

**MINUTES**  
**COMMITTEE-OF-THE-WHOLE WORK SESSION**  
**May 7, 2012**  
**City Hall Conference Room**

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

**ABSENT:** None.

**STAFF PRESENT:** Public Works Director Jon Erichson, Community Development Director Craig Hoium, Director of Administrative Services Tom Dankert, and City Administrator Jim Hurm.

**ALSO PRESENT:** Austin Utilities General Manager Mark Nibaur and Finance Director Ann Christianson, Vision 2020 representative Geoff Baker, Kim Hillberg from CliftonLarsonAllen (our auditors), Public, Austin Post Bulletin, and Austin Daily Herald.

Mayor Stiehm opened the meeting at 7:20 p.m.

**Item No. 3. Vision 2020 – request for start-up funding**– Geoff Baker discussed the Vision 2020 group needing \$50,000 of start-up funds to help with the facilitation and grant-writing/fundraising for the ten projects that the community voted on to bring forward. Mr. Baker is requesting \$10,000 from the City of Austin towards this endeavor.

Council Member Boughton questioned why this request came to the City, and not the Port Authority and HRA. Council Member-at-Large Anderson stated this would be a good faith statement from the city council that we are behind these community improvements. Mr. Baker noted the funding, if approved, would probably need to go to the DCA for these start up expenses.

Council Member Clennon questioned how other cities that went through this process got their start-up funding. Mr. Baker noted Wichita, Kansas and Evanston, Illinois used a broad spectrum like we are doing, and that the municipalities were involved. In Dubuque, Iowa, a city foundation funded many of the costs. Council Member Clennon questioned if the Vision 2020 group would be back for more money later for projects, or would this be it. Mr. Baker stated he could not answer that question at this time.

Motion by Council Member-at-Large Anderson, seconded by Council Member King to recommend to Council the approval of \$10,000 from the Contingency line item for use by the DCA for Vision 2020 start-up funding. Carried 6-1 (Council Member Clennon – Nay). Item will be added to the next council agenda.

**Item #1. Airport CIP projects** - Mr. Erichson updated council on some of the future projects at the airport that are part of the CIP. Mr. Erichson stated some of our funding comes from the

federal government for which we will need to approve an agreement with the Federal Aviation Administration (FAA) in order to receive any funding.

Additionally, Mr. Erichson stated we have three projects planned for 2012 including a taxiway sign, runway rehab, and taxiway rehab. Our estimated local cost for all projects going through 2016 is at \$122,816.

Council Member McAlister questioned if we just re-did the runways a little while ago. Mr. Erichson stated yes, but we have also banked up some entitlement funds that we need to use (or we forfeit them) and this will be used for the minor runway repairs.

Mr. Erichson stated this was for informational purposes only and at a future council meeting approval of the FAA grant agreement will be needed.

**Item No. 2. Street Department mechanic position replacement**– Mr. Erichson noted the current mechanic was promoted into the Assistant Street Superintendent position recently. Therefore, we now have a vacancy for the mechanic position. We have posted the position internally, and nobody that was qualified posted into the job. We would therefore like council approval to advertise outside to replace the position.

Motion by Council Member Austin, seconded by Council Member McAlister to recommend to council the replacement of the vacant mechanic position. Carried 7-0. Item will be added to the next council agenda.

**Item No. 4. – Bond issuance for Austin Utilities water project/termination of Hormel water agreement** – Mr. Nibaur noted the Austin Utilities has decided against the water agreement with Hormel as it complicates a bond issuance, and we don't anticipate Hormel being able to use any other water than what we provide as they are de-commissioning their wells.

Motion by Council Member Austin, seconded by Council Member King to recommend to council the approval of the termination of the water agreement with Hormel Foods Corporation. Carried 7-0. Item will be added to the next council agenda.

Additionally, Mr. Nibaur discussed the need for \$5.6 million for certain capital improvements to the water system. Mr. Dankert noted the Austin Utilities could issue revenue bonds on the project (with council approval) to pay for the principal and interest costs. However, we would like council to consider the City of Austin actually issuing the debt with our general obligation (GO) pledge on the bonds. The GO pledge means that if there are not sufficient revenues to pay off the debt, the City Council will have the authority to levy a tax onto all of the tax payers to make up any deficiency in the bond payments. The City could also, in lieu of levying a tax, use fund balance or Building Fund to make payments if need be. Mr. Dankert noted it is a publicly owned utility so if they can't make the bond payments we may have some bigger issues here.

Mr. Dankert stated if the city were to pledge their GO backing, the interest rates would be lower on the debt (lower than the interest rates on the revenue bonds). This saves the Austin Utilities cash with lower rates, and in turn ultimately saves the residents of Austin as they then would not have to pay higher rates to retire the debt.

Mr. Hurm questioned if this would hurt any city debt issuance this year. Mr. Dankert stated there is a current \$10 million bank qualification limit. This means, that there is, in general terms, a federal tax break for any bond issuances that cumulatively do not exceed \$10 million. Therefore banks that would buy these bonds could bid lower interest rates, as they are also getting tax breaks for buying such debt. However, if we bond for The Hormel Institute project this year (estimated at \$13.5 million) then we will not qualify anyway for the bank-qualified debt.

Mr. Dankert noted that in discussing this with the auditors, since the Austin Utilities is considered a fund of the City of Austin all of the activity could actually flow through the Austin Utilities directly (bond proceeds and debt payments).

Mr. Dankert also noted that in 2013 the Austin Utilities was looking at doing a \$1 million electric bond issue. Mr. Dankert noted if we planned it correctly, and council approved, we as a city could loan them the \$1 million as an investment (as opposed to investing this through a broker) and save us both. The City could get a higher interest rate than in the market, and the Austin Utilities could save issuance costs and get the same rate. This is for future discussion (in 2013) as there will be a new council, but we are just trying to lay some groundwork.

Motion by Council Member Austin, seconded by Council Member Boughton to recommend to Council approval of the bond issuance for the Austin Utilities water improvements. Carried 7-0. Item will be added to the next council agenda.

**Item No. 5. – Presentation of the 12/31/11 audit report** – Mr. Dankert noted the audit is now done and printed, and that Kim Hillberg from our auditors is here to present the report and make some required communications with council.

Ms. Hillberg discussed the document titled Executive Audit Summary (EAS) noting the following:

- The City has once again received a clean or unqualified opinion.
- There were no findings of non compliance, either related to the Single Audit or Minnesota Legal Compliance Audit.
- There are no funds that have deficit balances. Deficit balances indicate operations that are not making enough revenue to cover the costs. This is unique as many of their clients have funds with deficit balances. This shows we are handling all of the issues as they come forward.
- The revenue in the General Fund was within 3% of the budget (103% of budgeted revenue collected) and the expenses were 1.4% under budget (we spent 98.6% of the amended budget). This shows a great ability for the city in their budgeting practices and further shows we are able to react to massive state aid reductions with our budgetary amendments and decisions.
- Fund balance is at 48.8% of expenditures in the General Fund. This is slightly higher than our informal policy of 40-48%, but is within the states recommended levels. Mr. Dankert noted that 5% of this will be used to pay off the Central Garage Bonds that was just approved this evening.
- The City of Austin, as you know, is still heavily dependent on LGA.

- Based on the State Auditor ranks, our tax levy per capita is at 222 out of the 225 cities of 2,500 population or more. Still very low considering all that is offered.
- Additionally, you spend way below the average on governmental funds debt service (street project debt for example). In this statistic, the State Auditor has you ranked 211 out of 221 cities.

Ms. Hillberg stated as a tax payer, the citizens are actually getting a good deal compared to most municipalities in the State of Minnesota. Council Member Austin clarified the statement, noting that based on the auditor's review we are a very well run city financially. Ms. Hillberg stated that was correct.

Mayor Stiehm and Council Member Austin thanked staff for another great year financially.

After further discussion, motion by Council Member Austin, seconded by Council Member Enright, to recommend to Council approval of the Comprehensive Annual Financial Report (CAFR) for the period ending December 31, 2011. Carried 7-0. Item will be added to the next council agenda.

**Item No. 6. – Administrative Report** – None.

**Item No. 7. Open Discussion** – Council Member Clennon questioned if staff has been given the direction by council to reduce staff for 2013. Mayor Stiehm and other council members (and staff) noted that there has been no such directive given.

Council Member McAlister questioned if we have started doing work with the County on their capital improvement plan. Mr. Dankert noted he has met with Mr. Oscarson on this and needs him to answer some questions regarding the format before we can proceed. Mr. Dankert noted he was supposed to be at a staff meeting last week with the Mower County department heads, but Mr. Oscarson cancelled as he had another meeting to attend. Mr. Dankert noted the ball is in their court and we have sent over emails urging them to get the process going.

Council Member Austin discussed an April 25 article in the Star Tribune regarding the City of Golden Valley and how all of these charitable events are starting to take a toll on staff time and their abilities to get their regularly assigned jobs done. Council Member Austin stated all of these projects take considerable staff time.

Council Member Austin also questioned Council Member Clennon why she had bid documents sent out to all of the Council. Council Member Clennon stated she wants to share all of the information to all of the council. Council Member Austin stated he trusts the Engineering Department with their projects and does not need to see these in the future.

Council Member-at-Large Anderson stated there will be an arts festival at the Austin Utilities downtown plant on August 25-26.

Council Member-at-Large Anderson questioned page 40 of the Comprehensive Annual Financial Report regarding the HRA and Port Authority which states that the city council can impose our will on these entities. Mr. Dankert stated that the city council appoints the HRA and Port Authority Board. Neither one of these entities can issue debt without council approval, and they

cannot sign long-term contracts without council approval. This is enough to be considered under the control of the City of Austin.

Council Member McAlister questioned the staff time needed for the Vision 2020 process. Council Member McAlister stated if people want to volunteer to be on these committees because they are interested in the project that is one thing, but this may eventually lead to staff time being involved in completing a project from the City side.

Council Member Enright stated all of our road projects this evening came in under the Engineer's estimate, and these will also put local contractors to work (Lee Hansen Hauling and Ulland Brothers, for example).

Council Member Austin and Mayor Stiehm noted the lower level men's bathroom and the lower level hallway have been fixed and they look great.

Mayor Stiehm stated we have had discussions for years on our budgeting practices and methodology, and an independent source here tonight (our auditors) confirmed to us that what we are doing is working, and is working well. Mayor Stiehm thanked the Finance Department for all of their work this year and also thanked council noting what we are doing is working.

**Item No. 8. Matters In Hand** – No discussion.

Motion by Council Member King, seconded by Council Member Austin to adjourn the meeting at 8:20 p.m. Motion passed unanimously.

Respectfully submitted,

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Tom Dankert