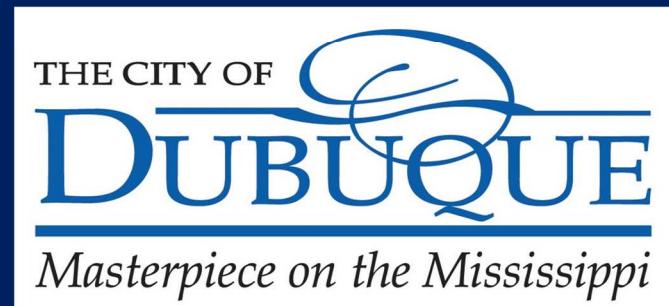


CITY OF DUBUQUE

BUDGET & FISCAL POLICY GUIDELINES

FISCAL YEAR 2020



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, in the context of the City Council Goals and Priorities established in August 2018. The final budget presented by the City Manager may not meet all 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, 2019 must be adopted by March 15, 2019.

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. Copies of the recommended budget documents will be accessed via the following:

- The City Clerk's office, located in City Hall (printed)
- The government documents section at the Carnegie Stout Public Library (printed)
- On the City's website at www.cityofdubuque.org (digital)
- CD copy of the budget on CD, available upon request (digital)

Opportunities are 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.

Timeline of Public Input Opportunities

- **September - October 2018** During September 2018, the City of Dubuque
 - launched a new interactive budget simulation tool called [Balancing Act](#). The online simulation invites community members to submit their own version of a balanced budget under the same constraints faced by City Council, respond to high-priority budget input questions, and leave comments. The Budget Office conducted community outreach with the new tool via print and digital marketing and presentations to Institute of Managerial Accountants, Point Neighborhood Association, Young Professionals, Community Development Advisory Commission, Downtown Neighborhood, and at City Expo.
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- **November 2018** City staff hosted an evening public budget input meeting at the City Council Chambers in the Historic Federal Building. The Budget Office conducted community outreach with the new budget simulator tool to Kiwanis Club and North End Neighborhood Association.

- **December 2018** City staff presented the new budget simulation tool at the December 3, 2018 City Council meeting and hosted a Budget Simulator Workshop at the Carnegie-Stout Public Library at Aigler Auditorium on December 8, 2018.

A total of 321 community members attended the budget presentations. There have been 870 page views of the Balancing Act budget simulator tool and 125 budgets have been submitted by the public as of December 9, 2018. The input provided will be analyzed by City staff and evaluated by the City Manager for inclusion in the Fiscal Year 2020 budget recommendation as deemed appropriate.

Open Budget

URL: www.dollarsandcents.cityofdubuque.org

During Fiscal Year 2016, the City launched a web based open data platform. 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.

Taxpayer Receipt

URL: <http://dubuque.abalancingact.com/fy2020-estimated-taxpayer-receipt>

During Fiscal Year 2019, the City launched an online application which allows users to generate an estimate of how their tax dollars are spent. The tool uses data inputted by the user such as income, age, taxable value of home, and percentage of goods purchased with City limits. The resulting customized receipt demonstrates an estimate of how much in City taxes the user contributes to Police, Fire, Library, Parks, and other city services. This tool is in support of the City Council goal of a financially responsible and high-performance organization and addresses a Council-identified outcome of providing opportunities for residents to engage in City governance and enhance transparency of City decision-making.

B. SERVICE OBJECTIVES 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 organization and identify the level of service which the citizen can anticipate.

C. TWO TYPES OF BUDGET DOCUMENTS TO BE PREPARED

1

GUIDELINE

Two types of budget documents will be prepared for public dissemination. The recommended City operating budget for Fiscal Year 2020 will consist of a Recommended City Council Policy Budget that is a collection of information that has been prepared for department hearings and a Residents Guide to the Recommended FY 2020 Budget. These documents will be available in early February.

Recommended City Council Policy Budget The purpose of this document is 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. The document will emphasize objectives, accomplishments and associated costs for the budget being recommended by the City Manager.

The Recommended City Council Policy Budget will include the following information for each department:

2

- 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 and major goals, objectives and performance measures for each cost center within that department
- line item expense and revenue financial summaries.

The Residents Guide This section of the Recommended FY 2020 Budget will be a supplementary composite of tables, financial summaries and explanations. It will include the operating and capital budget transmittal 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. ADOPT A 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 taxes and/or fees 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 EXISTING LEVEL OF SERVICE

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. IMPROVE PRODUCTIVITY

GUIDELINE

Continue efforts to stretch the value of each tax dollar and maximize the level of City services purchased with tax dollars through continual improvements in efficiency and effectiveness. Developing innovative and imaginative approaches for 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

To respect citizens who must pay taxes, the City must seek to expand resources and supplement service-delivery capacity by continuing to increase direct citizen involvement with service delivery. Citizens are encouraged to assume tasks previously performed or provided by City government. This may require the City to change and expand the approach to service delivery by providing organizational skills and training and coordinating staff, office space, meeting space, equipment, supplies and materials -- rather than directly providing more expensive full-time City staff. Activities in which citizens can continue to take an active role include: Library, Recreation, Parks, Five Flags Center, and Police.

GUIDELINE

Future maintenance of City service levels may depend partially or largely on volunteer citizen staffs. 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, Police) or (b) service delivery can be adopted by to non-government groups and sponsors -- usually with some corresponding financial support.

I. RESTRICTIONS ON INITIATING NEW SERVICE

GUIDELINE

New service shall only be considered: (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 SHALL BE FINANCED FROM BUDGET REDUCTIONS IN THE DEPARTMENT(S) OF THE BENEFITING EMPLOYEES

DISCUSSION

The recommended budget includes 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 carefully balanced and fragile. Such awards have caused overdrawn budgets, deferral of necessary budgeted expenditures, expenditure of working balances and reserves, and have generally reduced the financial condition or health of the City government. To protect the financial integrity of the City government, it is recommended the cost of any salary adjustment over the amount financed in the budget is paid for by 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 Expires
Teamsters Local Union No. 120	June 30, 2022
Teamsters Local Union No. 120 Bus Operators	June 30, 2022
Dubuque Professional Firefighters Association	June 30, 2022
Dubuque Police Protective Association	June 30, 2018
International Union of Operating Engineers	June 30, 2022

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 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. The Affordable Care Act (ACA) was signed into law on March 23, 2010.

Under the ACA, 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 postponed 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 impact of the Affordable Care Act on the City of Dubuque included changing nine part-time positions to full-time (Bus Operators (4), Police Clerk Typist (1), Building Services Custodians (3), and Finance Cashier (1) in Fiscal Year 2016. In addition, nine part-time positions were offered health insurance benefits due to working more than 1,560 hours (Bus Operators (4), Golf Professional, Assistant Golf Professional, Golf Maintenance Worker, Parks Maintenance Worker, and Water Meter Service Worker). The number of these part-time positions with health insurance benefits has been reduced as employees in these positions accept other positions or leave employment with the City of Dubuque. As of December 7, 2018, there are four part-time positions with health insurance benefits that remain which include the Golf Professional, Assistant Golf Professional, Parks Maintenance Worker, and Water Meter Service Worker.

L. HIRING FREEZE

GUIDELINE

The hiring freeze ended during Fiscal Year 2019 with most of the positions funded only a partial fiscal year in FY 2019, the additional new costs in Fiscal Year 2020 are as follows:

Department	Position	FY 2020 Cost	FTE
Human Rights	Full-time Community Engagement Coordinator	\$40,886	1.00
Human Rights	Full-time Training/Workforce Development	\$40,886	1.00
Park	Full-time Assistant Horticulturalist	\$40,189	1.00
Park/Public Works	Full-time Assistant Horticulturalist	\$40,189	1.00
Park	Full-time Maintenance Worker	\$54,140	1.00
City Manager's Office	Part-time Management Intern (ICMA)	\$16,806	0.60
City Manager's Office	Full-time Secretary	\$30,124	1.00
Information Services	Full-time Help Desk Technical Support	\$31,858	1.00
Engineering	Full-time Traffic Engineering Assistant	\$58,055	1.00
Police	Full-time Records Clerk	\$29,337	1.00
Total Additional FY 2020 Cost		\$382,470	9.60

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. 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 established after the

Council determines the extent to which an activity must be self-supporting. Examples of this arrangement are fees for swimming, golf, recreation programs, and certain inspection programs such as 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 the percentage the activity is self-supporting.

Activity	Percent Self Supporting			
	FY17 Actual	FY18 Actual	FY19 Adopted	FY20 Recomm'd
Adult Athletics	85.6%	82.6%	74.3%	74.9%
McAleece Concessions	113.9%	130.3%	122.8%	144.2%
Youth Sports	21.3%	24.1%	20.8%	16.9%
Therapeutic & After School	5.4%	6.8%	13.7%	35.0%
Recreation Classes	90.3%	81.1%	75.8%	72.7%
Swimming	59.1%	67.5%	67.6%	68.2%
Golf	98.8%	99.0%	106.1%	100.6%
Port of Dubuque Marina	64.1%	70.8%	84.0%	74.1%
Park Division	16.7%	14.0%	16.2%	17.0%
Library	5.0%	3.8%	3.5%	3.2%
Airport	82.2%	84.5%	84.2%	86.5%
Building Inspections	84.3%	94.4%	82.5%	83.3%
Planning Services	43.3%	44.4%	43.9%	46.7%
Health Food/Environmental Inspections	57.6%	56.7%	52.6%	71.5%
Animal Control	57.7%	66.4%	61.4%	59.7%
Housing - General Inspection	86.6%	53.7%	88.5%	94.9%
Federal Building Maintenance	80.2%	85.0%	79.0%	85.1%

O. ADMINISTRATIVE OVERHEAD RECHARGES

DISCUSSION

While the Enterprise Funds have contributed to administrative overhead, the majority has been provided by the General Fund. This is not reasonable and unduly impacts property taxes, which causes 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 Fiscal Year 2018 administrative overhead formula was recommended modified. The modification removed 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.

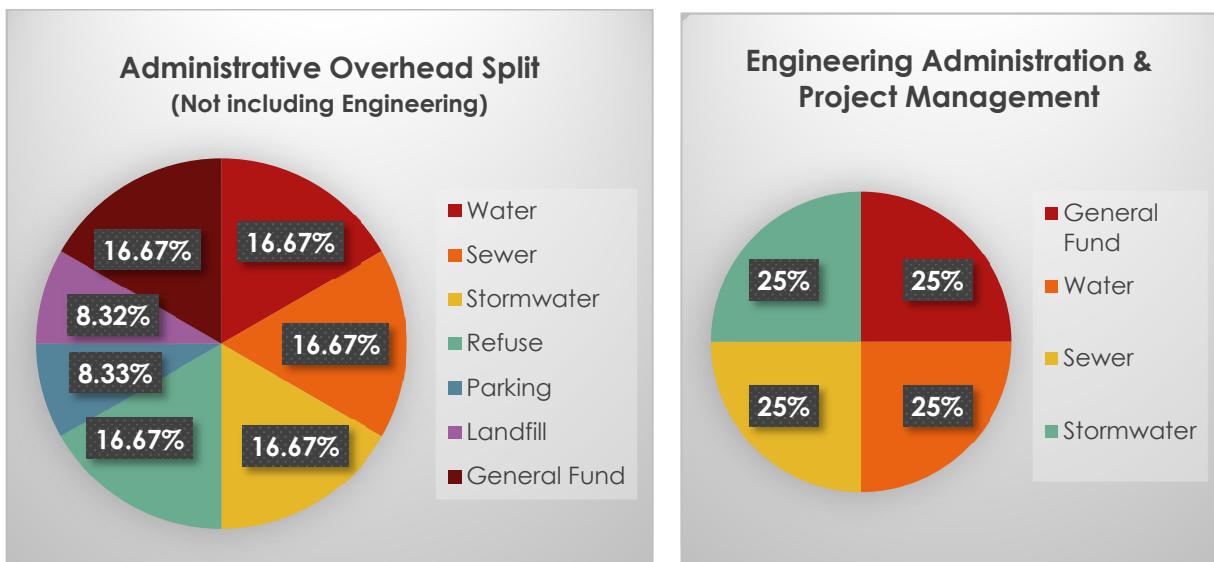
In Fiscal Year 2020, the general fund is recommended to support \$3,401,634 in administrative overhead using the recharge method adopted in Fiscal Year 2013 and revised in Fiscal Year 2018.

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:



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 (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 declined.

Fiscal Year	Fund Reserve (As percent of General Fund revenues)	Reason for change from previous FY
FY 2013	21.08%	
FY 2014	14.87%	Decrease due to planned capital expenditures of \$4.1m in FY14
FY 2015	14.87%	Unchanged
FY 2016	17.52%	Increase due to capital projects not expended before the end of the FY and increase in general fund revenue
FY 2017	20.09%	Increase due to capital projects not expended before the end of the FY and additional contributions to general fund reserve
FY 2018	23.81%	Increase due to capital projects not expended before the end of the FY and additional contributions to general fund reserve
FY 2019	22.02%	Decrease due to planned capital expenditures

The City of Dubuque has historically adopted a general fund reserve policy as part of the Fiscal and Budget Policy Guidelines which are 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 shall 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 plus an additional \$1,050,000 added to the fund balance in FY 2019, the City of Dubuque will have a general fund reserve of 19.76 percent of general fund expenses as computed by the methodology adopted in the City's general fund reserve policy or 22.02 percent of general fund revenues as computed by the methodology used by Moody's Investors Service. The general fund reserve cash balance is projected to be \$11,384,325 on June 30, 2019.

GUIDELINE

The guideline of the City of Dubuque is to increase the General Fund working balance or operating reserve by a minimum of \$1,000,000 in FY 2020. 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 2019, three years ahead of schedule.

General Fund Reserve Projections:

	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023
Contribution	\$600,000	\$1,050,000	\$1,050,000	\$1,000,000	\$100,000	\$100,000	\$100,000
City's Spendable General Fund Cash Reserve Fund Balance	\$14,172,661	\$16,460,491	\$15,485,326	\$16,185,326	\$16,285,326	\$16,385,326	\$16,485,326
% of Projected Revenue (Moody's)	20.09%	23.81%	22.02%	22.86%	22.93%	23.46%	22.92%

R. USE OF UNANTICIPATED, UNOBLIGATED, NONRECURRING INCOME

DISCUSSION

Occasionally, the City receives income that was not anticipated and was not budgeted. Often, this money is non-recurring and reflects a one-time occurrence which generated the unanticipated increase in income.

Non-recurring income must not be spent on recurring expenses. This would result in a funding shortfall in the following budget year before even starting budget preparation. However, eligible non-recurring 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, 100% of a budget is not spent by the end of the fiscal year and a small unencumbered balance remains on June 30th. In addition, income sometimes exceeds revenue estimates or there are cost savings resulting in some unanticipated balances at the end of the year. These amounts of un-obligated, year-end balances are "carried over" into the new fiscal year to help finance it.

The FY 2019 General Fund budget, which went into effect July 1, 2018, 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 2020 through FY 2024.

GUIDELINE

Carryover General Fund balance shall be used to help finance the next fiscal year budget and reduce the demand for increased taxation. The available carryover General Fund balance shall be anticipated not to exceed \$200,000 for FY 2020 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

I. ASSUMPTIONS - RESOURCES

1. Local, Federal and State Resources

- a. **Cash Balance.** Unencumbered funds or cash balances of \$200,000 will be available in FY 2020 and each succeeding year to support the operating budget.
- b. **Sales Tax Revenue.** By resolution, 50% of sales tax funds must be used in the General Fund for property tax relief in FY 2020. Sales tax receipts are projected to increase 2.8 percent over FY 2019 budget (+\$123,514) and 1.00 percent over FY 2019 actual of \$4,440,884 based on FY 2019 revised revenue estimate of \$4,440,884 which includes a reconciliation payment from the State of Iowa of \$217,699 received in November 2018, increased 1.0 percent to calculate the FY 2020 budget, and then increased at an annual rate of 1.0 percent per year beginning in FY 2021. The estimates received from the State of Iowa show a 4.35% decrease in the first two payments estimated for FY 2020 as compared to the first two payments budgeted for FY 2019. The following chart shows the past four years of actual sales tax funds and projected FY 2020 for the General Fund:

Sales Tax Funds	FY16	FY17	FY18	FY19	FY20
PY Quarter 4 (Half)	\$818,018	\$748,170	\$748,108	\$732,174	\$700,311
Quarter 1	\$1,102,922	\$1,112,755	\$1,080,294	\$1,066,816	\$1,098,820
Quarter 2	\$1,136,167	\$1,146,296	\$1,109,978	\$1,098,596	\$1,131,553
Quarter 3	\$960,705	\$960,626	\$939,923	\$954,021	\$982,642
Quarter 4 (Half)	\$374,085	\$374,054	\$366,087	\$371,578	\$382,726
Reconciliation	\$255,657	\$103,185	\$77,018	\$217,699	\$190,000
Total	\$4,647,554	\$4,445,085	\$4,321,408	\$4,440,884	\$4,486,053
% Change	+10.10%	-4.36%	-2.78%	+2.76%	+1.00%

- c. **Hotel/Motel Tax Revenue.** Hotel/motel tax receipts are projected to increase 3.03 percent (\$71,948) over FY 2019 budget and 7.80 percent over FY 2019 re-estimated receipts of \$2,270,643 based on FY19 being low due to an extremely

wet fall and the weather pattern not expected to continue in FY 20, and then increase at an annual rate of 3 percent per year.

- d. **FTA Revenue.** Federal Transportation Administration (FTA) transit operating assistance is anticipated to decrease 11.2 percent or \$148,416 from FY 2019 budget based on the revised FY 2019 budget received from the FTA. Federal operating assistance is now based on a comparison of larger cities which has resulted in a decrease of funding. Previously the allocation was based on population and population density.
- e. **Miscellaneous Revenue.** Miscellaneous revenue has been estimated at 2 percent growth per year over budgeted FY 2019.
- f. **Building Fee Revenue.** Building fees (Building Permits, Electrical Permits, Mechanical Permits and Plumbing Permits) are anticipated to increase \$30,918 from \$629,547 in FY 2019 to \$660,465 in FY 2020 based on Fiscal Year 2019 building activity to-date.
- g. **DRA Revenue.** Gaming revenues generated from lease payments from the Dubuque Racing Association (DRA) are estimated to increase \$85,928 from \$4,901,176 in FY 2019 to \$4,987,104 in FY 2020 based on revised projections from the DRA. This follows a \$45,165 increase from budget in FY 2019 and a \$159,046 decrease from budget in FY 2018.

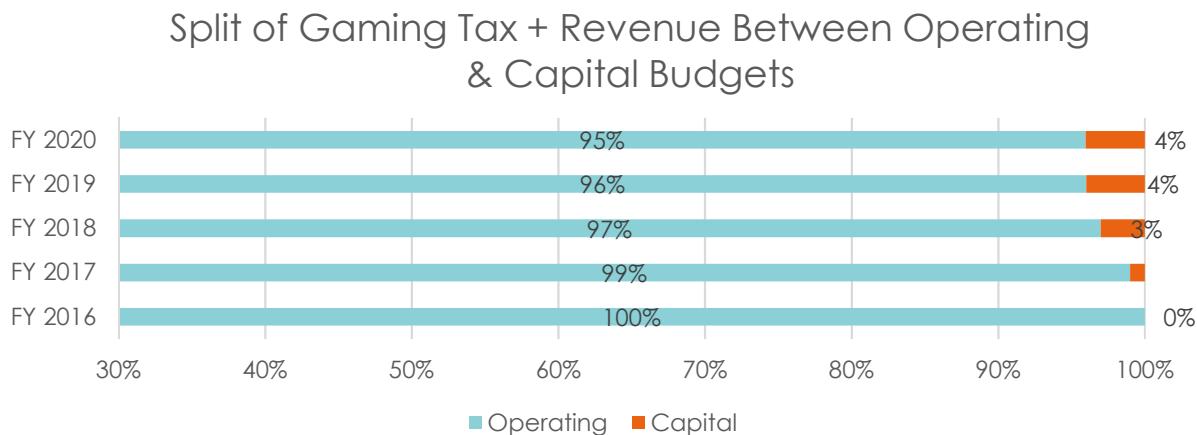
The following is a ten-year history of DRA lease payments to the City of Dubuque:

Fiscal Year	DRA Lease Payment	\$ Change	% Change
FY 2020 estimate	\$4,987,104	+\$85,928	+1.75%
FY 2019 revised	\$4,996,391	+\$140,380	+2.89%
FY 2019 budget	\$4,901,176	+\$45,165	+0.93%
FY 2018 actual	\$4,856,011	+\$18,879	+0.39%
FY 2017 actual	\$4,837,132	-\$195,083	-3.88%
FY 2016 actual	\$5,032,215	-\$155,297	-2.99%
FY 2015 actual	\$5,187,512	-\$158,104	-2.96%
FY 2014 actual	\$5,345,616	-\$655,577	-10.92%
FY 2013 actual	\$6,001,193	+\$3,305	+0.06%
FY 2012 actual	\$5,997,888	-\$345,242	-5.44%
FY 2011 actual	\$6,343,130	-\$477,153	-7.00%
FY 2010 actual	\$6,820,283	-\$1,586,647	-18.87%

The Diamond Jo payment related to the revised parking agreement increased from \$500,000 in FY 2019 to \$567,306 based on Consumer Price Index adjustments since the lease was implemented.

- h. **DRA Gaming.** The split of gaming revenues from taxes and the DRA lease (not distributions) in FY 2020 is recommended to remain at a split of gaming taxes and rents between operating and capital budgets of 96 percent

operating and 4 percent capital. When practical in future years, additional revenues will be moved to the capital budget from the operating budget. The following shows the annual split of gaming taxes and rents between operating and capital budgets from FY2016 – FY2020:



- i. **Diamond Jo Revenue.** The Diamond Jo Patio lease (\$25,000 in FY 2020) and the Diamond Jo parking privileges (\$567,306 in FY 2020) have not been included in the split with gaming revenues. This revenue is allocated to the operating budget.

2. Property Taxes

- j. **Residential Rollback.** The residential rollback factor will increase from 55.621 percent to 56.1324 percent or a 0.92 percent increase in FY 2020. The rollback has been estimated to remain the same from Fiscal Years 2021 thru 2024.

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 2020, 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 (\$74,230 taxable value in FY 2019 and \$78,301 taxable value in 2020) 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 56.1324 percent in Fiscal Year 2020. 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 2019, the City's tax rate would have been \$7.65 per \$1,000 of assessed value instead of \$10.59 in FY 2019.

k. **State Equalization Order/Property Tax Reform.** There was not an equalization order for commercial or industrial property in Fiscal Year 2020. 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% rollback factor was applied in FY 2015 and a 90% 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% 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 2019 State backfill for property tax loss is estimated to be \$1,032,700.**

Elements of the property tax reform passed by the Iowa Legislature in 2013 have created a tremendous amount of uncertainty in the budget process. While the State has committed to provide some funding for the City revenue reductions caused by the decrease in taxable value for commercial and industrial properties, key legislators have been quoted in the media as casting doubt on the reimbursements continuing. **Beginning in FY 2021, it is assumed that the State will eliminate the backfill over a five-year period.**

The projected reduction of State backfill revenue to the general fund is as follows:

Fiscal Year	State Backfill Reduction
2021	-\$206,540
2022	-\$206,540
2023	-\$206,540
2024	-\$206,540
2025	-\$206,540
Total	-\$1,032,700

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, 2019 for applications to be considered for FY 2020. 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, FY 2017 is \$255,857, FY 2018 is \$266,340, and FY 2019 is \$231,603. 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, \$982 in FY 2017, \$959 in FY 2018, and \$843 in FY 2019. Projected at \$929 in FY 2020.

I. Multi-Residential Property Class/Eliminated State Shared Revenue.

Beginning in FY 2017 (July 1, 2016), new State legislation created a new property tax classification for rental properties called multi-residential, which requires a rollback, or assessment limitations order, on multi-residential property which will eventually equal the residential rollback. Multi-residential 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 multi-residential property. The rollback will occur as follows:

Fiscal Year	Rollback %	Annual Loss of Tax Revenue
FY 2017	86.25%	\$ 331,239
FY 2018	82.50%	\$ 472,127
FY 2019	78.75%	\$ 576,503
FY 2020	75.00%	\$ 696,046
FY 2021	71.25%	\$ 614,319
FY 2022	67.50%	\$ 952,466
FY 2023	63.75%	\$ 1,018,664
FY 2024	55.63%	\$ 1,187,123
Total		\$ 5,848,487

*56.13% = Current residential rollback

This annual loss in tax revenue of \$696,046 in FY 2020 and \$1,187,123 from multi-residential 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 \$5,848,487 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)
- Bank Franchise Tax in FY 2005 (-\$145,000)

The combination of the decreased residential rollback, State funding cuts and increased expenses has forced the City's tax rate to increase since 1987 when the citizens passed a referendum to establish a one percent local option sales tax with 50% of the revenue going to property tax relief.

n. **Taxable Value.** FY 2020 will reflect the following impacts of taxable values of various property types:

Property Type	Percent Change in Taxable Value
Residential	+1.95%
Commercial	+1.71%
Industrial	+2.14%
Multi-Residential	-2.96%
Overall	+0.50%*

*Overall taxable value increased 0.50 percent after deducting Tax Increment Financing values

Assessed valuations were increased 2 percent per year beyond FY 2020.

o. **Riverfront Property Lease Revenue.** Riverfront property lease revenue is projected to increase by \$219,765 in FY 2020 due to the new Hodge lease payment effective November 2018 and the first full year in FY 2020.

3. Fees, Tax Rates & Services

p. **Franchise Fees.** Natural Gas franchise fees have been projected to increase 5.5 percent over FY18 actual of \$1,147,459 based on the projected growth. Also, Electric franchise fees have been projected to increase 5.5 percent over FY18 actual of \$3,398,709 based on the projected growth. The franchise fee revenues are projected to increase at an annual rate of 4 percent per year from FY 2021 thru FY 2024.

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

- q. **Property Tax Rate.** 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 2021.
- r. **Police & Fire Protection.** FY 2020 reflects the twelfth year that payment in lieu of taxes is charged to the Water and Sanitary Sewer funds for Police and Fire Protection. In FY 2020, 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.

II. ASSUMPTIONS – REQUIREMENTS

- a. **Pension Systems.** The Municipal Fire and Police Retirement System of Iowa Board of Trustees City contribution for Police and Fire retirement decreased from 26.02 percent in FY 2019 to 24.41 percent in FY 2020 (general fund savings of \$162,007). Also, the Iowa Public Employee Retirement System (IPERS) City contribution is unchanged from the FY2019 contribution rate of 9.44 percent (no general fund impact). The IPERS employee contribution is also unchanged from the FY 2019 contribution rate of 6.29% (which does not affect the City's portion of the budget). The IPERS rate is anticipated to increase 1 percent each succeeding year.
- b. **Collective Bargaining.** Consistent with the already approved collective bargaining agreements for Teamsters Local Union 120, Teamsters Local Union 120 Bus Operators, Dubuque Professional Firefighters Association, and International Union of Operating Engineers, in FY 2020 there is a 1.5% employee wage increase for represented and non-represented employees at a cost of \$550,635 to the General Fund.
- c. **Health Insurance.** The City portion of health insurance expense is projected to decrease from \$1,193 per month per contract to \$903 per month per contract (based on 572 contracts) in FY 2020 (general fund savings of \$1,218,758). 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. In FY 2017, The City went out for bid for third party administrator and the estimated savings has resulted from the new contract and actual claims paid. In addition, firefighters began paying an increased employee health care premium sharing from 10% to 15% and there was a 7% increase in the premium on July 1, 2018. During FY 2019, the City went out for bid for third party administrator for the prescription drug plan and there will be savings resulting from the bid award. Estimates for FY 21-24 have been increased by 5.62 percent per year.
- d. **Sick Leave Payout.** FY 2013 was the first year that eligible retirees with at least twenty years of continuous service in a full-time position or employees who 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 120 sick days, payable bi-weekly over a five-year period. The sick leave payout expense budget in the General Fund in FY 2019 was \$179,120 as compared to FY 2020 of \$188,595, based on qualifying employees officially giving notice of retirement.

- e. **Supplies & Services.** General operating supplies and services are estimated to increase 2% over actual in FY 2018. A 2% increase is estimated in succeeding years.
- f. **Electricity.** Electrical energy expense is estimated to have a 1% increase over FY 2018 actual expense, then 2% per year beyond.
- g. **Natural Gas.** Natural gas expense is estimated to have no increase over FY 2018 actual expense, then 2% per year beyond.
- h. **Travel Dubuque.** The Dubuque Area Convention and Visitors Bureau contract will continue at 50% of actual hotel/motel tax receipts.
- i. **Equipment & Machinery.** Equipment costs for FY 2020 are estimated to decrease 15.5% under FY 2018 budget, then remain constant per year beyond.
- j. **Debt Service.** Debt service is estimated based on the tax-supported, unabated General Obligation bond sale for fire truck and franchise fee litigation settlement.
- k. **Unemployment.** Unemployment expense in the General Fund decreased from \$67,502 in FY 2019 to \$54,286 in FY 2020 based on estimated savings from a change in the administration of the reserve.
- l. **Motor Vehicle Fuel.** Motor vehicle fuel is estimated to increase 7% over FY 2019 budget (+\$158,173), then increase 2.0% per year beyond.
- m. **Motor Vehicle Maintenance.** Motor vehicle maintenance is estimated to decrease 1.4% under FY 2019 budget based on FY 2018 actual, then increase 2.0% per year and beyond.
- n. **Public Transit.** The decrease in property tax support for Transit from FY 2019 to FY 2020 is \$20,512, which reflects decreased expense for health insurance (\$28,982); decrease in workers compensation (\$20,514); decrease in electrical utility (\$17,616); increase in motor vehicle maintenance and diesel fuel (\$65,800); decrease in machinery and equipment (\$212,299) and decreased FTA operating revenue (\$148,416).

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

Fiscal Year	Amount	% Change
2020 Projection	\$1,550,795	-1.31%
2019 Budget	\$1,571,307	-0.10%
2018 Actual	\$1,572,825	34.10%
2017 Actual	\$1,172,885	24.41%
2016 Actual	\$942,752	-13.20%
2015 Actual	\$1,086,080	30.33%
2014 Actual	\$833,302	-20.19%
2013 Actual	\$1,044,171	45.51%
2012 Actual	\$717,611	-33.48%
2011 Actual	\$1,078,726	-7.12%
2010 Actual	\$1,161,393	-7.36%
2009 Actual	\$1,253,638	+17.2%

- o. **Shipping & Postage.** Postage rates for FY 2020 are estimated to increase 1% over FY 2018 actual expense due to postage inventory levels at year-end and proposed cost increases by USPS. A 2.0 percent increase is estimated in succeeding years.
- p. **Insurance.** Insurance costs are estimated to change as follows:
 - o Workers Compensation is decreasing 8.75% based on the Iowa Workers Compensation law changed effective July 1, 2017. This law change reduced the amount of liability employers incur for certain work-related injuries. In addition, the City is making changes to the administration of Workers Compensation reserve.
 - o General Liability is increasing 3.70%.
 - o Damage claims is decreasing 33.71% based on a three year average.
 - o Property insurance is increasing 13.17%.
- q. **Housing.** The Section 8 Housing subsidy payment from the General Fund is estimated to decrease \$89,283 in FY 2020. 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 2020 on the lower number of vouchers held in FY 2019 which has decreased the amount of revenue received by the Section 8 program in FY 2020. The City is in the process of increasing the Section 8 Housing Vouchers back to 1,072.
- r. **CATV Fund.** 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.

Effective June 2020, Mediacom will no longer contribute to the Public, Educational, and Governmental Access Cable Grant (PEG) Fund, and the City will be responsible for all Cable TV equipment replacement costs.

s. **Greater Dubuque Development Corporation.** Greater Dubuque Development Corporation support of \$780,613 is budgeted to be paid mostly from Dubuque Industrial Center Land Sales in FY 2020, with \$100,000 to implement the True North strategy paid from the Greater Downtown TIF. In FY 2021 and beyond Greater Dubuque Development Corporation will be paid from the Greater Downtown TIF and Dubuque Industrial Center West land sales.

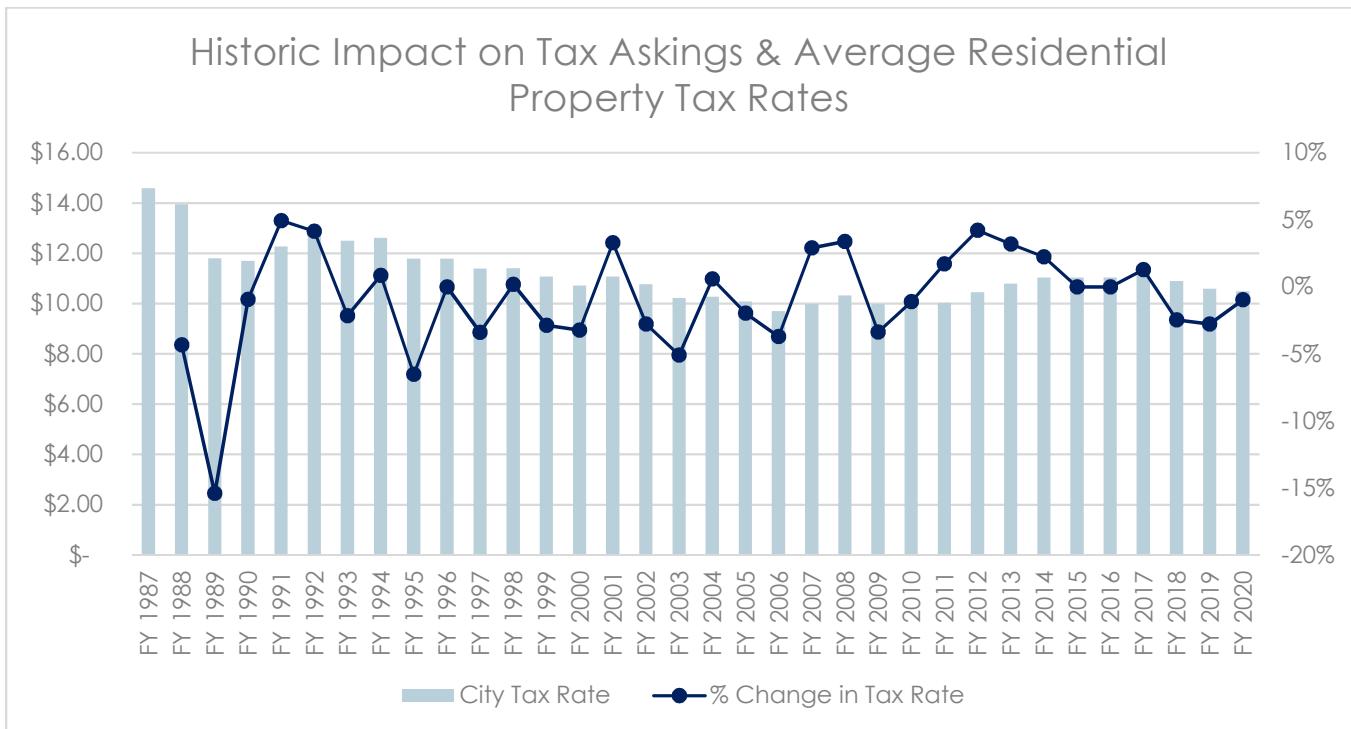
PROPERTY TAX IMPACT

The recommended Fiscal Year 2020 property tax rate decrease of 0.97% will have the following impact:

	FY 2020	% Change	\$ Change
Property Tax Rate	\$10.4856	-0.97%	-\$0.1029
Average Residential Payment	\$770.17	+0.00%	+\$0
Average Commercial Payment	\$3,258.81	-0.59%	-\$ 19.42
Average Industrial Property	\$4,835.02	-0.72%	-\$ 34.88
Average Multi-Residential Property	\$1,763.85	-5.69%	-\$106.36

Historical Impact on Tax Askings and Average Residential Property Tax Rates

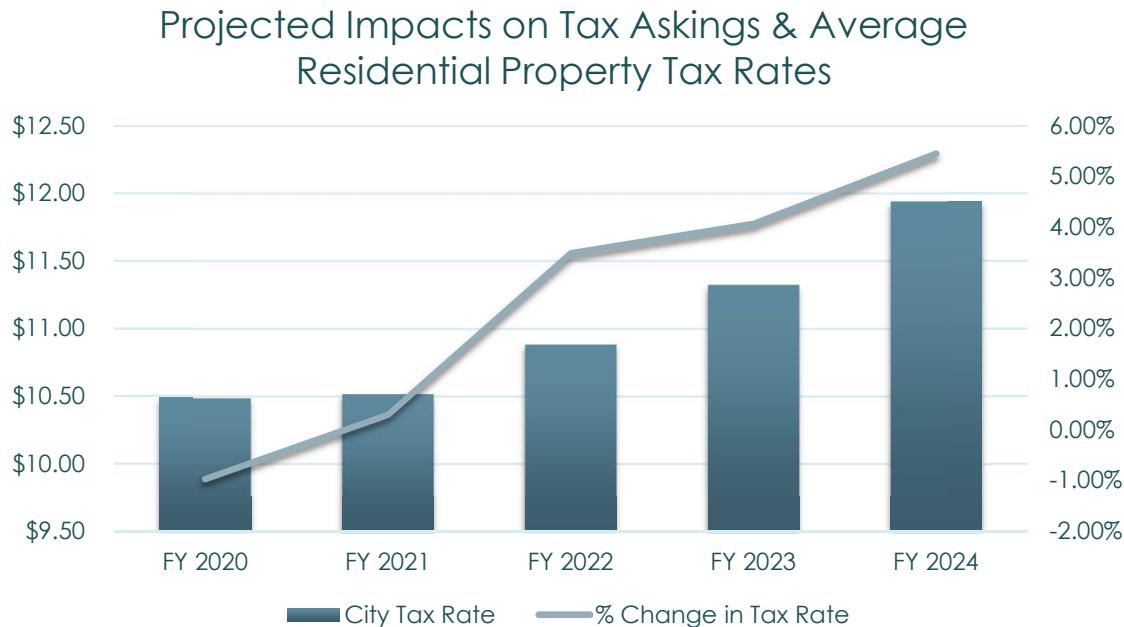
The following is a historical City tax rate comparison. The average percent change in tax rate from 1987 – 2020 is -0.92%.



Historical:

Fiscal year	City Tax Rate	% Change in Tax Rate	Fiscal year	City Tax Rate	% Change in Tax Rate
FY 1987	14.5819		FY 2004	10.273	0.60%
FY 1988	13.95	-4.33%	FY 2005	10.072	-1.96%
FY 1989	11.8007	-15.41%	FY 2006	9.6991	-3.70%
FY 1990	11.6891	-0.95%	FY 2007	9.9803	2.90%
FY 1991	12.266	4.94%	FY 2008	10.3169	3.37%
FY 1992	12.7741	4.14%	FY 2009	9.969	-3.37%
FY 1993	12.4989	-2.15%	FY 2010	9.8577	-1.12%
FY 1994	12.6059	0.86%	FY 2011	10.0274	1.72%
FY 1995	11.7821	-6.54%	FY 2012	10.4511	4.22%
FY 1996	11.7821	0.00%	FY 2013	10.7848	3.19%
FY 1997	11.3815	-3.40%	FY 2014	11.0259	2.23%
FY 1998	11.4011	0.17%	FY 2015	11.0259	0%
FY 1999	11.0734	-2.87%	FY 2016	11.0259	0%
FY 2000	10.716	-3.23%	FY 2017	11.1674	1.28%
FY 2001	11.0671	3.28%	FY 2018	10.8922	-2.46%
FY 2002	10.7608	-2.77%	FY 2019	10.5884	-2.79%
FY 2003	10.212	-5.10%	FY 2020	10.4856	-0.97%

Projected Impacts on Tax Askings and Average Residential Property Tax Rates



Projected:

Fiscal Year	City Tax Rate	% Change in Tax Rate
FY 2020	10.4856	-0.97%
FY 2021	10.5168	+0.30%
FY 2022	10.8831	+3.48%
FY 2023	11.3251	+4.06%
FY 2024	11.9426	+5.45%

IMPACT ON AVERAGE RESIDENTIAL PROPERTY - EXAMPLE

ACTUAL - HISTORICAL		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
	With Homestead Adj.	\$ 493.26	+ 1.54%		+\$ 7.46
FY 2005	"City" Property Tax*	\$ 485.93		+ 0.03%	+\$ 0.14
	With Homestead Adj.*	\$ 495.21	+ 0.40%		+\$ 1.95
FY 2006	"City" Property Tax (1)	\$ 494.27		+ 1.72%	+\$ 8.34
	With Homestead Adj. (1)	\$ 504.62	+ 1.90%		+\$ 9.41
FY 2007	"City" Property Tax*(2)	\$ 485.79		- 1.72%	-\$ 8.48
	With Homestead Adj.*	\$ 496.93	- 1.52%		-\$ 7.69
FY 2008	"City" Property Tax	\$ 496.93		0.00%	\$ 0.00
	With Homestead Adj.	\$ 510.45	+ 2.72%		+\$13.52
FY 2009	"City" Property Tax	\$ 524.53		+ 2.76%	+\$14.08
	With Homestead Adj.	\$ 538.07	+ 5.41%		+\$27.62
FY 2010	"City" Property Tax	\$ 538.07		+ 0.00%	+\$ 0.00
	With Homestead Adj.	\$ 550.97	+ 2.40%		+\$12.90
FY 2011	"City" Property Tax	\$ 564.59		+ 2.47%	+\$13.62
	With Homestead Adj. (3)	\$ 582.10	+ 5.65%		+\$31.13
FY 2012	"City" Property	\$ 611.19		+ 5.00%	+\$29.09
	With Homestead Adj. (3)	\$ 629.78	+ 8.19%		+\$47.68
FY 2013	"City" Property	\$ 661.25		+ 5.00%	+\$31.47
	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
FY 2018	"City" Property	\$ 755.70	+ 0.00%		+\$ 0.00
FY 2019	"City" Property	\$ 770.17	+ 1.92%		+\$ 14.47
Average FY 1989-FY 2019 with Homestead Adj.			+ 1.39%		+\$ 8.32
Average FY 1989-FY 2019 without Homestead Adj.			+ 0.90%		+\$ 5.13

PROJECTION		CITY TAX CALCULATION	PERCENT CHANGE	DOLLAR CHANGE
FY 2020	"City" Property Tax*	\$ 770.17	+0.00%	+\$0.00
FY 2021	"City" Property Tax	\$ 772.47	+0.30%	+\$2.30
FY 2022	"City" Property Tax*	\$ 799.37	+3.48%	+\$26.90
FY 2023	"City" Property Tax	\$ 831.84	+4.06%	+\$32.46
FY 2024	"City" Property Tax	\$ 877.19	+5.45%	+\$45.36

* 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.

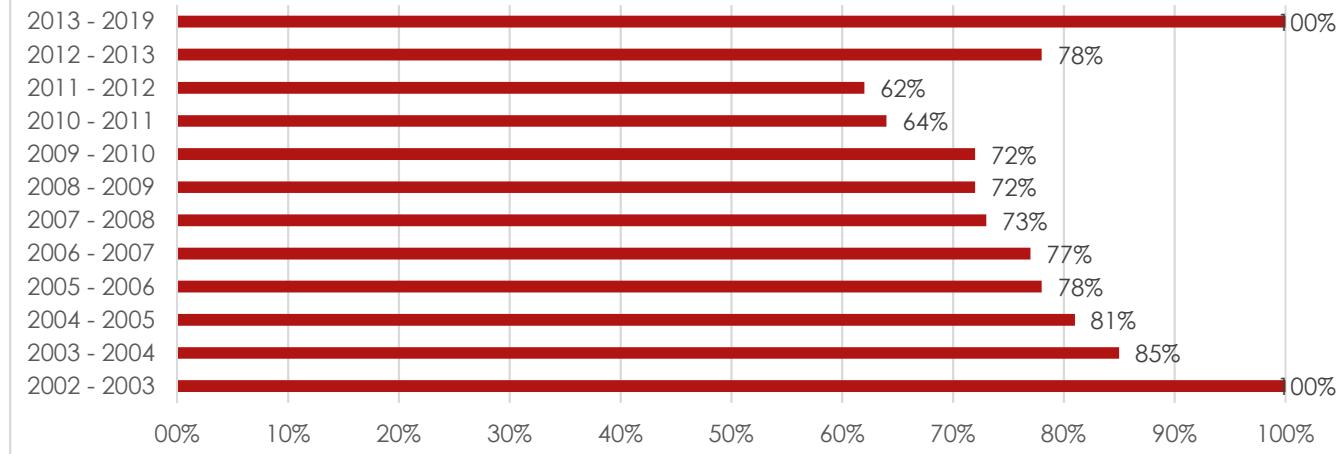
(3) The City adopted a budget in FY 2011 and 2012 that provided no increase to the average homeowner. The State of Iowa underfunded the Homestead Property Tax Credit in both years costing the average homeowner an additional \$18.59 in FY 2012 and \$11.51 in FY 2013. This provided no additional revenues to the City, as this money would have come to the City from the State if they appropriated the proper amount of funds.

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.

Historical Percent of Iowa Homestead Property Tax Credit Funded by State of Iowa



IMPACT ON COMMERCIAL PROPERTY - EXAMPLE

ACTUAL - HISTORICAL		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
FY 2018	"City" Property Tax* (5)	\$3,280.44	-2.50%	-\$ 84.16
FY 2019	"City" Property Tax* (6)	\$3,278.23	-0.07%	-\$ 2.21
Average FY 1989-2019			+ 0.88%	+\$ 25.41

PROJECTED		CITY TAX CALCULATION	PERCENT CHANGE	DOLLAR CHANGE
FY 2020	"City" Property Tax	\$ 3,258.81	- 0.59%	-\$ 19.42
FY 2021	"City" Property Tax*	\$ 3,268.52	+0.30%	+\$ 9.71
FY 2022	"City" Property Tax	\$ 3,382.36	+3.48%	+\$113.84
FY 2023	"City" Property Tax*	\$ 3,519.72	+4.06%	+\$ 137.37
FY 2024	"City" Property Tax	\$ 3,711.64	+5.45%	+\$191.92

* 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 was \$693 and rollback to 90% in FY 2016.
- (4) The Business Property Tax Credit was \$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.
- (5) The Business Property Tax Credit was \$959 and rollback to 90% in FY 2018.
- (6) The Business Property Tax Credit was \$843 and rollback to 90% in FY 2019.

IMPACT ON INDUSTRIAL PROPERTY - EXAMPLE

ACTUAL – HISTORICAL		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
FY 2018	"City" Property Tax* (5)	\$4,917.78	- 2.49%	-\$ 125.58
FY 2019	"City" Property Tax* (6)	\$4,869.91	-0.97%	-\$ 47.87
Average FY 1989-FY 2019			- 1.10%	-\$ 67.91

PROJECTED		CITY TAX CALCULATION	PERCENT CHANGE	DOLLAR CHANGE
FY 2020	"City" Property Tax	\$ 4,835.02	-0.72%	-\$ 34.88
FY 2021	"City" Property Tax*	\$ 4,849.43	+0.30%	+\$14.41
FY 2022	"City" Property Tax	\$ 5,018.33	+3.48%	+\$168.90
FY 2023	"City" Property Tax*	\$ 5,222.14	+4.06%	+\$203.81
FY 2024	"City" Property Tax	\$ 5,506.89	+5.45%	+\$284.75

- (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 was \$693 and rollback to 90% in FY 2016.
- (4) The Business Property Tax Credit was \$982 and rollback to 90% in FY 2017.
- (5) The Business Property Tax Credit was \$959 and rollback to 90% in FY 2018.
- (6) The Business Property Tax Credit estimated to be \$822 and rollback to 90% in FY 2019.

IMPACT ON MULTI-RESIDENTIAL PROPERTY - EXAMPLE

ACTUAL – HISTORICAL		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
FY 2018	"City" Property Tax*	\$2,015.48	-6.71%	-\$144.91
FY 2019	"City" Property Tax*	\$1,870.21	-7.21%	-\$145.26
Average FY 2016-FY 2019			-6.71%	-\$150.69

PROJECTION		CITY TAX CALCULATION	PERCENT CHANGE	DOLLAR CHANGE
FY 2020	"City" Property Tax*	\$ 1,763.85	-5.69%	-\$106.36
FY 2021	"City" Property Tax	\$ 1,680.65	-4.72%	-\$83.20
FY 2022	"City" Property Tax*	\$ 1,647.65	-1.96%	-\$33.00
FY 2023	"City" Property Tax	\$ 1,619.31	-1.72%	-\$28.34
FY 2024	"City" Property Tax	\$ 1,503.56	-7.15%	-\$115.75

Beginning in FY 2017 (July 1, 2016), new State legislation created a new property tax classification for rental properties called multi-residential, which requires a rollback, or assessment limitations order, on multi-residential property which will eventually equal the residential rollback. Multi-residential 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 multi-residential property. The rollback will occur as follows:

Fiscal Year	Rollback %	Annual Loss of Tax Revenue
2017	86.25%	\$ 331,239
2018	82.50%	\$ 472,127
2019	78.75%	\$ 576,503
2020	75.00%	\$ 696,046
2021	71.25%	\$ 614,319
2022	67.50%	\$ 952,466
2023	63.75%	\$ 1,018,664
2024	55.63%	\$ 1,187,123
Total		\$5,848,487

*56.13% = Current residential rollback

This annual loss in tax revenue of \$696,046 in FY 2020 and \$1,187,123 from multi-residential 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 \$5,848,487 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.

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 began 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	Impact on Homeowner**
FY 1989	\$10,918,759	-12.0%	-11.4%
Sales Tax Initiated			
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%
FY 2018	\$25,871,726	-1.9%	+0.0%
FY 2019	\$25,766,328	-0.41	+1.9%
Average FY 1989-2019		+ 1.13%	+0.79%

*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:

Fiscal Year	"City" Property Tax Askings	% Increase in Tax Askings	% / \$ Impact on Avg. Residential Property*
FY 2019	\$25,766,328		
FY 2020	\$26,370,503	+2.3%	+0.00% / +\$0
FY 2021	\$26,616,587	+0.9%	+0.30% / +\$2.30
FY 2022	\$27,711,877	+4.1%	+3.48% / +\$26.90
FY 2023	\$29,014,168	+4.7%	+4.06% / +\$32.46
FY 2024	\$30,692,094	+5.8%	+5.45% / +\$45.36

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 \$265,942.

These guidelines include \$697,351 for recurring and \$478,777 for non-recurring improvement packages.

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 shall make all capital improvements in accordance with an adopted Capital Improvement Program (CIP). If conditions change and projects must be added and/or removed from the CIP, the changes require 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. Examples include 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% 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. Prior to adoption of the formal policy, the City had already been practicing much of the policy, although the formal policy included some new additions. 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, 2019 the City will be at 56.40%. 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.

Bond Financing Stipulations

- 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 is less than \$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.

Debt Service Payments

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, 2019, it is projected the City will be at 16.21%.

Internal Reserve

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. This shall begin 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.

General Obligation Debt

FY 2019 Debt Limit: The FY 2017 assessable value of the community for calculating the statutory debt limit is \$4,430,255,110, which at 5%, indicates a total General Obligation debt capacity of \$212,512,756.

Based on Outstanding G.O. debt (including tax increment debt, remaining payments on economic development TIF rebates, and general fund lease agreement) on June 30, 2019 will be \$129,940,743 (56.40% of the statutory debt limit) leaving an available debt capacity of \$96,572,012 (43.60%). In FY 2018 the City was at 63.42% of statutory debt limit, so 56.40% in FY 2019 is a 7.02 percent decrease in use of the statutory debt limit.

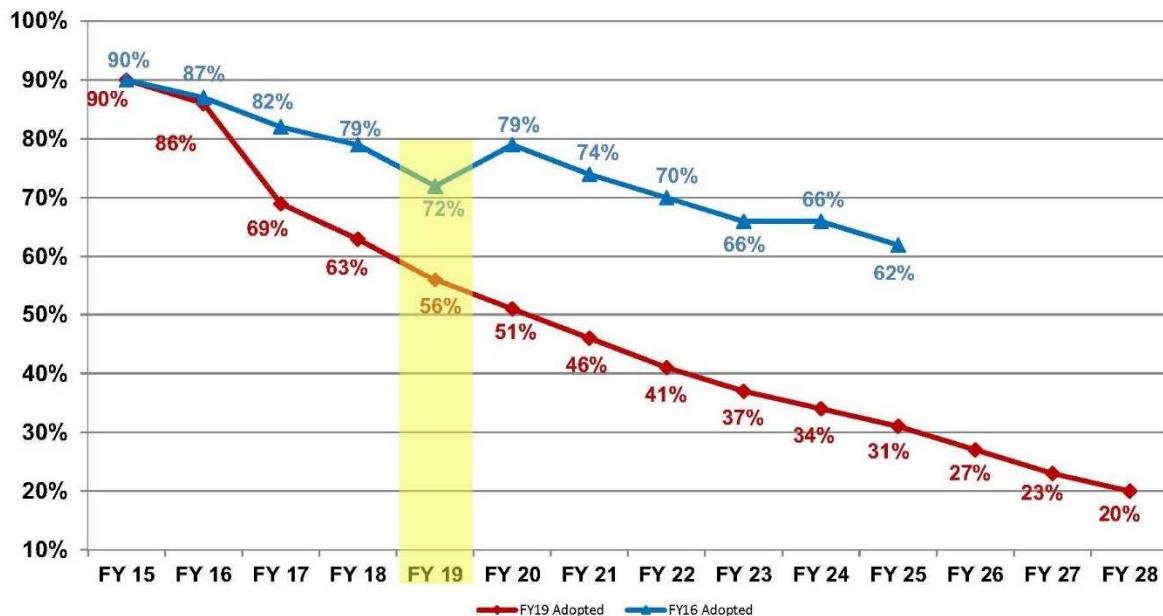
It should be noted that most of the City of Dubuque's outstanding debt is not paid for with property taxes (except TIF), but is abated from other revenues. Exceptions include one issuance for the replacement of a Fire Pumper truck in the amount of \$1,410,000 with debt service of \$87,708 in FY 2019 and one issuance for the franchise fee litigation settlement in the amount of \$2,800,000 with debt service of \$205,306 in FY 2019. Included in the debt

is \$9,640,109 of property tax rebates to businesses creating and retaining jobs and investing in their businesses.

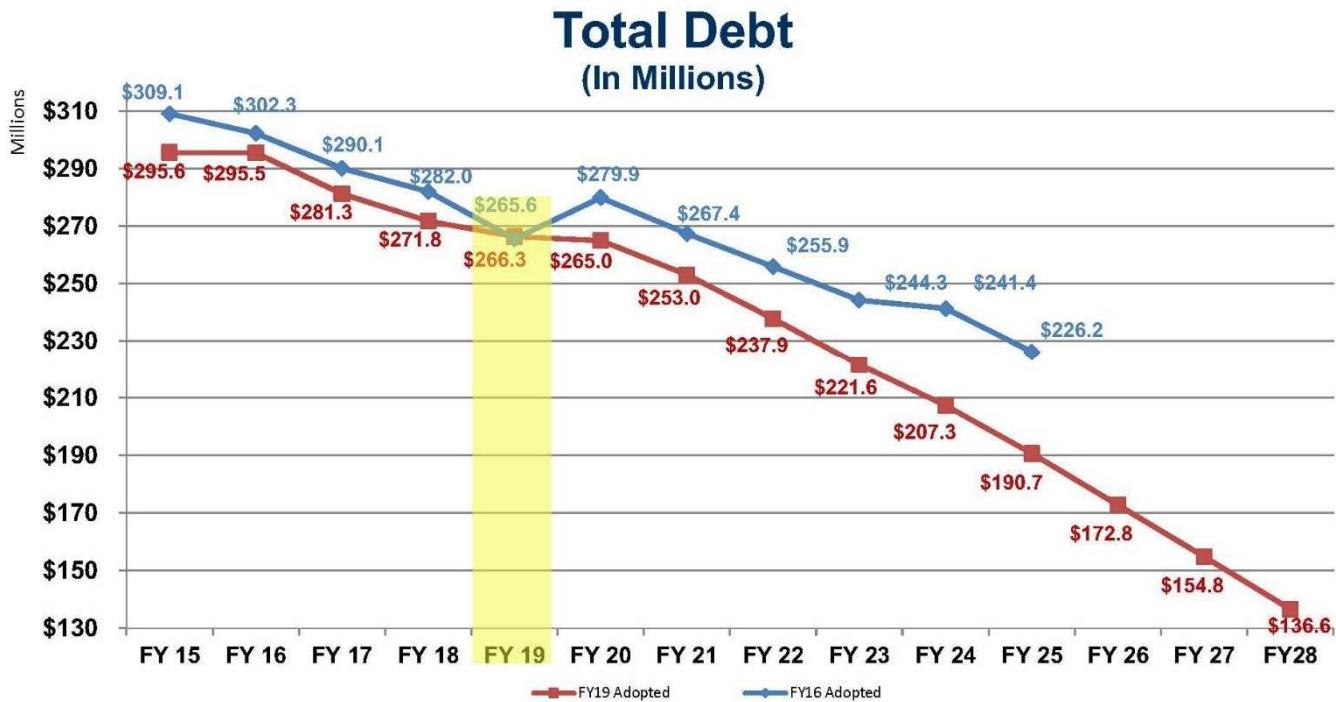
Statutory Debt Limit

Fiscal Year	Statutory Debt Limit	Amount of Debt Subject to Statutory Debt Limit	% Debt Limit Used
2018	\$209,048,707	\$132,575,900	63.42%
2019	\$221,512,756	\$124,940,743	56.40%

Statutory Debt Limit Used (as of June 30th)



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, 2019 will have a balance of \$141,390,905. The total City indebtedness as of June 30, 2019, is projected to be \$266,331,648. The total City indebtedness as of June 30, 2018, was \$271,788,100. **In FY 2019, the City will have a projected \$5,456,452 (-2.0%) less in debt.** The City is using debt to accomplish necessary projects and to take advantage of the attractive 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.

The FY 2020-2024 Capital Improvement Program is currently being reviewed and balanced, so there are no revised Fiscal Year 2020 debt projections yet. **The FY 2019 debt projections do not include any general obligation debt related to the Five Flags Civic Center renovation.**

As we approach the preparation of the FY 2020-2024 Capital Improvement Program (CIP) the challenge 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

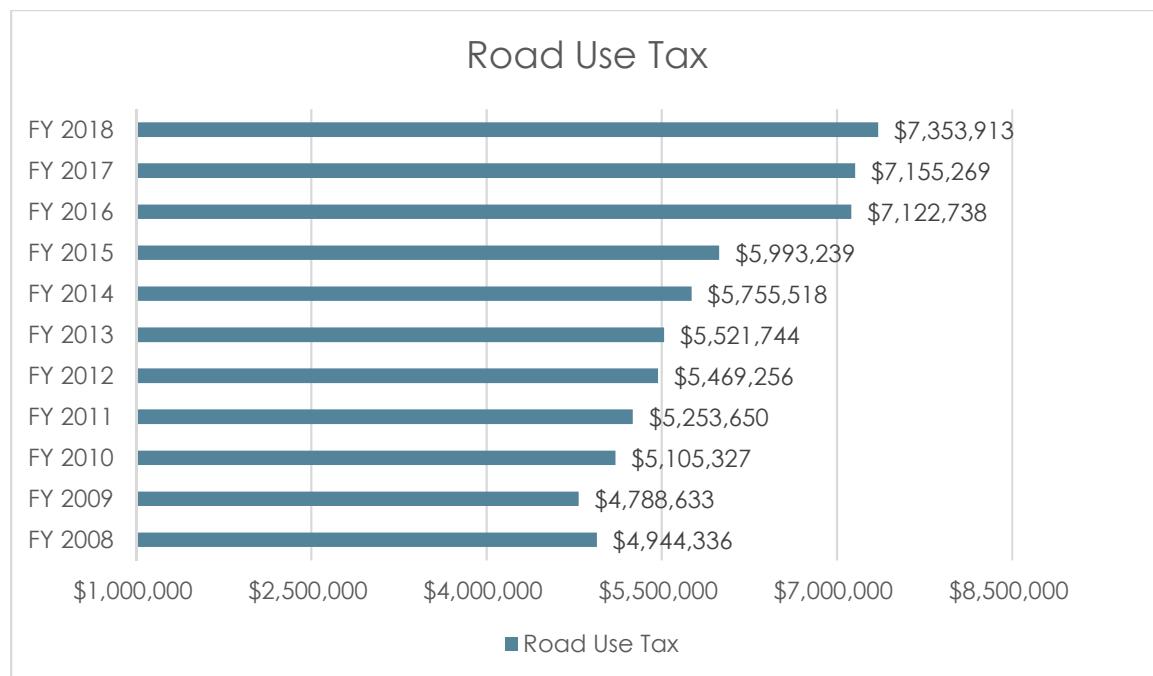
There are many high priority capital improvement projects which must be constructed during the FY 2020-2024 period. The reductions in DRA rent and distribution over the years may impact the need to borrow for projects. As in the past, debt will be required on several major capital projects, including the Bee Branch Watershed Project, Airport Improvements, Park Improvements, Sidewalk and Street Improvements, Sanitary Sewer Fund, Parking Fund, and Water Fund. In FY 2020-2024 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:



The FY 2019 budget was based on receiving \$7,353,339 in Road Use Tax funds. In FY 2019, 100% 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, ensure the Southwest Arterial project continues to move forward and continue with major road improvements such as North Cascade Road, Central Avenue, and White Street.

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

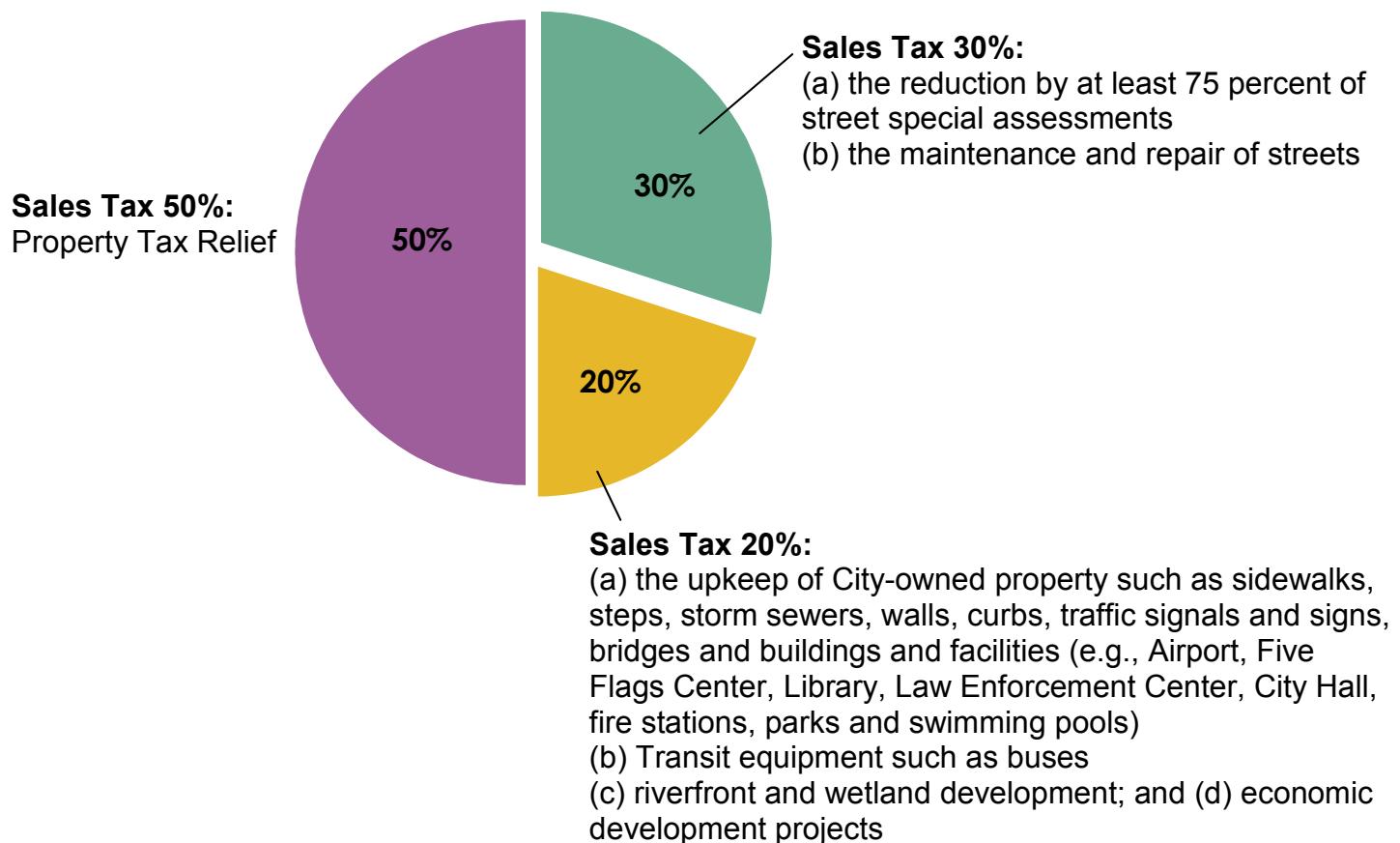
GUIDELINE

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 provides incentives for building rehabilitations.

DD. SALES TAX

GUIDELINE

Sales Tax revenue shall be used according to the following split:



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

DISCUSSION

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, 100% of the February 2020 projections of operating surplus have been anticipated as resources to support the Fiscal Year 2020 capital improvement projects. The estimates received from the DRA will be reduced by 5 percent for FY 2022 resources, 10 percent for FY 2023, and 15 percent for FY 2024 resources, to provide a margin of error in case the estimates are not realized.

GUIDELINE

In Fiscal Year 2020, 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.

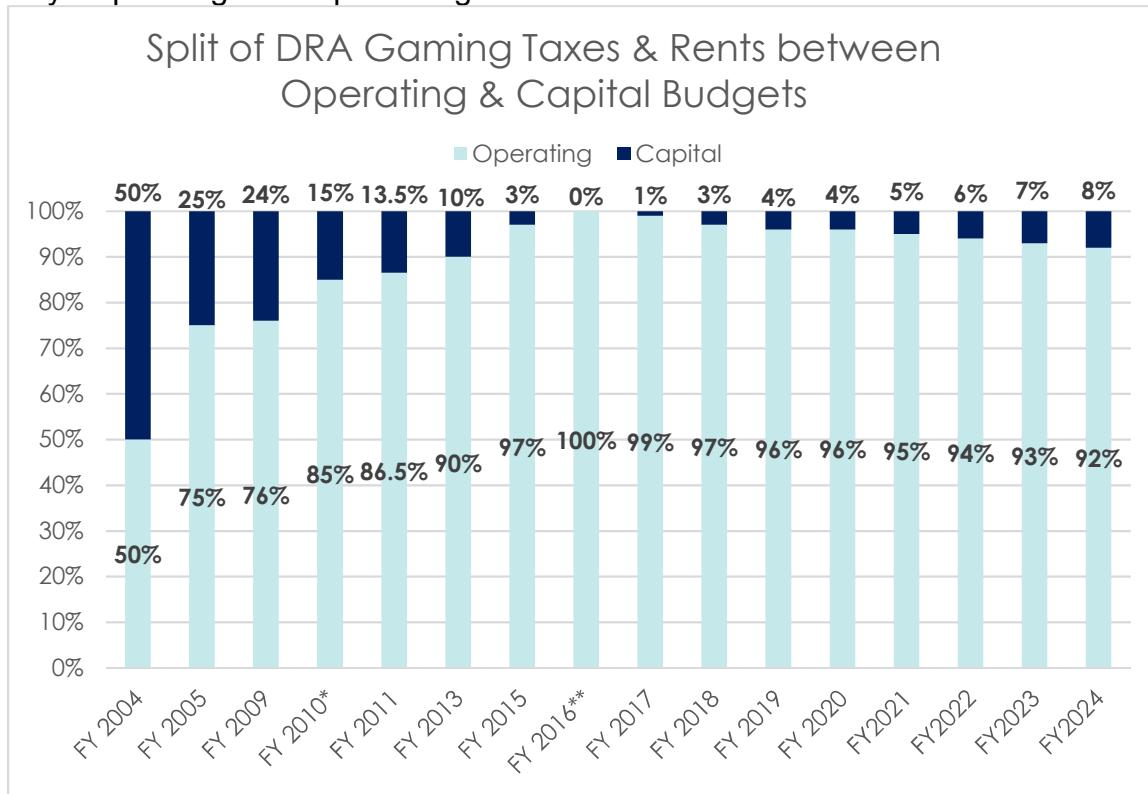
GG. USE OF GAMING-RELATED RECEIPTS

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.

The following shows the historical split of DRA gaming taxes and rents between the City's operating and capital budgets:



Notable Changes:

***FY 2010** 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.

****FY 2016** 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.

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 Q 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. The following chart shows the impact of the reduction of lease payments on the City's five-year projections based on revised projections from the DRA each year:

Fiscal Years	Impact of Revised Five-Year DRA Projections
2009-2013	-\$7,000,000
2010-2014	-\$4,800,000
2011-2015	-\$1,000,000
2012-2016	-\$3,200,000
2013-2017	-\$2,900,000
2014-2018	No Change
2015-2019	-\$3,200,000
2016-2020	-\$3,100,000
2017-2021	-\$1,300,000
2018-2022	-\$1,400,000
2019-2023	+\$308,076
2020-2024	+\$131,141
Total Impact	-\$27.5 million

From FY 2009 thru FY 2024, the City's lease payments have been reduced \$27.5 million.

In Calendar Year 2018, gross gaming revenues at the Q Casino is up 4% and the Diamond Jo is up 1%. Overall, the Dubuque gaming market is up 2.2% for Calendar Year 2018. Q Casino's increase is due to the hotel renovation, new restaurant (Farmhouse), and new gaming product and entertainment mix. The DRA has projected a 1% increase in gross gaming revenue for Calendar Year 2019.

The State of Illinois passed a Video Gaming Act on July 13, 2009 that 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 affects 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 \$9.4 million monthly for the five counties closest to Dubuque and in a direct line with Rockford, IL, which has limited revenue to the gaming market in Dubuque. The Q Casino and Diamond Jo Casino average monthly revenue is \$10.8 million. The number VGT machines have increased by 84% since 2013. The five counties in Illinois had 1037 machines in 2013 and currently have 1906 machines. Currently, Q Casino has 833 Slot Machines and Diamond Jo has 916 for a total of 1,749 or 9% less. This is a similar impact of building approximately two more casinos halfway between Dubuque and Rockford.

The revised DRA gaming projections include minimal growth in revenues over the next five years with a growth rate of 1% in FY 2020 and FY 2021 and a growth rate of 0% in FY 2022 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 \$330,429 in FY 2018 to \$341,750 in FY 2020.