

M I N U T E S
2010 BUDGET AND TAX LEVY PUBLIC HEARING
DECEMBER 1, 2009
6:01 P.M.
COUNCIL CHAMBERS

MEMBERS PRESENT: Mayor Stiehm, Council Member-at-Large Anderson, Council Members McAlister, Austin, Pacholl, Clennon, and Martin.

MEMBERS ABSENT: Council Member King.

OTHERS PRESENT: Michael Schuster, Austin Daily Herald, and Austin Post Bulletin.

Mayor Stiehm called the meeting to order at 6:01 P.M. Mr. Dankert noted the purpose of the meeting is for discussion of the 2010 property tax levy and the 2010 operating budgets for all city departments. Mr. Dankert further noted that many citizens may not have received their tax statements in time for this evening's meeting due to some software issues at Mower County, therefore he has requested that at the end of the meeting we actually continue the meeting to the December 7, 2009 council meeting where we can have further discussion on the tax levy and budget for those that may still be interested in asking questions. Mr. Dankert noted he has cleared this procedure with Shawn Wink at the Minnesota Department of Revenue.

Administrative Services Director Dankert gave a brief review of the city's overall budget of \$27,224,409, noting the budgeting process takes the greater part of six months to complete. Mr. Dankert further noted that for 2010, LGA is roughly 50% of the total General Fund budget. The total LGA Austin is certified to receive in 2010 is \$7,122,450 (net of the unallotment). Mr. Dankert did note the State's revenue forecast is due out on Wednesday, December 2, 2009. This is projected to be a deficit, and could affect the amount of LGA we receive in 2010 (and maybe even 2009 as further unallotment could occur).

The past tax levies were discussed, with Mr. Dankert noting that 2010 will have a proposed tax levy increase of 5.26%, for a tax levy of \$3,900,000. The major reason for the needed tax increase is to cover the cost-of-living adjustments for wages that are in the seven negotiated contracts for 2010. One contract expires at the end of 2009 that is in process of being negotiated. Of the 5.26%, a portion of this increase (1.42%) is projected to come from residents in the newly annexed portion of Lansing Township. Additionally, approximately 2-3% of the tax levy is actually covered by growth within the community.

Full-time equivalent (FTE) employees are decreasing from 2009 to 2010. The 1.5 reduction in the FTE's is a result of a retirement at the library that will not be replaced until the 2011 year, while the other .5 reduction is to account for the moving of one of our full-time CSO officers back to part-time. Council Member McAlister asked about the library employee that was recently approved for the phased retirement under PERA. Mr. Dankert noted this employee's full wages and benefits are included in the 2010 budget, as the Library Director has indicated that she will need additional help to cover the hours that will no longer be worked by the employee under the phased retirement (1,040 hours). Additionally, minimum maintenance of effort required by state law to be part of the SELCO system requires a certain level of expenditures, for which our unofficial calculations show we are barely over now.

Mr. Dankert also discussed maintaining fund balances in the General Fund at the 42% to 48% level. This helps to maintain our AA- credit rating, and allows for us to have some cash flow money for the first six months of the year.

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 2010 proposed tax levy. Mr. Dankert noted the tax levy is increasing from \$3,705,000 in 2009 to \$3,900,000 in 2010 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 20%, and the Watershed/HRA receives the other 3%. Mr. Dankert stated this was based on the 2009 tax capacities for each entity. Mr. Dankert noted that the City has decreased its staffing levels at our municipality from over 184 full-time equivalents in 1980 to the current proposal of 138.15 full-time equivalent positions. Roughly 59.7% of the expenditures in the General Fund go toward wages and benefits.

Mr. Dankert discussed the budgeted expenditures of \$27,224,409 for 2010, noting the Enterprise Fund expenditures of \$6,096,803 are paid for via the users, and the \$4,453,669 of Internal Service Fund expenditures are actually being funded by other city departments. The revenue sources for the year 2010 budget include the tax levy of \$3,900,000, state aid of \$8,074,529 (mainly LGA), the Austin Utilities' contribution of \$1.6 million, and tax increments of \$524,666. Mr. Dankert noted other minor line items that balance out the total city budget of \$27,224,409 for the year 2010. Mr. Dankert noted the largest revenue source for the city of Austin is from LGA at over \$7.1 million for 2010.

Mr. Dankert discussed each budgeted fund and the revenue sources and expenditures that make up each. The General Fund budget of \$14,084,636 was discussed by area of expenditure. General Administration's budget of \$1,928,814 pays for the City Clerk, Mayor, Council Members, Finance, Elections, City Attorney, and Administrator, among other things (14% of the General Fund budget). The Public Safety budget of \$5,386,192 is primarily for the Police and Fire Departments, and Building Inspection and comprises 37% of the General Fund budget. Also, Civil Defense makes up a small portion. The Highways and Streets Department's budget of \$3,561,722 funds Engineering, Streets, Highway, and Lighting, among other things (25% of the General Fund budget). Park and Rec has a budget, including the Riverside and Packer arenas, of \$2,330,567 for their programs (17% of the General Fund budget). The Economic Development budget of \$255,692 is used for Hotel/Motel Tax Remittances to the Austin Convention and Visitors Bureau, funding for economic development partnerships, plus a DCA contribution. A transfer of \$115,000 is to be transferred into the Building Fund for 50% of the savings in the General Fund for employees opting out of the health insurance program. Other budgeted costs of \$506,649 are primarily for contingency at \$184,949, mosquito spraying of \$12,500, and tax levy-supported capital outlay of \$309,200. Mr. Dankert noted capital is down \$100,000 to \$150,000 in order to keep the tax levy increase down to the current proposed level.

Mr. Dankert briefly discussed the Recreation Programs Fund budget of \$152,161. 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 \$1,063,482 includes a funding request from the County for \$206,500 in 2010. Mr. Dankert noted 75% of the Library budget comes from the tax levy placed upon the citizens of Austin.

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. All of the Police PERA money has been allocated to the radio needs project and the downtown justice center, so we are proposing that there will be no money left here (however the project has not yet been completed so funds are still available in this fund for those payments). The Fire PERA funds include the purchase of three thermal imagers, one defibrillator, and funds for energy audits and efficiency improvements at the facility, all totaling \$38,600. Additionally, \$50,000 is proposed to be transferred to the City's General Fund (Fire Department) to offset the cost of wages/benefits of the Fire Department personnel. The Economic Development Fund has a budget of \$5,185. Sources are \$5,185 from payments from The Eagles Club, Jim's Super Value, and Cooperative Response Center (CRC). There are no projected expenditures, so the \$5,185 will remain in the fund balance 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 \$327,707 for 2010. The Tax Increment Debt Service Fund Budget of \$524,666 is funded via tax increments paid on the affected properties. Expenditures include payments for bond principal and interest, plus payments on existing developer agreements.

The Capital Projects budget is being used to fund some trees/tree removal from the tornado damage (\$32,500) and tax levy for the street projects (\$355,000). The funding for the tree project is through the Hormel Foundation.

The Enterprise Funds are funded primarily from user fees. The Sewer User Fund has budgeted revenues of \$5,027,225 for the year 2010. 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. Sewer rates have been increased effective January 1, 2010.

The Waste Transfer Station budget of \$68,000 has a primary revenue source from leases. Expenditure-wise, equipment rental and depreciation account for most of the cost. No major capital improvements are scheduled for 2010, however the fund balance will be needed in 2011 to fund some capital upgrades as part of the 5-Year Capital Improvement Plan.

The Storm Water Management District is used to meet funding needs for the federal/state storm water unfunded mandates. User fees added to utility bills pay for the normal operations in 2010 of approximately \$425,000. The user fee is \$2.50 per parcel per month, with commercial entities paying a residential equivalency unit charge.

Mr. Dankert discussed the Port Authority budgets. Highlights of the funds include principal and interest payments for APC and the Hormel Institute. 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 stated that the deficit cash balance will now start to decline as lease payments are received (and there are no more debt payments going out). Mr. Dankert also discussed the Port Authority Fund - General budget and Walker Building budget (both totaling \$154,366). The Hormel Institute Debt Service Fund involves a loan to the Hormel Foundation, plus debt service payments to bond holders. 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 \$1,932,018. This includes both the Street Department and the Park and Rec Department. Included in the budgets are equipment additions of \$320,000 for the Street Department and \$116,000 for the Park and Rec Department.

The M.I.S. Department has a budget of \$190,700 for 2010. 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 \$20,000 is allocated for replacement of equipment.

The Fire Equipment Fund is used for purchasing and maintaining fire vehicles. Mr. Dankert noted there is no capital scheduled to be replaced in 2010.

The Risk Management Fund accounts for all of our insurance programs. The proposed revenues of \$2,226,953 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.

Mayor Stiehm asked the public if they had any questions.

Questions were received from the audience, including Michael Schuster who said he lives in the annexed property from Lansing Township and his property tax statement shows a large tax increase on his property. Additionally, Mr. Schuster debated Council as to how they handled the tornado damage in this area. Mr. Schuster noted he did not see any of the current elected officials out in his area during this clean-up time. Council Member Martin said he was out in the area at least once per week after the storm hit. Mayor Stiehm said that in his prior work experience as a police officer, the public should stay out of the way of the clean-up efforts and should let the parties that need to work on the clean-up and electrical hook ups do their jobs without public interference.

Mr. Dankert addressed the Lansing Township annexation issue by noting that before this meeting started, another resident questioned his tax increase from the Lansing Township taxing district to the City of Austin. Mr. Dankert noted he did not have an answer, but that he would research the issue with Mower County the following morning.

Council Member Martin questioned the \$30,000 allocated for downtown flowers on page 4-0-A. Mr. Dankert noted the \$30,000 is budgeted to be received from outside contributors, while on page 4-0-B we have allocated \$40,000 for expenditures related to the downtown flowers. The net effect

is \$10,000 of municipal support for the downtown flower program. Mr. Dankert noted discussion will have to occur however as for 2009 the full \$30,000 of outside contributions was not received.

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, plus the levy increases by the governing bodies. Mr. Dankert noted the sample of tax statements he has seen indicate a reduction in the total tax paid by Austin residents. According to Mower County officials, there has been a shift from residential to agriculture for valuations, hence the farm community has had their taxes increase due to the increased property valuations.

Mr. Dankert discussed the resolutions that will need to be passed at the December 7, 2009 city council meeting. The first resolution would certify the tax levy to the County Auditor in the amount of \$3,900,000 if Council desires to levy the proposed amount. The second resolution would certify the adopted budget for the year 2010.

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.

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

With no others speaking, Mr. Dankert requested council continue the hearing to the December 7, 2009 council meeting at 5:30 in the City Hall Council Chambers in order to give those that may have received their statements late a chance to discuss them. Mr. Dankert noted he would give a quick 5-minute review of what the tax levy and budgets will be for 2010 as part of the continued hearing, and then Council could pass the proposed tax levy and budget resolution.

Motion by Council Member Pacholl, seconded by Council Member Austin to continue the hearing to Monday December 7, 2009 at 5:30 p.m. Carried 7-0.

Motion by Council Member Austin, seconded by Council Member McAlister, to adjourn the meeting at 7:00 P.M. Carried.

Approved December 7, 2009

Mayor _____

City Recorder _____