

MINUTES
2022 BUDGET AND TAX LEVY PUBLIC HEARING
DECEMBER 8, 2021
6:00 P.M.
COUNCIL CHAMBERS

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

MEMBERS ABSENT: Council Member Joyce Poshusta.

STAFF PRESENT: City Administrator Craig Clark and Director of Administrative Services Tom Dankert

OTHERS APPEARING: Austin Daily Herald, Maryann Clennon, 4 other citizens.

Mayor King called the meeting to order at 6:00 P.M.

Mr. Dankert noted the purpose of the meeting is for discussion of the 2022 property tax levy and the 2022 operating budgets for all city departments. Mr. Dankert noted this budget was created based on the direction of the elected officials, using the basic premise of a “functioning city”. The implementation of the Comp and Class study during 2020 and its implications into 2022 resulted in the need for an increase in revenue to pay for such implementation, or further reduction of operations.

Administrative Services Director Tom Dankert gave a brief review of the city’s overall budget of \$38,949,960 noting the budgeting process takes the greater part of seven months to complete as we started the budgeting process in May this year. Mr. Dankert further noted that for 2022, LGA is 45.11% 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 2022 is \$8,755,992.

The past tax levies were discussed and Mr. Dankert noted that 2022 will have a proposed tax levy increase of 6.78%, for a tax levy of \$7,940,000. In the past, roughly 2-3% of any tax increase has been paid by new homes and new businesses in the community, however the City’s Housing Tax Abatement program will reduce that going forward. The 6.78% tax increase will net the City an additional \$504,000 of tax revenue, all of which will be eaten up in increases in employee compensation and benefits as a result of the Comp and Class study implementation.

Full-time equivalent (FTE) employees are projected to increase from 2021 to 2022 by 4.0 FTE’s. The proposal for 2022 includes the rehiring of the City Administrator Administrative Assistant, a Librarian, Nature Center Maintenance, Sign Shop and two Tree Trimmers reassigned from the Parks Maintenance Crew. All of these positions are vacated for the 2021 operating year; however, support has been levied by the elected officials to bring them back to help create the functioning city operations.

Mr. Dankert discussed the portion of the tax levy that goes toward street projects, noting the street debt service levy is now gone, as we no longer finance the middle 50% of a street

project with debt. Instead, \$1,416,000 is also being used for current street projects that did not involve a debt issuance for 2022. Contingency also sits at \$112,000 (about \$38,000 less than normal) for 2022.

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 at the end of 2020 we were above that fund balance amount, and as a result of Covid-19 during 2020 and some additional aid/reduced expenditures our fund balance was above 70% or more at the end of 2020. Council ended up allocating nearly \$4.4 million of this fund balance in 2021 for primarily one-time projects.

Mr. Dankert noted the budgeting process began in early May 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 2022 proposed tax levy. Mr. Dankert noted the tax levy is increasing from \$7,436,000 in 2021 to \$7,940,000 in 2022 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 41% of the tax capacity (41 cents of every local property tax dollar paid comes to the City). Mower County receives 36%, the School District receives 21%, and the Watershed/HRA receives the other 2%. Roughly 64% of the expenditures in the General Fund goes toward wages and benefits.

Mr. Dankert discussed the budgeted expenditures of \$38,949,960 for 2022, noting the Enterprise Fund expenditures of \$8,816,401 are paid for via the users. The revenue sources for the year 2022 budget include the tax levy of \$7,940,000, and state aid of \$10,147,836 (mainly LGA). Mr. Dankert noted other minor line items that balance out the total city budget of \$38,949,960 for the year 2022. Mr. Dankert noted the largest revenue source for the City of Austin is from LGA at \$8,755,992 budgeted for 2022.

Mr. Dankert discussed each budgeted fund and the revenue sources and expenditures that make up each. The General Fund budget of \$19,412,137 was discussed by area of expenditure. General Administration's budget of \$2,393,331 pays for the City Clerk, Mayor, Council Members, Finance, Elections, City Attorney, and Administrator, among other things (12% of the General Fund budget). The Public Safety budget of \$8,373,234 is primarily for the Police and Fire Departments and Building Inspection and comprises 43% of the General Fund budget. The Highways and Streets Department's budget of \$4,048,936 funds Engineering, Streets, Highway, and Lighting, among other things (21% of the General Fund budget). Park and Rec has a budget, including the Riverside and Packer arenas, of \$3,387,677 for their programs (17% of the General Fund budget). Other budgeted costs of \$903,900 are primarily for capital and contingency, plus there is another \$305,059 budgeted for economic development (mainly the hotel/motel tax remittance and the DCA payment).

Mr. Dankert did note undesignated Contingency is at \$112,000 (usually we like this number at \$150,000) as cuts had to be made to fit into Council's budget parameters.

Mr. Dankert briefly discussed the Recreation Programs Fund budget of \$120,291. 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 \$1,259,534 includes a funding request from the County for \$191,500 in 2022. Mr. Dankert noted most of the Library budget is funded by tax payers.

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 do not have any planned expenditures in this fund for 2022.

The Tax Increment Debt Service Fund Budget of \$324,950 is funded via tax increments paid on the affected properties. Expenditures include payments on existing developer agreements.

The Capital Projects budget is being used to continue to add LED street lighting, a dam ownership transfer, hazardous building removal, sidewalk replacement, and some mill and overlays. The tax levy and grants make up most of the revenue sources associated with these expenditures.

The Enterprise Funds are funded primarily from user fees. The Sewer User Fund has budgeted revenues of \$7,826,849 for the year 2022. 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. This is an operational budget, so the proposed multi-million-dollar engineering costs for creating the plans and specs for the new WWTP and the expansion itself are not included here.

The Waste Transfer Station budget of \$53,500 has a primary revenue source from a lease with Waste Management. A recent lease with Waste Management should ensure the longevity of the transfer station for our residents' use. 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 2022 of approximately \$936,052. The user fee is being increased from the current rate of \$4.00 per parcel per month to \$5.50 (effective January 2022), with commercial entities paying a residential equivalency unit charge.

Mr. Dankert discussed the Port Authority budgets. The Port Authority General Fund uses the \$50,000 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. The Port Authority owns the Hormel

Institute Phase II expansion, but all of the costs (except depreciation) are on The Hormel Institute as an entity.

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 \$2,508,681. This includes both the Street Department and the Park and Rec Department. Included in the budgets are building/equipment additions of \$450,000 for the Street Department and \$325,000 for the Park and Rec Department.

The M.I.S. Department has a budget of \$346,967 for 2022. 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 are done internally by this position. Mr. Dankert did note that currently \$20,000 is allocated for replacement of equipment, plus another \$75,000 needed for our replacement of the servers (done every 6 years).

The Fire Equipment Fund is used for purchasing and maintaining fire vehicles. Mr. Dankert noted there is currently \$470,000 of equipment (one new fire truck) scheduled for 2022.

The Risk Management Fund accounts for all of our insurance programs. The proposed revenues of \$2,300,341 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. Overall, there appeared to be limited valuation increases in commercial property, however residential saw a general overall increase in value of roughly 8% as a direct result of the limited housing stock in Austin being sold above assessed valuations. However, we have seen instances of 30%+ increases in home valuations.

Questions were answered from the public, many of which revolved around the valuation increase and the residents' limited ability to pay more in taxes.

Mr. Dankert discussed the resolutions that will need to be passed at the December 20, 2021 city council meeting. The first resolution would certify the tax levy to the County Auditor in the amount of \$7,940,000 if Council desires to levy the proposed amount. The second resolution would certify the adopted budget for the year 2022.

The third resolution would cancel certain tax levies on the Austin Utilities Central Facility bond issue. This levy is not needed as we have alternate sources of revenues to pay off the bond issue.

No additional comments or questions were made by the public.

With no others speaking, motion by Council Member-at-Large Austin, seconded by Council Member Waller, recommending to Council the tax levy of \$7,940,000 for payable 2022. Carried 6-0. Item will be added to the next council agenda.

Motion by Council Member-at-Large Austin, seconded by Council Member Waller to recommend to Council the budget of \$38,949,960 for 2022. Carried 6-0. Item will be added to the next council agenda.

Motion by Council Member Baskin, seconded by Council Member Postma, recommending to Council the cancelation of certain ad valorem taxes for 2022. Carried 6-0. Item will be added to the next council agenda.

Mr. Dankert noted these three resolutions will be acted on at the December 20, 2021 city council meeting at 5:30.

Motion by Council Member Fischer, seconded by Council Member-at-Large Austin, to adjourn the meeting at 6:58 P.M. Carried.

Approved December 20, 2021

Mayor _____

City Recorder _____