

MINUTES
COMMITTEE-OF-THE-WHOLE WORK SESSION
2022 Budget and Tax Levy Discussion
August 23, 2021
City Council Chambers

MEMBERS PRESENT: Mayor King, Council Members Paul Fischer, Jason Baskin, Rebecca Waller, Oballa Oballa, Michael Postma and Council Member-at-Large Jeff Austin

MEMBERS PRESENT ELECTRONICALLY: Council Member Joyce Poshusta

MEMBERS ABSENT: None

STAFF PRESENT: City Administrator Craig Clark, Director of Administrative Services Tom Dankert, M.I.S. Administrator Don Tomlinson, Human Resources Director Tricia Wiechmann, and Police Chief David McKichan

STAFF APPEARING ELECTRONICALLY: Park and Rec Director Kevin Nelson, City Clerk Ann Kasel, Fire Chief Jim McCoy, Planning and Zoning Administrator Holly Wallace, Library Director Julie Clinefelter, Public Works Director Steven Lang

OTHERS APPEARING ELECTRONICALLY: Tim Ruzek, Austin Daily Herald

OTHERS APPEARING: Elaine Hansen, Austin Chamber of Commerce

Mayor King opened the meeting at 4:30 p.m.

Item No. 1 – 2022 Budget and Proposed Tax Levy:

Mayor King opened the meeting by briefly discussing the budget proposal for 2022, and this first run at it is based on his recommendations after meeting with City Administrator Clark and Administrative Services Director Dankert.

Mr. Dankert noted this first budget and tax levy proposal is based on reviewing department head requests, balancing the available revenues with what expenditures are expected, and then formulating the proposal based on meetings with Mayor King, who by charter is the CEO of the City of Austin. We will have another discussion on the budget and proposed levy at the September 7 work session, with a vote on the September 20 council meeting. Council cannot

increase the tax levy after the September 30 deadline; however, you can increase the budget, but not use property taxes to pay for the increase.

Section #1 – Staffing Levels:

Mr. Dankert discussed the proposed staffing for 2022, noting the number of full-time equivalents is proposed to be increased from 141.25 to 143.25 by doing the following:

- The Nature Center will get their dedicated person back. This is **one new FTE** from 2021 and will replace the reduction made for the 2021 budget.
- Tree trimming will be brought back in house by transferring two existing Parks Maintenance employees into the positions. No new FTE's here.
- Library Assistant will be replaced, as was originally budgeted for in 2021. No new FTE's here.
- Sign Shop position will be replaced, as was originally budgeted for in 2021. No new FTE's here.
- Assistant City Clerk/Administrative Assistant will be hired back. Parks and Recreation staff will move back to their original offices and we will re-open the Parks Department window at city hall. **1 new FTE here.**
- Retired Police Officer position will be replaced, as was originally budgeted for in 2021. No new FTE's here.

This will still leave two requested positions vacant for 2022 from the 2020 budget as the Engineering Technician and the Technology Librarian were not funded as part of this proposed budget. Mr. Dankert noted long-term these positions are still going to be requested in the future.

Additionally, Mr. Dankert noted the Nature Center will have two additional interns working this year. The Nature Center received a three-year grant to hire the interns, with matching funds coming from the Friends of the Nature Center. We do not count these interns in our FTE count.

Council Member Baskin noted his preference to give contracted tree trimming another year to see how it works out. Council Member Baskin handed out a few documents noting that he believes we can still save money and cut/trim/remove stumps at a pace greater than our own staff have ever done. Council Member Baskin noted the proposed costs would be a 46% increase in the 2022 budget (from the 2021 budget), and his projections indicate 422 tree removals/stump removals/trims which is higher than any of the last few years since 2017. Mayor King noted he believes we are falling further and further behind on tree trimming.

Parks and Recreation Director Nelson noted his request to replace the tree trimming crew, noting they do more than just cut trees that we have been documenting, but also help in the Parks Maintenance department when needed. Mr. Nelson noted so far, we have 115+ trees on the needed to be trimmed list, while last year we ended at 42. Mr. Nelson noted hopefully the contractor can get that number down by year end for comparison purposes, but Mr. Nelson also gave examples of emergency situations where trees needed to be safely cut right away or we risked potentially injury to visitors to the Nature Center. Additionally, emerald ash borer will get to Mower County, for which we will need to have our own crew to manage this massive problem.

Mayor King and Council Member Austin noted their agreement with keeping tree trimming in house. Additional discussion on staff numbers noting there to be no disagreements on other staff positions (except the tree trimmers).

Mr. Dankert noted the total employee costs proposed for 2022 (including both full and part-time staff) will be nearly \$16.5 million for 2022.

Section #2 – Department Budgets:

Mr. Dankert noted this was the largest section of the proposed budget document. We have detailed every budget in this document, as some elected officials in the past have requested to see everything. We understand that not everybody wants to see all of the budgeted line items, but if I give it to one member, then I would prefer to give the same information to all members.

The departmental budgets incorporate the staffing levels as proposed in section 1. Additionally, we have chosen to make the following budget reductions from 2021:

- Reduce the Community Recreation Center from \$200,000 to \$100,000 by eliminating the dedicated scholarship line item. Mr. Dankert noted we would still honor our commitment to the Community Recreation Center on scholarships but would use fund balance in the immediate future, until we see a consistent need to annually budget for such.
- Additionally, the Joint LEC Committee met with Mower County and Mower County has requested the hiring of an additional dispatcher. The cost for the city is in the proposed budget of \$892,000, but at this point the city members do not seem to be in favor of hiring somebody for dispatch when we are down employees. To hire the additional dispatcher, the city cost would be around \$43,000, so this could be used to drive the tax levy increase down as well. Future discussion will need to be done on the LEC costs that we are 50% responsible for.

Section #3 – Capital Outlay:

Mr. Dankert noted capital outlay is a large and important part of the budget for 2022. Mr. Dankert noted we moved some of the capital outlay requests to be funded by the Building Fund or fund balance. Mr. Dankert noted we have a large fund balance after 2020 ended, and we are proposing to bring forward a list of one-time capital expenditures to a meeting in October. This allows us to use that fund balance for some capital items, while still maintaining a portion of the tax levy dedicated to replacing police cars, parks equipment, etc.

Mr. Dankert discussed the capital proposed in each fund, noting three unique items:

- Central Garage – Parks is proposing to spend \$325,000 (instead of the usual \$135,000 or so) as we have some equipment that is in dire need for replacement.
- MIS Administration – we will be replacing a server in 2022. We do every this 7-8 years and it is time.
- Fire Fleet replacement will be acquiring a new fire truck for an estimated \$470,000.

Council Member Postma questioned why the large decrease in capital expenditures in Fund 49000 Capital Improvement Revolving by \$667,000. Mr. Dankert noted in 2021 we had some

larger projects that were funded by outside contributions/grants that drove up the number of projects.

No further comments on capital outlay.

Section #4 – Outside Agency funding:

Mr. Dankert noted the proposed budget for 2022 includes freezes to all organizations at their 2021 level. Mr. Dankert noted we received three new requests as follows:

- Culture and Arts Commission for \$5,000
- Environmental Achievement Award for \$1,250
- Mower County Fair Board for \$250 to \$500

Mr. Dankert noted only the Culture and Arts Commission (a city created commission) is included as new in the 2022 budget, but at \$3,000 and not the requested amount of \$5,000.

Council Member Oballa requested the full amount for the Welcome Center, as the extra \$500 requested (from \$7,500 to \$8,000) would be well used.

Council Member-at-Large Austin noted he serves on the Human Rights Commission and would request the full \$6,500 as requested so that they can include Welcoming America funding for 2022.

After further discussion, the Welcome Center and Human Rights Commission funding will be specifically discussed at the September 7 work session.

Section #5 – Use of Fund Balance:

Mr. Dankert noted there is no proposed use of fund balance in the General Fund to balance operations. We will come back in October, as noted earlier, to use some fund balance for one-time projects. Mr. Dankert noted Council could reduce the tax levy and use fund balance, however that is a slippery slope as once that one time money is gone, then taxes would have to be raised at a quicker rate in future years to balance the budget.

Section #6 – Tax Levy:

Mr. Dankert noted the proposed budgets we have now discussed will require a proposed tax levy of \$7,950,000, or a 6.91% tax levy increase. Mr. Dankert noted with the usual growth factor of 2-3%, the average valued home (\$130,000) would pay approximately \$25-30 a year in additional taxes.

Mr. Dankert noted this proposed tax levy would help fund the following:

- Brings back tree trimming in house.
- Brings back the Sign Shop in house.
- Fills a current vacancy at the Austin Public Library.
- Adds a dedicated Nature Center maintenance position.
- Brings back the Assistant City Clerk/Administrative Assistant.
- Spends \$5 million on capital purchases.

Further discussion ensued noting:

- Mayor King noted he appreciated everybody’s work on this budget, and he fully expected a tax increase in the 9%+ range. Having all the equipment replaced, and staffing brought back at 6.91% tax increase was a pleasant surprise and he fully endorses the proposal, especially after having to be in the middle of a comp and class implementation (we could have been at 14%+).
- Council-Member-at-Large Austin noted his agreement with Mayor King, but would like to drive it down under 6.5%, but overall am pleased with how it looks.
- Council Member Fischer noted his agreement with the proposed budget and getting most staff back to work.
- Council Member Oballa noted he likes how we have gotten to this point, but would still like to save some tax payer money.
- Council Member Baskin noted he would like to look for further reductions, noting our tax levy has doubled in the last 10 years, yet our service level has not. Tree trimming should be further reviewed.

Mr. Dankert noted the property tax calculator on the League of Minnesota Cities website would put Austin in number 3 out 5 for our local peers for taxes on a \$30,000 house. Mr. Clark has even used this in discussions with potential business looking at relocating to Austin in that the taxes they would pay here are less than in other local communities.

Council Member Postma asked Mr. Dankert to bridge the gap between what was expected in potential increases due to comp and class of needing a 12%+ tax increase to where we are at with only 6.91% tax increase. Mr. Dankert noted the following estimations:

	<u>Amount</u>
February 28, 2020 Council Retreat memo on additional Comp and Class costs	\$ 1,125,000
Less: Portion paid with non-taxes (WWTP)	(\$ 150,000)
Less: Community Rec. Center reduction	(\$ 100,000)
Less: Additional LGA (over 2020 amount)	(\$ 255,000)
Less: 6.91% tax levy increase	(\$ 514,000)
Less: W/C and Health Ins. changes	(\$ 57,000)
Less: All other, Net	(\$ 49,000)
Balance	\$ 0

Council Member Postma requested some higher valued homes and tax increase examples, like \$225,000. Mr. Dankert noted he will add that to the September 7 discussion.

- Council Member Postma he has some minor things to review in addition to looking forward to further discussion on tree trimming, but overall, he is pleased with a solid budget proposal.
- Council Member Waller noted we have a solid foundation going, and happy to see we are hiring more people back.
- Council Member Poshusta noted she full supports the budget as presented.

Mr. Dankert noted if others have further items, they want to add to the September 7 agenda, please let Tom or Craig know as we can then put it on the agenda.

Moved by Council Member-at-Large Austin, seconded by Council Member Oballa, adjourning the meeting at 5:56 p.m. Carried.

Respectfully Submitted,

Tom Dankert
Director of Administrative Services