

# CITY COUNCIL PROCEEDINGS

## BEMIDJI, MINNESOTA

### Work Session – April 11, 2011

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, April 11, 2011, at 5:30 p.m. in the Conference Room of City Hall, Mayor Larson presiding.

Upon roll call, the following Councilmembers were declared present: Larson, Waldhausen, Hellquist, Johnson, Albrecht, Negard, Thompson

Staff Present: City Manager John Chattin, Public Works Director Craig Gray, Finance Director Ron Eischens, Deputy City Clerk Michelle Miller

Other Present: Bob LeBarron, Executive Director – Sanford Center

Mayor Larson stated that the purpose of the work session was for Year 2010 Financial Review and to consider Sanford Center 2011 Budget Amendment #1.

#### Sanford Center Budget Amendment

LeBarron stated that the 2011 Sanford Center budget needs to be amended for the following reasons:

- The original budget was prepared on a cash basis instead of accrual basis.
- The conversion to accrual basis significantly changes advertising income. As advertising contracts have a 12 month term, those revenues have been revised to be recognized over the length of a 12 month contract.
- Some budgeted expenses were counted twice; once in personnel costs and again in food and beverage margins.

Council discussed the following:

- Advertising revenue and if goals are attainable
- Partnership with BSU regarding advertising
- Commissioned sales person vs. salaried sales person

LeBarron stated that he is comfortable in reaching the advertising goals. Staff have met the goals for March and April and are well on their way to reaching the May goal. LeBarron indicated that he feels very good about reaching an agreement with BSU regarding advertising. Regarding the issue of a commissioned sales person, he stated that commissioned sales generally relate to conferences, due to the fact that hotels contribute to that commission.

**Motion by Albrecht, seconded by Johnson, approving Budget Amendment #1 for the Sanford Center for the reasons outlined in the Council Agenda Memorandum. Motion carried with the following vote: Ayes: Waldhausen, Thompson, Larson, Johnson, Albrecht. Nays: Negard, Hellquist.**

#### Year 2010 Financial Review

Eischens stated that the 2010 Budget resulted in a surplus of \$522,752. This surplus was a result of the following:

- Increased property tax collections
- Increased revenue from licenses and permits
- Increased internal service revenues
- Department expenses were under or near budgeted amounts

Eischens also stated that the fund balance policy states that reserves should equal 50% of the subsequent year expenses. The City currently has \$4,488,281 in reserves which meets the policy requirement. As previously discussed, the 30 year sales tax bonds have payments that will exceed sales tax collections. Of the available 2010 surplus, Council committed \$91,000 for new police department software, leaving a balance of \$431,752; of this amount staff recommends \$357,813 be used towards the projected sales tax bond shortfall for 2012. The surplus balance of \$73,939 would be added to our reserves for future needs.

Council discussed the following:

- Option to allocate remaining surplus to Sanford Center for revenue shortfalls
- Funding capital improvements

Eischens went on to highlight liquor store operations. While 2010 sales increased by 1%, more importantly, operating profits increased 26% for a total of \$605,641. In 2010, City liquor store profits paid for \$200,000 of City Park construction costs as well as \$43,000 to complete the Irvine Avenue project. Annual liquor profits, after transfers to the General Fund, are projected to be \$223,000. For 2011, Council committed \$130,000 towards repairs to the Midway Drive Bridge, leaving uncommitted profits of \$93,000.

The Arena deficit cash balance of \$12,393 will be corrected by the end of 2011, assuming no further capital improvements are necessary. The cash deficit is the end result of improvements made to the facility in 2005 amounting to \$545,000.

Eischens concluded that over the next several months, staff will begin preparing the 2012 budget; however, many of our budget and tax levy decisions are on hold until the legislature determines how it will resolve the state budget deficit.

**RESOLUTION NO. 5686: Approving the designation of General Fund balance for cash flow at the current amount of \$4,488,281 and to transfer surplus of \$357,813 to the sales tax bond fund was offered by Councilmember Hellquist, who moved its adoption, and upon due second by Councilmember Thompson was passed by unanimous vote.**

**ADJOURN**

There being no further business, motion by Hellquist, seconded by Johnson, to adjourn the meeting. Motion carried. Meeting adjourned at 6:30 p.m.

Respectfully submitted,



Michelle R. Miller  
Deputy City Clerk