

CITY COUNCIL PROCEEDINGS

BEMIDJI, MINNESOTA

Work Session – March 31, 2008

Pursuant to due call and notice, a work session of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on Monday, March 31, 2008, 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, Downs, Meuers.

Other & Staff Present: CSL Consultant Bill Krueger, City Manager John Chatten, Finance Director Ron Eischens, City Attorney Alan Felix, City Engineer Brian Freeberg, City Engineer Craig Gray, City Clerk Kay Murphy.

Motion by Downs, seconded by Johnson, to approve the agenda as presented. Motion carried unanimously.

Motion by Hellquist, seconded by Markeson, to approve a special meeting on April 3, 6-8 p.m. at the Diamond Point Room at Hampton Inn to discuss the Event Center design. Motion carried unanimously.

Motion by Johnson, seconded by Markeson, to approve a special closed meeting of the BEDA to discuss property acquisition on April 7, following the City Council meeting. Motion carried unanimously.

YEAR 2007 FINANCIAL REVIEW

Eischens reviewed the 2007 year end financial results for various city funds including an overall city-wide summary. He stated that the City ended 2007 in excellent financial position with positive budget results. The City had adequate reserves, did not experience cash flow shortages during the year and did not borrow to cover unanticipated needs.

General Fund Revenues

The General Fund revenue exceeded expenses by \$495,000, representing 6% of its budget. This savings represents good budget management by departments as well as the City's new budget amendment policy.

Cable Franchise Fees

The two cable providers' franchise fees exceeded budget by \$44,000. Amounts in excess of budget were previously set aside for cable operational expenses. At year end, cash in the "operational" fund was \$37,700. Council discussion followed regarding PEG fees. The Public Affairs Committee will meet to discuss the use of PEG fees.

Property Taxes

Eischens noted that property tax collections fell short of budgeted amounts by \$41,000. These delinquent amounts are collected in future years, either through payments or tax-forfeited sales of property. Council discussion followed regarding uncollected property taxes. Eischens noted that property tax collections are typically one percent.

Police

Eischens stated that when adjustments were made to all budgets in 2007, he did not accurately project personnel related costs and therefore significantly reduced previously budgeted amounts. This accounts for \$93,000 of the amount over budget. The remaining \$4,000 is a combination of items being under budget and others over budget.

Engineering

Annually an estimated amount is budgeted for allocation of engineering costs to construction projects and other departments. During 2007, engineering charged out less time than estimated. The 2008 Nymore Street project accounted for nearly half of the over budget amount. City staff had \$24,000 of time invested designing this project that ultimately was not able to be recovered since the project was cancelled by the City Council. Discussion continued regarding how engineering staff time is calculated.

Liquor Operations

In 2007 the liquor operations generated \$445,700 in operating profits. The City's liquor stores continue to be some of the top performers in the state. Eischens stated that during the 2009 budget process the Council will have the opportunity to discuss and prioritize how liquor funds are utilized in the future.

Arena Fund

The City's arena had an operating loss of \$83,000 which is similar to last year. If operating losses remain consistent, it will take seven years to pay off the deficit assuming no further capital improvements are necessary. Staff are reviewing ice rental rates and comparing to similar cities to determine if rate increases would be appropriate. Once this information is gathered, staff will bring it to the Council with a recommendation. Council requested staff to do a cost analysis of the City arena for the summer months.

RESOLUTION NO. 5479: Designating fund balances and transfer of funds was offered by Councilmember Hellquist, who moved its adoption, and upon due second by Councilmember Downs was passed by unanimous vote.

EVENT CENTER

Mayor Lehmann stated that Bill Krueger from CSL International has submitted a proposal for the Council's consideration to provide assistance in seeking and retaining a partner with a development/operator of a hotel/motel to be built in conjunction with the City's Event Center.

Chattin stated that this project is huge and staff does not have the expertise to solicit proposals. The City needs assistance in this critical process as a mistake could cost the City.

Meuers asked about timing with the bonding issue.

Bill Krueger, CSL International, stated that it makes a lot of sense to get a partner now as this is a critical piece. Krueger stated that it is better to build the hotel with the event center. The City does not want to build it and design it and hope for a hotel to be built next to it.

Krueger stated that the type of assistance that CSL will provide under this engagement includes, but is not necessarily limited to (Reference CSL's proposal):

- Assistance in identifying potential private partners, including provision of a proprietary database of hotel developers and operators and development of requests for expressions of interest, requests for qualifications, requests for development/operator proposals, etc.
- Provision of information regarding the structure of public/private partnership hotel/convention center transactions in other comparable communities.
- Provision and assessment of developer and operator agreements associated with comparable projects, including analysis and summary of key terms and revenue/expense and cost sharing provisions.
- Market and financial assessment for the hotel project, etc.
- Work with City's legal representative(s) and other officials in identifying the key structure and terms of a memorandum of understanding with designated partner, including providing feedback on documents drafts.
- Attendance of meetings in Bemidji and participation in regular and as-needed conference calls throughout the process.

Krueger further stated that the scope of CSL's assistance assumes the City will designate its own internal manager or liaison to handle much of the administration and coordination aspects that will be required through the project.

Felix stated that the Council may want to consider in the future expanding services to include legal services among others.

Downs wondered if the City should get a second opinion.

Felix stated that just writing the RFP for this type of service would be difficult for staff. He commented that the beauty of using CSL is that they have been working with the City all along.

Discussion continued on whether the cost of CSL's services would qualify for reimbursement from the \$3 million grant. Chattin stated that Eischens is in the process of checking with the State.

Erickson asked if the project was scaled down would this in anyway affect their respondents.

Krueger stated that what the City ultimately builds does affect the partnership. The point is that the City will be building something and there are several items that need to move forward immediately.

Motion by Downs, seconded by Johnson, to hire CSL to assist in the recruitment of a hotel partner for the Bemidji Regional Event Center at a base fee of \$40,000. The cost of this service, if possible, should to be funded with the \$3 million grant. Motion carried with a unanimous vote.

ADJOURN

There being no further business, motion by Meuers, seconded by Markeson, to adjourn the meeting. Motion carried. Meeting adjourned at 7:00 p.m.

Respectfully submitted,



Kay M. Murphy
City Clerk