

## 2011 State of the City

Mayor Thomas A. Stiehm

2010 was a busy year for the City of Austin. We suffered yet another flood. The 2010 flood produced the fifth highest water level recorded since we started keeping record, and yet the damage was mitigated to a large degree because of our ongoing flood mitigation efforts.

Also in 2010 – largely through the efforts of City Engineer Jon Erichson – the City was awarded \$8 million, \$5 million from the federal government and \$3 million from the DNR. This money is primarily earmarked for the North Main Street area.

Also in 2010, the City approved a \$3 million sewer project for the newly annexed area in northeast Austin. This was a very controversial issue but will in the long run prove to be a major improvement in the water quality of the Cedar River.

The City of Austin continues to weather the current economic downturn. We are fortunate in some ways as our major employers

have not felt the downturn as much as other businesses and areas. Our unemployment rate is significantly lower than the national levels.

In order to understand Austin's budget, we need to understand Local Government Aid (or LGA). In the early 1970s, the State of Minnesota entered into a social contract with its local governments as part of the "Minnesota Miracle". Local governments in Minnesota have received funding from the State based on a formula instead of relying solely on property taxes and sales taxes. This formula is intended to equalize services and property tax rates across the state. It provides state funds to poor and rural communities with less taxable value so that they may have services somewhat equal to their more property-value-rich urban neighbors.

In 2002, our City received \$7,567,420 in LGA, and in 2010 we received \$7,122,456 – a reduction of \$445,000. Over the last nine years, the State has unallotted \$2,641,516 in funds originally earmarked for Austin. In 2009 and 2010, the State reduced LGA funding significantly more than other areas of the budget.

The City has reduced its workforce by 48 since 1980 to 137.5, but in the same time period,

the area of the city has grown from 8.3 to 10.9 square miles, or 31 %

street miles have increased: 101 to 125, or 24%

storm sewer miles have increased: 43 to 53, or 23%

sanitary sewer miles have increased: 89 to 115, or 29%

parks and playgrounds have increased: 19 to 27, or 42%

parks and playground acreage has increased: 495 to 600, or 21%

In the most recent State Auditor analysis of property taxes, the City of Austin has the third lowest taxes of 224 Minnesota cities over 2,500 in population in taxes per capita. For city purposes, that is what the “Minnesota Miracle” was intended to accomplish – comparable services for all communities with lower property taxes in poorer, rural communities to make them more attractive places to live and work.

We need to talk to our state legislators and governor and let them know that we do not consider LGA to be merely a handout, but rather a useful tool to equalize rural and urban areas.

If LGA were completely eliminated, the city portion – 34% – of your property taxes would increase 300%. For example, if your home is valued at \$100,000, the *city* portion of your property taxes would increase from \$340 to approximately \$1000.

This is obviously not something the Council would consider, at least not before finding additional areas to cut the budget.

When Governor Dayton was campaigning in Austin, he told us he supports LGA in its present form, but with both the House and Senate taking a strong anti-LGA position, Governor Dayton may have to modify his position.

We realize that along with all the cutbacks in government, we may have to accept reductions in our LGA funds, but we do not want to see LGA eliminated or reduced so drastically as to render it useless and ineffective. LGA is why our police and fire departments are the equal of any in the state. It is also the reason why we have been able to control our property taxes. Plus it keeps us competitive.

I would urge all citizens of Austin to support our efforts to minimize the cuts to LGA through the State; it truly does help make Minnesota what we are today. You can help by contacting our legislators.

Representative Jeanne Poppe and Senator Dan Sparks have been fighting this battle for us for years. Only now, both find themselves in the minority so it will be even harder for them.