

**MINUTES**  
**COMMITTEE-OF-THE-WHOLE WORK SESSION**  
**June 3, 2013**  
**City Hall Conference Room**

**PRESENT:** Mayor Thomas Stiehm, Council Member-at-Large Janet Anderson, Council Members Jeff Austin, Jeremy Carolan, Roger Boughton, Steve King, Michael Jordal, and Judy Enright.

**ABSENT:** None.

**STAFF PRESENT:** Fire Chief Mickey Healey (6:15 p.m.), Police Chief Brian Krueger, Human Resources Director Trish Wiechmann, City Attorney David Hoversten, Director of Administrative Services Tom Dankert, and City Administrator Jim Hurm.

**ALSO PRESENT:** Kim Hillberg from CliftonLarsonAllen, LLC (auditors), and Austin Daily Herald.

Mayor Stiehm opened the meeting at 5:03 p.m.

Motion by Council Member Austin, seconded by Council Member King to close the meeting permissible under client-attorney privilege pursuant to Minnesota Statute 13D.05 Subd. 3(b). Carried 7-0.

See DVD of closed meeting.

Motion by Council Member Austin, seconded by Council Member King to open the closed meeting at 5:16 p.m. Carried 7-0.

Mayor Stiehm re-opened the work session at 6:15 p.m. after the regular City Council meeting had been held.

**Item No. 1. Austin Community Fire Protection Association** – Chief Healey discussed his memo regarding the Rural Fire Association and the fees they pay the City of Austin for protecting the rural area. Chief Healey stated the rural fire calls remain relatively constant each year, but the increased value of the farmland is driving their cost up based on the current agreement. The current agreement expires at the end of 2015, but the formula is based on number of calls, budgeted expenses, and the tax capacity of each township (Austin and Lansing) compared to the tax capacity of the City of Austin. Historically Chief Healey stated we have been in the \$130,000-\$132,000 range for annual billings. For 2012 we billed the Association \$149,960, and the number is in this range again for 2013 unless we amend the agreement.

Chief Healey has met with Mr. Dankert in the Finance Department and representatives of the Rural Fire Association to come up with a flat rate of \$130,000 for 2013-2015, at which time the new Fire Chief can look at a new formula for an agreement to provide service.

After further discussion, motion by Council Member Austin, seconded by Council Member King to recommend to Council the approval of an amended agreement with the Rural Fire Association for service for 2013-2015. Carried 7-0. Item will be added to the next council agenda.

**Other Item – Fire Department** – Chief Healey stated he will be leaving soon, and there are some rumors being spread at the Fire Department about merging the Police Chief and Fire Chief into one Public Safety Director. Chief Healey requested that the City keep the members of the Fire Department informed as to what direction they are going. Mayor Stiehm stated he has not heard of any discussion on a Public Safety Director lately but it had come up in the past.

Mayor Stiehm asked what the status is on the hiring for a new fire chief, noting we should be moving forward. Mr. Hurm stated based on council's action tonight to continue to fill budgeted positions without coming back to council that the Fire Civil Service Commission should be working on that process.

**Item No. 2. 2012 audit presentation** – Kim Hillberg from our auditors at CliftonLarsonAllen, LLC presented the 2012 audit report, single audit report, and executive audit summary. Ms. Hillberg noted the City of Austin once again received a “clean” or unqualified opinion and that everything in the financial statement is fairly presented. Ms. Hillberg also noted that there were no adjustments made and that every thing during the audit went smoothly.

Ms. Hillberg urged the Council to review the Management's Discussion and Analysis in the audit report on pages 5-16 as this gives a good synopsis of what happened during the year. Ms. Hillberg also discussed fund balance levels, noting we are well within the Office of the State Auditor's recommended guidelines as well as the city's informal policy on fund balances. Ms. Hillberg closed by noting it was a good year for the City financially.

Motion by Council Member Austin, seconded by Council Member King to recommend to council the approval of the 12/31/12 audit report. Carried 7-0. Item will be added to the next council agenda.

**Other Item. HRA Bond Refunding** – Mr. Dankert received notice today that the HRA needs a resolution added to the June 17 council agenda to refund (refinance) an older bond issue. Mr. Dankert noted the City issued bonds in 2003 for the Courtyard Apartments with a general obligation (G.O.) pledge attached to them. This G.O. pledge assures anybody who bought those bonds that if the rents were not sufficient to pay the debt service, the City of Austin would levy a tax onto the general public to cover the shortfall in the debt service. In order for the HRA to take advantage of lower tax exempt rates, they are asking us to once again add our G.O. pledge to the new bond issue. The estimates on the new bond issue indicate a savings of over \$300,000 in interest cost (after issuance costs, this net savings ends up at around \$275,000). The interest rates would go from a range of 3.75%-4.60% on the old bond issue down to an estimated range of 0.25%-1.60% on the new bond issue.

Motion by Council Member-at-Large Anderson, seconded by Council Member King to recommend to council the approval of the HRA Bond issue with the City's general obligation pledge. Carried 7-0. Item will be added to the next council agenda.

**Item No. 3. 2014 budget and tax levy** – Mr. Dankert discussed his memo dated May 28 regarding the budget process and parameters for the 2014 operations of the City of Austin. Mr.

Dankert noted our LGA is estimated to increase by \$756,365 and we will also save in the range of \$250,000 by not having to pay sales tax anymore on our purchases. Mr. Dankert noted there are levy limits for 2014, which according to preliminary calculations will require us to reduce the levy by at least \$45,000 or so. This is the result of a reduced debt service levy to pay off street improvement bonds.

Mr. Dankert noted we will need to meet with department heads to discuss their needs, and then come back to council for some preliminary reviews as we are still required to set a preliminary budget and maximum tax levy by September 15, 2013. The tax levy may not be increased after this date, it may only be decreased. We may increase the budget after September 15, but we have to find alternate sources of revenue besides taxes to pay for them.

Mr. Dankert stated in the past few years council has concentrated on keeping our current programs and activities fully funded. There have not been any staff reductions as of late, but we believe we are at the point where if staffing levels are further reduced we may need to look at the reduction or elimination of some activities. Mr. Dankert also briefly discussed the Council's 2013 goals and that any budget they bring forward should also address their priorities.

Mr. Dankert discussed the following areas of thought for 2014:

1. **Tax Levy** – We currently levy \$4,160,000 and the state ranks us 220<sup>th</sup> out of 226 city's with populations greater than 2,500. We are very low in the state, and levy limits will not allow us to increase this levy. Property taxes could be reduced by council if they see fit to do that. Every 1% property tax reduction equates to a \$41,600 tax levy reduction.

Council Members Austin, Enright, and Council Member-at-Large Anderson noted their preference to levy the maximum that is allowed under the current levy limits, and use this for some capital projects that have been unfunded for years, along with some projects at the LEC (records management system and 800 mghz radio costs).

Mayor Stiehm asked if there were any objections to levying the maximum at this point. None noted.

2. **Staffing Issues** – Mr. Dankert noted staff is always a concern as this will cost in the range of \$65,000-\$75,000 annually once the position is hired. Council Member stated that maybe the Police Department could use some more staffing. Council Member Austin stated if we ask the departments about staffing levels they will all say that they need more help. Council Members Austin, King and Mayor Stiehm stated they are not interested in adding staff to departments at this time.
3. **Other agencies** – Mr. Dankert noted that in the past we have asked them to come in and present their budget request. Council Member Enright suggested that only new requests are brought in for presentation otherwise we can just use their letters for funding to review. Council Member-at-Large Anderson stated sometimes it was nice to ask them questions however.
4. **Capital Requests** – Mr. Dankert stated we have an estimated \$150,000 needed to update the comprehensive plan, another \$200,000-\$300,000 may be needed for the records management system at the Law Enforcement Center, plus some other cash will be needed for the radio project for the Police Department. Additionally, Mr. Dankert stated the

Austin Utilities may be making some decisions soon on their facilities, and there may be an opportunity to buy their portion of the office here and move Parks and Recreation into our building, and move Finance and IT up out of the basement. The basement could then be used for storage. Mr. Dankert noted some of the extra LGA could be used to fund these capital items.

Mr. Dankert noted at a 2% salary increase, the City will need about \$215,000 of the extra LGA to cover those costs.

Council Member Enright stated the Vision 2020 is a council goal, and we will need to come up with some funding for those costs. Additionally, the Sustainability Task Force will be “auditing” two city buildings and may have some recommended changes that should be done to lower some utility costs.

Council Member Austin stated his goal was to set a hard figure for the LGA that we would budget for, and anything above this would then get transferred into the Building Fund for capital projects. Council Member Austin stated he was not in favor at this time to lower the tax levy as we have seen this done before with the LGA amounts as they go up a year or two and then we get them reduced by some state shortfall. Council Member Austin stated the regular growth in the community will reduce the tax levy even further if we have levy limits in place, so there will be some tax payer relief built into the 2014 budget. Council Member Austin reiterated his position that we should levy the maximum allowed and use the rest to maintain the facilities we have and spend the excess on capital items. Mr. Hurm noted the levy will also go down because of the reduced debt service levy that is needed.

Mayor Stiehm asked if there were any objections at this time to levying the maximum allowed. None noted.

**Item No. 4. Administrative report** – Chief Krueger stated he will be working with Human Resources Director Trish Wiechmann for an eligibility list for the hiring of a new police officer now that we have a vacancy. Chief Krueger stated this could take 2-3 months before we get a new hire for the position.

**Item No. 5. Open discussion – Stormwater rates** – Council Member Austin stated that in a recent article in the Minneapolis Star Tribune discussion is heating up amongst cities as the MPCA is now requiring even stricter rules on water runoff, including a mandate to reduce the amount of water that is going through the system. These are just more unfunded state mandates that cities have to follow that will add costs onto the local taxpayer to comply with.

**Item No. 4 Matters In Hand** – No discussion.

Motion by Council Member King seconded by Council Member Austin to adjourn the meeting at 7:26 p.m. Motion passed unanimously.

Respectfully submitted,

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Tom Dankert