

**TO:** The Honorable Mayor and City Council Members

**FROM:** Michael C. Van Milligen, City Manager

**SUBJECT:** Fiscal Year 2024 Recommended Budget

**DATE:** February 16, 2023

It is my goal that the Fiscal Year (FY) 2024 budget recommendation will reflect the City Vision and Mission Statements as established by the Mayor and City Council and be responsive to the goals and priorities established by the Mayor and City Council in their August 2022 annual goal setting session. To enable staff to finalize the recommended budget, the City Council must first set the maximum property tax levy for FY2024 on February 20, 2023.

As our community, nation, and world continue to deal with the many implications of the ongoing COVID-19 pandemic, the City is responding to a myriad of other issues that impact City operations as well as Dubuque residents and stakeholders.

In March 2020 when the world shut down, the City of Dubuque's employees rose to the occasion and met the moment. We are so fortunate that the people who have chosen to come to work for the City of Dubuque understand that empathy is the glue that holds together a civil society.

An October 2022 paper by the McKinsey Global Institute titled "On the cusp of a new era?" says: *"Current economic and political turbulence could presage the start of a new era that is structurally very different with a new narrative of progress. The past two and a half years have been extraordinary. What we are seeing is surely more than the progression of just another business cycle. The unnerving combination of a global pandemic compounded by energy scarcity, rapid inflation, and geopolitical tensions boiling over has people wondering what certainties are left. Today's events might even feel like a cluster of earthquakes that is reshaping our world."*

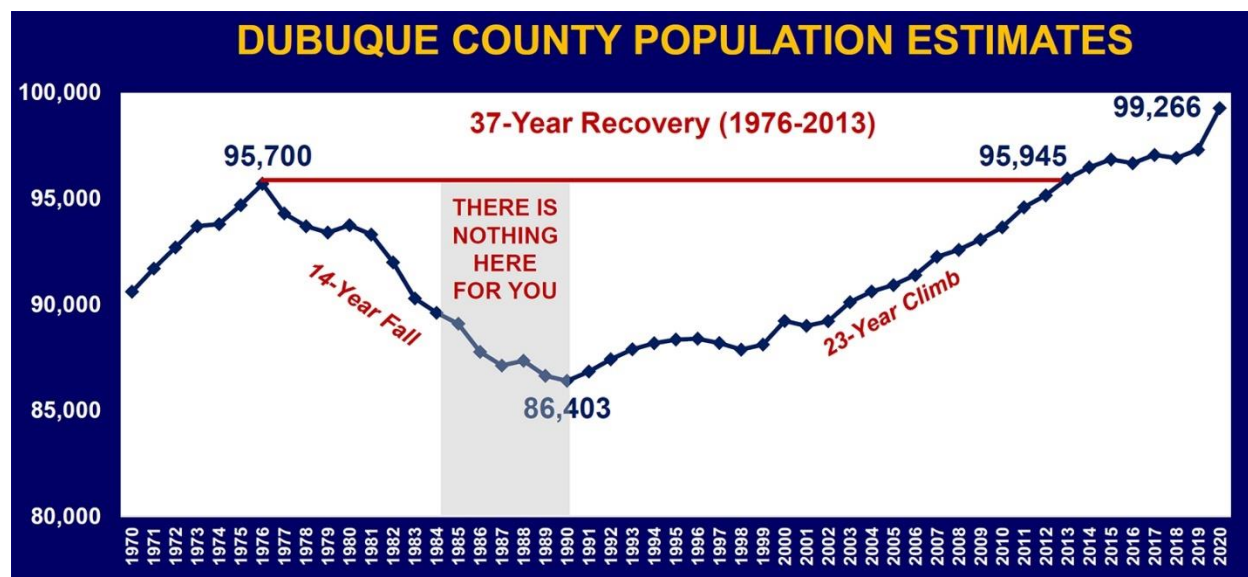
*"We have been here before. Similar "earthquakes" have struck the past: in the immediate aftermath of World War II (1944-46), during the period around the oil crisis (1971-1973), and at the time of the breakup of the Soviet Union (1989-92). Like a real earthquake, each of them changed the global landscape with the sudden release of powerful underlying forces that had been building up around a fault line over time -- but in these cases, unfolding over a few years rather than a big bang. Each of them ushered in a new era: the Postwar Boom (1944-71), the Era of Contention (1971-89),*

and the Era of Markets (1989-2019). Are we now on the cusp of a new era presaged by today's earthquakes?"

*"What could that new era look like? The die is not yet cast. While there is a current direction of travel, there are also complex unresolved questions, which will determine how the situation plays out."*

*"If we are indeed in the early throes of a seismic shift -- as the evidence appears to suggest -- leaders must both prepare for the possibility of a new era and position themselves to shape it. The current vantage point may invite pessimism. Yet, through all the ups and downs of the world, progress has marched on and performed the miraculous. Our times demand action, but history also offers great hope."*

As you can see in this chart, the City has climbed out of a decade's long hole, achieving growth that few other communities in Iowa have experienced. To maintain this momentum, there must be continued investment.



### Cost Increases

Supply chain issues and rising prices for fuel, vehicles, equipment, construction materials, electronics, and more are impacting the operating expenses of many City departments. Like the private sector, the City is also facing significant challenges in filling staff vacancies and new positions as Iowa's workforce crisis continues to manifest itself through record low unemployment and significant employee turnover.

With this budget recommendation, the next few years in Dubuque are going to see significant investment in the following:

1. Community Safety
2. Roads and Infrastructure
3. Economic Development
4. Improved Customer Service
5. High Quality of Life in an Equitable Community

## 6. Identifying and Funding Important Initiatives to Support Employees

This is evident in what is occurring in calendar year 2023 and what is being further proposed in the FY 2024 budget recommendation and the accompanying 5-year Capital Improvement Program.

This will be accomplished while furthering the over-arching goal of “Creating an Equitable Community (and Organization) of Choice.”

In a report by NeoGov, they describe that, *“An unprecedented number of job openings currently remain unfilled in the public sector. The public sector faces some of the most significant hiring challenges of any segment in today’s hyper-competitive job market. A mass exodus of workers to the private sector, increased competition in the job market, and a rise in job openings due to the “Silver Tsunami” of recent retirees have combined to force public sector HR departments into a vicious hiring cycle.”*

To enhance the City’s employee retention and recruitment efforts and to respond to the core inflation of just over 5%, I am recommending that non-bargaining unit and bargaining unit employees receive a 5% wage increase, except for sworn Police staff, sworn Fire staff, and 911 Emergency Dispatchers, who would receive a 6% wage increase.

### **Community Safety**

In the area of public safety, the City will add one Firefighter position, in addition to the nine that have been added over the last few years, allowing for a third ambulance to be staffed seven days a week, 24 hours a day, improving ambulance response times across the community. The additional positions also decrease the demand for Firefighters to work overtime and give them a better chance to take vacation time, better supporting their mental and physical health. There will also be a replacement of two fire engines and a \$1,270,000 ladder truck. This further enhances a Fire Department that, as an Insurance Services Office Class II Fire Department, is ranked in the top 3% of the over 48,000 Fire Departments in the United States. The Dubuque Fire Department is one of less than 300 Fire Departments internationally to receive accreditation by the Commission on Fire Accreditation International. It is no wonder that when asked to rate all of Dubuque’s public services for 2020-2021, local CEOs, business owners, and top managers rated Dubuque’s fire service #1 and its ambulance service #2. Using a scale with 1 being low and 7 high, the fire service scored an average of 6.36 and ambulance 6.19.

I am further recommending that an additional full-time position be added to the 911 Emergency Communications Center.

I am recommending the addition of two Police Officer positions with the assistance of a Federal grant. The City will also continue the aggressive deployment of security cameras, which is being made easier as ImOn Communications has committed to deploying fiber optic cable across the entire Dubuque community over the next three years. The City is also committed to aggressively filling the many vacancies in the Police Department triggered, in part, by the hiring freeze during the economic crisis caused by the pandemic.

## **Road and Infrastructure**

Following the opening of the Southwest Arterial in 2020, the opening of the new Highway 20 interchange at Swiss Valley Road in 2021, the reconstruction of Chavenelle Road, the reconstruction of North Cascade Road, and the resurfacing of over 10 miles of streets by Public Works crews in 2022, the City will be further pursuing street improvements.

In 2023, the Northwest Arterial State of Good Repair Project, from John F. Kennedy Road to Highway 20, will be completed with northbound lane reconstruction and multiple intersection improvements at a cost of over \$8 million. The Iowa Department of Transportation is beginning to study the eventual full reconstruction of the intersection of Highway 20 and the Northwest Arterial, including the closure of the southern leg of the intersection, to greatly improve traffic flow.

Implementation of the City's East-West Corridor Study will continue, with three new roundabouts constructed in the later part of the 5-year Capital Improvement Program.

The City received a grant for an over \$3 million planning effort and anticipates submitting a \$35 million federal infrastructure grant application in 2024 to build a railroad overpass at 14<sup>th</sup> Street and for reconstruction of Elm Street and 16<sup>th</sup> Street, with multiple intersection improvements all in the complete streets format.

In partnership with the US Army Corps of Engineers, the City will be improving the Mississippi River floodwall in the South Port of Dubuque to better protect the sanitary sewer force main from river traffic accidents.

The City will spend tens of millions of dollars to improve the Catfish Creek Sanitary Sewer Shed, replacing and upsizing much of the 70-year-old sanitary sewer system and adding a major sanitary sewer lift station. This will allow the City to further eliminate polluting sanitary sewer overflows and be prepared for future growth to the West. The goal is to be eligible for tens of millions of dollars in federal infrastructure dollars to support this project.

The City will also be spending over \$35 million to replace over 3,500 private lead service lines with a 90% forgivable loan program to assist low-income residents.

## **Economic Development**

The City will be investing in the downtown, the Central Avenue corridor, the West End industrial parks, and improving Schmitt Island access. Work on the new Crossroads Industrial Park will include finishing a development plan and significant investment is anticipated in the McFadden Farm Industrial Park.

## **Improved Customer Service**

A significant customer service enhancement is the move to automated collection of refuse carts. This will not only increase customer convenience, but it will improve the appearance of neighborhoods. The City refuse collection employees are currently required to handle people's trash, exposing them to fleas, bedbugs, viruses, and germs. They are also required to exit and enter the vehicle almost 700 times each day, over

3,000 times a week, and over 170,000 times a year. This is even in the winter, risking slipping on the ice and snow and constantly battering their feet, ankles, knees, hips and back.

### **Identifying and Funding Important Initiatives to Support Employees**

I have already described many of these important efforts. I am recommending the addition of some new City positions in the organization to advance important initiatives and meet existing needs. In FY2023, the City Council approved through amendment two new positions in the Human Resources Department and a Project Manager position in Leisure Services.

In addition, during the FY 2023 budget process the following recurring improvement packages creating new positions was approved:

- Full-Assistant FBO Supervisor at the Airport to ensure supervisory coverage for the Fixed Base Operations (FBO).
- Full-Time Secretary in AmeriCorps to assist as part of the creation of the new division.
- Full-Time Secretary in City Clerk's Office to serve as the main point of contact for all public inquiries.
- Full-Time Climate Action Coordinator in the City Manager's Office dedicated to implementing the 50% by 2030 Community Action and Resiliency Plan.
- Full-Time Grant Analyst in the City Manager's Office to address the continued need for grant management.
- Full-Time Public Safety Dispatcher in the Emergency Communication to cover forty hours of current part-time hours.
- Full-Time Utility Locator in Engineering to address the growing demand for locating buried City utilities.
- Seasonal Business Administration Intern in Engineering to assist the administrative staff with an ever-growing workload.
- Seasonal OSHA Intern in Engineering to update and customize the current department Construction Safety Manual.
- Seasonal Broadband Intern in Engineering to assist Traffic Operations Center staff with populating a database of broadband infrastructure.
- Seasonal Finance Intern to assist with large projects and ongoing work.
- Four Full-Time Firefighters to increase the number of personnel per shift, resulting in the ability to increase minimum staffing to 24 personnel each day, thereby staffing a third full-time ambulance crew.
- Three Full-Time Firefighters in increase the available personnel to cover various leave requirements and help reduce the need for overtime.
- Full-Time Confidential Account Clerk in Housing to help with administrative duties of the department.
- Full-Time Help Desk Technical Support in Information Services to provide assistance for the implementation of e-mail for additional uses, help in implementation of MFA for all, help address the need for backlog of service request tickets, aid in monthly on-boarding for technology additional WebQA user and backend support.
- Full-Time User Technology Specialist in Information Services to provide ERP support.

- Full-Time Chief Security Officer in Information Services to help improve cybersecurity, manage the on-going complexity of threats, and manage the network infrastructure (fiber, switches, routers).
- Full-Time maker Space Assistance at the Library to provide full-time coverage for Maker's Space.
- Full-Time Patrol Officer in Police added as part of the 20 officers by 2022.
- Seasonal Community Resource Officers in Police to help continue the success the program has had in both the value to the public and as a recruiting tool for the department.
- Full-Time Sanitation Driver in Public Works added due to the increase in lane miles to plow and employee turnover rate.
- Part-Time Secretary in Public Works added to help with coverage issues during lunch, vacation, and sick leave.
- Full-Time Landfill Equipment Operator in Public Works to support operations in the Agency's Regional Collection Center.
- Four Full-Time Bus Operators in Transportation Services to minimize employee turnover, associated, cost, and offer more consistency in schedules for residents.

In the FY2024 budget, I am recommending the addition of two Police Officer positions as part of the crisis intervention team and enhancements to the Secondary Responder Model; at the Fire Department, I am recommending the addition of a Firefighter position and an additional Administrative Assistant.

In 911 Emergency Communications, I am recommending the addition of a full-time Dispatcher position; at the Airport, more Fixed Based Operator Line Service hours; in Housing, elimination of a part-time position and creation of a full-time Combination Inspector; an additional 910 hours of site supervision at the Multicultural Family Center; a new full-time Confidential Account Clerk in Leisure Services; upgrade of a part-time Circulation Lead Library Assistant to a full-time position at the Library; a Data Scientist position in Public Works; a part-time AmeriCorps Position in the Engineering Department; two intern positions in the Engineering Department; a full-time Water Distribution Maintenance Worker in the Water Department; elimination of a Water Meter Repair Worker and creation of a Water Meter Foreman position in the Water Department; the creation of the position of Assistant Water and Resource Recovery Manager position, along with the recent creation of the Industrial Pretreatment Coordinator position at the Water and Resource Recovery Center; and the creation of a part-time intern position in the Public Works Department.

### **Opportunities for Grants and Forgivable Loans**

The Biden Administration has successfully passed a large infrastructure bill, the Infrastructure Investment and Jobs Act, the Inflation Reduction Act, and is also showing success at increasing funding to individual federal departments and grant programs. Additionally, the Biden Administration has sent billions of dollars to the states for Governors to fund programs, some of which will lead to local government grant opportunities. This is creating a short window of time where communities across the country will be able to compete for grants and forgivable loans to fix age-old problems and to create new growth opportunities. The challenge will be to get these projects ready to compete for these grants and to identify a source for matching collars to be

eligible for the grants. For instance, the Iowa Finance Authority (IFA) now offers low interest State Revolving Fund (SRF) loans at very low interest rates. With the new programs, up to 50% of those loans will be forgivable and IFA is creating a 90% forgivable loan program to replace lead water services lines.

**CITY PROPERTY TAX RATE**

You will recall that in the FY2022 City budget that was adopted by the Mayor and City Council in March 2021, there was a property tax rate reduction of 2.5%, which resulted in no increase in city property taxes for residential property, and a city property tax decrease for commercial property, industrial property, and multi-residential property.

In the FY2023 current year budget the Mayor and City Council adopted a property tax rate reduction of 1.74% which resulted in a 2.96% increase for the average homeowner.

The FY2024 budget recommendation funds \$688,895 for annually recurring improvement packages funded by property taxes in the General Fund and \$691,417 for non-recurring improvement packages funded by FY2024 DRA Distribution.

For FY2024 there are \$2,997,416 in general fund improvement package requests with a net property tax impact of \$2,461,286, with \$1,380,312 recommended for funding.

**In FY2023, the City levied for \$26,205,437 in property tax revenue to support the general fund and in FY 2024 the budget guidelines would levy for \$26,623,475 in property tax revenue to support the general fund. The FY2024 budget guidelines call for a 1.96% increase in the property tax rate, which increases the property tax rate from \$9.7169 in FY23 to \$9.9075 in FY 24, which would be a 3.00% or \$23.75 tax increase for the average Dubuque residential property owner, an increase in property tax for commercial (8.84%, \$270.61), and an increase for industrial (6.62%, \$299.27).**

	<b>% Change</b>	<b>\$ Change</b>
Property Tax Rate	1.96%	\$0.19
Property Tax Asking	1.60%	\$418,038
Average Residential Payment	3.00%	\$23.75
Average Commercial Payment	8.84%	\$270.61
Average Industrial Property	6.62%	\$299.27

Since 1989, the average homeowner has averaged an annual increase in costs in the City portion of their property taxes of 1.31%, or about \$7.98 a year. If the State had been fully funding the Homestead Tax Credit, the increase would have averaged about +\$5.16 a year.

For the purpose of this budget, the City Council is only considering the FY2024 property tax rate. The FY2025 - 2028 tax rates are only projections. The future budget projections will be updated each year so that City Council will have an opportunity in the next year to change FY2025.

The City property tax rate projected in these budget guidelines and impact on the average residential property owner (\$159,503 assessed value) is as follows:

Fiscal Year	City Tax Rate	% Change in Tax Rate
FY 2024	\$9.9075	1.96%
FY 2025	\$10.3898	4.87%
FY 2026	\$10.7021	3.01%
FY 2027	\$10.9399	2.22%
FY 2028	\$11.3558	3.80%

Fiscal Year	"City" Property Tax Askings	% Change in Tax Askings	% Impact on Avg. Residential Property	\$ Impact on Avg. Residential Property
FY 2023	\$26,205,437			
FY 2024	\$26,623,475	+1.60%	+3.00%	+\$23.75
FY 2025	\$28,628,198	+7.53%	+4.87%	+\$39.70
FY 2026	\$30,078,183	+5.06%	+3.01%	+\$25.71
FY 2027	\$31,362,004	+4.27%	+2.22%	+\$19.58
FY 2028	\$33,204,835	+5.88%	+3.80%	+\$34.23

The recommended guideline is a 3.00% or \$23.75 increase for the average residential property owner, assuming the Homestead Property Tax Credit is fully funded. A one percent increase in the tax rate would generate approximately \$260,687.

At the time residential rollback was calculated by the Iowa Department of Revenue for Fiscal Year 2024, the multi-residential property class values were mistakenly not excluded from the calculation. House File 418, which combined the residential and multi-residential property classes, intended to have the residential rollback calculated separately without the inclusion of multi-residential property, and then assign that calculated residential rollback to all properties classified as multi-residential.

Due to the multi-residential property tax not being excluded at the time the residential rollback was calculated, the residential rollback was computed as 56.4919%. The State Legislature has indicated that they will pass a bill that will correct this error which will result in excluding multi-residential property from the residential rollback calculation and a rollback calculation of 54.6501%.

**The reduction in residential rollback from 56.4919% to 54.6501% results in a tax revenue loss for the City of \$627,641 in FY 2024.**

The State’s residential rollback factor will increase from 54.1302% in 2023 to 54.6501%, or a 0.96% increase, in FY 2024. The increase in the residential rollback factor increases the value that each residence is taxed on. This increased taxable value for the average homeowner (\$86,339 taxable value in FY 2023 and \$87,169 taxable value in 2024) results in more taxes to be paid per \$1,000 of assessed value.

For the proposed FY 2024 budget, Dubuque has the SECOND LOWEST property tax rate as compared to the FY 2023 rates of the 11 largest cities in the state. The highest



rate (Waterloo (FY23)) is 91.49% higher than Dubuque's rate, and the average is 51.26% higher than Dubuque. Dubuque's recommended FY 2024 property tax rate is \$9.91 (increase of 1.96% from FY 2023).

### Fiscal Year 2024 City Property Tax Rate Comparison for Eleven Largest Iowa Cities

Rank	City	Tax Rate
11	Waterloo (FY23)	\$18.97
10	Council Bluffs (FY23)	\$17.83
9	Des Moines (FY23)	\$17.56
8	Davenport (FY23)	\$16.78
7	Cedar Rapids (FY23)	\$16.03
6	Iowa City (FY23)	\$15.63
5	Sioux City (FY23)	\$15.42
4	West Des Moines (FY23)	\$11.79
3	Ames (FY24)	\$9.96
<b>2</b>	<b>Dubuque (FY24)</b>	<b>\$9.91</b>
1	Ankeny (FY23)	\$9.90
	AVERAGE w/o Dubuque	\$14.99

#### Issues Impacting the Budget

Significant issues impacting the FY 2024 budget include the following:

1. State Funded Backfill on Commercial and Industrial Property Tax
  - a. Iowa Senate File 619 was signed into law by Governor Reynolds on June 16, 2021. The Bill provides that, beginning with the FY 2023 payment, the General Fund standing appropriation for commercial and industrial property tax replacement for cities and counties will be phased out in four or seven years, depending on how the tax base of the city or county grew relative to the rest of the state since FY 2014. Cities and counties where the tax base grew at a faster rate than the statewide average from FY 2014 through FY 2021 will have the backfill phased out over a four-year period from FY 2023 to FY 2026, while those that grew at a rate less than the statewide average will have the backfill phased out over an eight-year period from FY 2023 to FY 2030. The City of Dubuque's tax base grew at a rate less than the statewide average and will have a backfill phase out over an eight-year period, from FY 2023 to FY 2030. **Beginning in FY 2023, the backfill will be eliminated over an eight-year period.**
  - b. House File 2552, Division 11, passed in the 2022 legislative session and signed by the Governor on May 2, 2022, repeals the Business Property Tax Credit (BPTC). In lieu of the BPTC, beginning with assessment year 2022, all commercial, industrial, and railroad properties will receive a

property assessment limitation on the first \$150,000 of value of the property unit equal to the assessment limitation for residential property. The value of the property unit that exceeds \$150,000 receives the same 90% assessment limitation it has in the past.

The \$125 million fund will continue to be appropriated each year for reimbursements to counties. County auditors will file a claim for the first tier of the assessment limitations in September. Assessors will continue to provide the unit configuration for auditors as these definitions remained the same. Taxpayers are not required to file an application to receive the first \$150,000 of assessed value at the residential assessment limitation rate.

If the total for all claims is more than the appropriated amounts, the claims will be prorated, and the Iowa Department of Revenue will notify the county auditors of prorated percentage by September 30<sup>th</sup>. Lawmakers believe the new standing general fund will exceed the projected level of claims for fiscal years 2024 through 2029. Then in fiscal year 2030, the local government reimbursement claims will begin being prorated.

**The projected backfill for Dubuque for the two-tier assessment limitation in FY 2024 is estimated to be \$619,735.**

2. Gaming Revenue.

- a. Gaming revenues generated from lease payments from the Dubuque Racing Association (DRA) are estimated to decrease \$429,640 from \$7,512,677 in FY 2023 to \$7,083,037 in FY 2024, based on revised projections from the DRA. This follows a \$2,283,319 increase from budget in FY 2023 and a \$43,621 increase from budget in FY 2022.
- b. A portion of the prior year February 2023 DRA distributions will be used in FY 2024 to offset DRA rent loss of \$541,398. In addition, of the February 2024 projections of operating surplus, \$210,055 will be used to offset the new State legislation which reduced the residential rollback and reduced City resources by \$627,000, \$291,349 will be used for the purchase of Solid Waste tipper carts, and the balance will be used for non-recurring improvement packages. This is a change from past use of DRA distributions because all funds will be used for FY 2024 operations.

3. Multi-residential property class combined with Residential in Fiscal Year 2024.

- a. 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. **This annual loss in tax revenue of \$1,186,077 from multi-residential property when fully implemented in FY 2024 will not be backfilled by the State.**

- b. In FY 2024, the multi-residential property class was eliminated and is reported with the residential property class.
- c. At the time residential rollback was calculated by the Iowa Department of Revenue for FY 2024, the multi-residential property class values were not excluded from the calculation. House File 418, which combined the residential and multi-residential property classes, intended to have the residential rollback calculated separately without the inclusion of multi-residential property, and then assign that calculated residential rollback to all properties classified as multi-residential.

Due to the multi-residential property tax not being excluded at the time the residential rollback was calculated, the residential rollback was computed as 56.4919%. The State Legislature has indicated that they will pass a bill that will correct this error which will result in excluding multi-residential property from the residential rollback calculation and a rollback calculation of 54.6501%.

**The reduction in residential rollback from 56.4919% to 54.6501% results in a tax revenue loss of \$627,641 in FY24.**

#### 4. Interest Revenue

- a. Interest revenue increased from \$461,015 in FY 2023 to \$1,500,016 in FY 2024. The FY 2024 budget is based on current general fund cash balance and an interest rate of 4.00%.

#### 5. Ambulance Revenue

- a. Ambulance Ground Emergency Medical Transport Payments increased from \$1,174,894 in FY 2023 to \$2,324,377 in FY 2024. GEMT is a federally-funded supplement to state Medicaid payments to EMS providers transporting Medicaid patients which began in FY 2022. FY 2023 was based on a four-year average of Medicaid transports and FY 2024 is based on the first four months of FY 2023 Medicaid transports annualized (1,311) increased by 11% (1,455). The actual rate of reimbursement from Medicaid increased from \$1,579.13 in FY 2023 to \$1,597.51 in FY 2024 based on the cost report filed. This line item is offset by GEMT Pay to Other Agency expense for local match of \$438,000 resulting in net revenue of \$1,886,377.

#### 6. Moody's Investors Service Change in Methodology

- a. In November of 2022, Moody's Investors Service ("Moody's") released a new rating methodology for cities and counties. Two significant changes result from the new methodology; cities are now assigned an issuer rating meant to convey the creditworthiness of the issuer as a whole without regard to a specific borrowing, and business-type enterprise funds are

now being considered together with general fund revenues and balances in the determination of financial performance.

Coincident with the release of its methodology, Moody's reviewed the City of Dubuque. The City was assigned an issuer rating of Aa3, which is equivalent to the existing rating on its general obligation bonds. At that time, the rating agency did not take any additional action on the City's bond rating, nor did it indicate a need for further review.

Under the new methodology, there are two metrics that contribute to financial performance. Available Fund Balance Ratio ("AFBR") = (Available Fund Balance + Net Current Assets/Revenue) and Liquidity Ratio ("LR") = (Unrestricted Cash/Revenue). For Aa credits, AFBR ranges from 25-35, and LR ranges from 30-40%.

The City was evaluated by Moody's under the old methodology in May of 2022 in connection to its annual issuance of bonds. At that time, Moody's calculated the City's AFBR to be 45.2%, and its LR to be 59.8%. The balances used in these calculations were likely elevated due to unspent ARPA funds. The change in methodology will now consider revenues and net assets from business-type activities in these calculations. As such, the City's general obligation rating will now be directly impacted by the financial performance of enterprise funds. Establishing rates and charges adequate to provide both debt service coverage and significant liquidity will be necessary to maintain the City's ratings.

## 7. Debt Reduction

- a. In August 2015, the Mayor and City Council adopted a debt reduction strategy which targeted retiring more debt each year than was issued by the City. **The FY 2024-2028 Capital Improvement Program is currently being reviewed and balanced, so there are no revised FY 2024 debt projections yet.**

This 5-year Capital Improvement Program (CIP) budget includes debt issuances. The recommended FY 2024 budget does meet the City Council debt reduction strategy of issuing less debt than is retired, excluding the new Iowa Finance Authority forgivable loan for the lead service line replacement program. While the 5-year CIP projections show that the debt reduction strategy is also accomplished in FY27 and FY28, it is currently not projected to be met in FY25 and FY26.

### **Open Budget**

<https://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.

### Open Expenses

URL: <http://expenses.cityofdubuque.org/>

During Fiscal Year 2017, an additional module was added to the open data platform which included an interactive checkbook which will allow residents to view the City's payments to vendors. The final step will be adding performance measures to the open data platform to allow residents to view outcomes of the services provided by the City.

### Balancing Act

URL: <http://bit.ly/fy22budgetsim>

During Fiscal Year 2019, the City of Dubuque launched a new interactive budget simulation tool called Balancing Act. The online simulation invites community members to learn about the City's budget process and 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.

### Taxpayer Receipt

URL: <http://bit.ly/taxpayerreceipt>

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 within 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.

The recommended utility rate increases are:

	FY2023 Rate	Recommended FY2024 Rate	% Change
Water	\$33.18	\$35.82	8.0%
Sanitary Sewer	\$47.42	\$51.18	8.0%
Curbside Collection	\$15.38	\$15.83	2.9%
Stormwater	\$9.00	\$10.00	11.1%

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## Conclusion

If the City Council approves the budget recommendation, it will support continued investment in people, businesses, and organizations that are making a difference in our community, and continued investment in the infrastructure that must exist for Dubuque to continue to thrive.

This budget recommendation fits the original tax levy recommendation that was submitted. However, I respect the Mayor and City Council's establishment of a higher property tax rate creating more flexibility as you go through the budget process.

There will be seven City Council special meetings prior to the adoption of the FY 2024 budget before the state-mandated deadline of March 31, 2023. I want to thank Chief Financial Officer Jennifer Larson, Assistant City Manager Cori Burbach, Public Information Officer Randy Gehl, Budget/Financial Analyst Nathan Kelleher, Budget/Financial Analyst Robyn Hosch, Budget/Financial Analyst Joe Link, and Executive Assistant Stephanie Valentine for all their hard work and dedication in preparation of this budget recommendation.

  
Michael C. Van Milligen

MCVM:sv

Attachment

cc: Crenna Brumwell, City Attorney  
Cori Burbach, Assistant City Manager  
Jennifer Larson, Chief Financial Officer