

MINUTES
2003 BUDGET AND TAX LEVY PUBLIC HEARING
DECEMBER 3, 2002
5:30 P.M.
COUNCIL CHAMBERS

MEMBERS PRESENT: Mayor Rietz, Council Member-at-Large Chaffee, Council Members Goodnature, Jorgenson, Christopherson, Poppe, Nordin, and Lang.

MEMBERS ABSENT: None.

OTHERS PRESENT: Jeff Austin, Dick Pacholl, Austin Daily Herald, Austin Post Bulletin, KAAL TV-6.

Mayor Rietz called the meeting to order at 5:30 P.M. and announced the purpose of the meeting is for discussion of the 2003 property tax levy and the 2003 operating budgets for all city departments.

Motion by Council Member-at-Large Chaffee, seconded by Council Member Nordin for adoption of the agenda. Carried.

Mr. Dankert noted the budgeting process started in June and does not get wrapped up 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.

Mr. Dankert discussed the breakdown of the 2003 Proposed Tax Levy. Mr. Dankert noted the tax levy is decreasing from \$2,299,889 in 2002 to \$2,222,441 in 2003 if Council decides to levy to the maximum allowed. Mr. Dankert noted Local Government Aid (LGA) increased approximately \$230,000 for 2003, but this also required the tax levy to decrease by \$77,448 due to the levy limits. Mr. Dankert cautioned Council that the LGA figure of \$7,798,248 is what has been certified to the City of Austin for 2003. The Governor can unallot, defer payment of the second half LGA check, or the new legislature can change the funding for LGA in the 2003 calendar year if they so choose. The economic forecast is due out on Wednesday, December 4 at noon. This forecast may be a sign as to what is ahead for local governments as far as funding goes.

Mr. Dankert discussed the staffing additions that have been proposed for the 2003 budget. The Police Department will receive funding for 1.8 additional police officers. Mr. Dankert noted one of the officers will be funded by the federal COPS program, and the other officer is proposed to be hired effective April 1, 2003 if funding is available. Mr. Dankert noted the new council would need to decide if the position is funded based on future LGA funding. Mr. Dankert also noted that two positions were eliminated from the 2003 budget, including one at the Street Department and one at the Central Garage. Both of the reductions are due to retirements within the respective departments. Mr. Dankert also noted that in the General Fund, more than 61% of our expenditures are for salaries and benefits.

Mr. Dankert discussed the budgeted expenditures of \$25,214,203 for 2003, noting the Enterprise Fund expenditures of \$5,021,590 are paid for via the users, and the \$4,691,561 of Internal Service

Fund expenditures are actually being funded by other city departments. The revenue sources for the year 2003 budget include the tax levy of \$2,222,441, state aid of \$8,402,298, the Austin Utilities contribution of \$1,510,000, tax increments of \$515,536, Enterprise Fund user fees of \$5,021,590, and Internal Service Fund charges of \$4,691,561. Mr. Dankert noted other minor line items that balance out the total city budget of \$25,214,203 for the year 2003. Mr. Dankert noted the largest revenue source for the city of Austin is from LGA at nearly \$7.8 million for 2003.

Mr. Dankert discussed each budgeted fund and the revenue sources and expenditures that make up each. The General Fund budget of \$11,902,859 was discussed by area of expenditure. General Administration's budget of \$1,611,773 pays for the City Clerk, Mayor, Council Members, Finance, City Attorney, and Administrator among other things. The Public Safety budget of \$4,318,521 is primarily for the Police and Fire Departments, plus Building Inspection, Civil Defense, and Animal Control make up a small portion. The Highways and Streets Department's budget of \$3,136,851 funds Engineering, Streets, Highway, and Lighting, among other things. Park and Rec has a budget of \$2,310,674 for their programs. The Economic Development budget of \$183,000 is used for Hotel/Motel Tax Remittances to the Austin Convention and Visitors Bureau, plus a DCA contribution. Other budgeted costs of \$342,040 are primarily for Contingency and Capital Outlay.

Mr. Dankert briefly discussed the Recreation Programs Fund budget of \$106,024. 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 \$980,289 includes the use of \$36,602 from the Walter Wienke Estate that was given to the Austin Library Board. Mr. Dankert noted the funding request from the county was for approximately \$180,000 in 2003, which does not include any funding for the debt service on the building. Mr. Dankert noted the County has authorized a 3% increase in the Library Funding, which would equate to \$170,303 for 2003, but this is contingent upon the bookmobile fund balance issue being resolved. Mr. Dankert noted the remaining funds in the Library Building Improvement Fund are being gradually used to add to the book supply, and that \$19,143 is anticipated to be used in 2003.

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. In 1999, both of these plans were merged into PERA, leaving the city with about \$1.1 million of overfunded deposits for each of the two plans. In prior years, the Council has only allowed the expenditure of the interest for operations, except for a minor dip into the funds to purchase dispatch equipment in 2001. The major expenditures for 2003 include the collective use of \$270,700 of fund balance out of the two funds for some radio needs equipment. We are still in the review stages of this, and will not authorize final purchase of these items until we are certain what is needed.

The Special Assessment Debt Service Fund is used to pay off the outstanding bond issues for the street and sewer projects. Approximately 48% of the 2003 budget will come from the tax levy, with the remaining funds coming out of the fund balance and interest/assessments. All bond issues have fifteen-year payment schedules. The Tax Increment Debt Service Fund Budget of \$515,536 is funded via tax increments paid on the affected properties. Expenditures include payments for bond principal and interest, plus payments on existing developer agreements. Mr. Dankert noted the City should have adequate funds to pay off obligations for 2003, but alternate funding sources will be needed in 2004 as the tax increments will not be sufficient to cover the outstanding debt payments.

The Capital Projects budget of \$535,000 is being used to fund some improvements to the sidewalks (\$50,000), tax levy for the 2001 and 2002 street projects (\$235,000), and other miscellaneous road and trail projects (\$150,000).

The Enterprise Funds are funded primarily from user fees. The Sewer User Fund has budgeted revenues of \$4,003,511 for the year 2003. The rates for the year 2002 will be looked at at the committee level in the near future. 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.

The Waste Transfer Station budget of \$73,670 has a primary revenue source from leases. Expenditure-wise, equipment rental and depreciation account for most of the cost.

The Economic Development Fund has a budget of \$24,975. Sources are \$18,975 from payments from Austin Packaging Company (APC) and \$6,000 from interest earnings. Expenditures include an interest payment to Mower County for \$12,000. The remaining balance of \$12,975 is added for future uses.

The Storm Water Management District is a new district that we are proposing to set up. The normal operations for this department came from the General Fund in prior years, but for 2003, the budget has been included as an Enterprise Fund. Tax support of \$193,802 is proposed to pay for the normal operations in 2003, but an additional \$130,000 is needed from a proposed user fee in order to fund a Watershed Coordinator position and the state-mandated cleaning of the storm water within the city. Council Member Lang informed the public that this is an unfunded state mandate to clean the storm water; therefore, we need to come up with additional funds to comply with the state requirements.

Mr. Dankert discussed the Port Authority budgets. Highlights of the funds include principal and interest payments for the Holiday Inn, APC, the Library, and the Spec and Walker Buildings. Mr. Dankert noted the Holiday Inn lease was paid off by Torgerson Properties, however we cannot pay off the bonds until 2006. The APC project will probably hit close to \$1 million in deficit cash before the cash balance becomes positive. This is because the lease agreement with APC has lease payments stretched out beyond when debt payments expire. Council Member Goodnature questioned what these funds could be used for once the debt is retired. Mr. Dankert noted the Port Authority board would be able to allocate the revenues to future business development if they so choose.

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 \$1,595,164. This includes both the Street Department and the Park and Rec Department. Included in the budgets are equipment additions of \$384,000 for the Street Department and \$137,315 for the Park and Rec Department. The operating budget does not include the estimated \$3 million for the new Central Garage facility that is to be built in 2003.

The M.I.S. Department has a budget of \$176,575 for 2003. This fund has revenue sources from the City's departments within the General Fund and the Sewer User Department. The employee in this department is available to all city departments to evaluate individual needs. Also, web site development and upkeep is done internally.

The Fire Equipment Fund is used for purchasing fire vehicles. The city recently purchased a new fire truck and pick-up truck, so there will be no capital expenditures needed for several years.

The Risk Management Fund accounts for all of our insurance programs. The proposed revenues of \$2,824,085 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 discussed the resolutions that will need to be passed at the December 16, 2002 City Council meeting. The first resolution will certify the tax levy to the County Auditor in the amount of \$2,222,441, if Council desires to levy to the maximum. The second resolution will certify the adopted budget for the year 2003.

The third resolution will cancel certain tax levies on Port Authority Properties and Tax Increment Districts. These levies are not needed as we have alternate sources of revenues to pay off bonds.

Mr. Dankert briefly discussed some sample tax statements showing how the taxes are allocated between the different taxing jurisdictions. As noted in the several examples that were included, Mr. Dankert said most of the taxes for the city portion are being reduced for 2003 due to the levy reduction and the increased tax base.

Mr. Dankert also discussed the tax classification rates approved by the State of Minnesota for the year 2003. The State of Minnesota lowered rates on residential and commercial structures a few years ago, but the rates are stable from 2002 to 2003.

Mayor Rietz asked the public if they had any questions. No comments or questions were made.

Council members thanked city staff for their hard work in preparing the information for this Truth In Taxation hearing.

With no others speaking, Mayor Rietz closed the public hearing and announced the 2003 tax levy and 2003 budgets would be acted on December 16, at 5:30 P.M. in Council Chambers.

Motion by Council Member Jorgenson, seconded by Council Member Nordin, to adjourn the meeting at 6:53 P.M. Carried.

Approved December 16, 2002

Mayor _____

City Recorder _____