

**MINUTES**  
**COMMITTEE-OF-THE-WHOLE WORK SESSION**  
**August 1, 2011**  
**City Hall Conference Room**  
**Immediately following council meeting**

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

**ABSENT:** None.

**STAFF PRESENT:** Public Works Director Jon Erichson, Parks and Recreation Director Kim Underwood, Library Director Ann Hokanson, Police Chief Brian Krueger, Fire Chief Mickey Healey, Administrative Services Director Tom Dankert, and City Administrator Jim Hurm.

**ALSO PRESENT:** Representatives of SKB, Sandy Forstner from the Chamber of Commerce, Austin Post Bulletin, and Austin Daily Herald.

Mayor Stiehm opened the meeting at 6:35 p.m.

**Item No. 1. Chamber of Commerce (Request funding for 4<sup>th</sup> of July & Christmas in the City)**– Mr. Forstner noted they were looking for the same support for the 2012 4<sup>th</sup> of July festival (\$6,000) and the Christmas in the City (\$855) as was granted in 2011. Mayor Stiehm noted this is a pretty good bang for our buck. Council Member Clennon stated with the increase we are proposing to the public, she would probably vote no on this funding request.

Council Member-at-Large Anderson stated this activity appeals to so many people in our community. This is a high priority for citizens that I would like to continue, she said, and it is a relatively minor expenditure and should be supported. Mayor Stiehm agreed noting he would not like to face the citizens if we were not to approve this. Council Members King and Boughton noted their agreement.

Motion by Council Member Boughton, seconded by Council Member-at-Large Anderson to recommend approval of the payments for the 4<sup>th</sup> of July and Christmas in the City for 2012. Carried 6-1 (Council Member Clennon – Nay). Items will be included in the proposed budget for 2012. No further action necessary at this time.

**Item No. 2. SKB environmental landfill/WWTP agreement** – Mr. Erichson noted his office has been working with SKB on their request to have the city's Wastewater Treatment Plant process the leachate from the proposed lining of their landfill. Mr. Erichson noted this is the right thing to do from an environmental standpoint. Representatives of SKB noted their general agreement with the City of Austin's ICM (Individual Control Mechanism), however they wanted the expiration of the agreement to be extended out further, especially if they are investing over \$1 million in the lining of the landfill. Mr. Erichson noted the Engineering Department had

rejected their proposed language on the expiration, and we have tied these ICM's to the permitting requirement of the Wastewater Treatment Plant.

Council Member Boughton questioned if the revenues were sufficient to cover their expenses. Mr. Erichson stated they would be. Council Member McAlister noted we are having some capacity issues at the Wastewater Treatment Plant, and assumes that Mr. Erichson is comfortable allowing this. John from SKB noted they actually have two storage tanks to hold the leachate, and SKB can time the processing of this based on when the City could receive the leachate. Additionally, he said, SKB is in the process of finalizing a deal with the City of Albert Lea to be a backup or secondary site for us.

Council Member Enright asked if there were any foreseeable reasons why we would not extend the agreement after the initial expiration date. Mr. Erichson stated there is no reason at this point to not renew.

Motion by Council Member Boughton, seconded by Council Member King to recommend staff proceed with negotiations on a mutually agreeable ICM, and to bring it back to council for approval at an upcoming council meeting (hopefully August 15). Carried 7-0.

**Item No. 3. Floodplain property acquisition** – Mr. Erichson noted a parcel at 1305 3<sup>rd</sup> Street NE is now for sale and may be a target of our flood acquisition. Mr. Erichson stated the original owner has now passed away and the family has approached us with an interest in selling the property. Mr. Erichson did note the City had spoken with the original owner in the past and he always refused to sell his property, but now the family would like to dispose of the property. Mr. Erichson estimated the entire cost of acquiring and removing would be in the \$150,000 range and he proposes to pay for it with 50% Local Option Sales Tax funds and 50% through a DNR flood mitigation grant.

Council Member McAlister questioned if the house could be moved. Mr. Erichson stated that would be the goal, but the height of the property may eliminate the ability to do that.

Council Member Clennon stated this owner called her every winter as the snow plows ripped up his yard. Council Member Clennon did note that the original owner said he never got water into the house.

Council Member Enright stated she thinks we will regret not buying the house if we do not do it now.

Motion by Council Member Boughton, seconded by Council Member King to recommend to council the approval of the purchase of the property at 1305 3<sup>rd</sup> Street NE. Carried 7-0. Item will be added to the next council agenda.

**Item No. 4. Request of Bell Liquor regarding adjacent property** – Mr. Hurm noted the County has this land for sale for \$10,000 and is responsible for mowing and snow removal. The City has \$22,118.04 worth of assessments on the property as well. Rob Kokot, owner of Bell Liquor next door, would like first shot at buying the property if we were to reduce the

assessments down considerably. Mr. Kokot has indicated he wants the property for an investment, not to expand his facility. Mr. Hurm noted he would recommend we do not abate the assessments, or a portion thereof, unless some pending development does come through.

Council Member Boughton questioned why we would not work with the County to get an offer to split the proceeds. Mr. Hurm responded that there is no pending development on the parcel, and an acquisition would be purely for investment purposes by the Bell Liquor owner. Council Member Enright clarified that Mower County is responsible for maintaining this property. Mr. Hurm noted that was correct.

Council Member King stated the city has considerable money tied up in this parcel. Bell Liquor is only interested in this if the city was to lower the assessments, and then he would just like first option to buy it.

Council Member Austin suggested we just sit on the parcel for now.

Council Member McAlister questioned why we put so much into it in the first place. Mr. Erichson stated it was council's direction at that time to fix the porch and assess the owner the costs.

After further discussion, there were no objections to leave the assessments on the property as is until a future development is pending.

**Item No. 5. Improving Service Delivery Policy Committee feedback from LMC** – Council Member Clennon discussed the July 26 emailed document that they are seeking input and guidance on. Council Member Clennon stated some of the topics of discussion include a rental housing program, operation of motorized foot scooters, and ebikes being used on bike trails.

Mr. Hurm stated the League does a great job advocating for the city, and no red flags came up in his review, or staff's initial review, of the emailed document.

Council Member-at-Large Anderson stated she would like more time to review the emailed document and that it should be put on a future work session. Council Member Clennon stated she would need input before August 22.

This is for informational purposes only and will be added to the work session agenda for August 15.

**Item No. 6. Hormel Foundation grant applications** – Mr. Hurm handed out a grading sheet (11 being the highest priority and 1 being the lowest priority) for council members to rank the project requests. Mr. Hurm noted once all of the forms were back he would tally them and get an email out as to the results.

**Item No. 7. Budget Adjustment No. 4 – LGA reduction** – Mr. Dankert discussed his memo regarding the State of Minnesota's reduction to our state aid for 2011 in the amount of \$1,106,812. As part of the 2011 budget process, staff had identified approximately \$1,083,000

worth of projects that were on hold until the states budget woes were resolved. Now that the State has decided what our 2011 funding will be, we need to adjust our expenditures to match the new revenue stream that we will be receiving. Mr. Dankert gave Council the option of going through the budgets again, or approving the proposed cuts that were discussed near the end of 2010 to balance the budget.

Mr. Dankert did note that of the original \$1,083,862 of proposed cuts, approximately \$10,000 will be needed for best management practices for snow storage near Marcusen Park, so we will need to use some additional Contingency to balance this off, along with another \$22,950 worth of cuts to balance to the state reduction.

The proposed budget amendment would now leave about \$40,000 in Contingency for the last four months of the year.

After further review motion by Council Member Austin, seconded by Council Member Boughton, to approve of the amended budget amendment number 4 to balance the city budget for 2011. Carried 7-0. Item will be added to the next council agenda.

**Item No. 8. 2012 Budget discussion** – Mr. Dankert stated that the LGA cuts that have been approved by the State of Minnesota will reduce the LGA to the city of Austin by \$687,000 for both 2011 and 2012 (this is a permanent cut). Additionally, a Market Value Credit aid of approximately \$613,000 will be eliminated from the City for 2013 as a permanent reduction. This totals a \$1.3 million loss to our community. Mr. Dankert discussed some of the comments and topics that have been discussed over the years regarding the City of Austin, including:

- The City is too dependent upon LGA
- The City ranks 223 out of 225 in net tax levy per capita
- Employees' compensation is too high
- The City just keeps growing

Mr. Dankert highlighted that the proposed 2012 budget would put the General Fund at 50% revenue from LGA and 50% from other revenue sources. In 2002, LGA made up 65% of the budget so we have trimmed 15% from this dependence in 10 years, a slow progression. As far as net levy per capita, we could only move up 9 slots if council approved the proposed levy and no other city below us raised their levy, so we will still be in the bottom ten or so. Employees have taken pay freezes for 2011 and 2012, along with agreeing to a three year freeze on the city cost of health insurance (employees pay any increases). Finally, the city continues to grow and demand for services such as mowing flood purchased property and providing services to the newly annexed Lansing Township area are increasing.

Mr. Dankert noted in light of the \$1,300,000 reductions in state funding, we are looking at increasing the net tax levy 15%, or \$530,000. This, combined with the prior year tax levy increase and \$500,000+ in expenditure reductions, has balanced the budget out. Mr. Dankert reiterated that the solution to this budget was both revenue increases and expenditure decreases. The budget also provides funding for the replacement Librarian that was lost in 2009 on a short-term basis, and also funds one of the two Street Department vacancies that exist. This means we would still be short one Street Department employee. However, the 2012 proposed budget does

not provide any funding for a rental housing program or the Greensteps program. If Council wants funding for those, we need additional revenue or further expenditure reductions.

Council Member Boughton questioned what the School District and their tax levy and referendum needs were and also what Mower County is going to do with their tax levy. Mr. Dankert noted he wanted to be politically correct in his response as his job is to maintain the finances of the City of Austin. Council Member Austin stated that our job is to look out for the City of Austin and make our decisions based on those needs independent of what the School District and County are doing.

Council Member King noted in light of the state reductions, the 15% tax levy increase is prudent at this time.

Council Member-at-Large Anderson stated we need a combination of cuts and revenue increases in order to balance the budget, but I hear all of the time of the citizenry taking advantage of the services we provide such as the Library and parks. These are things the public wants us to maintain as they use them frequently. Council Member-at-Large Anderson stated we need to think about what the citizens really want.

Council Member Austin stated he does not like to pay any more in taxes than he has to. However, for \$171 per year I get all of these city services. Council Member Austin stated he paid more for his cell phone bill last year than he paid in property taxes to the City of Austin. If we continue to be 223 out of 225 in the state in Net Tax per Capita, we are looking for an even bigger fight down the road when the levy has to increase further. Council Member Austin stated the State of Minnesota may want to get rid of LGA just because we rank so low in paying our fair share locally. Council Member Austin stated the citizens have enjoyed years of low property taxes.

Council Member Boughton questioned if a 15% tax levy increase was prudent at the same time we hired two more people on staff. Council Member-at-Large Anderson stated this was part of our needed marketing to the public as to what you are getting with this increase which includes the replacement of two positions to maintain our services.

Council Member Clennon stated the public does not care that we rank 223 out of 225, they will only see the 15.04% increase in the tax levy. Council Member Clennon stated people cannot afford to maintain their properties now, and then they will be abandoned with further increases. Council Member Clennon reiterated her stance that some people cannot afford these increases.

Council Member Enright stated she did not know what way to go on this. The Lansing Annexation was discussed in that the City provides 100% of the service, yet we have to pay Lansing Township some of the tax revenues we now collect. Council Member Enright stated the public perception of a 15% increase is what we will need to deal with.

Council Member Clennon noted that a recent study by the League indicated that every city in this state will have a deficit in the next 5-10 years the way things are going. Council Member Clennon stated we need to do something fundamentally different in order to survive.

Mr. Hurm stated our great fiscal management over the years has put us in a great place/position to handle future issues.

Mayor Stiehm noted nobody likes to see tax increases, especially 15%.

Police Chief Brian Krueger stated he has cut and done everything a department can to reduce his budget. Eliminating the entire CSO program could save us \$148,000 in 2012, but that will then put the animal control, nuisance ordinances, etc. back into the Police Department hands again, further slowing our service delivery for more urgent calls.

Mr. Erichson stated the City, for 2012, has proposed a balance of revenue enhancements and cuts, cuts to the tune of \$536,000 in order to balance our budgets out for 2012.

Ms. Hokanson stated we are not just talking 2012 here, but this is part of the long-term planning for well into 2015 and beyond. We have all done the temporary things to patch the holes, but we are now at a point where the demand for our services is outpacing the budgets we have available. More LGA cuts are coming, and we are seeing even more usage of our facilities. The Children's Librarian I lost in 2009 was patched with other staff that no longer is there. This is an important program for kids that could eventually pay off with long term benefits in the child's life.

Ms. Underwood stated the park usage is definitely up as less people are leaving town. The pavilions are booked solid also.

Council Member King stated statistically there is a 4% higher arrest rate for juveniles in Austin, along with 10% higher rate of children 0-17 living in poverty. These are the people that benefit the most from having municipal pools and parks for them to enjoy as they cannot afford much else. The citizens that come to the Truth In Taxation meetings are not those that are living in poverty.

Chief Healey stated the ISO will be in to rate our community again in the near future. We are close to an upgrade which will lower citizens insurance rates, but we also could flip the other way and go down and actually increase the homeowners insurance cost. Funding availability is always a question that could determine whether we go up or down in these rates, which eventually could also cost the homeowner.

Council Member Enright stated it was helpful to hear from the different department heads on the budget issue.

Mr. Dankert requested that no decision be made tonight on the topic, that council should think about it over the next two weeks and discuss it with their constituents. On August 15 we will want some direction as to a maximum levy that council is willing to live with as a maximum tax levy will be required to be approved at the September 6 council meeting.

**Item No. 9a. Administrative report – select night for Public Works project tour – Mr.**

Hurm stated in the past we have taken a bus on a tour of the projects that are underway and to

other city facilities. After some discussion it was requested this be done in the fall when it is a little cooler. Mr. Hurm stated he would schedule something for the September/October time frame.

**Item No. 10. Open discussion** – Council Member Clennon stated we need to get moving on this rental housing ordinance, no matter what happens in the Red Wing case. Council Member Enright agreed, noting she spoke with Community Development Director Craig Hoium and he is proposing a task force meeting during the third week of August. Council Member Enright noted a few people from the rental group and two council members and Mr. Hoium should be at the meeting. Mayor Stiehm noted Council Member Boughton should be on this committee with Council Member Enright since this is one of the things he ran on during the election. No objections noted.

Council Member Clennon also noted she was very upset about the city shutting down a few mobile taco stands at 10:30 this last week or so without any warning. These stands were allowed to stay open later in the past, so why now are they shut down. Mr. Hurm stated staff had a meeting on this as we were receiving complaints on the mobile food stands. Council Member-at-Large Anderson stated this might be some bad public relations if we gave them no warning here. Mayor Stiehm stated the Police Department is required to enforce the code if a complaint is filed. Mr. Hurm stated we will bring something back to council on this and you will have to decide what you want the ordinance to say. Council Member Enright stated we may have too many ordinances and if we do not have the staff to enforce the ordinance, the ordinance should be eliminated.

Council Member Austin stated in light of the discussion on the flood projects and local option sales tax funding, he requested a report at the next council meeting of how the sales tax funds are coming in and to what projects the funds will be needed for.

**Item No. 11. – Matters In Hand** – Nothing discussed.

Motion by Council Member Austin, seconded by Council Member King to adjourn the meeting at 8:55 p.m. Motion passed unanimously.

Respectfully submitted,

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Tom Dankert