

**Official Minutes
Iowa Flood Mitigation Board
Grand River Center, Dubuque
July 31, 2013**

The Iowa Flood Mitigation Board held its meeting on July 31, 2013 at Grand River Center, Dubuque, Iowa. The meeting was called to order at 12:35 PM by Chair Mark Schouten. A quorum of voting board members was present. Chair Schouten thanked the City of Dubuque for the presentation and tour of the city's mitigation project.

In attendance:

Board Members:

Mark Schouten, Amy Kaleita, John Torbert, Arnold Honkamp, Joe Sanfilippo on behalf of Chuck Gipp, Jake Friedrichsen, Carolann Jensen, Lori Glover, Jim Gillespie for Bill Northey.

Ex-officio: Daniel Lundby*, Robert Hogg*, Dan Zumbach*

Excused Absences: Jared Klein*

(* = nonvoting)

I. CONSENT AGENDA ITEMS.

A. Approval to adopt the agenda:

Arnold Honkamp moved for approval of the July 31, 2013 agenda; Jim Gillespie seconded. Motion carried.

B. Adoption of the Minutes from June 17, 2013

An amendment was made to the proposed draft minutes to record Amy Kaleita as not present at the time of the vote.

John Torbert moved for approval of the June 17, 2013 minutes as amended; Lori Glover seconded. Motion carried.

II. REVIEW AND DISCUSSION OF DRAFT APPLICATION PACKAGE.

Dennis Harper reported to the board that the application was changed to reflect the local match may be zero and the application could be submitted as such. The board will work through the process with the local applicant to determining what the local amount will be.

Dubuque and Cedar Rapids will both need to have some local investment to complete their project. The cities of Ames, Iowa City and Coralville have indicated some interest in the process.

The first step is completing the application and then it is brought to the board. The approval from the board will look like a dollar amount of increment financing.

Applications may be submitted immediately if the rules are accepted by the emergency rule committee on Nov. 20. HSEMD and Department of Revenue will work with the applicants to complete the applications. The board may work with applicants in advance of the rules approval.

Public questions and discussion:

Mike Cherry, Waverly: The city of Waverly feels like they are being left behind in the process. If there is a project that affects 500 homes but only 1 business, they are not gaining from the tax increment.

Alana Stamas, Dept. of Revenue: The initial forms that went out caused some confusion in the Department of Revenue. It has since been clarified that the increment is calculated within the city boundaries.

Mike Van Milligen, Dubuque: We appreciate the schedule that has been laid out and the willingness of the staff to work with the city of Dubuque to get the application submitted.

David Elgin, Cedar Rapids: It is vital that we work with staff on the complex project to get the application in by Nov. 20.

State Representative Roger Thomas: Listening to the conversation about the match, I would ask you to think about what percentage the board will accept. You're talking minimal. Enough is never enough for a match. It would be helpful for county officials to know what the board expects.

Mark Schouten: We are uncertain which cities will qualify under the tax increment qualification. We will need to make a determination during the process. That is why it's important the smaller cities are here. Until the mitigation fund is allocated money, we will need to look at those applications with local match.

Jake Friedrichsen: If someone comes forward with zero match it is up to the board to send it back for revision. I would like to be as flexible as possible and if we can make it work, we will do what we can.

State Senator Hogg: We are dealing with three funding sources for public infrastructure. We are looking at local/state/federal. The federal and local funds need to add up to at least fifty percent of the project. Communities know you will need to come up with at least fifty percent and beyond that work with the board.

Carolann Jensen: The application needs clarification on Tab A Page 5, K. It should be clear that the application is asking for a projection of the number of people and properties that will be protected as a result of the project.

Carolann Jensen: Tab B Page 1: Project Plan shall include: responses should be complete sentences. Tab C Page 1: if there is not a 28E agreement, there would

be more than one entity on an agreement. The board will require the 28E supporting document be submitted with the application.

Mark Schouten: The purpose of the application is for the board to compare projects in similar formats. Staff will arbitrate unforeseen situations that may arise during the application process.

Dennis Harper, HSEMD: After working with the Department of Revenue, HSEMD staff will review applications for completeness and then submit it to the board. We will not be giving recommendations. When the package comes to the board, it will include Revenue's assessment of the tax increment.

Carolann Jensen: Do we require anything in the application on a bonding council? I assume the bond council will provide an opinion.

Joe O'Hern: It depends. It's important that the applicant knows what the sales tax increment is for the base year. As it goes out over 20 years that increment will change. I don't believe Revenue will give an opinion on how much the increment will change. We will need to make reasonable projections. In terms of bonding, it may be more advantageous to bond two or three years later. We would have an opinion from a bond council that we could provide with the application. How the board phrases its approval will be important. It includes approval for the city to spend increment up to a certain amount.

Mark Schouten: So we have a \$30M increment per year, in the third year, nobody may use it. Can Revenue project what the increment will be in the first year?

Alana Stamas: We have been providing historic numbers for the past three years. This shows the base year and the trends.

Mark Schouten: Based on a three year trend what are the projections you've looked at?

Jon Cleereman: It's difficult to predict out on a micro economic scale.

Deron Muehring, city of Dubuque: Page 62 of the packet, bond issuance.

Carolann Jensen: I am going to want to know the strength of the financial information upfront so we can have a cleaner process. I will want to know what your contingency plan is if you do not meet the increment projections. The safer investment is pay-as-you-go.

Joe O'Hern: We will work with bond council and staff. We can come up with the level of detail that the board will be comfortable with.

Mike Van Milligen: The city of Dubuque may do a debt issuance right from the beginning. We don't talk about the bond council and projections. We will include

the analysis from the bond council in our application which is based on the projection of the revenue stream.

Carolann Jensen: I view Iowa Finance Authority being on the board to determine if the financial decisions made by the board are sound.

Jake Friedrichsen: There is concern about a sound revenue source. Could we find a similar issuance example of long term increment financing anywhere else?

Mike Van Milligen: I don't think anyone in Iowa has experience in it. There are companies that have experience in doing it.

Arnie Honkamp: Are there any safety measures that they invest in or tools to protect it?

Mike Van Milligen: There are things that can be done however, there is language in this bill that may not allow it. If the debt was issued at the front at 5%, the bond holder is on the hook for that.

Mark Schouten: I appreciate the audience participating in the discussion.

III. REVIEW AND DISCUSSION OF DRAFT ADMINISTRATIVE RULES.

John Benson, HSEMD, presented the draft administrative rules. The changes begin on page 58, second paragraph, top of page 59 dealing with the local match, and page 60, inclusion of maintenance plans being submitted with application.

If the board approves the draft rules, the filing will be submitted to the governor's office for approval, then published on Aug. 21, minimum 20 days for public comment. Sept. 12, a public hearing will be held in HSEMD office, filing on Sept. 25, published on Oct. 16 and adopted Nov. 20. At the Sept. 12 public hearing, we will review any written comments and receive any oral comments to the substance of the rule. We would capture that discussion and see if there are substantive changes, bring it back to the board for review. The board is welcome to attend the public hearing but is not required. The chances of adoption of the rule by Nov. 20 are good. The rules and review committee could be provided a draft of the rule to see if there are any concerns prior to formal review.

Mike Van Milligen: We are glad to hear of the Nov. 20 date. It is important for us to have access to the increment so we can start work as soon as possible.

John Torbert moved the board approve filing the NOI as amended; Jake Friedrichsen seconded; the motion was approved unanimously.

Timetable:

The board needs to determine the last date to accept applications. The concern is hitting the \$30M ceiling. The board will determine how a project achieves a maximum increment. There may be smaller projects that could use the reserve of \$30M until the amount allocated on a ramped schedule.

Once comments are gathered the board will determine whether a call or in person meeting is necessary following the Sept. 12 public hearing. The next board meeting will be Nov.21. Draft applications may be submitted ahead of the Nov. 21 meeting.

IV. PUBLIC COMMENT.

Joe O'Hern: The legislature wants to get these projects done and because of the growth in the increment between now and 2016 you wouldn't have enough applications to spend \$15M, certainly not anywhere close to \$30M if you look at the existing increments. So being clear about authorizing an entity to generate their own "up to" amount is a more practical way to try to utilize this resource and get the flood protection for the citizens I think the legislation envisioned, and hopefully get it in place as quickly as possible. So allowing that up to and saying then obviously the statutory should have a stake in, I think makes a lot of sense to be able to allocate the resources as much as possible, as soon as possible. We've been at this a long time to provide this protection we wouldn't want to string it out any longer.

Mike Cherry, city of Waverly: We will submit an application. I think we'll see a lot of inequity in the process simply because we cannot generate the funding as the large revenue centers. We have over 450 homes and businesses that would benefit and our increment is going to be miniscule compared to these communities that are retail centers.

Mike Van Milligen, city of Dubuque: The legislation provided two manners of funding, one being the sales tax increment the other is a pure grant. The legislature could step up and put money in the grant side to assist the small town need.

V. ADJOURNMENT.

John Torbert made a motion to adjourn; Arnie Honkamp seconded. Motion carried at 2:40 PM.