

MINUTES
COMMITTEE-OF-THE-WHOLE WORK SESSION
July 10, 2006
City Hall Conference Room
5:30 p.m.

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

ABSENT: Mayor Rietz

STAFF PRESENT: Jim Hurm, and Tom Dankert

ALSO PRESENT: Austin Post Bulletin and Austin Daily Herald (5:40 p.m.)

Council Member-at-Large Christopherson called the work session to order at 5:30 p.m. and noted that Mayor Rietz would not be in attendance this evening as her father is not doing very well.

Item #1 – 2007 Budget preparation – City Administrator Jim Hurm started out the meeting noting that a special council meeting is being scheduled for July 24, 2006 at 5:30 p.m. for the final plat approval and developer's agreement approval for the Wal-Mart store. Mr. Hurm polled the seven council members in attendance noting that Council Members Christopherson, Scott Pacholl, McAlister, and Dick Pacholl would be in attendance for the July 24 meeting.

Regarding the budget and tax levy presentation for 2007, Mr. Hurm handed out an employee history for the City of Austin noting that employment numbers have dropped from 184.96 in 1980 to the current level of 140.65 full-time equivalents. Additionally, Mr. Hurm handed out and discussed the latest Citizen's Taxpayer League report on property tax rank for 2005 showing that Austin ranks 32 out of 35 in tax levels for the 35 largest non-metro communities.

Mr. Hurm noted the goal for this evening's meeting is to set the general parameters for the tax levy and budget for 2007. After September 15, 2006 the tax levy may not be increased for the 2007 year; it may only be reduced. Mr. Hurm also discussed the primary goals that Council established in 2006. Mr. Hurm requested Council keep these goals in mind when setting some of the parameters for the 2007 budget. Mr. Hurm noted we will go through five specific areas this evening to gauge Council's direction for setting the overall tax levy and budget for 2007.

Mr. Dankert discussed **issue #1**, the tax levy for 2007. Mr. Dankert noted the current tax levy is \$3,000,000 for 2006. However, a portion of this amount is actually paid by the State of Minnesota via the Market Value Credit. Mr. Hurm noted our total General Fund budget is \$12,000,000, with the \$3,000,000 tax levy. Therefore, raising the mill rate five percentage points still will only equate to just over one percent of the total General Fund budget.

Council Member Baker stated he cannot imagine asking the taxpayers for both a tax levy increase and a sales tax referendum approval in the same year. Council Member Hecimovich noted his agreement. Council Member Nordin disagreed, noting we are doing a lot of great things, and the sales tax is not forever. Council Member Baker stated we need to be sensitive to

the fact that Mower County will be seeking a large tax increase to fund the justice center and other county programs.

Council Member Dick Pacholl stated that the increase proposed for the tax levy and the growth capture of approximately 2.66% equates to nearly 8% in an increased tax levy. We can lower this amount, but it cannot be increased after September 15. Council Member Dick Pacholl stated if we cooperate with Mower County we may be able to reduce the costs and save the taxpayers some money. Council Member McAlister asked for clarification. Council Member Dick Pacholl stated that we have been stubborn on the justice center and do not cooperate with Mower County. Council Member Nordin disagreed, noting we are working together on many issues.

Council Member Scott Pacholl stated the justice center is a tax issue for 2007/2008. We need to look at the cost of the sales tax to the citizens also. Council Member Dick Pacholl stated the cost will hit us in 2007 and we need to look at it. Council Member Nordin and Mr. Hurm disagreed, noting the justice center probably will not be in the 2007 budget for Mower County.

Council Member Baker went to the whiteboard, and listed out the following items with input from staff:

	<u>Amount</u>
LGA Estimated increase	\$ 250,000
Flood Mitigation Cost	\$ 0
Justice Center	\$ 0
Street Maintenance costs	(\$ 150 000)
Salaries	(\$ 200,000)
Utilities	(\$ 200,000)
New Tax Levy	<u>\$ 230,000</u>
Total	<u>(\$ 70,000)</u>

Mr. Dankert noted roughly the \$70,000 deficit is needed to be covered by additional reductions or new revenues. Mr. Dankert noted there are some additional benefit costs that will cost us, but the main one of health insurance is under control now with the employer cap that exists in all contracts (one is set to expire this year).

After further discussion, Mr. Dankert suggested we go on to the other four issues and then come back to this after we have had further discussion.

Regarding **issue #2**, Mr. Dankert stated we have had additional staffing requests in the past, and that the minutes of the Park and Recreation meeting indicated a request is coming forward from this department for 2007. Council Member Hecimovich stated that additional staffing eats up funding quickly (approximately \$65,000 per FTE).

Council Member-at-Large Christopherson stated that the parks employees help out plowing snow in the winter time. Do the street employees help maintain the parks in the summer? Mr. Dankert noted there is some level of cooperation between the two departments, but their own seasonal needs must come first. Council Member Hecimovich suggested using Riverland College students to do mowing once the high school kids go back to school.

Council Member Baker stated that a new employee should be looked at as a 20-year annuity. There will be close to \$2 million invested into a position over an employee's lifetime (with inflation). Council Member Baker questioned if there are legitimate reasons for adding staff or reducing staff. Council Member McAlister stated he is not in favor of adding staff at this time, but alternatives to the issue need to be looked at also. Maybe we need bigger lawnmowers, cut the grass less frequently, let the grass grow wild or other alternatives need to be looked at for servicing the additional flood lands we are obtaining.

Council Member Dick Pacholl stated the Street Department and the Parks and Recreation Department unions need to work together. Mr. Dankert and Mr. Hurm suggested that maybe Council should attempt to merge the two bargaining units into one Public Works Department.

Mr. Hurm clarified that the request that council has been discussing: Departments may request additional staffing, but they need to explain why the job cannot be done any other way. Additionally, other alternatives need to be reviewed. No objections noted. Mr. Hurm noted he would inform staff at the next staff meeting.

Regarding **issue #3**, Mr. Dankert discussed the agencies that council funds on a line-item basis on an annual basis and asked how Council wants to review the requests. Council Member-at-Large Christopherson stated we need to watch our own ship first. Council Member McAlister stated we are not looking for additional clients to service. Council Member Dick Pacholl stated Council cannot keep paying for these groups, except the Senior Citizens Center needs to be maintained.

After further discussion both Council Members Nordin and Hecimovich requested letters be sent to these agencies requesting their budget requests for 2007 plus some rationale for what the funding is used for. The agencies do not actually have to come to Council to present their request, just mail in on one sheet of paper or less. No objections noted.

Council Member Baker stated that we still need to centralize our economic development efforts. We now have the DCA, Main Street, Inc., and our own Community Development Department. Are these group working together, or can these groups work together? Council Member Baker also stated the Welcome Center funding needs to be looked at.

Council Member Dick Pacholl stated the Downtown Revitalization project needs to be looked at. We will have allocated over \$800,000 to this project through 2006, and we have another \$500,000 going in between the years of 2009 and 2010. I cannot justify all of this stated Council Member Dick Pacholl.

Council Member Baker questioned our obligation to KSMQ for 2007. Mr. Dankert noted there exists no current obligation for funding to KSMQ for 2007, only the 2005 and 2006 commitment of \$60,000 per year was needed in the past.

Issue #4, capital outlay was briefly discussed. Projections for what the costs will really come in at for the 5 Year Capital Improvement Plan were discussed. We still do not know the costs of the justice center/police department issues, but do we want to start putting funds aside for this expenditure?

Discussion ensued regarding the needs to fund our share of the bonding bill funding for flood issues. We are anticipating anywhere from \$3 to \$5 million of state matched funds for flood

reduction purposes. If we do not get the local option sales tax approved via the voters on the November 7, 2006 referendum, and we still view flooding as a top priority, then we need to be able to fund the matching dollars. Council discussed adding a 10% property tax surcharge onto the taxpayers. If the referendum passes in November, then this surcharge would be removed. If the referendum does not pass, we will use this \$300,000 of extra revenue to partially fund our share to match the state bonding dollars.

Council Member Scott Pacholl clarified that the plan would be to remove this tax surcharge if the referendum passed. Mr. Hurm noted that would be correct, but we don't want this to be considered a "threat" to our citizens. We need to act responsibly to solve the flood problems. If Council does get the referendum passed, then we need to come up with matching dollars ourselves to help solve the flooding issues. This is a tough situation to fund, but the money needs to come from somewhere if we want to solve our flooding problems. Council Member Scott Pacholl stated he did not view this as a threat, but it shows the citizens that we are serious at taking care of these flood issues.

Council Members Dick Pacholl and Hecimovich stated they agree with adding the surcharge to the tax levy. Council Member Baker agreed that this should not be taken as a threat, but more as a way to help people understand the main issue here.

After further discussion, Council consensus was for a 10% property tax surcharge to be added to the preliminary tax levy to help fund our share of the state flood mitigation dollars. If the referendum passes, this 10% surcharge would be removed. All Council voted affirmative, except Council Member McAlister, who voted nay.

As far as street reconstruction and maintenance, Council Member-at-Large Christopherson stated our biggest asset is our roads and the wastewater treatment plant. Council Member Dick Pacholl noted we have cut down on some of our road projects due to the large increase in oil and fuel prices. Utility costs are also increasing; these are costs we assumed will be increased in the budgets. Council Member Baker stated that we need to find new ways and technologies to stem the increases in fuel and oil costs. We also need to do more with fewer people.

Council Member McAlister questioned if there are (side) streets that can be abandoned to reduce road costs, both capital and maintenance. For example, Council Member McAlister stated there are some blocks that are two blocks long, while others are just one. By eliminating some of these streets, we could reduce the need for maintenance. Council Member Nordin questioned the impact on the emergency services. Council Member McAlister stated it shouldn't matter as they will still be able to get there.

Council Member-at-Large Christopherson stated that some cities are doing away with cul de sacs. Council Member Baker noted citizens love the cul de sacs, but the municipalities usually hate them. This is something the City Engineer should review.

As far as issue #5, council noted they would like to continue the same budget process as has been done in the past. Department heads will submit budget proposals to administration, and then Mr. Hurm and Mr. Dankert will present a balanced budget for Council to review.

Going back to issue #1 the tax levy, Council had already approved the 10% property tax surcharge on a 6-1 vote (Council Member McAlister – Nay). Capturing the growth was discussed as those taxpayers that have now built homes that are paying property taxes for the

first time in our community. This growth is estimated anywhere from 2.66% (6-Point, 5-Year Plan) to 3.0% (a more realistic percentage). Council Member Baker stated we should use whatever we think the growth will be.

As far as the flat levy increase, the following are what was reviewed (the below rate plus growth of 2.66% to 3.0%, plus the 10% property tax surcharge):

Council Member Baker	3.0%
Council Member-at-large Christopherson	4.00% (as in original 6-Point, 5-Year Plan)
Council Member Dick Pacholl	5.09% (as proposed today)
Council Member Nordin	5.09%
Council Member McAlister	5.09%
Council Member Scott Pacholl	4.75%
Council Member Hecimovich	5.09%

Therefore, Council agreed to use the 5.09% for now to review for budgeting purposes.

Council Member McAlister stated we cannot get new tax base unless Council starts investing more into the Cook Farm site, etc. We need to think about these things when setting our priorities.

Council Member-at-large Christopherson stated with Iowa so close by, and with the better state tax incentives they offer, we have a hard time competing. The proposed ethanol plant had no intentions of coming to Minnesota, they just used us to get better incentives from Iowa.

Mr. Dankert noted we need to provide more education to people regarding our quality of life. Two arenas, many wonderful parks, a new \$1 million baseball complex – those are things that should add to the reason for coming to Austin to work. Council Members Scott Pacholl and Hecimovich questioned why Albert Lea and Owatonna do get these businesses then. Council Member Baker stated these two cities are executing better than we do for economic development. Council Member Hecimovich agreed, noting we have not sold ourselves and we need to do better. Council Member Scott Pacholl stated we need to look at why we haven't gotten the deals. Council Member Baker stated the execution actually needs to start at the council level.

With no other items, motion by Council Member Nordin, seconded by Council Member Scott Pacholl to adjourn the meeting at 7:09 p.m. Carried 6-0.

Respectfully submitted,

Tom Dankert
Director of Administrative Services