



TO: The Honorable Mayor and City Council Members
FROM: Michael C. Van Milligen, City Manager
SUBJECT: Fiscal Year 2013 Budget Transmittal
DATE: January 30, 2012

I am currently reading the book *That Used To Be Us, How America Fell Behind in The World and How We Can Come Back* by Michael Madelbaum and Thomas L. Friedman. In the book, they say there is an old business adage, "You win in the turns." They describe this as being when there are big shifts in the marketplace when the best companies gain market share and put distance between themselves and competitors because they have the vision and flexibility to spot tectonic change and leap ahead when it occurs. These are businesses that have a formula for success, while others are simply overwhelmed. I would suggest that Mayor Roy Buol and the City Council, working with others, have developed Dubuque into just such a business.

This year the City of Dubuque was recognized as one of 26 metropolitan areas in the country that have recovered the jobs lost in the great recession.

Sustainable Dubuque and Smarter Sustainable Dubuque are Dubuque's "winning in the turns." Last year the City received a skeptical e-mail about Sustainable Dubuque.

Mayor Roy Buol and I responded to that query as follows:

In an effort to help clear up some possible misconceptions about Sustainable Dubuque.

First, you do not have to believe in climate change to believe in Sustainable Dubuque.

Dubuque is about giving people information so they can act as they see appropriate.

Dubuque is about creating more options for citizens, not fewer.

Dubuque is about understanding that "sustainable" is about being more competitive, not just more green.

And Dubuque is about including more people in developing the right answers, and understanding that everyone's opinion is critical.

If you want to have less opportunity for international conflict, and the United States sending our soldiers to fight in foreign lands, resource conservation and development of alternatives to the use of oil is very important. As far as creating local efforts, we want to Dubuque to lead.

If you want to create more jobs locally, we must work with businesses to develop products and services that reflect the market and we must develop ways to give these local companies access to those markets.

If you want Dubuque businesses to be able to retain our young people as part of their workforce and to recruit talented people from across the country you must stand out amongst the crowd. There are thousands of cities across the country. How can Dubuque differentiate itself or create a recognizable brand?

Developing a positive national reputation through Sustainable Dubuque could easily be described as an economic development strategy (with much lower unemployment than the national average, it seems to be helping). In the process, Dubuque is on the road to enhancing its many positive qualities, becoming an even more viable, livable and equitable community by embracing economic prosperity, social/cultural vibrancy and environmental integrity.

The beauty is that Sustainable Dubuque began through a citizen engagement process and is actively supported by the Greater Dubuque Development Corporation, the Dubuque Area Chamber of Commerce, the Community Foundation of Greater Dubuque, many local businesses, the religious community, schools, non-profits, and others. These organizations have conservative board members who support the results of Sustainable Dubuque and see the benefits. These businesses see the opportunity for job creation and improving the bottom line. The replacement of the water meters spent about \$1 million at the local AY McDonald Manufacturing Company and gave them a showcase for a new product they have that they will now be able to market nationally.

Smarter Sustainable Dubuque is the research arm of the Sustainable Dubuque initiative. Smarter Sustainable Dubuque will provide Dubuque residents what they need (information and tools specific to their circumstances) to do what they want (save money, conserve resources and improve the local economy and environment). The initiative is engaging Dubuque residents and businesses who, through advanced technology, will be able to voluntarily better manage their resources like water, electricity, oil and natural gas. This will allow our local businesses to be in a better position to successfully compete for business mainly by reducing their costs. Also, reducing the community's need for electricity

will help keep down electrical costs, by reducing the need for Alliant to build more power generating capabilities or their need to purchase expensive power from others. This will allow Dubuque to become more competitive for economic development projects when local businesses are deciding where it is most affordable to expand and when outside businesses are looking for a competitive place to locate their jobs.

The e-mail also expressed concern about the Historic Millwork District project. While the City is a partner in this project along with many other organizations, the project is being built by private developers who are risking their own personal capital. The first major project is being financed by American Trust and Savings Bank and Dubuque Bank and Trust. I believe both organizations have some conservative board members and all are involved in this project because they believe they can make money. They recognize this project will help downtown businesses recruit employees and that there are people who want to walk to work and who may or may not want the extra expense of owning a car. Even when the entire Historic Millwork District is built out (at a cost of over \$200 million) there will only be about 700 apartments/condominiums. A small fraction of the over 22,000 residences in Dubuque and a small part of the over 7,000 apartments in Dubuque. People will have plenty of choices where they want to live, be it in the country, in a subdivision, or in the downtown. As we know, we all do not think alike, so choice is important. Besides, who wants the Historic Millwork District to continue to exist in the current state of disrepair? The City is just supporting the efforts of the private investors.

The e-mail also referenced the conservative publication, *Forbes Magazine*. Forbes is among many publications and organizations that have recognized Dubuque. In April 2010, Forbes named Dubuque #1 in the Nation among Mid-sized Cities for Projected Job Growth. Dubuque proved them right by creating almost 20% of all the new jobs in the State of Iowa, even though Dubuque represents only 3% of the state's population. In September 2010, Forbes ranked Dubuque #15 in the nation among "Best Small Places for Business and Careers." In December 2010, Forbes declared Dubuque as the "Best Small City to Raise a Family."

How encouraged we all felt about the state of the local economy when we woke up on Christmas morning to read the headline in the *Telegraph Herald*, "Deere sees dramatic turnaround." After cutting over 200 jobs in 2009, Deere had added more than 400 positions. This came on the heels of seeing the Dubuque County unemployment rate drop from 6.3% in December 2010 to 5.3% in December 2011. While the recession never did hit Dubuque as hard as the rest of the country, it is nice to see strong signs of recovery.

In 2011 alone, Mayor Buol spoke in New York, Washington, D.C. and Taiwan as Dubuque becomes internationally recognized for sustainability.

Dubuque has received national and even international attention in recent months.

In early November, *Popular Science* featured the Sustainable Dubuque initiative in an online article titled, "How Dubuque is Becoming the Smartest City in America." It stated, "By providing its citizens with a steady stream of personalized, real-time data, the ninth-largest city in Iowa is changing the world."

It goes on to say "...it was in 2009 that Dubuque...began its transformation into one of the most important cities in America. That's when the city launched a unique public/private partnership with IBM Research to recreate Dubuque as the nation's first truly smart, sustainable city."

The December 2011 issue of *Scientific American* included an article titled "After the Deluge" which featured Dubuque's Bee Branch Creek Restoration and Gateway Project as one example of how, "cities and states are changing infrastructure on their own to counteract severe weather that is killing more people and destroying more property." The article explained, "A spate of floods, droughts and heat waves is prompting city and state leaders to take bold steps to protect their people and property...Dubuque, Iowa, has exhumed a buried creek to reduce storm flooding." In closing, the author stated, "Adaption is best planned by municipalities because solutions must be tailored to local problems, but courageous leaders are often needed to rally support."

News Magazine featured a video story in late November on Dubuque's transformation entitled, "How a Midwestern town reinvented itself." It featured interviews with community leaders and residents and stated, "The city of Dubuque, once faced with record unemployment, has turned its fortunes around. It did so with a combination of inner-city redevelopment and technological advances geared towards a greener, more sustainable future."

As always, the budget recommendation is built around the Mayor and City Council goals and priorities. I open this budget transmittal memorandum with this information because 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. Another underpinning of this budget recommendation is illustrated in the work of the Safe Community Task Force and a quote from Professor Charles Cappell, one of the principal authors of the Crime Study conducted by the Northern Illinois University Center for Governmental Studies. Professor Cappell said, "Programs need focus on increased knowledge, awareness, and on reducing the social and cultural distances among neighborhood residents."

The City of Dubuque is in the process of transforming local government. The most important transformation I have already described, Sustainable Dubuque and Smarter Sustainable Dubuque. Another important example is the Green and Healthy Homes Initiative (GHHI).

Housing and Community Development Department Director David Harris describes GHHI and other newly established programs as improving the lives of people living in

poverty and low-income and, by extension, to help make a sustainable community in which everyone can do well. This is accomplished through engaging people across class barriers, expanding human and social capital, integrating approaches to housing interventions and building community partnerships.

The department is transforming from an approach using stand-alone program administration, and code enforcement - and rehab-focused interventions to an emphasis on moving families out of poverty, creating economic opportunity and making our neighborhoods healthy and safe. The report of the Safe Community Task Force challenged the City organization to create a “model” Section 8 Program. That’s what Dubuque is doing with the expanded Family Self-Sufficiency Program, the Getting Ahead in a Just Gettin’-by World educational experience and the new Circles Initiative. These programs – under the umbrella of the Bridges Initiative, in partnership with the Community Foundation of Greater Dubuque and the Greater Dubuque Development Corporation – promote economic empowerment, and assist families in creating their own personal paths out of poverty, expanding opportunities, making connections and eliminating barriers in the community that make it difficult for families to thrive. The success of DubuqueWorks, Project H.O.P.E. and Every Child |Every Promise are part of the transition.

Dubuque has joined the Green and Healthy Homes Initiative (GHHI), a network of 16 cities nationally seeking to break the link between unhealthy housing and unhealthy children. The Housing and Health Services Departments, joined by Operation New View, Visiting Nurse Association and the Community Foundation, are partnering in implementing a cost-effective and integrated approach to creating healthy homes. This is done by combining state, federal and philanthropic investments in weatherization, energy efficiency, lead hazard reduction, and safety interventions, and by developing relationships with families to assess and refer them for the services they need to become successful. This approach is designed to be a comprehensive and seamless process to create safer and more stable homes, improve the health of children and families, produce green jobs and build sustainable neighborhoods.

Bill Strickland’s book, *Make the Impossible Possible*, defines poverty as “the acceptance of meager possibility.” The programs and initiatives of the Housing Department, with its many City and community partners, are being designed to transform homes, lives and neighborhoods to the realization of greater possibilities.

This Fiscal Year 2013 budget recommendation continues that effort by providing local resources to maintain the Section 8 program at only 900 vouchers and the loss of federal administrative funding and changes the part-time Circles Coach position to full-time, effective January 1, 2013, and an additional full-time Family Self-Sufficiency Coordinator, effective January 1, 2013.

The increased emphasis on community engagement brought about through the Safe Community Task Force and the success of the Dubuque Area Chamber of Commerce and the Community Foundation of Greater Dubuque with the Envision 2010 effort and the support of the community dialogue around sustainability conducted through Dubuque 2.0, shows the kind of success that can be realized. The City Council has

directed the transformation of the Human Rights Department to emphasize human relations. The Fiscal Year 2013 budget continues that movement by adding a Community Relations Coordinator in the Human Rights Department to lead a greatly enhanced community engagement effort. The budget maintains funding for the AmeriCorps VISTA Volunteer Coordinator position and transfers that position from the Leisure Services Department to the Human Rights Department. The Human Rights Department will also move from the City Hall Annex Building to the soon to be remodeled second floor of the Multicultural Family Center. This will all allow for the implementation of the High Impact Service Plan as part of the requirements for the Cities of Service/AARP Volunteer Chief Service Officer Initiative and Recognition Grant.

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. This will all contribute 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 1980's.

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 beginning construction of the 125 acre Dubuque Industrial Center South at a cost of over \$13 million, providing places for existing businesses to expand and new businesses a place to locate, creating jobs. The City is completing Phase I of the Bee Branch Creek Restoration project and is now beginning construction of Phase II at an estimated cost of \$28,575,796 helping to save over 1,150 homes and businesses from flooding. The City is completing 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 \$21,317,194 to include an intermodal transportation facility, an Amtrak passenger platform, a street connection to the Port of Dubuque, hundreds of parking spaces and the change of streets from one-way to two-way. The City is halfway through the \$65 million Water and Resource Recovery Center replacement, including the capability to create 600 Kw of electricity. The City is in the midst of building components of the \$99 million Southwest Arterial project. The City is building a new airport terminal at a cost of \$35 million, with the extension of City water and sewer infrastructure at a cost of over \$5 million. The City is in the process of completing the \$4 million Port of Dubuque transient boat docks with estimated completion in summer 2012.

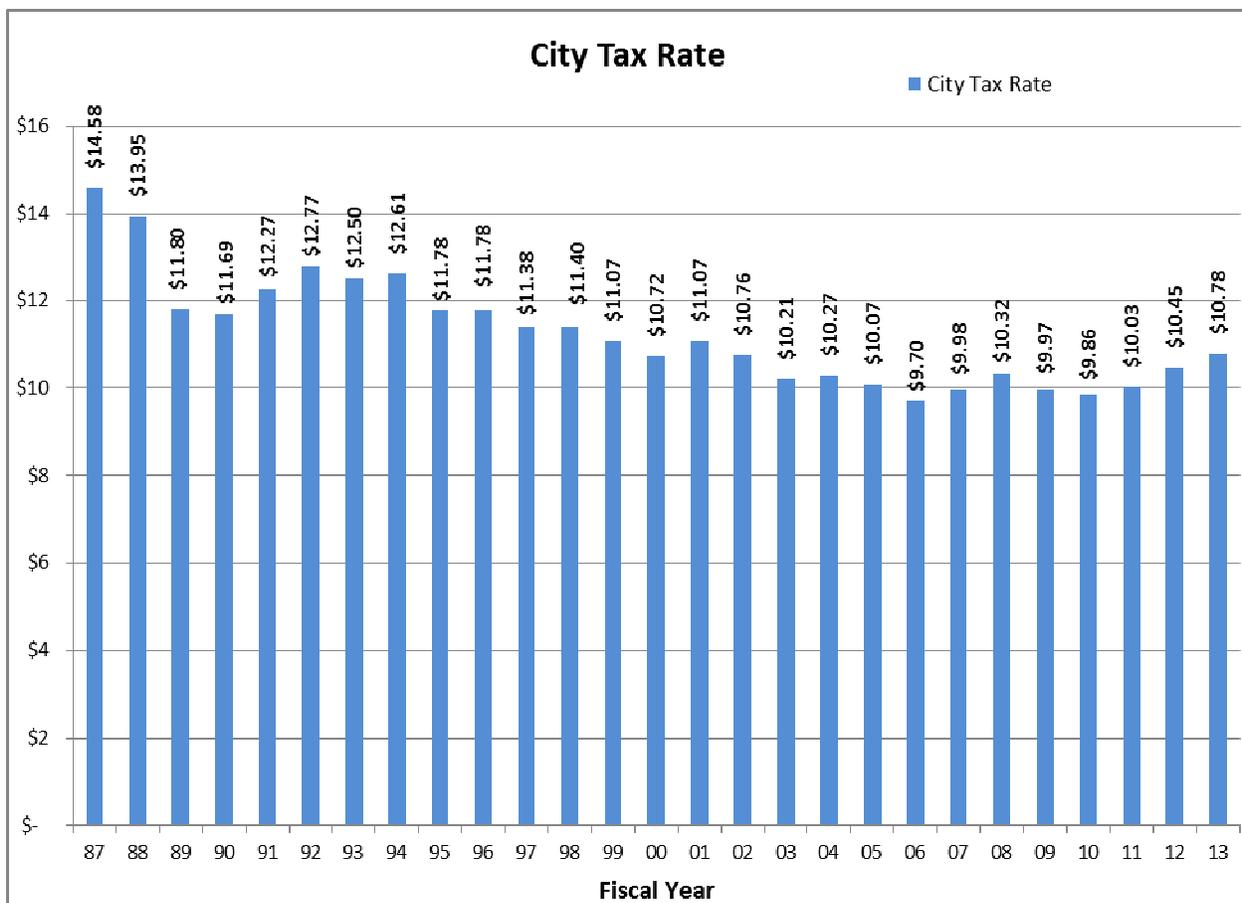
In Fiscal Year 2013, the City will be expanding the Multicultural Family Center (\$1.4 million), completing more of the renovation of the Historic Federal Building, partnering with Dubuque Bank & Trust Company Development organization to historically renovate the former firehouse at 22nd and Central to house Headstart and the educational activities of the Crescent Community Health Center, helping to anchor the Washington Neighborhood Central Street business corridor, reconstructing Cedar Cross Road (\$2,108,427) and North Cascade Road (\$973,507).

The budget recommendation includes a \$10.7848 per thousand dollars of assessed valuation property tax rate for Fiscal Year 2013.

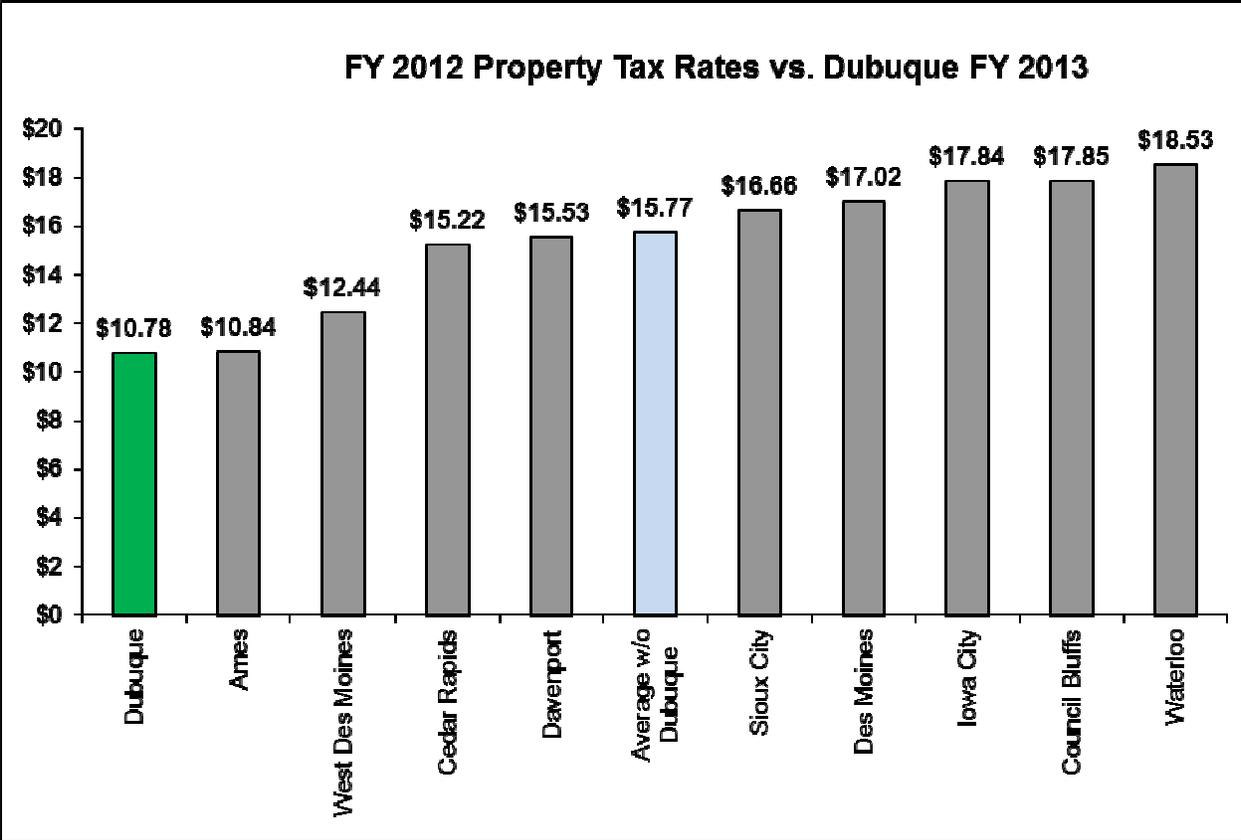
The Fiscal Year 2013 recommended property tax rate of \$10.78 per thousand dollars of assessed valuation is a 3.19% increase from the current Fiscal Year 2012 property tax rate of \$10.46 per thousand dollars of assessed valuation.

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 \$547,211 for recurring improvement package requests and \$422,054 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 \$547,211 in funds for recurring improvement packages would reduce the property tax rate from \$10.78 to \$10.52.

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's Fiscal Year 2012 statutory debt capacity is \$177,667,991 (there are certain debts allowed outside that statutory debt capacity) and outstanding debt that applies against the statutory debt capacity is \$123,814,058, which includes Economic Development TIF rebate agreements and incentives (\$25.6 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.

In 2012, the Greater Dubuque Development Corporation will complete the five-year plan titled, "Destination for Opportunity," that began in 2007. Within a year of launching the campaign, the global economy turned upside down and the nation entered the worst recession since the Great Depression. As Destination for Opportunity Campaign Chair Dave Becker stated, "But despite all that, Dubuque prevailed and we are an island of prosperity in a sea of despair."

Jobs: Among the lowest unemployment rates in the country, 18% of the jobs created in the State of Iowa in 2010 were created in Dubuque County.

Wages: The campaign goal of reaching an average wage of \$16.00 per hour has been eclipsed and now stands at \$17.57.

Construction: The campaign goal of \$300,000,000 in commercial construction through 2012 is already at \$298,542,000 with a year to go.

Population: Dubuque County population has grown by 4,420 since the 2000 census and is on track to exceed 94,500 by year end 2012.

In March 2011, the Greater Dubuque Development Corporation Board of Directors hired “Convergent Nonprofit Solutions” to conduct a community assessment study as the first step in a new five-year plan (July 1, 2012 – June 30, 2017). This study included feedback from 60 business and community leaders who were asked to evaluate the success of *Destination for Opportunity Campaign*, and help design a new five-year economic growth initiative.

The results speak volumes for Greater Dubuque.

When asked to rate the effectiveness of the Greater Dubuque Development Corporation as a whole, all gave a favorable response of either “very effective” or “moderately effective.” The overwhelming majority of 90% gave a rating of “very effective.” Many of the comments reflected an enthusiasm that rendered “very effective” an understatement.

In July 2011, Dubuque ranked in the top 10 for job growth according to Moody’s.

In 2011, Greater Dubuque Development Corporation Vice President of Existing Business Dan McDonald and Greater Dubuque Development Corporation Existing Business Specialist Bill Baum interviewed 257 local business executives. Since 2009, the InfoAction Program has received six national and international awards.

Community Leadership was picked as a top strength in 22% of the Dubuque interviews when it was only selected as a top strength in 10% of the interviews done by other organizations in the remainder of the State of Iowa and by only 4% in the interviews conducted by other organizations nationally.

Infrastructure/Government Services was picked as a Barrier to Growth in only 1% of the Dubuque interviews, while it was noted in 6% of the interviews done by other organizations around the State of Iowa and 8% in the interviews by other organizations nationally.

The City is being asked to commit \$586,613 per year to the Greater Dubuque Development Corporation which includes the “Next” five-year campaign, Access.Dubuque.Com, workforce development, retail expansion, marketing and workforce recruitment. The source of funds will be land sales. Sufficient land sale balance is available for the Fiscal Year 2013 contribution.

As I mentioned, the Fiscal Year 2013 budget recommendation includes a 3.19% increase in the property tax rate. It also includes, with the continued implementation of the \$66 million Water and Resource Recovery Center renovation and compliance with the EPA Consent Decree, a 16% sanitary sewer rate increase, a 15% water rate increase, a 9% refuse rate increase and, with the continued implementation of the \$60 million Drainage Basin Master Plan to relieve over 1,150 homes and businesses from flooding, a 25% stormwater fee increase.

The recommended budget would add 8.61 full-time equivalent positions.

The Fiscal Year 2013 budget increases the full-time personnel complement by 8.50 FTE, reduces the part-time equivalents by 0.66 FTE and increases the Seasonal by 0.77 FTE. The changes can be summarized as follows:

Net increase of 0.75 FTE in Police positions due to positions added late in FY 2012.

Additional PT Public Safety Dispatcher for 0.46 FTE for 957 hours annually.

Additional PT Secretary for 0.25 FTE shared between Park and Recreation effective January 1, 2013 (520 hours).

Additional Seasonal Laborers for 0.93 FTE to maintain streetscape planters, annual flowers and hanging baskets for Multicultural Family Center, Washington Street traffic diverters, Bee Branch and Historic Millwork District (1,934 hours annually).

Additional PT Recreation Field Site Supervisor for 0.50 FTE for the Multicultural Family Center (1,040 hours annually).

Elimination of "Just for Kids" program and related Preschool Instructor for 0.29 FTE (603 hours annually).

Recreation Classes Laborer for 0.23 FTE replaced by Loras College work study students (478 hours).

Elimination of Open Gym Program for 0.23 FTE at Lincoln School due to low participation.

Additional Seasonal Recreation Field Site Supervisor for 0.07 FTE for Lincoln School recreation programs (146 hours annually).

Increase PT Library Aide in Adult Services to FT and reduction of PT Library Aide New PT Position (1,040 hours annually).

2 New FT Inflow & Infiltration (I&I) Inspector positions for 2.0 FTE to help the City comply with the EPA Consent Decree; added in FY 2012.

New Resource and Energy Management Analyst FT position for 0.75 FTE effective October 1, 2012.

Elimination of one Sanitation Driver for 1.0 FTE reducing one Recycling Collection route due to the elimination of curbside glass collection.

Changing the DMASWA Solid Waste Educator for a reduction of 1.0 FTE to a contracted position to more accurately reflect the current arrangement.

Increase PT Circles Coach to FT for 1.0 FTE effective January 1, 2013 (312 hours).

Additional FT Family Self-Sufficiency Coordinator for 1.0 FTE effective January 1, 2013.

Several modifications for 2.0 FTE related to New Healthy Homes Grant effective FY 2012.

Increase PT Arts & Cultural Affairs Coordinator by 520 hours annually, or 0.25 FTE.

Increase PT Assistant City Manager to FT for 0.25 FTE (additional 520 hours annually)

New Community Relations Coordinator FT position for 1.0 FTE to continue work begun by the AmeriCorps VISTA Volunteer Coordinator/Chief Service Officer.

New Helpdesk Position for Smarter Sustainable Dubuque programs & activities effective January 1, 2013 for 0.50 FTE.

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 557.05 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. In fact, last year the City Council added sustainability to the City's Five Year Goals, Vision, and Mission Statement.

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 2012 and will continue to do so in Fiscal Year 2013. 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.

Additional projects including the Green Alley pilot in the Washington Neighborhood, improvements to the former Housing and Community Development offices at 22nd and Central, ADA-compliant curb reconstructions, Keyline Public Transit improvements with the replacement of the entire fleet with clean diesel through over \$4 million in federal grants, Bee Branch project, and construction of a new Water and Resource Recovery Center help Dubuque become more sustainable.

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. Additional American Recovery and Reinvestment Act dollars received last year will finance energy audits and retrofits in Dubuque businesses and residences.

The City organization cannot achieve community sustainability alone. The Smarter Sustainable Dubuque project, in partnership with IBM, the State of Iowa Office of Energy Independence, 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 YouthBuild program, Every Child | Every Promise, ECIA's Petal Project green business certification program, 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 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.

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 just completed an expansion of Dubuque Industrial Center West, providing a location for existing companies to expand and new companies to come to Dubuque and

will be implementing creation of a new industrial park off of Highway 20 at Seippel Road in Fiscal Year 2013 at an estimated cost of \$13,487,352.

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 will be LEED certified and on the National Historic Register.

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.

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 16th Street creating amenities, along with the Bee Branch Creek Restoration Project. Master Planning will commence in Fiscal Year 2012 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.

Other projects recently completed include the replacement of 22,000 City water meters, Airport new Terminal design, site work, and utility improvements, Sunset Ridge reconstruction and the Brunskill Road Bridge replacement.

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
1980-2010**

Annual Unemployment Rate

Year	Dubuque	United States	
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
Dec 2011*	5.3	8.5	-3.2

**Unlike the annual average for all years, 2011 is based on current/monthly figure*

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 20 of those years, with only one (1996) being

higher by 0.4%. The national unemployment rate in December 2011 was 8.5% and the Dubuque rate was 5.3%.

Looking back over the last four years, it now seems clear that the area started to succumb to the national recession in April of 2008, with 55,500 employed in Dubuque County. For a number of years prior to that, month-to-month, the area had experienced steady and significant growth in employment numbers. April 2008 began a steady decline in numbers that seemed to bottom out in May 2009, when it is estimated the area had 54,100 working in Dubuque County, which was down 2,400 from May 2008.

Since August 2009 (53,200 jobs), the area has steadily climbed out of the deepest valley of the recession. When this progress is combined with the inclusion of the new growth from new employers, Dubuque was back to previous employment highs in November 2011, with 57,900 jobs.

The City is accomplishing this progress by leveraging outside resources. 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.

Grant	Project	Award Amount
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

Grant	Project	Award Amount
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 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 th & Central Energy Improvements	\$ 69,831
Iowa Community Cultural Grant	Arts Coordinator Salary	\$ 13,021
	Total	\$52,688,077

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 2012, the State only funded the Homestead Property Tax Credit at 62%. This impacted the City portion of property taxes for the average homeowner by an increase of \$19.26 or 3.31%. 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 State budget recommends funding it again at 62%, and now it is up to the State Legislature.

The recommended property tax rate for Fiscal Year 2013 for the City portion of the property tax bill of \$10.78 per thousand dollars of assessed valuation (a 3.19% rate increase) is a 5.00% (\$31.47) 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 3.19% (\$119.30) increase. The average industrial property taxpayer will see a 3.19% (\$200.04) 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 - 2013

FY	Tax Rate	%	Residential		Commercial		Industrial	
			Net Property Tax	%	Net Property Tax	%	Net Property Tax	%
2013	10.7848	3.19%	661.26	5.00%	3,855.96	3.19%	6,465.51	3.19%
1987	14.5819		522.17		2,571.50		7,290.95	
Avg Change Per Yr		-1.06%		0.99%		1.73%		-0.32%
If State Homestead Tax Credit was fully Funded								

RECAP
(1987 - 2013):

FY	Tax Rate	%	Residential		Commercial		Industrial	
			Net Property Tax	%	Net Property Tax	%	Net Property Tax	%
2013	10.7848	-26.04%	661.26	26.64%	3,855.96	49.95%	6,465.51	-11.32%
1987	14.5819		522.17		2,571.50		7,290.95	

The \$10.78 rate recommended in Fiscal Year 2013 for the City portion of the property tax bill is a 26.04% decrease from the Fiscal Year 1987 rate of \$14.58, for an average decrease of 1.06% per year.

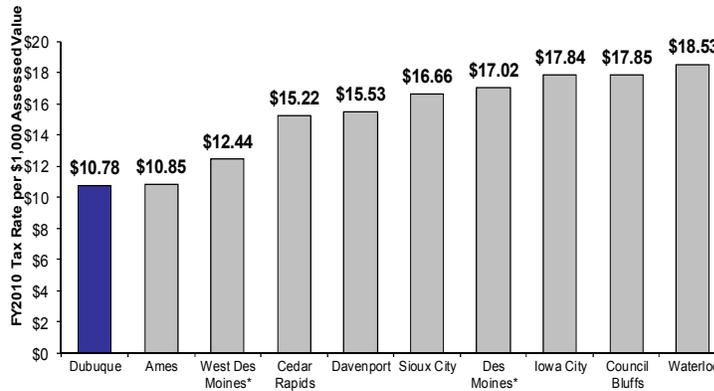
The property tax payment of the average residential property has increased 26.64% (\$139.09) from the Fiscal Year 1987 property tax payment of \$522.17, for an average increase of 0.99% (\$5.35) per year.

Since a local option sales tax of 1%, with 50% dedicated to property tax relief, was passed by referendum in February 1988, the changes in property taxes have been dramatic over the past 25 years.

Since we do not yet know the Fiscal Year 2013 levies of the other cities, this compares Dubuque's proposed Fiscal Year 2013 rate with the actual Fiscal Year 2012 rates of the other nine large cities in the State of Iowa.

Fiscal Benchmarks

Tax Rates for Iowa's 10 Largest Cities



* Includes the transit tax levy adopted by the Des Moines Regional Transit Authority for comparability.

Dubuque's Fiscal Year 2013 property rate is \$10.78.

Dubuque's recommended City property tax rate (\$10.78) is the lowest in the State, as compared to the Fiscal Year 2012 rate for the other cities in the State of Iowa with a population over 50,000. The highest ranked city (Waterloo - \$18.53) is 72% higher than Dubuque's rate, and the average (\$15.77) is 46% 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	\$832
9	Iowa City	\$742
8	Council Bluffs	\$679
7	Cedar Rapids	\$668
6	Davenport	\$602
5	Waterloo	\$583
4	Des Moines	\$551
3	Sioux City	\$444
2	Ames	\$399
1	Dubuque	\$394
	<i>Average w/o Dubuque</i>	<i>\$611</i>

Dubuque has the 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 - \$742) is 111% higher than Dubuque's rate, and the average (\$611) is 55% higher than Dubuque.

The taxable value of residential realty will be 50.75% of assessed value in Fiscal Year 2013, compared to 48.53% in Fiscal Year 2012. 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 57.54% of the assessed value in Fiscal Year 2013, compared to 69.02% in Fiscal Year 2012. Agricultural property, excluding agricultural dwellings, is assessed according to its productivity rate.

Overall, taxable property values in the City of Dubuque grew 4.06% in Fiscal Year 2013.

WATER RATE

I am recommending a 15% 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 2013. In spite of the recommended water rate increase, Dubuque would remain the lowest water rate in the State (as in Fiscal Year 2012) 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 (FY13)
West Des Moines	\$29.76
Ames	\$27.41
Iowa City	\$27.34
Council Bluffs	\$24.12
Cedar Rapids	\$24.09
Des Moines	\$23.40
Dubuque	\$21.25
<i>Average w/o Dubuque</i>	<i>\$26.02</i>

For Fiscal Year 2013, the highest ranked city (West Des Moines - \$29.76) is approximately 40% higher than Dubuque, and the average (\$26.02) is approximately 22% higher than Dubuque.

SANITARY SEWER

I am recommending a 16% increase in the Sanitary Sewer Rate. Water Pollution Plant 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 2013. Dubuque would be the sixth lowest sewer rate in FY 2013 (a change from the fourth lowest in FY 2012).

Sanitary Sewer Comparison Sanitary Sewer Rate Comparison for Average User

City	Proposed Rate (FY13)
Iowa City	\$36.08
West Des Moines	\$34.99
Sioux City	\$34.72
Des Moines	\$31.04
Dubuque	\$27.57
Ames	\$26.35
Cedar Rapids	\$25.55
Davenport	\$24.63
Waterloo	\$22.40
Council Bluffs	\$17.21
Average Without Dubuque	\$28.11

For Fiscal Year 2013, the highest ranked city (Iowa City - \$36.08) is approximately 31% higher than Dubuque, and the average (\$28.11) is approximately 2% higher than Dubuque.

The City Council has made a major decision on the future processes used in the treatment of waste at the Water and Resource Recovery Center, which will impact rates. The sewer fees in FY 2013 are recommended to increase 16%; 5% for operating needs and 11% for capital needs. In FY 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 FY13, which is contingent upon contingency funds being left to fund the micro turbines. However the purchase will need to be made before the project is complete so future rate increases may be needed to support the purchase. The total contingency for the project is \$5,050,733.

Major portions of the Water and 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; 12) Methane capture and cleaning for beneficial reuse. The anticipated sewer fee increases over the next six years are as follows:

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.

The Sanitary Sewer Fund’s fair share of the City’s administrative overhead is 18.11%. In FY 13, the Sanitary Sewer Fund will only support 9.36%.

Sanitary Sewer Rates							
	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Plant Renovation	6%	10%	11%	12%	5%	0%	0%
Operating & Other Capital Needs	5%	5%	5%	5%	3%	6%	5%
Total Sewer Fee Increase	11%	15%	16%	17%	8%	6%	5%

The Stormwater Utility was formed on July 1, 2003, to update the City’s aging infrastructure and implement the City of Dubuque \$49 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 2013 will be the fifth 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 2013 is as follows:

	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016	FY 2017
Previously Projected Rates	\$5.25	\$5.60	\$6.44	\$6.79	\$7.81	\$7.90	\$7.90
FY13 Recommended Rates	\$5.25	\$5.60	\$7.00	\$7.50	\$8.00	\$8.50	\$9.00
% Increase From Previous Projections	0%	0%	8.7%	10.5%	2.4%	7.6%	14%
% Increase From Previous Year	0%	6.7%	25%	7.1%	6.7%	6.2%	5.9%

The City has acquired all sixty five (65) of the residential properties originally identified for acquisition and the three additional properties on Kniest Street reflected in the Fiscal Year 2012 budget. The sixteen (16) non-residential properties originally identified for the project have also been acquired, with the exception of the railroad property at 506 Garfield Avenue the same of which should be complete by the end of Fiscal Year 2012.

With the Fiscal Year 2012 budget, funds were set aside for the acquisition of an additional seven (7) properties south of 16th Street. Two were identified as a need in order to shift the creek alignment slightly during construction of the Lower Bee Branch Creek due to soil conditions. Another five (5) were identified as a need in order to provide space for Dubuque Pack Memorial Park which includes trail parking, public restrooms, and a larger engineered maintenance facility. Currently, the Leisure Services Department is using one of the acquired garages as it gears up to maintain the mile long linear park associated with the Bee Branch Project. Funding for the design and construction of the parking lot, public restroom facilities, and the maintenance facility, estimated at \$980,000, will depend on remaining project contingencies when all phases of the Bee Branch Project are complete, or if other grant funding can be applied towards them. If neither of these occurred, funding for these facilities would need to be budgeted in the future.

There are significant changes in the FY 2013 budget associated with the Bee Branch Creek restoration Project:

\$1,153,000 million more in funding for acquisition expenses associated with the proposed parking lot, public restroom facility, maintenance facility property.

\$347,000 more in funding to acquire approximately 1.5 acres of the Canadian Pacific railroad property.

\$105,000 more in funding for the renovation of ten (10) properties on Washington Street. The properties were purchased as the City required the back half of the lot, including their garages. These properties are being renovated and will be resold to the public. The revenue from the sale of these properties is reflected in the project budget.

\$73,000 more in funding for relocation benefits expenses that exceeded the previous budgeted amounts.

\$503,000 budget increase for property to be acquired on 22nd Street and Prince Street. The City Council authorized the acquisitions in late Fiscal Year 2011 in order to provide space for off-street parking replacing displaced on-street parking which could be utilized to visit Audubon School, the Heritage Trail, the Bee Branch Creek or the amphitheater to be constructed adjacent to Audubon School as part of the Bee Branch Project.

\$480,000 budget increase for property to be acquired on Washington Street and 24th Street. The City Council authorized the acquisitions in late Fiscal Year 2011 in order to provide a safe, compelling connection between the new Bee Branch Creek linear park attraction, Comiskey Park, and the Heritage Trail.

\$1,008,000 budget increase to construct two scenic overlooks along the Bee Branch Creek south of 16th Street. The overlooks are part of the amenity package associated with the \$2,250,000 Vision Iowa River Enhancement Community Attraction and Tourism (RECAT) grant, also reflected in the FY2013 budget.

\$200,000 budget increase to construct a floating island in the Bee Branch Creek south of 16th Street. The floating, bio-island is part of the amenity package associated with the aforementioned RECAT grant.

\$249,000 budget increase to construct a pervious, green alley from 24th Street to 25th Street. The alley is between Washington and Elm Streets.

\$830,000 budget increase to construct the level control, pumping facility at Garfield to prevent high Mississippi river stages from inundating and damaging the Upper Bee Branch greenway from Garfield Avenue to Comiskey Park.

\$300,000 for construct the thirty stall parking lot at 22nd and Prince Street.

\$1,070,000 more for a scenic overlooks at 24th Street; improves sight distances on 24th Street with expanded parkways, and improvements to associated underground utilities, also part of the RECAT grant.

\$2,100,000 million increase in the cost to construct the bridge/boring culverts through the CP railroad property. The adopted budget to construct the bridge/culverts is based on an open trench construction method that CP would require \$5.9 million in track upgrades. The City has modified its approach, opting to construct the bridge/culverts

while leaving the tracks in place. However, this construction method is more expensive requiring the \$2.1 million increase to the project budget.

\$3,965,500 I-JOBS II grant for the disaster prevention portions of the Lower Bee Branch Creek Restoration Project.

\$2,250,000 RECAT grant for the public amenity portions of the Bee Branch Project. It also includes the \$120,000 in private donations as part of the America's River III fundraising campaign.

\$4,400,000 forgivable loan from the U.S. EPA/Iowa DNR for the green project, water quality improvements associated with the Upper Bee Branch Creek Restoration Project.

\$1,000,000 National Scenic Byways Program grant and a \$100,000 Iowa Recreational Trails grant for the trail system associated with the Upper Bee Branch Creek Restoration Project.

Engineering and legal fee budget was increased by \$1,600,000 to coincide with the aforementioned project property acquisition and construction additions.

The intent was to bid the next phase of the Bee Branch Creek Restoration Project in February 2012, with construction complete in mid-2013. This phase was to include the improvements from Garfield Avenue to Comiskey Park – not the portion of the project through the railroad property on Garfield Avenue. The portion through the railroad property was to be bid as a third and final phase in June of 2012, also to be complete in mid-2013.

The intent was that while the entire Bee Branch Creek Restoration Project would not be complete by spring of 2013, it would be fully functional in terms of providing flood protection. However, difficulties with the acquisition of the railroad property, including design enhancements required by the railroad that are significantly impacting costs making this staging impractical. The phasing will be changed to proceed with the stretch of the project through the railroad property before working on the section between Garfield and Comiskey Park. Therefore, the schedule and costs will better be known before the stretch from Garfield Street northwest to Comiskey Park is bid and built.

The new project schedule will show the Bee Branch Creek Restoration Project functional by spring 2014 and complete in 2014. This will also help to control costs as contractors will have additional time to complete the project creating a better bidding environment. Regardless, the next phase of the project cannot be bid until issues are resolved with the railroad.

The amount of grants received since last year of \$7,750,000 (\$11,715,500 with the \$3,965,500 I-JOBS grant that was taken into consideration when projecting last year's rates) has not kept up with the increase in costs of \$9,772,435. The City continues to pursue additional grant opportunities and fundraising is ongoing.

Other significant changes to the Stormwater Fund five-year capital project program include new projects such as North End Storm Sewer Improvements (\$495,000); Hesco Flood Control Units (\$650,670); 14th Street Reconstruction (\$200,000); and 7th Street Storm Sewer (\$133,268).

It is anticipated that in FY 2018 the Stormwater Fund will begin to be able to support its fair share of the City's administrative overhead, or 18.11%. In FY 13 the Stormwater Fund will only support 0.39% of the administrative overhead.

There was no increase recommended for solid waste collection fees in FY 2012. The solid waste collection fees in FY 2013 are recommended to increase 9%.

The Solid Waste Fund's fair share of the City's administrative overhead is 13.78%. In FY 13, the Parking Fund will only support 7.32%.

In Fiscal Year 2013, the average homeowner will pay \$139.89 more for City services, including property taxes, sanitary sewer, water, refuse and stormwater, than in 2012 – an average increase of just \$32.25 per year since 1995.

Fiscal Benchmarks

Dubuque's Rankings among
Iowa's 10 Largest Cities

ISSUE	RANK
Property Tax Rate (Lowest)	#1 of 10
Water Rate (Lowest)	#1 of 7
Sanitary Sewer Rate (6 th Lowest)	#6 of 10
Refuse Collection Rate (2 nd Lowest)	#2 of 10
Stormwater Rate (2 nd Highest)	#18 of 19

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

	Current Annual Dubuque Cost	If Equal to the Highest Large Iowa City
Property Tax	\$ 661	\$1,136 (+\$475)
Water Fee	\$ 255	\$ 357 (+\$102)
Sanitary Sewer Fee	\$ 331	\$ 433 (+\$102)
Stormwater Fee	\$ 84	\$ 106 (+\$ 22)
Refuse Fee	\$ 140	\$ 270 (+\$130)
Total Annual Cost	\$1,471	\$2,302(+\$831)

These savings put almost \$16 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. Based on 50-year leases mostly executed in the 1960's and 1970's, the City receives about \$530,000 per year in land lease revenues for property that should be generating millions of dollars in lease revenues. In many cases, the City has more in expenses related to the lease than is generated in revenue. The City is currently approaching those 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 \$23.5 million in Departmental requests that could not be recommended in the 5-Year Capital Improvement Program Budget.

Mayor Buol and the City Council met in September 2011, 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 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 2011 – 2013

Top Priorities:

- Historic Millwork District Master Plan
- Southwest Arterial Project
- Support of Greater Dubuque Development Corporation
- Clean Air Attainment Strategy
- Arts and Culture Strategy
- Washington Neighborhood Strategy
- 9-1-1 Center Relocation Analysis

High Priorities:

- Master Plan for Chaplain Schmitt Island
- New Industrial Park Location and Action Plan
- Street Improvement Program
- Annexation Study
- Every Child | Every Promise
- Safe Community Initiative

- Multicultural Family Center Support
- Red Light and Speed Enforcement Cameras

MANAGEMENT IN PROGRESS – 2011-2013:

- Industrial Riverfront Leases: Agreements
- Arts and Economic Prosperity Study: Economic Impact of the Arts Evaluation
- Local Arts Index Study: Completion
- Dubuque Initiatives: Loans Status, Next Steps
- Green Jobs Training Program: Implementation
- Business/Nonprofit Energy Program: State Grant
- Workforce Market Rate Housing Strategy: City Actions
- Baseball Attraction Strategy
- Sustainability Purchasing Policy and Procedures
- Air Quality Study Phase II
- Energy Efficiency Conservation Block Grant: Implementation
- AVL for City Fleet
- AVL for Transit
- Grand River Center Smart Electric Meters Project: Completion
- University of Iowa Initiative for Sustainable Communities: Projects (5)
- Green Team Work Plan: Implementation
- Sustainability Curriculum in the School System (Green Vision Program)
- City Operations Sustainability Performance Measures: Development
- Green and Healthy Homes Program: Lead Hazard Control, Healthy Homes Program
- Library LEED-ED Certification: 1st Library on list of Historic Places
- Unified Development Code Amendments: FEMA Floodplain Maps, Sustainable Design Standards and Incentives
- DMASWA Landfill: Methane End Use Study, Next Generation of Cells, Compost Quality and Quantity, New Waste Delivery Contracts
- E. B. Lyons Development
- Renewal Energy Assets: University of Iowa Study
- Dubuque Regional Smart Plan: Development
- Intercultural Competency Program within City Government: Self Assessment, Training
- Police Explorer Program: Support
- Human Relations Initiative: Strategy and Actions
- Police-Race Dialog Program
- ADA Compliance: Direction, Actions
- Sustainable Dubuque Indicators Software Tool: Direction, Funding (Community Knowledge)
- Inflow and Infiltration Program/Home Inspections, EPA Consent Decree Implementation
- SUDAS City Engineering Standards: Update
- Green and Healthy Homes Program: Implementation
- Food Inspections: MOU/Agreement with the Iowa Department of Health
- Surveillance and Security Camera Strategy: Design, Funding, Implementation

- Leasing Policy for Iowa Street/Locust Street Ramp: Direction
- City Comprehensive Plan: Update
- Census Count Question Resolution: Challenge to Census Data
- Parks-Schools Joint Projects and Services Collaboration: Middle School Facility
- Sister City Program: Support
- All America City Award: Application
- Pet Park: Concept Plan, Direction
- Veterans Memorials (Marshall Park, Miller Riverview Park, Chaplain Schmitt Island): Evaluation, Direction
- Handicapped Accessibility for Parks and Park Assets: Evaluation, Direction
- Out of School Time: Needs Assessment, Partnerships
- AmeriCorps Program: Training, Volunteer Reception Center, Mock Drill for Disaster, Sustainability in Learning Programs
- Bridges of Poverty Program: City Support
- Smart Transportation Program
- Dubuque History Trail: Route and Brochure
- East-West Corridor Study: Completion
- Bike and Hike Trail Development
- GIS/eALP Pilot Study Program: Implementation
- Airport Safety Management System (SMS) Pilot Program: Implementation
- Transit for College Routes: Grant Funding
- Trolley Upgrades: Grant Funding
- The Jule Marketing (Ridership by Choice)
- Quarterly Budget Monitoring Process: Implementation
- Performance Measures: Implementation
- Budget and Financial Report: Re Write
- Website Content Management (CivicPlus)
- Citizen Response Management System (WebQA)
- Banking Services and Financial Advisory Services: Decisions
- 900 MHz Data System: Expansion
- Employee Wellness Program: Five-Year Goals, City Internet Posting
- Employee Involvement Teams: Expansion
- Healthcare Cost Containment: Modified Prescription Drugs Program, Agreement with Hospitals
- Police Officer Recruitment and Retention: Actions
- Police Accreditation: Completion

MAJOR PROJECTS – 2011-2013:

- Riverfront Marina/Transient Boat Dock Project: Completion
- South Siebert Farm Industrial Park: Design, Road Construction
- City Hall Cooling System Project: Design, Construction
- Crescent Health Center/18th Street Building Renovation
- Bee Branch Creek Restoration Project: Lower Branch Construction, Upper Branch Design, Land Acquisition, Funding
- Water and Resource Recovery Plant Project

- Sunset Ridge Sanitary Sewer Extension Project: Construction
- Catfish Creek Watershed Management Plan: Development
- Airport Terminal Complex Project: Design, Site Work, Construction, U. S. 61 Intersection (IDOT Project)
- Central Avenue Resurfacing Project (Joint City-IDOT)
- Iowa 32 Bike/Hike Trail - Phase 3 Project
- Bus Fleet Replacement Program: Completion

In the past the City had budgeted on 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 and are rolled over to fund the next year CIP. Beginning in FY 2013, these funds budgeted with the potential needing to issue debt are not budgeted. They will be added to the budget and the rate when requested.

The City is increasing the use of debt to accomplish the projects that need to be done. The debt principle outstanding as of June 30, 2012, is currently \$205,783,750. The breakdown of the debt principle outstanding as of June 30, 2012, is as follows:

Debt Obligation	Principle Outstanding 6/30/12
General Obligation Essential Corporate Purpose	\$ 96,147,937
Tax Increment Notes and Bonds	\$ 1,815,392
Economic Development TIF Rebate Agreements	\$ 25,659,264
General Fund Leases	\$ 135,000
Internal Loan – Water Line to Dubuque Industrial Center West	\$ 56,465
Total Indebtedness Subject to Statutory Debt Limit of \$177,667,991	\$123,814,058
Percent of Statutory Debt Limit Used as of June 30, 2012	64.88%
Revenue Bonds	\$ 81,969,692
Total City Indebtedness as of June 30, 2012	\$205,783,750

In FY 2013, there is anticipated to be an additional \$60,851,921 in debt issued and \$9,174,237 in principal of existing debt reduced. Of the \$60,851,921 in new debt, \$49,946,547 would apply against the statutory debt limit and the principal retired \$9,838,274 applied against the statutory debt limit.

There was a 2.25% increase in assessed value effective January 1, 2011, which is the assessment the FY 2013 statutory debt limit is based on. The statutory debt limit effective June 30, 2013, is \$181,667,654. The City will be at 90.23% of statutory debt limit by June 30, 2013.

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

FY 03	FY 04	FY 05	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12
32.77%	31.32%	31.81%	31.66%	29.81%	43.27%	43.67%	54.26%	64.07%	64.88%

The five year projection of the City's use of the statutory debt limit from FY 2013 – 2017 including all planned debt issuances subject to the statutory limit and assuming a 2% growth in the City's assessed valuation beginning in FY 2014 is as follows:

FY 13	FY 14	FY 15	FY 16	FY 17
90.23%	88.77%	85.37%	80.23%	77.25%

Dubuque compares with the other large cities in Iowa in use of statutory debt limit as follows:

Rank	City	Legal Debt Limit (5%)	Percentage of legal debt limit utilized
10	Dubuque	181,667,654	90.23%
9	Cedar Rapids	453,233,599	69.13%
8	Des Moines	575,265,296	64.00%
7	Davenport	295,219,101	59.60%
6	Sioux City	185,470,325	56.80%
5	Waterloo	177,771,817	46.71%
4	Iowa City	225,893,910	41.00%
3	Council Bluffs	221,438,807	37.10%
2	W. Des Moines	299,934,593	37.00%
1	Ames	172,669,198	26.63%
	Average w/o Dubuque		48.66%

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 \$12,126,171 to build the next phase of the industrial park off of Seippel Road, the \$5,877,600 improvements at the Historical Federal Building, \$1,041,733 utility extensions to the airport and \$193,000 Granger Creek Trail improvements, the \$1,400,000 in improvements at the Multicultural Family Center, Historic Millwork District parking improvements \$2,000,000, Washington Neighborhood Subarea (Includes Bluff/West Locust) Building Incentive and Rehabilitation Program \$3,000,000, Historic Millwork District Subarea Building Incentive and Rehabilitation Program \$1,300,000, Downtown Housing Incentive Program \$472,540 and future industrial park land acquisitions \$2,150,000.

The City will be using some of the DRA lease revenue and the 20% and 30% local option sales tax allocation for debt service beginning in FY 13.

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. Gradually over time based on the capacity to pay additional overhead, each enterprise fund will contribute the appropriate amount for administrative overhead.

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.

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 FY 2014 the process will be changed for the funding of purchase of service agencies.

The following purchase of service agencies have received or are being recommended to receive funding:

Agency	FY 2012	FY 2013	Funding Source
America's River Corporation	\$10,000	\$10,000	General Fund
Helping Services of Northeast Iowa	\$2,147	\$2,147	General Fund
Opening Doors	\$5,000	\$7,720	General Fund
Opening Doors	\$8,320	\$7,280	CDBG
Operation New View	\$18,805	\$18,805	General Fund
Project Concern: Foster Grandparent Program	\$6,113	\$6,113	General Fund
Project Concern: Child Care Referral	\$7,570	\$6,624	CDBG
Project Concern: Information & Referral	\$21,483	\$18,798	CDBG
Retired Senior Volunteer Program	\$7,341	\$7,341	General Fund
Substance Abuse Services Center	\$14,013	\$0 – No Request	General Fund
Four Mounds HEART Program	\$0	\$5,000	General Fund
Dubuque Art Center	\$0	\$15,000	General Fund
Total	\$100,792	\$104,828	

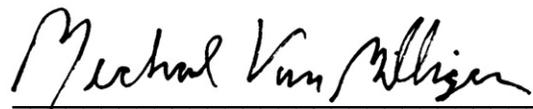
Contracted services are services that the City would have within its organization regardless of who provides the service. Contracted services in many cases leverage other resources that would not normally be available to the City. An example is the Dubuque Humane Society which provides a heightened level 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 2012	FY 2013	Funding Source
Burlington Trailways	Transit	\$9,600	\$9,600	General Fund
Community Foundation of Greater Dubuque – Project HOPE	Economic Development	\$70,708	\$73,250	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	\$0	\$25,000	General Fund
Crescent Community Health Center – 18 th St Rent	Health Services	\$0	\$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	\$814,222	\$886,717	General Fund
Dubuque Main Street	Economic Development	\$74,276	\$74,276	General Fund
DuRide	Transit	\$15,000	\$20,000	General Fund
Greater Dubuque Development Corporation – Retail Expansion/Marketing/Workforce	Economic Development	\$276,613	\$276,613	Land Sales
Hills & Dales: Senior Center	Recreation	\$20,800	\$18,200	CDBG
Humane Society	Health Services	\$122,822	\$126,507	General Fund
Operation New View: Head Start Program – 18 th St Rent	Housing	\$0	\$25,000	General Fund
St. Mark Community Center	Recreation	\$15,000	\$15,000	General Fund
Washington Development Neighborhood Corporation	Economic Development	\$80,000	\$25,000	General Fund
Washington Tool Library	Neighborhood Development	\$12,896	\$11,284	CDBG
Total		\$1,566,937	\$1,666,447	

I want to thank Budget Director Jennifer Larson, Assistant City Manager Cindy Steinhauser, Assistant Budget Director Jason Hartman, Office Manager Juanita Hilkin, Secretary Deb Searles, Secretary Stephanie Valentine, and Secretary Jessica Russo, 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.


 Michael C. Van Milligen

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