

CITY COUNCIL PROCEEDINGS
BEMIDJI, MINNESOTA
Regular Meeting/Work Session – August 11, 2008

Pursuant to due call and notice, a regular meeting/work session of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on Monday, August 11, 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

Staff Present: City Manager John Chattin, Finance Director Ron Eischens. City Engineer Craig Gray, City Clerk Kay Murphy

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

BNSF Railway Crossing

City Engineer Gray reviewed the agreement with BNSF Railway Company to get permission to construct a new road crossing over their tracks to serve the Wastewater Treatment Plant and Lake Irving boat landing.

Motion by Meuers, seconded by Markeson, to approve the grade crossing agreement with BNSF Railway Company. Motion carried unanimously.

Proposed 2009 Budget

Chattin stated that City staff had several meetings regarding the 2009 budget. During these meetings operating expenses were adjusted to reflect prior year's actual spending levels. In addition, significant capital expenditure requests were deferred or eliminated.

Eischens stated that the State Legislature set limits for cities for 2009-2011. There is a multi-step process to calculate the levy and it is estimated to be \$2,345,720. By formula design, increases in LGA reduce, on a dollar for dollar basis, the city's ability to increase property taxes. He stated that the city will get confirmation on the calculation within the month. In addition to the general levy limit, several special levies, outside of levy limit requirements, are allowed which include: 1) Law Enforcement Center Lease; 2) PERA Aid; 3) Economic Abatement District; and 4) Debt Obligation (Public Works Facility). The combination of general and special levies generates a total property tax increase for 2009 of \$144,566 or 5.1%.

Eischens commented that the Council should be proud that even with the 5.1% increase, according to the City Assessor, the tax rate should remain the same or be reduced next year due to new construction and overall market value increase of city property. Bemidji's tax rate will remain below the state average, below the average for northwestern Minnesota and lower than cities with comparable population.

Eischens reviewed the 2009 budgeted general fund revenue and expenses. Reduction in staff saved approximately \$312,000 in personnel costs for public utility funds. Budget assumptions for 2009 include: 3% salary increases and \$40 per month increase in benefit contributions in union contracts; 60% increase in fuel costs over 2007 actual expenses; state mandated increases to employer PERA contributions; increased workers comp, property and liability insurance premiums; and operating expenses adjusted to reflect previous year's actual spending limits.

Eischens highlighted significant changes in departmental expenses which included the following: 1) The regional library system has requested a 10% increase – staff has budgeted a 3.9% increase in contribution to KRL; 2) increase of fuel costs for departments; and 3) repair the heating and air condition system in City Hall at an estimated cost of \$400,000.

In order to maintain service levels in 2009, \$1.7 million of capital expenditures were deferred or eliminated.

Council discussed the following:

- Reducing the number of city vehicles that are taken home. Chatten noted that some vehicles at the WWTF have been eliminated and staff is discussing the use of police vehicles.
- Airport funding – possible increase to both the city and county;
- Public transportation – due to increased ridership, Paul Bunyan Transit requested local share match for two buses instead of one for 2009.
- Overtime at the Police Department. Eischens noted that overtime has been reduced; however, there is still overtime required due to community events.

Eischens stated that the General Fund budget has a shortfall of \$105,100 and in order to balance the budget he made the following recommendations:

- Increase gas and electric franchise fees by 33% to \$1 per month. This would generate approximately \$70,000 in new revenue, 60% of which would come from commercial businesses.
- Eliminate purchase of road grader for street department and purchase plow truck instead resulting in savings of \$70,000.

Consensus of the City Council was to accept the 2009 budget as proposed for their consideration at the September 2, 2008 meeting.

Eischens stated that due to levy limits for the next three years, the City's ability to keep pace with street maintenance is virtually eliminated. To address deteriorating street conditions staff would like Council's permission to prepare a plan involving issuing GO Bonds to pay for street projects until such time the City has full levy authority. GO Bonds payments are outside of the levy limits and would allow some street construction projects.

Motion by Markeson, seconded by Downs, directing staff to explore bonding for road construction. Motion carried unanimously.

ADJOURN

There being no further business, motion by Downs, seconded by Markeson, to adjourn the meeting. Motion carried. Meeting adjourned at 6:20 p.m.

Respectfully submitted,


Kay M. Murphy
City Clerk