michael C. Van Milligen, City Manager

FROM: Deron Muehring, Civil Engineer *DM*

DATE: January 13, 2020

RE: Bee Branch Watershed Flood Mitigation Project, HUD National Disaster Resilience Grant, Infrastructure Contract #13-NDRI-011, Letter to Iowa Economic Development Authority on the Budget Status and a Possible Contract Amendment

INTRODUCTION

The purpose of this memorandum is to seek authorization to send a letter to the Iowa Economic Development Authority (IEDA) at their request outlining the budget status and possible amendment to Contract #13-NDRI-011. Per Contract #13-NDRI-011, the City is to receive \$23.3 million in HUD CDBG National Disaster Resilience Grant funding specifically for infrastructure improvements associated with the Bee Branch Watershed Flood Mitigation Project.

BACKGROUND

Since 1999 there have been six Presidential Disaster Declarations due to the property damage caused by flash flooding in the Bee Branch Watershed. While the Bee Branch Watershed comprises just over 20% of the entire city by area, more than 50% of Dubuque's population either lives or works in the watershed.

The sixth disaster (DR-4018) occurred in July of 2011 when a storm event stalled over Northeast Iowa and dropped more than 14 inches of rain in less than 12 hours on parts of the city. The aftermath was devastating with the Bee Branch watershed hit hardest. The city's storm drains were unable to handle the water, and substantial flash flooding occurred, damaging elements of the drainage system, tearing up roads, and flooding homes and businesses. The reports included 32 sewer back-ups, 259 requests for basement pumping, and 47 sanitary/storm sewer maintenance requests.

In January 2016, the State was awarded \$95.7 million in HUD National Disaster Resiliency Competition grant funds to help Iowa recover from the 2011 floods. Per the award, the City of Dubuque is to receive \$23.3 million for storm water infrastructure improvements associated with the Bee Branch Watershed Flood Mitigation Project. The infrastructure improvements are as follows:

1. Bee Branch Railroad Culvert Infrastructure Improvements involving the installation

of culverts to pass stormwater through Canadian Pacific Railway (CPR) property at 506 Garfield Avenue – from the upper Bee Branch Creek to the lower Bee Branch Creek;

2. 22nd Street/Kaufmann Ave Storm Sewer Improvements involving the installation of a large diameter storm sewer from 22nd & Elm up Kaufmann Avenue to the Kaufmann & Kane intersection. The work includes inlets and local sewer connections to the storm sewer and the complete reconstruction of the street and other underground utilities along street right-of-way corridor; and
3. 17th Street/W. Locust Street Storm Sewer Improvements involving the installation of a 96-inch diameter pipe from the lower Bee Branch Creek through the CPR tracks to 17th Street and continuing to the west along 17th Street and west along W. Locust Street towards Angella St. The work includes inlets and local sewer connections and the complete reconstruction of the street and other underground utilities along street right-of-way corridor.

In October of 2016, the City Council adopted Resolution 362-16, authorizing the execution of a funding contract with the Iowa Economic Development Authority (IEDA) as a requirement for the City's receipt of \$23,309,600.00 in CDBG Disaster Recovery – National Disaster Resiliency funds for the Bee Branch infrastructure improvements.

In September of 2017 the City Council authorized an amendment to the contract with IEDA. The changes were deemed necessary based on IEDA's visit with the U. S. Department of Housing and Urban Development (HUD) regarding the agreements between IEDA and sub-recipients such as the City of Dubuque. HUD asked that specific clauses and agreement terms be incorporated into the agreement between IEDA and the City of Dubuque. The amendment also changed the overall grant amount to reflect the actual amount of eligible, pre-award administrative costs versus the estimated costs reflected in the original contract. It did not change the amount the City is to receive for designing and constructing the actual infrastructure improvements.

DISCUSSION

As outlined in the funding contract between the City and IEDA, the City is to expend the Community Development Block Grant Program Disaster Recovery – National Disaster Resiliency (CDBG-NDR) funding by September 30, 2021. With less than twenty months left, IEDA has requested that all grant sub-recipients, such as the City of Dubuque, provide a letter outlining the budget status and the need for any additional amendments to the funding contract. The main reason for the request is to help IEDA determine if each grant sub-recipient is on schedule to spend the money within the allotted timeframe. If IEDA determines that a sub-recipient will not be able to spend the funding by September 30, 2021, they may reallocate the funding to another sub-recipient for their use. The letter outlines that the City is in a position to spend more than the currently allotted funding and requests a possible amendment if additional funding is available.

There are three activities provided for in the City's HUD CDBG NDR funding contract with the IEDA, under which the City is to receive \$23.3 million in CDBG Disaster Recovery – National Disaster Resiliency funds for the infrastructure improvements. The budget status of each is as follows:

Activity	NDR Budget	Expended to Date	Remaining Funds
172-01 [Watershed Planning]	\$35,753.00	\$35,753.00	\$0.00
181-01 [Administration]	\$157,500.00	\$88,125.00	\$69,375.00
69-01 [Watershed Improvements]	\$23,100,000.00	\$14,076,935.00	\$9,023,065.00
TOTALS	\$23,293,253.00	\$14,200,813.00	\$9,092,440.00

In addition to the amount expended to date, the City has awarded contracts and committed to HUD-funded expenditures totaling \$9,023,065.00 such that the entire \$23,100,000 budgeted for watershed improvements will be expended by September 30, 2021. Moreover, the City has awarded contracts and committed to non-HUD funded expenditures totaling \$13,491,934.96 such that the entire \$21,600,000 in direct leverage (local match) for watershed improvements will be expended by September 30, 2021. Therefore, the \$44,700,000 outlined in the State's application for Bee Branch watershed infrastructure improvements will be expended by September 30, 2021. The improvements to be completed are as follows:

Project	Work to Be Completed*
Bee Branch Railroad Culvert Improvements	Culverts from Garfield Avenue through railroad property
Bee Branch (22 nd)/Kaufmann Ave Storm Sewer Improvements	22 nd Street from Elm Street to N. Main Street
Bee Branch (17 th)/W. Locust Storm Sewer Improvements	17 th Street from Pine Street to Heeb Street

*To be completed by September 31, 2021.

The State is also interested in identifying those sub recipients that could expend additional HUD CDBG NDR funding prior to December 31, 2021. The letter outlines that the City is in such a position.

At the time of the State's application, the Bee Branch infrastructure improvements were estimated to cost \$50,055,373. The actual award was scaled back (scaled/scoping alternative 2) which, along with the City's direct leverage, provided the aforementioned \$44,700,000 for the improvements. This left a \$5 million funding gap. This gap increased due to actual project costs exceeding the original estimates.

The original estimates for the improvements were prepared by a professional engineer back in 2015. While the estimates included a 20% contingency, the grant application did not reflect higher project costs due to inflation. So, when the project improvements were bid three to four years after the application, a shortfall could be expected. According to Engineering News-Record (a technical publication that provides construction news, analysis, commentary and data), the general cost of construction grew by 9.9% from 2015 to 2018 (ENR, March 19/26, 2018). And the cost of materials required for the Bee

Branch infrastructure improvements grew at even higher rates. For example, from 2015 to 2018 the cost of structural steel (materials required to constructed reinforced box culverts) grew by more than 43% (ENR). These higher than anticipated project costs were realized when the City began bidding the work. The City bid the Bee Branch Creek Railroad Culverts Project in early 2019. The low bid submitted was \$27.9 million, \$9.9 million (or 55%) more than the \$18.0 million estimate outlined in the HUD CDBG-NDR grant application. While to a lesser extent, the bids for the other Bee Branch infrastructure work have been similarly higher than anticipated. As a result, the project limits have been necessarily truncated, leaving additional work for the future (see table below).

Project	Remaining Work*
Bee Branch Railroad Culvert Infrastructure Improvements	NA
Bee Branch (22 nd)/Kaufmann Ave Storm Sewer Improvements	N. Main Street to Kane Street
Bee Branch (17 th)/W. Locust Storm Sewer Improvements	Heeb Street to Rosedale Ave

*Work remaining after the current \$23.1 million in HUD CDBG-NDR funding is exhausted.

With the improvements designed (and Section 106 clearance granted), the City is in a position to move forward with bidding additional improvements without delay. If an additional \$22,680,000 were made available, the City would be able to expend the funds on the improvements outlined above by September 30, 2021. A breakdown is as follows:

Project	Additional Work	Estimated Cost*
Bee Branch (22 nd)/Kaufmann Ave Storm Sewer Improvements	N. Main Street to Hempstead Street	\$9,530,000
Bee Branch (17 th)/W. Locust Storm Sewer Improvements	Heeb Street to Kirkwood Street	\$13,150,000
	TOTAL	\$22,680,000

*Based on 2020 estimates.

The City is also in a position to use any fraction of that amount as well. Attachment A shows the incremental costs of improvements along both Kaufmann Avenue and on 17th St./W. Locust Street.

Any additional funding will help reduce the floodwaters that rush down 17th Street/W. Locust Street and down Kaufmann Avenue, preventing property damage and making those impacted low-to-moderate income residents more resilient to flooding.

Based on the information provided, the City requests that the funding contract be amended in order to allocate the City more funding if additional funds are available.

BUDGET

In addition to the HUD CDBG National Disaster Resilience Grant funding, per the Contract, the City has committed to \$21,600,000 for the improvements as local, Direct Leverage. This is being done through a State Revolving Fund (SRF) loan specifically for the Bee Branch Railroad Culvert Improvements, state sales tax increment through the State Flood Mitigation Program, and local stormwater management utility fees.

No additional City funding would be required if more HUD CDBG-NDR funding was made available to the City through a funding contract amendment.

REQUESTED ACTION

I respectfully request authorization for the Mayor to sign a letter to the Iowa Economic Development Authority outlining the budget status and possible amendment to the funding contract related to the City's receipt of HUD CDBG-NDR funds for infrastructure improvements associated with the Bee Branch Watershed Flood Mitigation Project.

Attach.

Cc: Gus Psihoyos, City Engineer
 Teri Goodmann, Assistant City Manager
 Jenny Larson, Director of Finance and Budget
 John Tharp, Project Coordinator
 Mark Schneider, Grant Administrator-ECIA