

CITY OF DUBUQUE, IOWA

Fiscal Year 2020-2024 Capital Improvement Program (CIP)

TO: The Honorable Mayor and City Council Members

FROM: Michael C. Van Milligen, City Manager

Attached is the Fiscal Year 2020-2024 Capital Improvement Program (CIP). State law requires that a five-year CIP be adopted by the City Council after a public hearing. The required CIP public hearing will be held March 7, 2019, at the same time as the public hearing on the Fiscal Year 2020 Operating Budget.

The CIP, as the plan for the City's physical development effort, attempts to address a variety of needs that the City must meet if it is to maintain its physical facilities, meet its service commitments and provide for its future development. The CIP recommendation reflects the City's comprehensive plan and the goals and priorities established by the City Council and are shown in each of the State mandated budget program areas.

The Fiscal Year 2020 CIP budget recommendation of \$57,186,070 is a 31.21% increase from the Fiscal Year 2019 CIP budget of \$43,584,986.

For several years, the Mayor and City Council has been taking advantage of the historically low interest rates and investing in City infrastructure and economic development and redevelopment. At the 2015 City Council Goal Setting, the Mayor and City Council adopted debt reduction as a High Priority. This budget recommendation reflects that debt reduction priority.

While the City will issue \$44,941,848 in new debt in the recommended five-year CIP, mostly for fire truck and pumper replacements, fire station expansion, sanitary sewer improvements, additional downtown parking, and maintenance of Five Flags (if there is no referendum or the referendum does not pass), the City will access \$18,868,490 of previously issued state revolving fund loans as the related capital improvement projects progress, for a total of \$63,810,338 of debt in FY 2020-2024. The City will retire \$91,675,928 of existing debt, reducing the amount of City debt by \$27,865,590.

In this budget recommendation, the Mayor and City Council are currently reviewing for Fiscal Year 2020, the use of the statutory debt limit would be 51%, and by the end of the recommended 5-Year Capital Improvement Program (CIP) budget in Fiscal Year 2024, the City of Dubuque would be at 43% of the statutory debt limit. Projections out 10 years to Fiscal Year 2029 show the City of Dubuque at 28% of the statutory debt limit. This is an improvement on the debt reduction plan adopted in August 2015, that first began implementation in Fiscal Year 2016.

In this extremely low interest rate environment, the City had been increasing the use of debt to accomplish the projects that need to be done. To have any success, a community must have a sound infrastructure. The Mayor and City Council has recognized the infrastructure issues Dubuque faces and has been responsive. While there was some criticism of City use of debt to deal with those infrastructure challenges, that criticism fails to recognize that not financing the needed infrastructure maintenance and improvements is also a form of debt that is passed down to future

generations. This was a strategic decision by the City Council realizing that infrastructure investment just gets more expensive over time for these reasons: a) the older a piece of infrastructure gets and the more it is allowed to deteriorate increases costs; b) the longer the wait to invest in infrastructure the costs are increased by inflation; and c) If the investment in infrastructure is not made in this low interest rate environment this investment will eventually need to be made when interest rates are higher, thereby increasing costs. However, beginning in FY 2016 the City Council at their 2015 Goal Setting Session debt reduction was adopted as a High Priority. So the amount of outstanding debt will begin to decrease and going forward the City will be issuing less debt each year than is retired and many projects will become pay-as-you-go.

The debt principal outstanding projected as of June 30, 2019, is currently \$266,142,517. The breakdown of the debt principle outstanding as of June 30, 2019, is as follows:

| Debt Obligation | 6/30/2019 Principle Outstanding |
|---|--|
| General Obligation Essential Corporate Purpose | \$91,695,382 |
| Tax Increment Notes and Bonds | \$19,711,055 |
| Economic Development TIF Rebate Agreements | \$9,467,350 |
| General Fund Leases | \$155,000 |
| Other Revenue-Backed Loans | \$3,722,825 |
| Total Indebtedness Subject to Statutory Debt Limit of \$221,512,756 | \$124,751,612 |
| Percent of Statutory Debt Limit Used as of June 30, 2019 | 56.32% |
| Revenue Bonds | \$120,590,905 |
| Debt Subject to Annual Appropriation | \$20,800,000 |
| Total City Indebtedness as of June 30, 2018 | \$266,142,517 |

The City will issue \$44,941,848 in new debt in the recommended 5-year CIP, mostly for fire truck and pumper replacements, fire station expansion, sanitary sewer improvements, additional downtown parking, and maintenance of Five Flags (if there is no referendum or the referendum does not pass).

| Project | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | Total |
|--|------------|--------------|--------------|--------------|------------|--------------|
| East/West Corridor | \$ 450,000 | \$ 150,000 | | | | \$ 600,000 |
| Vehicle Replacement | \$ 372,420 | \$ 426,522 | \$ 187,201 | | | \$ 986,143 |
| Ladder and Pumper Replacement | \$ 291,667 | | \$ 1,557,550 | | \$ 405,200 | \$ 2,254,417 |
| Jackson Park Restrooms | \$ 250,000 | | | | | \$ 250,000 |
| Catfish & Granger Interceptor | \$ 243,000 | \$ 1,251,000 | \$ 1,940,000 | | | \$ 3,434,000 |
| Replace Snow Equipment | \$ 230,000 | | | | | \$ 230,000 |
| Asset Management Plan | \$ 164,000 | \$ 237,000 | \$ 121,000 | | | \$ 522,000 |
| Rehab Runway Lighting | \$ 156,400 | | | | | \$ 156,400 |
| Cedar and Terminal Mains and Lift | \$ 153,000 | \$ 750,000 | \$ 1,416,000 | \$ 2,260,000 | | \$ 4,579,000 |
| Final Clarifier | \$ 130,000 | \$ 130,000 | \$ 130,000 | \$ 130,000 | | \$ 520,000 |
| Track Line Cleaning & Lining | \$ 100,000 | \$ 187,790 | | | | \$ 287,790 |
| GRC Replace Carpet | \$ 88,000 | | | | \$ 120,000 | \$ 208,000 |
| Replace HVAC Fire Headquarters | \$ 80,000 | \$ 168,924 | \$ 344,605 | | | \$ 593,529 |
| CCTV Inspection | \$ 75,000 | \$ 285,000 | \$ 180,000 | \$ 180,000 | \$ 180,000 | \$ 900,000 |
| Clock Tower Plaza Rehab | \$ 33,000 | \$ 67,000 | | | | \$ 100,000 |
| Central-White 2-Way Conversion Study | \$ 20,000 | | | | | \$ 20,000 |
| Chavenelle Road Rehab | | \$ 2,700,000 | | | | \$ 2,700,000 |
| Development of McFadden Farm | | \$ 2,616,995 | | | | \$ 2,616,995 |
| Sanitary Sewer Ext Existing Developments | | \$ 600,000 | \$ 1,200,000 | | \$ 231,786 | \$ 2,031,786 |
| E 12th and Elm Parking Lot | | \$ 589,000 | | | | \$ 589,000 |
| River Dock Expansion | | \$ 462,500 | | | | \$ 462,500 |
| ABC Building Demo | | \$ 417,000 | | | | \$ 417,000 |
| Federal Building Renovation | | \$ 391,800 | | | | \$ 391,800 |
| Auburn and Custer Sewer | | \$ 316,400 | | | | \$ 316,400 |

| Project | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | Total |
|--------------------------------------|---------------------|----------------------|---------------------|---------------------|----------------------|----------------------|
| Riverfront Leasehold Improvements | | \$ 301,700 | | | | \$ 301,700 |
| Stone Retaining Walls - Lowell St | | \$ 290,400 | | | | \$ 290,400 |
| Jackson Park Amenities | | \$ 250,000 | | | | \$ 250,000 |
| General Ledger Software | | \$ 250,000 | \$ 750,000 | | | \$ 1,000,000 |
| Central Avenue Corridor Initiative | | \$ 240,000 | | | | \$ 240,000 |
| Heeb Street | | \$ 230,000 | | | | \$ 230,000 |
| Entrance Sign Regrading and Lighting | | \$ 216,138 | | | | \$ 216,138 |
| Center Place Alley Sewer Rehab | | \$ 110,000 | \$ 300,000 | | | \$ 410,000 |
| Central Streetscape Implementation | | \$ 100,500 | | | | \$ 100,500 |
| Hempstead Sanitary Sewer | | \$ 30,000 | \$ 250,000 | | | \$ 280,000 |
| Street Light Installation | | \$ 12,000 | | | \$ 150,000 | \$ 162,000 |
| Five Flags Improvements | | | | | \$ 4,800,000 | \$ 4,800,000 |
| Fire Station Expansion Relocation | | | | \$ 806,000 | \$ 3,131,400 | \$ 3,937,400 |
| Locust St Ramp Rebuild | | | | | \$ 3,000,000 | \$ 3,000,000 |
| Southfork Interceptor Sewer | | | | \$ 34,181 | \$ 533,819 | \$ 568,000 |
| 7th Street Extension to Pine | | | | | \$ 400,000 | \$ 400,000 |
| Cooper Place and Maiden Lane Sewer | | | | \$ 30,000 | \$ 300,000 | \$ 330,000 |
| Phosphorus Removal | | | | | \$ 300,000 | \$ 300,000 |
| Arena Roof A/C Replacement | | | | | \$ 225,000 | \$ 225,000 |
| Rehab Taxiway A | | | | \$ 525,000 | | \$ 525,000 |
| Twin Ridge Lagoon Abandonment | | | \$ 465,000 | | | \$ 465,000 |
| Perry & Bradley St Force Main Improv | | | | \$ 260,000 | | \$ 260,000 |
| High Strength Storage | | | \$ 522,155 | \$ 961,795 | | \$ 1,483,950 |
| Total New Debt | \$ 2,836,487 | \$ 13,777,669 | \$ 9,363,511 | \$ 5,186,976 | \$ 13,777,205 | \$ 44,941,848 |

In addition, the City will access \$18,868,490 of previously issued state revolving fund loans as the related capital improvement projects progress. The draw down on these previously issued loans is as follows:

| Project | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | Total |
|---|----------------------|---------------------|---------------------|-------------|-------------|---------------------|
| Sanitary Kerper Boulevard SRF | \$ 1,390,000 | | | | | \$ 1,390,000 |
| Stormwater Upper Bee Branch & Sponsor SRF | \$ 247,668 | \$ 247,664 | | | | \$ 495,332 |
| Stormwater Flood Mitigation Project SRF | \$ 9,000,000 | \$ 1,820,958 | | | | \$10,820,958 |
| Water Roosevelt Water Tower SRF | \$ 2,982,200 | | | | | \$ 2,982,200 |
| Water CIWA Purchase & Improvements | \$ 1,090,000 | \$ 1,060,000 | \$ 1,030,000 | | | \$ 3,180,000 |
| Total Draw Downs | \$ 14,709,868 | \$ 3,128,622 | \$ 1,030,000 | \$ — | \$ — | \$18,868,490 |

The City will retire \$91,675,928 of existing debt over the next five-years (FY20-FY24).

The following chart shows the net reduction of debt from Fiscal Year 2020 - Fiscal Year 2024:

| Project | FY 2020 | FY 2021 | FY 2022 | FY 2023 | FY 2024 | Total |
|----------------------------------|------------------|---------------------|---------------------|----------------------|---------------------|----------------------|
| New Debt | \$ 2,836,487 | \$ 13,777,669 | \$ 9,363,511 | \$ 5,186,976 | \$ 13,777,205 | \$ 44,941,848 |
| Previously Issued SRF Draw Downs | \$ 14,709,868 | \$ 3,128,622 | \$ 1,030,000 | \$ — | \$ — | \$ 18,868,490 |
| Retired Debt | -\$17,618,998 | -\$18,014,968 | -\$17,320,037 | -\$18,868,537 | -\$19,853,388 | -\$91,675,928 |
| Net Debt Reduction | -\$72,643 | -\$1,108,677 | -\$6,926,526 | -\$13,681,561 | -\$6,076,183 | -\$27,865,590 |

There was a 2.78% increase in assessed value effective January 1, 2018, which is the assessment the Fiscal Year 2020 statutory debt limit is based on. The statutory debt limit effective June 30, 2020 is \$227,661,474. **The City will be at 51.14% of statutory debt limit by June 30, 2020.** In Fiscal Year 2016 the City was at 86.13% of statutory debt limit, so **51.14% in Fiscal Year 2020 is a -34.99% decrease in use of the statutory debt limit.**

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

| FY 10 | FY 11 | FY 12 | FY 13 | FY 14 | FY 15 | FY 16 | FY 17 | FY 18 | FY 19 |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| 54.38% | 64.14% | 69.69% | 84.31% | 83.87% | 89.89% | 86.13% | 69.47% | 63.42% | 56.32% |

The five year projection of the City's use of the statutory debt limit from Fiscal Year 2020–2024 including all planned debt issuances subject to the statutory limit and assuming a 2% growth in the City's assessed valuation beginning in Fiscal Year 2020 is as follows:

| FY 20 | FY 21 | FY 22 | FY 23 | FY 24 |
|--------|--------|--------|--------|--------|
| 51.14% | 50.04% | 46.56% | 42.50% | 42.77% |

The following chart shows Dubuque's relative position pertaining to use of the statutory debt limit for Fiscal Year 2020 compared to the other cities in Iowa for Fiscal Year 2018 with a population over 50,000:

Fiscal Year 2018 Legal Debt Limit Comparison for Eleven Largest Iowa Cities

| Rank | City | Legal Debt Limit (5%) | Statutory Debt Outstanding | Percentage of Legal Debt Limit Utilized |
|----------|-----------------------|-----------------------|----------------------------|---|
| 11 | Des Moines | \$ 569,816,717 | \$ 416,130,930 | 73.03% |
| 10 | Sioux City | \$ 213,569,727 | \$ 144,100,000 | 67.47% |
| 9 | Davenport | \$ 330,626,114 | \$ 211,165,000 | 63.87% |
| 8 | Waterloo | \$ 191,406,282 | \$ 108,225,490 | 56.54% |
| 7 | Cedar Rapids | \$ 518,039,169 | \$ 271,585,000 | 52.43% |
| 6 | Ankeny | \$ 245,580,138 | \$ 126,830,000 | 51.65% |
| 5 | W. Des Moines | \$ 359,449,675 | \$ 184,720,000 | 51.39% |
| 4 | Dubuque (FY20) | \$ 227,661,474 | \$ 116,425,803 | 51.14% |
| | Dubuque (FY24) | \$ 246,428,101 | \$ 105,406,783 | 42.77% |
| 3 | Ames | \$ 209,227,522 | \$ 65,480,000 | 31.30% |
| 2 | Council Bluffs | \$ 241,950,558 | \$ 68,725,096 | 28.40% |
| | Dubuque (FY29) | \$ 272,076,536 | \$ 76,004,423 | 27.93% |
| 1 | Iowa City | \$ 274,723,837 | \$ 66,945,000 | 24.37% |