

**MINUTES**  
**2012 BUDGET AND TAX LEVY PUBLIC HEARING**  
**NOVEMBER 29, 2011**  
**6:01 P.M.**  
**COUNCIL CHAMBERS**

MEMBERS PRESENT: Mayor Stiehm, Council Member-at-Large Anderson, Council Members McAlister, Austin, King, Boughton, Clennon, and Enright.

MEMBERS ABSENT: None.

OTHERS PRESENT: Public (10 citizens), Jody LeVasseur (County Assessor's office), KTTC TV, Minnesota Public Radio (MPR), Austin Daily Herald, and Austin Post Bulletin.

Mayor Stiehm called the meeting to order at 6:01 P.M. Mr. Dankert noted the purpose of the meeting is for discussion of the 2012 property tax levy and the 2012 operating budgets for all city departments. Mr. Dankert played a video from the MPR website discussing the change in the Market Value Credit program.

Administrative Services Director Tom Dankert gave a brief review of the city's overall budget of \$30,151,217, noting the budgeting process takes the greater part of six months to complete. Mr. Dankert further noted that for 2012, LGA is 50.6% of the total General Fund budget (compared to 65% in 2002). The total LGA Austin is certified to receive in 2012 is \$7,122,450. Mr. Dankert noted any state deficit could affect the amount of LGA we receive in 2012.

The past tax levies were discussed and Mr. Dankert noted that 2012 will have a proposed tax levy decrease of 3.85%, for a tax levy of \$3,975,000. However, with the state no longer paying for about \$613,000 of our levy the citizens will see an increase in their tax statements for the City of Austin. The major reason for the needed tax increase is to cover the loss of \$687,000 of LGA and the \$613,000 of Market Value Credit that the state has needed to balance their budgets.

Full-time equivalent (FTE) employees are projected to be reduced for 2011 to 2012. The Library will replace the vacated Children's Librarian position from 2009, but will not rehire for another vacated professional librarian position. Instead, some additional hours will be allocated to one of the part-time staff. Additionally, only one of the two vacated Street Department jobs will be filled in 2012.

Mr. Dankert also discussed maintaining fund balances in the General Fund at the 42% to 48% level. This helps to maintain our Aa2 credit rating, and allows for us to have some cash flow money for the first six months of the year.

Mr. Dankert noted the budgeting process began in late June and is not completed until December. Mr. Dankert noted it is typical for the city to take several months to finalize the budgets, as meetings are held with department heads and the council on several occasions before the final budget is approved. Preliminary budgets and tax levies are required by law to be approved by September 15 of each year. Tax levies cannot be increased after September 15 (with some exceptions), but they may be decreased.

Mr. Dankert discussed the breakdown of the 2012 proposed tax levy. Mr. Dankert noted the tax levy is decreasing from \$4,134,000 in 2011 to \$3,975,000 in 2012 if Council approves the proposed amount.

The current breakdown of the citizen's tax dollar is as follows: The City of Austin's tax levy represents about 34% of the tax capacity (34 cents of every local property tax dollar paid comes to the City). Mower County receives 43%, the School District receives 21%, and the Watershed/HRA receives the other 2%. Mr. Dankert stated this was based on the 2011 tax capacities for each entity. Mr. Dankert noted that the City has decreased its staffing levels at our municipality from over 184 full-time equivalents in 1980 to the current proposal of 136.40 full-time equivalent positions. Roughly 60% of the expenditures in the General Fund go toward wages and benefits.

Mr. Dankert discussed the budgeted expenditures of \$30,151,217 for 2012, noting the Enterprise Fund expenditures of \$7,159,328 are paid for via the users, and the \$4,965,946 of Internal Service Fund expenditures are actually being funded by other city departments. The revenue sources for the year 2012 budget include the tax levy of \$3,975,000, state aid of \$8,117,901 (mainly LGA), the Austin Utilities' contribution of \$1.6 million, and tax increments of \$481,083. Mr. Dankert noted other minor line items that balance out the total city budget of \$30,151,217 for the year 2012. Mr. Dankert noted the largest revenue source for the City of Austin is from LGA at over \$7.1 million for 2012.

Mr. Dankert discussed each budgeted fund and the revenue sources and expenditures that make up each. The General Fund budget of \$14,088,313 was discussed by area of expenditure. General Administration's budget of \$1,889,903 pays for the City Clerk, Mayor, Council Members, Finance, Elections, City Attorney, and Administrator, among other things (13% of the General Fund budget). The Public Safety budget of \$5,408,935 is primarily for the Police and Fire Departments, and Building Inspection and comprises 38% of the General Fund budget. The Highways and Streets Department's budget of \$3,545,551 funds Engineering, Streets, Highway, and Lighting, among other things (25% of the General Fund budget). Park and Rec has a budget, including the Riverside and Packer arenas, of \$2,399,851 for their programs (17% of the General Fund budget). The Economic Development budget of \$167,824 is used for Hotel/Motel Tax Remittances to the Austin Convention and Visitors Bureau and funding for economic development partnerships. Other budgeted costs of \$676,249 are primarily for contingency (at \$140,000), mosquito spraying of \$12,500, and tax levy-supported capital outlay of \$523,749.

Mr. Dankert briefly discussed the Recreation Programs Fund budget of \$143,400. These funds are generated via the different programs and used to help support each individual group. Mr. Dankert said there is no public tax support for this.

The budget for the Library Fund was discussed. The total budget of \$1,088,289 includes a funding request from the County for \$190,714 in 2012. Mr. Dankert noted 75% of the Library budget comes from the tax levy placed upon the citizens of Austin, and another 18% comes from taxes on the County levies on those parcels that do not have access to a library in their area.

Mr. Dankert discussed the Police and Fire PERA funds. These funds originated from the rebate of the overfunded Police and Fire retirement plans that were originally administered by the City. All of the remaining Police PERA money has been allocated to the downtown justice center remodeling (\$800,000), so we are proposing that there will be no money left here. The Fire PERA funds include the purchase of turn-out gear (year 2 of 3), totaling \$24,000, plus an exhaust removal system for \$55,000. Additionally, \$50,000 is proposed to be transferred to the City's General Fund (Fire

Department) to offset the cost of wages/benefits of the Fire Department personnel. The Economic Development Fund has a budget of \$4,658. Sources are \$4,658 from payments from The Eagles Club, Jim's Super Value, and Cooperative Response Center (CRC). There are no projected expenditures, so the \$4,658 will remain in the fund balance for future uses that meet our Business Subsidy Criteria.

The Special Assessment Debt Service Fund is used to pay off the outstanding bond issues for the street and sewer projects. All bond issues have fifteen-year payment schedules and finance the road construction, part of which is paid for by assessments to affected property owners, and the remaining balance is paid via a tax levy over the entire population of the city. The estimated budget for the Special Assessment Debt Service Fund is \$681,200 for 2012 and includes paying off a portion of the 2002A bonds early through the Building Fund investment earnings. The Tax Increment Debt Service Fund Budget of \$481,083 is funded via tax increments paid on the affected properties. Expenditures include payments for bond principal and interest, plus payments on existing developer agreements.

The Capital Projects budget is being used to repair the Cedar River Dam (\$50,000), a portion of the Riverside Arena parking lot repair (\$65,000), and tax levy for the street projects for the remaining balance.

The Enterprise Funds are funded primarily from user fees. The Sewer User Fund has budgeted revenues of \$5,727,420 for the year 2012. Included in the budget is an addition to the reserves of \$550,000 for future treatment plant expansion plus \$100,000 for the improvements of the collection system. These reserves are being used to help fund the ongoing capital improvements to the facility. Mr. Dankert noted Hormel Foods Corporation pays 100% of the industrial charges at the Wastewater Treatment Plant. Sewer rates will need to be looked at in the Spring of 2012 as the projected capital repairs will exceed the cash reserves we currently have.

The Waste Transfer Station budget of \$72,680 has a primary revenue source from leases. Expenditure-wise, equipment rental and depreciation account for most of the cost. Proposed capital improvements for 2012 consist of pavement repairs (\$25,000).

The Storm Water Management District is used to meet funding needs for the federal/state storm water unfunded mandates. User fees added to utility bills pay for the normal operations in 2012 of approximately \$450,000. The user fee is \$2.50 per parcel per month, with commercial entities paying a residential equivalency unit charge. Mr. Dankert noted that in the long term, fees will need to be increased in order to cover the proposed expenditures that are in the 5-Year Capital Improvement Plan.

Mr. Dankert discussed the Port Authority budgets. Highlights of the funds include principal and interest payments for APC and the Hormel Institute. The APC project shows income, but that is being used to pay back the City since they are currently in a deficit cash position. The Hormel Institute Debt Service Fund involves a loan to the Hormel Foundation, plus debt service payments to bond holders. Once the project is completely paid for, the Port Authority will neither make nor lose money on the transaction. The General Fund uses the \$25,000 of tax levy for development purposes. The newly acquired Robinson Building has a deficit projected of \$10,750 as we currently have no long-term tenants. Finally, the Walker Building has income projected, and that income has been put back into the building for improvements and to help finance the acquisition of the Robinson Building.

Internal Service Funds have revenue sources from other city departments. Funds are accumulated to pay for health insurance, new vehicles, and computer operations. The Central Garage has a budget of \$1,935,792. This includes both the Street Department and the Park and Rec Department. Included in the budgets are equipment additions of \$350,000 for the Street Department and \$116,000 for the Park and Rec Department.

The M.I.S. Department has a budget of \$188,752 for 2012. This fund has revenue sources from the city's departments within the General Fund. The employee in this department is available to all city departments to evaluate individual needs. Also, web site development and upkeep is done internally by this position. Mr. Dankert did note that currently \$20,000 is allocated for replacement of equipment.

The Fire Equipment Fund is used for purchasing and maintaining fire vehicles. Mr. Dankert noted there is scheduled a \$625,000 truck replacement for 2012, and that will then eliminate two trucks from our inventory.

The Risk Management Fund accounts for all of our insurance programs. The proposed revenues of \$2,136,069 are used to cover the expenditures. The Risk Management Fund includes Health Insurance, Property/Liability Insurance, Workers Comp. Insurance, and Sick Leave payments that are owed.

Mayor Stiehm asked the public if they had any questions. Peter Grover questioned the arrangement with the Mower County Assessors office. Mr. Dankert noted we pay for some administrative help plus two designated assessors, even though all of the assessors within the office handle questions regarding the City of Austin. For this we have estimated \$196,000 will be paid to the County. Mr. Hurm noted most counties in Minnesota do not charge cities for this service.

Dennis Boik noted council needed to tighten their belts even further, citing that even though we are 223 out of 225 in net taxes per capita, or that we are ranked 4 out of 5 in taxes on a \$103,000 home with comparable cities, there is still room to reduce costs and not tax the citizen further. Mayor Stiehm noted the citizens he has spoken to want the services to continue as is, and if our state aid is reduced we need to increase the tax levy to cover the costs.

Mr. Dankert also noted the labor contracts that have been signed include a 0% increase for both 2011 and 2012, and a 1.5% increase for 2013. Any additional health insurance costs are also the responsibility of the employee, not the employer.

Chamber of Commerce Director Sandy Forstner spoke and said the main reason that citizens do not come to this is that they think council does not care, and that our experts are intimidating to the public. Mayor Stiehm stated this council does care, and that the citizens are again telling him and other council members they want the services we provide and are willing to pay more for them. Mayor Stiehm apologized if he was too intimidating in his comments.

Mr. Dankert briefly discussed some sample tax statements showing how the taxes are allocated between the different taxing jurisdictions.

Mr. Dankert discussed the resolutions that will need to be passed at the December 5, 2011 city council meeting. The first resolution would certify the tax levy to the County Auditor in the amount of \$3,975,000 if Council desires to levy the proposed amount. The second resolution would certify the adopted budget for the year 2012.

The third resolution would cancel certain tax levies on the Central Garage CIP Bonds, Port Authority Properties and Tax Increment Districts. These levies are not needed as we have alternate sources of revenues to pay off bonds.

Mayor Stiehm asked the public if they had any other questions. No comments or questions were made by the public.

Council Member Austin stated we are all tax paying citizens here in Austin. Council Member Austin stated we get a pretty good bang for our buck here in Austin and that we are not the experts and we need public comments in order to get direction from our constituents. Council Member Austin also stated that to rely less on LGA means that we will need to rely more on local property taxes. The City does a great job planning for future capital needs that further reduces the need for additional taxes to cover costs. Council Member Austin reiterated that citizens need to determine what services they want and what amount they are willing to pay for the service.

Council Member McAlister stated he has been thinking about what we could do to save a few dollars here. Some cities are turning every other street light off. We could save \$100,000, but what are the consequences of that if you have poorly lit intersections and for general public safety. Do we really want to go there? We could reduce overtime for snow removal by only plowing during 8-4 for most roads that are not major corridors. This may take 5-6 days to get all streets to save money, but he questioned the consequences of such. We re-line sanitary sewers as some are getting 100 years old, but let's not do anything until we have a catastrophic failure and basements fill with raw sewage as this would save some money. We have these facilities that are expensive to run (ball fields and arenas) that are not important to me, but they are to some of the citizens. The same can be said for parks. Can we work together long-term with Mower County to combine engineering departments, maybe it could work. The same can be said for the two HRA's. However, people is where all of the money is at this point and we really need to think about this before we replace the children's librarian and the Street Department position that are budgeted to be filled.

Council Member King noted we provide a value for the taxes. We are building \$30 million of flood projects to protect the citizens and businesses, we are debt free on our wastewater treatment plant (domestic side), and all of this helps the residents and businesses in Austin. This value is sometimes overlooked by constituents. Council Member King stated that some of the services we provide are a result of lower-income families within the community. If businesses in the community would raise the pay by \$2 per hour to employees than maybe we would not need all of the taxes (social costs) that we collect.

Council Member Clennon thanked those that came forward to speak. Council Member Clennon stated we need to have input from the citizens to get more ideas to cut costs and work together. Council Member Clennon stated she has passed on many ideas on how to save costs. Council Member Clennon stated if you add the top six paid employees at the City of Austin it is over \$500,000 and that she thinks we can do better. We don't want to give anything extra to the smaller guy, yet we are rewarding the top-paying and we need to readjust some of that, stated Council Member Clennon. We need to have people talk amongst themselves and have neighborhood meetings with their council representatives. Council Member Clennon stated she has had a lot of ideas and did not think we did enough and thought we could get to a 5% decrease with a little more work.

Council Member Enright stated it takes a lot of time and you need to look at these at every work session in an effort to save dollars, and we need to spend more time doing that. Council Member Enright stated departments can make cuts, but we need to challenge departments to do this.

Council Member Boughton stated we can do a better job listening to the citizens.

Council Member-at-Large Anderson stated listening needs to be a top priority. Council Member-at-Large Anderson stated we will continue to work to decrease costs, and that maybe we should take up Sandy Forstner's offer to meet with focus groups comprised of business people to review our operations.

Mayor Stiehm noted we may be in this situation for years, and we need to live in a harsher environment. Mayor Stiehm stated we could cut the budget in half if the mandate is to cut taxes. However, we have to provide the services and finding a middle ground is what is needed. We have found that middle ground with this budget stated Mayor Stiehm. The City is 223 out of 225 in taxes and the County is 79 out of 87. It may not be real popular to say, but we have it pretty good right here. Mayor Stiehm stated LGA is the prime reason we have a low tax rate, and some say LGA is not going away. Mayor Stiehm noted this is a good budget for the City and we are lower than just about everybody else. If we cut more, than we are cutting the services that have been asked of us, stated Mayor Stiehm.

With no others speaking, motion by Council Member Austin, seconded by Council Member McAlister, recommending to Council the tax levy of \$3,975,000 for payable 2012 and to continue to look for ways to reduce the budget into the future. Carried 5-2 (Council Members Enright and Clennon – Nay). Item will be added to the next council agenda.

Motion by Council Member Austin, seconded by Council Member King to recommend to Council the budget of \$30,151,217 for 2012. Carried 5-2 (Council Members Enright and Clennon – Nay). Item will be added to the next council agenda.

Motion by Council Member Austin, seconded by Council Member-at-Large Anderson, recommending to Council the cancelation of certain ad valorem taxes for 2012. Carried 7-0. Item will be added to the next council agenda.

Mayor Stiehm thanked the council for their hard work on the budget.

Motion by Council Member Austin, seconded by Council Member Boughton, to adjourn the meeting at 7:38 P.M. Carried.

Approved December 5, 2011

Mayor \_\_\_\_\_

City Recorder \_\_\_\_\_