

CITY COUNCIL PROCEEDINGS

BEMIDJI, MINNESOTA

Work Session – April 12, 2010

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 12, 2010, 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, Negard, Downs, Meuers, Waldhausen, Hellquist

Staff Present: City Manager John Chattin, Finance Director Ron Eischens, Parks & Recreation Director Marcia Larson, Public Works Director Craig Gray, City Clerk Kay Murphy

Mayor Lehmann stated that the purpose of the work session was to review the 2009 year end financial update and the 2010/2011 budget considerations.

2009 Year End Financial Review

Eischens reviewed the financial results for 2009 for various city funds. He stated that operating results combined with bonding and construction activity resulted in an increase in cash reserves. The City did not experience cash flow shortages during the year and did not borrow to cover unanticipated needs. He stated that the City had a surplus general fund of \$297,832 or 3.5% of its budget for 2009 despite LGA cuts and challenging economic times. Liquor store operations had a productive year and accumulated profits for future Council use. Eischens commented that staff stepped up to the City's budget challenges. He stated that future challenges are: 1) maintaining City service levels with levy limits and further anticipated LGA cuts including its possible loss; 2) funding for equipment needs, building maintenance construction projects; and 3) annexation.

Eischens recommended that the Council consider replenishing the fund balance. He stated that according to the recently adopted City's Fund Balance Policy, the fund balance should be \$4,488,281 (50% of 2010 budgeted expenses of \$8,976,561) at December 31, 2009. Since the current amount does not meet the stated goal, policy states a plan be developed to replenish reserves by the end of the following year. He recommended that the shortfall could be replenished by: 1) utilizing \$73,642 of undesignated fund balance; 2) using \$297,832 of 2009 budget surplus; and 3) transferring \$518,163 of liquor reserves.

Discussion continued regarding bonding and the advantage of maintaining a fund balance goal as it could potentially lower interest rates of refinancing the \$44 million sales tax bonds in 2010. The City will be looked at favorably to bond rating agencies if it maintained its fund balance goal despite challenging economic times and LGA cuts.

RESOLUTION NO. 5625: Designating Fund Balances and Transfer of Funds was offered by Councilmember Hellquist, who moved its adoption, and upon due second by Councilmember Johnson was passed by unanimous vote.

2010/2011 Budget Considerations

Chattin stated that staff has incorporated the options adopted by the Council at their meeting on March 29, 2010. In addition, a few minor adjustments were made and the City now has a surplus budget for 2010 and a potentially manageable deficit for 2011. He noted that recent legislation has drastically reduced the cuts in LGA than what we originally anticipated; however, he did not incorporate those changes into the budget worksheet. He did not incorporate the savings anticipated by LGA for two reasons: 1) the City could still realize further unallotments; and 2) the state revenue projections will not support an increase in LGA for 2011. He stated that it is easier to reinstate services than to cut them.

Several council members commented that they had received calls regarding the elimination of the project pride, yellow bags and cuts to the parks maintenance. Discussion continued on what services to restore, if any. Gray stated that the City cannot cut a full time employee and continue to provide all the services that need to be done. Chattin cautioned the Council that there will be more cuts and the Council will receive those calls in the future as everything will have an impact to the citizens. He recommended that the Council not reinstate too many expenses and that they stick to what the staff has planned.

Eischens noted that the Parks Department O&M was reduced by \$25,000 instead of the \$35,000 originally indicated to the Council.

Larson stated that to keep the parks open past Labor Day and cost of maintenance, the Council could restore \$18,000; \$10,000 for temporary employees and equipment and \$8,000 for seasonal employees.

Motion by Negard, seconded by Waldhausen, to restore \$18,000 using funds from the Liquor Store profits to the Parks Department for maintenance thereby allowing the parks to stay open after Labor Day. Motion carried unanimously.

ADJOURN

There being no further business, motion by Downs, seconded by Hellquist, to adjourn the meeting. Motion carried. Meeting adjourned at 6:32 p.m.

Respectfully submitted,


Kay M. Murphy
City Clerk