

MINUTES
2005 BUDGET AND TAX LEVY PUBLIC HEARING
NOVEMBER 29, 2005
5:30 P.M.
COUNCIL CHAMBERS

MEMBERS PRESENT: Mayor Rietz, Council Member-at-Large Christopherson, Council Members McAlister, Baker, Dick Pacholl, Scott Pacholl, and Hecimovich.

MEMBERS ABSENT: Council Member Nordin.

OTHERS PRESENT: Public, Austin Daily Herald and Austin Post Bulletin.

Mayor Rietz called the meeting to order at 5:30 P.M. and announced the purpose of the meeting is for discussion of the 2006 property tax levy and the 2006 operating budgets for all city departments.

Administrative Services Director Dankert gave a brief review of the city's overall budget of \$28,511,957. Additionally fund balances were discussed; the city needs to maintain an amount of fund balance for both cash flow purposes and to maintain our A-1 credit rating. Mr. Dankert further noted that for 2006, LGA is roughly 53.6% of the total General Fund budget. The total LGA Austin is certified to receive in 2006 is \$7,003,279. The past tax levies were discussed, with Mr. Dankert noting that 2006 will have a proposed tax levy increase of 7.9%, for a tax levy of \$3,000,000. The major reason for the needed tax increase is to cover the cost-of-living adjustments for wages, funding for the newly created Police Investigator position, and over \$150,000 in swimming pool repairs. Mr. Dankert also discussed maintaining fund balances in the General Fund at the 42% to 48% level, preferably in the 46% range. Mr. Dankert noted the proposed budget for 2006 assumes contract settlements with the two remaining unsigned bargaining units at rates equal to those accomplished through the arbitration process with the U.A.W. (no retroactivity of wages or benefit costs). Staff wise, Mr. Dankert noted we are not proposing to hire any additional staff for 2006; however the Police Investigator position that was hired in mid 2005 is now funded in 2006.

Mr. Dankert noted the budgeting process began in early July 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 15 of each year. Taxes levies cannot be increased after September 15 (with some exceptions), but they may be decreased.

Mr. Dankert discussed the breakdown of the 2006 Proposed Tax Levy. Mr. Dankert noted the tax levy is increasing from \$2,780,000 in 2005 to \$3,000,000 in 2006 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 32% of the tax capacity (32 cents of every local property tax dollar paid comes to the city). Mower County receives 45%, the School District receives 22%, and the Watershed/HRA receives the other 1%. Mr. Dankert noted if all taxing jurisdictions levy their proposed amounts, our share could drop to 30-31 cents per dollar. Mr. Dankert noted that the city has decreased the staffing levels at our municipality from over 184 full-time equivalents in 1980 to the current proposal of

140.65 full-time equivalent positions (no change from 2005). Roughly 59% of the expenditures in the General Fund go toward wages and benefits.

Mr. Dankert discussed the budgeted expenditures of \$28,511,957 for 2006, noting the Enterprise Fund expenditures of \$5,537,654 are paid for via the users, and the \$4,706,370 of Internal Service Fund expenditures are actually being funded by other city departments. The revenue sources for the year 2006 budget include the tax levy of \$3,000,000, state aid of \$7,749,705 (mainly LGA), the Austin Utilities contribution of \$1.5 million, and tax increments of \$551,434. Mr. Dankert noted other minor line items that balance out the total city budget of \$28,511,957 for the year 2006. Mr. Dankert noted the largest revenue source for the city of Austin is from LGA at over \$7.0 million for 2006.

Mr. Dankert discussed each budgeted fund and the revenue sources and expenditures that make up each. The General Fund budget of \$13,057,650 was discussed by area of expenditure. General Administration's budget of \$1,734,560 pays for the City Clerk, Mayor, Council Members, Finance, Elections, Senior Citizen's Center, City Attorney, and Administrator among other things. The Senior Citizens Center will now be operationally paid for by the City, with a \$30,000 contribution from Mower County. We will be tweaking the line item budget for the Senior Citizens Center based on some new estimates, but the total will not exceed the \$60,000. The Public Safety budget of \$4,703,434 is primarily for the Police and Fire Departments, and Building Inspection. Also, Civil Defense makes up a small portion. The Highways and Streets Department's budget of \$3,040,633 funds Engineering, Streets, Highway, and Lighting, among other things. Park and Rec has a budget, including the Riverside and Packer arenas, of \$2,162,628 for their programs. The Economic Development budget of \$211,300 is used for Hotel/Motel Tax Remittances to the Austin Convention and Visitors Bureau, funding for economic development partnerships, plus a DCA contribution. Other budgeted costs of \$1,205,095 are primarily for a transfer to the tax increment fund for debt service payment (\$120,000) and a transfer to the Building Fund for downtown revitalization (\$500,000), contingency at \$211,695, mosquito spraying of \$25,000, and tax levy-supported capital outlay of \$348,400.

Mr. Dankert briefly discussed the Recreation Programs Fund budget of \$126,865. 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 \$934,706 does not include any use of funds from the Walter Wienke Estate that was given to the Austin Library Board. Mr. Dankert noted the funding request from the county was for \$174,206 in 2006, which does not include any funding for the debt service on the building. Mr. Dankert noted the remaining funds in the Library Building Improvement Fund are being gradually used to add to the book supply and that at the end of 2005 we should not have any remaining fund balance.

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. The council originally only wanted to use the interest for operations, however capital needs for dispatch and radio equipment are now being funded out of the principal. The major expenditures for 2006 include the collective use of \$693,150 of fund balance out of the two funds for some radio needs equipment that council approved over one year ago. Additionally, a new unmarked police car, light bars, and some other minor equipment are proposed

for 2006 out of the Police PERA funds. The Fire PERA funds include the transfer of \$50,000 into the Fire Department of the General Fund to help offset costs in the operation of the Fire Department. The Economic Development Fund has a budget of \$19,617. Sources are \$17,617 from payments from Austin Packaging Company (APC) and Cooperative Response Center (CRC) and \$2,000 from interest earnings. Expenditures include an interest payment to Mower County for \$12,000. The remaining balance of \$7,617 is added for future uses that meet our Business Subsidy Criteria.

The Special Assessment Debt Service Fund is used to pay off the outstanding bond issues for the street and sewer projects. All bond issues have fifteen-year payment schedules and finance the road construction, part of which is paid for by assessments to affected property owners, and the remaining balance is paid for via a tax levy over the entire population of the city. Mr. Dankert noted the 1996A Improvement Bonds will be called February 1, 2006. The Tax Increment Debt Service Fund Budget of \$551,434 is funded via tax increments paid on the affected properties plus the use of fund balance. Expenditures include payments for bond principal and interest, plus payments on existing developer agreements. Mr. Dankert noted the City will need \$120,000 as being proposed from the General Fund in 2006, as the compression of the tax rates has reduced our tax increment receipts whereby they will not be sufficient to cover the outstanding debt payments.

The Capital Projects budget of \$490,000 is being used to fund some improvements to the sidewalks (\$100,000), tax levy for the street projects (\$125,000), flood projects/studies (\$225,000) and trail projects (\$25,000).

The Enterprise Funds are funded primarily from user fees. The Sewer User Fund has budgeted revenues of \$4,430,527 for the year 2006. 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.

The Waste Transfer Station budget of \$144,920 has a primary revenue source from leases. Expenditure-wise, equipment rental and depreciation account for most of the cost.

The Storm Water Management District is a new district that was set up beginning in July of 2003 to meet funding needs for the federal/state storm water unfunded mandates. User fees added to your utilities bill pay for the normal operations in 2006 of approximately \$420,000. The user fees are \$2.50 per parcel per month, with commercial entities paying a residential equivalency unit charge. Some of the proposed capital outlay was also discussed. Mr. Dankert noted some other expenditures were requested after the budgets were set, so a budget adjustment will be coming forward in 2006 to amend this budget.

Mr. Dankert discussed the Port Authority budgets. Highlights of the funds include principal and interest payments for the Holiday Inn, APC, and the Library. Mr. Dankert noted the Holiday Inn lease was paid off by Torgerson Properties; and the 2010 and 2011 bonds have been called effective February 1, 2006. The APC project will probably hit close to \$1.1 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. Mr. Dankert noted the Town Center should break even this year, and that the Walker Building continues to have a strong impact on the bottom line of the Port Authority.

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 \$1,777,435. This includes both the Street Department and the Park and Rec Department. Included in the budgets are equipment additions of \$481,500 for the Street Department and \$112,000 for the Park and Rec Department.

The M.I.S. Department has a budget of \$134,000 for 2006. 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 is done internally by this position. Mr. Dankert also discussed the capital outlay proposed to be purchased in 2006.

The Fire Equipment Fund is used for purchasing and maintaining fire vehicles. Mr. Dankert noted no proposed capital outlay from this fund for 2006, even though a new Chief's car was requested.

The Risk Management Fund accounts for all of our insurance programs. The proposed revenues of \$2,690,303 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 noted negotiated changes to our health insurance plan have reduced the costs to the plan.

Mr. Dankert discussed the resolutions that will need to be passed at the December 5, 2005 city council meeting. The first resolution will certify the tax levy to the County Auditor in the amount of \$3,000,000, if Council desires to levy the proposed amount. The second resolution will certify the adopted budget for the year 2006.

The third resolution will cancel certain tax levies on the Central Garage CIP Bonds, 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. Mr. Dankert noted in general, any increase in citizens' taxes are directly attributable to increased valuations of their property. Mr. Dankert referred anybody to call the Mower County Assessor's office if they have questions as to why their valuations increased.

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

Motion by Council Member Dick Pacholl, seconded by Council Member-at-large Christopherson to recommend to Council at the December 5, 2005 council meeting a tax levy of \$3,000,000 for taxes payable in 2006. Carried 6-0.

Motion by Council Member Hecimovich, seconded by Council Member-at-large Christopherson to recommend to Council at the December 5, 2005 council meeting a proposed budget of \$28,511,957 for 2006. Carried 6-0.

Motion by Council Member-at-large Christopherson, seconded by Council Member Dick Pacholl to recommend to council at the December 5, 2005 council meeting the cancellation of certain ad valorem tax levies for 2006. Carried 6-0.

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 2006 tax levy and 2006 budgets would be acted on December 5, at 5:30 P.M. in Council Chambers.

Motion by Council Member Hecimovich, seconded by Council Member-at-large Christopherson, to adjourn the meeting at 6:53 P.M. Carried.

Approved December 19, 2005

Mayor _____

City Recorder _____