

MINUTES
COMMITTEE-OF-THE-WHOLE WORK SESSION
August 22, 2005
City Hall Conference Room
5:30 p.m.

PRESENT: Mayor Rietz, Council Member-at-Large Christopherson, Council Members Hecimovich, Jorgenson, Nordin, Dick Pacholl, Scott Pacholl, and McAlister

ABSENT: None

STAFF PRESENT: Jim Hurm and Tom Dankert

ALSO PRESENT: Austin Daily Herald

Item #1—City Administrator Jim Hurm and Administrative Services Director Tom Dankert discussed the cover letter that accompanied the budget and tax levy document for 2006. Mr. Dankert noted staff created the budget and proposed tax levy based on the council direction of July 11, which included a total of approximately 8% tax increase (3% coming from new properties in our taxing district). Mr. Dankert noted the proposed tax levy of \$3 million, plus the increase in our Local Government Aid (LGA) from the State of Minnesota still required reductions in the budget requests from the departments. Mr. Dankert noted the only staffing increase was proposed for the Nature Center and is to be funded by the Friends of the Nature Center. However Human Resources is still evaluating this request to see how it affects contracts and employee benefits. The 2006 budget does include the costs associated with the new investigator position that Council approved in 2005.

Mr. Dankert briefly discussed the Community Asset agencies that have requested funding for 2006. Mr. Dankert noted the proposed budget includes an increase for the Mower County Senior Citizens Center (from \$25,650 to \$30,000 plus some capital requests) and an increase for the Sesquicentennial celebration (from \$5,130 to \$10,000). All other entities were kept at the same level of funding as in 2005, except a payment to SEMCAC for administration of the housing program we have. Mr. Dankert did note that he has heard different council members discuss more funding and less funding for all of these entities, but for the proposed budget we have left them as is.

As for the General Fund, Mr. Dankert noted the total budget increase of 5.07% includes a \$500,000 transfer in from a paid-off debt service fund. On the expenditure side, a \$500,000 transfer out is being made into the Building Fund for downtown revitalization as approved in the 5-Year Capital Improvement Plan. There will be no projected use of fund balance in the 2006 budget, as was documented in the city's original 6-Point 5-Year Plan. In 2005 we are using approximately \$215,000 of fund balance to balance the budget.

Mr. Dankert noted in the Special Revenue Funds the Library Budget includes a 3.20% increase, the Library Improvements Fund will be all used up after 2005, and the Fire and Police PERA Funds still have a budgeted amount for radio needs, however we do not know when that will actually occur. Additionally the Fire PERA Fund has projected the use of \$50,000 to be

transferred into the General Fund in order to balance out the budget. This was proposed in the 5-Year Capital Improvement Plan as the last year for which these Fire PERA funds would be used to balance the budget. This will leave a significant amount of funds in the PERA accounts that can only be used for police or fire related expenditures.

The Debt Service Funds include the regular payment of tax increment and general improvement bond debt. Mr. Dankert noted the need for approximately \$150,000 of General Fund transfers in order to cover the shortfall in revenues to cover the debt in the tax increment funds. This shortfall was created when the State of Minnesota lowered the tax classification rates in which businesses pay taxes. Mr. Dankert noted he is proposing that Council call the 1996 bonds in February of 2006.

Mr. Dankert also briefly discussed the other funds for which budgets have been prepared, including the Capital Improvement Revolving Fund (Fund 49), the Wastewater Treatment Plant Fund, Waste Transfer Station Fund, Economic Development Fund, Port Authority Funds, Storm Water Utility District Fund, Central Garage Funds, MIS Replacement Fund, and the Risk Management Fund.

Mr. Dankert discussed the green capital outlay sheets, including the need for roof replacement at the Youth Activity Center and the need for \$150,000 of pool filter replacements.

Mr. Dankert did include copies of the taxes on a \$100,000 home for the other cities we traditionally compare ourselves to (Albert Lea, Faribault, Owatonna, and Winona) noting our taxes on a \$100,000 home would be number 4 out of five, but only \$3 out of third place.

Mr. Dankert reiterated that council may not increase taxes after September 15 they can only decrease them. However, the budgets can be changed and increased with other revenue sources.

Council Member Hecimovich questioned the increased cost of fuel and how that would affect the city budget. Mr. Dankert stated that he is concerned with the dollars allocated to anything that deals with oil. The Public Works Director requested an increase in Road Oil and Road Materials, but that budget was reduced slightly to balance the budget. This may mean that with fuel costs rising, we will be doing even less maintenance than before as we still do not have enough funds allocated. Mr. Dankert noted if he had another \$25,000 or so he would have pumped it into this line item. As far as fuel for the Central Garage vehicles, we should have it covered with \$130,000 allocated for fuel and oil here. This does not include the Police Department.

Council Member Jorgenson stated her request to increase the DCA funding to \$85,000 as per their request. They provide important help to the city such as Take Part, APEX Austin, and other city requests.

Mayor Rietz noted her agreement, as costs have increased yet we give them the same amount (\$75,000) each year. Mayor Rietz noted she considers Mr. Brophy a staff person and we should increase the DCA's allocation. Mr. Hurm also noted the DCA will be marketing the Cook Farm site heavily in the next year, plus economic development is one of Council's biggest issues.

Council Member-at-Large Christopherson noted this is a tough issue for him. Legally, Craig Johnson of the DCA Board said we can only give \$50,000. According to Mr. Johnson the DCA

wants additional funding so they can save their investment earnings to help grow the loan fund. This is a philosophical issue for me noted Council Member-at-large Christopherson.

Council Member Nordin stated that the DCA wants us to increase funding so they can grow their loan funds. Council Member Nordin stated she is not too sure we should be doing this. If the increase had a specific purpose then it might be different. Council Member Nordin stated that she would prefer to stay at \$75,000.

Council Member Jorgenson stated the purpose of the corpus is to loan funds out to fledgling businesses. The DCA needs to keep the fund in order to loan out, not to operate.

Council Member-at-large Christopherson stated we are using \$50,000 of Fire PERA funds to operate. We also can't keep doing this. We should get all of these entities to be self-supporting. However, Council Member-at-large Christopherson stated the Senior Center increase he agrees with, along with the 4th of July funding increase.

Mayor Rietz noted we all have our own priorities and we should pay for what we use.

Council Member McAlister stated the DCA is difficult to understand. The loan fund is created from outside entities. We are buying these services for our allocation, otherwise they would do nothing for us. Council Member McAlister stated he could live without the \$10,000 for fireworks as it is only fifteen minutes of fun. If we did not have the DCA, the City of Austin would be paying for their own person.

Council Member Hecimovich stated he could go with some increase, say \$5,000, as we still need the service.

Council Member Dick Pacholl stated he can see Council Member-at-large Christopherson's point as he himself is not personally seeing a lot of results. I don't know a lot of what is going on down there. Council Member Dick Pacholl stated that part of the problem is the public meetings we have and the confidentiality of the business the DCA is doing.

Council Member Jorgenson stated that the DCA is working with a business that has had flooding issues. Additionally, Mr. Hurm does economic development yet he cannot write a business plan. Community Development Director Craig Hoium can find a lot for somebody to build on, but he cannot write a business plan. Council Member Jorgenson stated that she agrees this is a philosophical difference.

Council Member-at-Large Christopherson stated it is the owner's responsibility to pay for a business plan.

After further discussion, motion by Council Member Hecimovich, seconded by Council Member McAlister, to recommend an allocation of \$80,000 for the 2006 budget for the DCA.

Before the vote was taken, Council Member Dick Pacholl questioned the difference between the Austin Port Authority and the DCA. Mr. Dankert stated the Port Authority was created by state statute to do economic development for the city. The Port Authority has its own separate board, owns its own properties, and transacts business separate from the council. However, the city council still has some say in the activities of the Port Authority, as you have two council members as board members (Council Member Jorgenson is the President and Council Member

McAlister is the Vice President), and you additionally approve all of the other five board members. Mr. Hurm added that the City, Port Authority, and DCA all have separate rolls when it comes to economic development in Austin.

Mayor Rietz noted we have a motion and a second on funding the DCA for \$80,000 for 2006. Roll Call as follows:

Council Member Nordin	Aye
Council Member-at-large Christopherson	Nay
Council Member Scott Pacholl	Aye
Council Member Hecimovich	Aye
Council Member Jorgenson	Aye
Council Member McAlister	Aye
Council Member Dick Pacholl	Nay

Motion passes 5-2 and will include an allocation for the DCA for \$80,000 for 2006.

Council Member Nordin noted she would like increases in some of the cultural aspects, such as the Community Band and the Austin Symphony Orchestra.

Motion by Council Member Nordin, seconded by Council Member Jorgenson, to approve increasing the Community Band from \$2,052 to \$2,400, increasing the Austin Symphony from \$4,275 to \$5,000, and to increase the local artist award from \$425 to \$500 for the 2006 budget.

Before the vote, Council Member McAlister stated that the local artist is for the Council Chambers so he can see the benefit for this, but the other two entities he will vote no on as they are not part of the government function. Mr. Hurm noted he believes that you could argue that the Community Band and Austin Symphony are part of economic development as they may help the recruiting of potential employees for existing businesses.

Roll Call as follows:

Council Member Scott Pacholl	Nay
Council Member Hecimovich	Aye
Council Member Jorgenson	Aye
Council Member McAlister	Nay
Council Member Dick Pacholl	Nay
Council Member Nordin	Aye
Council Member-at-large Christopherson	Nay

Motion fails 3 Ayes to 4 Nays to increase the funding for the Community Band, the Austin Symphony Orchestra, and the Local Artist award.

Motion by Council Member Jorgenson, seconded by Council Member Nordin to increase the funding increasing the Community Band from \$2,052 to \$2,400 and increasing the Austin Symphony from \$4,275 to \$5,000 for the 2006 budget. Motion fails 2-5 (Council Member-at-large Christopherson, Council Members Hecimovich, McAlister, Dick Pacholl, and Scott Pacholl voting Nay).

Motion by Council Member Hecimovich, seconded by Council Member Scott Pacholl to increase the funding for the Local Artist award from \$425 to \$500. Carried 5-2 (Council Members Dick Pacholl and Nordin voting Nay). The 2006 budget will include \$500 for the Local Artist Award.

Motion by Council Member-at-large Christopherson, seconded by Council Member Dick Pacholl to reduce 5% from the following assets (from the 2005 budget amounts); Welcome Center, Community Band, and Austin Symphony Orchestra. A friendly amendment was made by Council Member Scott Pacholl, seconded by Council Member Jorgenson to exclude the Welcome Center from the vote. Motion approved 7-0 with friendly amendment.

Motion fails 2-5 (Council Members Jorgenson, McAlister, Nordin, Scott Pacholl, and Hecimovich voting Nay). Allocations for the Community Band and Austin Symphony Orchestra will remain the same as budgeted for 2005 and 2006.

Motion by Council Member Scott Pacholl, seconded by Council Member Dick Pacholl to reduce the Welcome Center by 5% of the 2005 budget for 2006. This would amount to a \$1,069 reduction. Council Member Jorgenson stated they Welcome Center finds as many grants as possible and needs our funding to operate. Council Member Dick Pacholl stated he agrees with Council Member-at-large Christopherson that these entities need to become self-sufficient and we cannot keep funding them forever.

Mr. Dankert noted that a vote of Aye will mean a reduction in the Welcome Center's funding of \$1,069. A vote of Nay will equate to the funding remaining the same in 2006 as it is in 2005.

Roll Call as follows:

Council Member McAlister	Nay
Council Member Dick Pacholl	Aye
Council Member Nordin	Nay
Council Member Scott Pacholl	Aye
Council Member Hecimovich	Aye
Council Member Jorgenson	Nay
Council Member-at-large Christopherson	Aye

Motion passes 4 Ayes to 3 Nays to decrease the funding for the Welcome Center. The 2006 budget will include \$1,069 less in funding for the Welcome Center than the 2005 budget. Council Member McAlister stated the Council needs to better understand the operations of the Welcome Center.

Mayor Rietz noted she has been approached by Parks and Recreation Director Denny Maschka for a budget to replace 25 flags a year at a cost of \$2,000 per year. Council Member Hecimovich stated they should order these through the veterans clubs to get a better rate.

Motion by Council Member McAlister, seconded by Council Member Nordin to add a line item of \$2,000 for flag replacement. Carried 7-0. Item will be added to the 2006 budget as a permanent line item.

Mayor Rietz also questioned if the Police PERA funds could be used for our share of a Justice Center. Mr. Dankert noted it could.

Council Member McAlister stated that the pool and the arena should be reviewed for reductions in costs to the citizens. Mr. Dankert noted the pool brings in revenue of \$65,000 or so annually and spends about \$135,000 or so. The arenas bring in \$210,000 of annual revenue and have annual expenses of \$475,000 budgeted. This equates to a tax subsidy of \$165,000 or so annually. Council Member McAlister stated we should rent it for other events during the summer. Mr. Dankert noted in the past Public Works Director Jon Erichson has stated that the best thing that can be done to both arenas during the summer is to lock the doors, as the utility and staffing costs cannot be recovered.

Mayor Rietz requested that Mr. Hurm invite Mr. Maschka and Mr. Erichson to a work session to discuss the options for the arenas.

Council Member McAlister questioned the costs spent for the City Attorney and the Prosecuting Attorney, noting that we spend over \$300,000 annually for these two services. This may be the time to start looking again. Mayor Rietz noted her agreement and requested this also be reviewed at a future work session.

Council Member Jorgenson stated that since we are looking at things, we should also look at the staffing levels at the Fire Department. The Fire Chief needs to be here to make his recommendation as to the number of firefighters we should have in this community.

Mayor Rietz noted these are all good policy decisions that should be reviewed.

Council Member Scott Pacholl requested dollars be set aside for a Teen Center, as he has 300 to 400 cards from interested teens. They would like a place to hold concerts and have bands. Council Member Scott Pacholl stated that he has found other such places on the internet. Council Member McAlister stated he is not convinced this will work.

Council Member Nordin requested that we look at the Paramount Theatres request for the Park and Recreation offices at a future work session.

With no further business, motion by Council Member Nordin, seconded by Council Member Jorgenson, to adjourn the meeting at 7:16 p.m. Carried 7-0.

Respectfully submitted,

Tom Dankert
Director of Administrative Services