

### **Wastewater Treatment Facility:**

The City's existing wastewater treatment facility was not designed for, and is not capable of, meeting newly established water quality parameters, as imposed by IDNR. As a result, a compliance schedule has been issued by the IDNR and the City is being required to construct improvements necessary to comply with the new discharge limitations. Noncompliance with this directive would result in financial penalties being imposed on the City.

Existing businesses, as well as potential new businesses, are vital to the City because of the jobs they provide and the economic development potential they bring to the community. It is important that the wastewater treatment facility comply with IDNR water quality standards as well as the wastewater treatment needs of current and future commercial and industrial businesses.

Increased employment opportunities are a primary factor in sustaining and growing the population of Sioux Center. A strong and developing community, as well as increased employment opportunities in Sioux Center, will benefit not only the community but also the Sioux Center Community Schools and Sioux County.

This benefit to the surrounding area is confirmed by the fact that non-compliance with the newly established effluent limitations is primarily the result of wastewater discharged by industrial users of the system. These industrial users are the major employers of the City and the 2,500 jobs they provide to area residents are an essential component of the economic vitality of the community. According to data available, the daytime population of the community increases by over 1,500 people due to employees commuting to Sioux Center for jobs.

### **Alternative Funding Options:**

For a portion of the project costs, the City proposes to issue general obligation and/or revenue bonds and abate a part of the principal and interest payments from incremental tax revenues within the Urban Renewal Area, if available.

It is proposed that approximately 38% of the debt from the project will be financed with funds from tax increment financing (TIF). The remaining debt service will be financed with a combination of property taxes from the debt service levy, LOST funds, and sewer system revenues.

One alternative funding option is to rely on revenues from the system by increasing existing sewer rates in order to pay the debt resulting from the project. The City is hesitant to rely exclusively on user fees to pay for the entire debt resulting from the project due to already high water/sewer rates. The City believes that its water and sewer rates are high relative to other Iowa communities, and that large increases in utility bills will adversely affect economic development potential.

A second alternative funding option is to utilize a combination of general obligation or revenue bonds that would be paid only by the City's debt service levy, LOST funds, or sewer system revenues (i.e., without using incremental tax revenues). This option would mean that only taxpayers of the City or sewer system users would be responsible for payment of the bonds/notes.

A third alternative is the use of grant funds. Grant programs available to fund infrastructure projects can be a potential funding source for wastewater treatment facilities. Because Sioux Center is not considered a disadvantaged community, the potential State and Federal grant sources are limited. The City will continue to explore available grant programs to help with financing.

The use of TIF funds as a funding mechanism for a portion of the reconstruction of the wastewater treatment facility is appropriate when considering the additional treatment capacity that this project will provide. The ability of the City's wastewater treatment plant to adequately serve current and future commercial and industrial users is an essential component of the City's economic development recruitment efforts.

Issuing general obligation or revenue bonds that would be paid only with a combination of the City's debt levy, LOST funds, or sewer system revenues is less feasible than including the use of TIF funds because there would be no contribution of tax increment revenues from the schools and County. Because the proposed urban renewal project, and the resulting retention and creation of commercial and industrial businesses, will benefit County residents and school patrons, the use of tax increment is the most appropriate funding mechanism because it is fair for the Sioux Center Community School District and the County to share in the costs of the project. The project demonstrates regional benefit to both the County and the School District.

For all of the aforementioned reasons, the use of TIF funds (either to support revenue bonds or abate general obligation debt) for a portion (approximately 38%) of the project costs is the most feasible, fair, and equitable mechanism for funding a portion of the project described above.