

MINUTES
CITY COUNCIL MEETING
December 5, 2011
5:30 PM
Council Chambers

MEMBERS PRESENT: Mayor Stiehm. Council Members Brian McAlister, Jeff Austin, Roger Boughton, Judy Enright, Marian Clennon and Council Member-at-Large Janet Anderson.

MEMBERS ABSENT: Council Member Steve King.

STAFF PRESENT: Jim Hurm, Tom Dankert, Jeanne Howatt, Craig Hoium, Jon Erichson, David Hoversten, Mickey Healey, Kim Underwood and Brian Krueger.

OTHERS PRESENT: Post Bulletin, Austin Daily Herald. Marilyn Prenosil. Public.

Added to the agenda: Resolution approving acquisition of property for flood mitigation.

Moved by Council Member Austin, seconded by Council Member-at-Large Anderson, approving the agenda as amended. Carried.

Moved by Council Member Clennon, seconded by Council Member Enright, approving the minutes of November 21, 2011 and Truth In Taxation hearing minutes of November 29, 2011. Carried.

Marilyn Prenosil, 2017 6th Avenue NE, spoke to Council. She referred to an Austin Daily Herald article and the Truth In Taxation hearing online and noted that the online meeting was of very, very poor quality considering the money spent to improve the system. She questioned what the local option sales tax is for, to which Public Works Director Jon Erichson reported on the flood mitigation projects past, current and future. Ms. Prenosil stated that one of the comments made by a council member referred to the flood projects as part of the services citizens receive. But she said that statement is untrue; flood mitigation projects are not part of the city taxes. Council Member Austin said Council Member King made that comment but that the comment was about taxes in general, that the City does accomplish good things. Ms. Prenosil stated she has driven on the new road raise (located on North Main for flood mitigation) and that it was “no big deal”, but also questioned the project as it protects Kuehn Motors. She thanked those on council who voted against a proposed change to the original road-raise concept. Finally, Ms. Prenosil encouraged citizens to attend council meetings, especially the work sessions. Council Member-at-Large Anderson stated that the North Main project protected a whole section of town on North Main, not just Kuehn Motors.

Moved by Council Member Austin, seconded by Council Member-at-Large Anderson, approving the consent agenda as follows:

Licenses:

Sign License: Topline Advertising, Inc., Maple Grove, MN

Claims:

- a. Credit card report. Pre-list of bills.

Carried.

On the agenda was the tax levy for 2012 as proposed at the recent work session.

Council Member Boughton passed out a proposal to pass the levy as proposed (\$3,975,000) *minus* the \$140,000 which is the amount in the Contingency Fund. Mr. Boughton passed out a sheet supporting his position.

- It has been reported that we can usually expect a 2% of a carryover due to departments not spending their entire budget. The likelihood of this being as large as last year is very unlikely. However, it could be.
- Since August 1, 2012 when first presented with the budget the Council has not reduced the budget one dollar or found savings of one dollar during those four months. Mr. Dankert found us an additional \$70,000 in revenue. 15% to 13%.
- We have a balance of over 5.9 million plus dollars in an unassigned fund balance. This is more than ample to address any unexpected emergencies.
- State of Minnesota will have a small surplus (\$876,000,000) during the 2012 year thus the likelihood of a further reduction in LGA for 2012 is slight if any.
- We have received information that we have an extra \$28,000 increase in land rental income at the Cook Farm Site.
- Reducing the contingency has no effect on anyone's expected budgeted dollars for 2012 though it does reduce our increase from 13% to 9%. Still leaves us with \$28,000 unallocated.
- Let us always remember that we have the responsibility of taxing those who have very limited incomes.
- During the year 2010 we had budgeted \$93,762 for contingency. We had left over \$41,419 not spent at the end of last year (2010).

Council Member Austin stated that comments have been made like we haven't made cuts already, but we have. If we spend down our reserves, noted Council Member Austin, next year we'll need to build it back up. If we are going to make cuts, we need to make real cuts with real dollars. He compared it to early retirement incentives. It doesn't make sense unless a position is cut. Somehow we would need to bring the money back.

Council Member McAlister agreed with Council Member Austin that in 2013 we may find ourselves with no contingency fund. He asked Finance Director Tom Dankert to comment. Mr. Dankert stated that for the first six months of the year, we need to rely on this fund for cash flow prior to receiving our tax revenues and LGA. When the fund has reached 48% in the past, councils have used this for projects such as the recent purchase of the jail/justice center property acquisition. He reminded Council that we did not have to levy a tax onto citizens for that project.

Council Member-at-Large Anderson reiterated Council Member McAlister's comments noting that we need the cash flow dollars. It is also for planning ahead in the long term. She reminded Council that at a previous work session, the Committee-of-the-Whole did not think it prudent to

remove the Contingency. She disagreed with Council Member Boughton's statement about the surer footing of LGA with the found surplus; she is still skeptical about LGA with the new legislative session. She agreed that there are some suggestions that should be explored seriously but doesn't see significant value in making these changes now.

Council Member Enright said her ideas of reducing the budget and levy are different and not related to Contingency. Her idea is something definite, she said, and added that the people are struggling and so we need to find better ways of doing things.

Council Member Clennon said she doesn't agree with eliminating contingency completely but would agree to a reduction of it. She gave the example of the use of Contingency for the splash park when we knew we were getting the money next year.

Mayor Stiehm said Council started with a 13% levy increase but with the loss of the Market Home Value Credit we have almost a -4% levy decrease in comparison with other cities. But those with lesser-valued homes will see the least increase in property taxes, he said, and some are of those tax rates are actually going down. We are maintaining services despite the loss of the MHVC. He remarked that Commissioner Tony Bennett said the County gave \$30 million away to citizens years ago in the form of a tax rebate, and, according to him, that was the worse thing they ever did.

Council Member Clennon said she has talked to many people and has found that their property tax statements have nothing to do with getting rid of the MVHC tax credit. She noted someone's taxes from Oak Park Village – their home value – went up \$11,000. It all has to do with the valuations, she said.

Council Member Austin stated we were cut almost \$1.3M last year (from LGA) and are only levying back approximately \$450,000.

Council Member Boughton argued that we're spending more this year than last year. He suggested again eliminating the Contingency of up to \$140,000. We still have \$28,000 coming in from the farm rentals, plus \$4000 spared from the audio/visual upgrade.

Council Member Boughton made a motion to reduce the levy as presented (at \$3,975,000) *minus* the \$140,000. The motion failed for lack of a second.

Council Member Enright said the cost of everything is going up for everyone. Sixty-five percent of the budget goes towards employees. There are services, products and procedures that can and should be reviewed to lower the costs and be more efficient. People need to be challenged to operate differently. That is why she is proposing to cut expenditures to reduce the budget by .75% (\$105,663). That would reduce the levy by 3%. She said arguments from staff saying we can't cut aren't valid. It's not impossible to cut the budgets. I have confidence they can find ways to do so. Provide incentives and give bonuses for doing this. We need to challenge them. They can't always say "we've always done it this way."

Council Member Enright made a motion to reduce the budget by .75% which would lower the levy 3%.

Council Member Clennon said this is a fantastic idea. If the departments can find ways to bring revenue in, then there may not necessarily need to be cuts.

Council Member Boughton agreed with the proposal, and said this meets with Council Member Austin's objective (to make permanent cuts).

Council Member-at-Large Anderson said this is the direction Council should pursue for 2013 and beyond. Council has spent a lot of time – months – and actually has reduced the budget. This isn't something brand new. But she questioned how efficient we can be and still have value. She noted Park & Rec and library services which are offered free or at little cost and are being used more and more. To take away from there doesn't seem to help people we are trying to serve. Right now – considering where we are in the process of approving the levy – is not the right time.

Mayor Stiehm added his comments, noting that he may end up voting. If we cut now, he said, we do not know what we will end up with – losing patrol officers, cuts at the library? This should be the first step, not the day we are finalizing the budget. Right now we have no way of knowing what we would get. I don't think we can cut blindly like this.

Council Member McAlister said we didn't cut because the budget was conservative in the first place – we didn't add people. He does not support Council Member Enright's idea now but would support it for goal-setting for 2013. He said he gets frustrated with talk of challenging staff, looking for new products, new services. Those are just words that are absolutely meaningless unless there is something attached to them. It is not easy to come up with ideas to save \$100,000. There are certain things that cities must do such as sewers and street repairs; it's not a matter of choice. As for the suggestion to not fill any positions, we would still need to pay overtime as some jobs still need to get done. This could be a goal for 2013.

Council Member Austin agreed with Mayor Stiehm of the uncertainty of cutting the budget right now at the eleventh hour. We have discussed the budget for six months, we have discussed several options, and we have a very conservative, very responsible budget.

Council Member Enright agreed that there are a lot of unknowns and that we shouldn't micro-manage, but we have to think about everyone. She advised keeping in mind the effect of the taxes on the businesses, too.

Council Member Austin noted he recently heard a state senator shifting the blame from the State to the cities, that cities should take care of themselves. But we have, he stated. We have worked to tighten the budget for the last 2-3 years.

City Administrator Jim Hurm complimented city staff on working to keep the budget down. This is not something new. We have been tightening for some years.

Council Member Boughton stated his approval of reducing the budget by .75%, reminding everyone that we still have \$168,000 of undesignated funds. This is not humongous, he said.

Moved by Council Member Enright, seconded by Council Member Boughton, to adopt a resolution approving the 2012 tax levy as proposed (\$3,975,000) *minus* .75% (\$105,663) of the budget. (*The total tax levy proposed by Council Member Enright was \$3,869,337*). 3-3. It being

a tie vote, Mayor Stiehm voted nay. Final vote was 3-4. Motion failed. Voting nay: Council Members McAlister, Austin, Anderson and Mayor Stiehm.

Moved by Council Member Enright, seconded by Council Member Clennon, to adopt a resolution approving the 2012 tax levy as proposed (\$3,975,000) *minus* .50% (\$70,442) of the budget. (*The total tax levy proposed by Council Member Enright in this motion was \$3,904,558*). 3-3. It being a tie vote, Mayor Stiehm voted nay. Final vote was 3-4. Motion failed. Voting nay: Council Members McAlister, Austin, Anderson and Mayor Stiehm.

Moved by Council Member Enright, seconded by Council Member Clennon, to adopt a resolution approving the 2012 tax levy as proposed (\$3,975,000) *minus* .25% (\$35,247) of the budget. (*The total tax levy proposed by Council Member Enright in this motion was \$3,939,753*). 4-2. Carried. Voting nay: Council Members McAlister, Boughton, Austin and Anderson.

Moved by Council Member Austin, seconded by Council Member McAlister, adopting a resolution to approve the 2012 tax levy as proposed at \$3,975,000. 4-2. Carried. Voting nay: Council Members Enright and Clennon.

Moved by Council Member Austin, seconded by Council Member Boughton, adopting the 2012 budget at \$30,151,217. 4-2. Carried. Voting nay: Council Members Enright and Clennon.

Moved by Council Member Austin, seconded by Council Member-at-Large Anderson, adopting a resolution authorizing the cancellation of certain ad valorem tax levies. 6-0. Carried.

Council Member Hurm reported the HRA tax levy at \$194,800, which is down \$1000 from the previous year. The Council is not required to take action on the HRA levy.

Moved by Council Member Austin, seconded by Council Member McAlister, adopting a resolution setting plans, qualifications and rates for city health insurance for 2012. 5-1. Carried. Council Member Clennon voted nay.

Moved by Council Member Austin, seconded by Council Member-at-Large Anderson, adopting a resolution adopting health insurance plans and required employee contribution for non-bargaining unit employees for 2012. 5-1. Carried. Council Member Clennon voted nay.

Moved by Council Member Boughton, seconded by Council Member Enright, adopting a resolution accepting the Hormel Foundation grant awards for 2012. 6-0. Carried.

Council was asked to request feasibility studies for the 2012 street projects which were identified in the CIP. Public Works Director Jon Erichson stated that the projects near the east side lake dam area are independent of the bridge project.

Moved by Council Member Austin, seconded by Council Member Boughton, adopting a resolution requesting feasibility reports for the 2012 street capital improvement projects. 6-0. Carried.

Moved by Council Member Boughton, seconded by Council Member Enright, appointing Gregg Gaffney to the Cable TV Committee, 1/1/12 to 12/31/14. Carried.

Moved by Council Member Austin, seconded by Council Member-at-Large Anderson, reappointing Aaron Stewart to the Cable TV Committee, 1/1/06 to 12/31/14. Carried.

Moved by Council Member Enright, seconded by Council Member-at-Large Anderson, reappointing Paul Spyhalski to Fire Civil Service, 1/5/09 to 12/31/14. Carried.

Moved by Council Member Boughton, seconded by Council Member Enright, reappointing Marv Repinski to HRA, 1/4/10 to 12/31/16. Carried.

Moved by Council Member Boughton, seconded by Council Member Enright, reappointing Ron Langrell to Human Rights Commission, 6/4/07 to 12/31/14. Carried.

Moved by Council Member Enright, seconded by Council Member McAlister, appointing Jack Wittkopp to Human Rights Commission, 1/1/12 to 12/31/14. Carried.

Moved by Council Member Boughton, seconded by Council Member Enright, reappointing Steve Wald to Human Rights Commission, 1/5/09 to 12/31/14. Carried.

Moved by Council Member Boughton, seconded by Council Member Enright, reappointing Becky Repinski to Library Board, 1/1/06 to 12/31/14. Carried.

Moved by Council Member Boughton, seconded by Council Member Enright, reappointing Carmen Tribbett to Library Board, 1/1/06 to 12/31/14. Carried.

Moved by Council Member McAlister, seconded by Council Member Austin, reappointing Sally Baker to Library Board, 1/5/09 to 12/31/14. Carried.

Moved by Council Member Austin, seconded by Council Member Enright, reappointing Bob Wilson to Park & Rec Board, 5/21/07 to 12/31/15. Carried.

Moved by Council Member Austin, seconded by Council Member McAlister, reappointing Jeff Bednar to Planning Commission, 1/5/09 to 12/31/15. Carried.

Moved by Council Member Austin, seconded by Council Member-at-Large Anderson, reappointing Lonnie Skalicky to Planning Commission, 1/1/08 to 12/31/15. Carried.

Moved by Council Member Enright, seconded by Council Member McAlister, reappointing Ron Howard to Police Civil Service Commission, 1/5/09 to 12/31/14. Carried.

Moved by Council Member-at-Large Anderson, seconded by Council Member Austin, appointing Lee Bjorndal to Port Authority, 1/1/12 to 12/31/17. Carried.

Moved by Council Member Boughton, seconded by Council Member Enright, approving cost/benefit analysis for participation of the Austin Part-time Firefighters Relief Association in the state's PERA system. Carried.

Council was asked to accept a reduction of \$4000 for the audio/visual improvements. The reduction would mean foregoing video-streaming council meetings online.

Council Member Boughton asked if this \$4000 is for cable access only. Mr. Dankert replied that it is paid out of the general fund but dedicated to cable access.

Moved by Council Member Boughton, seconded by Council Member-at-Large Anderson, accepting a reduction of \$4000 for Council Chambers audio-visual improvements. Carried.

Moved by Council Member Austin, seconded by Council Member Enright, adopting a resolution approving gambling premises permit for Eagles Club at The New Smitty's Tavern, 105 11th Street SE. 6-0. Carried.

Moved by Council Member-at-Anderson, seconded by Council Member Enright, adopting a resolution accepting September and October donations to the Austin Public Library. 6-0. Carried.

Moved by Council Member Austin, seconded by Council Member Boughton, granting the Planning and Zoning Department the power to contract for the removal of junk and/or illegally stored vehicles at 210 11th Avenue SW, Benitez property. Carried.

Moved by Council Member Austin, seconded by Council Member Enright, granting the Planning and Zoning Department the power to contract for the removal of junk and/or illegally stored vehicles at 1008 7th Avenue NE, Paredes property. Carried.

Council is requested to acquire property as part of the North Main flood control. Mr. Erichson said the property owner has responded today, thus the late request. There are no buildings on this property. The flood wall would be built through this area and also a storm water discharge structure would be constructed. The assessed value is \$5000. Funding will come from 50% local option sales tax and 50% from a DNR grant. The area is located between the Pizza Hut and the R&F apartments.

Moved by Council Member Boughton, seconded by Council Member Austin, adopting a resolution approving the acquisition of property for North Main flood control. 6-0. Carried.

REPORTS

Council Member Clennon is receiving periodic reports from the LMC reinventing government committee. She will be speaking to the legislative finance committees testifying on behalf of the LMC.

Council Member Boughton said the HRA met for its monthly meeting and will meet tomorrow also in closed session for personnel matters. Also, the HRA will not be receiving a \$500,000 subsidy from HUD this coming year due to the funds not being used. This is good because it shows that our HRA has been running efficiently but also it is unsettling.

Council Member-at-Large Anderson encouraged everyone to vote for Vision 2020 and to choose five from the pared list of hundreds of suggestions. People may vote online, at the Chamber of Commerce, or at the library.

Council Member McAlister recently watched a public TV program called "Liquid Assets in Minnesota". The program explains the deterioration of sanitary sewer and fresh water systems

and problems that systems that are 100 years old and more are experiencing. This program explains in part where citizens' tax dollars go for.

Council Member Austin responded to comments from the Truth In Taxation meeting that this council doesn't care or is not concerned. The discussion tonight should prove that we do care, we do listen, and we look to reduce in the future.

Council Member Erichson said the first snowfall came this past weekend and he reminded everyone to drive carefully. There was no snow emergency set, but they did sand and salt on Saturday and Sunday. He noted they did have to plow around many vehicles. He also reminded citizens to shovel their sidewalks.

Community Development Director Craig Hoium, in responding to the citizen's comment about tax dollars being used for flood-related purposes, said he received notice that we received our certification for our community rating on flood protection measures. This involves some enforcement and much paperwork. That does not come out of the local option sales tax. The certification, however, provides 25% savings for property owners who carry flood insurance.

Mayor Stiehm thanked Council and staff for their work on the budget. He thanked Council Members Boughton and Enright for their efforts. He said to the public that we will do everything we can on the budget; we care.

Moved by Council Member Boughton, seconded by Council Member Austin, adjourning the meeting to December 19, 2011.

Adjourned: 6:41 pm

Approved: December 19, 2011

Mayor: _____

City Recorder: _____