

**TO:** Michael C. Van Milligen, City Manager

**FROM:** Gus Psihoyos, City Engineer

**DATE:** June 5, 2020

**SUBJECT:** Bee Branch Watershed Flood Mitigation Project, Iowa Flood Mitigation Board, 4<sup>th</sup> Amendment to Funding Agreement

### **INTRODUCTION**

The purpose of this memorandum is to request approval of an amendment to the funding agreement (Agreement) with the State Flood Mitigation Board (Board) in order to utilize \$98,474,178.00 in State sales tax increment funding 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 a Sales Tax Increment Fund for 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. To qualify for sales tax increment funding, federal financial assistance must have been secured for the project. A local match is also required and the State sales tax increment cannot exceed 50% of the total project cost.

In 2013, the City Council adopted the Drainage Basin Master Plan authored by HDR Engineering that outlines improvements to mitigate flooding. Collectively, the 12- phase project is referred to as the Bee Branch Watershed Flood Mitigation Project.

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 Bee Branch Watershed Flood Mitigation Project. The City's application was approved by the Iowa Flood Mitigation Board on December 4, 2013.

In February of 2014, the City Council adopted Resolution 31-14 authorizing the execution of the Funding Agreement with the Iowa Flood Mitigation Board. As outlined in Exhibit of the Funding Agreement, the City will receive a total of \$98,494,178.00 in State sales tax increment funds distributed over the course of 20 years.

### **DISCUSSION**

On January 29, 2020 the Flood Mitigation Board (Board) approved the City of Burlington's request to adjust their Sales Tax Increment Projections. The adjustment made sales tax increment funding available in fiscal years 2020 through 2032. Subsequently, Iowa Homeland Security & Emergency Management (IHSEM) asked various funding recipients if they would be in a position to utilize the increment. While the total amount of increment to be received could not be increased, it would be possible to receive more increment sooner. Several recipients expressed interest.

Working collaboratively with IHSEM and the other recipients, the additional increment was made available to the City of Dubuque starting in Fiscal Year 2023 for which the City could seek through Amendment Number Four to the Funding Agreement (Amendment). Attached Exhibit A shows how the Amendment will allow the City to utilize sales tax increment sooner than currently authorized. For example, the City is currently authorized to receive a combined \$3,422,548 in fiscal year 2033 and 2034. Per the Amendment, the City will receive \$3,058,940 of that spread out over the preceding ten years. The proposed Amendment also adjusts the totals in past fiscal years to reflect increment received. The Amendment will not adjust the total sales tax increment to be received. That remains fixed at \$98,494,178.00.

While the City did issue two sales tax increment bonds which are being retired using the annual sales tax increment payments from the State, the City is also using sales tax increment funding to pay for project elements on a "pay-as-you-go" basis. Therefore, receiving sales tax increment funding sooner will allow the City to move forward with project elements sooner.

The City sent a letter requesting the modification of the schedule of payments. And with the help of IHSEM, the Amendment was presented and approved by the Board at their June 2020 meeting. The Amendment modifies the schedule of remittances that the City will receive payable over the term of the agreement and pursuant to the schedule as set out in the attached Exhibit B. All other paragraphs in the Agreement will remain unchanged.

### **RECOMMENDATION**

I recommend execution of the attached Amendment Number Four to the Funding Agreement with the Iowa Flood Mitigation Board establishing the annual schedule of sales tax increment funds the City will receive from the State, totaling \$98,494,178.00, for the Bee Branch Watershed Flood Mitigation Project.

**REQUESTED ACTION**

I respectfully request adoption of the attached resolution approving Amendment Number Four to the Funding Agreement with the Iowa Flood Mitigation Board establishing the revised annual schedule of remittances of sales tax increment that the City will receive, totaling \$98,494,178.00, for the Bee Branch Watershed Flood Mitigation Project.

Attach.

Prepared by Deron Muehring

Cc: Crenna Brumwell, City Attorney  
Teri Goodmann, Assistant City Manager  
Deron Muehring, Civil Engineer  
Jennifer Larson, Director of Finance and Budget