

TO: The Honorable Mayor and City Council Members

FROM: Michael C. Van Milligen, City Manager

SUBJECT: Public Hearing for Resolution Establishing Maximum Property Tax Dollars for Fiscal Year 2021

DATE: February 9, 2020

Director of Finance and Budget Jennifer Larson is recommending approval of the Fiscal Year 2021 Resolution Establishing Maximum Property Tax Dollars.

At this public hearing, the only options available to City Council is to approve the amount of maximum property tax dollars as is or decrease it. A two-thirds majority vote will be required to approve the maximum property tax dollars resolution.

Senate File 634 passed during the 2019 legislative sessions, makes changes to Iowa city and county budgets and taxes for Fiscal Year 2021 and later. Additional steps have been added to the budget approval process:

1. Determine a maximum amount of taxes that the municipality will certify to be levied as property taxes from certain levies in the next fiscal year (called the “total maximum property tax dollars”), and prepare a resolution that establishes that amount of “total maximum property tax dollars” for the next fiscal year.
2. Set a time and place for a public hearing on the resolution.
3. Hold a public hearing on the resolution, at which residents and property owners may present oral or written objections.
4. Following the public hearing, the governing body may decrease the proposed “maximum property tax dollars” amount but may not increase the amount.
5. Adopt the resolution. If the “total maximum property tax dollars” amount is greater than 102% of the current fiscal year’s actual property taxes from

the identified levies, then the resolution must pass the governing body by a two-thirds majority of the full City Council.

The maximum property tax dollars resolution is developed and adopted by City Council during the budgeting process in order to provide targets or parameters within which the budget recommendation will be formulated within the context of the City Council Goals and Priorities established in August 2019. By State law, the budget that begins July 1, 2020 must be adopted by March 31, 2020.

I am providing a list of improvement packages requested, and the impact on the General Fund, and whether the item is recommended for inclusion in the budget. If you approve the amount of resources recommended in the resolution, the budget will be able to fund \$411,686 in recurring improvement packages and \$213,109 in non-recurring improvement packages. The improvement package requests you consider during the budget process totals \$1,320,477 in recurring improvement packages and \$494,865 in non-recurring improvement packages.

With only a few regions in the country with under 2% unemployment, the City of Dubuque has reached an important milestone in recovery from the 1980's highest unemployment rate in the country. With this unemployment milestone has come a tipping point in the history of Dubuque, and the goal to become an Equitable Community of Choice. How does the City grow the workforce, continue to support local business expansions, provide essential services, attract new businesses and prevent poverty? When a tipping point is reached the goal is to take action that continues to move in the positive direction.

If the City Council provides the necessary resources and supports this resolution, this Fiscal Year 2021 budget recommendation will support continued investment in people, businesses and organizations that are making a difference in our community, and continued investment in essential services and infrastructure that must exist for Dubuque to continue to thrive.

A key emphasis in this budget is on public safety, with more public safety personnel (Police and Fire), two new positions to support the ever expanding traffic and security camera system, transition of another part-time Animal Control Officer to full-time, another position in Housing and Community Development monitoring vacant and abandoned properties, supporting the Dubuque Dream Center, Fountain of Youth and the Four Mounds Heart Program as they invest in some of our most vulnerable residents and expanding City recreation programs (especially related to the arts). Outside of the general fund there will be further progress on the prevention of stormwater flooding, expansion of the City water and sanitary sewer system to promote water quality, and changes to the refuse collection system to help clean up the streets and alleys with the implementation of a City-wide automated garbage cart collection system.

However, creating an Equitable Community of Choice means more than investing in public safety and the budget recommendation will accomplish that goal. There will be an additional full-time position in the Library Youth Services activity to focus on service to teens, pet friendly amenities throughout the City, support of low income residents to access programs, and important improvements to the City ambulance fleet.

In November 2019, the number of people working in Dubuque County reached 62,300, the highest on record and an increase of 6.9% (4,000) over the 2012 benchmark used by the Greater Dubuque Development Corporation (GDCC). GDCC is projecting that with the current trajectory, if Dubuque can maintain their positive momentum, there could be as many as 67,759 people working here by 2029. The November 2019 unemployment rate in Dubuque County is 2.2% (and has reached as low as 1.9% twice in 2019). This is down from 5.4% in January 2014. Median Household Income (MHI) in Dubuque County was at \$48,573 as of December 31, 2010, and was at \$61,231 as of December 31, 2018, a 26.1% increase. Nationally there are over 7 million open positions with only 5 million people looking for work.

The recommended resolution for maximum property tax dollars in FY 2021 is \$26,675,374 (excluding the debt service levy of \$276,674) or a 2.50% increase over Fiscal Year 2020 property tax dollars. Since the “total maximum property tax dollars” amount is greater than 102% of the current year’s property taxes (2.5% excluding the debt service levy), the resolution must pass by a two-thirds majority vote of the City Council.

The Fiscal Year 2021 resolution for maximum property tax dollars assumes a 1.00% increase in the property tax rate, which would be a 2.72% (\$20.94) tax increase for the average Dubuque homeowner and a property tax decrease for commercial (-0.53%, -\$16.89) and industrial (-0.03%, -\$1.39) and an increase for multi-residential (+12.26%, +\$213.06) properties.

Property Tax Rate	+1.00 %	+\$0.10
Average Residential Payment	+2.72 %	+\$20.94
Average Commercial Payment	-0.53 %	-\$16.89
Average Industrial Property	-0.03 %	-\$1.39
Average Multi-Residential	+12.26 %	+\$213.06

Since 1989, the average homeowner has averaged an annual increase in costs in the City portion of their property taxes of 1.35%, or about \$8.06 a year. If the State had been fully funding the Homestead Tax Credit, the increase would have averaged about +\$4.97 a year.

A one percent increase in the tax rate will generate approximately \$266,485.

For the current Fiscal year 2020, Dubuque has the SECOND LOWEST property tax rate as compared to the eleven largest cities in the state. The highest rate (Des Moines) is 76.14% higher than Dubuque’s rate, and the average is 45.24% higher than Dubuque. Dubuque's recommended FY 2021 property tax rate is \$10.4346 (increase of 1.00% from FY 2020).

Fiscal Year 2020 City Property Tax Rate Comparison for Eleven Largest Iowa Cities

11	Des Moines	\$18.38
10	Council Bluffs	\$18.26
9	Waterloo	\$17.55
8	Davenport	\$16.78
7	Sioux City	\$16.07
6	Iowa City	\$15.83
5	Cedar Rapids	\$15.44
4	West Des Moines	\$11.80
3	Ankeny	\$11.41
2	Dubuque (FY 2021)	\$10.43
1	Ames	\$10.03
	AVERAGE w/o Dubuque	\$15.15

On this City Council agenda you also received the Fiscal Year 2021 City Manager’s budget recommendation.

There will be six City Council special meetings prior to the adoption of the FY 2021 budget before the state mandated deadline of March 31, 2020.

At this public hearing, the only options available to City Council is to approve the amount of maximum property tax dollars as is or decrease it. A two-thirds majority vote will be required to approve the maximum property tax dollars resolution.

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



Michael C. Van Milligen

MCVM:jml
Attachment

cc: Crenna Brumwell, City Attorney
Cori Burbach, Assistant City Manager
Teri Goodmann, Assistant City Manager
Jennifer Larson, Director of Finance and Budget