

# **BEMIDJI CITY COUNCIL**

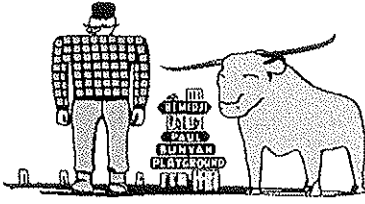
## ***Work Session Agenda***

**Monday August 13, 2012**

City Hall  
Conference Room  
5:30 p.m.



1. CALL TO ORDER / ROLL CALL
  
2. UPDATE COALITION OF GREATER MN CITIES (CGMC)
  
3. UPDATE GREATER BEMIDJI – DAVE HENGEL
  
4. REVIEW 2013 UPDATED BUDGET
  
5. ADJOURNMENT



*City of Bemidji*

## **Finance Office**

### **Memorandum**

**To:** Honorable Mayor and City Council

**From:** Ron Eischens, Finance Director *Ron*

**Reviewed by:** John Chattin, City Manager

**Date:** August 13, 2012

**RE:** 2013 Updated Budget Information

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At the June 18th work session the Council provided direction to staff regarding various 2013 budget issues and costs summarized below:

1. \$126,000 - Add two police officers
2. \$ 19,000 - Additional police squad car
3. \$ 44,000 - Staff 1% cost of living increase
4. \$ 50,000 - Operating budget increase of 2%
5. \$ (25,000) - Decrease in capital improvement funding
6. \$ 20,000 - Maintain recreation program service levels
7. \$ 76,000 - Increases for police and street departments due to annexation
8. \$ 20,000 - Marina costs of \$100,000 over five years
9. \$ 6,000 - Algoma Park improvements of \$30,000 over five years

\$336,000 Total Cost

### **NEW INFORMATION**

In addition to the above items, the July storm brought to staff's attention the need for a generator to power the City's primary communications center (Fire Hall) and City Hall in the event of future power outages. The generator is estimated to cost \$50,000, which spread out over the five year CIP would increase the 2013 budget by \$10,000. City staff believe this is a critical piece of equipment to have in preparation for future disasters.

Kitchigami Regional Library also recently communicated they are requesting an \$18,000 increase from the City in 2013. The increase is due to the proposed addition of one new full time employee and group health benefits for three full time employees. Staff only budgeted for a 1% increase to the KRL contribution (\$947) and a 2% increase to operating expenses (\$1,400) the same as budgeted for all other city departments so this additional increase has not been included.

**FUNDING OPTIONS**

As discussed at the June work session, the levy increase required to “capture” the tax base of recently annexed property is 5.4%. This levy increase should not result in a tax increase to City residents provided their home value remains constant. Recently annexed property would see small increase in their 2013 City taxes compared to their previous township taxes.

With the tax rate phase in and revenue sharing components of the annexation agreement, we project the City will collect \$33,000 in net tax revenue (\$133,000 in tax revenue less \$100,000 paid to townships as revenue sharing) from the annexed areas in 2013. This amount will increase each year until we collect the full \$207,000 in 2016. Staff continues to work with County officials to clarify how the tax rate phase in will function with the County property tax software.

If the Council chooses not to increase the levy to capture the annexed area tax base, the result would be a \$133,000 decrease in revenue, resulting in the need to cut items from the budget. Such a reduction would result in less City services being provided to City residents, including annexed areas. One of the primary reasons for annexation was to increase the City tax base. In order to do so the Council needs to be willing to increase the levy.

Additional costs in 2013, including the staff recommended generator, amount to \$346,000. A combination of increases to the tax levy and gas/electric fee would be required to fund these new costs. Below are two funding options for your consideration:

	<u>New Revenue</u>
1. Property Tax increase @ 2.4%	\$ 93,000
Property Tax increase @ 5.4% (annexation)	\$ 33,000
Franchise Fee increase @ 1%	<u>\$220,000</u>
TOTAL	\$346,000
Total levy increase of 7.8%	
2. Property Tax Increase @ 5.2%	\$203,000
Property Tax increase @ 5.4% (annexation)	\$ 33,000
Franchise Fee increase @ ¾%	<u>\$110,000</u>
TOTAL	\$346,000
Total levy increase of 10.6%	

**SUMMARY:**

Council should consider the funding options listed above and provide direction to staff. Keep in mind these two options are not the only options but merely examples. If the Council is not comfortable with the funding options or budget increases, provide us with further direction.