

CITY COUNCIL PROCEEDINGS BEMIDJI, MINNESOTA

Regular Meeting/Work Session – October 9, 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, October 9, 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: Downs, Hellquist, Johnson, Erickson, Markeson, Lehmann. Absent: Meuers.

Staff Present: Ron Eischens, Andy Mack, Alan Felix, Kay Murphy-Schuett, Larry Latulippe, Craig Daniels, Ron Coons, Tom Moen.

Others Present: Brad Lofgren, John Magnuson.

Mayor Lehmann stated that the purpose of the meeting was to discuss a proposed ordinance change as it relates to the refuse operations. Council received an outline regarding the commercial refuse operation.

Eischens provided a brief history on the refuse operations stating that the Council began discussing the refuse operations at a work session on April 22, 2002. At that time the Council discussed several options: 1) Privatization of refuse services; 2) Eliminate commercial services and maintain the current residential refuse services; and 3) Mandatory residential refuse collection. He stated that there were other options discussed and this discussion has been an on-going process.

Eischens reviewed a handout stating that the Refuse Department has had significant operating losses that have increased over the last three years. Refuse operational losses are as follows: \$34,000 - 2003, \$69,000 - 2004 and \$94,000 - 2005. He stated that the one thing that has allowed this issue to continue is the fact that the City has interest income in 2005 equal to about \$92,000 that offsets the operating losses.

Mayor Lehmann asked where the interest income comes from.

Eischens replied that the Refuse Department currently has \$2.5 million in reserves which comes from an accumulation of all the previous year's income and losses from day one of the Refuse Department. Eischens stated that the interest income that the Refuse Department earns on the \$2.5 million makes the Refuse Department look better than it is when looking at just operations. Most businesses would not have that kind of interest income on businesses this small and there are other opportunities that the Council may want to consider using the reserves on.

Erickson asked what has changed to create the losses in the Refuse Department. Eischens stated that he attributed the losses to decreasing revenue and increasing expenses.

Erickson stated she would like to see an open bid process if the City Council decides to get out of the commercial refuse operation.

Eischens stated that the issue that staff wants to address with the Council is the City can continue as is and continue to operate with losses and spend that \$2.5 million over the next 5-15 years and may not have used the money as wisely as it could have been spent.

Discussion continued regarding mandatory pickup or charging every property owner a refuse service fee. Felix stated that the City would have to go through a statutory process for mandatory pickup which takes time. Lehmann commented that mandatory pickup is for residential but the concern is with the commercial operation. Johnson commented that mandatory pickup could help with the rental properties.

Eischens stated that other factors contributing to the losses in operation were: lack of flexibility in rate structure, competing with non-unionized private hauler, losing market share due to pricing and customer services issues and significant time commitment for Public Works Department staff. He stated that only a small portion (13%) of Minnesota cities provide commercial refuse as a municipal service.

Eischens reviewed options available to the Council for the Commercial operation:

- Continue as is with commercial and residential refuse services
- Charge a “house tax” or “fee” to all city property owners for refuse
 - Not allowed by state statute
- Sell the City commercial refuse business/customers
 - Not allowed by State statute
 - Required to sell equipment at public auction
- Stop providing commercial refuse services:
 - Allows only one service provider in the City (Brad's)
 - Results in lack of competition
 - Displaces four current City employees
- Change City Ordinance to allow City to engage in contract with a private commercial refuse hauler (other than Brad's) to act as City agent
 - Provides competition
 - Council approves agents fee structure
- Change City Ordinance to allow anyone to haul within City limits
 - Unlimited number of haulers allowed
 - Wear and tear on streets and alleys

Brad Lofgren, Brad's Refuse, asked if the City would consider buying out Brad's grandfathered status. Felix stated that even if the City bought out Brad's the City may not be able remain exclusive without going through the mandatory process. Mayor Lehmann commented that staff should research the pros and cons of purchasing the competition. Erickson expressed concerns regarding the impact on employees, equipment, storage, etc.

Hellquist asked if the City could limit the competition. Felix responded that without going through the mandatory process if another hauler wants to come into the City, the old ordinance could be challenged and the City may not be able to keep out another hauler.

Lehmann asked how many employees would be impacted with the elimination of the commercial operations.

Eischens stated that four employees would be impacted and no full-time positions would be guaranteed. The City will try to find part-time positions in the Parks Department for the displaced employees or they may have to wait until there is a retirement within another department. However, there is no guarantee that there is going to be four retirements in the next year.

Downs stated that the scenario has changed since Brad is willing to negotiate and would like to keep this enterprise fund if it could be profitable. Eischens stated that Brad has to come up with a “number”.

Eischens asked if the Council wants to move forward with the ordinance change as it does not mandate the Council do anything but gives the Council flexibility to contract with an agent if that is ultimately what the Council decides to do. Consensus of the Council was to move forward with the ordinance amendment.

Discussion continued on the cost of Project Pride. Downs suggested that the cost of Project Pride should come out of the general fund because it affects the City whether or not the City continues to do the garbage pickup.

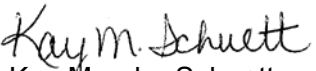
Markeson asked if there was a possibility of breaking up the commercial accounts and keep the apartment buildings which in turn may allow the City to keep two employees. Mack responded that it was possible; however, the City needs to be competitive.

Motion by Downs, second by Johnson, directing staff to explore all options including the purchase of Brad's Refuse (addressing the costs of purchasing equipment and impact to employees), and/or the possibility of contracting with Brad's for commercial service in the City (again, addressing impact to City refuse employees). In addition, Staff was directed to provide additional information on the City's commercial and residential refuse operations. Motion carried unanimously.

ADJOURN

There being no further business, motion by Johnson, second by Markeson, to adjourn the meeting. Motion carried. Meeting adjourned at 6:15 p.m.

Respectfully submitted,


Kay Murphy-Schuett
City Clerk