

MINUTES
2007 BUDGET AND TAX LEVY PUBLIC HEARING
DECEMBER 5, 2006
5:30 P.M.
COUNCIL CHAMBERS

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

MEMBERS ABSENT: Council Member Hecimovich.

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 2007 property tax levy and the 2007 operating budgets for all city departments.

Administrative Services Director Dankert gave a brief review of the city's overall budget of \$28,467,258, noting the budgeting process takes the greater part of six months to complete. Mr. Dankert further noted that for 2007, LGA is roughly 55.2% of the total General Fund budget. The total LGA Austin is certified to receive in 2007 is \$7,303,280. The past tax levies were discussed, with Mr. Dankert noting that 2007 will have a proposed tax levy increase of 7.75%, for a tax levy of \$3,323,500. The major reason for the needed tax increase is to cover the cost-of-living adjustments for wages, additional capital outlay requests, and increased utility rates. Mr. Dankert also discussed maintaining fund balances in the General Fund at the 42% to 48% level. Staff wise, Mr. Dankert noted we are proposing to only hire an additional 14-hour staff person in the library for 2007.

Mr. Dankert noted the budgeting process began in late June 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 2007 Proposed Tax Levy. Mr. Dankert noted the tax levy is increasing from \$3,000,000 in 2006 to \$3,232,500 in 2007 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 that the city has decreased the staffing levels at our municipality from over 184 full-time equivalents in 1980 to the current proposal of 140.00 full-time equivalent positions. Roughly 58.5% of the expenditures in the General Fund go toward wages and benefits.

Mr. Dankert discussed the budgeted expenditures of \$28,467,258 for 2007, noting the Enterprise Fund expenditures of \$6,048,236 are paid for via the users, and the \$4,326,597 of Internal Service Fund expenditures are actually being funded by other city departments. The revenue sources for the year 2007 budget include the tax levy of \$3,232,500, state aid of \$8,091,477 (mainly LGA), the

Austin Utilities contribution of \$1.6 million, and tax increments of \$552,799. Mr. Dankert noted other minor line items that balance out the total city budget of \$28,467,258 for the year 2007. Mr. Dankert noted the largest revenue source for the city of Austin is from LGA at over \$7.3 million for 2007.

Mr. Dankert discussed each budgeted fund and the revenue sources and expenditures that make up each. The General Fund budget of \$13,228,927 was discussed by area of expenditure. General Administration's budget of \$1,750,322 pays for the City Clerk, Mayor, Council Members, Finance, Elections, Senior Citizen's Center, City Attorney, and Administrator among other things. The Public Safety budget of \$4,799,873 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 \$3,249,591 funds Engineering, Streets, Highway, and Lighting, among other things. Park and Rec has a budget, including the Riverside and Packer arenas, of \$2,230,614 for their programs. The Economic Development budget of \$213,800 is used for Hotel/Motel Tax Remittances to the Austin Convention and Visitors Bureau, funding for economic development partnerships, plus a DCA contribution. Transfers out of \$332,560 are to cover the deficit in the Tax Increment Fund (\$120,000) and the remaining \$212,560 is to be transferred into the Building Fund for the savings in the General Fund for employees opting out of the health insurance program. Other budgeted costs of \$652,167 are primarily for contingency at \$153,500, mosquito spraying of \$25,000, and tax levy-supported capital outlay of \$473,667.

Mr. Dankert briefly discussed the Recreation Programs Fund budget of \$120,464. 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 \$1,022,665 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 \$197,335 in 2007, which does not include any funding for the debt service on the building.

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 major expenditures for 2007 include the collective use of \$825,000 of fund balance out of the two funds for some radio needs equipment that council approved years ago. Additionally, a replacement CSO police car is proposed for 2007 out of the Police PERA funds. The Fire PERA funds include the purchase of pagers, computers/monitors, and a copy machine. The Economic Development Fund has a budget of \$21,388. Sources are \$19,388 from payments from Austin Packaging Company (APC), The Eagles Club, Jim's Super Value, 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 \$9,388 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 1997C Improvement Bonds will be called February 1, 2007. The Tax Increment Debt Service Fund Budget of \$552,799 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, which is being proposed from the General Fund in 2007, 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 is being used to fund some improvements to the sidewalks (\$150,000), tax levy for the street projects (\$175,000), railroad crossing improvements (\$35,000), Riverside Arena parking lot overlay (\$25,000), and trail projects (\$515,000).

The Enterprise Funds are funded primarily from user fees. The Sewer User Fund has budgeted revenues of \$4,600,223 for the year 2007. 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. Mr. Dankert noted rates have not been increased for at least four years, and we want to ensure that we are charging enough to continually replace and improve the facility. Mr. Dankert noted that Mr. Erichson is in the process of reviewing the rate structure for the Wastewater Treatment Plant.

The Waste Transfer Station budget of \$145,780 has a primary revenue source from leases. Expenditure-wise, building improvements, 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 2007 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. Spud Bothun questioned how the City could use these funds for capital as the mandate has not even been approved yet. Mr. Dankert noted Public Works Director Jon Erichson is in charge of using these budgets for the stated purpose. The capital outlay that is being proposed was requested by Mr. Erichson to be funded out of this revenue source. Mr. Dankert did note that if everything as proposed in the 5-Year Capital Improvement Plan is completed, we will need a rate increase here to cover all of the expenses that are proposed.

Mr. Dankert discussed the Port Authority budgets. Highlights of the funds include principal and interest payments for the APC and the Library. Mr. Dankert noted the Holiday Inn portion of the bonds was paid off in 2006, so this fund will be closed. 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 has been sold so we will not have expenses here in 2007, 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 \$2,033,703. This includes both the Street Department and the Park and Rec Department. Included in the budgets are equipment additions of \$712,000 for the Street Department and \$35,000 for the Park and Rec Department.

The M.I.S. Department has a budget of \$133,000 for 2007. 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 2007. Council Member Baker questioned if we were putting away enough and spending enough on computers. Mr. Dankert noted we are fortunate enough whereby we own the accounting software that we use. Mr. Dankert stated he knows of entities that pay \$20,000 per month for licensed use of software. This is one major reason why we have maintained the system we have got – it is inexpensive and gets the job done. We also try to rotate computers from high end to low end users. We do end up replacing several per year. Mr. Dankert did note that currently the \$20,000 we allocate for replacement of equipment is acceptable.

The Fire Equipment Fund is used for purchasing and maintaining fire vehicles. Mr. Dankert noted no proposed capital outlay from this fund for 2007, even though fire chief's car was requested.

The Risk Management Fund accounts for all of our insurance programs. The proposed revenues of \$2,056,012 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 played a 10 minute DVD that was provided to us by the League of Minnesota Cities. This DVD outlined the numerous reasons why a property may have a tax increase.

Mr. Dankert discussed the resolutions that will need to be passed at the December 18, 2006 city council meeting. The first resolution would certify the tax levy to the County Auditor in the amount of \$3,232,500 if Council desires to levy the proposed amount. The second resolution would certify the adopted budget for the year 2007.

The third resolution would 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 that in general, any increase in citizens' taxes is 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 Nordin, seconded by Council Member Scott Pacholl, to recommend to Council at the December 18, 2006 council meeting a tax levy of \$3,232,500 for taxes payable in 2007. Carried 6-0.

Motion by Council Member-at-Large Christopherson, seconded by Council Member Nordin, to recommend to Council at the December 18, 2006 council meeting a proposed budget of \$28,467,258 for 2007. Carried 6-0.

Motion by Council Member-at-large Christopherson, seconded by Council Member Nordin to recommend to council at the December 18, 2006 council meeting the cancellation of certain ad valorem tax levies for 2007. 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 Mr. Dankert announced the 2007 tax levy and 2007 budgets would be acted on December 18, at 5:30 P.M. in Council Chambers.

Motion by Council Member Scott Pacholl, seconded by Council Member Nordin, to adjourn the meeting at 6:49 P.M. Carried.

Approved December 18, 2006

Mayor _____

City Recorder _____