M I N U T E S
2008 BUDGET AND TAX LEVY PUBLIC HEARING
DECEMBER 4, 2007
5:30 P.M.
COUNCIL CHAMBERS

MEMBERS PRESENT:	Mayor Stiehm, Council Member-at-Large Christopherson, Council Members McAlister, Austin, Dick Pacholl, Scott Pacholl, and Hecimovich.
MEMBERS ABSENT:	Council Member Martin.
OTHERS PRESENT:	Wade Novak, KAAL TV-6, Austin Daily Herald, and Austin Post Bulletin.

Mayor Stiehm called the meeting to order at 5:30 P.M. and announced that the purpose of the meeting is for discussion of the 2008 property tax levy and the 2008 operating budgets for all city departments.

Administrative Services Director Dankert gave a brief review of the city's overall budget of $28,605,905, noting the budgeting process takes the greater part of six months to complete. Mr. Dankert further noted that for 2008, LGA is roughly 54.4% of the total General Fund budget. The total LGA Austin is certified to receive in 2008 is $7,620,975. The past tax levies were discussed, with Mr. Dankert noting that 2008 will have a proposed tax levy increase of 7.04%, for a tax levy of $3,460,000. The major reason for the needed tax increase is to cover the cost-of-living adjustments for wages plus an additional staff member for the Parks Maintenance Department. Mr. Dankert also discussed maintaining fund balances in the General Fund at the 42% to 48% level. However, there will be a resolution at the next council meeting that would take our fund balance down to 38% , as $1 million would be transferred to the Building Fund for a portion of the Justice Center costs.

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. Tax levies cannot be increased after September 15 (with some exceptions), but they may be decreased.

Mr. Dankert discussed the breakdown of the 2008 Proposed Tax Levy. Mr. Dankert noted the tax levy is increasing from $3,232,500 in 2007 to $3,460,000 in 2008 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 33% of the tax capacity (33 cents of every local property tax dollar paid comes to the city). Mower County receives 44%, 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 141.00 full-time equivalent positions. Roughly 57.8% of the expenditures in the General Fund go toward wages and benefits.

Mr. Dankert discussed the budgeted expenditures of $28,605,905 for 2008, noting the Enterprise Fund expenditures of $6,252,966 are paid for via the users, and the $4,490,531 of Internal Service Fund expenditures are actually being funded by other city departments. The revenue sources for the year 2008 budget include the tax levy of $3,460,000, state aid of $8,609,813 (mainly LGA), the Austin Utilities contribution of $1.6 million, and tax increments of $493,829. Mr. Dankert noted other minor line items that balance out the total city budget of $28,605,905 for the year 2008. Mr. Dankert noted the largest revenue source for the city of Austin is from LGA at over $7.6 million for 2008.

Mr. Dankert discussed each budgeted fund and the revenue sources and expenditures that make up each. The General Fund budget of $13,997,246 was discussed by area of expenditure. General Administration's budget of $1,845,160 pays for the City Clerk, Mayor, Council Members, Finance, Elections, City Attorney, and Administrator among other things. The Public Safety budget of $4,978,905 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 $3,412,546 funds Engineering, Streets, Highway, and Lighting, among other things. Park and Rec has a budget, including the Riverside and Packer arenas, of $2,376,615 for their programs. The Economic Development budget of $227,000 is used for Hotel/Motel Tax Remittances to the Austin Convention and Visitors Bureau, funding for economic development partnerships, plus a DCA contribution. Transfers of $446,770 in the General Fund are to transfer assessment payments on Debt Service Street projects that have been paid off (transfer in from Fund 34) in the amount of $240,000 and the remaining $206,770 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 $710,250 are primarily for contingency at $140,000, mosquito spraying of $25,000, and tax levy-supported capital outlay of $545,250.

Mr. Dankert briefly discussed the Recreation Programs Fund budget of $117,910. 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 $1,064,703 includes a funding request from the county for $203,761 in 2008, but 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 over-funded deposits for each of the two plans. The major expenditures for 2008 include the purchase/replacement of an unmarked police car out of the Police PERA funds. The Fire PERA funds include the purchase of extrication tools, an air bag set, and a computer replacement, all totaling $36,995. The Economic Development Fund has a budget of $9,546. Sources are $9,546 from payments from Austin Packaging Company (APC), The Eagles Club, Jim's Super Value, and Cooperative Response Center (CRC). Expenditures include an interest payment on APC to Mower County for $3,000 (plus the loan repayment of $200,000 once APC remits this payment to us). The remaining balance of $6,546 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 via a tax levy over the entire population of the city. The estimated budget for the

Special Assessment Debt Service Fund is $832,179 for 2008. The Tax Increment Debt Service Fund Budget of $493,829 is funded via tax increments paid on the affected properties. Expenditures include payments for bond principal and interest, plus payments on existing developer agreements. Mr. Dankert noted the City should not need any transfers from the General Fund, as the development in our tax increment districts should 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 ($225,000), Riverside Arena parking lot overlay ($35,000), and trail projects ($605,000), plus some street lights ($15,000).

The Enterprise Funds are funded primarily from user fees. The Sewer User Fund has budgeted revenues of $4,940,661 for the year 2008. 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 five 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 $93,660 has a primary revenue source from leases. Expenditure-wise, pavement 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 2008 of approximately $472,000. 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 discussed the Port Authority budgets. Highlights of the funds include principal and interest payments for the APC and the Library. 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 also discussed the Port Authority Fund - General budget and Walker Building budget (both totaling $258,357). The Hormel Institute Debt Service Fund will be using up the premium that was received on the bond sale this year, so no payments will be made by the Hormel Foundation on this loan. Once the premium is used up, then the Hormel Foundation will make all of the debt payments. Once the project is completely paid for, the Port Authority will neither make nor lose money on the transaction.

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 $2,048,840. This includes both the Street Department and the Park and Rec Department. Included in the budgets are equipment additions of $481,000 for the Street Department and $161,589 for the Park and Rec Department.

The M.I.S. Department has a budget of $144,200 for 2008. 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 did note that currently $31,200 is allocated for replacement of equipment.

The Fire Equipment Fund is used for purchasing and maintaining fire vehicles. Mr. Dankert noted the proposed budget includes $38,000 to replace the Chief's vehicle. The current vehicle would then be used as the officer's vehicle\, with the 1993 station wagon being retired.

The Risk Management Fund accounts for all of our insurance programs. The proposed revenues of $2,170,879 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.

The only citizen in attendance, Wade Novak questioned the valuation increase on his house from $38,000 to $39,900. Mr. Novak stated his neighbor's houses are bigger and he shouldn't be paying higher taxes because of his neighbor's houses. Mr. Dankert noted the Mower County Assessor determines the value of the property, and valuation questions should be referred to them. However, Mr. Dankert did note that every spring a committee of citizens works with the Assessors office via a forum called the Board of Review. This Board of Review will look at valuation questions to determine what the appropriate valuation for a property should be. However, Mr. Dankert noted this would not do Mr. Novak much good for the payable 2008 taxes, as any Board of Review changes would impact his payable 2009 taxes.

Mr. Novak further questioned the cost effectiveness of the SIRT vehicle that was purchased by the Police Department, and why streets are painted in the fall instead of during the spring (this way the snow and plows would not scrape the paint off). Further, Mr. Novak stated the flashing lights on the stop signs out by Wal-Mart don't work, so the city should be replacing all of these. Mr. Hurm noted the SIRT vehicle has been used for drug raids, etc., but we will probably never be able to rent it out to cover the cost. It is one of those items that is needed, but you hope that you never actually have to use it. Mr. Hurm noted the streets are painted based on the schedules of the people doing this job. Mr. Dankert noted the Wal-Mart area is scheduled to have stoplights installed in 2008, which is why we do not spend expensive staff time replacing all of the batteries. Mr. Novak asked further questions that staff and council answered.

Mr. Dankert discussed the resolutions that will need to be passed at the December 17, 2007 city council meeting. The first resolution would certify the tax levy to the County Auditor in the amount of $3,460,000 if Council desires to levy the proposed amount. The second resolution would certify the adopted budget for the year 2008.

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

Motion by Council Member Hecimovich, seconded by Council Member Austin, to recommend to Council at the December 17, 2007 council meeting a tax levy of $3,460,000 for taxes payable in 2008. Carried 6-0.

Motion by Council Member Hecimovich, seconded by Council Member Austin, to recommend to Council at the December 17, 2007 council meeting a proposed budget of $28,605,905 for 2008. Carried 6-0.

Motion by Council Member Dick Pacholl, seconded by Council Member Hecimovich, to recommend to council at the December 17, 2007 council meeting the cancellation of certain ad valorem tax levies for 2008. 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 Stiehm closed the public hearing and Mr. Dankert announced the 2008 tax levy and 2008 budgets would be acted on December 17, at 5:30 P.M. in Council Chambers.

Motion by Council Member-at-Large Christopherson, seconded by Council Member Austin, to adjourn the meeting at 6:45 P.M. Carried.

Approved December 17, 2007

Mayor _____

City Recorder _____