

CITY COUNCIL PROCEEDINGS

BEMIDJI, MINNESOTA

January 20, 2004

Pursuant to due call and notice, a regular meeting of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on Tuesday, January 20, 2004, at 7:00 p.m. in the Council Chambers of City Hall, Mayor Lehmann presiding.

Upon roll call, the following Council members were declared present: Downs, Erickson, Zachman, Lehmann, Meuers, Hellquist, Johnson. Absent: None.

Boy Scout Troop # 32 from St. Philips Church presented the colors and led the Pledge of Allegiance.

Lehmann called for any amendments to the agenda. A request was made to add the following items – 1) authorizing the sale of surplus equipment; 2) appointment of an alternate Council representative to the Airport Commission. Motion by Meuers, second by Erickson, to approve the agenda with additions noted. Motion carried by unanimous vote.

APPROVAL OF MINUTES

Minutes of the January 5, 2004 Regular Council meeting, January 8, 2004 Special Council Meeting, and January 12, 2004 Joint Charter/Commission Council meeting were presented. There being no additions or corrections noted, motion by Downs, second by Hellquist, to approve the minutes as presented. All voted aye. Motion carried.

CONSENT AGENDA

The following consent agenda items were presented for approval. Motion by Meuers, second by Downs, to approve the Consent Agenda as presented. Motion carried by unanimous vote.

- A. Approved thirteen pages of 2003 bills in the amount of \$504,804.99 and four pages of 2004 bills in the amount of \$684,398.06 for a total of \$1,189,203.05*
- B. Approved an On-Sale Beer License for the Bemidji Curling Club*
- C. Approved seven City general business licenses/permits for 2004*
- D. Approved **RESOLUTION NO. 5120** authorizing lawful gambling activities at Bemidji Bowl*
- E. Approved Applications for Exempt Gambling Permits from:
Deer Hunters Association to hold a raffle on March 13, 2004
Forty & Eight (American Legion) to hold a raffle on February 13-15, 2004*

BEMIDJI YOUTH ADVISORY COMMITTEE REPORT

Anna Hegge noted that the BYAC is currently planning the annual open forum scheduled for February 3rd 6-8 pm at the Elks Club, and the June 7th youth rally. Councilmembers and other interested citizens were invited to attend the February 3rd forum.

BSU STUDENT SENATE REPORT

Jason Swanson reported that the senate is preparing for elections. He expressed interest in meeting with the Youth Advisory Committee, and also suggested a joint meeting with the student senate and city council. Swanson will coordinate a date for the joint council meeting with Mayor Lehmann.

***RESOLUTION NO. 5121:** A RESOLUTION ABOLISHING THE POLICE CIVIL SERVICE COMMISSION was offered by Councilmember Hellquist, who moved its adoption, and upon due second by Councilmember Zachman, was passed by unanimous vote.*

***RESOLUTION NO. 5122:** A RESOLUTION SUPPORTING 2004 LEGISLATIVE BONDING REQUEST FOR \$5,200,000 TO ACQUIRE AND CONSTRUCT PAUL BUNYAN STATE TRAIL CONNECTION IN THE CITY OF BEMIDJI was offered by Councilmember Johnson, who moved its adoption, and upon due second by Councilmember Meuers, was passed by unanimous vote.*

UPDATE ON HHDC LINCOLN SOUTH HOUSING PROJECT

Minke noted that on December 15, 2003, the Council authorized use of UDAG funds for the Lincoln South Housing Project. Since that time, city staff has met with Anne Sand of the Headwaters Housing Development Corporation (HHDC), to review the project and consider how best to use the UDAG funds as a revolving loan. After reviewing the project it made sense to do the project in one phase rather than three phases, and to use UDAG funds to front the money (approximately \$500,000) rather than doing it over time. The City Attorney is in the process of drafting a loan agreement for a length of 10-12 years. The land will serve as security for the loan in the event of default, and the loan will be repaid as the lots sell.

CONSIDERATION OF TAX INCREMENT FINANCING FOR HIGH SCHOOL REUSE PROJECT

Lehmann noted that the City has been asked to consider using Tax Increment Financing (TIF) for the High School Reuse project. The issue was discussed at length at the January 8, 2004 Special Council Meeting, and is presented on this agenda for Council action.

Downs noted that if the old high school is ultimately demolished, taxpayers will pay for the cost of demolition. He asked what impact the TIF "Pay as you go" would have on taxpayers. Minke noted that it probably would not have a direct affect because the property is currently tax exempt and the developer will front the costs which will be repaid over time from the increment that is generated. The exception being that the project will require city services such as police, fire, street maintenance, etc., however, it is difficult to estimate those costs.

Minke noted that the developer would be required to pay an application fee of \$7,500.00 when the TIF application is submitted to cover the cost of a TIF attorney, staff time, etc.

Zachman noted he has received no expression of support for the project from the public. He also expressed concerns that in addition to a variety of funding mechanisms the developer is also seeking \$420,000 in TIF funds from the city and is only committing \$75,000 out of his own pocket to the \$6.75 million project.

Hellquist questioned the possibility of having a citywide referendum in a timely enough manner? Lehmann noted that urgency of tonight's vote is to move the Small Cities Development Grant forward. Hellquist also asked if TIF is the only thing the developer will be asking for or whether this is just the first step in the process. Tim Flathers (Headwaters Regional Development Commission) noted that in his opinion the developer is looking for two things – the first being TIF and the second being some type of loan assistance, perhaps UDAG funds or other interest bearing loan that would be repaid from cash flow from the development. Flathers noted there has been no request for a loan at this time but if loan assistance is requested, it will likely not exceed \$200,000 and the interest rate and loan amount are negotiable. Flathers noted the Council is not required to make a commitment on an additional loan at this point because it is not part of closing the gap in the Small Cities grant application - any further assistance is negotiable.

Bob Naylor of Naylor Electric expressed opposition to the project noting the developer is offering a very limited stake in the project. He expressed concerns about the cost of demolition of the auditorium and suggested that the project has not been fully researched. He felt that, given some time, other opportunities may surface that have been overlooked. He recommended that the council table the issue or deny the TIF request. Naylor further proposed that the city, school district and BSU unite forces, determine what the abatement costs would be, solicit legislators support for a bonding bill to cover demolition costs, and offer the property to BSU for additional parking or housing so BSU can continue to grow.

Motion by Erickson, second by Meuers, to consider an application for Tax Increment Financing for this project. Hellquist suggested a friendly amendment to the motion which would set parameters as follows: 1) the TIF must be a "Pay as You Go"; 2) the TIF amount should not exceed \$400,000; 3) no commitment of UDAG funds until the project financial picture has been thoroughly and completely reviewed. Erickson agreed to amend her motion to include the parameters as outlined - Meuers agreed to the amendment.

Flathers noted that a cap on the TIF of \$400,000 could put the project at risk and suggested that the council agree to a TIF in an amount not to exceed \$420,000 and have a second

cap for an amount necessary to make the project financially feasible, which could be less than \$420,000.

Meuers asked why the motion included a cap of \$400,000 and not \$420,000. Hellquist responded that in his opinion the developer's commitment of \$75,000 is not adequate. He also expressed concerns that the developer has not been available for consultation regarding the project. Zachman also expressed his opinion that the developer should commit more to the project. Flathers recommended that the council set up a meeting with the developer to discuss those issues.

Minke asked whether the suggested cap included interest or not. Councilmembers expressed some uncertainty regarding the question. Finance Director Eischens noted that the current pay as you go districts in the city have an established principal amount plus interest. He noted that typically the dollar amount and the rate of interest are negotiated between the city and the developer. Hellquist said his intent was to make a total of \$400,000 available to the project.

City Attorney Felix asked whether the grant application to SCDP could be amended at this point. Flathers noted that it could not. He further noted that if the grant is approved, all other parameters of the project can be negotiated, including the amount of the TIF.

There being no further discussion, Lehmann called the question.

Motion carried on the following 5-2 vote: Ayes: Meuers, Hellquist, Erickson, Johnson, Down. Nays: Lehmann, Zachman. Absent: None.

CONSIDERATION OF PROPOSED CAPITALIZATION POLICY

Finance Director Eischens noted that during the past four years the city has had a practice of capitalizing expenditures for equipment and improvements that exceed \$5,000. The new GASB #34 accounting standard requires a policy for capital purchases. A copy of the proposed written policy was presented for council approval.

Motion by Zachman, second by Meuers, to approve the Capitalization Policy as presented. Motion carried by unanimous vote.

CONSIDERATION OF A SAFETY CONTRACT WITH MINNESOTA MUNICIPAL UTILITIES ASSOCIATION (MMUA)

For a number of years, the city has contracted with MacNeil Environmental to run the city's safety program. The latest contract expired on December 31, 2003. During 2003 city staff evaluated the safety program and the services desired from our consultant. As part of that process a proposal was solicited from Minnesota Municipal Utility Association (MMUA), a non-profit membership association which is comprised of cities and public utilities. Minke presented a request to enter into a contract with MMUA to run the city's safety program. He noted that while the annual cost of the contract is greater with MMUA, they offer a better program and the consultants would spend twice as much time with the city.

Motion by Zachman, second by Erickson, to authorize a membership with MMUA and to approve a contract with MMUA to provide safety training for city departments. Motion carried by unanimous vote.

AUTHORIZE SALE OF SURPLUS EQUIPMENT

Andy Mack, Director of Public Works, noted that the new snowplow truck authorized by the Council on December 15, 2003, has been received and is ready for service. He requested Council authorization to declare the older 1990 snowplow truck as excess property and to solicit sealed bids to sell it. He noted that the estimated value of the equipment is \$12,000. Motion by Erickson, second by Downs, to declare the equipment as excess property, no longer needed for municipal purpose, and authorize sale by sealed bid in accordance with City Code Chapter 2.70, Subd. 3, D.

DESIGNATION OF AN ALTERNATE AIRPORT COMMISSION MEMBER

Erickson reported that the Airport Commission requested both the City and County to appoint an alternate to serve in the event one of the regularly appointed members is absent. Zachman agreed to serve as the alternate for the remainder of this year.

Motion by Erickson, second by Meuers, to appoint Councilmember Zachman as an alternate to serve on the Airport Commission in the event one of the regularly appointed members is absent. Motion carried by unanimous vote.

ORDINANCE NO. 362, 2ND SERIES: AN ORDINANCE AMENDING ARTICLE 6 OF THE CITY OF BEMIDJI ZONING CODE (Pertaining to Apartment Units as Special Uses in B-2 Zones, Planning Case #2003-31) was given a final reading and passed by unanimous vote.

ORDINANCE NO. 363, 2ND SERIES: AN ORDINANCE AMENDING AN UNCODED SECTION OF BEMIDJI CITY CODE PERTAINING TO ALLEY VACATION (Planning Case #2003-37, PaskVan/Wagner) was given a final reading and approved by unanimous vote.

AN ORDINANCE AMENDING CHAPTER 2 OF THE BEMIDJI CITY CODE by amending Section 2.55 entitled "Merit Hearing Board" was given a first reading.

AN ORDINANCE AMENDING SECTION 2.03 OF THE CITY OF BEMIDJI COUNCIL-MANAGER CHARTER (pertaining to the term length for the at-large councilperson) was given a first reading.

AN ORDINANCE AMENDING SECTION 2.05 OF THE CITY OF BEMIDJI CHARTER-MANAGER CHARTER (pertaining to filling of council vacancies) was given a first reading.

AN ORDINANCE AMENDING SECTION 3.08 OF THE CITY OF BEMIDJI COUNCIL-MANAGER CHARTER (pertaining to publication of ordinances) was given a first reading.

AN ORDINANCE AMENDING SECTION 6.01 OF THE CITY OF BEMIDJI COUNCIL-MANAGER CHARTER (pertaining to residency requirement of the city manager) was given a first reading.

CITIZENS WITH BUSINESS BEFORE THIS COUNCIL – NOT ON AGENDA

Zard Wilfre requested some resolution to the problem of snowmobiles running along the easement in front of his rental house on Gould Avenue N. He noted that his renters are seeking relief from their rental agreement because the noisy traffic is creating a disturbance during sleeping hours. He expressed the need to clarify the city ordinance with regard to permitted routes for snowmobiles. He noted that Anne Sand of HHDC has expressed a willingness to discuss a temporary movement of the snowmobile route into the undeveloped field near the Lincoln South Housing Project. Downs noted that the School District has expressed a willingness to work with the city to trade some lowland in that area which could be used for trail designation and serve as drainage for the Lincoln South Housing Project. Lehmann suggested continuing to work with HHDC to get a temporary easement. For a long-term solution, Lehmann suggested citizens encourage legislators to support the bonding bill so that the trail can be completed through the city.

UPCOMING MEETINGS

January 26, 2004 – City Council retreat – noon – 9 pm at Holiday Inn Express

February 9, 2004 – 5:30 p.m. – DNR response to Shoreland Ordinance and City Organization/Personnel Issues.

ADJOURN

There being no further business presented for discussion, motion by Meuers, second by Downs, to adjourn the meeting. All voted aye. Motion carried. Meeting adjourned 8:35 p.m.

Respectfully submitted

Shirley J. Sherman, City Clerk