

BEMIDJI CITY COUNCIL

Work Session Agenda

Monday, November 8, 2010

**City Hall
Conference Room
5:35 P.M.**



1. CALL TO ORDER / ROLL CALL
2. AMENDMENTS TO THE AGENDA
3. APPROVE RENEWAL OF ROAD MAINTENANCE AGREEMENT WITH BEMIDJI TOWNSHIP
4. APPROVE PURCHASE OF TOOLCAT WORK MACHINE FROM BOBCAT OF BEMIDJI IN THE AMOUNT OF \$54,128.02 – EVENT CENTER
5. SOUTHEAST SHORE DEVELOPMENT FINANCING UPDATE
6. ADJOURNMENT

Bemidji Township

148 Carr Lake Rd SE
Bemidji, MN 56601
(218) 333-3617
www.bemidjيتownship.com

November 1, 2010

Kay Murphy, City of Bemidji Clerk
317 4th St. NW
Bemidji MN 56601

Dear Ms. Murphy:

Attached is the "CITY OF BEMIDJI – BEMIDJI TOWNSHIP ROAD MAINTENANCE AGREEMENT" which needs to be signed by the Mayor, City Manager and City Clerk as the last road agreement was signed in 2003 (7 years agreement).

Please complete and return to the Bemidji Town Hall (148 Carr Lake Road SE) for Bemidji Township to sign. I will send you a copy of the completed Road Agreement.

Thanks,



Lance Paulson
Clerk, Bemidji Township

Enc: Road Agreement

**CITY OF BEMIDJI - BEMIDJI TOWNSHIP
ROAD MAINTENANCE AGREEMENT**

The Towns Boards of Bemidji and Grant Valley Townships do hereby mutually agree to the following maintenance of joint boundary roads:

1. The City of Bemidji will maintain **Wee Gwaus Drive SW** from Irvingside Lane SW east to Yellowhead Road SW (approx. 4/10 mile); **Lakeview Drive SW** south from the city limits to 18th Street SW (approx. 3/10 mile); **Lake Avenue SE** from 1st Street SE to Roosevelt Road SE (approx. 3/10 mile). Approximate total mileage of one (1) mile.
2. Bemidji Township will maintain **15th Street SW** from Jefferson Avenue SW east of the turnaround (approx. 1/10 mile); **18th Street SW** from Lakeview Drive SW west to the west end of the city limits on this street (approx. 1/20 mile); **Miles Avenue SE** one block on the east/west boundary with the City of Bemidji (approx. 1/10 mile); **5th Street SE** from Lake Avenue SE west of Gould Avenue SE (approx. 2/10 mile); **Tyler Avenue NE** south from the Power Dam Road NE (approx. 1/4 mile); and north from Mill Street NE (approx. 1/4 mile). Approximate total mileage of one (1) mile.
3. The City of Bemidji and Bemidji Township agree to meet and agree prior to any upgrading and/or rebuilding, including any proposed hard surfacing of any roadways noted.

This term of this Agreement shall be for five (5) years from the date execution, unless terminated by either party as provided hereinafter. Both parties reserve the right to terminate this Agreement at any time upon thirty (30) days written notice given to the other party or until such time that the agreement is mutually amended or revoked by both Townships or upon annexation of the above named roads.

IN WITNESS WHEREOF the parties have executed this agreement on the _____ day of _____, 2010.

FOR THE CITY OF BEMIDJI

FOR BEMIDJI TOWNSHIP

Mayor

Town Chair

City Manager

Town Vice-Chair

Attest:

Attest:

Clerk

Clerk

Memo



Fulfilling promises. Creating success.

To: John Chattin – Bemidji City Manager
From: Robert LeBarron, CFE *RLB*
CC: Kay Murphy
Date: 11/4/2010
Re: FF&E Purchase recommendations for City Council

Please accept the following recommendation for the selection of the various vendors for assorted furniture, fixture & equipment purchases for the Bemidji Regional Events Center:

Toolcat Work Machine

<u>Quotes:</u>	<u>QUOTE</u>
Bobcat of Bemidji (state contract)	\$50,646.11 + \$3,481.91 State Taxes

This equipment, with attachments, will provide the flexibility for the operations department with three uses. It will function as a snow plow/brush for the large west plaza and adjacent sidewalks; as a lawnmower during the summer, and with the material bucket to facilitate landscaping and other uses throughout the Event Center Complex.

In keeping with City of Bemidji Purchasing Protocol, after receiving a quotation through the State of Minnesota Cooperative Purchasing Venture, VenuWorks, recommends that the City Council approve BOBCAT OF BEMIDJI as the qualified quote for this purchase.



Bobcat

Product Quotation

Quotation Number: CMS-12799
Date: 2010-10-27 15:21:45

Customer Name/Address:	Bobcat Dealer	Contract Holder/Manufacturer
CITY OF BEMIDJI Attn: MIKE CRONIN 1111 EVENT CENTER DR NE BREC BEMIDJI, MN 56601 Phone: (218) 209-2732 Fax: (218) 441-4099	Duane Bobcat of Bemidji, 3516 IRVINE AVENUE NW BEMIDJI MN 56601-4214 Phone: (218) 751-4660 Fax: (218) 444-9542	Bobcat Company PO Box 6000 West Fargo, ND 58078 Phone: 701-241-8719 Fax: 701-280-7860 Contact: Crystal Stram Crystal.stram@doosan.com

Description	Part No	Qty	Price Ea.	Total
5600 Turbo Toolcat Work Machine F-Series	M1001	1	\$35,791.56	\$35,791.56
Adjustable Vinyl Seats All-Wheel Steer Automatically Activated Glow Plugs Auxiliary Hydraulics <ul style="list-style-type: none"> Variable Flow with dual direction detent Beverage Holders Bob-Tach Boom Float Deluxe Operator Canopy includes: <ul style="list-style-type: none"> Front Window, Rear Window, Front Wipers, and Electrical Power Port Lower Engine Guard Limited Slip Transaxle Engine and Hydraulic Monitor with Shutdown Front Work Lights Full-time Four-Wheel Drive Horsepower Management <ul style="list-style-type: none"> Roll Over Protective Structure (ROPS) . Meets Requirements of SAE-J1040 & ISO 3471 Falling Object Protective Structure (FOPS) . Meets Requirements of SAE-J1043 & ISO3449, Level I 				
Hydraulic Dump Box Instrumentation: <ul style="list-style-type: none"> Hourmeter, Job Hours, Speedometer, Tachometer, Fuel Gauge, Engine Temperature Gauge, and Warning Lights Joystick, Manually Controlled with Lift Arm Float Lift Arm Support Cargo Box Support Cruise Control Parking Brake, automatic Power Steering with Tilt Steering Wheel Radiator Screen Rear Receiver Hitch Seat Belts, Shoulder Harness Spark Arrestor Muffler Suspension, 4-wheel independent Tires: 27 x 10.5-15 (8 ply), Lug Tread Toolcat Interlock Control System (TICS) Two-Speed Transmission Warranty: 1 Year, Unlimited Hours				
Deluxe Road Package	M1001-P01-C01	1	\$1,478.40	\$1,478.40
Backup Alarm Flashers Brake Lights Turn Signals Tail Lights Rear View Mirror	Side Mirrors Lower Engine Guard Headlights		Horn Rear Work Lights	
Cab Enclosure with Heater/Air Conditioning	M1001-R02-C03	1	\$3,523.80	\$3,523.80
27 x 10.5-15, 8 PR Turf Tires	M1001-R05-C03	1	\$235.20	\$235.20
Heavy Duty Battery	M1001-R07-C02	1	\$63.00	\$63.00
7-pin Attachment Control Kit	M1001-R08-C02	1	\$147.00	\$147.00
Engine Block Heater Kit	6720736	1	\$121.91	\$121.91
Strobe Light	6815259	1	\$249.76	\$249.76
68" Angle Broom	6905805	1	\$4,384.80	\$4,384.80
80" Snow & Light Material Bucket	7184110	1	\$1,003.80	\$1,003.80
--- Bolt-On Cutting Edge, 80"	6718008	1	\$344.00	\$344.00
84" Snow V-Blade	6958577	1	\$3,302.88	\$3,302.88

Quote Total - US dollars

\$50,646.11

*Prices based off the discount on the MN Toolcat Contract.
 *Must be a Coop Member to purchase off contract
 *Terms Net 30 Days. Credit cards accepted.
 *FOB: Destination within the 48 Contiguous States.
 *Delivery: 60 to 90 days from ARO.
 *State Sales Taxes apply.
 *TID# 38-0425350
 *Orders Must be Placed with: Clark Equipment Company dba Bobcat Company, Govt Sales, PO Box 6000, West Fargo, ND 58078.

Prices & Specifications are subject to change. Please call before placing an order. Applies to factory ordered units only.

MEMORANDUM

TO: Honorable Mayor and City Council
FROM: Ron Eischens, Finance Director *Ron*
REVIEWED BY: John Chattin, City Manager *JC*
DATE: November 8, 2010
RE: SE Shore Development Financing Update

Background

December 2008 was the last comprehensive financial update provided to Council regarding SE Shore development and financing issues.

Nearly two years have passed since the assumptions and scenarios were updated. Now that the BREC is open and construction completed the financial picture is clearer but some unknowns still remain. The following provides current information on SE shore development, BREC construction/operations and bond financing:

SE Shore Development

Four parcels of property have sold generating \$3.6 million which was used to pay down principal on the \$14.5 million bonds. There are on-going negotiations for another hotel development which would be connected to the BREC. It is anticipated this will generate an additional \$1,085,000 by next spring.

BREC Construction

Attachment 1 represents the current construction budget showing a contingency balance of \$773,798. If all currently proposed change orders are approved, most of those contingency funds would still be available and the project will be within budget.

Assuming the project remains within budget, the timing of the following two revenue streams creates cash flow challenges:

- Neilson grant of \$1 million is received in annual payments of \$200,000 beginning in 2010, meaning the City will internally finance the remaining \$800,000 until funds are received by year 2014.
- Land sale revenue timing and amounts are unknown and discussed in more detail in the bond financing section.

BREC Operations

Venuworks prepared the preopening and calendar year 2011 budget, **attachment 2**, indicating a projected 2011 operating deficit of \$307,000 which does not include funding for future capital replacement of \$200,000 as CSL previously suggested. The City budgeted \$50,000 in 2011 for capital replacement.

The operating budget included \$100,000 for naming rights. If the naming rights terms with Sanford Health are ultimately approved by all parties, an additional \$100,000 in naming rights revenue will help offset the projected deficit.

The 2011 City budget includes \$350,000 for BREC operations and capital replacement. It is projected the \$500,000 preopening funding from the construction budget will be spent by the end of 2010.

Bond Financing

\$14.5 million bonds – The City sold these bonds to purchase the SE shore property. Through land sales, utility dollars and a prorated amount of sales tax bonds, the city has paid off \$8.72 million of the original bonds and refinanced the balance of \$5.78 million in January 2010.

These bonds have an interest rate of 1.85% and mature in February 2012. Three semi-annual interest payments of \$50,000 are due between now and maturity with no repayment source other than land sales. These payments will be internally funded with city reserves until land sale dollars are received.

The challenge with refinancing these bonds long term is the unknown timing and amount of future land sales. Should a large land sale occur in 2013, or any year, the city may not be able to use all proceeds to pay down the bond as prepayment terms are not typically included in bond issues, as they drive interest rates up.

For reasons stated above, staff recommends these bonds remain short term. We are able to reissue these short term bonds in February 2012 for another two years if needed. We will assess the wisdom of short term or long term financing at that time.

\$44 million sales tax bonds – These bonds were sold in February 2009 to finance a portion of BREC construction at an interest rate of 3.96%. Due to high long term interest rates at the time, and unknown development costs, the bonds were issued short term to mature in February 2012 with the intent to finance long term at that time.

With long term interest rates currently at historical lows, bond counsel prepared scenario's to refinance these bonds. The two bond scenarios are summarized as follows:

\$44 million bond refunding November 2010 – This is the earliest a current refinance can occur. Doing so could result in an upfront shortfall of \$568,000. The shortfall is a combination of:

- Being limited to a maximum bond issue of \$44 million
- Timing of when sales tax dollars are available for servicing the debt. City needs to fulfill \$9.8 million in park/trails funding first which is projected to be completed by December 2011.
- Capitalized interest
- Bond issue costs of \$432,000
- Lower investment rates compared to original bonds (3.96%) during the time period of November to February.

The shortfall would come from other city resources such as liquor profits, UDAG funds or if all else fails property taxes.

Major assumptions include:

- Parks and Trails sales tax collections of \$9.8 million fulfilled by December 2011
- Sales tax collections increase 3% annually with an additional \$93,000 coming in 2012, representing estimated increases provided by CSL due to BREC activity.
- Interest rates projected at 4.62%

Due to the large initial shortfall, staff does not recommend this option.

\$44 million bond refunding January 2011 - If refinancing occurs in January 2011 the initial shortfall is \$83,000 for the same reasons stated above. Projected sales tax collections also fall short of debt service requirements so property taxes or alternative funding may also be required.

Another option is to wait until the bonds mature in February 2012 to refinance. With interest rates at all time lows, waiting until 2012 carries more risk that rates will increase and therefore staff do not recommend this option.

Refinancing the \$44 million bonds in January 2011 appears to be more favorable since there are less projected initial and annual shortfalls. However, this scenario assumes interest rates remain the same between November and January. Any increase in interest rates between those times will have significant cost impacts. The decision boils down to risk of changing interest rates.

Staff currently recommends refinancing the \$44 million in bonds in January 2011.

SUMMARY

BREC construction is completed but certain financial challenges remain. The City needs to plan for funding these shortfalls. If BREC operating shortfalls in any given year are less than projections, the surplus could reduce future funding needs.

The timing and amount of future land sales and sales tax collections are critical in determining the impact on other City financial resources including property taxes.

The following summarizes staff recommendations:

BREC Construction – Internally finance cash flow timing issues related to the Neilson Foundation grant with City reserves. Construction shortfalls are not projected.

BREC Operations – The City 2011 preliminary budget includes \$300,000 for operational needs and \$50,000 for capital replacement. Future operational deficits may decrease over time as the BREC develops and builds its reputation. Additional naming rights revenue may also aid in reducing the deficit.

\$5.78 million land bonds – Bonds remain as is until maturity in February 2012 at which time their remaining balance will be refinanced, either short term or long term depending on predicted land sales and available long term rates.

\$44 million sales tax bonds – Based on information provided, direct staff to refinance these to 30 year bonds in January 2011.

If there is additional information desired please let staff know what that is and we will get the best answers we can.

Bemidji Regional Events Center

November 1, 2010

Project Budgets

Description	Initial Budget	Current Project Estimate
Known Sources:		
Sales Tax Bonding	\$42,000,000	\$44,000,000
State Bonding Funds	\$23,000,000	\$23,000,000
City Utility Funds	\$1,100,000	\$1,100,000
Neilson Foundation Grant		\$1,000,000
Masonry Union Contribution		\$38,000
Land Sales to DNR (Less costs of \$172,000)		\$3,028,000
Land Sale to Edgewater Group		\$575,000
DEED Cleanup Grant	\$1,200,000	\$556,040
Cost Reimbursements (BSU/Visit Bemidji)		\$156,797
Building Permit Fee		\$20,000
Anticipated Sources:		
Land Sales to DNR	\$4,136,000	
Private Grants	\$2,000,000	
TIF Bond Funds	\$5,532,159	
Convention Center Partner	\$1,500,000	
Land Sales	\$9,315,510	\$5,670,669
Total Available Dollars	\$89,783,669	\$79,144,506
Construction Cost Budget:		
Construction Costs Awarded Bids	\$57,003,624	\$38,437,128
Arena Seating and Telescoping Stands		\$1,068,921
Signage Allowance (Less Traffic Control Signs)		\$181,368
Construction Manager Fee/Site Services		\$1,847,732
Construction Testing/Special Inspections		\$245,000
Surveying		\$175,000
Blue Printing / Plan Reproductions		\$130,000
General Conditions - Building & Site Items		\$1,285,000
Demolition		\$205,279
Building Permit Costs		\$46,430
SAC / WAC		\$42,610
Video board/Scoreboards/marquee		\$1,500,000
Security		\$100,000
Total Construction Budget	\$57,003,624	\$45,264,468
Soft Cost Budget:		
Design Cost	\$6,442,065	\$8,022,000
Commissioning		\$200,000
Builders Risk Insurance		\$74,954
Art Allowance		\$125,000
Plan review, additional consultant fees, misc.		\$197,063
Total Soft Cost Budget	\$6,442,065	\$8,619,017
Owner Cost Budget:		
Building Capitalized Interest	\$3,800,000	\$2,900,000
Land Acquisition	\$13,000,000	\$12,854,472
Land Capitalized Interest	\$1,500,000	\$1,500,000
FF & E	\$3,390,680	\$3,332,908
Total Owner Cost Budget	\$21,690,680	\$20,587,380
Capitalized Pre-Opening Management Costs		\$500,000
Total Project Budget	\$85,136,369	\$74,970,865
Project Balance & Contingency Available	\$4,647,300	\$4,173,641
Project Cost Revisions:		
Previously Approved Change Orders		\$2,659,329
Current Change Order Requests		\$78,743
Proposed Change Orders		\$299,977
Design service additions		\$139,850
Terrazzo for Main Concourse/ from Art Allowance		\$75,000
Site Traffic Signage (Deducted from Sign Allowance)		\$24,601
Marquee Sign at Grant (Deducted from Sign Allowance)		\$64,571
Cabinets & Counters for Concessions (Deduct from FF&E)		\$57,772
Total Revisions/Change Orders		\$3,399,843
Contingency Remaining		\$773,798

VenuWorks
 Bemidji Regional Events Center
PROJECTED REVENUE STATEMENT

	2009-2010	2011
	Pre-opening thru 12/31/10	1/1/11 - 12/31/11 218
Number of Events		
Rental Income from Events	195,575	\$ 782,300
Less State Tax	(14,424)	\$ (57,695)
NET Rental Income from Events	181,151	\$ 724,605
Ancillary Revenue		
Concessions & Catering	80,915	323,658
Novelties	7,395	29,580
Parking	35,797	143,188
Less State Tax	(9,153)	(36,611)
NET Ancillary Revenue	114,954	459,815
Total Event Revenue	\$ 296,105	\$ 1,184,420
Other Revenue		
Ticket Rebate/User Fee	52,175	208,698
Naming Rights	0	100,000
Advertising Rights	53,000	270,000
Pouring Rights	9,000	36,000
Suites	8,625	34,500
Misc Income	7,500	30,000
Interest	662	2,649
Total Other Revenue	130,962	681,847
TOTAL OPERATING REVENUE	\$ 427,067	\$ 1,866,267
Operating Expenses		
Event Expenses	135,706	542,825
Salaries & Benefits	411,441	865,040
Materials, Supplies & Services	295,380	639,300
VenuWorks Management Fee	91,500	126,000
TOTAL OPERATING EXPENSE	(934,027)	(2,173,165)
NET OPERATING REVENUE	\$ (506,961)	\$ (306,898)

2011 First Full Year of Operation

Pro forma does not include debt service or capital reserve funds for future projects.

This is an estimated pro forma and specific results are not guaranteed.

Other competitive and unknown variables may apply that could affect results