



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

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

**SUBJECT:** Budget and Fiscal Policy Guidelines for Fiscal Year 2013

**DATE:** January 11, 2012

Budget Director Jennifer Larson is recommending adoption of the Fiscal Year 2013 Budget Policy Guidelines. The guidelines include a \$10.7848 per thousand dollars of assessed valuation property tax rate for Fiscal Year 2013.

The Fiscal Year 2013 recommended property tax rate of \$10.78 per thousand dollars of assessed valuation is a 3.19% increase from the current Fiscal Year 2012 property tax rate of \$10.46 per thousand dollars of assessed valuation.

While there have been fluctuations along the way, the \$10.78 Fiscal Year 2013 recommended rate is a 4.54% increase over the Fiscal Year 2008 property tax rate, or a 1.34% 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 26.04% higher than the Fiscal Year 2013 recommended property tax rate of \$10.78.

The Fiscal Year 2013 recommended property tax rate of \$10.78 would still maintain Dubuque as having the 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 2013) is the lowest in the state for the City portion of property tax rate. The highest-ranked city (Waterloo at \$18.53) is 72% higher than Dubuque's rate, and the average (\$15.77) is 46% higher than Dubuque.

Without a doubt, the major reason for the increase in property taxes to support City services is 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 38%. 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 2013 projection of \$6,246,737, the City will receive \$3,896,895 dollars less in lease revenue.

One of the causes of the Fiscal Year 2013 property tax increase is the increase in health insurance cost. The City portion of health insurance expense will increase from \$770 per month per contract to \$835 per month per contract (based on 549 contracts) which is an 8.4% increase in health insurance costs for an additional cost of \$289,000 to the General Fund in Fiscal Year 2013, or a 1.31% 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 possibly 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 24.76% of Police and Fire employee salary is mandated by the State to increase to 26.12% of salary, for an additional cost of \$178,966 in Fiscal Year 2013 for the General Fund or a 0.81% property tax impact for the average homeowner.

Also, the Iowa Public Employees' Retirement System increased the required City contribution rate from 8.07% to 8.67%, which is an additional cost of \$78,560 in Fiscal Year 2013 for the General Fund, or a 0.35% property tax impact for the average homeowner. Therefore, increased pension costs account for 1.16% property tax impact for the average Dubuque homeowner.

In Fiscal Year 2013, there is generally a 2.5% employee wage increase at a cost of \$794,000 to the General Fund, or a 3.6% property tax impact for the average homeowner.

Another significant cost increase item in this budget recommendation is the increased property tax support for The Jule Transit System, going from \$717,611 in Fiscal Year 2012 to \$978,135 in Fiscal Year 2013, for an increase in property tax support of \$260,524 in Fiscal Year 2013 for the General Fund, or a 1.18% property tax impact for the average homeowner.

The Fiscal Year 2013 recommended property tax rate of \$10.78 includes \$650,000 for recurring improvement package requests and some funds for non-recurring improvement package requests in the Fiscal Year 2013 budget recommendation. This is partially driven by the desire to meet two of the City Council top priorities related to Sustainability and the Safe Community Task Force recommendations. Elimination of the \$650,000 in funds for recurring improvement packages would reduce the property tax rate from \$10.78 to \$10.48.

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 beginning 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. Another method is the split of gaming revenues from taxes and the DRA lease (not distributions) in Fiscal Year 2012 is split between operating and capital budgets at 86.5% / 13.5% and that is recommended to change in Fiscal Year 2013 to 90% / 10%. Future budget years will see an increase in commercial property and industrial property land lease revenues, so in Fiscal Year 2013, some of the improvement package recurring expenses have been funded with one-time revenues. Finally, there is an increased use of City debt to fund capital improvement program items. The City currently has a statutory debt capacity of \$177,667,991 (there are certain debts allowed outside that statutory debt capacity) and has outstanding debt that applies against the statutory debt capacity of \$124,400,068, which includes Economic Development TIF rebate agreements and incentives (\$24.5 million).

Recognizing that there is a great deal of uncertainty around the national economy that has spilled over to negatively affect the local economy, these guidelines call for the continued allocation of an additional \$1 million, above the standard amount of reserves, in the uncommitted cash reserve general fund balance that was implemented in Fiscal Year 2010, which is 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.

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 2017.

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 \$100,541,423. 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.

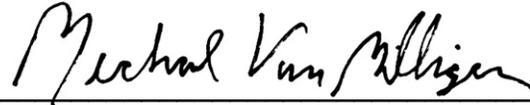
The recommended property tax rate of \$10.78, while only being a 3.19% increase in the property tax rate over Fiscal Year 2012, will be a 5.00% increase to the "City" share of property taxes for the average homeowner assuming the Homestead Property Tax Credit is fully funded by the State of Iowa. It 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, excluding TIF District Revenues, and the change in the State rollback factor, which is going from 48.53% to 50.75%, as determined by the State of Iowa.

The "City" share of commercial property taxes will increase 3.19 percent, as commercial property is not affected by a rollback factor.

The "City" share of industrial property taxes will increase 3.19 percent, as industrial property is not affected by a rollback factor.

The City Council will conduct six public meetings prior to the adoption of a City budget after a public hearing on March 7, 2012.

I concur with the recommendation and respectfully request Mayor and City Council approval.



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Michael C. Van Milligen

MCVM:jml

Attachment

cc: Barry Lindahl, City Attorney  
Cindy Steinhauser, Assistant City Manager  
Jennifer Larson, Budget Director



January 10, 2012

**TO:** Michael C. Van Milligen, City Manager  
**FROM:** Jennifer Larson, Budget Director  
**SUBJECT:** Budget and Fiscal Policy Guidelines for Fiscal Year 2013

I am recommending adoption of the Fiscal Year 2013 Budget Policy Guidelines. The guidelines reflect City Council direction given as part of the August 24 and 25, 2011, goal setting sessions.

The budget guidelines are developed and adopted by City Council early in the budgeting process in order to provide targets or parameters within which the budget recommendation will be formulated. The final budget presented by the City Manager may not meet all of these targets due to changing conditions and updated information during budget preparation. To the extent the recommended budget varies from the guidelines, an explanation will be provided in the printed budget document.

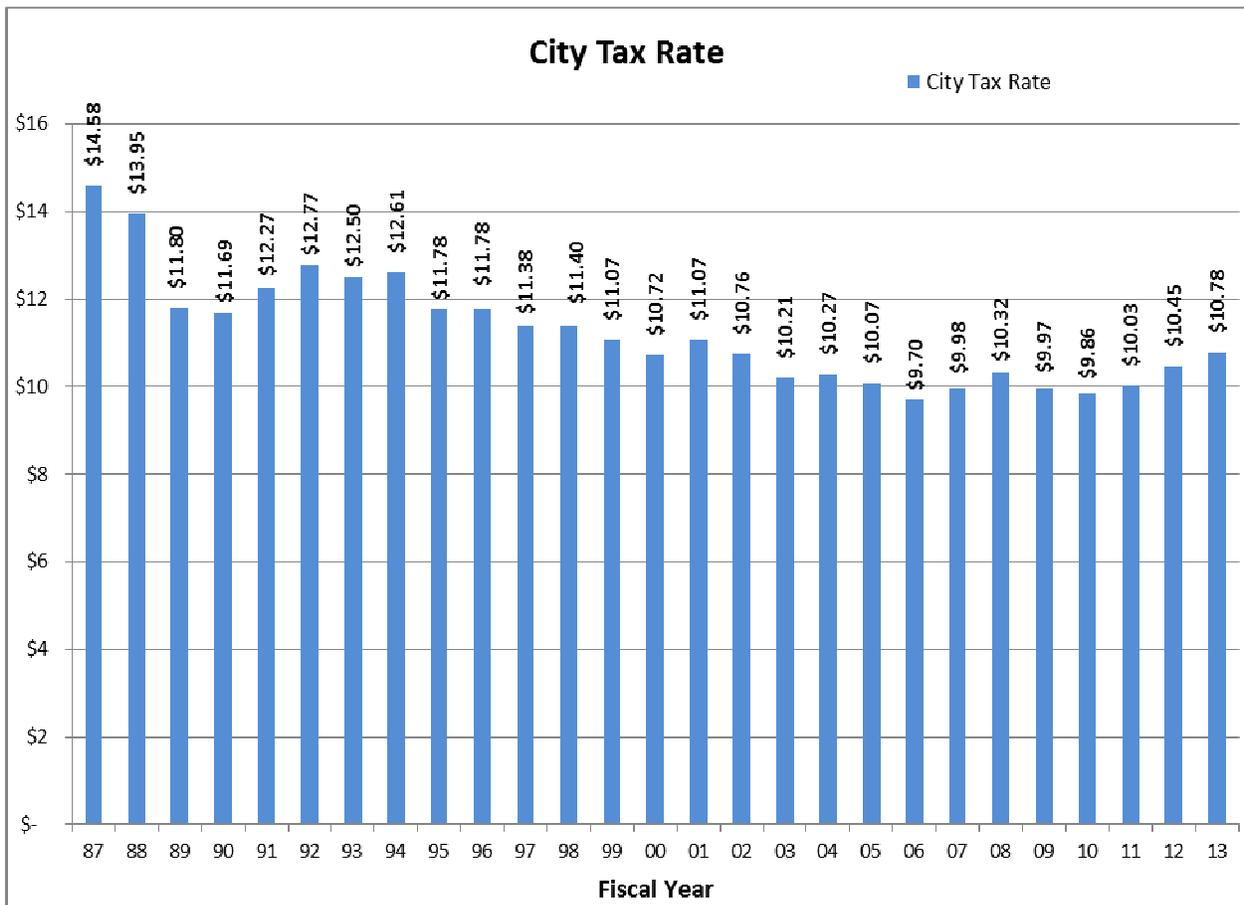
The Fiscal Year 2013 budget guidelines call for a 5.00% property tax increase for the average Dubuque homeowner and a property tax increase for commercial (3.19%) and industrial (3.19%) properties. Since 1989, the average homeowner has averaged an annual increase in costs in the City portion of their property taxes of less than 1%, or about \$4.30 a year. If the State had been fully funding the Homestead Tax Credit, the increase would have averaged about \$3.24 a year.

While there have been fluctuations along the way, the Fiscal Year 2013 recommended property tax rate of \$10.78 per thousand dollars of assessed valuation is only a 3.19% increase from the current Fiscal Year 2012 property tax rate.

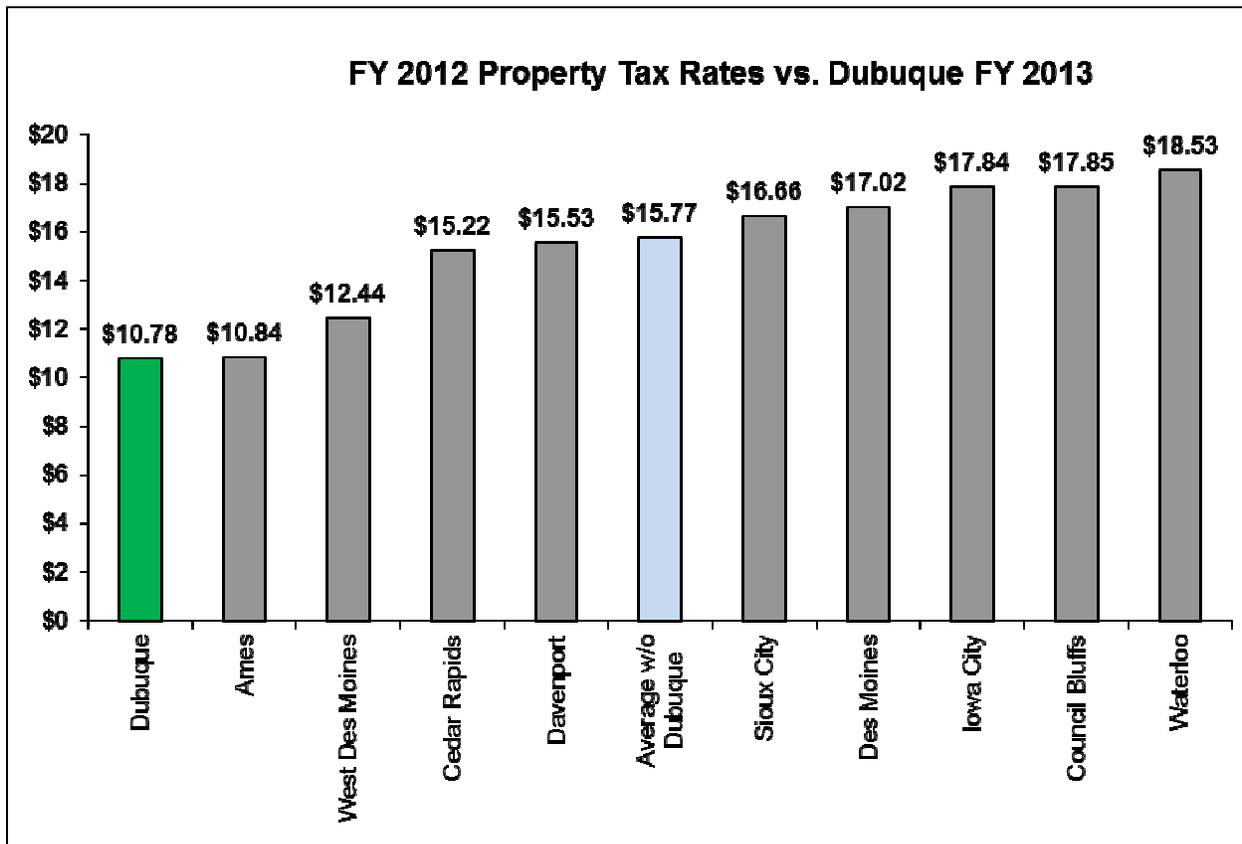
The \$10.78 Fiscal Year 2013 recommended rate is a 4.54% increase over the Fiscal Year 2008 property tax rate, or a 1.34% average annual increase over that five-year period.

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 26.04% higher than the Fiscal Year 2013 recommended property tax rate of \$10.78.



The Fiscal Year 2013 recommended property tax rate of \$10.78 would still maintain Dubuque as having the 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 (FY13) is the **LOWEST** in the state for the city portion of property tax rate. The highest-ranked city (Waterloo) is 72% higher than Dubuque's rate, and the average is 46% higher than Dubuque.

A significant cause of the FY 2013 property tax increase is the increase in health insurance cost. The City portion of health insurance expense will increase from \$770 per month per contract to \$835 per month per contract (based on 549 contracts) which is an 8.4% increase in health insurance reserves for an additional cost of \$289,000 to the General Fund in FY 2013 or a 1.31% property tax increase for the average homeowner. In the last few years, the City Council has boosted the general fund reserves and in FY 2011, FY 2012 and possibly again in FY 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 24.76% of Police and Fire employee salary is mandated by the State to increase to 26.12% of salary, for an additional cost of \$178,966 in FY 2013 for the General Fund or a 0.81% property tax increase for the average homeowner. In addition, the Iowa Public Employees' Retirement System increased the required City contribution rate from 8.07% to 8.67%, which is an additional cost of \$78,560 in FY 2013 for the General Fund or a 0.35% property increase for the average homeowner. Therefore, increased pension costs account for 1.16% of the 5% property tax increase for the average Dubuque homeowner.

In FY 2013 there is generally a 2.5% employee wage increase at a cost of \$794,000 to the General Fund or a 3.6% property tax increase for the average homeowner.

This level of taxation includes \$650,000 for recurring improvement package requests and some funds for non-recurring improvement package requests in the FY 2013 budget recommendation. This is partially driven by the desire to meet two of the City Council top priorities related to Sustainability and the Safe Community Task Force recommendations.

Some highlights of the document are:

- The reduction in the DRA's market share due to the Diamond Jo's expansion and the downturn in the local economy impact the City's lease payment from the DRA. The current lease requires the DRA to pay the City 1 percent of coin in from slot machines and 4.8 percent of gross revenue from table games. In FY 2009, the City's estimated lease payments through FY 2013 were reduced \$7.1 million based on projections from the DRA. In FY 2010, gaming revenues generated from lease payments from the DRA were decreased an additional \$4.8 million through FY 2014 based on revised projections from the DRA. In FY 2011, the City's estimated lease payments through FY 2015 were reduced an additional \$1 million based on updated projections from the DRA. In FY 2012, the City's estimated lease payments through FY 2016 were reduced an additional \$3.2 million based on updated projections from the DRA.

Gaming revenues generated from lease payments from the DRA will need to be further adjusted in this budget process by a FY 2013 revised DRA projection of a reduction of lease payments of \$2.9 million over the next five years.

From FY 2009 thru FY 2017, the City's lease payments have been reduced a total of \$19 million.

The reduction in coin-in is estimated to be 32% instead of the 21% originally projected due to the expansion of the Diamond Jo Casino as well as the economic downturn which was not projected.

The following is a ten year history of DRA lease payments to the City of Dubuque:

FY 2013 \$ 6,494,107 estimate  
FY 2012 \$ 6,924,057 budget  
FY 2011 \$ 6,646,284  
FY 2010 \$ 7,132,555  
FY 2009 \$ 8,752,604  
FY 2008 \$10,140,840  
FY 2007 \$10,143,632  
FY 2006 \$ 9,093,679  
FY 2005 \$ 6,676,095  
FY 2004 \$ 4,131,172

- The split of gaming revenues from taxes and the DRA lease (not distributions) in FY 2012 is split between operating and capital budgets at 86.5% / 13.5% and that is recommended to change in FY 2013 to 90% / 10%.
- Building Permits increased from \$480,000 in FY 2012 to \$550,000 in FY 2013 based on FY 2011 increased construction and a major construction project planned for the University of Dubuque.
- State Transit operating assistance is anticipated to decrease 41 percent or \$159,000 from FY 2012 budget based on the revised FY 2012 budget received from the State. Federal Transportation Administration (FTA) is anticipated to increase 7% or \$63,000 from FY 2012 budget based on the revised FY 2012 received from FTA.
- Transit motor vehicle fuel, and low and high sulfur diesel fuel expense is estimated to increase 33 percent (+\$58,184) over FY 2012 budget based on FY 12 actual fuel expense after the Jule Fleet was replaced and projected out for twelve months, then 2.5 percent per year beyond. In addition, tire expense is estimated to increase 100 percent (+27,206) over FY 2012 budget based on replacement tires not budgeted in previous years.

The increase in property tax support for Transit from FY 2012 to FY 2013 is \$260,524. The following is a ten year history of the Transit subsidy:

FY 2013 \$ 978,135 estimate  
 FY 2012 \$ 717,611 budget  
 FY 2011 \$1,078,726  
 FY 2010 \$1,161,393  
 FY 2009 \$1,253,638  
 FY 2008 \$1,070,053  
 FY 2007 \$ 923,384  
 FY 2006 \$ 710,453  
 FY 2005 \$ 617,048  
 FY 2004 \$ 513,259

- Industrial riverfront property lease revenue is projected to increase by \$89,433 in FY 2013. Other property lease revenue is projected to increase by \$330,000 based on leasing approximately eight acres of a parcel created by the 16<sup>th</sup> Street detention basin for \$300,000 in FY 2013; \$450,000 in FY 2014; \$600,000 in FY 2015; \$800,000 in FY 2016 and \$31,500 in FY 2013 and FY 2014 for a lease for the old city garage
- FY 2013 is the first year that eligible retirees with at least twenty years of continuous service in a full-time position or retired as a result of a disability and are eligible for pension payments from the pension system can receive payment of their sick leave balance with a maximum payment of one-hundred twenty sick days payable bi-weekly over a five year period. The impact to the General Fund in FY 2013 is estimated to be \$161,358. As part of the contract negotiations this

benefit was added as employees accepted no pay increase in FY 2012, except the Dubuque Protected Police Association which received a pay increase through arbitration but did not receive the sick leave buy back enhancement.

- Criminal Background Check increased from \$13,056 in FY 2012 to \$81,867 in FY 2013 based on FY 2012 activity and increased landlord participation for required background tenant checks.
- The General Fund in FY 2013 is subsidizing \$340,000 of the Street Maintenance Activity which is normally paid with Road Use Tax Funds. The increase in Road Use Tax expense has risen at a higher rate than Road Use Tax Fund revenue. The State Road Use Tax Fund consists of revenues from fuel tax, vehicle registration fees, use tax, driver's license fees and other miscellaneous sources and is distributed to cities on a per capita basis. The Road Use Tax Fund has decreased as a result of flattening revenues, dramatically increasing construction costs, aging infrastructure, increased usage and deferred road maintenance.
- Beginning in FY 2013, the Cable TV Fund no longer funds Police and Fire public education and has reduced funding to the Information Services Department due to reduced revenues from the cable franchise. This is due to Mediacom's conversion from a Dubuque franchise to a state franchise in October 2009 which changed the timing and calculation of the franchise fee payments. The cost to the General Fund is approximately \$190,000.
- Greater Dubuque Development Corporation support of \$267,613 previously budgeted to be paid from the UDAG Fund is budgeted to be paid from Dubuque Industrial Center Land Sales in FY 2012 and FY 2013 and beyond.
- 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. In FY 2013, a multi-year process to more equitably distribute those costs across all funds will be started.
- There are many high priority capital improvement projects, which need to be constructed during the FY 2013-2017 period. The reductions in DRA rent and distribution over the years has increased the need to borrow for projects. As in the past, debt will be required on several major capital projects, that being the Drainage Basin Master Plan, Intermodal Facility, Airport Improvements, Park Improvements, Sidewalk and Street Improvements, Sanitary Sewer Fund, Parking Fund and Water Fund. In FY 2013-2017 borrowings will also include smaller projects and equipment replacements such as Park developments, Police software, and City building roof replacements. These smaller borrowings will be for a term not exceeding the life of the asset. Alternative sources of funds will always be evaluated (i.e. State Revolving Loan Funds) to maintain the lowest debt service costs.

There is DRA distribution budgeted in this 5-Year Capital Improvement Program budget cycle. Based on revised projections received from the DRA, distributions

have been increased approximately \$800,000 over the next five years.

All requested projects will not be recommended for funding.

The City is applying for State and Federal grants to minimize the amount of local dollars needed for City projects. Since February 2009, the City and its partners have received \$100,541,423. The following is a list of recent grants received by the City only:

<b>Grant</b>	<b>Project</b>	<b>Award Amount</b>
Community Development Block Grant	Caradco Building	\$ 8,900,000
State of Good Repairs Grant	Intermodal Facility	\$ 8,000,000
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
State of Iowa I-JOBS	Lower Bee Branch	\$ 3,950,000
Lead Paint Grant	Lead Paint Removal	\$ 3,090,000
U.S. Department of Transportation State of Good Repair	Bus Replacements	\$ 2,300,000
Vision Iowa RECAT	Bee Branch Restoration	\$2,250,000
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
NSB Grant	Bee Branch Trails	\$1,000,000
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
State Competitive EECBG	US 52 Traffic Flow Optimization	\$ 500,000
Neighborhood Stabilization Program	Purchase of Foreclosed Homes	\$ 444,000
Federal Transit Administration	3 Bus Replacements	\$ 384,939
Justice Assistance Grant	Police Initiatives	\$ 360,320
Federal Highway	1 Bus Replacement	\$ 349,000

<b>Grant</b>	<b>Project</b>	<b>Award Amount</b>
Infrastructure		
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
AmeriCorps Grant	Various Programs	\$ 186,201
MRT Grant	Bee Branch Trails	\$ 100,000
State Energy Program	18 <sup>th</sup> & Central Energy Improvements	\$ 69,831
Iowa Community Cultural Grant	Arts Coordinator Salary	\$ 13,021
<b>Total</b>		<b>\$52,688,077</b>

- The Policy Guidelines include a property tax guideline that provides for a 5.00% 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.
- The property tax rate will increase 3.19 percent from \$10.4626 per thousand dollars of assessed valuation in Fiscal Year 2012 to \$10.7848 per thousand dollars of assessed valuation in Fiscal Year 2013.
- The “City” share of commercial property taxes will increase 3.19 percent.
- The “City” share of industrial property tax will increase 3.19 percent.
- The property tax asking will increase 7.06 percent from Fiscal Year 2012.
- The following table summarizes the impact of the Policy Guidelines:

	FY 2013
Impact to Average Homeowner	+5.00%
Impact to Average Commercial	+3.19%
Impact to Average Industrial	+3.19%
<b>FY 2013 Tax Rate</b>	<b>10.7848 / +3.19%</b>
FY 2013 Property Tax Asking	\$22,786,499/+7.06%

Preliminary citizen participation opportunities will be available. There will be six City Council Work Sessions prior to the adoption of the FY 2013 budget before the state mandated deadline of March 15, 2012.

JML

Attachment

cc: Barry Lindahl, City Attorney  
Cindy Steinhauser, Assistant City Manager  
Jennifer Larson, Budget Director  
Ken TeKippe, Finance Director

# **BUDGET AND FISCAL POLICY GUIDELINES FOR FY 2013**

## **OPERATING BUDGET GUIDELINES**

The Policy Guidelines are developed and adopted by City Council early in the budgeting process in order to provide targets or parameters within which the budget recommendation will be formulated. The final budget presented by the City Manager may not meet all of these targets due to changing conditions and updated information during budget preparation. To the extent the recommended budget varies from the guidelines, an explanation will be provided in the printed budget document.

### **1. CITIZEN PARTICIPATION**

#### **Guideline**

To encourage citizen participation in the budget process, City Council will hold at least six work sessions in addition to the budget public hearing for the purpose of reviewing the budget recommendations for each City department and requesting public input following each departmental review.

The budget will be prepared in such a way as to maximize its understanding by citizens. A copy of the recommended budget documents will be made available with the City Clerk and in the government documents section at the Carnegie Stout Public Library. The budget can be reviewed on the City's website at [www.cityofdubuque.org](http://www.cityofdubuque.org) and copies of the budget on CD will be available.

An opportunity will be provided for citizen input prior to formulation of the City Manager's recommended budget and again prior to final Council adoption, both at City Council budget work sessions and at the required budget public hearing.

### **2. SERVICE OBJECTIVES, ALTERNATIVE FUNDING AND SERVICE LEVELS**

#### **Guideline**

The budget will identify specific objectives to be accomplished during the budget year, July 1 through June 30, for each activity of the City government. The objectives serve as a commitment to the citizens from the City Council and City administration and identify the level of service which the citizen can anticipate.

### **3. TWO TYPES OF BUDGET DOCUMENTS TO BE PREPARED**

#### **Guideline**

The recommended City operating budget for Fiscal Year 2013 will consist of a Recommended City Council Policy Budget that is a collection of information that has been prepared for department hearings and a Citizens Guide to the Recommended FY 2013 Budget.

The Recommended City Council Policy Budget includes the following information for each department: Highlights of Prior Year's Accomplishments and Future Year's Initiatives, a financial summary, a summary of improvement packages requested and recommended, significant line items, capital improvement projects in the current year and those recommended over the next five years, organizational chart for larger departments, major goals, objectives and performance measures for each cost center within that department, and line item expense and revenue financial summaries. The purpose of these documents are to focus the attention of the City Council and the public on policy decisions involving what services the City government will provide, who will pay for them and the implications of such decisions. They will emphasize objectives, accomplishments and associated costs for the budget being recommended by the City Manager.

The Citizens Guide section of the Recommended FY 2013 Budget is a composite of tables, financial summaries and explanations, operating and capital budget messages and the adopted City Council Budget Policy Guidelines. Through graphs, charts and tables it presents financial summaries, which provide an overview of the total operating and capital budgets.

### **4. BALANCED BUDGET**

#### **Guideline**

The City will adopt a balanced budget in which expenditures will not be allowed to exceed reasonable estimated resources. The City will pay for all current expenditures with current revenues.

**5. BALANCE BETWEEN SERVICES AND TAX BURDEN**

**Guideline**

The budget should reflect a balance between services provided and the burden of paying for those services. It is not possible or desirable for the City to provide all of the services requested by individual citizens. The City must consider the ability of citizens to pay for services in setting service levels and priorities.

**6. MAINTENANCE OF EXISTING SERVICES**

**Guideline**

To the extent possible with the financial resources available, the City should attempt to maintain the existing level of services. Annually, however, each service should be tested against the following questions: (a) Is this service truly necessary? (b) Should the City provide it? (c) What level of service should be provided? (d) Is there a better, less costly way to provide it? (e) What is its priority compared to other services? (f) What is the level of demand for the service? (g) Should this service be supported by property tax, user fees, or a combination?

**7. IMPROVED PRODUCTIVITY**

**Guideline**

Efforts should continue to stretch the value of each tax dollar and the City services that it buys through improved efficiency and effectiveness. Using innovative and imaginative approaches to old tasks, reducing duplication of service effort, creative application of new technologies and more effective organizational arrangements are approaches to this challenge.

**8. USE OF VOLUNTEERS**

**Discussion**

Out of the respect for citizens that must pay taxes, the City must seek to expand resources by continuing to get citizens directly involved in supplementing service delivery capability. Citizens are encouraged to assume tasks previously performed or provided by City government. This may require the City to change the approach to service delivery, such as, providing organizational skills, training, coordinating staff, office space, meeting space, equipment, supplies and materials, but not directly providing the more expensive full-time staff. Activities where citizens can continue to take an active role include: Library, Recreation, Parks, Five Flags Center, Transit, and Police.

**Guideline**

In the future, the maintenance of City services may well depend on volunteer citizen staffs. In FY 2013, efforts shall continue to identify and implement areas of City government where (a) volunteers can be utilized to supplement City employees to maintain service levels (i.e., Library, Recreation, Parks, Transit, Police) or (b) services can be "spun off" to non-government groups and sponsors.

**9. RESTRICTIONS ON INITIATING NEW SERVICE**

**Guideline**

No new service will be considered except (a) when additional revenue or offsetting reduction in expenditures is proposed or (b) when mandated by state or federal law.

**10. SALARY INCREASES OVER THE AMOUNT BUDGETED TO BE FINANCED FROM BUDGET REDUCTIONS IN THE DEPARTMENT(S) OF THE BENEFITING EMPLOYEES**

**Discussion**

The recommended budget will include salary amounts for all City employees. However, past experience shows that budgeted amounts are often exceeded by fact finder and/or arbitrator awards. Such "neutrals" do not take into account the overall financial capabilities and needs of the community and the fact that the budget is a carefully balanced and fragile thing. Such awards have caused budgets to be overdrawn, needed budgeted expenditures to be deferred, working balances to be expended and, in general, have reduced the financial condition or health of the City government. To protect the financial integrity of the City government, it is recommended that the cost of any salary adjustment over the amount provided in the budget (that is, not financed in the budget) come from reductions in the budget of the department(s) of the benefiting employees.

**Guideline**

Salary increases over the amount budgeted for salaries shall be financed from operating budget reductions in the department(s) of the benefiting employees.

## 11. **BALANCE BETWEEN CAPITAL AND OPERATING EXPENDITURES**

### **Guideline**

The provision of City services in the most economical and effective manner requires a balance between capital (with particular emphasis upon replacement of equipment and capital projects involving maintenance and reconstruction) and operating expenditures. This balance should be reflected in the budget each year.

## 12. **USER CHARGES**

### **Discussion**

User charges or fees represent a significant portion of the income generated to support the operating budget. It is the policy that user charges or fees be established when possible so those who benefit from a service or activity also help pay for it. This is easy in some cases and municipal utility funds have been established for certain activities, which are intended to be self-supporting. Examples of utility funds include Water User Fund, Sewer User Fund, Stormwater User Fund, Refuse Collection Fund, and Parking Fund. In other cases, a user charge is made after the Council determines to what extent an activity is to be self-supporting. Examples of this arrangement are fees for swimming, golf and recreation programs and certain inspection programs.

FY 2013 will be the fifth fiscal year that the Stormwater User Fund is fully funded by stormwater use fees. The General Fund will continue to provide funding for the stormwater fee subsidies which provide a 50% subsidy for the stormwater fee charged to property tax exempt properties and low-to-moderate income residents and a 75% subsidy for residential farms.

### **Guideline**

User fees and charges should be established where possible so that those who utilize or directly benefit from a service, activity or facility also help pay for it.

User fees and charges for each utility fund (Water User Fund, Sewer User Fund, Stormwater User Fund, Refuse Collection Fund, and Parking Fund) shall be set at a level that fully supports the total direct and indirect cost of the activity, including the cost of annual depreciation of capital assets and financing for future capital improvement projects.

The following chart shows activities with user charges and to what extent the activity is to be self-supporting:

<b>DEPARTMENT/DIVISION</b>	<b>FY 2009 ACTUAL PERCENT</b>	<b>FY 2010 ACTUAL PERCENT</b>	<b>FY 2011 ACTUAL PERCENT</b>	<b>FY 2012 BUDGETED PERCENT</b>	<b>FY 2013 RECOM'D PERCENT</b>
Leisure Services Department					
<i>Recreation Division</i>					
Adult Athletics*	60.1	59.1	57.3	58.5	57.5
McAleece Concessions	157.9	142.4	155.3	147.2	145.6
Children's Activities	46.8	46.9	48.7	46.2	46.6
Therapeutic Recreation	14.8	13.1	14.5	17.2	17.8
Recreation Classes	23.6	26.2	47.8	26.7	33.2
Swimming*	56.7	50.9	50.2	55.8	51.5
Golf* Surplus to Golf Devel' Fund	112.2	106.5	100.1	100.9	101.7
<i>Park Division</i>	12.4	12.2	11.0	11.8	11.4
Library Department excl' Gift Trusts	10.6	12.2	10.9	5.0	3.5
Airport Department w/abated debt	84.8	83.6	90.5	80.0	84.4
<i>Building Services Division</i>					
Inspections	73.0	71.9	81.3	74.5	94.0
Planning Services Department	30.6	28.1	32.6	33.5	24.0
Health Services Department					
Food/Environmental Insp.	69.8	69.9	64.8	67.7	62.3
Animal Control***	118.8	59.5	57.1	55.9	55.0
Housing Services Department					
General Housing Inspection	62.5	62.2	57.4	56.1	55.2
Federal Building Maint.	86.2	104.2	106.1	100.0	100.0

\* Includes an amount to help cover indirect costs (administration).

\*\*\* Humane Society contract moved to the Health Services from Purchase of Service activity in FY 2010.

Prior to FY 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 FY 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 FY 2013, additional overhead recharges to the utility funds will be 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, Parking, Refuse Collection and General Funds, with overhead costs also increasing for the Landfill. 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%
Sewer	16.67%
Stormwater	16.67%
Refuse	16.67%
Parking	8.33%
Landfill	8.33%

Engineering Administration and Engineering Project Management will be split evenly between General Fund, Water, Sewer and Stormwater.

### 13. **OUTSIDE FUNDING**

#### **Discussion**

The purpose of this guideline is to establish the policy that the City should aggressively pursue outside funding to assist in financing its operating and capital budgets. However, the long-term commitments required for such funding must be carefully evaluated before any agreements are made. Commitments to assume an ongoing increased level of service or level of funding once the outside funding ends must be avoided.

#### **Guideline**

In order to minimize the property tax burden, the City of Dubuque will make every effort to obtain federal, state and private funding to assist in financing its operating and capital budgets. However, commitments to guarantee a level of service or level of funding after the outside funding ends shall be avoided.

#### **14. GENERAL FUND OPERATING RESERVE OR WORKING BALANCE**

##### **Discussion**

An operating reserve or working balance is an amount of cash, which must be carried into a fiscal year to pay operating costs until tax money, or other anticipated revenue comes in. Without a working balance there would not be sufficient cash in the fund to meet its obligations and money would have to be borrowed. Working balances are not available for funding a budget; they are required for cash flow (i.e., to be able to pay bills before taxes are collected).

The rule of thumb the state recognizes for determining a reasonable amount for a working balance is (a) anticipated revenues for the first three months of the fiscal year less anticipated expenditures or (b) 5 percent of the total General Fund operating budget (excluding fringes and tort liability expense). However, in discussions with Moody's Investor Service, a factor of 10 percent was recommended for "A" rated cities. This is due to the fact that a large portion of revenue sources are beyond the City's control and therefore uncertain. In the case of Dubuque, 10% represents approximately \$3,987,725.

##### **Guideline**

The guideline of the City of Dubuque is to maintain a General Fund working balance or operating reserve of 10 percent of the total General Fund Operating budget requirements or approximately \$3,987,725 for FY 2012. The one-time General Fund operating reserve of one million dollars that was implemented in FY 2010 and FY 2011 was partially used in FY 2011 to boost the health insurance reserve due to unexpected claims and the balance of \$382,525 was carried over into FY 2012. It is expected that the remaining balance of the one-time reserve will be needed in FY 2012 to boost the health insurance reserve. In addition, there was an additional \$500,000 one-time reserve implemented in FY 2011 for health insurance claims exceeding expectations and the possibility of needing to boost the health insurance reserve which was used in FY 2011 to boost the health insurance and workers' compensation reserves. The additional one million dollars in operating reserves will be replenished in FY 2013.

#### **15. USE OF UNANTICIPATED, UN-OBLIGATED, NONRECURRING INCOME**

##### **Discussion**

Sometimes income is received that was not anticipated and was not budgeted. Often this money is not recurring and reflects something, which happened on a one-time basis to generate the "windfall".

Nonrecurring income must not be spent for recurring expenses. To do so causes a funding shortfall the next budget year before even starting budget preparation. Nonrecurring expenditures would include capital improvements and equipment purchases.

**Guideline**

Nonrecurring un-obligated income shall be spent only for nonrecurring expenses. Capital improvement projects and major equipment purchases tend to be nonrecurring expenditures.

**16. USE OF "UNENCUMBERED FUND BALANCES"**

**Discussion**

Historically a budget is not spent 100% by the end of the year and a small unencumbered balance remains on June 30th. In addition, income sometimes exceeds revenue estimates resulting in some unanticipated balances at the end of the year. These amounts of un-obligated, year-end balances are in turn "carried over" into the new fiscal year to help finance it.

The FY 2011-12 General Fund budget, which went into effect July 1, anticipated a "carryover balance" of \$200,000 or approximately 2 percent of the General Fund. For multi-year budget planning purposes, these guidelines assume a carryover balance of \$200,000 in FY 2013 through FY 2017.

**Guideline**

The available carryover General Fund balance to help finance the budget and to reduce the demand for increased taxation shall be anticipated not to exceed \$200,000 for FY 2012-13 and beyond through the budget planning period. Any amount over that shall be programmed in the next budget cycle as part of the capital improvement budgeting process.

**17. PROPERTY TAX DISCUSSION**

**Assumptions - Resources**

- a. Unencumbered funds or cash balances of \$200,000 will be available in FY 2013 and each succeeding year to support the operating budget.
- b. Sales tax funds are set by resolution to be used 50 percent in the General Fund for property tax relief. Sales tax projections for FY 2013 are projected to increase 2.0 percent over FY 2012 actual receipts, and then increase at an annual rate of 2.0 percent per year.

- c. Hotel/motel tax receipts are projected to increase 5 percent over FY 2012 actual receipts, and then increase at an annual rate of 3 percent per year.
- d. State Transit operating assistance is anticipated to decrease 41 percent or \$159,000 from FY 2012 budget based on the revised FY 2012 budget received from the State. Federal Transportation Administration (FTA) is anticipated to increase 7% or \$63,000 from FY 2012 budget based on the revised FY 2012 received from FTA.
- e. Miscellaneous revenue, excluding state shared revenues, has been estimated at 2 percent growth per year over budgeted FY 2012.
- f. Building Permits increased from \$480,000 in FY 2012 to \$550,000 in FY 2013 based on FY 2011 increased construction and a major construction project planned for the University of Dubuque.
- g. Gaming revenues generated from lease payments from the DRA have been decreased by approximately \$500,000 per year based on revised projections from the DRA. The following is a ten year history of DRA lease payments to the City of Dubuque:

FY 2013 \$ 6,494,107 estimate  
FY 2012 \$ 6,924,057 budget  
FY 2011 \$ 6,646,284  
FY 2010 \$ 7,132,555  
FY 2009 \$ 8,752,604  
FY 2008 \$10,140,840  
FY 2007 \$10,143,632  
FY 2006 \$ 9,093,679  
FY 2005 \$ 6,676,095  
FY 2004 \$ 4,131,172

The Diamond Jo fixed payment remains at \$500,000 based on the revised parking agreement.

- h. Gaming revenues from taxes and the DRA lease (not distributions) changes from a split of 86.5% / 13.5% in FY 2012 between operating and capital budgets to a split of 90% / 10% in FY 2013. The operating portion of the split includes the debt service required on the 2002 general obligation bonds for the America's River Project that was previously considered as part of the capital portion of the DRA lease. Debt obligations are considered a continuing annual expense and are more accurately reflected as part of the operating portion of the DRA lease.

The Diamond Jo Patio lease (\$25,000) and the Diamond Jo parking privileges (\$531,867 in FY 2013 increased 3.3 percent thereafter) have not been included in the split with gaming revenues. This revenue is allocated to the operating budget.

- i. The residential rollback factor will increase from 48.530 percent to 50.752 percent or a 4.58 percent increase for FY 2013. The rollback has been estimated to increase 3.50% each year from Fiscal Years 2013 thru 2017. No equalization orders were estimated for Fiscal Years 2013 and beyond due to the City Assessor voluntarily increasing assessments to equal the two year sale average.

The increase in the residential rollback factor increases the value that each residence is taxed on. This increased taxable value for the average homeowner (\$130,367 assessed value in FY 2012 and 2013) results in more taxes to be paid per \$1,000 of assessed value. In an effort to keep property taxes low to the average homeowner, the City calculates the property tax impact to the average residential property based on the residential rollback factor and property tax rate. In a year that the residential rollback factor increases, the City recommends a lower property tax rate than what would be recommended had the rollback factor remained the same. Commercial and Industrial taxpayers normally are taxed at 100 percent of assessed value and benefit from the lower tax rate that is recommended by the City when the residential rollback factor increases.

The residential rollback in Fiscal Year 1987 was 75.6481 percent as compared to 50.752 percent in Fiscal Year 2013. The rollback percent had steadily decreased since FY 1987, which has resulted in less taxable value and an increase in the City's tax rate. However, that trend began reversing in FY 2009 when the rollback reached a low of 44.0803 percent. If the rollback had remained at 75.6481 percent in FY 2013, the City's tax rate would have been \$8.60 per \$1,000 of assessed value instead of \$10.93 in FY 2013.

In addition, the State of Iowa eliminated the Machinery and Equipment Tax Replacement in FY 2003 (-\$200,000); Personal Property Tax Replacement in FY 2004 (-\$350,000); Municipal Assistance in FY 2004 (-\$300,000); Liquor Sales Revenue in FY 2004 (-\$250,000); and Bank Franchise Tax in FY 2005 (-\$145,000). The combination of the decreased residential rollback, State funding cuts and increased expenses has forced the City's tax rate to increase since 1987 when the citizens passed a referendum to establish a one percent local option sales tax with 50% of the revenue going to property tax relief.

- j. FY 2013 reflects this increased assessed value for the average homeowner. Assessed valuations were increased 2 percent per year beyond FY 2013.
- k. Gas franchise fees have been projected to increase 3.5 percent over FY11 actual based on a rate increase that Black Hills Energy has applied for with the State Utility Board. Also, Electric franchise fees have been projected to increase 5.0 percent over FY11 actual based on a rate increase that Alliant has applied for with the State Utility Board. The franchise fee increases at an annual rate of 2.5 percent per year from FY 2014 thru FY 2017.

The franchise fee charged on gas and electric bills increased from 2% to 3% in FY 2011. While State law allows a 5% fee, the City of Dubuque's two utility franchise fee agreements limits the fee to 3%.

- i. For purposes of budget projections only, it is assumed that City property taxes will continue to increase at a rate necessary to meet additional requirements over resources beyond FY 2013, with the gaming revenue (from taxes and the DRA lease) split at 90.0% operating budget and 10.0% capital budget based on note "g" above.
- m. FY 2013 reflects the fifth year that payment in lieu of taxes is charged to the Water and Water Pollution Control funds for Police and Fire Protection. In FY 2013, the Water Pollution Control fund is charged 0.43% of building value and the Water fund is charged 0.62% of building value, for payment in lieu of taxes for Police and Fire Protection. This revenue is reflected in the General Fund and is used for general property tax relief.
- n. FY 2013 reflects the final year of funding from the Climate Showcase Communities Grant, which was awarded in FY 2012 and was used to fund a portion of the Sustainability Community Coordinator position (\$40,000) in FY 2013.
- o. Industrial riverfront property lease revenue is projected to increase by \$89,433 in FY 2013. Other property lease revenue is projected to increase by \$330,000 based on leasing approximately eight acres of a parcel created by the 16<sup>th</sup> Street detention basin for \$300,000 in FY 2013; \$450,000 in FY 2014; \$600,000 in FY 2015; \$800,000 in FY 2016 and \$31,500 in FY 2013 and FY 2014 for a lease for the old city garage.

### **Assumptions – Requirements**

- a. The Municipal Fire and Police Retirement System of Iowa Board of Trustees have increased the City contribution for Police and Fire retirement from 24.76 percent to 26.12 percent (+5.49% or an increase of \$178,966 in General Fund). Also, the Iowa Public Employee Retirement System (IPERS) increased the City contribution from 8.07 percent to 8.67 percent (+7.4% or an increase of \$78,560 in General Fund) and the employee contribution from 5.40% to 5.78% (which did not affect the City's portion of the budget). The IPERS rate is anticipated to increase 7 percent each succeeding year according to IPERS.
- b. In FY 2013 there is generally a 2.5% employee wage increase at a cost of \$794,000 to the General Fund or a 3.6% property tax increase for the average homeowner.
- c. The City portion of health insurance expense will increase from \$770 per month per contract to \$835 per month per contract (based on 549 contracts) which is an 8.4% increase in health insurance reserves for an additional cost of \$289,000 to

the General Fund in FY 2013 or a 1.31% property tax increase for the average homeowner. In the last few years, the City Council has boosted the general fund reserves and in FY 2011, FY 2012 and possibly again in FY 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. Estimates for FY 13-17 have been increased by 10 percent per year.

- d. FY 2013 is the first year that eligible retirees with at least twenty years of continuous service in a full-time position or retired as a result of a disability and are eligible for pension payments from the pension system can receive payment of their sick leave balance with a maximum payment of one-hundred twenty sick days payable bi-weekly over a five year period. The impact to the General Fund in FY 2013 is estimated to be \$161,358. As part of the contract negotiations this benefit was added as employees accepted no pay increase in FY 2012, except the Dubuque Protected Police Association which received a pay increase through arbitration but did not receive the sick leave buy back enhancement.
- d. General operating supplies and services are estimated to increase 2.5 percent over actual in FY 2011. A 2.5 percent increase is estimated in succeeding years.
- e. Electrical energy expense is estimated to increase 5.0 percent over FY 2011 actual expense, then 2.5 percent per year beyond.
- f. Natural gas expense is estimated to increase 3.5 percent over FY 2011 actual, then 2.5 percent per year beyond.
- g. The Convention and Visitors Bureau contract will continue at 50 percent of actual hotel/motel tax receipts, less a \$35,000 loan repayment which will be paid in full in FY 2014.
- h. Equipment costs for FY 2013 are estimated to increase 16.81 percent over FY 2012 budget, then increase 5 percent per year beyond.
- i. Debt service is estimated based on the tax-supported unabated General Obligation bond sale for fire truck and ambulance replacements in FY 2010.
- j. Unemployment expense in the General Fund increased from \$70,085 in FY 2012 to \$70,204 in FY 2013 based on past years actual experience.
- k. Transit motor vehicle fuel, and low and high sulfur diesel fuel expense is estimated to increase 33 percent (+\$58,184) over FY 2012 budget based on FY 12 actual fuel expense after the Jule Fleet was replaced and projected out for twelve months, then 2.5 percent per year beyond. In addition, tire expense is estimated to increase 100 percent (+27,206) over FY 2012 budget based on replacement tires not budgeted in previous years.

The increase in property tax support for Transit from FY 2012 to FY 2013 is \$260,524. The following is a ten year history of the Transit subsidy:

FY 2013 \$ 978,135 estimate  
FY 2012 \$ 717,611 budget  
FY 2011 \$1,078,726  
FY 2010 \$1,161,393  
FY 2009 \$1,253,638  
FY 2008 \$1,070,053  
FY 2007 \$ 923,384  
FY 2006 \$ 710,453  
FY 2005 \$ 617,048  
FY 2004 \$ 513,259

- i. Postage rates for FY 2013 are estimated to increase 5.0 percent over FY 2011 actual expense. A 5.0 percent increase is estimated in succeeding years.
- m. Insurance costs are estimated to change as follows: Workers Compensation is increasing 16.0 percent based on actual history, General Liability is decreasing 11 percent and damage claims is decreasing 15 percent due to an increase in deductible limits from \$10,000/\$100,000 to \$20,000/\$150,000, Property insurance is increasing 27.0 percent and Boiler Insurance is increasing 6.0 percent.
- n. Pay to other agency increased due to the addition of contracts related to the Engine House renovation on Central Avenue for Operation New View: Headstart for \$25,000 and the Crescent Community Health Center Community Room for \$25,000.
- o. The Section 8 Housing subsidy payment from the General Fund increased from \$100,000 in FY 2012 to \$161,326 in FY 2013. In FY 2011, the City approved reducing the number of allowed Section 8 Housing Vouchers from 1,060 to 900 vouchers. This reduction in vouchers was estimated to reduce Section 8 administrative fees from HUD by \$100,000 per year. However, when the City stopped taking applications for Section 8 Housing vouchers, the number of vouchers dropped to 817 vouchers. HUD has based the Section 8 administrative fees for FY 2013 on the lower number of vouchers held in FY 2012 which has decreased the amount of revenue received by the Section 8 program in FY 2013. It is estimated that the number of Section 8 housing vouchers will reach the maximum of 900 in the spring of 2012.
- p. Criminal Background Check increased from \$13,056 in FY 2012 to \$81,867 in FY 2013 based on FY 2012 activity and increased landlord participation for required background tenant checks.
- q. The General Fund in FY 2013 is subsidizing \$340,000 of the Street Maintenance Activity which is normally paid with Road Use Tax Funds. The increase in Road

Use Tax expense has risen at a higher rate than Road Use Tax Fund revenue. The State Road Use Tax Fund consists of revenues from fuel tax, vehicle registration fees, use tax, driver's license fees and other miscellaneous sources and is distributed to cities on a per capita basis. The Road Use Tax Fund has decreased as a result of flattening revenues, dramatically increasing construction costs, aging infrastructure, increased usage and deferred road maintenance.

- r. Beginning in FY 2013, the Cable TV Fund no longer funds Police and Fire public education and has reduced funding to the Information Services Department due to reduced revenues from the cable franchise. This is due to Mediacom's conversion from a Dubuque franchise to a state franchise in October 2009 which changed the timing and calculation of the franchise fee payments. The impact to the General Fund is approximately \$190,000.
- s. Greater Dubuque Development Corporation support of \$267,613 previously budgeted to be paid from the UDAG Fund is budgeted to be paid from Dubuque Industrial Center Land Sales in FY 2012 and FY 2013 and beyond.
- t. 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. In FY 2013, a multi-year process to more equitably distribute those costs across all funds will be started.

**IMPACT ON AVERAGE RESIDENTIAL PROPERTY - EXAMPLE**

<b>ACTUAL - PAST HISTORY</b>		<b>CITY TAX CALCULATION</b>	<b>ACTUAL PERCENT CHANGE</b>	<b>CHANGE IF HTC 100% FUNDED</b>	<b>DOLLAR CHANGE</b>
FY 1989	"City" Property Tax	\$ 453.99	- 11.40%		- \$ 58.39
FY 1990	"City" Property Tax	\$ 449.94	- 0.89%		- \$ 4.04
FY 1991	"City" Property Tax*	\$ 466.92	+ 3.77%		+\$ 16.98
FY 1992	"City" Property Tax	\$ 483.63	+ 3.58%		+\$ 16.71
FY 1993	"City" Property Tax*	\$ 508.73	+ 5.19%		+\$ 25.10
FY 1994	"City" Property Tax	\$ 510.40	+ 0.30%		+\$ 1.51
FY 1995	"City" Property Tax*	\$ 522.65	+ 2.43%		+\$ 12.41
FY 1996	"City" Property Tax	\$ 518.10	- 0.87%		- \$ 4.54
FY 1997	"City" Property Tax*	\$ 515.91	- 0.42%		- \$ 2.19
FY 1998	"City" Property Tax	\$ 512.25	- 0.71%		- \$ 3.66
FY 1999	"City" Property Tax*	\$ 512.25	- 0.00%		\$ 0.00
FY 2000	"City" Property Tax	\$ 511.38	- 0.17%		- \$ 0.87
FY 2001	"City" Property Tax	\$ 511.38	0.00%		\$ 0.00
FY 2002	"City" Property Tax	\$ 511.38	0.00%		\$ 0.00
FY 2003	"City" Property Tax*	\$ 485.79	- 5.00%		-\$ 25.58
FY 2004	"City" Property Tax	\$ 485.79		0.00%	\$ 0.00
FY 2004	With Homestead Adj.	\$ 493.26	+ 1.54%		+\$ 7.46
FY 2005	"City" Property Tax*	\$ 485.93		+ 0.03%	+\$ 0.14
FY 2005	With Homestead Adj.*	\$ 495.21	+ 0.40%		+\$ 1.95
FY 2006	"City" Property Tax(1)	\$ 494.27		+ 1.72%	+\$ 8.34
FY 2006	With Homestead Adj. (1)	\$ 504.62	+ 1.90%		+\$ 9.41
FY 2007	"City" Property Tax*(2)	\$ 485.79		- 1.72%	-\$ 8.48
FY 2007	With Homestead Adj.*	\$ 496.93	- 1.52%		-\$ 7.69
FY 2008	"City" Property Tax	\$ 496.93		0.00%	\$ 0.00
FY 2008	With Homestead Adj.	\$ 510.45	+ 2.72%		+\$13.52
FY 2009	"City" Property Tax	\$ 524.53		+ 2.76%	+\$14.08
FY 2009	With Homestead Adj.	\$ 538.07	+ 5.41%		+\$27.62
FY 2010	"City" Property Tax	\$ 538.07		+ 0.00%	+\$ 0.00
FY 2010	With Homestead Adj.	\$ 550.97	+ 2.40%		+\$12.90
FY 2011	"City" Property Tax	\$ 564.59		+ 2.47%	+\$13.62
FY 2011	With Homestead Adj. (3)	\$ 582.10	+ 5.65%		+\$31.13
FY 2012	"City" Property	\$ 611.19		+ 5.00%	+\$29.09
FY 2012	With Homestead Adj. (3)	\$ 629.78	+ 8.19%		+\$47.68
<b>PROPOSED</b>					
FY 2013	"City" Property Tax*(4)	\$661.26 / (\$681.13)^	+ 8.15%	+ 5.00%	+\$31.48/ (+\$51.35)^
<b>Average FY 1989-FY 2013 with Homestead Adj.</b>			+ 1.23%		+ \$ 6.75
<b>Average FY 1989-FY 2013 without Homestead Adj.</b>				+ 0.44%	+ \$ 2.57

**PROJECTION \*\***

	<b>CITY TAX CALCULATION</b>	<b>HTC @ 62% PERCENT CHANGE</b>	<b>HTC @ 100% PERCENT CHANGE</b>	<b>DOLLAR CHANGE</b>	
FY 2014	"City" Property Tax*	\$ 694.34 / (\$714.45)^	+ 8.05%^	+ 5.00%	+\$ 33.09 / (+\$53.20)^
FY 2015	"City" Property Tax	\$ 729.06 / (\$749.41)^	+ 7.93 %^	+5.00%	+\$ 34.73 / (+\$55.08)^
FY 2016	"City" Property Tax*	\$ 748.83 / (\$768.98)^	+ 5.48%^	+2.71%	+\$ 19.77 / (+\$39.92)^
FY 2017	"City" Property Tax	\$ 772.24 / (\$792.26)^	+ 5.80%^	+3.41%	+\$ 23.41 / (+\$43.43)^

\* Denotes year of State-issued equalization orders.

^ Impact to the average homeowner if the State funds the Homestead Property Tax Credit at 62%.

(1) The FY 2006 property tax calculation takes into account the 6.2% valuation increase for the average residential homeowner as determined by the reappraisal.

(2) Offsets the impact of the State reduced Homestead Property Tax Credit in FY 2005 & 2006.

(3) The City adopted a budget in FY 2011 and 2012 that provided no increase to the average homeowner. The State of Iowa under funded the Homestead Property Tax Credit in both years costing the average homeowner an additional \$17.51 in FY 2011 and \$18.59 in FY 2012. 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.

(4) Assumes State of Iowa funds 100% of Homestead Property Tax Credit in FY 2013 and beyond.

### State of Iowa Homestead Property Tax Credit History

* 2002-2003		Funded 100% of the Homestead Property Tax Credit
* 2003-2004		Funded 85% of the Homestead Property Tax Credit
* 2004-2005		Funded 81% of the Homestead Property Tax Credit
* 2005-2006		Funded 78% of the Homestead Property Tax Credit
* 2006-2007		Funded 77% of the Homestead Property Tax Credit
* 2007-2008		Funded 73% of the Homestead Property Tax Credit
* 2008-2009		Funded 72% of the Homestead Property Tax Credit
* 2009-2010		Funded 72% of the Homestead Property Tax Credit
* 2010-2011		Funded 64% of the Homestead Property Tax Credit
* 2011-2012		Funded 62% of the Homestead Property Tax Credit
2012-2013		Assumed Homestead will be 100% Funded by the State of Iowa

The Homestead Property Tax Credit was established by the state legislature to reduce the amount of property tax collected. The intent of the credit was to be a form of tax relief and provide an incentive for home ownership. The State Homestead Property Tax Credit works by discounting the tax collected on the first \$4,850 of a property's taxable value. This has no impact on what the City receives from property tax collections, but provides tax relief for the average homeowner.

Beginning FY 2004, the State of Iowa did not fully fund the State Homestead Property Tax Credit resulting in the average homeowner paying the unfunded portion. Again this has no impact on what the City receives, however as a result has caused the average homeowner to pay more taxes.

In the FY 2013 budget, the City will not offset the prior year unfunded portion of the Homestead Tax Credit. FY 2013 reflects a 5.00% increase in property taxes paid by the average homeowner, however if the State continues to not fully fund the Homestead Property Tax Credit, this will increase the property taxes paid. This will not provide any additional revenues to the City, however.

**IMPACT ON COMMERCIAL PROPERTY - EXAMPLE**

<b><u>ACTUAL - PAST HISTORY</u></b>	<b><u>CITY TAX CALCULATION</u></b>	<b><u>PERCENT CHANGE</u></b>	<b><u>DOLLAR CHANGE</u></b>	
FY 1989	"City" Property Tax	\$2,106.42	-15.43%	-\$ 384.19
FY 1990	"City" Property Tax	\$2,086.50	- .95%	-\$ 19.92
FY 1991	"City" Property Tax*	\$2,189.48	+ 4.94%	+\$ 102.98
FY 1992	"City" Property Tax	\$2,280.18	+ 4.14%	+\$ 90.70
FY 1993	"City" Property Tax*	\$2,231.05	- 2.15%	-\$ 49.13
FY 1994	"City" Property Tax	\$2,250.15	+ 0.86%	+\$ 19.10
FY 1995	"City" Property Tax*	\$2,439.60	+ 8.42%	+\$ 189.45
FY 1996	"City" Property Tax	\$2,439.60	+ 0.00%	+\$ 0.00
FY 1997	"City" Property Tax*	\$2,659.36	+ 9.01%	+\$ 219.76
FY 1998	"City" Property Tax	\$2,738.43	+ 2.97%	+\$ 79.07
FY 1999	"City" Property Tax*	\$2,952.03	+ 7.80%	+\$ 213.60
FY 2000	"City" Property Tax	\$2,934.21	- 0.60%	-\$ 17.82
FY 2001	"City" Property Tax	\$2,993.00	+ 2.01%	+\$ 58.86
FY 2002	"City" Property Tax	\$2,910.25	- 2.77%	-\$ 82.84
FY 2003	"City" Property Tax*	\$3,186.27	+ 9.48%	+\$ 276.03
FY 2004	"City" Property Tax	\$3,278.41	+ 2.89%	+\$ 92.15
FY 2005	"City" Property Tax*	\$3,349.90	+ 2.18%	+\$ 71.48
FY 2006	"City" Property Tax <sup>(1)</sup>	\$3,152.52	- 5.89%	-\$ 197.38
FY 2007	"City" Property Tax*	\$3,538.03	+12.23%	+\$ 385.50
FY 2008	"City" Property Tax	\$3,668.64	+ 4.26%	+\$ 150.62
FY 2009	"City" Property Tax*	\$3,524.48	- 3.63%	-\$ 133.94
FY 2010	"City" Property Tax	\$3,524.48	- 0.85%	-\$ 30.23
FY 2011	"City" Property Tax	\$3,585.16	+ 1.72%	+\$ 60.68
FY 2012	"City" Property Tax	\$3,736.64	+ 4.23%	+\$ 151.48
<b><u>PROPOSED</u></b>				
FY 2013	"City" Property Tax	\$3,855.96	+ 3.19%	+\$ 119.32
<b>Average FY 1989-2013</b>			+ 1.92%      +\$ 54.61	
<b><u>PROJECTION **</u></b>				
FY 2014	"City" Property Tax*	\$3,901.50	+ 1.18%	+\$ 45.56
FY 2015	"City" Property Tax	\$3,947.90	+ 1.19%	+\$ 46.40
FY 2016	"City" Property Tax*	\$3,908.15	- 1.01%	-\$ 39.76
FY 2017	"City" Property Tax	\$3,884.71	- 0.60%	-\$ 23.43

\* Denotes year of State-issued equalization orders

(1) The FY 2006 property tax calculation takes into account the 3% valuation decrease for commercial property as determined by the reappraisal.

**IMPACT ON INDUSTRIAL PROPERTY - EXAMPLE**

<b><u>ACTUAL - PAST HISTORY</u></b>		<b><u>CITY TAX CALCULATION</u></b>	<b><u>PERCENT CHANGE</u></b>	<b><u>DOLLAR CHANGE</u></b>
FY 1989	"City" Property Tax	\$5,900.35	-15.40%	-\$1,074.65
FY 1990	"City" Property Tax	\$5,844.55	- .90%	-\$ 55.80
FY 1991	"City" Property Tax	\$6,133.00	+ 4.90%	+\$ 288.45
FY 1992	"City" Property Tax	\$6,387.05	+ 4.10%	+\$ 254.05
FY 1993	"City" Property Tax	\$6,249.45	- 2.20%	-\$ 137.60
FY 1994	"City" Property Tax	\$6,302.95	+ 0.90%	+\$ 53.50
FY 1995	"City" Property Tax	\$5,891.05	- 6.50%	-\$ 411.90
FY 1996	"City" Property Tax	\$5,891.05	+ 0.00%	+\$ 0.00
FY 1997	"City" Property Tax	\$5,690.75	- 3.40%	-\$ 200.30
FY 1998	"City" Property Tax	\$5,700.56	+ .17%	+\$ 9.81
FY 1999	"City" Property Tax	\$5,536.70	- 2.87%	-\$ 163.86
FY 2000	"City" Property Tax	\$5,358.00	- 3.23%	-\$ 178.70
FY 2001	"City" Property Tax	\$5,533.00	+ 3.28%	+\$ 175.55
FY 2002	"City" Property Tax	\$5,380.42	- 2.77%	-\$ 153.13
FY 2003	"City" Property Tax	\$5,106.00	- 5.10%	-\$ 274.40
FY 2004	"City" Property Tax	\$5,136.50	+ .60%	+\$ 30.50
FY 2005	"City" Property Tax	\$5,036.00	- 1.96%	-\$ 100.50
FY 2006	"City" Property Tax <sup>(1)</sup>	\$5,814.61	+15.46%	+\$ 778.61
FY 2007	"City" Property Tax	\$5,983.21	+ 2.90%	+\$ 168.60
FY 2008	"City" Property Tax	\$6,184.95	+ 3.37%	+\$ 201.74
FY 2009	"City" Property Tax	\$5,976.44	- 3.37%	-\$ 208.51
FY 2010	"City" Property Tax	\$5,909.69	- 1.12%	-\$ 66.75
FY 2011	"City" Property Tax	\$6,011.44	- 1.72%	+\$ 101.75
FY 2012	"City" Property Tax	\$6,265.43	+ 4.23%	+\$ 254.00
<b><u>PROPOSED</u></b>				
FY 2013	"City" Property Tax	\$6,465.51	+ 3.19%	+\$ 200.07
<b>Average FY 1989-FY 2013</b>			- 0.30%	-\$ 20.38

**PROJECTION\*\***

<b><u>ACTUAL - PAST HISTORY</u></b>		<b><u>CITY TAX CALCULATION</u></b>	<b><u>PERCENT CHANGE</u></b>	<b><u>DOLLAR CHANGE</u></b>
FY 2014	"City" Property Tax	\$6,541.86	+1.18%	+\$ 76.39
FY 2015	"City" Property Tax	\$6,619.66	+1.19%	+\$ 77.80
FY 2016	"City" Property Tax	\$6,553.00	-1.01%	-\$ 66.66
FY 2017	"City" Property Tax	\$6,513.71	-0.60%	-\$ 39.29

(1)The FY 2006 property tax calculation takes into account the 19.9% valuation increase for industrial property as determined by the reappraisal.

### History of Increases in Property Tax Askings

<u>Fiscal Year</u>	<u>"City" Property Tax Askings</u>	<u>% Change in Tax Askings</u>		<u>Present Impact on Homeowner**</u>
FY 1989	\$10,918,759	-12.0%	Sales Tax initiated	-11.4%
FY 1990	\$10,895,321	- 0.2%		- 0.9%
FY 1991	\$11,553,468	+ 6.0%		+ 3.8%
FY 1992	\$12,249,056	+ 6.0%		+ 3.6%
FY 1993	\$12,846,296	+ 4.9%		+ 5.0%
FY 1994	\$13,300,756	+ 3.5%		+ 0.3%
FY 1995	\$13,715,850	+ 3.1%		+ 2.4%
FY 1996	\$14,076,320	+ 2.6%		- 0.9%
FY 1997	\$14,418,735	+ 2.4%		- 0.4%
FY 1998	\$14,837,670*	+ 2.9%		- 0.7%
FY 1999	\$15,332,806*	+ 3.3%		0.0%
FY 2000	\$15,285,754	- 0.3%		- 0.2%
FY 2001	\$15,574,467	+ 1.9%		0.0%
FY 2002	\$15,686,579	+ 0.7%		0.0%
FY 2003	\$15,771,203	+ 0.5%		- 5.0%
FY 2004	\$16,171,540	+ 2.5%		0.0%
FY 2005	\$16,372,735	+ 1.2%		0.0%
FY 2006	\$16,192,215	- 1.1%		+ 1.7%
FY 2007	\$17,179,994	+ 6.1%		- 1.7%
FY 2008	\$18,184,037	+ 5.8%		0.0%
FY 2009	\$18,736,759	+ 3.0%		+2.8%
FY 2010	\$19,095,444	+ 1.9%		0.0%
FY 2011	\$19,878,962	+ 4.1%		+2.5%
FY 2012	\$21,284,751	+ 7.1%		+5.0%
FY 2013 Estimate	\$22,786,499	+ 7.1%		+5.0%/ (+8.15%)^
<b>Average FY 1989-2012</b>		<b>+ 2.52%</b>		<b>+0.32%</b>

\*Without TIF Accounting change. \*\*Does not reflect State unfunded portion of Homestead Credit.

^ Impact to the average homeowner if the State funds the Homestead Property Tax Credit at 62%.

The Diamond Jo expansion opened on December 2, 2008 tracking fairly closely to the need to increase property tax revenues with the corresponding decreases in the Dubuque Racing Association lease payments.

**Impact on Tax Askings and Average Residential Property**

To maintain the current level of service based on the previous assumptions would require the following property tax asking increases:

<u>Year</u>	<u>"City" Property Tax Askings (000)</u>	<u>% Increase</u>	<u>% / \$ Impact on Avg. Residential Property*</u>
FY 2012	\$21,285		
FY 2013	\$22,786	+ 7.05%	+5.00% / +\$31.48
FY 2014	\$24,025	+ 5.44%	+5.00% / +\$ 33.09
FY 2015	\$25,342	+ 5.48%	+5.00% / +\$ 34.72
FY 2016	\$26,161	+ 3.23%	+2.71% / +\$ 19.77
FY 2017	\$27,127	+ 3.69%	+3.13% / +\$ 23.41

The following is a historical City tax rate comparison:

<u>Fiscal Year</u>	<u>"City" Tax Rate</u>	<u>% Change in Tax Rate</u>
FY 1987	14.5819	
FY 1988	13.9500	-4.33%
FY 1989	11.8007	-15.41%
FY 1990	11.6891	-0.95%
FY 1991	12.2660	4.94%
FY 1992	12.7741	4.14%
FY 1993	12.4989	-2.15%
FY 1994	12.6059	0.86%
FY 1995	11.7821	-6.54%
FY 1996	11.7821	0.00%
FY 1997	11.3815	-3.40%
FY 1998	11.4011	0.17%
FY 1999	11.0734	-2.87%
FY 2000	10.7160	-3.23%
FY 2001	11.0671	3.28%
FY 2002	10.7608	-2.77%
FY 2003	10.2120	-5.10%
FY 2004	10.2730	0.60%
FY 2005	10.0720	-1.96%
FY 2006	9.6991	-3.70%
FY 2007	9.9803	2.90%
FY 2008	10.3169	3.37%
FY 2009	9.9690	-3.37%
FY 2010	9.8577	-1.12%
FY 2011	10.0274	1.72%
FY 2012	10.4511	4.22%
FY 2013	10.7848	3.19%
<b>Average FY 1987-2013</b>		<b>-1.06%</b>

**PROJECTION\*\***

<b><u>Fiscal Year</u></b>	<b><u>"City" Tax Rate</u></b>	<b><u>% Change in Tax Rate</u></b>
FY 2014	10.9122	1.18%
FY 2015	11.0420	1.19%
FY 2016	10.9308	-1.01%
FY 2017	10.8652	-0.60%

**Guideline**

The recommended guideline is a 5.00 percent increase for the average residential property owner assuming the Homestead Property Tax Credit is fully funded, which would be a 3.19 percent increase in the property tax rate.

Note: One percent increase in the tax rate will generate approximately \$221,768.

**CIP BUDGET GUIDELINES**

**18. INTEGRATION OF CAPITAL RESOURCES**

**Guideline**

In order to obtain maximum utilization, coordination and impact of all capital improvement resources available to the City, state and federal block and categorical capital grants and funds shall be integrated into a comprehensive five year Capital Improvement Program (CIP) for the City of Dubuque.

**19. INTEGRITY OF CIP PROCESS**

**Guideline**

The City should make all capital improvements in accordance with an adopted Capital Improvement Program (CIP). If conditions change and projects are to be added and/or deleted from the CIP, the changes shall be made only after approval by the City Council.

**20. RENOVATION AND MAINTENANCE**

**Guideline**

Capital improvement expenditures should concentrate on renovating and maintaining existing facilities to preserve prior community investment.

## **21. NEW CAPITAL FACILITIES**

### **Guideline**

Construction of new or expanded facilities which would result in new or substantially increased operating costs will be considered only if: 1) their necessity has been clearly demonstrated; 2) their operating cost estimates and plans for providing those operating costs have been developed; 3) they can be financed in the long term; and 4) they can be coordinated and supported within the entire system.

## **22. COOPERATIVE PROJECTS**

### **Guideline**

Increased efforts should be undertaken to enter into mutually beneficial cooperative capital improvement projects with the county, school district and private groups. Cost sharing to develop joint-use facilities and cost sharing to improve roads and bridges are examples.

## **23. USE OF GENERAL OBLIGATION BONDS**

### **Discussion**

The Iowa Constitution limits the General Obligation debt of any city to 5 percent of the actual value of the taxable property within the city. The Iowa legislature has determined that the value for calculating the debt limit shall be the actual value of the taxable property prior to any "rollback" mandated by state statute.

The FY 2011-12 assessable values for calculating the debt limit is \$3,553,359,810, which indicates a total General Obligation debt capacity of \$177,667,991. Outstanding G.O. debt (including tax increment debt, TIF rebate remaining payments and general fund lease agreement) on June 30, 2012 will be \$124,400,068 (70.02 percent) leaving an available debt capacity of \$53,267,923 (29.98 percent). 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 FY 2013.

As we approach the preparation of the FY 2013-2017 Capital Improvement Program (CIP) the problem is not the city's capacity to borrow money but (a) how to identify, limit and prioritize projects which justify the interest payments and (b) how to balance high priority projects against their impact on the property tax rate.

**Guideline**

There are many high priority capital improvement projects, which need to be constructed during the FY 2013-2017 period. The reductions in DRA rent and distribution over the years has increased the need to borrow for projects. As in the past, debt will be required on several major capital projects, that being the Drainage Basin Master Plan, Intermodal Facility, Airport Improvements, Park Improvements, Sidewalk and Street Improvements, Sanitary Sewer Fund, Parking Fund and Water Fund. In FY 2013-2017 borrowings will also include smaller projects and equipment replacements such as Park developments, Police software, and City building roof replacements. These smaller borrowings will be for a term not exceeding the life of the asset. Alternative sources of funds will always be evaluated (i.e. State Revolving Loan Funds) to maintain the lowest debt service costs.

The City is applying for State and Federal grants to minimize the amount of local dollars needed for City projects. Since February 2009, the City and its partners have received \$100,541,423. The following is a list of recent grants received by the City only:

<b>Grant</b>	<b>Project</b>	<b>Award Amount</b>
Community Development Block Grant	Caradco Building	\$ 8,900,000
State of Good Repairs Grant	Intermodal Facility	\$ 8,000,000
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
State of Iowa I-JOBS	Lower Bee Branch	\$ 3,950,000
Lead Paint Grant	Lead Paint Removal	\$ 3,090,000
U.S. Department of Transportation State of Good Repair	Bus Replacements	\$ 2,300,000
Vision Iowa RECAT	Bee Branch Restoration	\$2,250,000
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
NSB Grant	Bee Branch Trails	\$1,000,000
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
State Competitive EECBG	US 52 Traffic Flow Optimization	\$ 500,000
Neighborhood Stabilization Program	Purchase of Foreclosed	\$ 444,000

Grant	Project	Award Amount
	Homes	
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
AmeriCorps Grant	Various Programs	\$ 186,201
MRT Grant	Bee Branch Trails	\$ 100,000
State Energy Program	18 <sup>th</sup> & Central Energy Improvements	\$ 69,831
Iowa Community Cultural Grant	Arts Coordinator Salary	\$ 13,021
	<b>Total</b>	<b>\$52,688,077</b>

## 24. ROAD USE TAX FUND

### Discussion

Actual Road Use Tax Fund receipts are as follows:

FY 1985 - \$2,069,065	FY 1998 - \$4,072,296
FY 1986 - \$2,207,467	FY 1999 - \$4,415,192
FY 1987 - \$2,259,436	FY 2000 - \$4,671,656
FY 1988 - \$2,379,592	FY 2001 - \$4,628,072
FY 1989 - \$2,617,183	FY 2002 - \$4,620,514
FY 1990 - \$3,037,587	FY 2003 - \$4,696,399
FY 1991 - \$3,122,835	FY 2004 - \$4,806,295
FY 1992 - \$3,119,087	FY 2005 - \$4,798,667
FY 1993 - \$3,121,357	FY 2006 - \$4,831,935
FY 1994 - \$3,343,678	FY 2007 - \$4,809,990
FY 1995 - \$3,484,524	FY 2008 - \$4,944,336
FY 1996 - \$3,841,921	FY 2009 - \$4,788,633
FY 1997 - \$3,977,528	FY 2010 - \$5,105,327
	FY 2011 - \$5,253,650

The FY 2012 budget was based on receiving \$5,335,955 in Road Use Tax funds. In FY 2012, 98.6 percent of the Road Use Tax income is in the operating budget.

**Guideline**

It is preferable to shift Road Use Tax funds to the capital budget for street maintenance and repair to reduce the need to borrow funds for routine street maintenance and improvements. This shift cannot occur until such time as there are increased revenues or reduced expense that would allow this shift without a property tax impact.

**25. COMMERCIAL AND INDUSTRIAL DEVELOPMENT**

**Guideline**

Current City, commercial and industrial development efforts should be continued to (a) preserve current jobs and create new job opportunities and (b) enlarge and diversify the economic base. Financing these efforts and programs should continue to be a high priority.

**26. HOUSING**

**Guideline**

In order to maintain an adequate supply of safe and decent housing, the City should strive to preserve existing single family and rental housing and provide opportunities for development of new housing, particularly owner occupied, within the City's corporate limits for all citizens, particularly for people of low and moderate income.

**27. SALES TAX**

**Guideline**

Thirty percent of projected sales tax receipts will be used for: (a) the reduction by at least 75 percent of street special assessments and (b) the maintenance and repair of streets. Twenty percent will be used for: (a) the upkeep of City-owned property such as sidewalks, steps, storm sewers, walls, curbs, traffic signals and signs, bridges and buildings and facilities (e.g., Airport, Five Flags Center, Library, Law Enforcement Center, City Hall, fire stations, parks and swimming pools); (b) Transit equipment such as buses; (c) riverfront and wetland development; and (d) economic development projects.

**28. NET CASH PROCEEDS (SURPLUS DISTRIBUTION) FROM THE DUBUQUE RACING ASSOCIATION**

The contract with the Dubuque Racing Association calls for distribution at the end of its fiscal year, December 31<sup>st</sup>, of 50 percent of its net cash operating funds to the City of Dubuque. In early-February, the City receives payment of proceeds to be distributed. These proceeds are then allocated for capital improvements, with the highest priority given to reducing the City's annual borrowing.

The Dubuque Racing Association provides the City with projections of future distributions since gaming is a highly volatile industry the estimates are discounted prior to including them in the City's Five Year CIP.

One hundred percent of the February 2013 projections of operating surplus have been anticipated as resources to support the Fiscal Year 2013 capital improvement projects. This level will be maintained for the Fiscal Year 2014 surplus for the FY 2014 resource estimate and then reduced by 5 percent for the February 2015 projected surplus for FY 2015, 10 percent for FY 2016, and 15 percent for FY 2017 resources.

**Guideline**

In Fiscal Year 2013, the City anticipates distribution of a significant amount of net cash proceeds for use in the Capital Improvement Program. These amounts will be budgeted in the Five Year CIP in the year they are received and will be used to reduce required General Obligation borrowing. The three out-years will be discounted by 5 percent, 10 percent, and 15 percent respectively.

**29. EMPHASIS ON INITIATIVES THAT REDUCE FUTURE OPERATING BUDGET EXPENSE**

**Guideline**

Capital improvement expenditures that will reduce future maintenance and operating expense will receive priority funding and these types of initiatives will be encouraged in all departments and funding sources as a means of maximizing the use of available resources. This emphasis reflects fiscally responsible long range planning efforts.

**30. USE OF GAMING RELATED RECEIPTS**

**Guideline**

On April 1, 2004, a new lease took effect with the Dubuque Racing Association for lease of the Dubuque Greyhound Park and Casino. This new lease was negotiated

after the FY 2005 budget was approved and raised the lease payment from ½% of coin-in to 1% of coin-in. This new lease and the expansion of gaming at Dubuque Greyhound Park and Casino, from 600 gaming positions to 1,000 gaming positions, effective August 1, 2005, provided additional revenues to the City of Dubuque.

In FY 2004 the split of gaming taxes and rents between operating and capital budgets was 50% operating and 50% capital. In FY 2005 this split was changed to 75% operating and 25% capital. In FY 2009 the split was 76% operating and 24% capital.

In FY 2010, the budget was changed to reflect the actual split of 85% operating and 15% capital. The operating portion of the split now includes the debt service required on the 2002 general obligation bonds for the America's River Project that was previously considered as part of the capital portion of the DRA lease. Debt obligations are considered a continuing annual expense and are more accurately reflected as part of the operating portion of the DRA lease.

In FY 2011, the budget was changed to reflect a split of gaming taxes and rents between operating and capital budgets of 86.5% operating and 13.5% capital. FY 2013 changes the split to 90.0% operating and 10.0% capital.

The Diamond Jo expanded to a land based barge casino facility and increased to 1,100 slots on December 1, 2008. This expansion was projected to decrease the Mystique gaming market and correspondingly the coin-in by just over 21 percent. Based on the projected market share loss, the City did not receive a distribution of cash flows from the Dubuque Racing Association (DRA) in Fiscal Years 2009 and 2010.

DRA distributions restarted in FY 2011 instead of the projected year of FY 2012.

The reduction in the DRA's market share and the downturn in the local economy impact the City's lease payment from the DRA. The current lease requires the DRA to pay the City 1 percent of coin in from slot machines and 4.8 percent of gross revenue from table games. In FY 2009, the City's estimated lease payments through FY 2013 were reduced \$7.1 million based on projections from the DRA. In FY 2010, gaming revenues generated from lease payments from the DRA were decreased an additional \$4.8 million through FY 2014 based on revised projections from the DRA. In FY 2011, the City's estimated lease payments through FY 2015 were reduced \$1 million based on updated projections from the DRA. In FY 2012, the City's estimated lease payments through FY 2016 were reduced an additional \$3.2 million based on revised projections from the DRA.

In FY 2013, it is estimated that the City's lease payments through FY 2017 will be reduced an additional \$2.9 million based on the updated projections from the DRA. From FY 2009 thru FY 2017, the City's lease payments have been reduced \$19 million.

The reduction in coin-in is estimated to be 32% instead of the 21% originally projected due to the expansion of the Diamond Jo Casino as well as the economic downturn which was not projected.

The 50¢ per patron tax previously received from the Diamond Jo was replaced by a \$500,000 fixed payment based on their revised parking agreement. The riverboat related tax on bets has also been increased 2.5 percent (\$9,256) in FY 2013.