

Excerpt from 2020 Urban Renewal Plan Amendment – Water System Improvements

- (i) Water System Improvements Project: (“Water System Project”) The City of Osage needs to make improvements to its water system. Among the components of the improvements needed are a new well, a new well house and an elevated water storage tank. One of the current wells is old and needs to be replaced. The water storage needs exceed current capacity and are inadequate to serve the requirements of residents. The new water tower will improve water system flows and pressures in the southeast portion of the City where most of the industrial development growth is occurring. It is anticipated that the City will pay for the Water Systems Project with either borrowed funds or the proceeds of an internal advance of City funds on-hand. The City’s obligation will be repaid with incremental property tax revenues to be derived from the Urban Renewal Area. It is anticipated that the City’s use of incremental property tax revenue will not exceed \$2,000,000.

Analysis of Use of TIF: In accordance with the requirement of Section 403.5(2)(b)(1) of the Code of Iowa, the City has analyzed its proposed use of incremental property tax revenues for the funding of the water system improvements and alternative development and funding options. The results of that analysis are summarized as follows:

1) Alternate Development Options: The City Council has determined that improvements to the City’s water systems is essential to the health and safety of residents and the economic development of the City. Maintaining the water system will positively impact commerce, growth, and development in the Urban Renewal Area.

2) Alternate Financing Options:

* Local Option Sales and Services Tax Revenues: Local Option Sales and Services Tax Revenues are expected to decrease related to COVID 19 commercial closures and such Revenues have been allocated to other projects in the City so they are not available to help fund this project.

* General Fund: The City is at its \$8.10 per thousand levy limits for the General Fund, and the annual proceeds from this levy are fully committed to maintain the operational integrity of the City. The City has very limited cash reserves in its General

Fund and cannot access such reserves to pay the costs of the Water System Project without risking unsound fiscal practice.

* Capital Improvements Levy: The City does not have a Capital Improvements Levy available, and the imposition of such additional levy would require a successful referendum, which is not feasible at this time.

* Debt Service Levy: The City Council has determined that the debt service levy rate should not be raised for the Water Systems Project. The City will be required to raise the debt service levy for projects that do not qualify for tax increment financing. Raising the current debt service levy rate for the water system improvements would result in an undue burden to the citizens of the City. The use of tax increment financing will lessen the burden on individual taxpayers that would result from a spike in the debt service levy rate and will shift that burden onto valuation increases resulting from the City's successful economic development initiatives.

* Water Revenues: The City is unable to sufficiently increase the cost of water in Osage to cover the cost of the improvements if they are to remain competitive with the cost of water services in other communities.

* Utility Surpluses: The City does not have identified surpluses in its utility funds – water or sewer- that could aid in the funding of the Water System Project.