

M I N U T E S
COMMITTEE-OF-THE-WHOLE WORK SESSION
June 1, 2009
City Hall Conference Room
6:05 pm / Immediately following council meeting

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

ABSENT: None.

STAFF PRESENT: Jon Erichson, Tom Dankert and Jim Hurm.

ALSO PRESENT: Firefighter Chris Grunewald, Sandy Forstner, Public, Austin Post Bulletin and Austin Daily Herald.

Mayor Stiehm opened the meeting at 6:05 pm.

Item #1. – Adjusting sewer user rates: Mr. Hurm noted the sewer rates had not been adjusted since January of 2001, over eight years ago which is now evident in our financial statements. Mr. Dankert noted that at the last work session Darwin Viker of LarsonAllen presented the audit report and noted the one thing that we need to work on is increasing the sewer user rates to compensate for the operating loss. Mr. Dankert noted the loss has been growing each year, and that we have asked to get the rates raised to counteract the losses.

Mr. Hurm discussed some surveys that had been done in the past, noting Austin's rate was #16 out of 31 respondents in 2003. Now in 2008 (last rate study) we are #12 out of 42 respondents indicating that our rates are not increasing as fast as the other communities, hence the loss. Mr. Hurm also noted several million dollars of capital projects that will be undertaken in the next five years that will drain the cash balance way down.

Mr. Dankert noted the operating loss includes depreciation on the Industrial side of the plant, for which Hormel pays 100% of the capital cost. Therefore this depreciation (approximately \$285,000 for 2008) should come off of the net loss and then adjusting this loss to \$200,000. The city budgets each year to add \$650,000 for construction projects. Mr. Dankert noted this is needed to finance sewer improvements that are above and beyond the cost of items we are depreciating. For example, in the CIP we have listed a new digester and mechanical systems for an estimated cost of \$3 million. The City of Austin needs this \$650,000 annually in order to cover the cost of these new improvements. Additionally we are scheduled to replace the high rate clarifiers for \$3.5 million. The original clarifiers were constructed in 1939 and probably cost no where near the \$3.5 million it will take to replace them now, hence the need for the additional funding.

Mayor Stiehm stated it appears we are falling more and more behind every day and something needs to be done. Council Member-at-Large Anderson agreed noting we need to take a long-term view of this.

Public Works Director Jon Erichson gave council a history lesson on the treatment plant, noting we are debt free and that we spend the cash balance for the improvements to the facility. Additionally, we are a large energy user, which is driving up our utilities costs each year.

Council Member King questioned the phosphorus limits that we may now have to monitor. Mr. Erichson stated this will be part of our next permit cycle, and we may need to look at the individual control mechanism agreements we have with the car washes, APC, etc. to ensure they have phosphorus limits listed in them.

Mayor Stiehm questioned Mr. Erichson as to when he could get some proposed rates to council for review. Mr. Erichson responded by questioning if council was willing to support a rate increase. No objections noted. Mayor Stiehm questioned how much could be raised in additional revenue. Mr. Dankert stated a 5% increase would increase the average homeowner's monthly sewer bill by \$1.00 per month, \$12.00 per year.

No objections were noted by council in reviewing an increased rate structure for council to review. Mr. Erichson questioned when they wanted to look at this. Council Member-at-Large Anderson stated we could wait a few months. After further discussion it was noted that we should have a rate structure back for council review by September 1, 2009. No objections noted.

Item #2. – Preliminary discussion of 2010 city budget items: Mr. Dankert and Mr. Hurm discussed the memo regarding the schedule for the 2010 budget process. Mr. Dankert noted based on the last work session, council wanted to move up the budget review process such that there is more time to review items. Mr. Dankert noted we have moved everything up two weeks, which means staff need to get their requests back to us sooner than in the past.

Council Member Pacholl stated we have frozen wages before in contract negotiations. Council Member Pacholl stated he wasn't a big fan of the furlough discussion, but after thinking about it more it actually sounds pretty good. Taking one day off per month (or whatever the program would be) is a lot easier than laying people off, as then everybody can keep their job. Everything helps.

Mayor Stiehm questioned how many furlough days would be needed to cover a 3% salary increase. Mr. Dankert noted a 3% increase on salary will be approximately \$240,000 in additional cost to the city, a portion of which is actually paid for via the sewer rates, with the rest being paid for with property taxes. A quick estimate may be in the range of 10 furlough days would equate to a 3% increase. Mayor Stiehm noted we should continue on with the meetings with the employee groups. Council Member Pacholl stated the employees have to be thinking about these furloughs also.

Chris Grunewald, member of the I.A.F.F. (firefighters union) stated we at the Fire Department are hearing about the furloughs and wage freeze concepts, however this needs to be a negotiation with the bargaining unit as a give and take scenario, not just the city takes back. This is the only way to keep the employees happy.

Mayor Stiehm noted the unions need to give us some feedback also. Council Member-at-Large Anderson stated it seems more palatable to use furloughs versus a salary reduction. Council

Member Pacholl stated we need these ideas soon, as he does not want to see anybody lose their job. Mayor Stiehm stated we would have a better idea once the Governor informs us of his unallotment authority.

Council Member Clennon stated the employees are out there everyday, and they need to tell us the things that they see can save us some money. Citizens can do this also. Council Member-at-Large Anderson noted her desire to open this discussion up to the general public.

Council Member McAlister stated this is all premature talk since we do not know what the Governor is going to propose/do to the Local Government Aid (LGA).

Council Member-at-Large Anderson urged a public meeting after July 1 for citizens to discuss the situation with us. Council Member Dick Pacholl stated other agencies we fund should also be part of this discussion.

Item #3. – Matters In Hand: Mr. Hurm noted the employee evaluations have been discussed at past work sessions, and Mr. Hurm stated he is working with the Park and Recreation Board, Library Board, Mayor, and Port Authority and AMCAT Boards. Mayor Stiehm stated it would be good to get this done before we have the budget discussions.

Council Member Clennon questioned if council would be allowed to be at the evaluations. Mayor Stiehm stated he does not have enough knowledge about each department in order to sit in and participate in an evaluation. Council Member Austin stated the key question Council Member Clennon is asking is can she, or any council member be physically present for the evaluation. Council Member Clennon stated these department heads report to us, not the City Administrator. Mr. Hurm stated we should probably talk to Mr. Hoversten to get his legal opinion as to who can sit in on the evaluation process.

Council Member Martin stated we do have issues with our employees. Council Member Martin stated the employee that dropped his snow plow blade on two cars probably has nothing documented in his personnel file regarding this, yet it should be. All of the council can see what the city employees are doing, or not doing.

Council Member Austin stated if council wants to sit in, I can see where Council Member Clennon is going. Council Member McAlister stated council has no business being in the evaluations (Council Member Pacholl noted his agreement). Plows hitting cars is not part of the evaluation process for our department heads, that is a process for Mr. Erichson to address with his employees.

Council Member Clennon reiterated her stance that council sits in on the department head evaluations, as they report to us. Mr. Hurm clarified that he was hired under a job description that states the employees report to him. Council Member Clennon stated the city charter doesn't even mention a city administrator, so these employees, by our laws report to us as council members. Mr. Hurm noted the City Administrator is listed in the City's Code of Ordinances.

Council Member Austin questioned if council should observe or actually participate in the evaluations. Council Member Clennon stated council should be allowed to at least observe this process.

Council Member Pacholl stated only City Administrator Hurm is evaluated by council.

After further discussion, Mayor Stiehm questioned who wanted to participate and who did not, as follows:

- Want to Participate:
 - Council Member Martin
 - Council Member Clennon
- Not Want to Participate:
 - Council Member Pacholl
 - Council Member Austin
 - Council Member King
- Abstain:
 - Council Member Austin
 - Council Member-at-Large Anderson

Council Member-at-Large Anderson stated as far as she is concerned, council could observe the evaluation process, but should not be allowed to speak. Mr. Hurm stated he would check with David Hoversten first on this and then get back to council with his thoughts. Mayor Stiehm agreed, noting after we get the legal opinion, then we should get moving on these evaluations.

Other Item: Council Member-at-Large Anderson referred to a recent article in the Austin Post Bulletin regarding Austin Utilities and Rochester Utilities not extending their SMMPA agreement from 2030 to 2050. Council Member-at-Large Anderson stated we should invite Jerry McCarthy from the Austin Utilities in to give us an update on this, even though it is many years out.

Motion by Council Member Austin, seconded by Council Member King, to adjourn the meeting. Motion passed unanimously. Meeting was adjourned at 7:13 pm.

Respectfully submitted,

Tom Dankert