

**TO:** The Honorable Mayor and City Council Members

**FROM:** Michael C. Van Milligen, City Manager

**SUBJECT:** Fiscal Year 2014 Budget Transmittal Message

**DATE:** January 28, 2013

I recently read an article entitled “Where You’ll Want to Live in 2032,” which summarized a Gallup analysis. It concluded that the best place to live in 20 years will have tackled unemployment, financial worry, healthcare costs, obesity, and education challenges. It will be a place where “most residents are healthy, optimistic, employed in good jobs they love, and enthusiastic about their communities.” The study identified the West North Central Region (Iowa, Kansas, Minnesota, Nebraska, North Dakota, and South Dakota) as the region poised for the brightest future. As Dubuque leads the country out of the recession and beyond, Mayor Roy D. Buol and the Dubuque City Council are setting the tone and creating the atmosphere to ensure Dubuque remains a community where you want to live today and in 2032.

As part of a recent economic development trip Mayor Buol and the Greater Dubuque Development Corporation took to New York with Governor Branstad, IBM Vice President Joe Dzaluk agreed to give a testimonial to New York businesses about doing business in Dubuque. His remarks included the comment, “Dubuque is a city that has firmly established itself as a national leader in forward-thinking public policies.”

The Iowa Economic Development Authority sponsored their annual SMART Economic Development Conference in May 2012, with over 400 attendees from across Iowa. Keynote speaker Rebecca Ryan, a nationally known expert on workforce development, talked about the cities that are “on the ropes,” including Detroit, Michigan, and Cleveland, Ohio. She then gave three examples of emerging cities: Charlotte, North Carolina; Chattanooga, Tennessee; and Dubuque, Iowa!

Affirmation of the leadership role the City of Dubuque is taking on internationally includes the invitations Mayor Buol receives to speak around the world. He has spoken at a Brookings Institution conference in Washington, D.C.; IBM conferences in Arizona and New York; the Global Smart City Summit in Taiwan; National League of Cities events in Sweden and Germany; the Texas Municipal League Annual Conference in Grapevine, Texas; the World Cities Summit in Singapore, which had over 18,000

attendees; and most recently at the Smart City Summit in Toronto, Canada, and at the New Partners for Smart Growth Conference in Kansas City, where he was invited to conduct three separate breakout sessions. I was also fortunate to speak about the Dubuque story as a keynote at the IBM Connect 2013 Conference in January 2013, with over 5,000 registered participants, and conducted a separate one-hour breakout session at the conference. In this case, I was pinch-hitting for Mayor Buol, their first choice. These presentations are at no cost to the City as the event sponsors cover the costs.

Since January 2011, Dubuque has received the following recognition:

- Named a 2012 All-America City by the National Civic League for the second time in five years
- Ranked #16 in the Top 100 Overall Cities and #3 in the Top 20 Midwest Cities in the 2012 Leading Locations report – Area Development magazine
- With our local colleges and over 304,000 college students within 100 miles, it is no surprise that this region was recently selected as the sixth “Brainiest Metro” in the country. – The Atlantic
- One of 26 metropolitan areas (out of 363) that have completely recovered the jobs lost during the great recession – U.S. Conference of Mayors
- Ninth among the 392 Largest U.S. Cities for Employment Growth – Moody’sEconomy.com
- In 2012, Dubuque had a net gain of 1,600 jobs, 11.1% of all the net new jobs created in the State. Dubuque’s job growth rate in 2012 was 2.8%, far ahead of the 1.9% job growth rate for Des Moines. Dubuque was the only Iowa metropolitan area with a job growth rate over 2%.
- #1 in Iowa for Private Sector Job Growth in 2011 – Iowa Workforce Development. In 2011, Dubuque had 1,100 net new jobs, or 12% of the state total, finishing ahead of even Des Moines.
- In 2010, with 3% of the population of the State, Dubuque had 1,200 net new jobs or 11.2% of the State total.
- Seventh in the nation in Forbes Annual Best Small Places – Forbes
- #5 for resiliency of 361 cities – Institute of Governmental Studies

These recognitions are being achieved while the largest investments in Dubuque’s history are being made. These projects are being accomplished through the strategic use of debt to allow the implementation of significant, long-lasting capital projects. With the historically low interest rates, now is the time to implement these major projects.

The City does not just depend on debt to complete City Council priorities. Since July 1, 2009, the City has received over \$133 million in federal and state grants and continues to pursue grants to keep taxes and fees down. The City has applied for \$1 million in flood mitigation funds from the U.S. Economic Development Administration and might be eligible for tens of millions of dollars from a new state flood program. Both would help to hold down the stormwater fee and improve the performance of the Bee Branch Creek Restoration Project. Recently the City received \$9.4 million from the Iowa

Department of Natural Resources and the Iowa Finance Authority to install over 40 permeable paver alleys.

While there were several questions during the Fiscal Year 2013 City budget process about increases in City taxes and fees and the amount of City debt, a thorough explanation was provided at the final budget public hearing. (Video and details available online at [www.cityofdubuque.org/FY2013budget](http://www.cityofdubuque.org/FY2013budget).) One important thing citizens learned is that, in 2018, Dubuque’s taxing bodies could receive as much as \$1 million per year when the Dubuque Technology Park tax-increment financing (TIF) district expires, and as much as \$3 million per year beginning in 2020 when part of the Dubuque Industrial Center West TIF district expires. The City will get about 30% of these revenues for the general fund, with the rest split among the Dubuque Community School District, Dubuque County, Northeast Iowa Community College, and others.

How is taxpayer money being used? The top ten capital expenditures for the period of 1997–2018 are:

### Top 10 Capital Projects (1997-2018)

#	Project Description	Cost \$
1	Streets Project (Engineering & Public Works)	199,194,688
2	Southwest Arterial	98,300,000
3	Parking Ramps	73,111,467
4	America's River Project	70,674,035
5	Water and Resource Recovery Center	64,885,000
6	Bee Branch Creek Project	57,529,830
7	Sanitary Sewer	44,431,974
8	Airport Terminal Project	39,980,848
9	Industrial Parks	36,096,331
10	Stormwater	29,099,313
	<b>Total</b>	<b>\$713,303,486</b>

As always, the budget recommendation is built around the Mayor and City Council goals and priorities. Sustainability is the underpinning of this entire budget recommendation. In addition, the budget tries to position the City to catapult past other cities as a premier place to live, benefitting our local residents and attracting new people to the workforce.

Progress costs money. Stagnation has a cost also. Some of that cost is economic, like decreases in property values, less private investment, no growth in retail sales. Stagnation contributes to the cost of City services becoming an increasing burden on fewer and fewer people. Stagnation actually has a higher cost. Less jobs for our children and grandchildren, causing them to leave the area. Dubuquers are not interested in repeating that experience from the 1980s.

Dubuque has been investing in the future—not spending money on short-term improvements with limited life that will provide only short-term gains—but building for a solid future. The City completed the major construction components of the 550-acre Dubuque Industrial Center West industrial park and is now completing construction of

the 125-acre Dubuque Industrial Center South at a cost of over \$4.8 million, providing places for existing businesses to expand and new businesses to locate, thus creating jobs. The City is completing Phase I of the Bee Branch Creek Restoration project and in Fiscal Year 2014 will begin construction of Phase II, helping to save over 1,150 homes and businesses from flooding. The City has completed Phase I of the reconstruction of all underground infrastructure and streets, sidewalks, parking, and lighting in the Historic Millwork District and is now beginning the next phase for \$15.5 million to include an intermodal transportation facility (\$12.4 million), hundreds of parking spaces, and the change of streets from one-way to two-way (\$3.1 million). In Fiscal Year 2014, the City will complete the \$67 million Water & Resource Recovery Center replacement, including the capability to create 600 kW of electricity. The City is in the midst of building components of the Southwest Arterial project. The City is building a new airport terminal at a cost of \$40 million, with the extension of City water and sewer infrastructure at a cost of approximately \$5 million. The \$4 million Port of Dubuque transient boat docks will open in the spring of 2013.

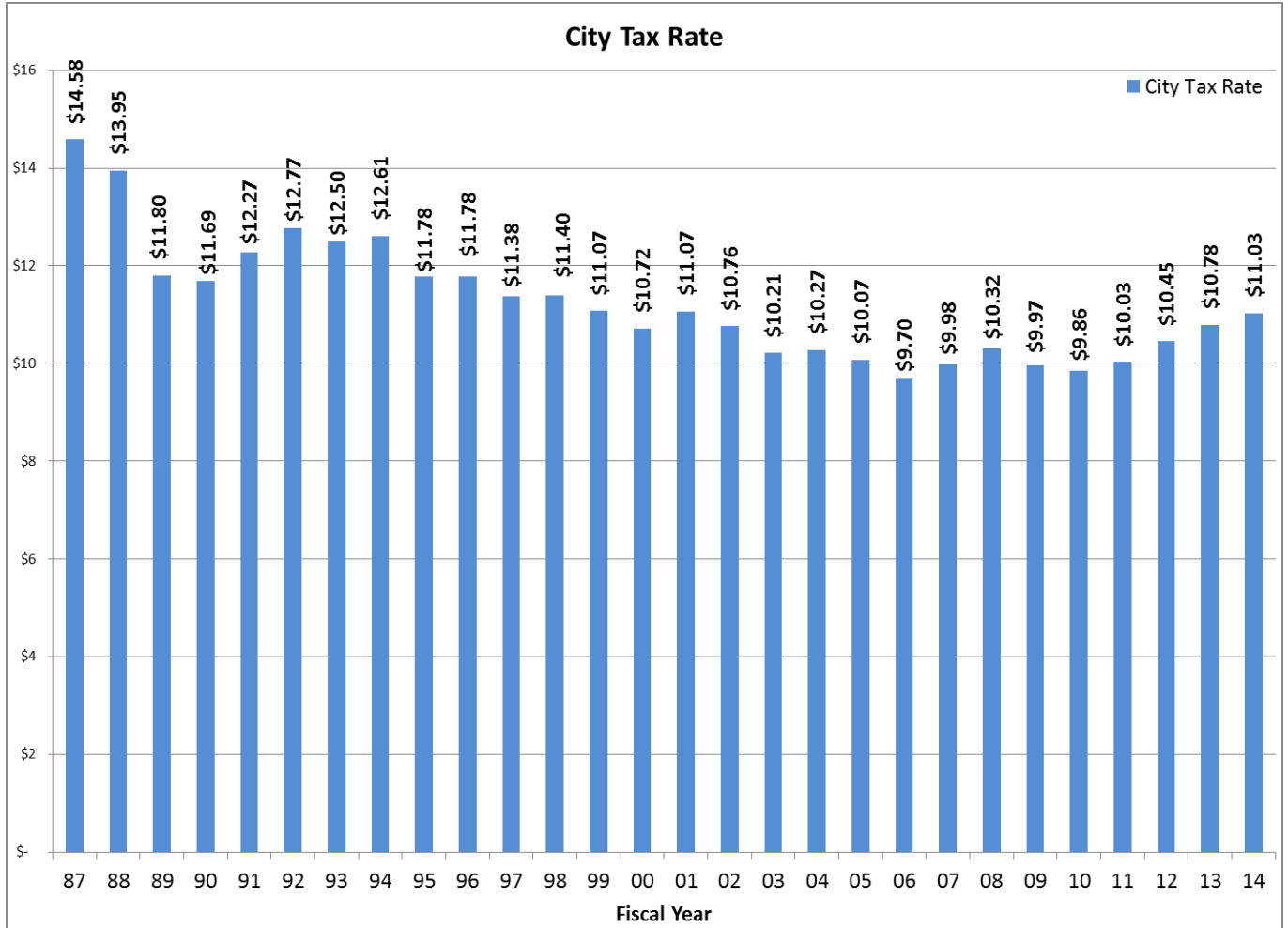
Partnering with Dubuque Bank & Trust Company Development organization, the City completed the historical renovation of the former firehouse at 22<sup>nd</sup> and Central to house Head Start and the educational activities of the Crescent Community Health Center, helping to anchor the Washington Neighborhood Central Street business corridor.

The budget recommendation includes a \$11.0259 per thousand dollars of assessed valuation property tax rate for Fiscal Year 2014.

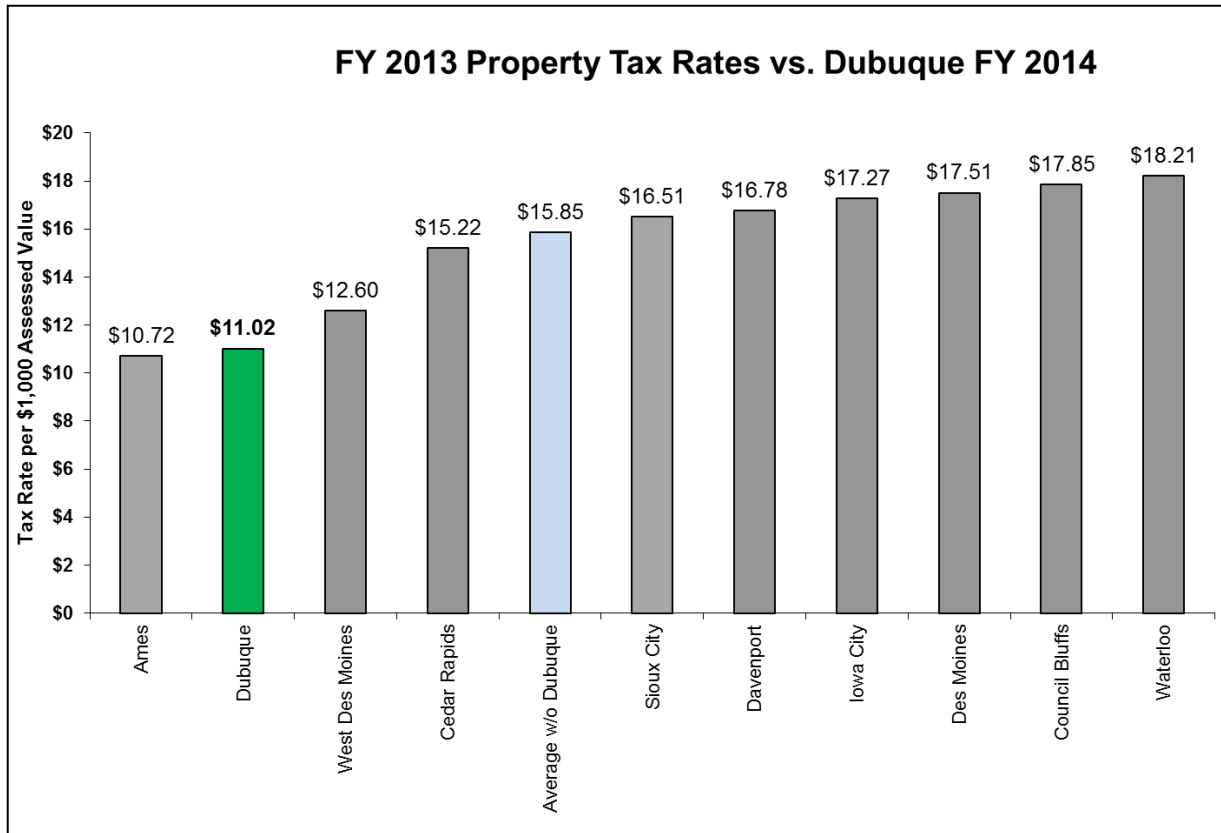
**The Fiscal Year 2014 recommended property tax rate of \$11.0259 per thousand dollars of assessed valuation is a 2.24% increase from the current Fiscal Year 2013 property tax rate of \$10.7848 per thousand dollars of assessed valuation.**

While there have been fluctuations along the way, the \$11.0259 Fiscal Year 2014 recommended rate is a 10.60% increase over the Fiscal Year 2009 property tax rate, or a 1.15% average annual increase over that five-year period.

**The Fiscal Year 1987 (just prior to implementation of the 1% local option sales tax where 50% was dedicated to property tax relief) property tax rate of \$14.58 per thousand dollars of assessed valuation was 24.39% higher than the Fiscal Year 2014 recommended property tax rate of \$11.0259.**



The Fiscal Year 2014 recommended property tax rate of \$11.0259 would still maintain Dubuque as having the second-lowest City property tax rate of the ten cities in the State of Iowa with a population over 50,000, assuming none of the cities change their property tax rates. Dubuque (Fiscal Year 2014) is the second-lowest in the State for the City portion of property tax rate. The highest-ranked city (Waterloo at \$18.21) is 65.16% higher than Dubuque's rate, and the average (\$15.85) is 43.77% higher than Dubuque.



While gaming revenues have stabilized, the City is still feeling the effects of the reduction in lease revenues from the Dubuque Racing Association. When the Diamond Jo expanded, it was projected that Dubuque Racing Association lease revenues would decrease 21%, but the actual decrease has been 37.95%. In fact, if you compare the highest lease year revenue from the DRA of Fiscal Year 2007 at \$10,143,632 with the Fiscal Year 2014 projection of \$6,525,975, the City will receive \$3,617,657 less in lease revenue.

One of the causes of the Fiscal Year 2014 property tax increase is the increase in health insurance cost. The City portion of health insurance expense will increase from \$835 per month per contract to \$1,015 per month per contract (based on 553 contracts) which is a 21.6% increase in health insurance costs for an additional cost of \$803,275 to the General Fund in Fiscal Year 2014, or a 3.52% property tax impact for the average homeowner. In the last few years, the City Council has boosted the general fund reserves and in Fiscal Year 2011, Fiscal Year 2012, and again in Fiscal Year 2013, some of the General Fund reserves went to bolster the Health Insurance Reserve. Since the City of Dubuque is self-insured, actual expenses are paid each year with the City only having stop-loss coverage for major claims.

In addition, the Municipal Fire and Police Retirement System increased the amount of City contribution. The current payment of 26.12% of Police and Fire employee salary is mandated by the State to increase to 30.12% of salary, for an additional cost of \$535,362 in Fiscal Year 2014 for the General Fund or a 2.35% property tax impact for

the average homeowner. In Fiscal Year 2010, the City was paying 17% of employee salary into this system.

Also, the Iowa Public Employees' Retirement System increased the required City contribution rate from 8.67% to 8.93%, which is an additional cost of \$35,939 in Fiscal Year 2014 for the General Fund, or a 0.15% property tax impact for the average homeowner.

Therefore, increased pension costs account for 2.50% property tax impact for the average Dubuque homeowner.

In Fiscal Year 2014, there is generally a 2.5% employee wage increase at a cost of \$1,131,736 to the General Fund, or a 4.95% property tax impact for the average homeowner.

The Fiscal Year 2014 recommended property tax rate of \$11.0259 includes \$105,771 for recurring improvement package requests and \$198,015 funds for non-recurring improvement package requests in the Fiscal Year 2014 budget recommendation. This is almost completely driven by the requirements of the Federal Affordable Care Act. Elimination of the \$105,771 in funds for recurring improvement packages would reduce the property tax rate from \$11.0259 to \$10.9772.

The Federal Affordable Care Act is having a tremendous impact on the Fiscal Year 2014 budget (\$100,648) and will have an even greater impact in Fiscal Year 2015 (\$249,828) and beyond. In Fiscal Year 2014, the \$100,648 increase in costs will have a 0.44% property tax impact for the average homeowner.

The Affordable Care Act is a health care law that was signed into law on March 23, 2010, that aims to improve the current health care system by increasing access to health coverage for Americans and introducing new protections for people who have health insurance.

Effective February 1, 2014, employers with more than 50 full-time equivalent employees must provide affordable "minimum essential coverage" to full-time equivalent employees. The definition of a full-time equivalent employee under the Affordable Care Act is any employee that works 30 hours per week or more on average over a twelve month period (1,560 hours or more). The twelve month monitoring period for part-time/temporary employees begins January 1 of each year. If a part-time/temporary employee meets or exceeds 30 hours per week on average during that twelve month period, the City must provide health insurance effective February 1. January 1, 2013, through December 31, 2013, is the first Standard Measurement Period required with the first provision of health insurance date being February 1, 2014. If we do not offer coverage to full-time employees as defined by the Act, and at least one full-time employee receives a premium tax credit, the City will have to pay an annual fee of \$2,000 per full-time employee (excluding the first 30 employees), for an annual cost of \$1,056,000. Employees eligible for a premium tax credit are those whose household

income is less than 400% of federal poverty level. The annual fee far exceeds the cost of providing this health insurance benefit to part-time employees.

The Affordable Care Act is expected to increase employee expense in Fiscal Year 2014 by \$100,648 and in Fiscal Year 2015 by \$249,828, with incremental increases each year thereafter.

The impact of the Affordable Care Act on the City operation is broken into two main categories, Bus Operators and employees in other City departments. Those are further broken down into employees who are currently classified as part-time/temporary with no health care benefits that will be one of the following in the future:

- Part-time/temporary employees with no health care benefits, i.e., part-time/temporary employees who will work less than 1,560 hours per year.
- Part-time/temporary employees who will work 1,560 hours or more per year, who will have health insurance effective February 1, 2014.
- Employees who are now part-time/temporary and who will become full-time effective June 1, 2014, and will begin receiving health insurance benefits effective February 1, 2014, before they transition into full-time positions.

An analysis was done of all part-time/temporary employees in the City to see which employees could have a reasonable expectation that they would work 1,560 hours or more, and possibly would have based their personal financial decisions on that level of income. Also, an operational analysis was done to determine which positions were needed to work for 1,560 hours or greater.

The definition used for a part-time/temporary employee having a reasonable expectation of receiving 1,560 hours or greater of paid time was if they exceeded those work hours in the last three, four or five consecutive fiscal years, based on a five-year analysis of part-time/temporary hours worked.

In the case of bus operators, there were seven employees who worked 1,560 hours or greater in the last three, four or five consecutive fiscal years. The hours worked by these employees were:

Position	Hours Worked				
	FY 2012	FY2011	FY2010	FY2009	FY2008
Bus Operator 1	2,174	1,906	1,672	1,651	1,626
Bus Operator 2	2,099	1,808	1,659	1,585	1,594
Bus Operator 3	1,659	1,577	1,622	1,610	1,624
Bus Operator 4	2,184	1,758	1,643	1,618	
Bus Operator 5	1,996	1,735	1,654		
Bus Operator 6	1,900	1,797	1,674		
Bus Operator 7	2,020	1,889	1,676		



In transit, there are currently eight fixed route runs available for employees to bid on that are 1,560 hours or more per year (this includes paid leave hours that are required to be used in the Affordable Care Act eligibility calculations). When the runs are posted for employee bidding this year, there will remain eight fixed route runs that are 1,560 hours per year or greater. Employees who select these runs and work 1,560 hours or greater (including paid leave hours) during the Standard Measurement Period, will be eligible for health insurance effective February 1, 2014. The Standard Measurement Period is calendar year, and it began on January 1, 2013, for current employees.

The fixed route runs are bid by seniority. The seven part-time bus operators who worked 1,560 hours or more in the last three, four or five consecutive fiscal years will be able to bid on the eight fixed route runs; however, due to their seniority, there is no assurance they will be able to select one of the eight fixed route runs (six of the seven are the top eight bus operators in seniority so they will definitely have the option).

The annual hours of work during the Standard Measurement Period for all other bus operators will be below 1,560 hours (including paid leave hours) and they will not be eligible for health insurance.

With eight part-time bus operator positions becoming eligible for health insurance effective February 1, 2014, and the fact that part-time bus operators already receive some paid leave benefits, Transit Manager Barbara Morck analyzed the cost to make some of the existing part-time positions full-time positions. The Fiscal Year 2014 budget recommendation includes creating four additional full-time bus operator positions effective June 1, 2014. The City would then have a total of eight full-time bus operator positions, adding these four to the existing four. On the effective date of the full-time positions, four of the fixed route "pick" runs that exceed 1,559 hours during the Standard Measurement Period (including paid leave hours), will be eliminated. If additional full-time bus operator positions are created in future years, the number of fixed route "pick" runs that exceed 1,559 hours during the Standard Measurement Period (including paid leave hours) will be reduced.

The cost (\$40,600) in Fiscal Year 2014 to create eight part-time bus operator positions with health benefits effective February 1, 2014, and no full-time positions vs. the cost (\$41,689) in Fiscal Year 2014 to create eight part-time bus operator positions with health benefits effective February 1, 2014, and then change effective June 1, 2014, to four part-time positions with health insurance benefits and four new full-time positions is a difference of \$1,089 for Fiscal Year 2014 and \$21,939 for Fiscal Year 2015, the first full year. This is not an exact calculation because it is unknown at this time who will actually become the four full-time bus operators as it is a competitive civil service process, and the determination as to who is selected from the civil service list is based on competency, as defined in the Collective Bargaining Agreement.

Now, how do part-time/temporary City employees who are not bus operators impact the City operation and City costs related to the Affordable Care Act requirements?

Based on a five fiscal year analysis of hours worked by part-time/temporary employees, there has been a reasonable expectation created for nine employees working part-time/temporary for the City that consistently receive 1,560 or more hours per year in income.

These employees are broken up by department as follows:

- Building Services – Custodian (3)
- Finance – Cashier
- Finance – Water Meter Service Worker I
- Police – Clerk Typist
- Park – Maintenance Worker
- Recreation – Assistant Golf Pro
- Recreation – Golf Maintenance Worker

Therefore, the Fiscal Year 2014 budget shows an increase in cost for health insurance for these nine employees of \$45,677 at \$1,015 per employee per month beginning February 1, 2014, the average cost for health insurance per employee, included in the Fiscal Year 2014 budget.

In addition, as in the case of all covered employees, these newly covered employees will pay \$1,531.20 per year if they choose a family plan, \$1,200.96 per year if they choose the single plus one plan, and \$600.48 per year if they choose single coverage. The same is true for bus operators.

The City will closely manage all part-time/temporary employee work hours so that additional part-time/temporary employees do not inadvertently become eligible for this health insurance benefit. Also, as the employees currently becoming eligible for this benefit, including bus operators, separate from the City through retirement, etc., each position will be evaluated to see if the work hours need to continue to be 1,560 hours or greater.

The following current part-time/temporary City positions were found to work 1,560 hours or greater in each of the past three, four or five fiscal years, creating a reasonable expectation they would receive 1,560 hours or greater:

	Department	Position	FY 2012	FY 2011	FY 2010	FY 2009	FY 2008
5 Consecutive Years	Finance	Cashier	1,764	1,659	1,690	1,690	1,669
	Building	Custodian	1,622	1,560	1,564	1,592	1,578
	Building	Custodian	1,805	1,669	1,657	1,598	1,580
	Park	Maintenance Worker	2,036	1,621	1,689	1,636	1,684
4 Consecutive Years	Police	Clerk Typist	1,659	1,610	1,568	1,600	
	Recreation	Maintenance Worker	1,654	1,587	1,643	1,621	
3 Consecutive Years	Building	Custodian	1,752	1,646	1,627		
	Recreation	Seasonal Assistant Golf Pro	1,897	1,643	1,672		

In addition to this list, the part-time Water Meter Service Worker in the Finance Department was hired on December 20, 2010, with the expectation to work 32 hours a week, counting on-call time and, in fact, in the first full fiscal year, Fiscal Year 2012, worked 1,692 hours. Also, the Golf Professional became a City employee on March 1, 2012, with an annual work schedule of 1,950 hours, becoming the tenth non-bus operator position described here, and is currently covered by the spouse's City health insurance contract.

Of the ten positions described above, the analysis of need by departments, based on past and current requests to make these positions full-time, will have all these positions receiving health insurance effective February 1, 2014, with five of the positions becoming full-time effective June 1, 2014. The positions becoming full-time include the Police Clerk Typist, Building Services Custodian I (3) and Finance Cashier. The additional cost in Fiscal Year 2014 of these positions going full-time June 1, 2014, is \$4,605.

There were other part-time/temporary City employees who worked 1,560 hours or greater last fiscal year, or in a past fiscal year, and others that were budgeted for 1,560 hours or greater, but did not work that many hours, and their positions will begin to be scheduled for less than 1,560 hours beginning immediately.

Additional resources other than property taxes are making it possible to keep down the property tax rate. One method is a multi-year process to more equitably distribute administrative overhead of the City operation across all funds that began in Fiscal Year 2013. The Enterprise Funds have contributed to the administrative overhead of the City operation, but the General Fund has always carried most of the financial burden. There also is an increase in commercial property and industrial property land lease revenues of \$797,835 over Fiscal Year 2013.

Recognizing that there is a great deal of uncertainty around the national economy that has spilled over to negatively affect the local economy, this budget calls for the continued increase in the uncommitted cash reserve general fund balance that was implemented annually beginning in Fiscal Year 2010, which in the past was normally an amount that equals 10% of the general fund, to help weather any economic downturn with a minimal impact on the delivery of services.

In Fiscal Year 2014, \$444,491 will be set aside in DRA Distribution funds for unexpected expenditures. If these funds are not needed for unexpected expenditures in Fiscal Year 2014, the balance will be added to the General Fund Uncommitted Reserve, along with a portion of any surplus in the General Fund at the close of Fiscal Year 2014. Previously there was a one-time General Fund operating reserve of \$1 million implemented in Fiscal Year 2010, Fiscal Year 2011, Fiscal Year 2012 and Fiscal Year 2013 for health insurance claims exceeding expectations and the possibility of needing to boost the health insurance reserve. The health insurance reserve is expected to be fully funded in Fiscal Year 2013, and transfers from the General Fund should not be required in Fiscal Year 2014. It is anticipated that some of the \$1 million set aside in Fiscal Year 2013 for unexpected expenditures, like health insurance claims exceeding expectations, will be added to the General Fund reserve.

Adding money to the General Fund uncommitted reserves each year to get it above the 10% level is consistent with the goal of maintaining the City Bond Rating at Aa1 from Moody's, thereby lowering the City borrowing costs.

On October 15, 2012, the City Council adopted a formal Debt Management Policy for the City of Dubuque as the City continues the strategic use of debt. While this Debt Management Policy just put into writing what the City of Dubuque was already doing in practice, there were some changes to those policies. The most significant components of the Debt Management Policy include an internal policy of maintaining the City's general obligation outstanding debt at no more than 95% of the limit prescribed by the State constitution as of June 30th of each year. As has always been the case, the City will not use short-term borrowing to finance operating needs. The City will consider long-term financing for the construction, acquisition, maintenance, replacement, or expansion of physical assets only if they have a useful life of at least six years. The City shall strive to repay 20% of the principal amount of its general obligation debt within five years and at least 40% within ten years. The City shall strive to repay 40% of the principal amount of its revenue debt within ten years. Total annual debt service payments on all outstanding debt of the City shall not exceed 25% of total annual receipts across all of the City's funds. As of June 30, 2013, it is projected the City will be at 17%. It shall be the goal of the City to establish an internal reserve equal to maximum annual debt service on future general obligation bonds issued that are to be abated by revenues and not paid from ad-valorem property taxes in the debt service fund, starting with debt issued after July 1, 2013. This reserve shall be established by the fund or revenue source that expects to abate the levy, and shall be carried in said fund or revenue source on the balance sheet as a restricted reserve. This reserve does

not exist now, except where required by bond covenants. This internal reserve would be implemented by adding the cost of the reserve to each debt issuance.

The Fiscal Year 2012-13 assessable values for calculating the statutory debt limit is \$3,633,353,076, which indicates a total General Obligation debt capacity of \$181,667,654. Outstanding G.O. debt (including tax increment debt, TIF rebate remaining payments and general fund lease agreements) on June 30, 2013, will be \$143,385,856 (78.93% of the statutory debt limit) leaving an available debt capacity of \$38,281,798 (21.07%). It should be noted that most of the City of Dubuque's outstanding debt is not paid with property taxes (except TIF), but is abated from other revenues, except for one issuance for the replacement of a Fire Pumper truck in the amount of \$1,410,000 with debt service of \$120,820 in Fiscal Year 2013. Included in the debt is \$24,091,119 of property tax rebates to businesses creating and retaining jobs and investing in their businesses. There is anticipated to be additional debt of \$5,610,565 to be issued in Fiscal Year 2014 that is subject to the statutory debt limit of \$183,621,403 in Fiscal Year 2014. **As of June 30, 2014, the City is estimated to be at 75.28% of the debt limit, down from 78.93% in Fiscal Year 2013 because the amount of debt retired in Fiscal Year 2014 exceeds the amount of additional debt issued in Fiscal Year 2014 and the statutory debt limit increases each year with the amount of increased assessed value.**

#### Statutory Debt Limit

Fiscal Year	Statutory Debt Limit	Amount of Debt Subject to Statutory Debt Limit	% Debt Limit Used
2012	\$177,667,991	\$142,682,292	80.31%
2013	\$181,667,654	\$143,385,856	78.93%
2014	\$183,621,403	\$138,432,564	75.28%

The City also has debt that is not subject to the statutory debt limit. This debt includes revenue bonds. Outstanding revenue bonds payable by water, sewer, and stormwater fees on June 30, 2013, will have a balance of \$88,243,243. The total City indebtedness as of June 30, 2013, will be \$231,629,099. The total City indebtedness as of June 30, 2012, was \$229,155,092. With anticipated debt of \$5,610,565 in Fiscal Year 2014, minus debt being retired, the estimate for total City indebtedness as of June 30, 2014, is \$223,884,013, 3.3% less than in Fiscal Year 2013. The City is using debt to accomplish the projects that need to be done and to take advantage of the attractiveness of interest rates in the current market.

Part of the City's Fiscal Year 2013 debt was in the form of a grant from the Iowa Finance Authority and the Iowa Department of Natural Resources. Through a new state program, the interest rate was lowered on the Water & Resource Recovery Center State Revolving Loan Fund debt, allowing the City to borrow \$9.4 million more at the same debt service cost to construct permeable pavers in over 40 alleys.

During the Fiscal Year 2013 budget process, a projection of the statutory debt limit usage was presented at the public hearing to adopt the Fiscal Year 2013 budget. The following was the projection that was shown during the Fiscal Year 2013 budget process:

FY13	FY14	FY15	FY16	FY17	FY18
86.15%	84.89%	81.90%	77.16%	74.55%	71.32%

These statutory debt limit usage projections have changed slightly due to being advised that the \$4.5 million Iowa Finance Authority loan for the Caradco project in the Historic Millwork District is subject to the City's statutory debt limit due to the debt being issued by the City (an IFA requirement) instead of by the developer; utility extensions were not requested by property owners for previously annexed areas and, therefore, the debt was not issued; and the Bee Branch Creek Restoration Project has other grant funding opportunities that may allow less debt in the future, such as the new State of Iowa Flood Mitigation Program, an application for an Economic Development Administration grant and Federal Surface Transportation Program Enhancement funds from Dubuque Metropolitan Area Transportation Study.

**The revised projection of the statutory debt limit usage is as follows:**

FY13	FY14	FY15	FY16	FY17	FY18
<b>78.93%</b>	<b>75.28%</b>	<b>73.31%</b>	<b>62.46%</b>	<b>52.90%</b>	<b>46.14%</b>

In the past, the City had budgeted on an annual basis to pay debt service on the cost to extend utilities to areas that were annexed when they were ready for development. When development plans are submitted, the City has an extended period of time to extend utilities. Year after year, those funds are not expended. Beginning in Fiscal Year 2013, the funds for these projects are not budgeted. They will be added to the budget and City debt when requested.

Through Fiscal Year 2013, the City had been increasing the use of debt to accomplish the projects that need to be done. The debt principal outstanding as of June 30, 2013, is currently \$231,629,099. The breakdown of the debt principal outstanding as of June 30, 2013, is as follows:

	Principal Outstanding 6/30/13
Debt Obligation	
General Obligation Essential Corporate Purpose	\$ 91,146,452
Tax Increment Notes and Bonds	\$ 23,233,310
Economic Development TIF Rebate Agreements	\$ 24,091,119
General Fund Leases	\$ 135,000
Total Indebtedness Subject to Statutory Debt Limit of \$181,667,654	\$143,385,856
Percent of Statutory Debt Limit Used as of June 30, 2013	78.93%
Revenue Bonds	\$ 88,243,243
Total City Indebtedness as of June 30, 2013	\$231,629,099

**In Fiscal Year 2014, there is anticipated to be an additional \$5,610,565 in debt issued and \$13,355,651 in principal of existing debt reduced.** Of the \$5,610,565 in new debt to be issued in Fiscal Year 2014, \$5,410,565 would apply against the statutory debt limit. Of the \$13,355,651 principal retired in Fiscal Year 2014, \$10,436,116 would be applied against the statutory debt limit.

There was a 2.61% increase in assessed value effective January 1, 2012, which is the assessment the Fiscal Year 2014 statutory debt limit is based on. The statutory debt limit effective June 30, 2014, is \$183,621,403. The City will be at 75.28% of statutory debt limit by June 30, 2014.

The ten-year history of the City's use of the statutory debt limit is as follows:

FY04	FY05	FY06	FY07	FY08	FY09	FY10	FY11	FY12	FY13
31.32%	31.81%	31.66%	29.81%	43.27%	43.67%	54.26%	64.07%	80.31%	78.93%

The new five year projection of the City's use of the statutory debt limit from Fiscal Year 2014 – 2018, including all planned debt issuances subject to the statutory limit and assuming a 2% growth in the City's assessed valuation beginning in Fiscal Year 2015, is as follows:

FY14	FY15	FY16	FY17	FY18
75.28%	73.31%	62.46%	52.90%	46.14%

You can see that Dubuque is projected to be below 50% of the statutory debt limit within five years.

Dubuque (Fiscal Year 2014) compares with the other large cities (Fiscal Year 2013) in Iowa in use of statutory debt limit as follows:

Rank	City	Legal Debt Limit (5%)	Percentage of legal debt limit utilized
10	<b>Cedar Rapids</b>	463,611,401	75.33%
9	<b>Dubuque</b>	183,621,403	75.28%
8	<b>Des Moines</b>	575,265,296	64.00%
7	<b>Davenport</b>	295,219,101	59.60%
6	<b>Sioux City</b>	192,979,324	57.60%
5	<b>Waterloo</b>	177,771,817	46.71%
3	<b>Council Bluffs</b>	221,438,807	37.10%
2	<b>W. Des Moines</b>	299,934,593	37.00%
4	<b>Iowa City</b>	242,506,850	33.00%
1	<b>Ames</b>	172,669,198	26.63%
	Average w/o Dubuque		48.55%

The City will also be using more tax increment financing revenues to accomplish important projects, mostly through the issuance of debt. Some prominent examples are the \$1,72,513 to build a Bus Storage and Maintenance Facility, the \$862,000 improvements at the Historical Federal Building, \$275,000 Riverfront Leasehold Improvements, \$100,000 Clock Tower Plaza Rehab, \$125,000 Downtown Urban Renewal District ADA Improvements, \$1,450,000 Washington Neighborhood Subarea (Includes Bluff/West Locust) Building Incentive and Rehabilitation Program, \$845,000 Historic Millwork District Subarea Building Incentive and Rehabilitation Program, \$1,500,000 Historic Millwork District Plaza, \$650,963 Railroad Platform, and \$2,000,000 for future industrial park land acquisitions.

The City will be turning back the State of Iowa Department of Transportation RISE grant of \$680,892 to rebuild 7<sup>th</sup> Street from the railroad tracks east, as that project has experienced cost and railroad negotiation issues that will remove it from the current City CIP plans. The section of 7<sup>th</sup> Street west of the railroad tracks will continue as a City project.

Due to a variety of factors including the new TIF legislation that eliminates cities from receiving the Instructional Support Levy beginning in FY 2014, the City is facing a modest deficit fund balance in the Greater Downtown TIF District over the next four fiscal years, which is hindering the ability of the Greater Downtown TIF District to support any new debt or any new capital improvements program during the same period of time. Long-term, the City has significant unrestricted assets in this TIF area, however, short term, there is no surplus TIF income available that can support even a modest capital plan over the next four years.

As a result, the City is recommending refunding, on a current basis, the June 1, 2014 maturities of several outstanding bonds totaling \$850,000, on or around June 1, 2014. The refunding will have the effect of stretching out the bonds due June 1, 2014 over a longer period of time, which will remove the short-term stress on the Greater Downtown TIF District, and allow for a modest capital improvement program payable from Greater Downtown TIF District over this same period of time. Unlike other recent refinancings of prior City debt, this refinancing will not result in interest cost savings over time; rather, a modest interest cost increase will occur as this amount of debt will be stretched out over a longer period of time than the prior debt was outstanding. However, this step is necessary in order to assure cash balances and solvency in the Greater Downtown TIF District fund and still provide available money for certain needed capital improvements.

A "current refunding" is the simultaneous swap of one loan obligation for another loan obligation, where interest ceases on one on or around the same time as it begins on the other. The City considers this refinancing to be a one-time event and does not reasonably expect that this approach will have to be used in the future.

The City will be using some of the DRA lease revenue and the 20% and 30% local option sales tax allocation for debt service, consistent with previous plans.



The City has been able to minimize the impact of the cost of City services to the average homeowner, in spite of the fact that gaming lease revenues have decreased \$19 million from Fiscal Year 2009 through Fiscal Year 2018.

The City continues to apply for Federal and State grants to minimize the amount of local dollars needed for City projects. Since February 2009, the City and its partners have received \$163 million in grants. In addition, the America's River III Project for the Bee Branch Creek Restoration Project has received \$125,000 in donations. As always, the City continues to seek donations for this project and all other City projects.

**The recommended property tax rate of \$11.0259, while only being a 2.24% increase in the property tax rate over Fiscal Year 2013, will be a 4.90% increase to the "City" share of property taxes for the average homeowner, assuming the Homestead Property Tax Credit is fully funded by the State of Iowa.** It is important to remember that the impact of the property tax rate on revenue to the City and cost to the average homeowner is impacted by the increase in the City's assessed valuation, (increasing it from \$3,639,539,061 in Fiscal Year 2013 to \$3,678,413,719 in Fiscal Year 2014, a 1.07% increase), excluding TIF District Revenues, and the change in the State rollback factor, which is going from 50.752% to 52.817%, as determined by the State of Iowa.

**The "City" share of commercial property taxes will increase 2.24%, as commercial property is not affected by a rollback factor.**

**The "City" share of industrial property taxes will increase 2.24%, as industrial property is not affected by a rollback factor.**

In 2013, the Greater Dubuque Development Corporation will complete raising funds for the five-year plan titled, "The NEXT Campaign," with an \$8.5 million goal to fund their operation for the next five years. Greater Dubuque Development Corporation President and CEO Rick Dickinson and Campaign Chair Chad Chandlee have raised \$9 million. I believe this demonstrates tremendous support for the work of GDDC and the community's economic development efforts.

**As I mentioned, the Fiscal Year 2014 budget recommendation includes a 2.24% increase in the property tax rate. It also includes, with the continued implementation of the \$67 million Water & Resource Recovery Center renovation and compliance with the EPA Consent Decree, a 17% sanitary sewer rate increase, a 9% water rate increase, a 9% refuse rate increase and, with the continued implementation of the over \$60 million Drainage Basin Master Plan to relieve over 1,150 homes and businesses from flooding, no stormwater fee increase.**

The Fiscal Year 2014 budget and changes that have occurred during Fiscal Year 2013 increase the full-time personnel complement by 3.67 FTE, increase the part-time

equivalents by 5.49 FTE, and increase the seasonal by 1.07 FTE. The changes can be summarized as follows:

Decrease in Airport part-time Service Worker for 0.42 FTE for 864 hours annually.

Increase Building Services part-time Custodian I from part-time to full-time effective June 1, 2014, for 0.02 FTE.

Increase Building Services part-time Custodian I from part-time to full-time effective June 1, 2014, for 0.02 FTE.

Increase Building Services part-time Custodian I from part-time to full-time effective June 1, 2014, for 0.02 FTE.

Eliminate Building Services part-time Custodian I for 18<sup>th</sup> Street building for 0.25 FTE.

Eliminate City Clerk seasonal Intern document scanning position for 0.25 FTE.

Eliminate City Manager's Office seasonal Intern document scanning position for 0.25 FTE.

Additional Engineering Confidential Account Clerk to assist Stormwater approved during Fiscal Year 2013 for 0.62 FTE or 1,290 hours annually.

Six additional Seasonal Engineering Aides for 1.50 FTE to assist with home inspections approved during Fiscal Year 2013.

Increase in Seasonal Engineering Aide for 0.14 FTE to assist with street projects approved during Fiscal Year 2013.

Increase Finance part-time Cashier from part-time to full-time effective June 1, 2014, for 0.02 FTE.

Housing Circles Coach increased to full-time in Fiscal Year 2013 effective January 1, 2013, for an additional 0.35 FTE in Fiscal Year 2014.

Housing full-time Self-Sufficiency Coordinator approved Fiscal Year 2013 effective January 1, 2013, for an additional 0.50 FTE in Fiscal Year 2014.

Housing part-time Receptionist upgraded to Secretary effective January 1, 2014, and hours reduced to 1,500 annually -0.03 FTE.

Information Services Helpdesk Position for Smarter Sustainable Dubuque programs and activities approved Fiscal Year 2013 effective January 1, 2013, for an additional 0.50 FTE in Fiscal Year 2014.

Addition of full-time Landfill Equipment Operator II approved during Fiscal Year 2013 +1.0 FTE.

Part-time Library Assistant upgraded to Library Aide during Fiscal Year 2013 for no change in FTE.

Part-time Secretary shared between Park and Recreation approved Fiscal Year 2013 effective January 1, 2013, for an additional 0.25 FTE in Fiscal Year 2014.

Full-time Park Maintenance Worker upgraded to Assistant Horticulturalist during Fiscal Year 2013 for no change in FTE.

Recreation Golf Professional reclassified as part-time from contracted services during Fiscal Year 2013 +0.94 FTE.

Reduction of Recreation Field Supervisor in Children Activities to reflect actual programming -0.07 FTE.

Four part-time Transit Bus Operators upgraded to full-time effective June 1, 2014, for an increase of 0.08 FTE.

Addition of part-time Bus Operators approved during Fiscal Year 2013 +0.98 FTE.

Additional part-time Bus Operators recommended for second year of Nightrider and Midtown Routes, which are funded primarily by the Iowa Clean Air Attainment Program, +3.79 FTE.

Additional full-time Water Plant Operator for 1.00 FTE effective July 1, 2013.

Two Parking part-time Laborers for the Intermodal Facility effective January 1, 2014, for 0.50 FTE.

Increase Police part-time Clerk Typist from part-time to full-time effective June 1, 2014, for 0.02 FTE.

Eliminate full-time Public Works Research and Energy Analyst position, approved in Fiscal Year 2013, due to funding source not secured.

In Fiscal Year 1981, the City of Dubuque had 588.25 full-time employees. Despite the addition of many new services, like recycling, inspections, etc., the City today has 560.72 full-time employees (assuming this budget recommendation is approved).

Since 2006, the Mayor and City Council have identified becoming a more Sustainable City as a top priority. Again this year, the Council has included sustainability in their priorities.

These Council directives, in addition to the community-defined vision that “Dubuque is a viable, livable, and equitable community,” guided the City’s activities in Fiscal Year 2013, and will continue to do so in Fiscal Year 2014. In tight economic times, sustainability can be a strong lens through which to make policy decisions and can be a tool for community and economic development in Dubuque.

The City of Dubuque is becoming a more sustainable city by using the community-defined vision of sustainability and the 11 sustainability principles to guide capital project decisions, budget decisions that directly impact Dubuque residents and businesses, and the development of public/private partnerships that help to achieve the goals.

Proposed capital projects are analyzed using a long-term cost-benefit analysis that focuses on environmental integrity, economic prosperity, and social/cultural vibrancy.

The Southwest Arterial is being designed to minimize construction and vehicle traffic’s environmental impact in the most cost-effective way possible, including elimination of truck traffic from the downtown and residential streets, allowing for the development of complete streets in these areas while creating opportunities to help existing businesses grow and attract new jobs to the area.

The City is investing in the redevelopment of the Historic Millwork District. The use of stormwater management best practices and complete streets concepts will result in cleaner water and improved, walkable streetscapes, with easy access to public transportation. The City is also developing green space in the District, working with developers to provide incentives that will revitalize green buildings containing mixed-income housing, and assisting in the rehabilitation of buildings that will provide many opportunities for the growth of the regional economy.

Historic preservation is defined as one of the truest forms of sustainability. The City’s Downtown Rehabilitation Loans, Historic Preservation Loans, Homeowner Rehabilitation Program, and Homeownership Grants in Targeted Neighborhoods enable businesses and residents to implement sustainability concepts into their neighborhoods.

The City organization cannot achieve community sustainability alone. The Smarter Sustainable Dubuque project, in partnership with the Greater Dubuque Development Corporation, ECIA, the Dubuque Area Chamber of Commerce, the Community Foundation of Greater Dubuque, the State of Iowa Office of Energy Independence, the Iowa Department of Transportation, the Federal government and others, is giving the Dubuque community access to technology and data that will guide better decisions about the way we use resources, create jobs, and save Dubuquers money. City staff also appreciates our partners in the HEART program, Dubuque Works, Every Child | Every Promise, ECIA’s Petal Project green business certification program, Project Hope, Proudly Accessible Dubuque, and many other community-led initiatives that are helping Dubuque become a more Sustainable City.

The City Council has decided that job growth and economic development are very important.

In March 2009, six months after the meltdown of the international financial markets, the Mayor and City Council passed the Fiscal Year 2010 City budget with no property tax increase for the average homeowner, no employee wage increase, and added \$1 million to the City's reserves to prepare for any potential local fiscal emergency caused by the international crisis.

The City is well-positioned to take advantage of the revival of the national economy with economic development projects that are expected to add hundreds of jobs to the local economy. In 2012, the U.S. Conference of Mayors identified Dubuque as one of only 26 metropolitan areas in the country to have completely recovered all the jobs lost during the great recession.

Several significant projects are designed to continue the City's momentum, while also having the side benefit of short-term construction job creation.

The City is creating a new industrial park off of Highway 20 at Seippel Road in Fiscal Year 2013, at an estimated cost of \$4.8 million dollars.

The completion of the 255,000 square foot Roshek Building renovation not only helped preserve the McKesson print shop jobs in the lower level and provided space for IBM to create 1,300 jobs; it preserved an anchor for the downtown that is platinum LEED certified and on the National Historic Register. Heartland Financial has now leased the entire 3<sup>rd</sup> floor of the building, putting 100 employees in the building.

The partnership on the renovation of the over one million square feet of space in the Historic Millwork District will provide new residential, commercial, and retail space that both adjoins the Washington Neighborhood and the downtown, providing hundreds of long-term jobs and hundreds of living units when the rental vacancy rate is less than 4%. The City has received over \$20 million in grants and low-interest loans to implement the Historic Millwork District Master Plan. Gronen Restoration has completed the 72 apartment residential component of the building and is completing the commercial space, including home of the first grocery co-op in Dubuque.

The City's partnership on redevelopment of the riverfront is unabated. Examples include the recent construction of the Flexsteel Corporate Headquarters; the Port of Dubuque Public Parking Ramp; the Mystique Ice Center on Chaplain Schmitt Island by Dubuque Ice & Recreation Center, Inc. (DICE), along with bringing U.S.H.L. hockey back to Dubuque; the expansion of the National Mississippi River Museum and Aquarium, with the creation of the Rivers to the Sea and the outdoor amphitheater connecting the two facilities; the transient boat docks and the partnership with Newt Marine to revitalize the South Port and the America's River III Project along 16<sup>th</sup> Street creating amenities; along with the Bee Branch Creek Restoration Project. Master Planning will commence in Fiscal Year 2013 for Schmitt Island.

The City continues implementing important transportation projects. Property acquisition and final design continues on the Southwest Arterial, and construction began in 2010.

Comparing the Dubuque unemployment rate with the U.S. unemployment rate annually since 1980 would indicate that the City is weathering the economic downturn better than others and better than the City did in the past, indicating that the City is well positioned to benefit from an economic recovery.

**Historical Chart – Unemployment Rate  
1980-2012  
Annual Unemployment Rate**

<b>Year</b>	<b>Dubuque</b>	<b>United States</b>	<b>Difference</b>
1980	8.6	7.1	+1.5
1981	10.7	7.6	+3.1
1982	14.2	9.7	+4.5
1983	12.1	9.6	+2.5
1984	8.5	7.5	+1.0
1985	9.6	7.2	+2.4
1986	7.8	7.0	+0.8
1987	6.1	6.2	-0.1
1988	5.5	5.5	0.0
1989	6.0	5.3	+0.7
1990	5.9	5.6	+0.3
1991	6.1	6.8	-0.7
1992	5.5	7.5	-2.0
1993	4.1	6.9	-2.8
1994	3.7	6.1	-2.4
1995	3.7	5.6	-1.9
1996	5.8	5.4	+0.4
1997	3.9	4.9	-1.0
1998	3.2	4.5	-1.3
1999	2.7	4.2	-1.5
2000	3.3	4.0	-0.7
2001	3.7	4.8	-1.1
2002	3.5	5.8	-2.3
2003	4.2	6.0	-1.8
2004	4.5	5.5	-1.0
2005	4.4	5.1	-0.7
2006	3.8	4.6	-0.8
2007	4.0	4.6	-0.6
2008	4.3	5.8	-1.5
2009	6.1	9.3	-3.2
2010	6.3	9.6	-3.3
2011	5.5	8.9	-3.4
2012	4.9	8.1	-3.2

From 1980 to 1990, the Dubuque unemployment rate was less than the national unemployment rate only once. Since 1991, the Dubuque unemployment rate has been lower than the U.S. unemployment rate 22 of those years, with only one (1996) being higher by 0.4%. The national unemployment rate for 2012 was 8.1%, and the Dubuque rate was 4.9%.

The City is accomplishing this progress by leveraging outside resources. Since February 2009, the City and its partners have received over \$163 million. The following is a list of recent grants received by the City only.

<b>Grant</b>	<b>Project</b>	<b>Award Amount</b>
Iowa Department of Natural Resources State Revolving Loan Fund Sponsored Project Program	Bee Branch Watershed Green Alley Project	\$9,400,000
Community Development Block Grant	Caradco Building	\$ 8,900,000
State of Good Repairs Grant	Intermodal Facility	\$ 8,000,000
Federal Aviation Administration	Airport New Terminal Project Construction	\$ 7,082,854
Transportation Investment Generating Economic Recovery (TIGER)	Millwork District Complete Streets	\$ 5,600,000
State Revolving Loan Fund Green Project	Upper Bee Branch	\$ 4,400,000
Federal Aviation Administration	Airport New Terminal Sitework	\$ 3,795,911
State of Iowa I-JOBS	Lower Bee Branch	\$ 3,950,000
Lead Paint Grant	Lead Paint Removal	\$ 3,090,000
Federal Aviation Administration	Airport New Terminal Project Apron	\$ 2,803,094
U.S. Department of Transportation State of Good Repair	Bus Replacements	\$ 2,300,000
Vision Iowa RECAT	Bee Branch Restoration	\$ 2,250,000
Federal Aviation Administration	Airport New Terminal Project Design	\$ 1,944,471
U.S. Economic Development Administration	Central Parking Ramp	\$ 1,500,000
Iowa Finance Authority Workforce Housing Loan	Caradco Building	\$ 1,500,000
U.S. Department of Transportation Clean Fuels	Bus Replacement	\$ 1,500,000
Iowa Power Fund	Smarter City Initiative	\$ 1,400,000
U.S. Housing and Urban Development	Green and Healthy Homes	\$ 1,000,000
State Revolving Loan Fund Green Project	Smart Water Meters	\$ 1,000,000
National Scenic Byway MRT Route	Bee Branch Trails	\$ 1,000,000

<b>Grant</b>	<b>Project</b>	<b>Award Amount</b>
U.S. Department of Transportation: Transportation and Community and System Preservation	9 <sup>th</sup> to 11 <sup>th</sup> Street One-Way to Two-Way Conversion	\$ 600,000
Iowa Department of Transportation RISE Grant	Airport Highway 61 Entrance	\$ 575,782
Energy Efficiency Conservation Block Grant	Comprehensive Strategy	\$ 574,700
State of Iowa I-JOBS	Southwest Arterial	\$ 558,967
Homeless Prevention Funds	Homeless Prevention	\$ 502,294
U.S. Department of Transportation: Transportation and Community and System Preservation	Loras Parkway	\$ 500,000
State Competitive EECBG	US 52 Traffic Flow Optimization	\$ 500,000
Department of Transportation Small Community Air Service Grant	Air Service Enhancement	\$ 500,000
U.S. Department of Energy Smart Grid Access	Smarter Sustainable Iowa	\$ 500,000
U.S. Environment Protection Agency (EPA) Climate Showcase Communities	Smarter Sustainable Dubuque	\$ 473,136
Neighborhood Stabilization Program	Purchase of Foreclosed Homes	\$ 444,000
Federal Aviation Administration	Hangar Replacement Paving	\$ 408,081
Federal Transit Administration	3 Bus Replacements	\$ 384,939
Justice Assistance Grant	Police Initiatives	\$ 360,320
Federal Highway Infrastructure	1 Bus Replacement	\$ 349,000
State Revolving Loan Funds	North Fork Catfish Creek Stormwater and Sanitary	\$ 337,000
Community Development Block Grant Formula Funds	Homeownership Rehabs/Green Alleys	\$ 328,269
Iowa Clean Air Attainment Program (ICAAP) Grant	The Jule Medical Loop	\$ 300,160
Public Transit Infrastructure Grant	ARC Transfer Center	\$ 289,375
Iowa Department of Natural Resources REAP Grant	Bottoms Property Acquisition Mines of Spain	\$ 200,000
Iowa Economic Development Association/ U.S. Department of Housing and Urban Development	Catfish Creek Watershed – Phase II	\$ 187,330
AmeriCorps Grant	Various Programs	\$ 186,201
Iowa Department of Natural Resources Land and Water Conservation Fund	Mines of Spain Interpretive Center Addition	\$ 175,000
Iowa Finance Authority	Housing Trust Fund	\$ 137,637



Grant	Project	Award Amount
Iowa Department of Transportation	Commercial Air Service	\$ 107,598
National Endowment for the Arts Our Town Grant	Millwork District Arts Development	\$ 100,000
Iowa Department of Transportation State Recreational Trails Fund	Bee Branch Trails	\$ 100,000
U.S. Housing and Urban Development	Shelter Plus Care	\$ 93,528
State Energy Program	18 <sup>th</sup> & Central Energy Improvements	\$ 69,831
U.S. Fire Administration/Homeland Security	Purchase of Fire Extinguishers	\$ 54,894
Iowa Department of Transportation	Air Service Sustainment	\$ 53,000
State Revolving Loan Fund Green Project	Green Alley Project	\$ 41,400
Iowa Economic Development Association/ U.S. Department of Housing and Urban Development	Catfish Creek Watershed – Phase I	\$ 24,500
Iowa Department of Transportation	Youth Grant Program 2012	\$ 23,478
Iowa Department of Transportation	Air Service	\$ 19,708
Iowa Community Cultural Grant	Arts Coordinator Salary	\$ 13,021
State of Iowa Lead Paint Remediation	Childhood Lead Paint Poisoning Prevention	\$ 11,835
Trees Forever	Neighborhood Tree Planting	\$ 5,750
National Trust for Historic Preservation	Design Guidelines	\$ 5,000
American Association of Retired Persons	Cities of Service Grant	\$ 5,000
Alliant Energy Foundation Community Grant	Creekwood Park	\$ 1,000
	<b>Total</b>	<b>\$82,518,064</b>

All this is helping the City keep the tax burden on citizens reasonable when compared with the other nine cities in the State of Iowa with a population in excess of 50,000.

It should also be noted that the State of Iowa has underfunded the Homestead Property Tax Credit nine years in a row, causing the average homeowner to pay more for their City portion of property taxes (Fiscal Years 2004-2012). In Fiscal Year 2013, the State only funded the Homestead Property Tax Credit at 78%. This impacted the City portion of property taxes for the average homeowner by an increase of \$11.51 or 1.82%. This provided no additional revenues to the City, as this money would have come to the City from the State if they appropriated the proper amount of funds. Governor Branstad's Fiscal Year 2014 State budget recommends funding it at 100%, and now it is up to the State Legislature.

**The recommended property tax rate for Fiscal Year 2014 for the City portion of the property tax bill of \$11.0259 per thousand dollars of assessed valuation (a**

2.24% rate increase) is a 4.9% (\$32.95) increase in property taxes for the average homeowner if the State fully funds the Homestead Property Tax Credit. The average commercial property taxpayer will see a 2.24% (\$86.20) increase. The average industrial property taxpayer will see a 2.24% (\$144.53) increase.

A further historical comparison of Dubuque property taxes for the City portion of the tax bill follows.

**CITY OF DUBUQUE**  
**HISTORICAL TAX RATE AND COST COMPARISONS BY CLASS OF PROPERTY**  
**RESIDENTIAL, COMMERCIAL, AND INDUSTRIAL—1987 - 2014**

FY	Tax Rate	%	Residential		Commercial		Industrial	
			Net Property Tax	%	Net Property Tax	%	Net Property Tax	%
2014	11.0259	2.24%	705.71	4.90%	3942.14	2.24%	6,610.00	2.24%
1987	14.5819		522.17		2,571.50		7,290.95	
<b>Avg Change Per Yr</b>		<b>-0.94%</b>		<b>1.20%</b>		<b>1.75%</b>		<b>-0.23%</b>
<b>If State Homestead Tax Credit was Fully Funded</b>								

**RECAP**  
**(1987 - 2014):**

FY	Tax Rate	%	Residential		Commercial		Industrial	
			Net Property Tax	%	Net Property Tax	%	Net Property Tax	%
2014	11.0259	-24.39%	705.71	35.15%	3,942.14	53.30%	6,610.00	-9.34%
1987	14.5819		522.17		2,571.50		7,290.95	

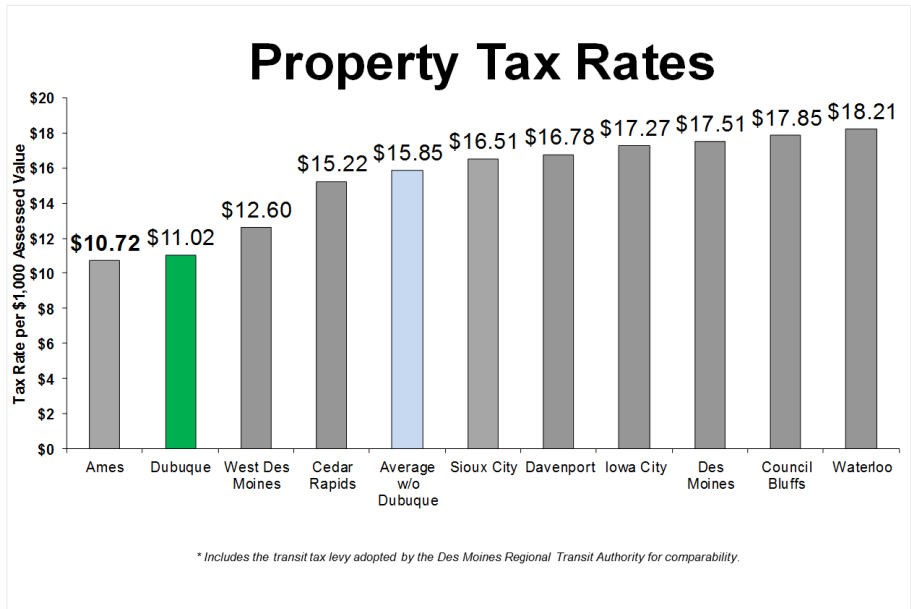
The \$11.0259 rate recommended in Fiscal Year 2014 for the City portion of the property tax bill is a 24.39% decrease from the Fiscal Year 1987 rate of \$14.58, for an average decrease of 0.94% per year.

The property tax payment of the average residential property has increased 35.15% (\$183.54) from the Fiscal Year 1987 property tax payment of \$522.17, for an average increase of 1.20% (\$6.80) per year.

Since a local option sales tax of 1%, with 50% dedicated to property tax relief, was passed by referendum in February 1988, the reduction in the property tax rate has been dramatic.

Since we do not yet know the Fiscal Year 2014 levies of the other cities, the following compares Dubuque's proposed Fiscal Year 2014 rate with the actual Fiscal Year 2013 rates of the other nine large cities in the State of Iowa.

# FISCAL BENCHMARKS



Dubuque’s recommended City property tax rate (\$11.02) is the second lowest in the State, as compared to the Fiscal Year 2013 rate for the other cities in the State of Iowa with a population over 50,000. The highest-ranked city (Waterloo - \$18.21) is 65.25% higher than Dubuque’s rate, and the average (\$15.85) is 43.85% higher than Dubuque.

How does the City of Dubuque compare with property tax revenue per capita?

### Fiscal Benchmarks Property Tax Revenue per Capita Fiscal Year 2013 Comparison for Iowa’s 10 Largest Cities

Rank	City	Taxes per Capita
10	West Des Moines	\$837
9	Iowa City	\$750
8	Cedar Rapids	\$685
7	Council Bluffs	\$674
6	Davenport	\$665
5	Waterloo	\$610
4	Des Moines	\$554
3	Sioux City	\$463
<b>2</b>	<b>Dubuque</b>	<b>\$415</b>
1	Ames	\$407
	Average w/o Dubuque	\$627

Dubuque has the second lowest property taxes per capita for the City portion of the property tax bill in the State for the comparison cities. The highest-ranked city (West Des Moines - \$837) is 102% higher than Dubuque's rate, and the average (\$627) is 51% higher than Dubuque.

The taxable value of residential realty will be 52.817% of assessed value in Fiscal Year 2014, compared to 50.752% in Fiscal Year 2013. This percentage is also applied to farm dwellings. No adjustments were ordered for commercial, industrial, railroad, and utility property because there were not sufficient increases in values to qualify for reductions. These properties are assessed on the basis of their market value. Agricultural property will be limited to 59.933% of the assessed value in Fiscal Year 2014, compared to 57.541% in Fiscal Year 2013. Agricultural property, excluding agricultural dwellings, is assessed according to its productivity rate.

Overall, taxable property values in the City of Dubuque grew 2.61% in Fiscal Year 2014.

## WATER RATE

**I am recommending a 9% increase in the water rates.** Water Department Manager Bob Green has contacted other cities in Iowa with a population over 50,000 that use a water softening process, to determine the recommended water rates for these communities for Fiscal Year 2014. **In spite of the recommended water rate increase, Dubuque would be the second lowest water rate in the State (as compared to the lowest in Fiscal Year 2013) of these seven communities.**

### Water Rate Comparison

Monthly Water Rate Comparison for Largest Iowa  
Cities with Water Softening for the Average User

City	Proposed Rate (FY14)
West Des Moines	\$30.30
Iowa City	\$27.40
Ames	\$27.13
Cedar Rapids	\$24.44
Council Bluffs	\$24.12
<b>Dubuque</b>	<b>\$23.23</b>
Des Moines	\$23.18
<i>Average w/o Dubuque</i>	\$26.11

**For Fiscal Year 2014, the highest-ranked city (West Des Moines - \$30.30) is approximately 30.43% higher than Dubuque, and the average (\$26.11) is approximately 12.63% higher than Dubuque.**

## SANITARY SEWER

I am recommending a 17% increase in the Sanitary Sewer Rate. Water & Resource Recovery Center Manager Jonathan Brown has contacted other cities in Iowa with a population over 50,000 to determine the recommended sewer rates for these communities for Fiscal Year 2014. Dubuque would be the sixth-lowest sewer rate in Fiscal Year 2014 (the same as in Fiscal Year 2013).

### Sanitary Sewer Comparison Sanitary Sewer Rate Comparison for Average User

City	Proposed Rate (FY14)
West Des Moines	\$37.89
Des Moines	\$36.88
Iowa City	\$36.08
Sioux City	\$34.72
Dubuque	\$31.99
Davenport	\$27.15
Ames	\$26.35
Cedar Rapids	\$25.55
Waterloo	\$22.40
Council Bluffs	\$17.21
<i>Average w/o Dubuque</i>	<i>\$29.36</i>

**For Fiscal Year 2014, the highest ranked city (West Des Moines - \$37.89) is approximately 18.44% higher than Dubuque, and the average (\$29.36) is approximately 8.22% lower than Dubuque.**

The City Council has made a major decision on the future processes used in the treatment of waste at the Water & Resource Recovery Center, which will impact rates. The sewer fees in Fiscal Year 2014 are recommended to increase 17%; 3% for operating needs and 14% for capital needs. In Fiscal Year 2008, a facilities planning study determined the best type of upgrade for the plant to be anaerobic digestion with land application for solids management. The actual bid for the project was \$50,583,067 with engineering services of \$5,100,000 for a total project cost of \$55,683,067. There are micro turbines of \$2,420,000 included in Fiscal Year 2013. The Fiscal Year 2013 budget included an additional SRF loan of \$2.7 million to fund the micro turbines, which will not have an impact on the sanitary sewer rate structures since the Iowa Finance Authority reduced the interest rate for new 20-year SRF loans from 3.25% to 2.00% during Fiscal Year 2013.

Major portions of the Water & Resource Recovery Center are reaching the end of their useful life and need to be reconstructed or replaced. Included in the list of improvements necessary to maintain the operation of the facility are: 1) Influent Screening; 2) Grit Removal; 3) Primary Treatment; 4) Biological Treatment; 5) Final

Clarification; 6) UV disinfection in place of chlorine gas; 7) Peak flow management using used tankage; 8) Emergency backup power; 9) Administration/Laboratory; 10) Refurbishing of all major valve and piping components; 11) Anaerobic Digestion in place of Incineration for solids management; and 12) Methane capture and cleaning for beneficial reuse.

Prior to Fiscal Year 2013, the General fund has been subsidizing a portion of the utility funds' use of administrative services, such as Engineering administration, Engineering Project Management, Finance accounting services, Economic Development, Planning Services, Workforce Development, City Clerk services, Legal Services, City Manager's Office including Budget, Geographic Information Systems, Sustainability, Neighborhood Development, Arts and Cultural Affairs, and Personnel. Prior to Fiscal Year 2013, the Engineering Department estimated the amount of time spent on projects and allocated that time to an Internal Service Fund, which is then allocated to the various capital improvement projects that the personnel work on. The remaining time not allocated to the Internal Service Fund was considered administrative and has been charged to the General Fund. In addition, administrative departments such as the City Manager's Office, Legal, Planning, Economic Development, City Clerk's Office, and Workforce Development recharged expenses based upon each enterprise fund's percent of the City-wide operating budget, excluding debt service. The accounting activity of the Finance Department has not been recharged to the other funds, with exception of payroll and loan processing, parking tickets, and landfill billing.

Beginning in Fiscal Year 2013, additional overhead recharges to the utility funds began being phased in over several years. Engineering administrative and project management expenses that are not recharged to capital projects will be split evenly between the Water, Sewer, Stormwater and General Funds. Finance accounting expenses and all other administrative departments, such as Economic Development, Planning, Workforce Development, City Clerk, Legal Services, and City Manager's Office will be split evenly between Water, Sewer, Stormwater, Refuse Collection, and General Funds, with overhead costs being shared by the Landfill and Parking. This will be fully implemented over time.

The Sanitary Sewer Fund's fair share of the City's administrative overhead is 16.67%. In Fiscal Year 2014, the Sanitary Sewer Fund will only support 9.30%.

<b>Sanitary Sewer Rates</b>								
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017	FY 2018
Plant Renovation	6%	10%	11%	12%	2%	0%	0%	0%
Operating & Other Capital Needs	5%	5%	5%	5%	3%	4%	4%	4%
Total Sewer Fee Increase	11%	15%	16%	17%	5%	4%	4%	5%

The Stormwater Utility was formed on July 1, 2003, to update the City's aging infrastructure and implement the City of Dubuque \$57 million Stormwater Management Plan, which consists of three projects – two detention basins and a mile-long open

waterway known as the Bee Branch Project. It is the reconstruction and restoration of over 4,500 feet of buried creek. It will reintroduce the confined Bee Branch Creek to the North End Neighborhood. The implementation of the Bee Branch Creek Restoration Project is the key to saving over 1,150 homes from flooding during severe rainstorms that seem to come all too frequently.

Fiscal Year 2014 will be the sixth fiscal year that the Stormwater User Fee is recommended to be fully funded by stormwater user fees. The General Fund will continue to provide funding for the stormwater fee subsidies that provide a 50% subsidy for the stormwater fee charged to property tax exempt properties, low-to-moderate income residents, and a 75% subsidy for the stormwater fee charged to residential farms. The schedule of the proposed rate increases in Fiscal Year 2014 is as follows:

	FY 2011	FY 2012	FY 2013	FY 2014
Previously Projected Rates	\$5.25	\$5.60	\$5.60	\$7.50
<b>FY14 Recommended Rates</b>	<b>\$5.25</b>	<b>\$5.60</b>	<b>\$5.60</b>	<b>\$5.60</b>
% Decrease From Previous Projections	0%	0%	0%	-33.9%
% Increase From Previous Year	0%	6.7%	0%	0%

In 2001, the Drainage Basin Master Plan identified three projects to provide flood protection for 1,150 properties within the Bee Branch Watershed: the Carter Road Detention Basin, the West 32<sup>nd</sup> Street Detention Basin, and the Bee Branch Creek Restoration Project.

In May of 2003, the City of Dubuque City Council approved the selection of CDM, a consulting engineering firm, to provide engineering and design services for the Bee Branch Creek Alignment Study. The study objectives were to establish the optimum alignment for the proposed open waterway along its approximately 4,500-foot length; provide a preliminary design to a level that it establishes what the waterway will look like at different locations along its entire length and how the waterway will function before, during, and after rainstorms of different magnitudes; and work with impacted residents in the form of a citizen advisory committee, the Bee Branch Citizen Advisory Committee (BBCAC), to ensure that the recommended alignment location and waterway design are based on input from the neighborhoods impacted by the proposed open waterway. The citizen committee's preferred alignment was presented to the City Council in a letter from BBCAC Chairperson Charles Winterwood. The BBCAC's preferred alignment was chosen because it best met the top three criteria established by the BBCAC: it preserved commercial and non-commercial services; it minimized residential property acquisitions; and it minimized the project cost. The preferred alignment impacted sixty-five (65) residential homes and fifteen (15) non-residential buildings.

In December of 2004, the City Council adopted the alignment preferred by the BBCAC. This is the current alignment proposed for the project.

In August of 2008, the City Council authorized the hiring of Strand & Associates (Madison, WI), in association with IIW Engineers (Dubuque, IA) and Ken Saiki Design (Madison, WI), to prepare the final design of the Bee Branch Creek Restoration Project. As outlined in the scope of services, the consultant team utilized the engineering study previously performed and reported in the Bee Branch Creek Alignment Study to design the improvements of the Bee Branch Creek Restoration Project. Input was to gather and utilize input from citizens as they crafted the design of the final landscaping plan for the project.

The City hosted a series of workshops to help gather citizen input. A press release was issued before each workshop, and over 2,000 post cards were sent to targeted neighborhoods. At the first workshop held in October of 2008, citizens were asked to identify their hopes and fears for the project. In addition, they were asked to provide input on the various potential landscape features, bridges, and secondary uses (paths, park benches, playground equipment, etc.). At the second workshop in November of 2008, and again in January of 2009, the design team presented conceptual drawings that began to address the citizens' hopes and fears, as well as their landscape preferences. And finally, at the third workshop in February of 2009, the design concept, based on citizen direction, was presented to the public for comment. The City's design engineering consultant has utilized this input throughout the development of the design of the various improvements associated with the project.

The Bee Branch Creek Restoration Project involves the day-lighting and restoration of the buried creek and associated flood plain area from Kerper Boulevard just south of 16<sup>th</sup> Street to the north and west to Comiskey Park at E. 24<sup>th</sup> and Washington Streets. It also includes ancillary elements such as improvements to the 16<sup>th</sup> Street Detention Basin (ponding area); re-routing of sanitary sewer, water main, and storm sewer; bridge construction (one railroad bridge and four vehicular) and street reconstruction to accommodate traffic in the vicinity of the restored creek; landscaping with public amenities such as a hike/bike trail with lighting, benches, trash receptacles, informational kiosks, and public parking; and a maintenance facility with public restrooms and public parking in support of the newly created creek and green, linear parkway attraction.

In addition to creek construction and the ancillary improvements, the Bee Branch Drainage Basin Master Plan project also includes improvements throughout the watershed that will positively impact the health and viability of the restored creek. These include construction of the Carter Road Detention Basin (completed in 2003), reconstruction and expansion of the W. 32<sup>nd</sup> Street Detention Basin (completed in 2009), improvements to the 16<sup>th</sup> Street detention basin ponding area, improvements to the 22<sup>nd</sup> Street storm sewer between Elm Street and Central Avenue, reconstruction of the 235 alleys throughout the Bee Branch watershed as green alleys with permeable pavement, and improvements to the Couler Valley (North End) storm sewer drainage system between 24<sup>th</sup> Street and 32<sup>nd</sup> Street.



In order to implement the improvements in an ordered and meaningful way, a phased approach is being utilized. A summary of the cost, schedule for various phases, and the time-line for implementation is outlined in Table 1. A description of each phase is as follows:

**Phase I: Carter Road Detention Basin (Completed in 2003)**

The Carter Road Detention Basin was the first Drainage Basin Master Plan project outlined for the Bee Branch watershed. Located in the northwest portion of the Bee Branch watershed, it is mainly comprised of an earthen dam approximately 350 feet long and 40 feet high that can impound 59 million gallons of stormwater runoff. The principal outlet of the dry bottom detention basin is a 15-inch culvert and a 24-inch gated culvert. The high flow outlet is a 48-inch diameter riser pipe that is approximately 37 feet high. A 350-foot long asphalt access road provides access to the outlet structure for operation and maintenance needs. The Carter Road Detention Basin has been providing flood protection by reducing peak runoff flows since 2003.

Table 1. Summary of Cost and Schedule for the Various Projects (Phases) Associated with the Bee Branch Watershed Improvement

Phase	Description	Estimated Cost	Scheduled Start (Calendar Year)	Scheduled for Completion (Calendar Year)
I	Carter Road Detention Basin	\$1,100,000	Completed in 2003	
II	W. 32 <sup>nd</sup> Street Detention Basin	\$4,300,000	Completed in 2009	
III	Bee Branch Property Acquisitions	\$15,577,000	2005	2013
IV	Lower Bee Branch Creek Restoration (16 <sup>th</sup> Street Detention Basin to R.R. tracks), Includes Basin Overlook & Pack Memorial Landscaping to be constructed in 2013	\$14,946,000	2010	2013
V	Bee Branch Gate Replacement	\$960,500	2013	2014
VI	Bee Branch Watershed Green Infrastructure	\$9,420,000	2013	2015
VII	Bee Branch Creek Railroad Bridge/Culvert (Connecting Lower Bee Branch to Upper Bee Branch Projects)	\$16,381,000	2014	2014
VIII	Upper Bee Branch Creek Restoration (Garfield to 22 <sup>nd</sup> Street)	\$16,832,500	2014	2015
IX	Upper Bee Branch Creek Restoration (22 <sup>nd</sup> St. to Comiskey Park) and Lower Bee Branch Creek Amenities: 15 <sup>th</sup> Street Overlook and Floating Island	\$9,006,500	2014	2015
X	North End (Couler Valley) Storm Sewer Improvements	\$990,000	2017	2022

<i>Following phases not in Fiscal Year 2014-2018 budget; they are contingent on available grant funding.</i>				
XI	22 <sup>nd</sup> Street Storm Sewer Improvements	\$2,348,000	2019	2020
XII	Bee Branch Creek Multi-Use Maintenance, Public Restroom, Public Parking Facility	\$980,000	2019	2020
XIII	Bee Branch Watershed Green Alleys (up to 235 alleys)	\$35,000,000	2019	2036

Note: Phases VII, VIII, & IX may be combined into the same phase and constructed at the same time depending on the result of negotiations with the railroad and access to state and federal grant funding.

Phase II: W. 32<sup>nd</sup> Street Detention Basin (Completed in 2009)

To enable the expansion of the existing detention basin, the City acquired fifteen properties and a portion of a sixteenth. As constructed, the West 32<sup>nd</sup> Street Detention Basin provides the maximum amount of storage possible given the available land area. The basin is sized to control a 100-yr, 24-hour rain; however, the design was optimized to reduce discharge rates from smaller events as well. The facility provides for a 59% peak flow reduction for the more frequent 5-year rain. The peak flow reduction for the 100-year rain is almost 70%. The detention basin is able to store in excess of 33.5 million gallons of stormwater runoff. The basin was planted with a combination of wild flowers, prairie grass, and wetland vegetation. The W. 32<sup>nd</sup> Street Detention Basin has been providing flood protection by reducing peak runoff flows since 2009. It has also been capturing sediment and preventing it from flowing into the Bee Branch storm sewer, the Bee Branch Creek, and the Mississippi.

Phase III: Bee Branch Property Acquisitions (Began in 2005 and scheduled to be completed in 2013)

In order to recreate the creek and flood plain through the City's developed North End, property acquisitions were necessary. Since 2005, the City has systematically acquired 98 of the 100 requisite properties. The acquisition of both remaining properties is expected in 2013. One property is required prior to the development of the multi-use maintenance facility (Phase XII). The second involves property owned by the DM&E Railroad, operated by Canadian Pacific (CP). Per the adopted alignment, the City must acquire easement through the portion of CP property currently used for trackage and acquire another portion of CP property in its entirety.

Phase IV: Lower Bee Branch Creek Restoration (Began in 2010 and scheduled to be completed in 2013)

The Lower Bee Branch Creek Restoration Project includes the construction of the 2,100-foot long creek and flood plain area from the 16<sup>th</sup> Street Detention Basin to the railroad tracks just south of Garfield Avenue. In addition to the creek, the project includes the construction of the Sycamore Street Bridge and the 16th Street Bridge. It also includes the construction of 1,900 feet of the 36-inch diameter sanitary sewer that serves as an interceptor sewer, which will be extended north all the way to 24th Street, with the construction of the next phases of the Bee Branch project. The project included water main, sanitary sewer, and storm sewer relocation. The work includes the dredging of the 16th Street Detention Basin (ponding area). It also includes the

installation of 2,840 feet of hike/bike trail along the creek with trail lighting and the planting of hundreds of trees. The project includes the establishment of a Dubuque Packing Company monument with landscaping at the corner of 16<sup>th</sup> and Sycamore Street; the monument was erected in late 2011, with landscaping improvements to be completed in early 2013. Finally, the project includes the construction of an overlook adjacent to the 16<sup>th</sup> Street Detention Basin, which is scheduled to be completed by the end of 2013.

Although the strictly flood control portion of the project has been functional since late 2011, the cost of the project cannot be determined until resolution of the dispute over the project costs between the City and the contractor. The dispute is being settled per the contract through the arbitration process, with a determination expected in April of 2013, following the adoption of the Fiscal Year 2014 CIP Budget. The contractor has claims in excess of \$3 million on a \$10.8 million contract. In order to adequately respond to the claims, the City has incurred unanticipated legal expenses.

Phase V: Bee Branch Gate Replacement (Begins in 2013 and completed in 2014)

Runoff from the Bee Branch watershed flows through the restored Bee Branch Creek and discharges into the 16<sup>th</sup> Street Detention Basin, a ponding area that functions in conjunction with the floodwall/levee system completed in the early 1970s to prevent the Mississippi from flooding the City. When the Mississippi is above flood stage, flood gates help provide the protection. This project involves the replacement of the flood control gates, repair of the concrete gate structure and concrete wing walls, installation of check valves on the pump discharges, and installation of new air release valves at the floodwall's Bee Branch pumping station. While the gates have been inspected and regularly maintained, the unusually low river levels in the fall of 2012 revealed wear and tear to the level that replacement is necessary, and that it be added to the overall project.

Phase VI: Bee Branch Watershed Green Infrastructure (Begins in 2013 and completed in 2015)

Through the Bee Branch Watershed Green Infrastructure Project, at least 40 alleys within the Bee Branch watershed will be reconstructed using permeable, interlocking concrete pavement. Once constructed, approximately 268,000 square feet (6.2 acres) of now impervious surface will be replaced with pervious pavement, reducing the amount of stormwater flowing through the Bee Branch watershed by 5,610,000 gallons and prevent approximately 2,400 pounds of sediment from dumping into the Mississippi River each year.

The \$9.42 million in funding to reconstruct the more than 40 alleys is coming from what can be considered a grant through the Iowa State Revolving Fund program (SRF). Instead of paying the already budgeted \$9.42 million in interest on the City's SRF loan for the upgrades to the City's wastewater treatment facility (Water & Resource Recovery Center), the State has authorized the City to instead use the money to reconstruct the alleys due to the positive environmental impacts that the alleys will have on the project.

This is a new State program established through legislation in 2009. The City of Dubuque will be the first city to take advantage of the program and receive the funding.

Phase VII: Bee Branch Creek Railroad Bridge/Culvert (Begins in 2014 and completed in 2014)\*

The reconstruction of a creek through the railroad property impacts the railroad in three ways: it results in the City acquiring a portion of their property, including their current yard office at 506 Garfield Avenue; it results in disruption to their operation during construction of the City's project, as some of the tracks may need to be taken out of service temporarily; and it results in the existence of a new structure under the railroad tracks (bridge or culvert) that does not exist there today.

The City has been discussing the Bee Branch Project and the potential impacts to the railroad with the owner of the tracks and rail yard since 2007. In 2007, it was owned by Iowa, Chicago, & Eastern Railroad (IC&E). In 2008, the tracks and yard were acquired by Dakota, Minnesota, & Eastern Railroad (DM&E). And finally, in 2010, the tracks and yard were acquired by Canadian Pacific Railroad (CP). With support from the railroad, the City originally planned to construct box culverts through the railroad property, a half at a time, which would allow the railroad continued use of their tracks during construction of the City's project. However, CP informed the City that in order to employ this approach, the City would have to pay to upgrade yard tracks and install additional switches. The reasoning was that the yard track is substandard and it would not be allowable to use it as main line track when the current main line track is temporarily taken out of service. Based on the direction of CP, the estimate to upgrade and replace tracks and switches under this approach is \$5 million. Even though the City anticipated that track replacements would be required, the replacements and upgrades outlined by CP would result in the City paying for \$4.4 million more in track replacement costs than planned or provided for in the budget. Originally, the City planned to build box culverts to pass the stormwater through the railroad property. The design now reflects the construction of a bridge. While it was known that a bridge would be more costly than box culverts, it was thought that the increased cost would be offset with reduced track replacement/upgrade costs because the bridge could be built, for the most part, with existing railroad tracks in place. This has not turned out to be the case. The Fiscal Year 2014-2018 CIP Budget for the Bee Branch does not include these additional track costs, as the City continues to look into ways to minimize the impacts to the railroad and, thus, minimize the necessary costs to pass stormwater through the railroad property. The Fiscal Year 2014-2018 CIP Budget reflects other savings to be achieved through value engineering.

\*The start and completion date is still dependent on the negotiations with the railroad. While the goal is to start and complete the project in 2014, depending on the railroad track construction required for the project, it might be delayed until 2015.

Phase VIII: Upper Bee Branch Creek, Garfield to 22<sup>nd</sup> Street (Begins in 2014 and completed in 2015)

The Upper Bee Branch Creek Restoration Project from Garfield Avenue to E. 22<sup>nd</sup> Street includes, but is not limited to, the following elements:

- Creek and Flood Plain
- Level Control Facility
- Rain Gardens with Boardwalks
- Rhomberg Avenue Bridge
- Lincoln Avenue Pedestrian Bridge
- Hike/Bike Trail with Lighting, Security Cameras, and 911
- Sanitary Sewer, Water Main, Storm Sewer Relocation
- Amphitheater
- Public Orchard
- 22<sup>nd</sup> Street Bridge

Phase IX: Upper Bee Branch Creek, 22<sup>nd</sup> St. to Comiskey Park, 15<sup>th</sup> Street Overlook, and Floating Island (Begins in 2014 and completed in 2015)

The Upper Bee Branch Creek Restoration Project from E. 22<sup>nd</sup> Street to Comiskey Park at E. 24<sup>th</sup> Street includes, but is not limited to, the following elements:

- Creek and Flood Plain
- Landscaping
- Hike/Bike Trail with Lighting
- Sanitary Sewer, Water Main, Storm Sewer Relocation
- Embankment Slides
- Creek Headwaters Overlook at 24<sup>th</sup> Street with Kiosk
- Reconstruction of 24<sup>th</sup> Street
- Connection to Comiskey

Creating the connection between the Bee Branch Creek linear parkway, the Heritage Trail, and Comiskey Park at 24<sup>th</sup> Street, includes improvements to the southeastern corner of the park, which include a green space with landscaping, a walking path with lighting to the park, and a new pergola adjacent to the Comiskey Park building. Comiskey Park is also to receive a \$500,000 renovation not as part of this project.

- 15<sup>th</sup> Street Overlook

The 15<sup>th</sup> Street overlook with plaza and rest areas is planned in the Lower Bee Branch reach of the project. The overlook will include a pavilion, sidewalk, lighting, drinking fountain, bike racks, trash receptacles, benches, trees, shrubs, interpretive signs, and a blue light (911) emergency call box. It will be constructed along 15<sup>th</sup> Street between Sycamore and Pine Streets.

- Floating Island

A floating island is a form of a wetland which "bio-mimics" natural floating wetland systems invented by nature. Vegetated with native plants, it is a beautiful, natural, and sustainable eco-system which provides many benefits, from habitat restoration to water cleansing. When launched, a whole diverse eco-system is created which attracts life in all its forms, from microbes to nymphs, to butterflies, to fish, birds ... all the way up the food chain. The floating island will provide environmental benefits to the water by removing pollutants and excessive nutrients through natural processes. The floating island is to be located within the 16th Street Detention Basin.

Phase X: North End (Couler Valley) Storm Sewer Improvements (Begins in 2017 and completed in 2022)

This project provides for the upgrading of the local storm sewers on 25th, 26th, 27th, 28th, 29th, and 30th Streets between White and Elm Streets in a six-year period. Storm sewers will be upsized to handle stormwater runoff from heavy rains. While each street will be considered individually, the storm sewer capacity will be expanded up to ten times the current capacity.

Typically, storm sewers are designed to handle rain in small quantities. But with the completion of the Bee Branch Creek Restoration Project, upgrading the local storm sewers will significantly decrease localized street flooding that can also lead to basement flooding. To limit the sewer upgrade costs, upgrading the various local street drainage systems will be done, when possible, in concert with the Street Program and the 10 miles of streets that the Public Works Department overlays each year.

*NOTE: The following phases not in Fiscal Year 2014-2018 budget; they are contingent on available grant funding.*

Phase XI: 22<sup>nd</sup> Street Storm Sewer Improvements (Begin in 2019 and completed in 2020)

As many have witnessed, storm water can form what resembles a river running down 22<sup>nd</sup> Street from Central to Elm Street. The construction of the Bee Branch Project will alleviate this somewhat by ensuring that the storm sewer between Central and Elm does not fill up and surcharge due to downstream storm sewer capacity. But surcharging will still occur as the storm sewer between Central and Elm is not large enough to handle even moderate rains. Upsizing the sewer between Central and Elm did not make sense in the past because the Bee Branch storm sewer was already full of storm water; it could not handle additional flow. But the restored Bee Branch Creek will be able to handle the additional flow. One of the challenges associated with the design of the Upper Bee Branch Project is trying to deliver the stormwater that flows down 22<sup>nd</sup> Street into the Bee Branch Creek without damaging the newly created creek. While the Bee Branch design will address this to a certain extent, the best way would be to extend a larger storm sewer up 22<sup>nd</sup> Street toward Central. Due to the size of the storm sewer

required, total street reconstruction and traffic signal replacement would be necessary, and is included in the estimated project cost.

Phase XII: Bee Branch Creek Multi-Use Maintenance, Public Restroom, Public Parking Facility (Begin in 2019 and completed in 2020)

The scope of the Bee Branch project requires a larger engineered maintenance facility, along with trail parking, and public restrooms. The original plan for a maintenance building was to reuse one of the garages acquired as part of the project. While the garage will be used in the interim, it will not meet the maintenance needs once all phases of the project are complete.

The proposed multi-use maintenance facility is to be constructed near what is now Pine Street, between 15<sup>th</sup> and 16<sup>th</sup> Streets, in the vicinity of the Lower Bee Branch.

Phase XIII: Bee Branch Watershed Green Alleys (Begin in 2019 and completed in 2036)

Building on the benefits of the green alleys to be constructed in Phase VI, that uses the SRF sponsorship (grant) funding, the plan is to reconstruct more alleys (up to a total of 235) within the Bee Branch watershed as green alleys, using permeable interlocking pavers. The total number of viable green alleys and the anticipated costs are conceptual at this point.

Phase XIII is the final phase. Following is a description of the issues involved in the schedule.

In general, upstream detention basins should be constructed first. Therefore, the Carter Road Detention Basin and the W. 32<sup>nd</sup> Street Detention Basin improvements were completed in 2003 and 2009, respectively. In general, increased conveyance, such as the creek and flood plain restoration, should be done from downstream to upstream; the Lower Bee Branch Creek Restoration improvements were substantially complete in 2012. Ideally, the next leg of the creek construction project would be to extend the creek constructed as part of the Lower Bee Branch to the north through the railroad tracks operated by Canadian Pacific at 506 Garfield Avenue. Unfortunately, even though the City has been discussing the issue with the various owners of the railroad tracks since 2007, the City has not been able to acquire the railroad property required to construct the next phase of the project, (see Phase VII above).

CP operates an active rail yard at 506 Garfield. Essentially, they have a series of tracks and switches in order to store, sort, and load/unload railroad cars and locomotives. The planned location where the City is to build a bridge or culvert through the railroad property in order to pass stormwater runoff through the railroad property potentially impacts the entire yard operation. Within the footprint of the City's project is several track switches. If these switches are removed, even temporarily, it will prevent the railroad from using a portion of their yard tracks. So in order to maintain an acceptable level of operation during construction of the City's project, the railroad has outlined that in the neighborhood of \$5 million in track and switch replacement/upgrades are necessary. Unfortunately, the lead time for switches is nine months and track work

cannot be performed during the winter months. Depending on the final resolution of these issues, Phase VII of the project, the Bee Branch Creek Railroad Bridge/Culvert Project, may not be able to move into construction until early 2015.

The schedule outlined with the proposed Fiscal Year 2014-2018 CIP Budget is to have a fully functional flood mitigation project in place by December 31, 2014. Finishing touches such as landscaping work may stretch into the spring of 2015. All improvements would be complete by July 1, 2015. But again, this will depend on Phase VII as outlined above.

The proposed Fiscal Year 2014-2018 CIP Budget for the Bee Branch Project includes an additional \$400,000 in Fiscal Year 2014 for the proposed trail head parking lot at 22<sup>nd</sup> and Prince Street. Prior to Fiscal Year 2013, the parking lot which is to be paved with permeable pavement had been included in the overall project cost. However, in Fiscal Year 2013 the cost of the improvements was shifted into the \$9.4 million Bee Branch Watershed Green Infrastructure Project (see Phase VI above). In the fall of 2012, after the Iowa Department of Natural Resources approved the City's proposed project to construct 40 green alleys and two parking lots, the City was notified that parking lots were not eligible for the program. Therefore, the parking lot is once again listed as part of the Bee Branch Creek Restoration Project. The cost of the trail head parking lot is to be financed with a combination of Federal Transportation Enhancement funds and RECAT funds. Federal Transportation Enhancement funds and RECAT funds are also identified to cover the cost of the Basin Overlook Project. And the Fiscal Year 2014 CIP Budget includes an additional \$300,000 for the Overlook Project.

The proposed Fiscal Year 2014-2018 CIP Budget for the Bee Branch Project also includes an additional \$9.2 million in Fiscal Year 2015 for increased project costs that include:

- \$5,470,700 in construction costs and \$533,200 in engineering costs associated with the construction of a bridge or culvert to pass the creek under the railroad tracks just south of Garfield Avenue;
- \$50,000 in construction costs associated with the Pack Memorial landscaping which will be offset through a Wahlert Foundation Grant and private donations.
- \$764,300 in construction costs associated with the proposed Rhomberg Avenue and 22<sup>nd</sup> Street bridges;
- \$736,800 in construction costs associated with the reconstruction of a portion of the Bee Branch storm sewer to remain under E. 24<sup>th</sup> Street and the associated surface treatments;
- \$380,000 in legal fees associated with the arbitration process related to the construction contract for the Lower Bee Branch Creek Restoration Project (Phase IV);
- \$1,242,800 in anticipated increased project costs simply due to delaying the construction of the improvements (inflation); and
- \$70,000 in additional engineering and design costs associated with value engineering and the soliciting and administration of grant funding.



The estimated construction and engineering costs outlined for Fiscal Year 2015 are offset somewhat by a \$1.1 million reduction in anticipated property acquisition costs.

Due to the schedule and cost implications outlined above for Phase VII, the City has continued to investigate the viability of other options to pass the stormwater runoff through the railroad property from the Upper Bee Branch to the Lower Bee Branch. The cost estimates for the options currently being considered range from \$10,279,000 to \$19,406,000. The proposed Fiscal Year 2014-2018 CIP Budget reflects the \$10 million option which will be the option of choice if determined to be entirely viable. The option that the City ultimately pursues will be identified prior to the beginning of Fiscal Year 2014. But until then, the rate structure required to fund the project cannot be determined.

With the adoption of the Fiscal Year 13 CIP Budget, funding was established and supported by a stormwater utility fee rate structure to implement the first nine phases of the Bee Branch watershed improvement projects. Since then, changes have occurred regarding both project costs and possible funding sources. As promised, the City has continued to seek outside funding in the form of grants and low interest loans to cover the cost of the undertaking. As of Fiscal Year 2013, the City has successfully secured \$11,865,500 in local, state, and federal grant funding. And three additional grant funding opportunities are being pursued and may be realized sometime in Fiscal Year 2014.

In the fall of 2012, the City submitted a grant request to the Economic Development Agency (EDA) in the amount of \$1.22 million. Feedback from the EDA to date has been positive. The City expects to find out if the application was successful in early 2013 and possibly prior to the adoption of the Fiscal Year 2014 budget.

The State Flood Mitigation Program was created in 2012. It established two possible sources of funding for the Bee Branch watershed improvements: Flood Mitigation Fund and a Sales Tax Increment Fund. The Flood Mitigation Fund will consist of appropriations and other moneys and will likely be limited in scope. However, the Sales Tax Increment Fund will receive deposits of increased sales tax revenues from impacted areas, as calculated by the Department of Revenue. It established a 10-year state flood mitigation program capped at \$30 million annually in state sales tax revenue for a total of \$300 million. It calls for a maximum award of up to \$15 million a year for any qualifying single community to match local and federal funds that communities would spend on flood protection projects. A nine-member board is to be established in the spring of 2013. The board must first establish an application process and application procedures. Ultimately the board will scrutinize applications to allow qualifying local entities to capture a share of the growth in their sales tax collections to match state and federal financial assistance. The City is already taking steps to ready itself in anticipation of an application process. HDR Engineering has been hired to assist with updating the 2001 Drainage Basin Master Plan. The update will serve as the basis of the City's flood mitigation application. If successful, the award is expected by

December of 2013. Such an award may significantly impact stormwater utility rates that are currently set per ordinance to increase from the current rate of \$5.60 per month for an average household to \$9.00 per month in Fiscal Year 2017. But adopting an ordinance to maintain the current rate at \$5.60 per month starting into Fiscal Year 2014 and beyond is appropriate until the anticipated additional outside revenue is better defined.

Another overall project cost that remains in flux is the final cost of Phase IV of the project, the Lower Bee Branch Creek Restoration Project. In order to establish the final project cost, the arbitration process is being utilized per the terms of the contract. The arbitration process is expected to run its course with findings expected in April of 2013, after the adoption of the Fiscal Year 2014 CIP Budget.

**Even though the current rate of \$5.60 will not support the borrowing for construction previously outlined for the project, due to the volatility of project costs associated with Phase VII of the project (the Bee Branch Creek Railroad Bridge/Culvert Project) and the anticipation of additional state and federal grant monies, the Stormwater Management Utility rate for Fiscal Year 2014 should remain at the current rate of \$5.60 with the understanding that it may be adjusted at some point during Fiscal Year 2014 when the project costs and funding sources crystallize.**

It is anticipated that in Fiscal Year 2018 the Stormwater Fund will begin to be able to support its fair share of the City’s administrative overhead, or 16.67%. In Fiscal Year 2014 the Stormwater Fund will only support 0.36% of the administrative overhead.

**The solid waste collection fees in Fiscal Year 2014 are recommended to increase 9%.**

**Solid Waste Collection Comparison**

Solid Waste Collection Rate Comparison  
for Average User

<b>City</b>	<b>Proposed Rate (FY14)</b>
Ames	\$22.50
Iowa City	\$15.70
Sioux City	\$14.90
Cedar Rapids	\$14.60
Waterloo	\$14.10
Davenport	\$13.38
<b>Dubuque</b>	<b>\$12.74</b>
Council Bluffs	\$12.50
Des Moines	\$11.75
West Des Moines	\$11.10
<i>Average w/o Dubuque</i>	<i>\$14.50</i>

**For Fiscal Year 2014, the highest-ranked city (Ames - \$22.50) is approximately 83% higher than Dubuque, and the average (\$14.50) is approximately 14% higher than Dubuque. In Fiscal Year 2014, Dubuque will have the third-lowest refuse collection rate, assuming other cities do not increase rates. In Fiscal Year 2013, Dubuque had the second-lowest refuse collection rate.**

The Solid Waste Fund's fair share of the City's administrative overhead is 16.67%. In Fiscal Year 2014, the Solid Waste Fund will only support 12.58%.

**In Fiscal Year 2014, the average homeowner will pay \$124.24 more for City services, including property taxes, sanitary sewer, water, refuse and stormwater, than in 2013 – an average increase of just \$34.78 per year since 1995.**

### **Fiscal Benchmarks**

#### **Dubuque's Rankings among Iowa's 10 Largest Cities**

<b>ISSUE</b>	<b>RANK</b>
<b>Property Tax Rate (2<sup>nd</sup> Lowest)</b>	<b>#2 of 10</b>
<b>Water Rate (2<sup>nd</sup> Lowest)</b>	<b>#2 of 7</b>
<b>Sanitary Sewer Rate (6<sup>th</sup> Lowest)</b>	<b>#6 of 10</b>
<b>Refuse Collection Rate (4<sup>th</sup> Lowest)</b>	<b>#4 of 10</b>
<b>Stormwater Rate (2<sup>nd</sup> Highest)</b>	<b>#18 of 19</b>
<b>Property Tax Per Capita (Lowest)</b>	<b>#1 of 10</b>

As you can see, the City of Dubuque is very competitive among the ten cities in the State of Iowa with a population that exceeds 50,000. I would like to show you how much money this saves Dubuque taxpayers when compared to the average of the other nine cities, and to the highest cost in each category (property tax, water, sanitary sewer, stormwater and refuse collection).

## **Fiscal Benchmarks**

### Savings to Average Homeowners

	<b>Current Annual Dubuque Cost</b>	<b>If Equal to the Highest Large Iowa City</b>
Property Tax	\$ 706	\$1,166 (+\$460)
Water Fee	\$ 278	\$ 364 (+\$86)
Sanitary Sewer Fee	\$ 384	\$ 455 (+\$71)
Stormwater Fee	\$ 67	\$ 110 (+\$ 43)
Refuse Fee	\$ 153	\$ 270 (+\$117)
Total Annual Cost	\$1,588	\$2,365(+\$777)

These savings put almost \$15 million back into the local economy annually; compared to if the City of Dubuque charged the highest fee of the comparable cities.

The City continues to identify alternative revenue sources. The City currently leases approximately 70 acres of industrial riverfront property to private industry. The City receives about \$1,798,308 per year in land-lease revenues for property that should be generating much more. This compares favorably with the Fiscal Year 2012 lease revenues of \$548,672. In some cases, the City has more in expenses related to the lease than is generated in revenue. The City is currently approaching additional firms about their lease renewals.

The City faces some significant financial challenges over the next several years. I commit to do my best to operate the City efficiently and to identify alternative revenue sources to minimize the property tax bill. There were almost \$19.5 million in departmental requests that could not be recommended in the 5-Year Capital Improvement Program Budget.

Beginning in Fiscal Year 2013, additional overhead recharges to the utility funds is being phased in over several years. Engineering administrative and project management expenses that are not recharged to capital projects will be split evenly between the Water, Sewer, Stormwater and General Funds. Finance accounting expenses and all other administrative departments such as Economic Development, Planning, Workforce Development, City Clerk, Legal Services, and City Manager's Office will be split evenly between Water, Sewer, Stormwater, Refuse Collection, and General Funds, with overhead costs being shared by the Landfill and Parking. This will be fully implemented over time.

When the overhead recharges are fully implemented, the Enterprise Funds will split the cost of administrative overhead excluding Engineering as follows:

Water	16.67%	Refuse	16.67%
Sewer	16.67%	Parking	8.33%
Stormwater	16.67%	Landfill	8.33%

Engineering administration and Engineering project management will be split evenly between General Fund (25%), Water (25%), Sewer (25%) and Stormwater (25%).

Purchase of services activities are those services that the City feels fit the goals and priorities of the City and are not required to be provided or would not be provided in the normal course of City business. In Fiscal Year 2014, the process was changed for the funding of purchase of service agencies. The Fiscal Year 2014 budget recommends allocation of \$43,789 in General Fund and \$12,500 in Community Development Block Funds for a total of \$56,289 to fulfill some of the recommendations of the Community Development Advisory Commission.

The following purchase of service agencies have received funding in the past:

<b>Agency</b>	<b>FY 2013</b>	<b>Funding Source</b>
Helping Services of Northeast Iowa	\$2,147	General Fund
Opening Doors	\$7,720	General Fund
Opening Doors	\$7,280	CDBG
Project Concern: Foster Grandparent Program	\$6,113	General Fund
Project Concern: Child Care Referral	\$6,624	CDBG
Project Concern: Information & Referral	\$18,798	CDBG
Retired Senior Volunteer Program	\$7,341	General Fund
Four Mounds HEART Program	\$5,000	General Fund
Dubuque Art Center	\$15,000	General Fund
Total	\$76,023	

Opening Doors, Four Mounds HEART Program, and Dubuque Art Center were approved in Fiscal Year 2013 for three years of recurring funding. The \$35,000 for these organizations is included in the recommended budget in addition to the \$56,289 allocation for other organizations.

Contracted services are services that the City would have within its organization regardless of who provides the service. Contracted services in many cases leverage other resources that would not normally be available to the City. An example is the Dubuque Humane Society, which provides a heightened level of service for animal control over what the City would provide for animals.

The following agencies have received or are being recommended to receive funding as contracted services within other departments:

Agency	Department	FY 2013	FY 2014	Funding Source
America's River Corporation	Economic Development	\$10,000	\$10,000	General Fund
Burlington Trailways	Transit	\$9,600	\$9,600	General Fund
Community Foundation of Greater Dubuque – Project HOPE	Economic Development	\$73,250	\$70,308	General Fund
Community Foundation of Greater Dubuque – Every Child Every Promise	Housing	\$25,000	\$25,000	General Fund
Crescent Community Health Center - Operating	Health Services	\$25,000	\$25,000	General Fund
Crescent Community Health Center – 18 <sup>th</sup> St Rent	Health Services	\$25,000	\$25,000	General Fund
Dubuque Area Labor Management Council	Economic Development	\$30,000	\$30,000	General Fund
Dubuque Chamber of Commerce Convention & Visitors Bureau	Economic Development	\$886,717	\$916,322	General Fund
Dubuque Main Street	Economic Development	\$74,276	\$74,276	General Fund
DuRide	Transit	\$20,000	\$20,000	General Fund
Greater Dubuque Development Corporation – Retail Expansion/Marketing/Workforce	Economic Development	\$586,613	\$586,613	Land Sales
Hills & Dales: Senior Center	Recreation	\$18,200	\$18,200	CDBG
Humane Society	Health Services	\$126,507	\$130,303	General Fund
Operation New View	Housing	\$18,805	\$19,369	General Fund
Operation New View: Head Start Program – 18 <sup>th</sup> St Rent	Housing	\$25,000	\$25,000	General Fund
St. Mark Community Center	Recreation	\$15,000	\$15,000	General Fund
Prosperity Eastern Iowa	Economic Development	\$2,500	\$2,500	General Fund
Washington Development Neighborhood Corporation	Economic Development	\$25,000	\$75,000	General Fund
Washington Tool Library	Neighborhood Development	\$11,284	\$11,284	CDBG
Total		\$2,007,752	\$2,088,775	

Mayor Buol and the City Council met in August 2012 to establish the Missions, Visions, Goals and Priorities for the community. These are the foundation of the City's work plan and this budget recommendation:

## Our Vision for the Community

Dubuque is a viable, livable, and equitable community. We embrace economic prosperity, environmental integrity, and social/cultural vibrancy to create a sustainable legacy for generations to come.

### 15-YEAR VISION STATEMENT

- The City of Dubuque is a progressive, sustainable city with a strong diversified economy and expanding global connections;
- The Dubuque community is an inclusive community celebrating culture and heritage and has actively preserved our Masterpiece on the Mississippi;

- Dubuque citizens experience healthy living and active retirement through quality, livable neighborhoods and an abundance of fun things to do; and they are engaged in the community, achieving goals through partnerships; and
- Dubuque City government is financially sound and is providing services with citizens getting value for their tax dollars.

### **CITY MISSION STATEMENT**

The City's mission is to deliver excellent municipal services that support urban living, and contribute to a sustainable city. The City plans for the community's future, and facilitates access to critical human services. The result is a financially sound city government and citizens getting services and value for their tax dollar.

### **FIVE-YEAR COMMUNITY GOALS FOR A SUSTAINABLE DUBUQUE**

- Economic Prosperity
- Environmental/Ecological Integrity
- Social/Cultural Vibrancy

### **FIVE-YEAR CITY GOALS**

- Planned and Managed Growth
- Partnering for a Better Dubuque
- Improved Connectivity – Transportation and Telecommunications

### **POLICY AGENDA 2012 – 2014**

#### **Top Priorities:**

- Arts and Culture Strategy
- Community Organization
- Dubuque Millwork District Master Plan
- Mystique Casino
- Southwest Arterial Project

#### **High Priorities:**

- Annual Street Improvement Program
- Greater Dubuque Development Corporation City Support
- Indoor Aquatic Center
- Master Plan for Chaplain Schmitt Island
- Safe Community Initiative
- Skate Park(s)
- Third Grade Reading Strategy

### **MANAGEMENT IN PROGRESS – 2012-2014:**

- Dubuque Initiatives
- Green Jobs Training Program
- Workforce Market Rate Housing Strategy
- NICC Job Training Grant

- Renewable Energy Program
- Sustainability Purchasing Policy and Procedures
- EECBG Implementation
- AVL for Transit
- Grand River Center Electric Meters Project
- University of Iowa Initiative for Sustainable Community
- Green Team Work Plan
- Sustainability Curriculum in School System (Green Vision Program)
- City Operations Sustainability Performance Measures
- Dubuque Regional Smart Plan
- Department of Energy Smart Grid Grant
- FEMA Flood Plain Maps
- Sustainable Design Standards and Incentives
- DMASWA Landfill
- City Workforce Diversity
- Territorial Accountability Design (TAD Program)
- Local Foods Program
- Urban Gardens
- Citizen Academy
- Intercultural Competency Program within City Government
- Police Explorer Program
- Police – Race Dialogue
- Sustainable Dubuque Indicators Software Tool
- Housing Program
- Inflow and Infiltration Program/Home Inspections
- Surveillance and Security Cameras Strategy
- City Comprehensive Plan
- Census Count Resolution
- Flood Wall
- Statewide Urban Design and Specifications City Engineering Standards
- Bee Branch Creek Restoration Project
- Parks – School Joint Projects and Services
- City Volunteer Program
- Sister City Program
- All America City Award
- Dog Park Concept Plan
- Veterans Memorials
- Handicap Accessible for Parks
- AmeriCorps Program
- Green Vision Education
- Bridges Out of Poverty Program
- Smart Transportation Program
- Transit for College Routes
- Trolley Upgrades



- Traffic Signal Synchronization
- Quarterly Budget Monitoring Process
- Performance Measures
- Budget and Financial Report
- Website Content Management
- Citizen Response Management System
- 900 MHz Data System
- Employee Wellness Program
- Employee Involvement Teams
- Healthcare Cost Containment
- Police Officer Recruitment and Retention
- Bond Rating

#### **MAJOR PROJECTS – 2012-2014:**

- Riverfront Marina/Transient Boat Dock
- South Siegert Farm Industrial Park
- Crescent Health Center 18th Street Building Renovations
- Water & Resource Recovery Center

**Reductions in the total budget of 31% (from \$214,460,033 in Fiscal Year 2013 to \$148,965,348 in Fiscal Year 2014) are the result of a reduction of 67.45% (from \$105,611,759 in Fiscal Year 2013 to \$34,381,320 in Fiscal Year 2014) in the City Capital Improvement Budget.** This is mainly caused by the fact that funds needed for the Southwest Arterial and the Water & Resource Recovery Center have been accumulated from being budgeted in past years. Also, some needed funds for the Southwest Arterial and the Bee Branch Creek Restoration Project are anticipated to be received from federal and state grants and are not reflected in this 5-year CIP. As these grants are received, or other funding mechanisms are needed to be identified, these project costs will be added to the budget over time. Also, the City has not received any requests for utility extensions for large tracts of properties previously annexed. In the future, as these requests are received, these costs will be added to the budget.

The City was contacted by Black Hills Energy in January 2013, in regard to the City's gas franchise fee. Black Hills has inadvertently charged approximately 350 customers located outside the City Limits the 3% City gas franchise fee. In addition, approximately 100 of their customers located in City limits were not being charged the gas franchise fees. This information was determined after Black Hills Energy did an internal review.

Over the past five years, the impact from this discovery results in approximately \$91,000 collected from 350 non-City customers remitted to the City. Approximately \$12,000 was not collected or remitted to the City from 100 City customers. Black Hills Energy will correct the February remittance of franchise fees to the City by reducing it by \$79,000. The City will cover the Fiscal Year 2013 \$79,000 gas franchise fee shortfall with Iowa District Court Fines, which met the budget of \$200,000 in November 2012, and has since exceeded the budget by \$70,000.

It is projected that there will be a negative impact to the City of approximately \$31,200 annually from reduced gas franchise fees from Black Hills Energy in Fiscal Year 2014 and beyond. In late January 2013, the City was notified that the State funding for Transit was increased \$21,872 for State Transit Administration formula funding, and \$10,015 for Elderly and Disabled Persons funding, for a total of \$31,887. This was not known at the time the budget recommendation was put together. This additional revenue will be used to offset the shortfall of the gas franchise fee in Fiscal Year 2014. The Fiscal Year 2014 State Budget Certification will show \$31,200 less in gas franchise fee revenue and \$31,887 more in State Transit revenue.

I am a fan of the former Stanford Business School professor and author Jim Collins and his books, “Good to Great” and “Built to Last.” He has a new book out, “Great by Choice,” in which he researches successful companies and goes on to explain:

“This research project began with the premise that we live in an environment of chaos and uncertainty. But the environment doesn’t determine why some companies thrive in chaos and why others don’t. People do. . . . Of all the luck we can get, people luck—the luck of finding the right mentor, partner, teammate, leader, friend—is one of the most important.”

“More than any of our prior research, this study shows that whether we prevail or fail, endure or die, depends more upon what we do than on what the world does to us.”

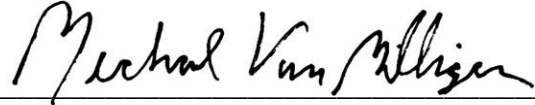
I think these Jim Collins’ observations fit in well with what I tell people when they ask how Dubuque accomplishes the things it does here. I tell them it is about Planning, Partnerships and People.

As you review this budget recommendation, you will note that it is supportive of the Sustainable Dubuque initiative. Through this lens, we strive to meet the environmental, economic, and social equity needs of today without reducing the ability of future generations to meet their needs. Each activity supports at least one, and in most cases several, of the Sustainable Dubuque principles.

I want to thank the citizens and businesses of Dubuque for deciding that they prefer the price of progress over the higher price of stagnation and decline. None of the progress this community is experiencing would be possible without the citizens’ determination, the business investment, the leadership of Mayor Roy Buol and the City Council, the tremendously talented City employees, and the robust partnerships with local not-for-profits and different levels of government. This is all our “people luck.”

I want to thank Budget Director Jennifer Larson, Assistant City Manager Cindy Steinhauser, Senior Budget Analyst Mary Brooks, Office Manager Juanita Hilkin, Secretary Deb Searles, Secretary Stephanie Valentine, and Communications Assistant Natalie Riniker, for all their hard work and dedication in preparation of this budget recommendation.

I look forward to City Council questions and input as you review this budget recommendation and then this will be implemented according to your final decisions and direction.

A handwritten signature in black ink, reading "Michael Van Milligen". The signature is written in a cursive style with a large initial "M".

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Michael C. Van Milligen

MCVM:jh