

CITY COUNCIL PROCEEDINGS

BEMIDJI, MINNESOTA

Special Work Session – July 31, 2006

Pursuant to due call and notice, a special work session of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on July 31, 2006, 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, Downs, Hellquist, Meuers, Markeson. Absent: Erickson.

Others Present: Larry Young, Ron Eischens, Andy Mack, Dick Sathers, Jerry Johnson, Al Felix, Brian Freeberg and Shawn Swenson.

Mayor Lehmann stated that the first item on the Agenda was to discuss the North Central Door City Development Fund Loan.

Larry Young, Director JEDC, explained that the appraisal of the proposed new building came back low, leaving a \$1 million gap in financing, from \$6.8 to \$5.7 million. The North Western Minnesota Foundation agreed to provide \$300,000; \$300,000 from Headwaters Regional Development Commission; and, \$300,000 from the City Development Fund by the JEDC Board of Directors. The remaining \$100,000-\$200,000 needed to fill the \$1 million gap will be provided by the four owners of the company.

Motion by Meuers, second by Johnson, to approve a \$300,000 loan through the City Development Fund to be used to finance the expansion of North Central Door Company into the Bemidji Industrial Park as recommended by the JEDC Board of Directors. Motion carried unanimously.

2007 BUDGET:

Eischens outlined the following general fund issues for 2007 describing significant changes or issues in revenue line items:

Cable Franchise Fees

- In the past, the Council directed cable franchise fees in excess of \$80,000 be utilized to improve and expand cable access programming. In 2005 cable franchise fees collected amounted to \$96,000. The current 2007 budget includes \$80,000 as franchise fee revenue. Eischens asked if the Council want to budget \$96,000 as general fund revenue thereby reducing the levy by \$16,000. Doing so would leave no annual funds to transfer for cable access operating expenses.
- The current balance in the Cable Access Fund (to be used for operations) is \$27,616 while the balance in the PEG Cable Fund (to be used for equipment) is \$10,248.
- Council decided to keep the 2007 budget to include the \$80,000 franchise fee revenue.

Intergovernmental

- A \$25,000 increase in the homestead credit and an \$11,000 increase in police town aid, both **state aid amounts**, account for the increase in this line item.
- Bemidji's LGA has been **reduced** by \$181,000 for 2007. This state aid amount is a calculation based on: 1) pre-1940 housing; 2) population decline over the past 10 years; 3) average household size; 4) net tax capacity; 5) accidents per capita; 6) metro or non-metro. The current formula does not provide for an automatic inflationary increase.

Fire Revenue

- \$28,000 higher than 2006 due to the increased contribution from the Rural Fire Association.

Transfers

- The \$300,000 increase is the transfer of net proceeds received from the sale of Northview Manor.

Eischens reviewed expenses stating that salary increases are budgeted at 2% and fringe benefit contributions are budgeted to increase \$30 per month for eligible employees. Expenses for 2007 are as follow:

Mayor and Council

- The conversion from per diem pay to Council salary combined with the increase in Council pay for 2007 will add \$22,000 to the Council budget. In addition, \$5,000 has been added to account for planning commission pay. Dues were increased by \$10,000 to account for higher Coalition and League dues.

Administration

- Majority of increase due to higher salary budgeted for City Manager (\$95,000 for 2007 versus \$80,000 for 2006). Balance of increase due to supplies and travel costs.

Election

- Decrease due to election equipment not being purchased in 2007.

Finance/MIS

- Increase of \$10,000 for annual computer software maintenance costs. Hiring of internal auditor position at a cost of \$12,000 may need to be reconsidered as the Council prioritizes other needs. Council decided to defer hiring an internal auditor position and reducing the levy by \$12,000.

Legal

- Supplies and dues increased \$10,000 to reflect the addition of an Assistant City Attorney and actual spending over the last two years. Professional services increased by \$10,000 to allow for sub-contracting of certain legal matters to special legal counsel.

Police

- Increases are due to potentially losing \$51,000 of grant funding for 2007, increasing one part time position to full-time at a cost of approximately \$8,000, the Department supply (including fuel) budget increased \$30,000, repairs \$25,000, utilities \$29,000 and equipment of \$52,000. Supplies, repairs and utility increases are necessary to reflect increased space occupied at the new law enforcement center and three years of frozen budget amounts.

Fire

- Higher salary of \$10,000 to hire a Fire Chief. In addition to increasing one part-time firefighter to full-time at a cost of \$16,000, supplies (including fuel) increased \$6,000, repairs \$21,000, training/professional services \$18,000, utilities \$10,000 and equipment purchases of \$225,000.

Streets

- Included higher supplies/fuel costs of \$22,000 and professional services of \$7,000.

Engineering

- Increase of \$43,000 reflects 50% of the cost of a city engineer. It was decided to defer the hiring of the City Engineer to train with the current City Engineer until July or August to cut this cost in half and thereby, lower the levy.

Library

- Increased costs of \$42,000 to reflect higher contribution to Kitchigami Regional Library system and building maintenance costs. It was decided to budget an extra \$4,000, which KRL is requesting, a 5% increase from the City and a 13% increase from the County in their 2007 budget.

Future years CIP Contributions

- Increased contribution of \$166,000 as the five-year plan gears up for future annexations and replacement of several pieces of street and fire department equipment.

Transfer to Building and Planning

- Increased staff levels and additional legal and engineering costs charged to planning created a larger planning department budget. Results from the City Planner's research indicate areas of fee increases which could help reduce the general fund subsidy, although it wouldn't be substantial.

Public Works Facility

- For many years the City has discussed the need for this new building. Preliminary architectural estimates place the cost of the building in the \$8 to \$10 million dollar range. This cost estimate includes space to accommodate a 25% increase in growth. This

“growth factor” incorporates expansion needs necessary to meet future annexation needs and service delivery issues.

- Estimated funding available for this facility potentially includes:

• Refuse reserves	\$2,500,000
• Water Department	\$ 700,000
• Sewer Department	\$ 700,000
• Sale of MN DOT Property	\$ 200,000
• Tax Abatement Refund	<u>\$1,000,000</u>
TOTAL	\$5,100,000

- The remaining balance of \$3 to \$5 million would be generated by issuing general obligation bonds. Based on this bond issue amount, debt service payments would be in the range of \$250,000 to \$420,000 per year over a 20 year period. These payments would be repaid with tax levy dollars. The current law enforcement center lease is very similar. The City pays the County \$197,000 per year for its share of the debt service payments on the new LEC building.
- Eischens stated that the next step in this process is to authorize the architect to develop more detailed plans and cost estimates. The Public Works Facility fund currently has \$140,000 available to pay for these services. At the work session staff will present the contract proposal for council consideration. The Council voted to spend the \$133,281 proposed to move on to the Schematic Design Phase of the new Public Works Facility.

Future Work Sessions were scheduled, including the Event Center Financial Feasibility Special Work Session for August 22 at 5:30 p.m. and another Budget Work Session needs to be scheduled sometime after August 14, when Eischens returns from vacation.

ADJOURN

There being no further business, motion by Johnson, second by Downs, to adjourn the meeting. Motion carried. Meeting adjourned at 7:30 p.m.

Respectfully submitted,

Shawn M. Swenson
Deputy City Clerk