

# **BEMIDJI CITY COUNCIL**

## **Work Session Agenda**

**Monday, September 14, 2009**

**City Hall  
Conference Room  
5:30 P.M.**



1. CALL TO ORDER / ROLL CALL
  
2. CONSIDER PRELIMINARY 2009 TAX LEVY COLLECTIBLE IN 2010
  - Revised Resolution Approving Preliminary 2009 Tax Levy Collectible in 2010 and Setting the Truth in Taxation Hearing Date
  
3. DISCUSS LIQUOR OPERATIONS
  
4. CLOSE MEETING  
Pursuant to §13.44, Subd. 3, and to develop or consider offers or counter-offers for the purchase or sale of real or personal property.
  
5. ADJOURNMENT

# COUNCIL AGENDA ITEM



**Meeting Date:** September 14, 2009

**Action Requested:** Revise 2010 Preliminary Tax Levy

**Prepared By:** Ron Eischens, Finance Director *Ron*

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

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Due to state imposed levy limits, the Department of Revenue annually calculates the City's maximum tax levy. The calculation for 2010 unexpectedly resulted in a **decrease** of \$60,313 in allowable levy compared to 2009. Staff assumed the levy would remain the same, which was reasonable considering the allowable inflationary increase and growth factors for population and households.

According to the Department of Revenue, many cities saw decreases in their levy due to how the formula addresses local government aid. Cities receiving increased LGA most likely had decreases to their allowable levy.

The end result is the 2010 tax levy is limited to \$3,687,384 or 19.9% and is the maximum allowed. This amount does levy back all 2008 and 2009 unallotted LGA. The positive news is this represents a \$60,313 reduction from the preliminary levy adopted on September 8<sup>th</sup> but will only add to future financial challenges.

## RECOMMENDATION:

Approve resolution revising the preliminary 2009 tax levy collectible in 2010 and authorize certification to the County Auditor.

# RESOLUTION NO.

## A REVISED RESOLUTION APPROVING PRELIMINARY 2009 TAX LEVY COLLECTIBLE IN 2010 AND SETTING THE TRUTH IN TAXATION HEARING DATE

BE IT HEREBY RESOLVED BY THE CITY COUNCIL OF THE CITY OF BEMIDJI, COUNTY OF BELTRAMI, MINNESOTA, that the following sums of money be levied for the current year, collectible in 2010, upon the taxable property in the said City of Bemidji, for the following purposes:

General Fund	\$2,916,885
2009 Capital Improvement Bonds	451,000
2007 G.O. Bonds Public Works Facility	<u>319,499</u>
Total All Levies	<u>\$3,687,384</u>

BE IT FURTHER RESOLVED that the Bemidji City Council set the Truth in Taxation public hearing date on Monday, December 7, 2009 at 7:00 p.m.

The City Clerk is hereby instructed to transmit a certified copy of this Resolution to the County Auditor of Beltrami County, Minnesota.

The foregoing resolution was offered by Councilmember \_\_\_\_\_, who moved its adoption, and on due second by Councilmember \_\_\_\_\_, was passed by the following vote:

Ayes:  
Nays:  
Absent:

Passed: September 14, 2009

ATTEST:

APPROVED:

\_\_\_\_\_  
Kay M. Murphy, City Clerk

\_\_\_\_\_  
Richard Lehmann, Mayor

### CERTIFICATION

State of Minnesota }  
                                  }  
County of Beltrami }

I hereby certify that the above is a true and correct copy of a Resolution duly passed, adopted and approved by the City Council of said City on \_\_\_\_\_, 20\_\_\_\_\_.

(Seal)

\_\_\_\_\_  
City Clerk

MINNESOTA · REVENUE

***Payable 2010 Final Overall Levy Limitation Notice***

BEMIDJI  
 FINANCE OFFICER  
 CITY HALL  
 317 4TH ST NW  
 BEMIDJI, MN 56601

8/18/2009

The following is a listing of the factors used in determining your city's payable 2010 overall levy limitation.

1. PAYBALE 2009 ADJUSTED LEVY LIMIT BASE	5,515,968
2. INFLATION ADJUSTMENT (0.8337%)	1.008337
3A. 2007 HOUSEHOLD POPULATION	5,377
3B. 2008 HOUSEHOLD POPULATION	5,464
3C. 50 PERCENT OF HOUSEHOLD INCREASE ((3B - 3A) x .5)	44
3D. HOUSEHOLD ADJUSTMENT FACTOR - GREATER OF 1 OR (1 + 3C/3A)	1.008090
4A. PAYABLE 2008 TOTAL TAXABLE MARKET VALUE	632,199,200
4B. PAYABLE 2009 MARKET VALUE - NEW INDUSTRIAL CONSTRUCT	0
4C. PAYABLE 2009 MARKET VALUE - NEW COMMERCIAL CONSTRUCT	1,622,100
4D. PAYABLE 2009 MARKET VALUE - NEW C/I CONSTRUCT (4B + 4C)	1,622,100
4E. 50 PERCENT OF MARKET VALUE OF NEW C/I CONSTRUCT (4D x .5)	811,050
4F. NEW C/I ADJUSTMENT FACTOR - GREATER OF 1 OR (1 + 4E/4A)	1.001283
5. PAYBALE 2010 ADJUSTED LEVY LIMIT BASE (1 x 2 x 3D x 4F)	5,614,145
6A. 2010 CERTIFIED LOCAL GOVERNMENT AID	3,438,112
6B. 2010 ESTIMIATED TACONTIE AIDS	0
6C. 2010 ESTIMATED WIND ENERGY PRODUCTION TAX	0
6D. 2010 CERTIFIED UTILITY VALUATION TRANSITION AID	0
6E. 2010 TOTAL CITY AID (6A + 6B + 6C + 6D)	3,438,112
<b>7. PAYABLE 2010 FINAL OVERALL LEVY LIMIT (5 - 6E)</b>	<b>2,176,033</b>

MINNESOTA · REVENUE

*Payable 2009 Initial Overall Levy Limitation Notice*

BEMIDJI  
 FINANCE OFFICER  
 CITY HALL  
 317 4TH ST NW  
 BEMIDJI, MN 56601

8/8/2008

The following is a listing of the factors used in determining your city's payable 2009 overall levy limitation. See the enclosed letters for an explanation of these factors and for additional information concerning your city's overall levy limitation.

1. PAYABLE 2008 FINAL TOTAL LEVY	2,846,213
2. PAYABLE 2008 TOTAL SPECIAL LEVIES	660,331
3A. 2008 LOCAL GOVERNMENT AID	3,068,058
3B. 2008 TACONITE AIDS	0
3C. 2008 WIND ENERGY PRODUCTION TAX	0
3D. 2008 TOTAL CITY AID (3A + 3B + 3C)	3,068,058
4. PAYABLE 2008 LEVY AID BASE (1 - 2 + 3D)	5,253,940
5. INFLATION ADJUSTMENT (3.9%)	1.039000
6A. 2006 HOUSEHOLD POPULATION	5,301
6B. 2007 HOUSEHOLD POPULATION	5,377
6C. 50 PERCENT OF HOUSEHOLD INCREASE ((6B - 6A) x .5)	38
6D. HOUSEHOLD ADJUSTMENT FACTOR - GREATER OF 1 OR (1 + 6C/6A)	1.007168
7A. PAYABLE 2007 TOTAL TAXABLE MARKET VALUE	597,344,300
7B. PAYABLE 2008 MARKET VALUE - NEW INDUSTRIAL CONSTRUCT	2,518,400
7C. PAYABLE 2008 MARKET VALUE - NEW COMMERCIAL CONSTRUCT	1,392,300
7D. PAYABLE 2008 MARKET VALUE - NEW C/I CONSTRUCT (7B + 7C)	3,910,700
7E. 50 PERCENT OF MARKET VALUE OF NEW C/I CONSTRUCT (7D x .5)	1,955,350
7F. NEW C/I ADJUSTMENT FACTOR - GREATER OF 1 OR (1 + 7E/7A)	1.003273
8. PAYABLE 2009 ADJUSTED LEVY LIMIT BASE (4 x 5 x 6D x 7F)	5,515,968
9A. 2009 LOCAL GOVERNMENT AID	3,279,622
9B. 2009 ESTIMATED TACONITE AIDS	0
9C. 2009 ESTIMATED WIND ENERGY PRODUCTION TAX	0
9D. 2009 UTILITY VALUATION TRANSITION AID	0
9E. 2009 TOTAL CITY AID (9A + 9B + 9C + 9D)	3,279,622
<b>10. PAYABLE 2009 INITIAL OVERALL LEVY LIMIT (8 - 9E)</b>	<b>2,236,346</b>



# Minnesota Municipal Beverage Association

INCORPORATED

An organization composed of the municipally-operated dispensaries of Minnesota

August 25, 2009

To: John Chattin, Bemidji City Manager

From: Gary Buysse, Rogers Wine & Spirits Manager, MMBA Past President  
Paul Kaspszak, MMBA Executive Director

This memo is in response to your request for suggestions on improving the profitability of your municipal liquor operations.

Your financial reports for the past five years (2003-2007) show a relatively stable sales level. This is understandable and commendable, since new competition has opened.

Gross profit levels are consistently good.

However, expenses have been increasing and as a result, net sales percentages have lowered.

In addition, each year the city decided to transfer more money from the liquor fund than was generated that year.

Consequently, sales must increase or expenses decrease to achieve your objective of increasing profitability.

We met with Dan Bahr on August 18, 2009 to discuss the situation. As a result of our conversation, we recommend the following:

- 1) Dan indicated customer credit card purchases are significantly increasing. This is common in our industry. We suggest examining processing rates of various credit card companies. MMBA members across the state are going through this analysis and several have reported savings with US Bank.

Whether real or perceived, Dan indicated there is resistance from city hall to explore rates other than from your current processor, Wells Fargo. This resistance must be overcome or perception clarified.

- 2) Dan indicated he has recently increased mark-ups on several categories, and the results have been positive.

This is excellent and should be continued.

#### OFFICERS

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Tom Agnes  
Brooklyn Center

VICE PRESIDENT  
Dan Bahr  
Bemidji

SECRETARY/  
TREASURER  
Brian Hachey  
Stacy

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www.municipalbev.com

- 3) The three of us determined that too much inventory is currently carried and should be reduced (notwithstanding seasonal fluctuations). Gary makes every effort to maintain his spirits and wine inventory levels to 10 percent or less of annual gross sales.

Whether real or perceived, Dan indicated there is resistance from city hall to reduce normal inventory levels. This resistance must be overcome or perception clarified.

- 4) Dan indicated the physical location of product in the cooler and on shelves has not been changed for a long period of time. As a result, customers are not being exposed to additional purchasing options.

As a result, we suggest a cooler and wine re-set. Gary has found success with the *Trade-Up Flow* arrangement from MillerCoors. We suggest swapping entire wine sections within the varietal and regional classifications. Traffic flow and security issues should be considered before making changes to spirits location.

- 5) The three of us determined that personnel expenses are too high and should be reduced by significantly narrowing the gap between when the majority of employees arrive to work and store opening times.
- 6) One purpose of municipal liquor operations is to “control the sale of alcohol.” Controlling the sale of alcohol means reflecting a community attitude – often resulting in a strategic and publicly supported reduction in liquor operation revenue.

Currently, your facilities do not carry energy drinks – a very popular item with many consumers. Not selling these items is a legitimate alcohol control consideration. However, most municipal and private liquor operations carry 1-2 energy drink brands, and you may be losing customers / sales to those establishments.

We suggest you examine whether to carry these items – or universally agree to accept the potential associated financial loss.

In conclusion, we strongly believe these steps will lead to increased profitability.

Please contact us if you have questions or would like to personally meet in Bemidji.

CC: Dan Bahr





## LIQUOR STORE ORGANIZATIONS CITIES WITH MULTIPLE LOCATIONS

CITY	NUMBER OF		
	STORE LOCATIONS	LIQUOR OPERATION DIRECTORS	ASST MGR STORE MGR LEAD CLERK
Alexandria	2	1	2
Anoka	2	1	1
Columbia Heights	3	1	6
Eden Prairie	3	1	3
Edina	3	1	6
Fridley	2	1	4
Lakeville	3	1	3
Richfield	4	1	7
Savage	3	1	6
St. Anthony	2	1	4
<b>AVERAGE</b>	<b>2.7</b>	<b>1</b>	<b>4.2</b>
<b>BEMIDJI</b>	<b>2</b>	<b>1</b>	<b>2</b>