

TO: The Honorable Mayor and City Council Members
FROM: Michael C. Van Milligen, City Manager
SUBJECT: Amended Fiscal Year 2018 Budget Recommendation
DATE: March 2, 2017

The Fiscal Year 2018 budget process began in the Spring of 2016, and by state law the Mayor and City Council must adopt the budget no later than March 15, 2017, for the fiscal year that begins July 1, 2017.

The milestones of this budget process include:

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| Spring 2016 | City staff conducted multiple community engagement activities to solicit input on what was perceived to be priorities the Mayor and City Council should establish as the foundational components of the budget process. |
| July 18-19 | Professional facilitator Lyle Sumek met with Department Managers to discuss what had been accomplished over the last year and what might be considered by the Mayor and City Council going forward. |
| August 2-4, 2016 | Professional facilitator Lyle Sumek met with the Mayor and City Council in the annual three-day strategic planning session to establish the City Vision and Mission Statement, determine the 5-year goals, and the current priorities around which the Fiscal Year 2018 budget recommendation would be developed. |
| August 2016 | The results of the Mayor and City Council annual strategic planning session was shared with City staff and City Boards and Commissions as Department Managers developed budget requests to be submitted to the City Manager in the Fall of 2016. |

- November 30, 2016 City Manager holds public input session showing the results of the Mayor and City Council Strategic Planning Session and seeking resident input on what should be considered for the City Manager's Fiscal Year 2018 budget recommendation to the Mayor and City Council.
- Fall 2016 The City Manager, Budget Director Jennifer Larson and Senior Budget Analyst Alexis Steger meet individually with each Department Manager to review their budget requests for the operating and capital budgets, including any improvement packages.
- January 3, 2017 At a regularly-scheduled City Council meeting, the Mayor and City Council adopt the Fiscal Year 2018 Budget Guidelines as recommended by Budget Director Jennifer Larson through the City Manager.
- February 6, 2017 The City Manager submits the Fiscal Year 2018 budget recommendation to the Mayor and City Council for consideration.
- February 9, 2017
February 13, 2017
February 16, 2017
February 22, 2017
February 23, 2017
February 27, 2017 The Mayor and City Council meet with the Department Managers in six public meetings to have a discussion about the City Manager's budget recommendation and to decide if the recommendation meets the Goals and Priorities established by the Mayor and City Council in August 2016. At each of these six sessions, the public is also invited to present information for City Council consideration.
- February 15, 2017 The Long Range Planning Commission reviews the City Capital Improvement Program budget and offers an opinion if they believe it is consistent with the City Comprehensive Plan and that information is provided to the Mayor and City Council.
- March 7, 2017 The Mayor and City Council hold a public hearing on the Fiscal Year 2018 budget recommendation, including an opportunity for additional citizen input and a discussion of individual items the Mayor and City Council have held out during the process for further review. The City Manager may or may not submit an amended budget recommendation at this point and, this year, there is this amended budget recommendation.

There have been several changes that have resulted in an Amended Fiscal Year 2018 Budget Recommendation.

Collective Bargaining Agreements

The collective bargaining unit five-year agreements with Teamsters Local Union No. 120, Teamsters Local Union No. 120 – Bus Operators, International Union of Operating Engineers, Local #234 were approved on February 13, 2017 and the collective bargaining unit five-year agreement with the Dubuque Professional Firefighters Association Local #25 was approved on February 16, 2017.

It is unusual for the City to conclude contract negotiations in the midst of the budget process, however, because there was legislation being considered in the state legislature, that was subsequently adopted, to eliminate non-public safety employee rights to bargain on anything other than wages, the employees were interested in accelerating the collective bargaining process and in more long-term contracts. The City has an interest in long-term contracts because it adds stability and predictability to City costs and, in this case the City was able to get important changes related to the health insurance plan that will hopefully affect employee utilization patterns and reduce City costs.

These are 5-year agreements with a 2% increase in wages in Fiscal Year 2018; a 1.5% increase in wages for Fiscal Years 2019, 2020 and 2021; and a 1.75% increase in wages for Fiscal Year 2022. The employees will pay 15% of the cost of the health insurance premium, an increase from the current 10%, and will have increases in the employee cost of out-of-pocket maximums and co-payments.

In addition, the approved union contracts provide that seasonal employees will not receive a wage increase in Fiscal Year 2018 and this is a reduction of \$26,369 in previously projected costs.

Otherwise, these new collective bargaining agreements generally meet the Fiscal Year 2018 budget projections, but they significantly impact projections for future budget years. The modified projections for future budget years are as follows:

	FY 2019	FY 2020	FY 2021	FY2022
Property Tax Rate	\$10.5430 (-3.21%)	\$10.6619 (1.13%)	\$10.5217 (-1.31%)	\$10.5199 (-0.02%)
Average Residential Property	-3.21% (-\$24.23)	1.13% (\$8.25)	-1.31% (-\$9.72)	-0.02% (-\$0.13)
Average Commercial Property	-3.21% (-\$105.22)	1.13% (\$35.83)	-1.31% (-\$42.22)	-0.02% (-\$0.55)
Average Industrial Property	-3.21% (-\$157.72)	1.13% (\$53.70)	-1.31% (-\$63.28)	-0.09% (-\$0.82)
Average Multi-Residential Property	-7.61% (-\$153.30)	-3.69% (-\$68.67)	-6.25% (-\$112.07)	-5.28% (-\$88.77)

The impact on the Fiscal Year 2018 budget recommendation is a reduction in costs of \$26,369 related to the cost of seasonal employees.

Miller Riverview Campground Operations and Fees

Leisure Services reviewed the management contract and fees for Miller Riverview Campground. The recommendation approved by City Council on February 20, 2017 provided a decrease in costs and an increase in revenues.

The impact of the Fiscal Year 2018 budget recommendation is a reduction in costs of \$21,619 and an increase in revenue of \$8,000, for a total positive impact on the Fiscal Year 2018 budget of \$29,619.

Engineering Truck Replacement

The Fiscal Year 2018 Budget Recommendation includes the elimination of two full-time Inflow and Infiltration Inspectors and the creation of one part-time inspector. Both of the I&I inspectors have trucks that are in very good condition, so one is now available for an alternate use.

There was a sidewalk inspection truck recommended for replacement in Project Engineering in Fiscal Year 2018 that can be canceled and utilize the available Inflow and Infiltration Inspector truck instead.

The impact of the Fiscal Year 2018 budget recommendation is a reduction in costs of \$25,000.

Ambulance Revenue

Ambulance revenue is projected based on the anticipated number of medical transport calls and the average revenue collected per call.

The Fiscal Year 2018 budget recommendation for ambulance revenue was based on 4,611 medical calls for a total of \$1,286,469 in ambulance revenue. After further review of historical data for ambulance revenue, it was determined that the Fiscal Year 2018 budget recommendation should be based on 4,825 medical calls for a total of \$1,326,875 in ambulance revenue.

In addition, an ambulance rate increase of 0.7% will be implemented beginning July 1, 2017, which will be in line with the Medicare Fee schedule rate increase. This rate increase is expected to add \$3,462 in ambulance revenue in Fiscal Year 2018.

The impact on the Fiscal Year 2018 budget recommendation is an increase in revenue of \$43,868.

Traffic Video Request Revenue

The Engineering department has increased the fee for requested copies of video footage from street cameras from \$25 to \$50 per video request. (This fee had temporarily been increased to \$100 while a thorough review of the fee structure was complete. The study determined that the city was recovering the full cost of producing these videos at \$50 per video. This fee will be continually evaluated to insure the city is covering 100% of the cost of production.)

The impact of the Fiscal Year 2018 budget recommendation is an increase in revenue of \$4,800.

Public Works Port of Dubuque Security Cameras

The Public Works department duplicated the Engineering Department budget for Port of Dubuque Security Cameras in the Fiscal Year 2018 budget recommendation. This duplication will be eliminated.

The impact of the Fiscal Year 2018 budget recommendation is a decrease in expense of \$35,770.

Airport Charter Handling Revenue

The Airport charges a charter handling fee of \$3,600 for each flight. In Fiscal Year 2017, the airport has been handling approximately one charter flight every six weeks. This revenue is now more consistent and therefore in Fiscal Year 2018 increased revenue will be recognized.

The impact of the Fiscal Year 2018 budget recommendation is an increase in revenue of \$18,000.

Airport Farm Lease Revenue

Proposals for the rental of farm land owned by the Airport were received during the end of February. The minimum payment for farm rental was determined to be \$78,000 instead of the \$71,000 included in the Fiscal Year 2018 budget recommendation.

The impact of the Fiscal Year 2018 budget recommendation is an increase in revenue of \$7,000.

Total Reduction in Costs and Increases in Revenue

The total reduction in costs and increases in revenue from the original budget recommendation is \$190,426.

The following are the issues the Mayor and City Council held out for further review at this March 7 public hearing:

Jule Transit Evening Service –Modified

The original improvement package request for Jule Transit evening service added three new full-time positions, including one full-time dispatcher, one full-time operations manager and one full-time service worker.

With the recent retirement of the Parking Division Supervisor, the opportunities for collaboration, efficiency, and effectiveness between Transit and Parking are being explored. Initially, this will include co-location and administrative cross-training.

Beginning on February 27, 2017, Parking administrative staff and Parking Enforcement Officers will be based out of the Intermodal Center. The Parking Division will initially be managed by the Economic Development Director, but will share space and administrative resources with The Jule.

Transit and Parking are both part of the Economic Development Department and as such, the Transit Manager will be working closely with the Economic Development Director to evaluate the needs of both Parking and Transit and assist with the transition.

The new modified proposal results in no new full-time positions, but does transition the existing vacant full-time transit account clerk position into a transit dispatcher position and transitions one full-time parking laborer position into the Transit Division. This is a net savings to the Parking Division of \$51,391. A part-time evening assistant operations supervisor position is recommended to be created (Attachment 1). This modified Jule Transit service schedule with expanded night service is projected to begin in August 2017.

The impact of the Fiscal Year 2018 budget recommendation is an increase in cost of \$125,691 and an increase in revenue of \$35,993 with a net property tax impact of \$89,698.

Economic Development Department Arts and Cultural Affairs Coordinator to Full-Time

Recommended funding to increase the Arts and Cultural Affairs Coordinator from part-time to full-time, an increase of 1,040 hours or 0.50 FTE. The City commissioned and received in FY 2017 the arts and culture master plan. The goal of the plan was to identify key elements to creating a vibrant arts city, the creation of conditions in which arts and cultural activity can thrive and create an environment for the retention and attraction of a diverse workforce. This means enabling a mix of both formal, planned initiatives as well as organic and spontaneous creative endeavors. A critical component for such an environment-and a clear need in Dubuque-is for an individual or entity to spearhead such efforts and serve as a coordinator or convener of other parties. This individual or entity should be qualified in expertise and adequately funded and staffed.

The Arts Coordinator position is essential in providing support to the City Council's top priority arts and culture strategy of making Dubuque a regional hub for the arts and using the arts to help promote tolerance and diversity. This budget improvement package has been unanimously endorsed by the City's Arts and Cultural Affairs Advisory Commission.

This funding increase will provide for the coordinator to continue to provide support to the Arts and Cultural Affairs Commission, maintain and improve the City's existing arts and cultural affairs initiatives such as Art on the River, Special Projects Arts and Culture Grant Program, Arts and Culture Operating Support Program, pursue outside funding

opportunities, support the Arts Commission in developing and achieving its strategic goals and priorities, and create future arts and cultural initiatives based upon the implementation of the recommendations of the Arts and Culture Master Plan (Attachment 2).

The impact of the Fiscal Year 2018 budget recommendation is an increase in cost of \$46,338.

Library Replacement of Seven Exterior Canopy Lights with LED Lights

Recommended funding for replacement of seven exterior canopy lights at the Library's two entrances with LED lights. LED lighting is expected to last over 13 years and during this time will demonstrate a return on investment of \$5,515 in decreased electricity use. The greatest expense with the current traditional lights is the need to rent a boom truck and pay the labor to change them. The current bulbs costs \$13 each plus \$650 in labor to change them. Additionally, the Library recently completed an energy audit and lighting was identified as the one change that will have the greatest impact for energy savings (Attachment 3).

The impact of the Fiscal Year 2018 budget recommendation is an increase in cost of \$5,800 and cost savings of \$424 for net property tax impact of \$5,376.

Library Third Program on Fridays for Children's Summer Reading Program

Recommended funding for a third program on Fridays during the summer months of the Children's Summer Reading Program. The Library has a tradition of summer programs that are literature based, while also being educational and cultural. These programs are scheduled on ten Fridays during the summer months. In response to growing crowds a second program was added. Now these events have become a destination for field trips from Young-Uns Preschool, St. Mark Youth Enrichment, and the Summer Academy, to mention some, and have become so popular people are turned away (Attachment 3).

The impact of the Fiscal Year 2018 budget recommendation is an increase in property tax cost of \$4,000.

Library Early-Reader Book Group

Recommended funding to host an early-reader book group. Outreach in the form of book clubs/book discussion groups has proved to be very successful in reaching target audiences. Successful partnerships have been formed with the Boys & Girls Club, Multicultural Family Center, and Dubuque Senior High School. For the past six years, the Library has partnered with the Boys & Girls Club to host an early-reader book group. Unfortunately, the donor for this program is not able to renew financial support for the 15 children in the group. This group is comprised of those youngest readers with the goal of increasing their reading skills by the third-grade.

During the past year, an outreach program was begun at Dubuque Senior High School by bringing an after-school book club to the students. Teens are a hard-to-reach group and there is a strong desire to maintain the program because it is popular and growing, but funding has expired (Attachment 3).

The impact of the Fiscal Year 2018 budget recommendation is an increase in property tax cost of \$2,160.

Planning ESRI GeoDesign Summit

Recommended funding for the Planning Technician to attend ESRI's GeoDesign Summit in Redlands, California in January 2018. The GeoDesign Summit is a useful tool for a new approach to planning and design, one that utilizes the power of spatial planning, 3D, web applications and maps, open data, and the Internet of Things. The summit will build a stable foundation for the advancement of planning practices for the City of Dubuque. Knowledge of the use of this new technology would allow Planning staff to analyze the current infrastructure and develop new solutions. This summit is tailored for the planning process as well as an opportunity to network and develop connections with other cities that can and will ensure Dubuque's status as an innovatively planned community (Attachment 4).

The impact of the Fiscal Year 2018 budget recommendation is a net increase in property tax cost of \$1,007.

Airport Additional Marketing Funds – Modified to Non-Recurring

Recommended funding for additional marketing funds. The consolidation of the airline industry continues to limit the number of air carriers while competition for their services by other airports continues to increase. Numerous surveys conducted show the demand for expanded air service exists within Dubuque's service area, but without additional funds the City will not have the ability to simultaneously market existing service and solicit expanded service. This would provide for additional funds for research materials and analysis to justify specific routes, airfares and frequencies. The FY 2017 adopted budget includes \$95,250 of property tax funds for promotion expense (Attachment 5), as does the original Fiscal Year 2018 budget recommendation.

The impact of the Fiscal Year 2018 budget recommendation is an increase in property tax cost of \$25,000.

Solid Waste Collection Consultant – Collection Efficiency Study

Recommended funding for an independent consultant to help co-create a collection efficiency study to guide the department in solid waste services. The areas reviewed will include the fee structure, collection of trash, yard waste/organics recovery, large item collection, and the recycling program. The goal is intended to enhance the existing programs while exploring new opportunities including new innovative systems that may be beneficial for the community, including best management practices for modern collection systems, advanced truck technologies, and other technologies for cart inventory management. The study would also try to identify ways to enhance support of neighborhood clean-ups and enhanced education programs. A critical component of this study will be community engagement to ensure every resident has an opportunity to provide public input on the city's collection program and future direction. (Attachment 6).

The impact of the Fiscal Year 2018 budget recommendation is an increase in solid waste collection cost of \$30,000. There is enough solid waste collection revenue

to support this request in Fiscal Year 2018 without impacting solid waste collection rates.

Recommendation

The total increase in property tax related costs is \$173,556. The net property tax impact of this amended budget recommendation is an increase of \$16,870 in revenue over the impact of costs. This will be added to the \$600,000 contribution to the General Fund Reserves.

I am pleased to inform you that if you approve this amended Fiscal Year 2018 budget recommendation with a property tax rate of \$10.89, we will have met the Fiscal Year 2018 budget guidelines adopted by the City Council at the January 3, 2017 City Council meeting.

The City Council adopted a guideline of no property tax increase for the average residential property owner. This recommendation would provide no increase.

The City Council adopted a guideline of a property tax decrease for the average commercial property of 2.47%. This recommendation would provide a 2.47% decrease.

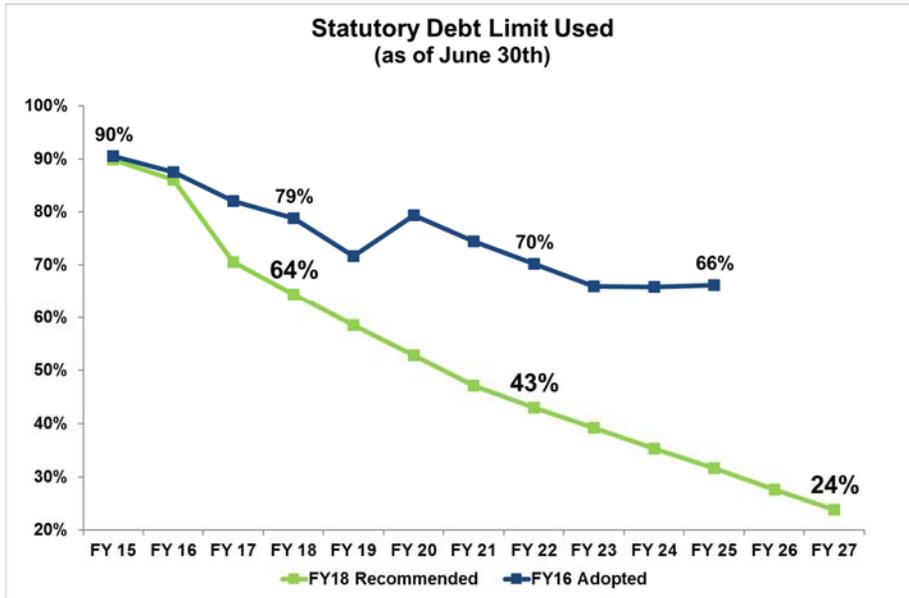
The City Council adopted a guideline of a property tax decrease for the average industrial property of 2.47%. This recommendation would provide a decrease of 2.47%.

The City Council adopted a guideline of a property tax decrease for the average multi-residential property of 6.71%. This recommendation would provide a decrease of 6.71%.

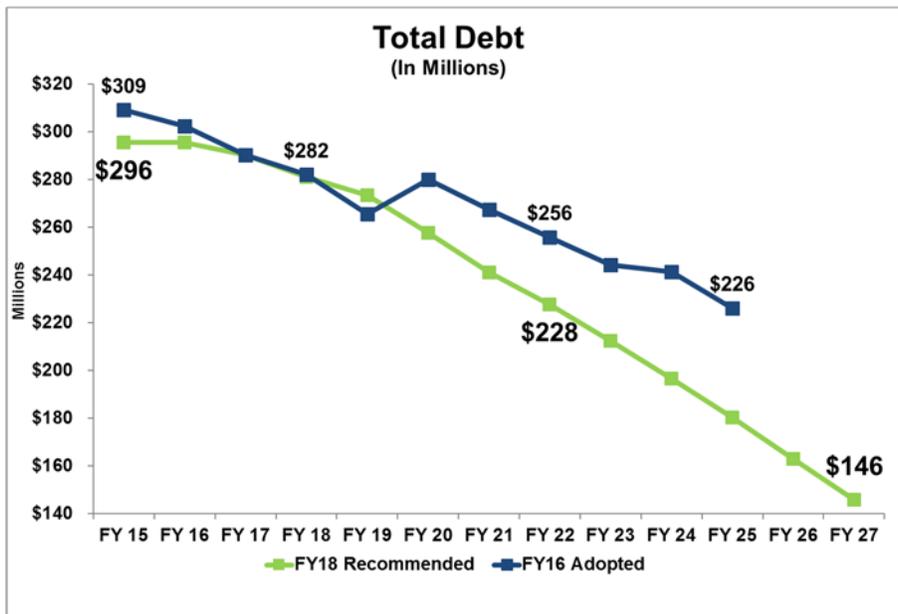
In addition, in August 2015 the Mayor and City Council adopted as a priority a debt reduction plan (Attachment #7).

The City would be retiring more debt each year going forward than is being issued. In Fiscal Year 2016 the City was at 86% of the statutory debt limit. Previously in Fiscal Year 2021, the end of the current five-year capital improvement plan, the City was projected to be at 53% of the statutory debt limit. Should the City Council accept this new recommended plan, the City would be at 43% of the statutory debt limit in Fiscal Year 2022, the end of the recommended five-year capital improvement plan. By Fiscal Year 2027 the City would be at 24% of the statutory debt limit.

At this stage in the budget process, the City is able to reduce the amount of debt issued in Fiscal Year 2018 by \$208,000 due to learning of anticipated revenue from the Federal Aviation Administration. Instead of issuing \$408,000 in debt in Fiscal Year 2018 for a fire pumper replacement, the City will be issuing \$200,000 in debt for Public Works portable radio replacements.



In Fiscal Year 2017 the City is at \$290.1 million in debt. Previously, in Fiscal Year 2021, the end of the current five-year capital improvement plan, the City was projected to have \$244 million in debt. Should the City Council accept this new recommended plan, the City would have \$228 million in debt in Fiscal Year 2022, the end of the recommended five-year capital improvement plan. This is a reduction of \$16 million in debt during that period. By Fiscal Year 2027 the City would have debt of \$146 million, a reduction of \$98 million.



Another priority of the City Council from the August 2016 Strategic Planning Session was the city street program. In Fiscal Year 2017, the Public Works Department was able to target 7.5 miles of streets for resurfacing, in addition to the street program in the

Engineering Department. In the original Fiscal Year 2018 budget recommendation, I was only able to identify funding to complete 5 miles of resurfaced streets. The extremely mild winter this year and the identification of some Community Development Block Grant funding will provide the funding to boost the targeted streets for resurfacing from 5 miles to 7.5 miles (Attachment 8).

In the original Fiscal Year 2018 Budget Transmittal memo, I had detailed the tremendous successes Dubuque is experiencing, especially in the area of job creation and economic development. To this memo I have attached a list of some of the Recognitions and Awards the City has received (Attachment 9) and City of Dubuque 2016 Year in Review (Attachment 10).

I respectfully recommend Mayor and City Council approval of the amended Fiscal Year 2018 budget recommendation with a property tax rate of \$10.89, a 2.47% decrease from Fiscal Year 2017. This would have the following impact on average on the different classes of property:

Residential	\$	0.00	0%
Commercial	\$	(83.02)	-2.47%
Industrial	\$	(124.43)	-2.47%
Multiresidential	\$	(144.91)	-6.71%


Michael C. Van Milligen

MCVM:jh
Attachment

cc: Crenna Brumwell, City Attorney
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