

TRUTH-IN-TAXATION HEARING

BEMIDJI, MINNESOTA

December 1, 2003

Pursuant to due call and published notice, a Truth-in-Taxation Hearing was held on Monday, December 1, 2003, at 6:00 p.m. in the Council Chambers of City Hall, President Pro-tem Downs presiding.

Upon roll call, the following Council members were declared present: Hellquist, Meuers, Johnson, Downs, Erickson, Zachman. Absent: Lehmann

President Pro-tem Downs opened the public hearing.

Councilmembers and the public were provided information regarding the City's 2004 proposed budget and levy. Finance Director Ron Eischens reviewed the information including a history of the tax levy (1988-2004), distribution of the property tax dollar, and comparison of state and local tax rates.

Eischens also identified sources of funding for the General Fund, and provided a breakdown of General Fund expenditures. He noted that the state not only determines what the City receives for Local Government Aid (LGA), but it also sets levy limits for the City, County and School District. In 2003, 61% of the City's General Fund came from LGA, 13% from taxes and 26% was received through fines, licenses, interest & other. In 2004, the City's LGA was reduced to 49%, taxes make up 19% of the General Fund budget, and the remaining 32% comes from fines, licenses, interest & other.

Downs invited those present to address the Council to comment on the proposed 2004 budget.

Thelma Earl – Skyline Village Mobile Home Park inquired about having to pay property taxes to the City of Bemidji on her mobile home as well as having to pay property taxes in a sense to the landlord through a lease payment for the lot where she parks the mobile home. It was noted that property owners similarly pay taxes relating to the value of the residential structure as well as the value of the land on which the structure is located.

Richard Chernugal, business owner at 217 Paul Bunyan Drive NW, expressed support for the City and had no objections to taxes. However, he inquired about a foundation for the City of Bemidji, which would enable persons to leave funds from their estate to the City. Minke noted that there is a Parks & Trail Foundation – contributions can be made through the Northwest Initiative Foundation. Chernugal suggested that the City do some marketing in that regard. He also suggested grant writing to enhance the City's income, and suggested the City continue to pursue a sales tax and seek a legislative amendment which would allow cities to use sales tax for operating costs. He expressed opposition to increasing user fees which he feels is regressive and has the greatest impact on the poor.

Chernugal raised several other issues relating to the Department of Public Safety (Police & Fire). He questioned the use of a full-size fire truck responding to an ambulance call, suggested that the Police and ambulance respond to medical emergencies and suggested that the Police and Sheriff's Department be combined. He also asked for a line item budget for the Police Department.

In response to the inquiry about using a full-size fire truck, Downs responded that the issue is one of public safety versus available staff. He explained that the on-call firefighter may be required to respond to a call from the medical emergency scene. Eischens suggested Mr. Chernugal stop at City Hall to pick up a copy of the Police Department budget.

Frank Moe, 69 Northern Lane, Northern Township, asked how the city has responded to the LGA cuts for 2004 and what cuts are anticipated in 2005. Minke responded that the City cut recreation programs in 2003 and has downsized numbers of employees. The city currently continues to provide the same types of service at about the same levels, but not without some struggles. Further cuts to LGA in 2005 will result in further

struggles and could have the impact of choosing what services will no longer be provided.

Richard Lueben, 2024 Birchmont, asked whether the state places a limitation on the tax rate or a limitation on the dollar amount assessed. Minke noted that the limitation generally takes the form of a dollar amount. Eischens noted that the common misconception is that new development such as Wal-Mart should bring in a substantial amount of new tax dollars to the city. He explained that is not the case – the state dictates the dollar amount and that dollar amount is distributed among the taxable properties in the city.

There being no further comments or concerns brought before the Council, Downs closed the public hearing and announced there would be no need for a continuation hearing.

The 2004 budget will be presented for adoption at the regular City Council meeting on Monday, December 15, 2003.

ADJOURN

There being no further business to be brought before the Council at this time, motion by Hellquist, second by Zachman to adjourn the meeting. Motion carried. Meeting adjourned at 6:47 p.m.

Respectfully submitted

Shirley J. Sherman, City Clerk