

CITY COUNCIL PROCEEDINGS

BEMIDJI, MINNESOTA

Regular Meeting/Work Session – March 13, 2006

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, March 13, 2006, at 5:30 p.m. in the Council Chambers of City Hall, Mayor Lehmann presiding.

Upon roll call, the following Councilmembers were declared present: Lehmann, Markeson, Hellquist, Johnson, Erickson, Meuers. Absent: Downs.

Staff Present: Minke, Eischens, Freeberg, Murphy-Schuett

Library Update

Minke reported that KRL has calculated the amount to reinstate services and it is the same as if the City had never been cut in services. KRL will be reducing the levy to Beltrami County. This item will be discussed at Thursday's Library Board meeting. Minke stated that the County has formally requested that the bookmobile service be cut and reallocate the funds to add hours to the Blackduck and Bemidji libraries.

Mayor Lehmann stated that the purpose of the meeting was to review the 2005 year end budget summary and 2006 construction projects.

2005 YEAR END BUDGET SUMMARY

Eischens summarized the financial information in five exhibits as follows:

General Fund Revenue

The total general fund revenues were \$7,139,107 while total expenses were \$6,795,965 resulting in a "savings" of \$343,142. Highlights included:

- Interest income earned exceeded budget projections (\$41,000).
- A combination of items including annual City auction proceeds and insurance refunds caused this line item to exceed budgeted amounts (\$38,756).
- Do to license fee increases this line item exceeded budgeted amounts (\$13,000).
- The League of Minnesota Cities Insurance Trust issued insurance refunds (\$25,000), which were not anticipated or budgeted. The LMCIT will issue a refund based on claims and others factors impacting the LMCIT's financial position.
- The Fire Department billed and collected for certain fire services in excess of budgeted amount (\$20,000).

Revenues below budgeted amount included:

- Internal Service Charges – Since the finance, legal and computer department expenses were below budgeted amounts (\$76,000); internal service charges allocated to other departments were also below budget.
- Fines collected (\$36,000) through the court system were down from budgeted amounts.
- Property tax collections did not meet budgeted amounts for 2005 due to delinquencies (\$26,000).

Summary of General Fund Expense

Eischens provided a summary of expenses by department, noting that the Fire Department was over budget by \$91,000 for the following reasons:

- 2004 volunteer firefighter pension subsidy of \$33,000 was paid during 2005 but was budgeted in 2004.
- Costs to fully equip the Kodiak emergency response vehicle of \$25,000 were not budgeted.
- Compensatory time earned of \$29,000 was accrued and recognized as a City liability in 2005.
- Higher supply, utilities, rent, professional service and training costs.
- The police department had budgeted \$60,000 for the purchase of equipment (video cameras and radio repeaters) which were not purchased. The police department is now requesting to purchase the radio repeaters with a portion of the 2005 savings. It was noted that the police department would have been over budget if this equipment

had been purchased. The police department budget is higher due to the increase cost of the new law enforcement center.

Eischens noted that City employees and department directors are to be commended for keeping their expenditures in line with budgeted amounts.

Fund Balance Designation

Eischens recommended allocation of the 2005 savings of \$343,142 as follows:

- Transfer \$15,000 of General Fund excess cable franchise revenue to special revenue fund for future cable access operations.
- Transfer \$17,102 from Permanent Improvement Fund to General Fund to recognize items purchased during 2005.
- Transfer \$194,516 from the General Fund to the Arena Fund
- Transfer \$100,000 from the Permanent Improvement Fund to the Public Works Facility Construction Fund
- Designate General Fund Balance as follows:
 - \$25,000 for library services
 - \$20,000 for police radio repeaters
 - \$12,000 to purchase plotter for engineering department
 - \$40,000 for park and trail development
 - \$36,626 for additional cash flow reserves

Public Utilities Report

Eischens provided a summary of the water, sewer, refuse and stormwater utility funds. He noted that water services exceeded expenses in 2005, while sewer department revenue experienced a shortfall of \$398,000. The rate structure for these funds is part of a study currently being updated by Public Financial Management. The results of this study will be presented to the Council in May or June. The stormwater fund revenue exceeded expenses by \$295,000. The refuse department had a total “shortfall of \$12,000 due to commercial refuse operations. A more detailed work session on refuse operations will be held at a future date. Eischens noted that there are \$2.66 million in uncollected assessments and deferred connection charges. This amount represents project costs the City has paid for but will not collect until some time in the future.

Liquor Store Operations

The 2005 liquor sales were down \$175,000 from 2004 but due to reduced expenditures the bottom line operating profit is up by nearly \$6,000. The increased number of establishments selling liquor outside the City limits is currently reducing our market share. The liquor stores provide funding for community projects as well as reduce city tax levy.

Arena Fund Analysis

Eischens noted that upgrades to the lobby area and ice rink replacement during 2005 depleted cash balances and currently leaves the Arena fund \$223,000 short of cashflow at year end.

RESOLUTION NO. 5308: Designating fund balances and transfer of funds was offered by Councilmember Meuers, who moved its adoption, and upon due second by Councilmember Markeson was passed by unanimous vote.

2006 Construction Projects

Freeberg reviewed the projects planned for 2006 which total approximately \$7,699,916 as follows:

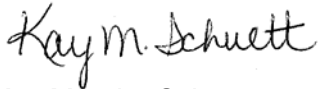
- Cross Streets & 3rd Street & Overlays - the annual street project in the amount of \$1,017,516 completes the cross streets in neighborhood from 8th Street to 15th Street between Bemidji and Irvine Avenue. This project is put together with the same scope of work as done in Ward 1. Financing of this project includes a significant amount of utility franchise fees (\$346,846).
- Hannah Avenue – 34th Street to Anne Street (\$183,000) – assumes an agreement on routing the road can be made with the Hospital and Northern Township. Not ready at this time but perhaps by the end of summer.
- 197 Enhancements – includes water sprinklers, repair of stone walls. Project estimate \$306,000 which \$65,000 from permanent improvement fund and rest from non-city funds.

- 1st Street (\$503,000) – In order for this project to proceed in 2006 the City might need to upfront the \$267,000 (Federal funds) plus the \$116,000 (MSA funds) until early 2007
- Airport Utilities and Streets (\$1,100,000) – This is not a project yet but could become one fast. Non-City funds assume a DEED or EDA grant.
- Irvine Avenue (City/County) (\$210,000) – Continuation of the Cedar Lane Sewer Project. The sewer portion has been ordered by the Council, the storm sewer portion is to work with the county for that drainage area.
- Babe Statute Recondition (\$113,000) – Non-City funds are \$68,000 Federal Scenic Byways Grant plus \$45,000 in donations.
- Bardwell Park (Water & Sewer) (\$1,096,000) – Assumes only one-third of the properties are currently developed and have systems over 15 years old.
- Birchmont Drive (Water & Sewer Design) (\$250,000) – Design only to be recovered as special assessment in 2007. Agreements still need to be formalized with Northern Township and County.
- Industrial Park Expansion (\$1,600,000) – Most likely only a portion of this will be done in 2006 – enough to serve North Central Door. Non-City funds are EDA grant monies.

ADJOURN

There being no further business, motion by Meuers, second by Markeson, to adjourn the meeting. Motion carried. Meeting adjourned at 6:32 p.m.

Respectfully submitted,



Kay Murphy-Schuett
City Clerk