



TO: The Honorable Mayor and City Council Members

FROM: Michael C. Van Milligen, City Manager

SUBJECT: Budget and Fiscal Policy Guidelines for Fiscal Year 2018

DATE: December 29, 2016

Budget Director Jennifer Larson is recommending adoption of the Fiscal Year 2018 Budget Policy Guidelines.

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

The Fiscal Year 2018 budget guidelines call for no property tax increase for the average Dubuque homeowner and a property tax decrease for commercial (-2.47%), industrial (-2.47%) and multi-residential (-6.71%) properties.

The projected Fiscal Year 2018 property tax asking of \$25,835,000 is a \$540,000 (-2%) decrease from Fiscal Year 2017.

The Fiscal Year 2018 City property tax rate of 10.8922 per thousand is a 2.47% decrease from Fiscal Year 2017.

There are no improvement packages recommended in these guidelines.

A significant cause of the FY 2018 property tax increase includes the following:

1. Gaming Revenue Reduction. 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.

2. New multi-residential property class in Fiscal Year 2017.

- a. Beginning in FY 2017 (July 1, 2016), new State legislation created a new property tax classification for rental properties called multiresidential, which requires an assessment rollback, 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 rollback will be 82.50 percent (\$471,885) in FY 2018, 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.

3. Fiscal Year 2018.

- a. The hiring freeze has been extended through June 30, 2018. The frozen positions are being further evaluated to determine if they should be reinstated as part-time positions, full-time positions, or supplemented with contracted services. 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 and a full-time Assisted Housing Supervisor position.

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

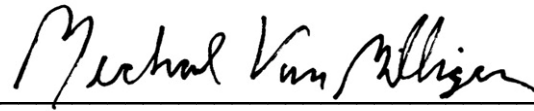
4. Debt Reduction

- a. Outstanding General Obligation (G.O.) debt 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.

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 as of June 30, 2017. The Fiscal Year 2018 review of Capital Improvement Project requests is not yet complete, so there is no Fiscal Year 2018 debt projected as of yet.**

The City Council will conduct six public meetings prior to the adoption of a City budget after a public hearing on March 7, 2017.

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



Michael C. Van Milligen

MCVM:jml

Attachment

cc: Crenna Brumwell, City Attorney
Cindy Steinhauser, Assistant City Manager
Teri Goodmann, Assistant City Manager
Jennifer Larson, Budget Director