

**MINUTES
COUNCIL WORK SESSION
Tuesday, June 11, 2002
6:00 P.M.**

COUNCIL PRESENT: Mayor Rietz, Council Member-at-Large Chaffee,
Council Members Lang, Jorgenson, Goodnature,
Nordin, Christopherson, and Poppe (6:20 PM)

STAFF PRESENT: Patrick McGarvey and Tom Dankert

OTHERS PRESENT: Vaughn Bothun and Austin Post Bulletin

Council Member-at-Large Chaffee called the meeting to order at 6:18 p.m.

Administrative Services Director Tom Dankert discussed the overview of the 2003 budget process. Mr. Dankert noted the State of Minnesota did not cut Local Government Aid (LGA) in 2002, and the \$14 million inflationary account for 2003 is still intact. The \$14 million inflationary account represents a 2.5% increase. A 2.5% increase would amount to approximately \$190,000 for 2003. The exact amount will not be known until August 1, 2002. The LGA could also be decreased with the 2003 legislature facing over \$2.5 billion in shortfalls to cover the State of Minnesota's expected expenses for 2003. Mr. Dankert noted there will be the usual inflationary increases in the levy limit, but should not amount to more than \$40,000 to \$100,000 for 2003.

Mr. Dankert noted since levy limits will be in place for the 2003 tax levy, there are a few add-on levies that are allowed. Debt Service for improvement bonds and tax increment bonds is an allowable add-on levy, as is the increase in the PERA contribution of .35%. Mr. Dankert noted the reduction by the State of Minnesota in the tax classification rates for the commercial/industrial properties from 4.6% in 1995 to 2.0% in 2002 have resulted in a nearly \$2.25 million shortfall in the payments going out to pay debt service versus the revenues coming in off of the tax increments over the life of the tax increment financing districts. The debt service has a general obligation backing, meaning the city has agreed to pay the bonds off with other funds if the increment is insufficient to cover the debt service. Mr. Dankert noted the estimated shortfall in the tax increment bond payment versus the revenues coming in would be approximately \$160,000.

Mr. Dankert discussed the potential revenue sources that are expected for 2003, as follows:

- | | |
|--------------------------|------------|
| • LGA increase of 2.5% | \$ 190,000 |
| • Utilities contribution | \$ 100,000 |
| • Building Permits | \$ 25,000 |

The above increased revenue sources will add approximately \$315,000 of new revenue to the budget.

On the expenditure side, cost of living increases, debt service increases, and other miscellaneous increases is expected to add approximately \$613,000 of new costs. This means, the City of Austin has a deficit of almost \$300,000 for 2003 if the new revenue sources come in as expected and the expenditures are as expected above. Additionally,

Mr. Dankert noted there is approximately \$500,000 of radio needs equipment for the LEC that is expected to be requested for 2003.

All of the above is based on no new net employees. Any increases to staff, such as Police Officers, Park Maintenance staff, and Watershed Coordinators will add \$50,000 to \$60,000 of cost for salaries and benefits for 2003.

Mr. Dankert discussed the possible options to raise funds to cover the \$300,000 expected shortfall and new staffing. The allowable options are as follows:

1. Tax increase if allowed.
2. Reduction in staff in other departments
3. Decrease of projects
4. Use of Fund Balance

Mr. Dankert noted one of the council goals for 2002 was to Evaluate Government Service – set priorities and balance with available funding. This is the best time to evaluate the government services and balance with the available funding, as it is budget time.

Mr. Dankert asked the council questions for the 2003 budget in order to get some direction on how to instruct department heads in their requests for 2003:

- Are you willing to consider additional staffing requests? **Council Response: Yes we are willing to consider critical new positions. However, in a crises where are you, as department heads, willing to cut staff? At least one staff reduction is being required from each department.**
- Are you willing to raise taxes? **Council Response: Yes, but this is not a first priority.**
- Are you willing to decrease or eliminate programs/staffing? **Council Response: Yes.**
- Are you willing to form alliances with other entities (Austin Utilities and Mower County) for joint positions/programs? **Council Response: Yes.**
- Do you want to reduce some of the existing staffing via not filling positions due to vacancies/resignations? **Council Response: Yes, and the Street Department vacancy is on hold for now.**
- Do you want to shift current staff funding to address top priorities? **Council Response: Yes.**
- Do you want to spend down reserves to accomplish some of your desires for 2003? **Council Response: Yes we are willing to look at the spend down of some of the reserves.**

Mr. Dankert also discussed the timeline of events, noting LGA will be certified by August 1 and levy limits will be certified by September 1. Additionally, council needs to adopt a proposed tax levy and budget by September 15, 2003. After September 15, the tax levy can be reduced, but can only be increased for certain allowable add-on levies. In late December, the Truth In Taxation hearing will be held.

Council Member Nordin noted she did not want to spend down reserves, but we may need to in order to accomplish everything. Council Member-at-Large Chaffee noted spending down of the reserves was the last resort for him.

Mayor Rietz noted she would prefer to leave as much open as possible for 2003.

Mr. Dankert discussed the \$100,000 loan to the Austin School District for the ball fields at Riverland College. Mr. Dankert noted the school district has the money in the bank waiting for the council to decide if the loan is forgiven or not. Additionally, the school district has requested an additional \$150,000 for the project. Mr. McGarvey noted he believes the school district does not have the money in the bank, they need to go out and fund raise for it. Mr. Dankert noted he would check on the status of the \$100,000. As far as the \$150,000 additional contribution, general consensus amongst the council was that we would not contribute the \$150,000 to the project, as this was to be built without any public tax dollars, and we have other city projects to fund.

Vaughn Bothun noted the need for additional police officers as his neighborhood has at least five drug house in the area.

Motion by Council Member Lang, seconded by Council Member Jorgenson to adjourn the meeting.

Adjourned: 8:30 p.m.

Approved: _____

Mayor: _____

City Recorder: _____