

**MINUTES**  
**COMMITTEE-OF-THE-WHOLE WORK SESSION**  
**AUGUST 2, 2010**  
**City Hall Conference Room**  
**6:15 pm**

**PRESENT:** Mayor Stiehm, Council Member-at-Large Anderson, Council Members Austin, McAlister, Martin, King, Clennon, and Pacholl.

**ABSENT:** None.

**STAFF PRESENT:** Public Works Director Jon Erichson, Fire Chief Mickey Healey, Parks and Recreation Director Kim Underwood, Human Resources Director Trish Wiechmann, Police Chief Brian Krueger, Administrative Services Director Tom Dankert, and City Administrator Jim Hurm.

**ALSO PRESENT:** Public, KAUS Radio 1480, Sandy Forstner from Austin Chamber of Commerce, Geoff Baker and Mike Ankeny of the Cedar River Watershed District, Kathryn Martin and Kristin Lindbloom from the Human Rights Commission, Marianne Potter from KSMQ, Austin Post Bulletin, and Austin Daily Herald.

Mayor Stiehm opened the meeting at 6:15 pm.

**Item #1. – Coalition of Greater Minnesota Cities report (Representative from CGMC):**  
Item was presented at the City Council meeting instead.

**Item #2b. – 2011 Budget discussions – Outside Agency - Human Rights Commission (Commission):** Kristen Lindbloom spoke regarding her organization's request of \$3,500 of funding for issues related to human rights and educating the citizenry. Ms. Lindbloom noted the Commission will continue to:

1. disseminate information about human rights
2. build knowledge and understanding about human rights
3. empower residents to protect their own human rights and advocate for the rights of others

Ms. Lindbloom noted they use the media (brochures, television and billboards, event banners, etc.) in order to get their message out. The funding the City provides helps the Commission to get the word out into the community. For 2011, the anticipated \$3,500 budget request would go towards a media campaign (\$2,000 estimate), event support/supplies (\$500), and resources (\$1,000). Ms. Lindbloom also stated that the \$3,500 the City gives us is the seed, and the Commission gets twice that in in-kind contributions towards their mission. Ms. Lindbloom noted City Human Resources Director Trish Wiechmann is the city liaison for this committee.

This is for informational purposes only as the budget will be discussed at a later date.

**Item #3a. – Flood Mitigation – North Main Flood Project/Chamber of Commerce:** Sandy Forstner requested an update from council on the status of the North Main flood project. Mr. Forstner asked when Council would make the decision to move the project forward if no

additional grant dollars come in. Mr. Forstner stated something needs to be done soon, or those jobs on North Main may be in serious jeopardy.

Mr. Erichson gave Council an update on the status of the SHPO grant for \$2.5 million. Mr. Erichson stated Council was updated on this at the May 14, 2010 work session. Mr. Erichson stated the goal of the local option sales tax (LOST) was to provide 50% of the funding towards the flood mitigation projects, with the remaining 50% to come from grants (both state and federal). Mr. Erichson noted the following three goals were discussed with Council on May 14:

1. Secure approval from SHPO for Phases 3-7. *This has been done.*
2. Federal Grant status. *We are waiting approval from the feds on this, with the feds indicating they need nothing else from us.*
3. Work with DNR to develop additional grant funding dollars. *This is a continual process.*

Mr. Forstner stated he knows the status of these, but he would like to see construction begin in the spring of 2011 as we need to be mindful of why the LOST was passed in the first place.

Mr. Hurm clarified Mr. Forstner's question, asking if Council is willing to forego or to wait until a certain for the grant dollars, and just do the project locally with any funding gaps. Mayor Stiehm noted his support for getting the project started next year (2011).

Council Member Austin asked if we had a drop dead date, so we can plan on doing the project whether or not we have heard back from the feds. Mr. Erichson stated the \$2.5 million we are waiting approval for is a lot of money, and this grant if approved will allow us to do more work (or shut the LOST off earlier than 20 years). Mr. Erichson stated if the dollars are not coming, at some point we will have to create a contingency plan, but Mr. Erichson stated his preference for making the decision once the feds (EDA) say yes or no. Mr. Erichson stated that based on emails he is receiving from the EDA we are really close to getting a decision here, and we have time to work this into next year's construction schedule. Mr. Erichson stated Council could create some timelines, but we can push this out until October/November before any decision needs to be made and still get it scheduled for construction beginning in the spring of 2011.

**Item #3b – Flood Mitigation – Report on status of Cedar River Watershed District:** Mr.

Erichson noted when the Cedar River Watershed District (CRWD) was petitioned for creation, the following six goals were established:

1. Significant flood and peak flow reduction of 20% in the Cedar River and Dobbins Creek areas.
2. Prevention of structural damages in the watershed area during the 100-year, 24-hour rainfall event.
3. Reduction of sediment loading in the watershed streams as a result of reduced flows and corresponding reduction in erosion of farmland and riverbanks. This will be accomplished by wetland restorations, installation of buffers and erosion control practices.
4. Reduction of nutrient loads to all streams in the watershed.
5. Protection and improvement of Township, County, City and State infrastructure resulting from reduced levels of flooding.
6. Protection of the Minnesota Department of Transportation Highway System including 218 and Interstate 90.

Mr. Erichson stated the CRWD covers four counties: Freeborn, Mower, Steele, and Dodge. The Advisory Committee has coverage for Austin from Mike Ankeny, Geoff Baker, and Tom Purcell, while Council Member Clennon is also on the committee. Mr. Erichson noted they have

had some long contentious meetings, but eventually they will need to adopt rules that follow our petition that created the CRWD.

Council Member-at-Large Anderson questioned the timeframe for adopting the rules. Bev Nordby noted the goal would be by the end of the year. Mr. Erichson stated a flow reduction of 20% would be great if it was accomplished within 20 years. Further discussion ensued regarding permitting drainage changes, etc. out in the County.

Mr. Hurm questioned if there was anything the City could do to have regulations in place. Mr. Baker stated in his opinion, he is concerned with the direction the CRWD rules process is going. The CRWD is covered by 83% farmland, but 100% of this runoff flows through the City of Austin. Ag-related runoff issues determine the flow into the city, and the ag land owners do *not* want any regulation or controls over this put in place. Mr. Baker stated the direction of the CRWD has to rise to a higher interest level of the Council.

Council Member King questioned the rules in other watershed districts. Mr. Baker stated the more flooding you get, the stronger the rules you will find.

Mayor Stiehm asked what the Council could do to help. Mr. Ankeny noted the many flood buyouts that Council has done has certainly helped resolve the problem.

Council Member Martin questioned if the City should ask the League of Minnesota Cities to become involved. Ms. Nordby stated that several watershed districts are members of the League, but not the CRWD.

Council Member McAlister questioned if the fact that the Cedar River was declared one of the worst in the County impact this? Also, maybe the State should be asked to step into the discussion to help decide any rules that would be in our best interests. Council Member-at-Large Anderson questioned who enforces the rules. Ms. Nordby stated the watershed does, but Mr. Erichson stated the rules have not been done, so there is nothing to be enforced. Mr. Erichson questioned if the council wants to take a position on this issue. Ms. Nordby stated everybody is anxious for this process to move along.

Mayor Stiehm requested a quarterly update on this issue.

**Item #2a. – 2011 Budget discussions – Outside Agency - KSMQ:** Marianne Potter, President and CEO of KSMQ television noted the continual partnership with the City of Austin. In 2011 we will be celebrating the 40<sup>th</sup> anniversary of KSMQ, and the continued existence is a result of the financial help from the City of Austin. The funding the City gives KSMQ (requested amount is now \$15,000) helps with the “Cities on the Move” programming. Additionally we are doing some long-term strategic planning and the City’s investment can also be used to give us credit for any locally produced programming.

This is for informational purposes only as the budget will be discussed at a later date.

**Item #4. – Hormel Foundation grant applications:** Mr. Hurm noted the time has come for us to rank the requests for our annual grant application to the Hormel Foundation. Annually we are funded for programs/expenditures by the Hormel Foundation, but as part of the grant submittal process they require Council to review the applications and rank them in our order of preference.

Council ranked the requests as follows (#1 being the least favorite and #12 being the most favored):

		Council Members								
		TS	JAnd.	BM	JAus	DP	SK	MC	JM	Total
a.	Fire Department smoke alarms, and educational material, \$4,100	9	7	11	11	11	11	12	11	83
b.	Nature Center educational program support, \$30,067	6	8	8	4	7	4	10	2	49
c.	Nature Center van, \$35,390	1	6	7	2	5	5	7	1	34
d.	Summer reading program, \$8,000	7	9	10	6	8	6	9	10	65
e.	Downtown revitalization, \$100,000	10	12	12	12	9	10	4	3	72
f.	Riverside Arena dehumidification, \$100,000	5	4	1	10	6	8	8	4	46
g.	Historical signage around Mill Pond, \$10,000	4	1	4	8	2	2	6	7	34
h.	Cedar River dam plaza, \$25,000	3	3	3	5	3	7	3	6	33
i.	NE Sewer assessment Aid, \$46,800	12	10	2	1	10	9	5	9	58
j.	Defibrillators, \$31,759	8	11	9	3	12	12	11	12	78
k.	Aeration fountains, \$9,000	2	2	5	7	1	3	2	5	27
l.	Greensteps program, \$24,000	11	5	6	9	4	1	1	8	45

After the Mayor and seven Council Members ranked their favorites, totals were as follows:

1. Fire Department Smoke alarms, educational & fire extinguisher material, \$4100 (83 points)
2. Police Department Defibrillators, \$30,885 (78 points)
3. Main St Project Continuing downtown revitalization, \$200,000 total; \$100,000 in 2011 and \$100,000 in 2012 (72 points)
4. Library Summer reading program, \$8000 (65 points)
5. Engineering Dept Assessment assistance, \$183,775 total; \$46,800 for 2011 (58 points)
6. Nature Center Fee assistance for outdoor education, \$30,067 (49 points)
7. Engineering Dept Riverside Arena dehumidification, \$100,000 (46 points)
8. Administration GreenSteps Program, \$24,000 (45 points)
- 9/10. Engineering Dept Historical signage around Mill Pond (34 points) \$10,000
- 9/10. Nature Center Van (34 points) \$35,390
11. Engineering Dept Cedar River dam plaza (33 points) \$25,000
12. Park & Rec Aeration fountains for three locations (27 points) \$9000

**Item #2c. – 2011 Budget discussions:** Mr. Hurm gave Council a brief overview of the budget process and where we are at tonight. Mr. Hurm noted this is a good plan considering the potential that the additional state aid that has been certified to us will not actually come in light of the state’s budget shortfall. Mr. Hurm noted we have a contingency plan attached in the memo. Additionally, any individual questions you may have on specific line items could also be

addressed by meeting with staff. After September 15 council cannot increase our tax levy, only reduce it.

Mr. Dankert discussed the cover memo (pages 1-4) that we have worked with the different departments to come up with the attached budget memo. Additionally, we are still waiting for Mower County for the programs that we jointly fund (Library, Youth Activity Center, LEC, etc.) as Mower County has just begun their budgeting process. As Mr. Dankert noted the council direction of 6% levy increase actually has a historical trend increase of around a 3% levy increase due to growth within the community. Austin currently ranks 222 out of 224 based on the current State Auditor website in taxes per capita (total tax levy divided by population).

Section two of the budget document (pages 5-8) breaks out the tax levy by fund, including the tax levy of \$4,134,000 plus the anticipated LGA amount of \$7,798,312 that is required to be certified to us by August 1 under current state law. Mr. Dankert noted we received the actual certification today (August 2) and the actual amount is closer to \$7,809,000. The Market Value Credit (like LGA that goes to all cities) was reduced from Austin for \$408,000 in 2010 is also scheduled under current law to be given to the city (and other cities) in 2011. However, the state is anticipated to have a \$5-8 billion deficit so our budget contemplates a contingency plan in the event the additional state aid does not materialize.

Section three (pages 9-14) outlines the agency requests that we have at this time, plus an estimate for those that have not yet submitted request letters to the City of Austin.

Section four (pages 15-18) outlines the staffing levels for each department plus the part-time/seasonal expenditures that are being budgeted for the next year. Mr. Dankert noted the vacant Street Department position is still budgeted for 2011. Additionally, the Library position that was given up a few years ago is not back in the budget, but additional funding in Contingency is available only in the event the additional state aid that has been certified actually comes to fruition. Temporary/seasonal expenditures for staffing are listed on page 16. Some departments gave up some seasonal help to help balance the budget a few years ago when the LGA was reduced, so some of those requests have now been included back into the 2011 budget.

Section five is the departmental budgets (page 19-72) by fund and department. We used the new system for this process, while downloading old information from 2007-2009 into the spreadsheets for comparative purposes. Some departments had not completed these on time, so some amendments will be needed.

Council Member McAlister questioned what expenditures come under Public Access. Mr. Dankert stated the revenue from the cable television franchise fees covers the cost of KSMQ, the person that tapes meetings, and upgrades/repairs to the Council Chamber audio/visual equipment.

Mr. Dankert also noted the four funds that are tax levy-supported to operate (General Fund, Library Fund, Debt Service Fund, and CIP Revolving Fund) are really the ones that need immediate attention as they are tax levy supported, so changes in these expenditures may need changes in the tax levy. Additionally, we have the other funds that rely on user fees, the Sewer User fund for example, that need their budgets reviewed, but it is not dependent upon a tax levy to fund their operations.

Section 6 includes the specific capital outlay that has been included within the operational budgets of the City of Austin for 2011.

In summary, we have planned on the additional \$1 million of state aid above and beyond the net amounts that are scheduled to be received in 2010, but we have the contingency plan as outlined on page four of the memo to address a reduction of this additional state aid. A reduction in capital items (dog pound for \$250,000 and Police LEC remodel for \$425,000) is a major portion of that balancing act. Mr. Dankert stated unfortunately we may not get the final state aid numbers until May of 2011 when the legislature ends. Mr. Dankert noted any additional state aid reductions above and beyond the \$1,083,862 as planned would require further action by Council to balance things out.

Mr. Dankert noted August 16 and August 30 can be used for budget discussion items as well. Mr. Hurm questioned if Council approved of the approach that we are using. Council Member Clennon stated we are planning on another \$1 million from the state plus a 6% tax levy increase. That is saying that we are spending more than a \$1 million in 2011 over 2010, correct? If we did not have that money last year (2010) we are essentially spending \$1 million more in 2011. Mr. Dankert stated on page 22 we have an amended budget of \$14,096,486 and a proposed budget of \$14,897,191 for 2011, an \$800,000 increase in the General Fund. Most of this increase is funding capital items with the additional state aid (dog pound and LEC remodeling). Originally we planned on all \$800,000 of the Police LEC remodel to come from the PERA money, but knowing that we may end up cutting capital to cover any state aid reductions, we put a portion of the LEC remodel into the budget from this source as an easy cut (and then to be funded 100% again by Police PERA). If the state aid does come, we can still purchase police cars, etc. in future years from the Police PERA money and not the tax levy.

Council Member Pacholl stated a lot of our major purchases actually come through the state pool. Mr. Dankert clarified that the state CPV (cooperative purchase venture) pool takes bids themselves to ensure the lowest cost product. The City of Austin as a member (at no cost) can use the states bidding system to secure purchases instead of bidding it out ourselves.

In reviewing outside agency allocation requests, Council Member-at-Large Anderson noted her preference to come back at the August 16 meeting to review the requests. No objections noted from any council members.

On pages 19-22 Mr. Dankert reviewed some of the departmental changes from 2010 to 2011. Mr. Dankert noted on line 49011 the huge increase in expenditures, primarily from capital outlay that can be easily reduced if the state aid does not materialize. Mr. Dankert questioned Council as to what additional budget discussions they would like, including reviewing each department and why there was an increase or decrease.

Council Member Clennon stated there does not appear to be any plans to not rely on LGA so much, or are we basically taking the numbers they are giving us and spending them. Mr. Dankert noted the process being used was asked of Council at past meetings to see if they would like us to change the way the budget process is being implemented. We have taken the existing programs and revenue sources in place and continued them into 2011, utilizing the additional funding (LGA and tax levy for example). On the expenditure side, we have tried to keep most departmental expenditures near a zero percent increase, with the exception of capital outlay that has been increased to cover the potential additional state aid that we have received. Unless a

majority of council states that they do not like program 'XYZ' and that we should not fund them that is the only way that I foresee that we reduce expenditures. So, yes it is the same budget we have prepared for 2010 with some increases based on the additional state aid. Council Member Austin stated we should not plan on LGA of \$5 million for example so that we have to have a tax levy increase of 15-20%.

Mr. Dankert noted Council Member Martin has stated many times that Austin is heavily dependent upon state aid, and I cannot disagree with him. The only way to get off of the dependence of LGA is to significantly reduce expenditures. LGA is nearly \$8 million of our budgeted revenues for 2011, so there has to be plenty of departmental and program reductions to offset a total LGA loss. We can always increase permits, etc. but those increases will not result in millions of dollars of additional revenues. The tax levy is the only way to significantly wean yourself off of LGA. The 2011 budget also contemplates a similar wage package as was negotiated for the LELS for 2010, 0% increases and no increase in the city's cost towards health insurance. Mr. Dankert apologized that this is not the best of news, but I cannot sugarcoat the fact that state aid is our major revenue source.

Council Member Martin stated that no matter who the Governor is, the next ten years is not going to get any prettier, barring massive inflation. We should at least think about a worse case scenario if we lost half or all of our LGA. How are we going to cover the city with bare minimum services, asked Council Member Martin. Mayor Stiehm stated that is what fund balance would cover for the first year and in the meantime Council would have to make decisions as to what programs to gut.

Council Member-at-Large Anderson stated that in the past we have asked for public input in the budget process. Mayor Stiehm stated this is later on the agenda. Council Member-at-Large Anderson stated the public still needs to get involved to help communicate to us. Council Member Martin stated it will take a lot of time for the citizens to understand that we want, need, and appreciate their involvement and it is valuable.

Council Member King stated this is a pretty reasonable budget that staff has created, and we have a backup plan if LGA goes south for some reason, and it would not be practical to plan on absolutely no LGA in 2011. Council Member King commended Mr. Dankert for creating a very conservative reasonable budget, and he is happy with where it stands now. Council Member Martin noted his agreement with Council Member King.

Council Member Clennon stated it is too late to get the public involved as this should have been done back in March before the budget was planned and when we decided on goals. Council Member King disagreed noting that the average citizen cannot get their arms around this budget and make immediate decisions. Council Member Austin agreed, noting that the only time citizens become involved is when this hits their bottom line, or when their streets are only going to be plowed on certain dates. Council Member Austin stated we have preached this every year and citizens don't ever respond. It is never too late, as can be evidenced by the Lansing sewer issue that was reviewed at the last minute. Council Member Austin stated it is never too late to change the budget if the public wants to call us.

Motion by Council Member King, seconded by Council Member Austin, to accept the budget as proposed with the next meeting on August 16 to review the outside agencies and any specific questions Council may have with specific line items to have them emailed to Tom/Jim by

Tuesday if possible so that they have adequate time to research the item and get them on the agenda. Carried 6-1 (Council Member Clennon – Nay).

Item will be added to the September 7 council meeting.

**Item #2d. – 2011 Budget discussions – Discussion on receiving public input as part of budget talks:** Council Member-at-Large Anderson stated the public needs to contact us for items they want/dislike in the 2011 budget. Mr. Dankert noted the budget is on the website for public viewing as well.

**Item #5. - Administrators Report:** None.

**Item #6. Matters In Hand:** None.

**Item #7. Open Discussion:** Council Member Austin noted that he now has a second grandson that was just born on Sunday, Austin Jacob Murphy.

**Adjournment:** Motion by Council Member Austin, seconded by Council Member King, to adjourn the meeting. Motion passed unanimously. Meeting was adjourned at 8:19 pm.

Respectfully submitted,

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Tom Dankert