

Excerpt from 2020 Urban Renewal Plan Amendment, April 20, 2020

(10) Wastewater Treatment Plant Project (the “WWTP Project”).

The WWTP Project is required by the Iowa Department of Natural Resources and the Iowa Environmental Protection Agency. The improvement at the wastewater treatment plant, located at 400 S Fourth Avenue West, will consist of an upgrade of new aeration equipment, a new SAGER lagoon. A new building will house a trough of water flowing through ultra violet lights that will sterilize any living organisms, disinfect and reduce the amount of ammonia discharged into the stream.

The City must make these mandated improvements which are in the best interests the health, safety, welfare of its residents.

On streets that have been resurfaced, manholes must be raised to match the level of the streets.

It is anticipated that the City will pay for a portion of the WWTP Project with either borrowed funds or the proceeds of an internal advance of City funds on-hand. In either case, the City’s obligation will be repaid with incremental property tax revenues. It is anticipated that the City’s use of incremental property tax revenues for the Pool Project will not exceed \$2,505,000.

In accordance with the requirement of Section 403.5(2)(b)(1) of the Code of Iowa, the following is the City’s analysis of its proposed use of incremental property tax revenues for the funding of the WWTP Project and alternative development and funding options for the WWTP Project.

Alternate Development Options: The City Council is mandated to make these improvements and nothing else is suitable for this site.

Alternate Financing Options:

* Local Option Sales and Services Tax Revenues: Local Option Sales and Services Tax Revenues are unavailable to assist with the WWTP Project because such Revenues have been allocated to other projects in the City.

* General Fund: The City is at its \$8.10 per thousand levy limit 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 limited cash reserves in its General Fund and cannot access such reserves to pay the costs of the WWTP 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 WWTP 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 WWTP Project would result in an undue burden to the citizens of the City. The use of tax increment financing will lessen the burden on individual tax payers 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 which are enhanced by the operations at the municipal swimming pool.

* Utility Revenues: The City does not have adequate revenue available from the utility fees to completely pay for funding of the WWTP Project. In order to keep the utility rates competitive, they cannot raise them enough to finance all the improvements so they will supplement with tax increment revenue.

* Utility Surpluses: The City has determined the cost for the WWTP Project will be \$4,990,000. They have not identified enough surpluses in its sewer and/or water utility funds to completely finance the cost of the improvements.

In each of the above described projects, the City will not need to acquire any real property interests to undertake these projects.