

MINUTES
2018 BUDGET AND TAX LEVY PUBLIC HEARING
DECEMBER 5, 2017
6:00 P.M.
COUNCIL CHAMBERS

MEMBERS PRESENT: Mayor Stiehm, Council Member-at-Large Anderson, Council Members Enright, King, and Helle.

MEMBERS ABSENT: Council Members Hagen, Fischer, and Austin.

OTHERS PRESENT: Public (2), Sandy Forstner (Chamber of Commerce Director), and the Austin Daily Herald.

Mayor Stiehm called the meeting to order at 6:00 P.M. Mr. Dankert noted the purpose of the meeting is for discussion of the 2018 property tax levy and the 2018 operating budgets for all city departments.

Administrative Services Director Tom Dankert gave a brief review of the city's overall budget of \$33,974,138 noting the budgeting process takes the greater part of eight plus months to complete as we started the budgeting process in April/May this year. Mr. Dankert further noted that for 2018, LGA is 50% of the total General Fund budget, so we are heavily dependent upon the State of Minnesota to keep taxes and services at the level they are at. The total LGA Austin is certified to receive in 2018 is \$8,151,133.

The past tax levies were discussed and Mr. Dankert noted that 2018 will have a proposed tax levy increase of 11.23%, for a tax levy of \$5,941,000. In the past, roughly 2-3% of any tax increase has been paid by new homes and new businesses in the community. Based on current tax statements, our actual growth appears to be in the 4.5% range.

Full-time equivalent (FTE) employees are projected to increase from 2017 to 2018. We are increasing the staffing level in order to hire a building maintenance person to handle all of our city buildings, and to address some requests by the Sustainability Task Force. That would then put our projected FTE's at 143.75.

Mr. Dankert discussed the portion of the tax levy that goes toward street projects, noting \$97,759 is coming from the tax levy to cover old bond issues that were done for street projects. Another \$1,419,000 is also being used for current street projects that did not involve a debt issuance.

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 we are currently at 41.6% as in 2016 we transferred some funds out for a capital project and to help fund the Health Insurance Fund losses.

Mr. Dankert noted the budgeting process began in early April 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 30 of each year. Tax levies cannot be increased after September 30 (with some exceptions), but they may be decreased.

Mr. Dankert discussed the breakdown of the 2018 proposed tax levy. Mr. Dankert noted the tax levy is increasing from \$5,341,000 in 2017 to \$5,941,000 in 2018 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 39% of the tax capacity (39 cents of every local property tax dollar paid comes to the City). Mower County receives 38%, the School District receives 21%, and the Watershed/HRA receives the other 2%. Roughly 60% of the expenditures in the General Fund goes toward wages and benefits.

Mr. Dankert discussed the budgeted expenditures of \$33,974,138 for 2018, noting the Enterprise Fund expenditures of \$7,055,715 are paid for via the users. The revenue sources for the year 2018 budget include the tax levy of \$5,941,000, and state aid of \$9,271,290 (mainly LGA). Mr. Dankert noted other minor line items that balance out the total city budget of \$33,974,138 for the year 2018. Mr. Dankert noted the largest revenue source for the City of Austin is from LGA at \$8.151 million for 2018.

Mr. Dankert discussed each budgeted fund and the revenue sources and expenditures that make up each. The General Fund budget of \$16,420,726 was discussed by area of expenditure. General Administration's budget of \$2,119,957 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 \$6,740,126 is primarily for the Police and Fire Departments and Building Inspection and comprises 41% of the General Fund budget. The Highways and Streets Department's budget of \$3,763,553 funds Engineering, Streets, Highway, and Lighting, among other things (23% of the General Fund budget). Park and Rec has a budget, including the Riverside and Packer arenas, of \$2,834,839 for their programs (17% of the General Fund budget). Other budgeted costs of \$770,700 are primarily for contingency (at \$208,000), and tax levy-supported capital outlay/other of \$550,200.

Mr. Dankert briefly discussed the Recreation Programs Fund budget of \$97,373. 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 \$1,217,056 includes a funding request from the County for \$178,620 in 2018. Mr. Dankert noted most of the Library budget is funded by tax payers (80% of the Library budget comes from the tax levy placed upon the citizens of Austin, and another 15% comes from taxes the County levies on those parcels that do not have access to a library in their area).

Mr. Dankert discussed the Fire PERA fund. This fund originated from the rebate of the overfunded Fire retirement plan that was originally administered by the City. The Fire PERA funds expenditures include \$61,000 to be spent on capital repairs at the fire station.

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 \$257,649 for 2018 and includes paying off the last remaining debt service issuance. The Tax Increment Debt Service Fund Budget of \$234,624 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 continue to add LED street lighting, a dam portage, hazardous building removal, targeted area redevelopment, sidewalk improvements, and tax levy for the street projects for most of the remaining balance.

The Enterprise Funds are funded primarily from user fees. The Sewer User Fund has budgeted revenues of \$5,848,628 for the year 2018. 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.

The Waste Transfer Station budget of \$84,424 has a primary revenue source from a lease with Waste Management. The goal of a new long-term lease with Waste Management is going to be explored in 2018, which if successful will then allow the city to move forward on some capital improvements to the facility. The Waste Transfer Station does not use any tax levy to help fund its operations or capital improvements.

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 2018 of approximately \$975,855. The user fee is \$4.00 per parcel per month, with commercial entities paying a residential equivalency unit charge.

Mr. Dankert discussed the Port Authority budgets. The Port Authority General Fund uses the \$40,000 of tax levy for development purposes. The Walker Building has income projected, and that income has been put back into the building for improvements, and helped to finance other projects over the years.

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 \$2,319,619. This includes both the Street Department and the Park and Rec Department. Included in the budgets are building/equipment additions of \$567,000 for the Street Department and \$132,000 for the Park and Rec Department.

The M.I.S. Department has a budget of \$232,315 for 2018. 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 new fire engine for purchase in 2018 (\$525,000). Mr. Dankert noted this will almost gut the fund and it will take some considerable time to build it back up to be able to fund the \$1 million fire truck that is projected to be needed in the next 10 years.

The Risk Management Fund accounts for all of our insurance programs. The proposed revenues of \$2,670,061 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.

Mr. Dankert briefly discussed some sample tax statements showing how the taxes are allocated between the different taxing jurisdictions noting that overall the effect of growth and our increased tax levy.

Mr. Dankert discussed the resolutions that will need to be passed at the December 18, 2017 city council meeting. The first resolution would certify the tax levy to the County Auditor in the amount of \$5,941,000 if Council desires to levy the proposed amount. The second resolution would certify the adopted budget for the year 2018.

The third resolution would cancel certain tax levies on the Austin Utilities Central Facility bond issue and the Lansing annexation area bond issue. These levies are not needed as we have alternate sources of revenues to pay off bonds.

Barbara Malewicz (1901 6th Avenue SW) noted her appreciation for the presentation and all of the things the city provides to its citizens, especially thanking the Police Department for all they do. She did say that years ago she could leave her doors unlocked, but in today's society you can't do that anymore but wished we still could.

Jeff Gruber (2010 13th Avenue NE) noted his taxes went up over 684%. Mr. Dankert put his tax statement on the overhead screen noting that for taxes payable 2017 his home was valued at just the raw land value since his house was not completed on January 2, 2016. On January 2, 2017 the house was completed and this date is used for the tax assessment for the 2018 tax year. So, now his house is paying full real estate taxes for the first time. Mr. Gruber asked about the "Other Taxing Jurisdictions" on his tax statement. Mr. Dankert noted this is the levy for the watershed district that he is in, plus the Austin HRA's tax levy.

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

With no others speaking, motion by Council Member Enright, seconded by Council Member King, recommending to Council the tax levy of \$5,941,000 for payable 2018. Carried 4-0. Item will be added to the next council agenda.

Motion by Council Member-at-Large Anderson, seconded by Council Member King to recommend to Council the budget of \$33,974,138 for 2018. Carried 4-0. Item will be added to the next council agenda.

Motion by Council Member King, seconded by Council Member Enright, recommending to Council the cancelation of certain ad valorem taxes for 2018. Carried 4-0. Item will be added to the next council agenda.

Mr. Dankert noted these three resolutions will be acted on at the December 18 city council meeting at 5:30.

Motion by Council Member Enright, seconded by Council Member King, to adjourn the meeting at 6:34 P.M. Carried.

Approved _____ December 18, 2017 _____

Mayor _____

City Recorder _____