

# **CITY COUNCIL PROCEEDINGS**

## **BEMIDJI, MINNESOTA**

### **July 26, 2004**

Pursuant to due call and notice, a Special Meeting of the Bemidji City Council was held on Monday, July 26, 2004, at 5:30 p.m. in the City Hall Conference Room, Mayor Lehmann presiding.

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

#### **PAY EQUITY/COMPENSATION STUDY**

City Manager Minke noted that Rod Kelsey is progressing with the Pay Equity/Compensation Study and has invited input from the Council to identify comparable jurisdictions to be considered in the next phase of the study. Jurisdictions such as Brainerd, Fergus Falls, Grand Rapids, Hutchinson, Fairmont and Marshall were suggested. However, Council agreed that it will be very difficult to get an exact match, and suggested that some of the criteria to be considered in selection of comparable jurisdictions should be population, number of employees, per capita income, university city, and similar demographics. The Council expressed confidence in letting Mr. Kelsey select the jurisdictions.

#### **2005 PRELIMINARY BUDGET ASSUMPTIONS**

It was noted that on July 22, Governor Pawlenty announced that he would use the legislative intent relating to LGA, meaning that Bemidji will not lose \$227,500 in LGA Funds in 2005.

However, Minke noted that even though the LGA funding level for 2005 was restored, the preliminary budget reflects a shortfall of \$88,000 primarily because of an increase in funding to the airport and an increase in payments to the townships as a result of recent annexations.

Three issues were presented for Council consideration:

- Request by the Public Library for an additional \$2,500 in 2005
- Equipment Certificates
- Proposed changes to the Preliminary 2005 Budget to accommodate the \$88,000 shortfall

#### **Library Request**

On July 19<sup>th</sup>, the library presented a request to the Council for an increase of approximately \$2,500 to their operating fund contribution. The 2004 budget includes \$51,900 for building costs and \$64,931 for operations. It was noted that an increase in contribution for 2005 would likely increase the required contribution in future years. Council discussed the possibility of a one-time donation from the 2005 Contingency Fund to the Library. It was suggested that the donation should carry the stipulation that there will be no further reduction in the hours of operation. The Council questioned the following:

- what cuts would be made if the City does not contribute an additional \$2,500
- are there some specific benefits if the City increases the contribution by \$2,500
- does the library propose cuts even with the increased contribution

#### **Equipment Certificates**

In 2003 the Council agreed to issue equipment certificates for the purchase of equipment in 2004. The issue cost is estimated at \$12,000. Two alternatives were presented for funding the equipment: (1) internal loan, or (2) cash from any 2004 budget savings. Finance Director recommended that the equipment funding option be kept open until the end of the year. He suggested that the City might be able to pay for some of the equipment included in the 2005 budget with cash from 2004 savings.

Preliminary Budget Assumption Changes

A copy of the 2005 Original Budget Assumptions were provided for review. The following changes were recommended to balance the budget:

	<u>Budget Effect</u>
1. Reduce uncollectible taxes from 3% to 2% <i>Finance Director Eischens noted that every year the city levies a certain amount but only collects 97%-98% of that amount. The Preliminary Budget included a 3% estimate of uncollectible taxes based on historical trend, but the Eischens recommended reducing that to 2% in order to balance the budget. He noted that the City eventually recoups that money at the time of a tax forfeit sale, but the City has been below 100% of the levy for several years in a row.</i>	\$ 20,000
2. Reduced public transportation required match <i>Paul Bunyan Transit notified the City that there is a reduced local contribution in 2005.</i>	\$ 20,000
3. No volunteer firefighter pension contribution required in 2005 <i>There is no municipal contribution required for the Relief Association in 2005.</i>	\$ 33,000
4. Reduce three squad cars from \$25K to \$20K each <i>Based on squad car purchases over the past several years, the City should be able to purchase the three new squad cars, light bars, cages, etc. for approximately \$20,000 each.</i>	\$ 15,000

Eischens noted that a 46% levy increase is projected in 2005, primarily because the City will not be levying debt in 2005 to pay for equipment. He provided tax rate comparison of other similar sized cities in Minnesota and noted that the average tax rate for those cities in 2003 was 45.8% while Bemidji's tax rate in the same year was 32.9%. Eischens further reminded the Council that the proposed levy increase is on the City's component of the total tax picture.

Erickson expressed concerns about the projected 46% levy increase and questioned whether the City is trying to do too much too fast – purchasing a lot of equipment that has been deferred over the last few years.

Meuers was also concerned but questioned what cuts Erickson would recommend.

Following a brief review of the Personnel Assumptions portion of the Preliminary Budget, Lehmann noted that the Council has made a conscientious decision to support current employees – including the addition of personnel in Legal, Planning and Engineering. He also noted that the proposed budget supports the continuation of services that are important to the community while continuing to grow and respond to greater demands on police, fire and public works.

Minke suggested that the Council address the assumptions if they want to impact the budget up or down – to choose items that they don't want to spend money on to reduce the expenditure.

Downs expressed the need to keep building on the goals that were set last year when the Council approved a sinking fund for equipment purchases – a goal that will save money in the long run.

Based on Council consensus, Lehmann directed the staff to finalize the preliminary budget including the changes to the assumptions as presented. The utility portion of the budget will be discussed at the work session in August.

**HIGH SCHOOL REUSE - DISCUSSION**

Minke expressed concerns about comments made by some council members regarding the high school reuse tax credit issue, which was voted down at the July 19<sup>th</sup> Council meeting. Specifically, the comments seemed to question his integrity – suggesting that there was some conspiracy to influence the outcome of an issue. Referring back to the Council Goal Statement, Minke noted that one of the fundamental pursuits was achieving mutual trust between Council and City Staff and between Council members. Minke noted that he aspires to the ICMA Code of Ethics – deal with things in the public, treat all Councilors with respect, don't do things behind people's back, and share

information. He asked the Council to be up front with him and let him know when there are issues.

Erickson felt that there had been a change of heart by certain council members because they believe the developer (MetroPlains) has been twiddling their fingers expecting that the process would move on without any input from them. She contacted MetroPlains and was told they tried to meet with the Council several times but had not been successful and was even turned down when they tried to get on the agenda. She expressed concerns that there had been some resistance to adding a time-sensitive issue (support for MHFA Housing Tax Credits) on the July 6<sup>th</sup> council agenda. The concept for housing tax credits received approval at the July 6<sup>th</sup> meeting but was voted down two weeks later when the resolution was drafted and brought before the Council for a vote. ~~Erickson affirmed her perception that there was a conspiracy to influence the outcome of the project.~~ (Amended 8/16/04)

Hellquist pointed out that the requested resolution was presented on the consent agenda but was removed by a Councilmember who wanted a roll call vote on that and another related issue. In Hellquist's opinion, the fact that the resolution had been placed on the consent agenda invalidates the argument that there had been any clandestine motive since 90% of the time the consent agenda is unanimously approved.

Lehmann noted that while the City Manager was out of the office in June/July, MetroPlains contacted him to request a work session with the Council. Lehmann agreed to put them on the agenda for the October work session. At that time, MetroPlains did not express any sense of urgency.

Johnson noted that the project has consistently been supported by the majority of the council, but felt that it took some pressure just to get it added to the July 6<sup>th</sup> agenda even though the time-sensitivity was pointed out.

Minke noted that support for the High School Reuse project has been consistently divided, and had he thought that the vote for housing tax credits would fail, he would have encouraged Metro Plains to appear before the Council on July 19<sup>th</sup>. He assured the Council that he had no malicious intent nor was it his intent to do something covert to get a particular outcome. He felt it was a series of miscommunications or misunderstandings and encouraged clearer communication between the Council and City Staff.

**ADJOURN**

There being no further business for discussion, motion to adjourn the meeting. Motion carried. Meeting adjourned at 7:40 pm.

Respectfully submitted,

Shirley Sherman, City Clerk