

CITY COUNCIL PROCEEDINGS
BEMIDJI, MINNESOTA
Special Meeting/Work Session – March 26, 2007

Pursuant to due call and notice, a regular meeting/work session of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on Monday, March 26, 2007, at 5:30 p.m. in the Conference Room of City Hall, Mayor Lehmann presiding.

Upon roll call, the following Councilmembers were declared present: Lehmann, Markeson, Hellquist, Johnson, Erickson, Meuers, Downs.

Staff Present: Chattin, Eischens, Murphy

Mayor Lehmann stated that the purpose of the meeting was to review the 2006 General, Utility, Liquor and Arena Fund Year-End update.

2006 YEAR END BUDGET SUMMARY

Eischens provided the 2006 year end financial results for the City's General, Utility, Liquor and Arena Funds. He stated that subject to audit, any final adjustments should be minor and the audit results will be presented to the Council in July. Eischens summarized the financial information as follows:

General Fund Revenues

General Fund revenues were \$7,452,770 while net expenses were \$7,298,883 resulting in a "savings" of \$153,887. The following items were highlighted:

- Parking ticket revenue has increased due to aggressive ticketing.
- Fines collected through the court system were higher than budget.
- Revenue generated by the two cable providers exceeded budgeted amounts. Eischens recommended that the excess for 2006 of \$9,000 be transferred to a special revenue fund to track this activity and to maintain the integrity of the funds. In addition, the PEG fee fund totaled \$44,191.
- Property tax collections did not meet budget for 2006 due to delinquencies.

Erickson asked what percentage was used to estimate delinquent property taxes. Eischens stated that he used roughly 4%, however, the actual amount was about 5.4%.

General Fund Expenses

Many operational line items in the City budget have been frozen for the last three years. As a result, several departments are over budget for 2006. General Fund revenues exceeded expenses by \$153,887 for 2006. Cable franchise fees of \$9,000 should be transferred to a special revenue fund which leaves a balance of \$144,887.

Eischens stated that the Council recently approved a Charter amendment which allows budget amendments. He recommended the 2007 budget be increased to reflect additional appropriations totaling \$144,887 as follows:

- Engineering – update aerial photography - \$9,000
- MIS Technology Hardware Investment – Update City technology with an investment of \$48,000, including \$23,000 for fiber optic cable, switches, server and \$25,000 for remaining 2007 technical support payment to Beltrami County.
- Computer Software Upgrade – Update and training for the City's financial and utility billing software - \$6,000.
- Paul Bunyan Transit – \$12,000 for additional bus purchase.
- Cash Flow - \$69,887 for cash reserves to maintain necessary balance to meet cash flow needs.

Erickson commented that the Council needs to watch their own budget as they cannot expect others to be accountable if they are not.

Utility Fund

- Eischens reported that the 2006 water revenue exceeded expenses by approximately \$665,000 and sewer revenue exceeded expenses by \$110,000. The rates and cash

flow for these funds is currently being updated by Public Financial Management (PFM). The results of the study will be presented to the Council in May or June.

- The stormwater fund had an operating profit of \$353,000.
- Refuse Department had an operating loss of \$117,000. Commercial refuse operations are in the red by \$113,000 while residential operations are nearly breaking even. Interest income of \$94,000 offsets most, but not all, of the operating loss. Eischens noted that refuse cash of \$2.3 million will be spent on the new Public Works Facility causing significant reductions in future interest income.
- Uncollected assessments and deferred connection charges total \$3.7 million. This represents project costs the city has paid for and will collect in the future.

Liquor Store Operations

The 2006 liquor sales generated \$381,000 in operating profits. Liquor funds totaling \$594,000 were spent on street projects, general fund subsidy, Boys & Girls Club and Youth Hockey. The City Engineer is requesting \$344,000 of liquor store funds for 2007 street projects and will discuss the 2007 construction projects at a future work session. Eischens noted that the liquor stores provide funding for community projects and subsidize the city tax levy.

Discussion continued on expanding or building another liquor store. Eischens stated that there is \$10,000 budgeted for improvements to each of the liquor stores. The Public Works Committee will discuss the liquor stores at a future meeting.

Arena Fund

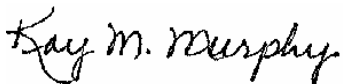
The City arena had an operating loss of \$84,000. The fund has a deficit cash balance of \$233,000 with the improvements and upgrades completed last year. If operating losses remain stable, it will take at least seven more years to pay off the deficit at the current subsidy level of \$118,330 assuming no further capital improvements are necessary.

RESOLUTION NO. 5401: Designating fund balances and transfer of funds was offered by Councilmember Erickson, who moved its adoption with the exception of \$106,000 from Permanent Improvement to General Fund, and upon due second by Councilmember Hellquist was passed by unanimous vote.

ADJOURN

There being no further business, motion by Downs, second by Markeson, to adjourn the meeting. Motion carried. Meeting adjourned at 6:35 p.m.

Respectfully submitted,



Kay M. Murphy
City Clerk