

CITY COUNCIL PROCEEDINGS

BEMIDJI, MINNESOTA

Work Session – January 25, 2010

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, January 25, 2010, 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, Johnson, Negard, Downs, Meuers, Waldhausen, Hellquist

Staff Present: City Manager John Chattin, City Attorney Alan Felix, Finance Director Ron Eischens, Public Works Director Craig Gray, City Clerk Kay Murphy

Others: Joint Planning Board Director - Mel Milender, Bemidji Town Board Member - Becky Livermore

Mayor Lehmann stated that the purpose of the work session was to discuss Phase One of the Orderly Annexation Agreement (OAA) and Northern Township's request to delay annexation.

Chattin handed out the August 21, 2009 memo which outlined what staff see as the challenges that the City will have with annexation, i.e., the additional cost without additional revenue. He stated that if staff was polled in August, they would have recommended delaying annexation for a year. He stated that there has been far too much work creating the Joint Planning Board and the Orderly Annexation Agreements to simply not annex. However, those documents do not tell the City to annex January 1, 2010 but that we can exercise the right to annex after that date. Chattin recommended that the Council consider delaying annexation for a year, until issues on the Birchmont Drive reassessment are resolved.

Mayor Lehmann observed that at the time the annexation agreement was developed the City was in a better financial position and did not foresee the economic downturn, the loss of LGA or the Birchmont Drive reassessment process.

City Attorney Felix reviewed the request on behalf of Northern Township Board by its legal counsel, that the City delay its pending decision/action to exercise the Phase One of annexation under the Joint Orderly Annexation Agreement until the Township's reassessment of Birchmont Drive is completed. There are seven (7) properties in the first phase that are part of the reassessment process. If the seven (7) properties in the Phase One area are annexed before the Township's reassessment is completed, the Township will lose its ability to reassess the properties and the City would become the assessing authority and assume both responsibility for and the direct cost(s) of the reassessment process for these properties. Felix stated that he has estimated that the appraisals could be \$2,000 to \$4,000 a piece. There may be additional costs for expert appraisal testimony in a court proceeding if an assessment is appealed. Felix recommended that the City delay annexation until the Township's reassessment process has been completed.

Council discussed the following:

- Annexing phase one minus the seven properties;
- Annexing phase one excluding properties east of Bemidji Avenue in Northern Township;
- Loss of Local Government Aid;
- Cost of annexing and impact on services for current and future residents; and
- Renegotiating the terms of phasing in taxes with the townships.

Public Works Director/City Engineer Gray wondered if any DPW was asked what the three phases will cost the City at the time that these agreements were created. He stated that there are financial challenges involved in annexation. If annexation occurs, it will mean an additional 3.5 miles of roads which includes 12 dead-end roads. At some point the annexations will require another person and additional equipment.

Eischens stated that if the City collected all the property taxes in the first year plus franchise, stormwater fees, etc., he estimated that we would collect approximately \$280,000 a year.

According to the City Engineer the road improvement needs that the first ring of annexation would require is approximately \$1.7 million over a five-year period. If that amount is annualized, it is \$340,000 in road improvements alone without considering operational costs for road, police, parks and other needs. We are \$60,000 short considering operational costs.

Motion by Johnson, seconded by Hellquist, to move forward with Phase One of the Orderly Annexation Agreement with the exception of the seven (7) properties in Northern Township that are part of the Birchmont Drive reassessment process. Motion failed with the following vote: Ayes: Johnson, Hellquist, Lehmann. Nays: Waldhausen, Negard, Downs, Meuers.

Hellquist stated that the entire memo from August is not to delay this but to never do this. The amounts etc., pretty much say not to do it. He stated that the City will face other problems. The costs will never go down and this will effectively end the orderly annexation. Hellquist stated that the Council gets biased information because there are people that do not want to do it.

Chattin responded that staff is not opposed to the annexation. He believed that it is a wonderful step forward for the city. However, will the City make money with annexation? No. The memo simply provides the Council information on what annexation could cost. He stated that it is fiscally more responsible to wait for a year given the current economic climate.

Johnson stated that the intent of the annexation is to spread the costs and grow the city. He did not believe that there was any reason to delay the annexation.

Negard stated that there is no bargaining power with either option proposed. Discussion continued on possibly renegotiating the terms of the agreement with the townships. Felix stated that the tax distribution is set by State but it can be modified by negotiation.

Mel Milender, JPB Director, commented that he will be setting up a meeting of the three LGU's in March or early April.

Motion by Meuers, seconded by Negard, to delay Phase One Annexation until 2011. Motion failed with the following vote: Ayes: Downs, Negard, Meuers. Nays: Lehmann, Johnson, Waldhausen, Hellquist.

Motion by Johnson, seconded by Hellquist, to move forward with Phase One of the Orderly Annexation Agreement with the exception of the seven (7) properties in Northern Township that are part of the Birchmont Drive re-assessment process. Motion passed with the following vote: Ayes: Johnson, Hellquist, Lehmann, Waldhausen. Nays: Negard, Downs, Meuers.

ADJOURN

There being no further business, motion by Meuers, seconded by Negard, to adjourn the meeting. Motion carried. Meeting adjourned at 7:25 p.m.

Respectfully submitted,



Kay M. Murphy
City Clerk