



TO: Michael C. Van Milligen, City Manager
FROM: Jennifer Larson, Budget Director
SUBJECT: Amended Fiscal Year 2020 Budget Recommendation
DATE: March 5, 2019

The Fiscal Year 2019 budget process began in the Spring of 2018, and by state law the Mayor and City Council must adopt the budget no later than March 15, 2019, for the fiscal year that begins July 1, 2019.

The milestones of this budget process include:

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|------------------------------------|---|
| June 4-5
and
August 15, 2018 | Professional facilitator Lyle Sumek met with Department Managers to discuss what had been accomplished over the last year and what might be considered by the Mayor and City Council going forward. |
| August 13-15, 2018 | Professional facilitator Lyle Sumek met with the Mayor and City Council in the annual three-day strategic planning session to establish the City Vision and Mission Statement, determine the 5-year goals, and the current priorities around which the Fiscal Year 2020 budget recommendation would be developed. |
| Summer 2018 | The results of the Mayor and City Council annual strategic planning session was shared with City staff and City Boards and Commissions as Department Managers developed budget requests to be submitted to the City Manager in the Fall of 2018. |
| September 18, 2018 | City of Dubuque launched a new interactive budget simulation tool called Balancing Act at City Expo. 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. A total of 345 community members attended the budget presentations.

- November 14, 2018 City Manager holds public input session showing the results of the Mayor and City Council Strategic Planning Session and seeking resident input on what should be in the City Manager's Fiscal Year 2020 budget recommendation to the Mayor and City Council.
- Fall 2018 The City Manager, Budget Director Jennifer Larson and Senior Budget Analyst Rachel Kilburg meet with each Department Manager to review their budget requests for the operating and capital budgets, including any improvement packages.
- December 17, 2018 At a regularly-scheduled City Council meeting, the Mayor and City Council adopt the Fiscal Year 2019 Budget Guidelines as recommended by Budget Director Jennifer Larson through the City Manager.
- February 4, 2019 The City Manager submits the Fiscal Year 2019 budget recommendation to the Mayor and City Council for consideration.
- February 7, 2019
February 11, 2019
February 13, 2019
February 21, 2019
February 25, 2019
February 27, 2019 The Mayor and City Council meet with the Department Managers in public meetings to discuss the City Manager's budget recommendation and to decide if the recommendation meets the Goals and Priorities established by the Mayor and City Council in August 2018. At each of these six sessions, the public is also invited to present information for City Council consideration.
- February 25, 2019 The Long Range Planning Advisory Commission reviews the City Capital Improvement Program budget and offers an opinion if they believe it is consistent with the City Comprehensive Plan and that information is provided to the Mayor and City Council.
- March 7, 2019 The Mayor and City Council hold a public hearing on the Fiscal Year 2019 budget recommendation, including an opportunity for additional citizen input and a discussion of individual items the Mayor and City Council have held out during the process for further review. The City Manager may or may not submit an amended budget recommendation at this point and, this year, there is this amended budget recommendation.

There have been several changes that have resulted in an Amended Fiscal Year 2020 Budget Recommendation.

Diamond Jo Casino Parking Lease

A review of the Peninsula Gaming LLC and City of Dubuque, Iowa lease agreement and the monthly payments has found that Diamond Jo has inadvertently not included the annual cost of living (COL) adjustment as required. Beginning in July 1, 2010, monthly payments were to be adjusted based on the Consumer Price Index – All Urban Consumers – US City Average, as published by the US Department of Labor, Bureau of Statistics. The annual COL adjustment was not done.

Diamond Jo unintentionally underpaid the lease agreement by \$350,596.04. Five percent (5%) interest has been added each year to the unpaid balance and amounts to \$62,303.14.

The Diamond Jo paid the outstanding balance of the lease agreement and the outstanding interest.

A portion (\$350,596) of this one-time unbudgeted lease revenue has been committed to various projects in Fiscal Year 2019 subject to budget amendment approval by City Council in April 2019. However, \$62,303 of the one-time unbudgeted lease revenue is available to fund additional requests in the Fiscal Year 2020 budget.

The impact to the Fiscal Year 2020 budget recommendation is an increase in one-time revenue of \$62,303.

Lead Based Paint Hazard Reduction and Healthy Homes Grant

During Fiscal Year 2019, the City of Dubuque was awarded \$2,999,968 in Lead Based Paint Hazard Reduction grant program funding and \$581,000 in Healthy Homes Supplemental funding. The City of Dubuque will address lead hazards in 120 housing units providing safer homes for low and very low-income families with children. The City will also perform healthy homes assessments.

The City staffing for the Lead Based Paint Hazard Reduction and Healthy Homes grant will utilize a portion of three existing staff members as well as recruiting two Lead Inspectors and a Housing Financial Specialist for the program. The existing HUD Resiliency Coordinator will be allocated 75% to the Lead Program as Grants Project Manager. In addition, an existing General Housing Specialist will be allocated 20% to the Lead Program as a Co-Director of the grant and an existing Grant Accountant for the HUD Resiliency grant will be allocated 20% to the Lead Program as Grant Administrator. The use of the three existing staff members for administration of the Lead Program will create \$36,777 in general fund savings.

The impact to the Fiscal Year 2020 budget recommendation is a reduction in general fund costs of \$36,777.

Gaming Revenue

In Calendar Year 2018, gross gaming revenues at the Q Casino was up 4.3% as compared to Calendar Year 2018 budget. 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.

Based on the revised projections from the Dubuque Racing Association (DRA), the City of Dubuque will receive approximately \$95,215 in additional rent revenue in Fiscal Year 2019.

The impact to the Fiscal Year 2020 budget recommendation is a one-time increase in revenue of \$95,215.

Total Reduction in Costs and Increases in Revenue

The total reduction in costs and increases in revenue from the original budget recommendation is \$194,295.

The following are the issues the Mayor and City Council have voted to hold out for further review at this March 7 public hearing and other issues identified by City staff:

Housing and Community Development Full-Time Inspector I Position –Modified

Recommended funding to add an additional full-time Inspector I position for General Inspections. The original improvement package request for the Housing and Community Development full-time Inspector I position did not include a dwelling/rooming unit licensing fee increase or creation of a new reinspection fee (Attachment 1). This request has been revised to include the dwelling/rooming unit licensing fee increase of \$5, change in initial inspections to be free (previously \$50), and creation of a new reinspection fee for the first reinspection of \$85 which will fund a portion of the recurring cost of the full-time General Housing Inspector (\$44,685), with the remainder of recurring cost funded by increased inspections, court costs, and fine revenue (\$40,356) resulting from an additional inspector. The dwelling/rooming unit licensing fee increase, and creation of the new reinspection fee will also reduce the amount of Community Development Block Grant funds used to subsidize rental inspections in FY 2020 (\$56,880). The fiscal year allocation for CDBG funding has not been received by the city, and therefore the CDBG budget is only a projection of resources available. Implementing the above fee changes allows the code enforcement division to be closer to 91% self-sustaining and will free up CDBG resources to be used in other community development activities if the allocation of funds is not reduced from the current budget projections. The non-recurring cost of the position (\$24,587), which includes a mid-sized car, computer, tablet and smartphone, will be funded by additional resources in the general fund. A memo from Housing Director Alexis Steger is attached explaining the dwelling/rooming unit licensing fee increase and the reinspection fee (Attachment 2).

The impact of the Fiscal Year 2020 budget recommendation is an increase in cost of \$109,628 and an increase in revenue of \$85,041 with a net property tax impact of \$24,587.

City Clerk Sister City Program Strategic Marketing Funds

Recommended funding to increase allocation to the Sister City Program by \$3,500. Historically, this budget has been for \$5,000 plus the cost of membership dues to Sister Cities International. Per the annual agreement with Travel Dubuque, the City retains \$1,000 plus the dues expense with the balance being paid to Travel Dubuque to cover program costs. The Travel Dubuque staff and Committee members are putting forth a strategic marketing effort that will allow for growth with community and corporate partners to provide a better understanding of the Sister City Committee and the benefits of having Sister Cities. By allocating additional funds to this marketing strategy, more dollars can be leveraged to help grow the overall mission and vision of the Committee and implement identified strategies (Attachment 3).

The impact of the Fiscal Year 2020 budget recommendation is an increase in cost of \$3,500.

Information Services Microsoft Office 365 Training for City Employees - Modified

Recommended funding for customized Microsoft Office 365 training for City employees. The improvement package originally submitted only covered Microsoft Excel (attachment 4); however, based on additional needs of overall Microsoft Office 365 training for City employees, this funding request has been expanded to include the entire Microsoft Office 365 application suite (SharePoint, Outlook, Excel, Word, OneDrive, PowerPoint, OneNote, and Teams).

The impact of the Fiscal Year 2020 budget recommendation is an increase in cost of \$57,500.

Police Department Alcohol Compliance Checks

Recommended funding for alcohol compliance checks in the City. The Dubuque Police Department has actively done alcohol compliance checks since the 1990's under various grants. The most recent funding was supplied by Enforcing Underage Drinking Laws (EUDL) through Helping Services of Northeast Iowa as the grant recipient. However, that funding source expired approximately five years ago and is no longer available. The department continued to do alcohol compliance checks at the same time as tobacco compliance checks, which are funded by the Iowa Alcoholic Beverages Division, until approximately a year ago when it was determined that the tobacco grants prohibited combined checks. Compliance checks are done utilizing plain clothed officers and youth compliance workers who act as patrons. Officers observe the interaction between the youth monitor and employees as they attempt to purchase alcohol. The youth monitors present their real identification cards if asked, and no attempts are made to conceal their real age. If a violation occurs, the officer cites the person who sold the alcohol. The business is informed of the violation and receives a notice of its civil penalty in subsequent weeks. Funding requested includes hourly payroll for part time youth compliance workers, overtime for police officers, and investigative funds used for purchasing alcohol and/or other secondary products, such

as small food items appropriate for purchase with alcohol. While crimes such as Operating While Intoxicated (OWI) and Public Intoxication are the obvious result of alcohol use, other crimes ranging from simple criminal mischief up to serious assaults can also be the result of alcohol use. Underage drinking continues to be a problem nationwide, and compliance checks are one method to identify businesses that sell to minors. Alcohol compliance supports the prevention of accidents, injuries and other crimes, but requires additional efforts beyond scheduled hours and responsibilities. (Attachment 5).

The impact of the Fiscal Year 2020 budget recommendation is an increase in cost of \$17,109.

Five Flags Metal Detectors and Wands Capital Improvement Project

Recommended funding for 12 metal detecting wands with cases and 8 walk-through metal detectors. During the Department of Homeland Security survey of the facility, metal detectors were high on the priority list for helping ensure Five Flags' patrons' safety. Metal detectors are the best way to ensure weapons aren't brought in to the facility and walk-through units will help to reduce security screening times during high volume ingress. Certain entertainers are now requiring metal detectors in their contracts to play at the Arena. These multi-zone units would be able to be used at other city facilities or community events with a need for increased security measures. SMG has special pricing incentives through their preferred vendor system for these types of detecting units. (Attachment 6).

The impact of the Fiscal Year 2020 budget recommendation is an increase in cost of \$65,048.

City Manager's Office Management Intern (ICMA Fellow) - Modified

Recommended funding to upgrade the Management Intern/Fellow position from part-time (0.60 FTE) to full-time (1.00 FTE) effective July 1, 2019 instead of January 1, 2020 (Attachment 7). This change is requested to coincide with the hiring cycle of the ICMA Local Government Management Fellow program. Fellows are hired following the completion of their Master's in Public Administration (MPA) degree, and typically start their fellowship around June 1. Delaying the hire to January 1, 2020, as initially recommended, would in effect delay the hire until June 1, 2020. In order to coincide with the 2019 graduation and hiring cycle, a budget amendment to allocate additional funding in Fiscal Year 2019 will be recommended to City Council in April 2019, which would allow the fellow to start June 1, 2020.

The impact of the Fiscal Year 2020 budget recommendation is a net increase in property tax cost of \$26,497.

Recommendation

The total increase in property tax related costs is \$194,241. The net property tax impact of this amended budget recommendation is an increase of \$54 in revenue over the impact of costs.

The City cannot exceed the amount published for the estimated total tax levy rate per \$1,000 valuation on regular property and the City cannot exceed the amount published for planned expenditures in each of the nine program areas in the final adopted budget. The nine program areas defined by the State for reporting purposes include: Public Safety, Public Works, Health and Social Services, Culture and Recreation, Community and Economic Development, General Government, Debt Service, Capital Projects and Business-Type Activities. The City must assign their various cost centers to one of these programs based on reporting guidelines prepared by the Iowa Department of Management.

When the expenses for the estimated budget was prepared for the notice of public hearing for the Fiscal Year 2020 budget, there was \$100,000 added in expenses to the Public Safety state program, \$100,000 added in expenses to the Public Works state program, \$100,000 added to the Health and Social Services state program, \$100,000 added to the Culture and Recreation state program, \$100,000 added to the Community and Economic Development state program, \$100,000 added to the General Government state program, and \$100,000 to Business-Type Activities state program to add flexibility if additional expenses were to be added prior to the budget being adopted for Fiscal Year 2020. The total amount of additional expense requested to be added for the Housing and Community Development Department is \$109,628, which exceeds the total published for the Community and Economic Development program area by \$9,628. Only \$100,000 of the additional cost for the Housing and Community Development Department could be included in the Fiscal Year 2020 adopted budget, the remaining \$9,628 would need to be included in the first amendment to the Fiscal Year 2020 budget. In addition, the Five Flags Metal Detectors and Wands Capital Improvement Project would need to be included in the first amendment to the Fiscal Year 2020 budget.

I am pleased to inform you that if you approve this amended Fiscal Year 2020 budget recommendation with a property tax rate of \$10.33, which is more than the property tax rate decrease of 0.97% approved as part of the Budget Guidelines by the City Council on December 17, 2018. The Budget Guidelines reported a residential rollback of 56.1324% but the actual residential rollback is 56.9180%. This increase in rollback increases the taxable value for residential. This required a lower property tax rate to keep the average residential property at no property tax increase.

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

The City Council adopted a guideline of a property tax decrease for the average commercial property of 0.59%. This recommendation would provide a 1.48% decrease.

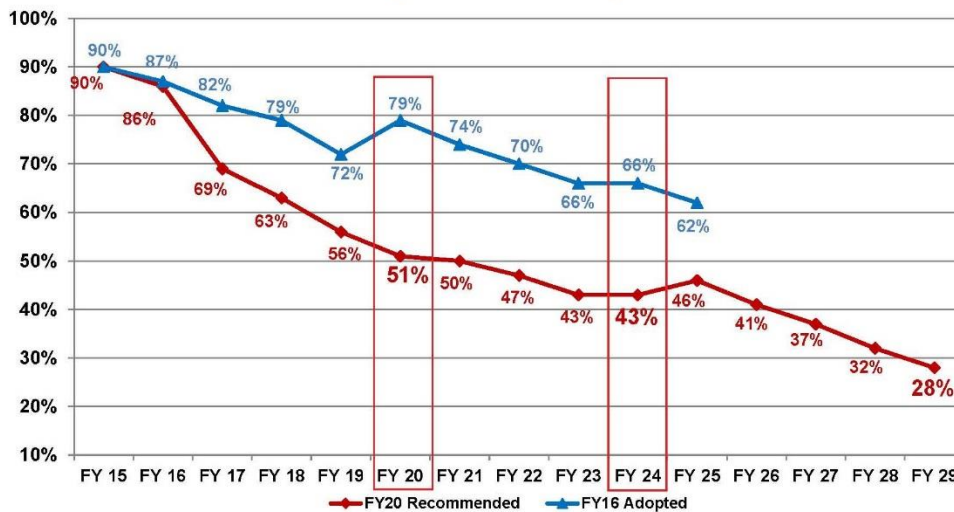
The City Council adopted a guideline of a property tax decrease for the average industrial property of 0.72%. This recommendation would provide a decrease of 1.79%.

The City Council adopted a guideline of a property tax decrease for the average multi-residential property of 5.69%. This recommendation would provide a decrease of 7.07%.

In addition, in August 2015 the Mayor and City Council adopted as a priority a debt reduction plan.

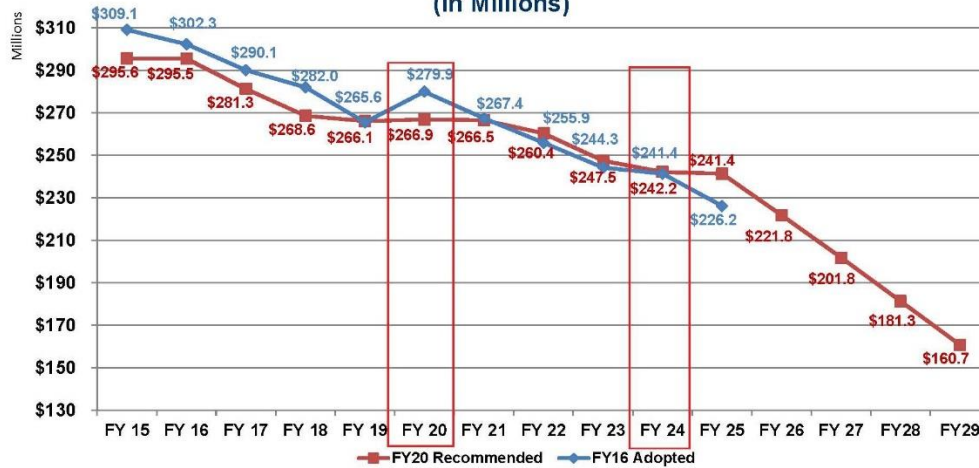
The City would be retiring more debt each year going forward than is being issued. In Fiscal Year 2016 the City was at 87% of the statutory debt limit. Previously in Fiscal Year 2024, the end of the current five-year capital improvement plan, the City was projected to be at 66% of the statutory debt limit. Should the City Council accept this new recommended plan, the City would be at 43% of the statutory debt limit in Fiscal Year 2024, the end of the recommended five-year capital improvement plan. By Fiscal Year 2029 the City would be at 28% of the statutory debt limit.

**Statutory Debt Limit Used
(as of June 30th)**



In Fiscal Year 2019 the City is at \$266.1 million in debt. Previously, in Fiscal Year 2024, the end of the current five-year capital improvement plan, the City was projected to have \$241.4 million in debt. Should the City Council accept this new recommended plan, the City would have \$242.2 million in debt in Fiscal Year 2024, the end of the recommended five-year capital improvement plan. By Fiscal Year 2029 the City would have debt of \$160.7 million.

Total Debt (In Millions)



The City maintains a general fund reserve, or working balance, to allow for unforeseen expenses that may occur. Moody's Investor Service recommends a 20% General Fund Operating Reserve for "AA" rated cities.

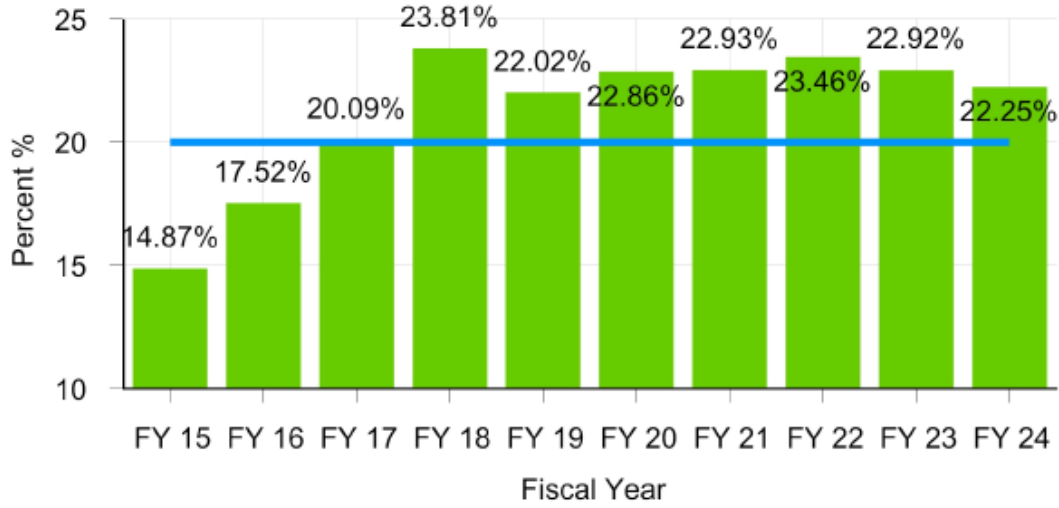
After all planned expenditures plus an additional \$1,700,000 added to the fund balance in FY 2019, the City of Dubuque will have a general fund reserve of 19.76 percent of general fund expenses as computed by the methodology adopted in the City's general fund reserve policy or 22.02 percent of general 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.

The intent is to increase the General Fund working balance or operating reserve by \$1,000,000 in Fiscal Year 2020. In subsequent years, the City will 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. This 20% level was reached in Fiscal Year 2017, five years ahead of schedule.**

The reserve will increase by \$2,800,000 (20.3%) from Fiscal Year 2019 - Fiscal Year 2024.

	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024
Contribution	\$1,050,000	\$1,700,000	\$1,000,000	\$100,000	\$100,000	\$100,000	\$100,000
City's Spendable General Fund Cash Reserve Fund Balance	\$16,460,491	\$15,485,326	\$16,185,326	\$16,285,326	\$16,385,326	\$16,485,326	\$16,585,326
% of Projected Revenue (Moody's)	23.81%	22.02%	22.86%	22.93%	23.46%	22.92%	22.25%

Fund Reserve as a Percent of General Fund Revenue



I respectfully recommend Mayor and City Council approval of the amended Fiscal Year 2020 budget recommendation with a property tax rate of \$10.33, a 2.43% decrease from Fiscal Year 2019. This would have the following impact on average on the different classes of property:

Residential	\$	0.00	0%
Commercial	\$	(48.53)	-1.48%
Industrial	\$	(87.16)	-1.79%
Multiresidential	\$	(133.29)	-7.07%

Attachments