BUDGET AND FISCAL POLICY GUIDELINES FOR FY 2018

OPERATING BUDGET GUIDELINES

The Policy Guidelines are developed and adopted by City Council during the budgeting process to provide targets or parameters within which the budget recommendation will be formulated within the context of the City Council Goals and Priorities established in August, 2016. 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. By State law, the budget that begins July 1, 2017 must be adopted by March 15, 2017.

A. CITIZEN PARTICIPATION

Guideline

To encourage citizen participation in the budget process, City Council will hold multiple special meetings 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 and copies of the budget on CD will be available upon request.

Several opportunities were provided for citizen input prior to formulation of the City Manager's recommended budget and will be provided again prior to final Council adoption, both at City Council budget special meetings and at the required budget public hearing.

In April of 2016, City staff hosted five events focused on gathering public input around the Council Goals and Priorities.

In November 2016, City staff hosted two evening public budget input meetings at St. Mark's Community Center and the City Council Chambers in the Historic Federal Building. During November 2016, an online survey was made available to the public to submit budget input.

By December 19, 2016, a total of 30 community members shared their budget input. Out of the 30 community participants, staff reached 17 individuals through the in-person meetings and 13 participants took the online survey.

The input provided will be analyzed by City staff and evaluated by the City Manager for inclusion in the Fiscal Year 2018 budget recommendation as deemed appropriate.

During Fiscal Year 2016, the City launched a web based open data platform which can be found at www.dollarsandcents.cityofdubuque.org. The City of Dubuque's Open Budget application provides an opportunity for the public to explore and visually interact with Dubuque's operating and capital budgets. This application is in support of the five-year organizational goal of a financially responsible city government and high-performance organization and allows users with and without budget data experience, to better understand expenditures in these categories.

During Fiscal Year 2017, an additional module was added to the open data platform which included an interactive checkbook which will allow citizens to view the City's payments to vendors. The final step will be adding performance measures to the open data platform to allow citizens to view outcomes of the services provided by the City.

B. 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.

C. TWO TYPES OF BUDGET DOCUMENTS TO BE PREPARED

Guideline

The recommended City operating budget for Fiscal Year 2018 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 2018 Budget. These documents will be available in early February.

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 attention 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 2018 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.

D. 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.

E. 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 the services requested by individual citizens. The City must consider the ability of citizens to pay for services in setting service levels and priorities.

F. 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. As often as reasonably possible, 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?

G. 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.

H. 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 2018, 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, usually with some corresponding financial support.

I. 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.

J. 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, experience shows that budgeted amounts are often exceeded by fact finder and/or arbitrator awards. Such "neutrals" do not consider 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. The City has five collective bargaining agreements. The current contracts expire as follows:

Bargaining Unit	Contract Expiration Date
Teamsters Local Union No 120	June 30, 2017
Teamsters Local Union No 120 Bus Operators	June 30, 2017
Dubuque Professional Firefighters Association	June 30, 2017
Dubuque Police Protective Association	June 30, 2018
International Union of Operating Engineers	June 30, 2017

Guideline

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

K. THE AFFORDABLE CARE ACT

Guideline

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

Employers with more than 50 full-time equivalent employees must provide affordable “minimum essential coverage” to full-time equivalent employees. The definition of a full-time equivalent employee under the Affordable Care Act is any employee that works 30 hours per week or more on average over a twelve-month period (1,660 hours or more). There is a twelve-month monitoring period for part-time employees. If a part-time employee meets or exceeds 30 hours per week on average during that twelve-month period, the City must provide health insurance.

On July 2, 2013, the Treasury Department announced that it will postpone the employer shared responsibility mandate for one year. Based on the initial requirements of the Affordable Health Care Act, the Fiscal Year 2014 budget provided for insurance coverage effective February 1, 2014 for several part-time employees. In addition, the Fiscal Year 2014 budget provided for making several part-time positions full-time on June 1, 2014.

Due to the delay of the employer shared responsibility mandate for the Affordable Health Care Act, the City delayed providing insurance coverage for eligible part-time employees and delayed making eligible part-time positions full-time until January 1, 2015.

The Standard Measurement Period was delayed from January 1, 2013 through December 31, 2013 to December 1, 2013 through November 30, 2014 with the first provision of health insurance date being January 1, 2015.

The Affordable Care Act increased employee expense in Fiscal Year 2016 by $290,493 and $271,605 in Fiscal Year 2017, with incremental increases each year thereafter.

L. HIRING FREEZE

Guideline

The hiring freeze has been extended through June 30, 2018 (Fiscal Year 2018 budget). The frozen positions are being further evaluated to determine if they should be reinstated as part-time positions (25 hours per week or 0.625 FTE), full-time positions, or supplemented with contracted services. All general fund positions that become vacant, excluding sworn public safety positions and positions in the Emergency Communications Center, will be evaluated prior to being filled going forward. Several positions are being added to the list of frozen position including Building Inspector II, Community Engagement Coordinator, Training/Workforce Development Coordinator, Parking Division Manager, Water Plant Manager and Assistant Water & Resource Recovery Manager.

In addition, two positions are being recommended to be eliminated, a part-time Building Inspector II position (-0.75 FTE) and a full-time Assisted Housing Supervisor position (-1.0 FTE).

The positions frozen until June 30, 2018 in Fiscal Year 2018 are as follows:

Department	Position	Type	FY 2018 Savings (Including Benefits)	FTE
Building	Inspector II	Full-Time	$88,136	1.00
Human Rights	Community Engagement Coordinator	Full-Time	$84,370	1.00
Human Rights	Training/Workforce Development	Full-Time	$84,370	1.00
Park	Assistant Horticulturalist	Full-Time	$71,611	1.00
Park/Public Works	Assistant Horticulturalist	Full-Time	$71,611	1.00
Park	Maintenance Worker	Full-time	$72,998	1.00
City Manager's Office	Management Intern	Part-Time	$41,332	0.60
City Manager's Office	Secretary	Full-Time	$60,932	1.00
Information Services	Help Desk Technical Support	Full-Time	$65,839	1.00
Engineering	Traffic Engineering Assistant	Full-Time	$84,371	1.00
Parking Division	Parking Division Manager	Full-Time	$96,237	1.00
Police	Records Clerk	Full-Time	$61,825	1.00
Water	Water Plant Manager	Full-Time	$126,364	1.00
Water & Resource Recovery	Assistant Water & Resource Recovery	Full-Time	$90,117	1.00
	Total FY 2018 Savings		**$1,102,262**	**13.60**

M. 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 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.

N. 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, like rental inspections and Building Department licensing.

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, the administrative overhead to support the system and financing for future capital improvement projects.

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

DEPARTMENT/DIVISION	FY 2015 ACTUAL PERCENT	FY 2016 ACTUAL PERCENT	FY 2017 RECOMM'D PERCENT	FY 2018 RECOMM'D PERCENT
Leisure Services Department				
Recreation Division				
Adult Athletics	50.1	80.3	75.7	72.2
McAleece Concessions	133.6	141.0	146.5	142.3
Youth Sports	27.2	17.7	20.2	20.7
Therapeutic & After School	9.7	8.2	8.5	8.4
Recreation Classes	39.9	91.1	82.2	84.6
Swimming	44.4	64.4	65.8	64.9
Golf Surplus to Golf Devel' Fund	102.0	97.0	100.6	103.7
Port of Dubuque Marina	48.3	64.5	54.8	72.1
Park Division	14.2	16.7	16.8	15.8
Library Department excl' Gift Trusts	3.4	5.0	3.9	3.2
Airport Department w/abated debt	91.6	80.9	79.7	85.3
Building Services Division				
Inspections	55.3	68.9	73.9	84.4
Planning Services Department	47.6	36.7	38.9	40.7
Health Services Department				
Food/Environmental Insp.	53.5	57.6	48.8	47.2
Animal Control	70.5	75.1	63.0	61.6
Housing Services Department				
General Housing Inspection	59.2	93.7	94.1	97.7

Federal Building Maint.	85.4	85.2	81.5	52.1

O. ADMINISTRATIVE OVERHEAD RECHARGES

Discussion

While the Enterprise Funds have contributed to administrative overhead, the majority has been paid by the General Fund. This is not reasonable and unduly impacts property taxes causing a subsidy to the Enterprise Funds. Prior to FY 2013, the administrative overhead was charged by computing the operating expense budget for each enterprise fund and dividing the result by the total City-wide operating expense budget which resulted in the following percentages of administrative overhead charged to each enterprise fund: Water 5.32%; Sanitary Sewer 4.84%; Stormwater 0.55%; Solid Waste 2.83%; Parking 1.71%; and Landfill 2.71%. The adopted Fiscal Year 2013 budget changed the administrative overhead to be more evenly split between the general fund and enterprise funds and is phased in over many years.

The recommended Fiscal Year 2018 administrative overhead formula is recommended to be modified. The modification removes Neighborhood Development, Economic Development and Workforce Development from all recharges to utility funds. In addition, the Landfill calculation is modified to remove GIS and Planning.

In Fiscal Year 2018, the general fund is recommended to support $3,844,332 in administrative overhead using the recharge method adopted in Fiscal Year 2013 and revised in Fiscal Year 2018.

Guideline

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

Beginning in Fiscal Year 2018, Neighborhood Development, Economic Development and Workforce Development expenses will not be recharged to utility funds. In addition, the Landfill will not be recharged GIS and Planning expenses.

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

Water	16.67%	Refuse	16.67%	General Fund	16.67%
Sewer	16.67%	Parking	8.33%		
Stormwater	16.67%	Landfill	8.32%		

Engineering Administration and Engineering Project Management will be split evenly between General Fund (25%), Water (25%), Sewer (25%) and Stormwater (25%).

P. 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 minimized.

Guideline

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 minimized. Also, any matching funds required for capital grants will be identified.

Q. 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).

Moody's Investor Service recommends a factor of 20 percent for “AA” rated cities. In May 2015, Moody’s Investors Service downgraded Dubuque’s general obligation bond rating from Aa2 to Aa3 and removed the negative outlook. This followed two bond rating upgrades in 2003 and 2010, and one bond rating downgrade in 2014. In announcing the bond rating downgrade, Moody’s noted that the City's general fund balance/reserve declines. Dubuque’s general fund reserve declined from 24 percent of general fund revenues in fiscal year 2013 to 17.05 percent in FY 2014. This decline in the general fund reserve was due to planned capital expenditures of $4.1 million in FY 2014. Dubuque’s general fund reserve increased from 17.05 percent of general fund revenues in FY 2014 to 17.14 percent in FY 2015 due to a slight increase in general fund revenue in FY 2015. Dubuque's general fund reserve increased from 17.14 percent of general fund revenues in FY 2015 to 20.31 percent in FY 2016 due to capital projects not expended by the end of the fiscal year and an increase in general fund revenue in FY 2016.

The general fund reserve is projected to decrease to 16.75 percent of general fund revenues in FY 2017 due to spending some of the balance for planned capital projects that were not completed in FY 2016.

The City of Dubuque has historically adopted a general fund reserve policy as part of the Fiscal and Budget Policy Guidelines which is adopted each year as part of the budget process. During Fiscal Year 2013, the City adopted a formal Fund Reserve Policy. Per the policy for the General Fund, the City will maintain a minimum fund balance of at least 10 percent of the sum of (a) annual operating expenditures not including interfund transfers in the General Fund less (b) the amounts levied in the Trust and Agency fund and the Tort Liability Fund ("Net General Fund Operating Cost"). The City may increase the minimum fund balance by a portion of any operating surplus above the carryover balance of $200,000 that remains in the General Fund at the close of each fiscal year. The City may continue to add to the General Fund minimum balance when additional funds are available until 20 percent of Net General Fund Operating Cost is reached.

After all planned expenditures and an additional $600,000 added to fund balance in FY 2017, the City of Dubuque will have a general fund reserve of 15.66 percent of general fund expenses as computed by the methodology adopted in the City's general fund reserve policy or 20.31 percent of general fund revenues as computed by the methodology used by Moody's Investors Service. The general fund reserve fund balance is projected to be $7,229,436 on June 30, 2016.

Guideline

The guideline of the City of Dubuque is to increase the General Fund working balance or operating reserve by a minimum of $600,000 in FY 2018. In subsequent years, the City should add to the operating reserve until 20% is maintained consistently. In Fiscal Year 2017, the City had projected reaching this consistent and sustainable 20% reserve level in Fiscal Year 2022. Now this projection is this level will be reached in Fiscal Year 2021, one year ahead of schedule.

R. 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.

S. 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 2017 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 2018 through FY 2022.

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 2018 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.

T. PROPERTY TAX DISCUSSION

1. Assumptions - Resources

a. Unencumbered funds or cash balances of $200,000 will be available in FY 2018 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 in FY 2018. Sales tax receipts are projected to remain the same as the FY 2017 budget ($4,643,525) and 0.09% under FY 2016 actual of $4,647,554 based on FY 2017 revised revenue estimate of $4,457,095 which includes a reconciliation payment from the State of Iowa of $103,185 received in November 2016, increased 4.2 percent to calculate the FY 2018 budget, and then increase at an annual rate of 2.0 percent per year beginning in FY 2019.

The estimates received from the State of Iowa show a 0.89% increase in the first two payments estimated for FY 2018 as compared to the first two payments budgeted for FY 2017.

c. Hotel/motel tax receipts are projected to increase 1.5 percent ($32,229) over FY 2017 budget and 3.0 percent over FY 2017 re-estimated receipts of $2,164,404 based on an estimated increase of 2.65 percent from FY 2016 actual to FY 2017 re-estimated, and then increase at an annual rate of 3 percent per year.

d. Federal Transportation Administration (FTA) transit operating assistance is anticipated to increase 5.8 percent or $64,367 from FY 2017 budget based on the revised FY 2017 budget received from the FTA.

e. Miscellaneous revenue has been estimated at 2 percent growth per year over budgeted FY 2017.

f. Building fees (Building Permits, Plan Check Fees, Electrical Permits, Mechanical Permits and Plumbing Permits) is anticipated to be unchanged from $688,780 in FY 2017 to $688,780 in FY 2018 based on a consistent level of construction.

g. Gaming revenues generated from lease payments from the Dubuque Racing Association (DRA) have been decreased significantly (-$159,046) based on revised projections from the DRA. This follows an $405,767 decrease from budget in FY 2017 and a $535,918 decrease from budget in FY 2016.

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

	$ Change	% Change
FY 2018 $4,899,270 estimate	-$49,488	-1.00%
FY 2017 $4,948,758 revised budget	-$83,457	-1.66%
FY 2017 $5,058,316 budget	+$26,101	+0.52%
FY 2016 $5,032,215 actual	-$155,297	-2.99%
FY 2015 $5,187,512 actual	-$158,104	-2.96%
FY 2014 $5,345,616 actual	-$655,577	-10.92%
FY 2013 $6,001,193 actual	+$3,305	+0.06%
FY 2012 $5,997,888 actual	-$345,242	-5.44%
FY 2011 $6,343,130 actual	-$477,153	-7.00%
FY 2010 $6,820,283 actual	-$1,586,647	-18.87%
FY 2009 $8,406,930 actual	-$1,346,480	-13.80%
FY 2008 $9,753,410 actual	-$4,048	-0.04%

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

h. The split of gaming revenues from taxes and the DRA lease (not distributions) in FY 2018 is recommended to be changed to reflect a split of gaming taxes and rents between operating and capital budgets of 95.6 percent operating and 4.4 percent capital. In FY 2017, the split of gaming taxes and rents between operating and capital budgets was 99 percent operating and 1 percent capital. When practical in future years, additional revenues will be moved to the capital budget from the operating budget.

i. The Diamond Jo Patio lease ($25,000 in FY 2018) and the Diamond Jo parking privileges ($500,000 in FY 2018) have not been included in the split with gaming revenues. This revenue is allocated to the operating budget.

j. The residential rollback factor will increase from 55.626 percent to 56.939 percent or a 2.36 percent increase for FY 2017. The rollback has been estimated to remain the same from Fiscal Years 2019 thru 2022.

   The percent of growth from revaluation is to be the same for agricultural and residential property; therefore, if one of these classes has less than 3% growth for a year, the other class is limited to the same percent of growth. A balance is maintained between the two classes by ensuring that they increase from revaluation at the same rate. In FY 2018, agricultural property had more growth than residential property which caused the rollback factor to increase.

   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 total assessed value in FY 2017 and 2018) 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.

   The residential rollback in Fiscal Year 1987 was 75.6481 percent as compared to 56.939 percent in Fiscal Year 2018. 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 2017, the City’s tax rate would have been $8.06 per $1,000 of assessed value instead of $11.17 in FY 2017.

k. There was not an equalization order for commercial or industrial property in Fiscal Year 2018. The Iowa Department of Revenue is responsible for “equalizing” assessments every two years. Also, equalization occurs on an assessing jurisdiction basis, not on a statewide basis.

Commercial and Industrial taxpayers previously were taxed at 100 percent of assessed value; however due to legislative changes in FY 2013, a 95 percent rollback factor was applied in FY 2015 and a 90 percent rollback factor will be applied in FY 2016 and beyond. The State of Iowa will backfill the loss in property tax revenue from the rollback and the backfill 100 percent in FY 2015 through FY 2017 and then the backfill will be capped at the FY 2017 level in FY 2018 and beyond. **The FY 2018 State backfill for property tax loss is estimated to be $1,095,247**.

FY 2015 was the first year that commercial, industrial and railroad properties were eligible for a Business Property Tax Credit. The Business Property Tax Credit will be deducted from the property taxes owed and the credit is funded by the State of Iowa. Eligible businesses must file an application with the Assessor's office to receive the credit with a deadline of January 15, 2017 for applications to be considered for FY 2018. The calculation of the credit is dependent on the number of applications that were received and approved statewide versus the amount that was appropriated for the fiscal year, the levy rates for each parcel and the difference in the commercial/industrial rollback compared to residential rollback. In FY 2015, the Iowa Legislature has appropriated $50 million for FY15; $100 million for FY16; and $125 million for FY17 and thereafter. The estimated initial amount of value that will be used to compute the credit in FY 2015 is $33,000, FY 2016 is $183,220 and FY 2017 is $255,857. The basic formula is the value multiplied by the difference in rollbacks of commercial and residential property then divided by one thousand and then multiplied by the corresponding levy rate. The average commercial and industrial properties ($432,475 Commercial / $599,500 Industrial) will receive a Business Property Tax Credit from the State of Iowa for the City share of their property taxes of $148 in FY 2015, $693 in FY 2016, and $982 in FY 2017. Projected at $958 in FY 2018.

I. Beginning in FY 2017 (July 1, 2016), new State legislation created a new property tax classification for rental properties called multiresidential, which requires a rollback, or assessment limitations order, on multiresidential property which will eventually equal the residential rollback. Multiresidential property includes apartments with 3 or more units. Rental properties of 2 units were already classified as residential property. The State of Iowa will not backfill property tax loss from the rollback on multiresidential property. The rollback will be 86.25 percent ($331,239) in FY 2017, 82.50 percent ($471,885) in FY 2018, 78.75 percent ($576,152) in FY 2019, 75.00 percent ($684,614) in FY 2020, 71.25 percent ($785,129) in FY 2021, 67.50 percent ($890,380) in FY 2022, 63.75 percent ($993,116) in FY 2023 and will equal the residential rollback in FY 2024 which is currently 56.94 percent ($1,179,685). **This annual loss in tax revenue of $471,885 in FY 2018 and $1,179,685 from multiresidential property when fully implemented in FY 2024 will not be backfilled by the State**. From Fiscal Year 2017 through Fiscal Year 2024 the City will lose $5,912,201 in total, meaning landlords will have paid that much less in property taxes. The state did not require landlords to charge lower rents or to make additional investment in their property.

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 gong to property tax relief.

m. FY 2018 will reflect an increase of 3.39 percent in taxable value for residential; an increase of 0.18 percent in taxable value for commercial; an increase of 1.13 percent in taxable value for industrial; and a decrease of 6.34 percent in taxable value for multiresidential. Overall taxable value increased 0.43 percent after deducting Tax Increment Financing values. Assessed valuations were increased 2 percent per year beyond FY 2018.

n. Natural Gas franchise fees have been projected to increase 10 percent over FY16 actual of $892,663 based on the projected rate increases. Also, Electric franchise fees have been projected to increase 4 percent over FY16 actual of $3,361,651 based on the projected rate increases. The franchise fee revenues increase at an annual rate of 4 percent per year from FY 2019 thru FY 2022.

   The franchise fee charged on gas and electric bills increased from 3% to 5%, the legal maximum, on June 1, 2015.

o. 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 2018.

p. FY 2018 reflects the tenth year that payment in lieu of taxes is charged to the Water and Sanitary Sewer funds for Police and Fire Protection. In FY 2018, the Sanitary Sewer 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.

q. Industrial and riverfront property lease revenue is projected to increase by $45,740 in FY 2018 due to an increase in the Freebird 3 lease.

2. Assumptions – Requirements

a. The Municipal Fire and Police Retirement System of Iowa Board of Trustees City contribution for Police and Fire retirement decreased from 25.92 percent in FY 2017 to 25.68 percent in FY 2018 (general fund savings of $34,600). The Municipal Fire and Police Retirement previously projected that the City contribution is expected to decrease 3.30% in FY19; 4.10% in FY20 and then begin increasing in FY21. Also, the Iowa Public Employee Retirement System (IPERS) City contribution remained at 8.93 percent in FY 2018 and the employee contribution remained at 5.95% in FY 2018 (which did not affect the City's portion of the budget). The IPERS rate is anticipated to increase 1 percent each succeeding year.

b. Consistent with the already approved collective bargaining agreements for Dubuque Police Protective Association, in FY 2018 there is a 2.0% employee wage increase for represented and non-represented employees at a cost of $756,171 to the General Fund.

c. The City portion of health insurance expense is projected to not increase from $1,325 per month per contract (based on 563 contracts) in FY 2018. The City of Dubuque is self-insured and actual expenses are paid each year with the City only having stop-loss coverage for major claims. Estimates for FY 19-22 have been increased by 6.32 percent per year. The no increase in Fiscal Year 2018 is based on anticipated savings from the responses to the City Request for Proposals for Third Party Administrator (TPA) services.

d. FY 2013 was 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 sick leave payout expense budget in the General Fund in FY 2017 was $230,454 as compared to FY 2018 of $215,984 based on qualifying employees officially giving notice of retirement.

e. General operating supplies and services are estimated to increase 2 percent over actual in FY 2016. A 2 percent increase is estimated in succeeding years.

f. Electrical energy expense is estimated to have a 4 percent increase over FY 2016 actual expense, then 2 percent per year beyond. Alliant Energy has proposed rate increases over two years.

g. Natural gas expense is estimated to decrease 10 percent over FY 2016 actual expense, then 2 percent per year beyond.

h. The Dubuque Area Convention and Visitors Bureau contract will continue at 50 percent of actual hotel/motel tax receipts.

i. Equipment costs for FY 2018 are estimated to decrease 16.7 percent under FY 2017 budget, then increase 5 percent per year beyond.

j. Debt service is estimated based on the tax-supported unabated General Obligation bond sale for fire truck and franchise fee litigation settlement.

k. Unemployment expense in the General Fund decreased from $69,671 in FY 2017 to $69,078 in FY 2018 based on past years' actual experience.

l. Motor vehicle fuel is estimated to decrease 18.5 percent under FY 2017 budget (-$142,493), then increase 2.0 percent per year beyond.

m. Motor vehicle maintenance is estimated to decrease 12.00 percent under FY 2017 budget based on FY 2016 actual, then 2.0 percent per year and beyond.

n. The increase in property tax support for Transit from FY 2017 to FY 2018 is $329,370, which reflects reduced revenue (-$225,914) due to the Iowa Clean Air Attainment grant ending for the Midtown Loop and Feeder (January 2017). The continuation of the Midtown Loop and Feeder route was funded with property tax as a recurring improvement package in FY 2017. In addition, 2.82 FTE (5,866 hours annually) related to improvement packages approved in FY 2015 and FY 2016 for the Shopping Circulator, Nightrider and Saturday Paratransit Service were understated in the Fiscal Year 2016 and 2017 budget which was corrected in FY 2018 (+$121,526).

The following is a ten-year history of the Transit subsidy:

Fiscal Year	Amount	% Change
2018 Projection	$1,483,686	+26.5%
2017 Budget	$1,172,885	+24.4%
2016 Actual	$942,752	-13.2%
2015 Actual	$1,086,080	+30.2%
2014 Actual	$833,302	-20.2%
2013 Actual	$1,044,171	+45.5%
2012 Actual	$717,611	-33.5%
2011 Actual	$1,078,726	-7.1%
2010 Actual	$1,161,393	-7.4%
2009 Actual	$1,253,638	+17.2%
2008 Actual	$1,070,053	+15.9%
2007 Actual	$923,384	+30.0%

o. Postage rates for FY 2018 are estimated to decrease 20.0 percent under FY 2016 actual expense due to postage purchased at year-end. A 2.0 percent increase is estimated in succeeding years.

p. Insurance costs are estimated to change as follows: Workers Compensation is decreasing 0.25 percent based on actual history, General Liability is increasing 4.50 percent and damage claims is increasing 20 percent, and Property insurance is decreasing 15.45 percent. During FY 2017, the City went out for bid for property insurance which reduced the property insurance deductible from $100,000 to $75,000 and reduced the annual premium by $125,912.

q. The Section 8 Housing subsidy payment from the General Fund is estimated to decrease $60,110 in FY 2018. 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, in the transition, the number of vouchers dropped to 803 vouchers. HUD has based the Section 8 administrative fees for FY 2018 on the lower number of vouchers held in FY 2017 which has decreased the amount of revenue received by the Section 8 program in FY 2018. The City is in the process of increasing the Section 8 Housing Vouchers back to 1,060.

r. The Cable TV Fund no longer funds Police and Fire public education, Information Services, Health Services, Building Services, Legal Services, and City Manager’s Office 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.

s. Greater Dubuque Development Corporation support of $780,613 is budgeted to be paid mostly from Dubuque Industrial Center Land Sales in FY 2018, with a $100,000 increase paid from the Greater Downtown TIF. In FY 2019 and beyond Greater Dubuque Development Corporation will be paid from the Greater Downtown TIF and Dubuque Industrial Center West land sales.

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 was implemented. The remaining overhead recharge will be increased each year until reaching the total overhead recharge percentage. In FY 2018, the administrative overhead calculation administrative overhead formula is recommended to be modified. The modification removes Neighborhood Development, Economic Development and Workforce Development from all recharges to utility funds. In addition, the Landfill calculation is modified to remove GIS and Planning. There was a reduction in metered water usage in FY 2014 and water and sewer revenue bond covenants calculated on the accrual basis of accounting that have required a reduction in both the water and sewer administrative overhead recharges in FY 2016 and 2017. The sanitary sewer administrative overhead was partially reinstated in FY 2017 and fully reinstated in FY 2018. The Water administrative overhead was partially reinstated in FY 2018 at 6.12 percent of full implementation.

IMPACT ON AVERAGE RESIDENTIAL PROPERTY - EXAMPLE

ACTUAL - PAST HISTORY		CITY TAX CALCULATION	ACTUAL PERCENT CHANGE	CHANGE IF HTC 100% FUNDED	DOLLAR CHANGE
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
FY 2013	"City" Property	$ 661.25		+ 5.00%	+$31.47
FY 2013	With Homestead Adj. (3)	$ 672.76	+ 6.82%		+$42.98
FY 2014	"City" Property	$ 705.71	+ 4.90%		+$32.95
FY 2015	"City" Property	$ 728.48	+ 3.23%		+$22.77
FY 2016	"City" Property	$ 747.65	+ 2.63%		+$19.17
FY 2017	"City" Property	$ 755.70	+ 1.08%		+$ 8.05
Average FY 1989-FY 2017 with Homestead Adj.			+ 1.42%		+ $ 8.39
Average FY 1989-FY 2017 without Homestead Adj.				+ 0.79%	+ $ 4.99

PROJECTION		**CITY TAX CALCULATION**	**PERCENT CHANGE**	**DOLLAR CHANGE**
FY 2018	"City" Property Tax*	$ 755.70	+0.00%	+$0.00
FY 2019	"City" Property Tax	$ 763.38	+1.02%	+$7.68
FY 2020	"City" Property Tax*	$ 777.47	+1.85%	+$14.09
FY 2021	"City" Property Tax	$ 773.54	-0.51%	-$3.93
FY 2022	"City" Property Tax	$ 778.08	+0.59%	+$4.54

* 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 considers 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 $18.59 in FY 2012 and $11.51 in FY 2013. 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.

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	Funded 78% of the Homestead Property Tax Credit
	2013-2017	Funded 100% of the Homestead Property Tax Credit

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.

IMPACT ON COMMERCIAL PROPERTY - EXAMPLE

ACTUAL - PAST HISTORY		CITY TAX CALCULATION	PERCENT CHANGE	DOLLAR CHANGE
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 (1)	$3,152.52	- 5.89%	-$ 197.38
FY 2007	"City" Property Tax*	$3,538.03	+12.23%	+$ 385.50
FY 2008	"City" Property Tax	$3,688.64	+ 4.26%	+$ 150.62
FY 2009	"City" Property Tax*	$3,554.71	- 3.63%	-$ 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
FY 2013	"City" Property Tax	$3,855.96	+ 3.19%	+$ 119.32
FY 2014	"City" Property Tax	$3,942.14	+ 2.24%	+$ 86.20
FY 2015	"City" Property Tax*(2)	$3,896.93	- 1.15%	-$ 45.21
FY 2016	"City" Property Tax (3)	$3,139.16	-19.45%	-$ 757.77
FY 2017	"City" Property Tax* (4)	$3,364.61	+7.18%	+$ 225.45
Average FY 1989-2017			+ 1.27%	+$ 30.14

PROJECTION		**CITY TAX CALCULATION**	**PERCENT CHANGE**	**DOLLAR CHANGE**
FY 2018	"City" Property Tax	$ 3,281.59	- 2.47%	-$83.02
FY 2019	"City" Property Tax*	$ 3,314.97	+1.02%	+$33.38
FY 2020	"City" Property Tax	$ 3,376.15	+1.85%	+$61.18
FY 2021	"City" Property Tax*	$ 3,359.09	- 0.51%	-$17.06
FY 2022	"City" Property Tax	$ 3,378.78	+0.59%	+$19.69

*** Denotes year of State-issued equalization orders**

(1) The FY 2006 property tax calculation considers the 3% valuation decrease for commercial property as determined by the reappraisal.
(2) The Business Property Tax Credit was $148 and rollback to 95% in FY 2015.
(3) The Business Property Tax Credit estimated at $693 and rollback to 90% in FY 2016.
(4) The Business Property Tax Credit estimated at $982 and rollback to 90% in FY 2017.There was a State issued equalization order of 12% for commercial property in FY 2017 which raised the average assessed value from $386,139 to $432,475.

IMPACT ON INDUSTRIAL PROPERTY - EXAMPLE

ACTUAL - PAST HISTORY		CITY TAX CALCULATION	PERCENT CHANGE	DOLLAR CHANGE
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 (1)	$5,814.61	+15.46%	+$ 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
FY 2013	“City” Property Tax	$6,465.48	+ 3.19%	+$ 200.04
FY 2014	“City” Property Tax	$6,610.00	+ 2.24%	+$ 144.53
FY 2015	“City” Property Tax (2)	$6,131.80	- 7.23%	-$ 478.20
FY 2016	“City” Property Tax (3)	$5,256.41	- 14.28%	-$ 875.39
FY 2017	“City” Property Tax* (4)	$5,043.36	- 4.05%	-$ 213.05
Average FY 1989-FY 2017			- 1.06%	-$ 66.61

PROJECTION		CITY TAX CALCULATION	PERCENT CHANGE	DOLLAR CHANGE
FY 2018	“City” Property Tax	$ 4,918.93	-2.47%	-$124.43
FY 2019	“City” Property Tax*	$ 5,024.97	+1.02%	+$50.03
FY 2020	“City” Property Tax	$ 5,060.66	+ 1.85%	+$91.70
FY 2021	“City” Property Tax*	$ 5,117.74	-0.51%	-$25.57
FY 2022	“City” Property Tax	$ 5,064.61	+3.01%	+$29.52

(1) The FY 2006 property tax calculation considers the 19.9% valuation increase for industrial property as determined by the reappraisal.
(2) The Business Property Tax Credit was $148 and rollback to 95% in FY 2015.
(3) The Business Property Tax Credit estimated at $693 and rollback to 90% in FY 2016.
(4) The Business Property Tax Credit estimated at $982 and rollback to 90% in FY 2017.

IMPACT ON MULTI-RESIDENTIAL PROPERTY - EXAMPLE

ACTUAL - PAST HISTORY		CITY TAX CALCULATION	PERCENT CHANGE	DOLLAR CHANGE
FY 2015	"City" Property Tax	$2,472.99		
FY 2016	"City" Property Tax	$2,225.69	-10.00%	-$247.30
FY 2017	"City" Property Tax*	$2,160.39	- 2.93%	-$65.30
Average FY 2016-FY 2017			- 6.47%	-$156.30

PROJECTION		CITY TAX CALCULATION	PERCENT CHANGE	DOLLAR CHANGE
FY 2018	"City" Property Tax*	$ 2,015.48	-6.71%	-$144.91
FY 2019	"City" Property Tax	$ 1,943.43	-3.57%	-$72.05
FY 2020	"City" Property Tax*	$ 1,885.04	-3.00%	-$58.38
FY 2021	"City" Property Tax	$ 1,781.74	-5.48%	-103.30
FY 2022	"City" Property Tax	$ 1,697.86	-4.71%	-$83.88

Beginning in FY 2017 (July 1, 2016), new State legislation created a new property tax classification for rental properties called multiresidential, which requires a rollback, or assessment limitations order, on multiresidential property which will eventually equal the residential rollback. Multiresidential property includes apartments with 3 or more units. Rental properties of 2 units were already classified as residential property. The State of Iowa will not backfill property tax loss from the rollback on multiresidential property. The rollback will be 86.25 percent ($331,239) in FY 2017, 82.50 percent ($478,334) in FY 2018, 78.75 percent ($580,834) in FY 2019, 75.00 percent ($683,334) in FY 2020, 71.25 percent ($785,834) in FY 2021, 67.50 percent ($888,334) in FY 2022, 63.75 percent ($990,834) in FY 2023 and will equal the residential rollback in FY 2024 which is currently 56.94 percent ($1,176,975). This annual loss in tax revenue of $1,176,975 from multiresidential property when fully implemented in FY 2024 will not be backfilled by the State. From Fiscal Year 2017 through Fiscal Year 2024 the City will lose $5,915,718 in total, meaning landlords will have paid that much less in property taxes.

There were reappraisals done in Fiscal Year 2016 that may have increased the taxable value for the properties considered multi-residential; however, the overall assessments for multi-residential property has remained relatively flat except for twelve large properties that increased significantly. The assessed value for multi-residential properties in Fiscal Year 2017 did not increase and landlords will begin receiving tax breaks with their September 2016 tax payments.

History of Increases in Property Tax Askings

Fiscal Year	"City" Property Tax Askings	% Change in Tax Askings		Present Impact on Homeowner**
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	$22,758,753	+ 6.9%		+5.0%
FY 2014	$23,197,623	+ 1.9%		+4.9%
FY 2015	$24,825,015	+7.0%		+3.2%
FY 2016	$24,906,544	+0.3%		+2.6%
FY 2017	$26,375,291	+5.9%		+1.1%
Average FY 1989-2017		+ 2.69%		+0.78%

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

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:

Year	"City" Property Tax Askings (000)	% Increase	% / $ Impact on Avg. Residential Property*
FY 2017	$26,375		
FY 2018	$25,835	- 2.0%	+0.00% / +$0.00
FY 2019	$27,044	+ 4.7%	+1.02% / +$7.68
FY 2020	$28,727	+ 2.5%	+1.85% / +$14.09
FY 2021	$27,772	+ 0.2%	-0.51% / -$3.93
FY 2022	$28,122	+ 1.3%	+0.59 / +$4.54

Impact on Tax Askings and Average Residential Property

The following is a historical City tax rate comparison:

Fiscal Year	"City" Tax Rate	% Change in Tax Rate
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%
FY 2014	11.0259	2.23%
FY 2015	11.0259	0%
FY 2016	11.0259	0%
FY 2017	11.1674	1.28%
Average FY 1987-2017		-0.80%

PROJECTION

Fiscal Year	**"City" Tax Rate**	**% Change in Tax Rate**
FY 2018	10.8922	- 2.47%
FY 2019	11.0030	+ 1.02%
FY 2020	11.2060	+ 1.85%
FY 2021	11.1494	- 0.51%
FY 2022	11.2148	+ 0.59%

Guideline

The recommended guideline is no increase for the average residential property owner assuming the Homestead Property Tax Credit is fully funded. A one percent increase in the tax rate will generate approximately $264,456, so the no increase will generate $0 in additional property tax revenues.

CIP BUDGET GUIDELINES

U. INTEGRATION OF CAPITAL RESOURCES

Guideline

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.

V. 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.

W. RENOVATION AND MAINTENANCE

Guideline

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

X. 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.

Y. COOPERATIVE PROJECTS

Guideline

Increased efforts should be undertaken to enter 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.

Z. 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.

On October, 15, 2012, the City Council adopted a formal Debt Management Policy for the City of Dubuque. While this debt management policy just put into writing what the City of Dubuque was already doing in practice, there were some changes to those policies. The most significant components of the Debt Management Policy include an internal policy of maintaining the City’s general obligation outstanding debt at no more than 95% (except as a result of disasters) of the limit prescribed by the State constitution as of June 30th of each year. It is projected as of June 30, 2017 the City will be at 72.6%. City will not use short-term borrowing to finance operating needs except in the case of an extreme financial emergency which is beyond its control or reasonable ability to forecast.

Currently there is no such debt and none will be recommended in this process. Recognizing that bond issuance costs (bond counsel, bond rating, and financial management fees) add to the total interest costs of financing, bond financing should not be used if the aggregate cost of projects to be financed by the bond issue does not exceed $500,000; City will consider long-term financing for the construction, acquisition, maintenance, replacement, or expansion of physical assets (including land) only if they have a useful life of at least six years; City shall strive to repay 20 percent of the principal amount of its general obligation debt within five years and at least 40 percent within ten years. The City shall strive to repay 40 percent of the principal amount of its revenue debt within ten years.

Total annual debt service payments on all outstanding debt of the City shall not exceed 25% of total annual receipts across all the City's funds. As of June 30, 2017, it is projected the City will be at 15.4%.

It shall be the goal of the City to establish an internal reserve equal to maximum annual debt service on future general obligation bonds issued that are to be abated by revenues and not paid from ad-valorem property taxes in the debt service fund starting with debt issued after July 1, 2013. This reserve shall be established by the fund or revenue source that expects to abate the levy, and shall be carried in said fund or revenue source on the balance sheet as a restricted reserve. This reserve does not exist now, except where required by bond covenants. This internal reserve would be implemented by adding the cost of the reserve to each debt issuance.

The FY 2017 assessable value of the community for calculating the statutory debt limit is $4,143,482,182, which at 5%, indicates a total General Obligation debt capacity of $207,174,109. **Outstanding G.O. debt (including tax increment debt, TIF rebate remaining payments and general fund lease agreement) on June 30, 2017 will be $150,591,904 (72.69 percent of the statutory debt limit) leaving an available debt capacity of $56,582,205 (27.3 percent). In FY 2016 the City was at 86.13% of statutory debt limit, so 72.69% in FY 2017 is a 15.61 percent decrease in use of the statutory debt limit.** 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 $117,590 in FY 2017 and one issuance for the franchise fee litigation settlement in the amount of $2,800,000 with debt service of $207,230 in FY 2017. Included in the debt is $16,399,480 of property tax rebates to businesses creating and retaining jobs and investing in their businesses.

Statutory Debt Limit

Fiscal Year	Statutory Debt Limit	Amount of Debt Subject to Statutory Debt Limit	% Debt Limit Used
2016	$196,031,074	$168,842,198	86.13%
2017	$207,174,109	$150,951,904	72.69%

The City also has debt that is not subject to the statutory debt limit. This debt includes revenue bonds. Outstanding revenue bonds payable by water, sewer and stormwater fees on June 30, 2017 will have a balance of $143,115,572. The total City indebtedness as of June 30, 2017, is projected to be $293,707,476. The total City indebtedness as of June 30, 2016, was $295,477,641. **The City will have a projected $1,770,165 (-0.6%) less in debt.** The City is using debt to accomplish the projects that need to be done and to take advantage of the attractiveness of interest rates in the current market.

Part of the City's FY 2014 debt was in the form of a grant from the Iowa Flood Mitigation Program. Through a new state program, the City is able to issue $28.25 million in revenue bonds payable from the 5 percent State Sales Tax increment for projects in the Bee Branch Watershed allowing the City to complete the Bee Branch Creek Restoration, construct permeable alleys, replace the Bee Branch flood gates, complete North End Storm Sewers, construct a Flood Control Maintenance Facility, install Water Plant Flood Control and complete 17th Street Storm Sewer over the next twenty years.

During the FY 2017 budget process, a projection of the statutory debt limit usage was presented at the public hearing to adopt the Fiscal Year 2017 budget. The following was the projection that was previously shown:

FY16	FY17
85.49%	76.33%

These statutory debt limit usage projections have changed due to the amount of outstanding tax increment financing rebates decreased from $22,215,956 to $16,399,480 due to the development agreement for the Roshek Building now including a non-appropriation clause which makes only each year's rebate payment count against the debt limit instead of the outstanding balance; the loan guarantee for the Roshek Building was reduced from $7,500,000 to $0 on December 31, 2016; and added the new State Revolving Fund loan with a non-appropriation clause backed by the full faith and credit of the City for the purchase of Central Iowa Water Association and related improvements for $10,769,000 issued by June 30, 2016 with an expected loan draw of $2,563,263 which is the only portion that counts against the debt limit in FY 2017.

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

FY16	FY17
86.13%	72.69%

In March 2016, the projected use of the statutory debt limit as of June 30, 2017, was 76.33%. That projection is now reduced to 72.69%.

The FY 2018-2022 Capital Improvement Program is currently being balanced and it is unknown at this time if the statutory debt limit usage will be less than previously projected for the five-year capital improvement program.

As we approach the preparation of the FY 2018-2022 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 2018-2022 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 Bee Branch Watershed Project, Airport Improvements, Park Improvements, Sidewalk and Street Improvements, Sanitary Sewer Fund, Parking Fund and Water Fund. In FY 2018-2022 borrowings will also include smaller projects and equipment replacements such as Park developments and Public Works equipment. These smaller borrowings will be for a term not exceeding the life of the asset and not less than six years in accordance to the Debt Management Policy. Alternative sources of funds will always be evaluated (i.e. State Revolving Loan Funds) to maintain the lowest debt service costs.

AA. ROAD USE TAX FUND

Discussion

Actual Road Use Tax Fund receipts are as follows:

FY 2007 - $4,809,990
FY 2008 - $4,944,336
FY 2009 - $4,788,633
FY 2010 - $5,105,327
FY 2011 - $5,253,650
FY 2012 - $5,469,256
FY 2013 - $5,521,744
FY 2014 - $5,755,518

FY 2015 - $5,993,239
FY 2016 - $7,122,738

The FY 2017 budget was based on receiving $6,887,138 in Road Use Tax funds. In FY 2017, 91.1 percent of the Road Use Tax income is in the operating budget. The State of Iowa increased the gas tax 10 cents per gallon in FY 2016.

With increases in City DMATS and State Road Use Tax funds, the City will be able to substantially add to the number of street lights, keep the Southwest Arterial project moving and continue with major road improvements like North Cascade Road, Central and White Streets.

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 there are increased revenues or reduced expense that would allow this shift without a property tax impact.

BB. 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.

CC. HOUSING

Guideline

To maintain an adequate supply of safe and decent housing, the City should strive to preserve existing single family and rental housing that is not substandard and provide opportunities for development of new housing, including owner occupied, within the City's corporate limits for all citizens, particularly for people of low and moderate income. Workforce rental housing is becoming increasingly important and the City aids with building rehabilitations.

DD. 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. The remaining 50 percent is used for property tax relief.

EE. 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 31st, 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.

Consistent with past use of DRA distributions, one hundred percent of the February 2018 projections of operating surplus have been anticipated as resources to support the Fiscal Year 2018 capital improvement projects. This level will be maintained for the Fiscal Year 2019 surplus estimate and then estimates received from the DRA will be reduced by 5 percent for FY 2020 resources, 10 percent for FY 2021, and 15 percent for FY 2022 resources, provide a margin of error in case the estimates are not realized.

Guideline

In Fiscal Year 2018, 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.

FF. 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.

GG. 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 changed the split to 90.0% operating and 10.0% capital.

In FY 2015, the budget was changed to reflect a split of gaming taxes and rents between operating and capital budgets of 97% operating and 3.0% capital.

In FY 2016, the budget was changed to reflect a split of gaming taxes and rents between operating and capital budgets of 100% operating and 0.0% capital. A reduction in revenue in the Greater Downtown TIF urban renewal area resulted in reduced revenues to make debt payments and it was necessary for the general fund to support $84,104 in FY 2015 and $78,242 in FY 2016 of debt service payments, which were funded by reducing the amount of gaming revenues from taxes and DRA lease that goes to capital recommended in FY 2016.

In FY 2017, the budget was changed to reflect a split of gaming taxes and rents between operating and capital budgets of 99 percent operating and 1 percent capital. In FY 2018, the budget is recommended to be changed to reflect a split of gaming taxes and rents between operating and capital budgets of 95.6 percent operating and 4.4 percent capital.

The split of gaming taxes and rents between operating and capital budgets is recommended to change to 98 percent operating and 2 percent capital in FY 2019; 97 percent operating and 3 percent capital in FY 2020; 96 percent operating and 4 percent capital in FY 2021; and 95 percent operating and 5 percent capital in FY 2022.

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 impacts 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 2016 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, The City's estimated lease payments through FY 2017 were reduced an additional $2.9 million based on revised projections from the DRA. In FY 2014, the City's estimated lease payments through FY 2018 were reduced $3.2 million based on the updated projections from the DRA. In FY 2015, the City's estimated lease payments through FY 2020 were reduced $3.1 million based on the updated projections from the DRA. In FY 2016, the City's estimated lease payments through FY 2021 were reduced $1.3 million based on the updated projections from the DRA.

In FY 2017, the DRA provided the City revised estimated lease payments for FY 2018 through FY 2022 which were reduced $1,361,003 from the prior year. From FY 2009 thru FY 2022, the City's lease payments have been reduced $28 million.

In Calendar Year 2016, gross gaming revenues at the Mystique Casino are down 2.4%. The Dubuque gaming market was significantly impacted beginning in May 2016 when Rhythm City Casino off Interstate 80 opened in Davenport. The DRA has projected a 1% decrease in gross gaming revenue for Calendar Year 2017.

The State of Illinois passed a Video Gaming Act on July 13, 2009 which legalized the use of Video Gaming Terminals in liquor licensed establishments including bars, restaurants, truck stops and certain fraternal and veterans' organizations. In the part of Illinois that impacts the Dubuque market, the first year of operation of video gaming terminals generated $1 million in revenue monthly. The use of video gaming terminals has now grown to $6.8 million monthly for the five counties closest to Dubuque and in a direct line with Rockford, IL, which has caused a reduction to the gaming market in Dubuque. The Mystique Casino and Diamond Jo Casino average monthly revenue is $9.6. This is a similar impact as if two and a half more casinos combined were built half-way between Dubuque and Rockford. In addition, the recession has also impacted the gaming market. The revised DRA gaming projections include minimal growth in revenues over the next five years with a negative growth rate of -1% in FY 2018 and FY 2019 and a growth rate of 1% in FY 2020 and beyond.

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 which expires June 16, 2029. The riverboat related tax on bets increased from $302,675 in FY 2017 to $305,702 in FY 2018.