

 <p style="text-align: center;"><b>Council</b> <b>Communication</b> Office of the City Manager</p>	<b>Date:</b> June 22, 2015
	<b>Agenda Item No.</b> Extra 1 <b>Roll Call No.</b> <u>15-1093</u> <b>Communication No.</b> <u>15-357</u> <b>Submitted by:</b> Pamela S. Cooksey, P.E., City Engineer

**AGENDA HEADING:**

Approval of Resolution Authorizing use of Sales Tax Revenues for the State of Iowa Flood Mitigation Program (FMP) for the Des Moines-WRA Flood Mitigation Project, approving the agreement between the Flood Mitigation Board and the City of Des Moines, Iowa and the Des Moines Metropolitan Wastewater Reclamation Authority (WRA), and approving a third amendment to the 28E Agreement by and between the City of Des Moines, Iowa and the WRA for the Joint Application for Administration and Funding of a Project Plan Pursuant to the Iowa Flood Mitigation Program.

**SYNOPSIS:**

Recommend approval of the Resolution Authorizing use of Sales Tax Revenues for the State of Iowa Flood Mitigation Program for the Des Moines-WRA Flood Mitigation Project, approving the agreement between the Flood Mitigation Board and the City of Des Moines, Iowa and the WRA, and approving a third amendment to the 28E Agreement by and between the City of Des Moines, Iowa and the WRA for the Joint Application for Administration and Funding of a Project Plan Pursuant to the Iowa Flood Mitigation Program.

**FISCAL IMPACT:**

Amount: The joint application identifies \$308.6 million in projects related to flood protection for the City of Des Moines and the WRA over a 20 year period, including completed, current, and future proposed projects. The application and tax increment funding request is for \$111.1 million from the Iowa Flood Mitigation Program. The City has identified nine (9) eligible projects totaling \$55.8 million, and the WRA has identified five (5) eligible projects totaling \$36.5 million. In addition, the City has identified approximately \$14.8 million in interest costs, and WRA has identified approximately \$4.0 million in interest costs to be funded by Sales Tax Increment over 20 years. The funding will be made available over the next 20 years in gradually increasing increments as sales tax revenues increase over the established base year. Therefore, projects will need to be financed as originally planned with the grant funds assisting in the debt service payments over the next 20 years.

Funding Source: 2015-2016 CIP, Page Storm-6 Des Moines River Flood Mitigation Improvement, SM087, Storm Revenue Bonds

**ADDITIONAL INFORMATION:**

On March 24, 2014, the City Council approved, and on March 18, 2014, the WRA approved submitting a joint application to the Iowa Flood Mitigation Board for funding of crucial flood mitigation projects along the Des Moines River. Funding is available from State Sales Tax Increment

generated within the WRA service area. \$45.4 million in projects have been identified by the City to be completed, while \$36.5 million in projects have been selected by the WRA.

On May 28, 2014, the City of Des Moines and the WRA submitted an application to the Flood Mitigation Board. This application requested \$95,529,352 for projects in progress and planned future projects. The future projects were identified by Consultant studies and relevant technical data. The joint application was not acted upon until legislation was passed allowing the WRA to be an eligible applicant. On June 22, 2015, this legislation was signed into law by the governor.

Two (2) main factors bond the City and WRA together in this quest for funding.

1) Qualifying criteria requires that an applicant must have been approved to receive federal funding for the project or an earlier phase of the project. Since 2008, the City has received federal funding, whereas the other WRA member cities have not received federal funding to qualify. Federal Emergency Management Authority (FEMA) funding is not an eligible federal funding source for this program.

2) Funding is available from growth in State Sales Tax revenue from the applicant's community, for which the City is experiencing slow sales tax growth. However, the entire WRA service area in total is realizing a faster pace of growth that would generate sufficient revenues to fund this request.

The joint application requests that Sales Tax Increment from the entire WRA service area be available for funding the full list of projects. Growth in the incremental tax revenue will occur over time, so the joint application requests funds that align with this increment.

Eligible projects for the FMP are defined as "construction and reconstruction of levees, embankments, impounding reservoirs, or conduits that are necessary for the protection of property from the effects of floodwaters and may include deepening, widening, alteration, change, diversion, or other improvement of watercourses if necessary for the protection of such property from the effects of floodwaters". (Iowa Code Sec. 418(1)(5).) Applicants may submit projects that consist of one (1) or more phases of construction or reconstruction. Application requirements include approval by resolution of each applicant of the Project Plan (flood mitigation improvement projects proposed to be constructed as part of the Program), and letters of support for the flood protection project, and as such, the City Engineer intends to utilize support letters from WRA community representatives. The City projects set forth in the proposed Project Plan will be included in the City's Capital Improvements Project budgeting. These projects will eventually allow the City's levees to be certified by FEMA. These projects will improve protections for those areas currently behind the City's levee system, including the new Municipal Service Center.

The WRA and the City of Des Moines entered into a 28E Agreement, and this action will approve a Second Amendment to that agreement outlining the joint application that will be submitted to the Flood Mitigation Program, the agreed upon project plan, and the respective responsibilities of the WRA and the City of Des Moines as it relates to the flood protection project.

On June 8, 2015 the City Council approved, and on June 16, 2015, the WRA Board approved the second amendment to the 28E agreement. This second amendment included a new project plan. This new project plan provided updates, including removing completed projects, adding new projects, and adjusting the sales tax increment request to align with the limitations of the FMP. The City and WRA submitted a new application that includes these projects. The revised funding request is consistent with

the limits of available sales tax increment through the FMP rules. These limitations result in additional financing expenses of \$2.3 million. With the Project Plan, the total sales tax increment request increases by \$16 million. This amount is added to the original total sales tax increment request of \$95 million to a new total of \$111 million.

The Second Amendment to the 28E Agreement keeps the funding split between the WRA and City at 50%, but upon completion and payment for the WRA projects, the remaining sales tax increment revenue approved for the Project Plan will be reallocated and used by the City for the City's projects.

The Third Amendment to the 28E Agreement was executed on June 18, 2015. This third amendment reduced the Sales Tax Increment request by approximately \$56,000 in order to fit within the FMP limits.

With the new legislation approved on June 22, 2015, the City and WRA were able to present the application to the Flood Mitigation Board. The Board has approved the application pending City and WRA authorization of the use of Sales Tax Revenues for the State of Iowa Flood Mitigation Program for the Des Moines-WRA Flood Mitigation Project and approving the agreement. The WRA Board is expected to meet later this week.

#### **PREVIOUS COUNCIL ACTION(S):**

Date: June 8, 2015

Roll Call Number: [15-0978](#)

Action: [Submission](#) of an Iowa Flood Mitigation joint application with the Des Moines Metropolitan Wastewater Reclamation Authority (WRA) to the Homeland Security and Emergency Management Department, and approving a second amendment to the 28E Agreement by and between the City of Des Moines, Iowa and the Des Moines Metropolitan Wastewater Reclamation Authority for the Joint Application for Administration and Funding of a Project Plan Pursuant to the Iowa Flood Mitigation Program. ([Council Communication No. 15-303](#)) Moved by Hensley to adopt. Motion Carried 7-0.

Date: April 7, 2014

Roll Call Number: [14-0574](#)

Action: [Revised](#) Project Plan for the joint application with the Des Moines Metropolitan Reclamation Authority (WRA) to the Homeland Security and Emergency Management Department and approving a first amendment to the 28E Agreement with WRA for the joint application for administration and funding of a project plan pursuant to the Iowa Flood Mitigation Program. ([Council Communication No. 14-157](#)) Moved by Moore to adopt. Motion Carried 7-0.

Date: March 24, 2014

Roll Call Number: [14-0505](#)

Action: [Submission](#) of an Iowa Flood Mitigation Program joint application with Des Moines Metropolitan Wastewater Reclamation Authority (WRA) to the Iowa Homeland Security and Emergency Management Agency, approving the Project Plan and approving a 28E Agreement with the

Des Moines Metropolitan Wastewater Reclamation Authority for the Joint Application for Administration and Funding of a Project Plan. ([Council Communication No. 14-130](#)) Moved by Moore to adopt. Motion Carried 7-0.

**BOARD/COMMISSION ACTION(S): NONE**

**ANTICIPATED ACTIONS AND FUTURE COMMITMENTS: NONE**

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