

Council Proceedings

Regular Meeting/Work Session

June 13, 2005

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, June 13, 2005, at 5:30 p.m. in the Conference Room of City Hall, Mayor Lehmann presiding.

The following Councilmembers were present: Hellquist, Lehmann, Meuers, Markeson, Johnson, Downs, Erickson.

Staff Present: Minke, Eischens, Mack, Freeberg, Preece, Oakes and Schuett

Lehmann commented that he had received an e-mail from Jean Humeniuk looking for volunteers from the City Council to assist with the garden replanting at the Bemidji Library. Downs, Lehmann and Schuett volunteered.

2006 BUDGET & FISCAL VALUES

Minke recommended that the Council review the assumptions for the 2006 budget, discuss its preferences and priorities and consider if the assumptions accurately reflect the Council's preferences, or if other assumptions would be more appropriate. Also, the Council should:

1. Discuss the levy and what, if any levy increases the Council supports.
2. Discuss service fees. What, if any service fees should be increased or decreased.
3. Identify other unmet needs that should be considered for funding.
4. Consider what additional budget information the Council needs.
5. Schedule a meeting on July 25 to work with department directors to discuss specific department needs.

REVENUE ASSUMPTIONS

Minke reviewed the revenue assumptions.

Liquor Store Fund

Erickson asked about Liquor Store funds transferred to the General Fund. Minke responded that the transfer occurs at the end of the year. The City transfers \$220,000 from the Liquor to the General Fund, which is part of the Liquor Store budget.

Erickson commented that she understood that there was approximately \$700,000 of Liquor Store funds already committed to Birchmont Drive side streets project and she wondered where the \$220,000 and the \$403,000 to the Capital Improvement will come from.

Eischens responded that the \$403,000 is a tentative estimate based on the projects that Freeberg has in the street budget for 2006. The \$220,000 would be transferred in January 2006 as it goes to the General Fund. In the spring of 2006, if there is enough cash available, we will see if we can do all or none of the projects that are listed as Liquor funded for 2006.

Erickson asked if the Liquor Store had a reserve that the \$220,000 would be taken from.

Eischens stated that we are counting on earnings for 2005 and 2006 to make up a great portion of this transfer. The Liquor Store has approximately \$350,000-\$370,000 earnings per year.

Minke observed that our local street improvements are more than our local Liquor Store transfers will provide for long-term at the current rate.

Rural Fire Contribution

Erickson asked if the Rural Fire contribution set at \$215,000, was the same as this year or an increase. Eischens responded that this is a slight increase of approximately \$8,000.

Eischens commented that some of the revenue assumptions have been decreased, i.e., the County fine revenue, parking ticket revenue to actually reflect results that we have seen in

2004. Preece stated that the portion of fines that the Court distributes to the City has changed.

Airport Coverage

Lehmann asked if the amount that we receive for coverage of the commercial passenger flights is meeting expenses. Discussion followed on flight coverage at the airport and it was felt that the \$45/flight was a reasonable fee. Minke commented that we provide a high level of service.

Levy

Erickson asked why we are assuming no increase to tax capacity. Eischens stated that the 4.9% is the dollar amount that the levy increases from 2005 to 2006. However, we can expect some tax capacity increase which will have an impact on the tax rate but the 4.9% would remain the same no matter what the tax capacity did.

Erickson commented that the 4.9% is a livable percentage increase compared to previous years.

EXPENSE ASSUMPTIONS

Parks Attendant Position:

Minke stated that the City had a park attendant leave employment in August of 2003 and this position has not been filled. Given the recent emphasis on parks, the City needs to return the department to its previous staffing level and this is included in the budget.

Markeson agreed and stated that he has received negative comments regarding downtown planters and library plantings.

Lehmann stated that the City is a growing community, therefore, services are critical and more pressure is being put on the services that we are providing which includes our parks. He believes that the Council, last year and the year before, made some very good decisions to increase staff in order to provide better service and take some of the pressure off existing employees. Now it is time to focus on the frontline, the departments where the people can see the daily activities of the park and street departments.

Minke commented that in addition to the park attendant, a public works employee is in the budget mid-year.

Discussion continued on the park attendant duties. It was noted that the parks department currently has two full-time employees and is supplemented with seasonal employees during the summer. The seasonal employees primarily take care of mowing the parks and other city property.

Cafeteria Contribution:

Erickson asked about the cafeteria contribution amount. Minke stated the contract language that we have with each bargaining units provides for an increase up to \$40. It is difficult to estimate until the carrier provides the actual rates.

Minke stated the amount of overtime has increased from the 2004 actual. However, overtime in the Police Department is still down approximately \$100,000 from a few years ago. Eischens noted that amount over budget is grant funded.

Misdemeanor Prosecutions:

Lehmann asked about the misdemeanor prosecutions expenditure reduction. Minke stated that the 2005 contract amount is \$53,000 but we will be paying less because of personnel turnover in County's office. The City is presently doing the prosecutions of misdemeanors and may keep them until the end of 2005 or the County may get them back for the last quarter. However, we will assume them in 2006 which will result in a reduced expenditure of \$53,000.

OPERATIONAL SUMMARY

Minke summarized the operational line item changes:

- The arena transfer amount has been increased amount because of recent decreases in the revenue. Nothing has been done in the 2006 budget with the arena repairs.
- An increase of 3% to Kitchigami Library funding.

- 10% increase in fuel costs for 2004 to account for higher fuel costs.
- 60% funding of the Development Department with a 40% transfer from the General Fund.
- Airport - 2006 budgeted at \$175,500.

Worker's Compensation

Hellquist asked why the worker's compensation premium was increased by 10%. Eischens stated that this is 10% over 2004, 5% per year. Primarily, this is due to payroll increases. Hellquist stated he was surprised at the worker's compensation cost and wondered if the City was doing anything as far as loss controls. Eischens stated that Corvel is the managed care provider and the League's Insurance Trust handles the worker's comp insurance.

CAPITAL

Minke stated that based on the Capital Improvement Program, the total 2006 funding for current and future capital equipment is \$379,400. Of that amount, \$24,400 is for future equipment while \$355,000 is for current or 2006 equipment purchases.

UNMET NEEDS (Not Budgeted)

The following are the five priority goals identified by the City Council:

- Public Works Facility
- SE Lake Bemidji redevelopment
- Increased public safety
- Event Center
- Trails

Public Works Facility:

Minke stated that the total construction of the public works facility is estimated at \$4 million, half of that is budgeted to come out of the utility funds, the other half from the General Fund. There is nothing in the 2006 General Fund budget for a public works facility. Hence, it is listed as an unmet need. Minke asked since it is one of our top five priorities, do we need to find a way to fund it.

Markeson observed that it appears the public works facility is ahead of the SE Lake Bemidji redevelopment.

Minke responded that the public works facility has been on the list for awhile. This is a project where the City has 100% of the control to do or not do the project. The SE Lake Bemidji redevelopment is a complex project as it is not a public facility of the city. There should be public funding for the trail connection. Minke stated that the Council has discussed this and decided to wait to see what the Bemidji Leads Taskforce had in mind as far as community-wide involvement and getting the HRDC concept plan implemented.

Discussion continued on funding and location of a public works facility.

Johnson asked if there was any logic to consider designing a building like Beltrami Electric and Paul Bunyan Telephone. Building an entire facility which would encompass the City Hall and public works facility, everything on one location.

Minke commented that this would be his personal preference. There is a reluctance to separate the public works staff and staff at City Hall. Minke stated he had given up on that idea as it would delay the public works facility into the future. However, a new City Hall could provide Council Chambers which would be cable capable, i.e., video, cameras, etc.

Lehmann stated that the Council should continue to keep the public works facility in the budget and start focusing on a decision.

Fire Station:

Minke stated that we need to give serious consideration to a future fire substation. Currently, most of the equipment and all career firefighters are housed in the main fire station while some equipment is housed in the Nymore substation which is a portion of the former Mn/DOT headquarters building. The City should consider co-locating a fire station and a police training center at a new site. This co-location could provide a joint training facility with classroom space as well as outdoor training space for both police and fire.

REVENUE DIVERSIFICATION AND SOURCES AND ROLE OF FEES

Minke stated that the Council had discussed the potential of new fee-based revenue sources. Discussion followed on a street light fee which the Council was not in favor of. Another funding source discussed was a franchise fee for gas and electric utilities.

Markeson asked what a franchise fee would provide, we already charge everyone and levy for what we are providing. He stated that the City will be charging a franchise fee that will be passed along from the utility company to the residents.

Johnson commented that the City currently charges the cable companies a franchise fee. Johnson felt that the companies that use our infrastructure, tearing up the roads, etc., should pay a franchise fee. Johnson stated that this is way to generate revenue to offset the street repairs.

Markeson asked why the city is considering charging an additional tax, a "stealth tax if you will", to provide something that we are already doing.

Johnson stated that with this franchise fee the City can use liquor store funds that for other projects.

Markeson stated that he feels this is an extremely regression tax. It is not much different than the street light fee, basically the same. If the City charges people for the taxes we need, it is tax deductible. Markeson further commented that we need to be honest with the residents and tell what we are doing and why we are it.

Motion by Hellquist, second by Johnson, directing staff to retain a law firm experienced with electric and gas franchise fees to explore the options and provide information to the Council. Ayes: Downs, Meuers, Erickson, Johnson, Lehmann, Hellquist. Nays: Markeson. Absent: None.

CAPITAL IMPROVEMENT BUDGET

Erickson was surprised how many eastside and/or Ward 5 projects have changed, pushed back or reduced in amount on the CIP. Since she joined the Council in 2001, there has been very little work done on the eastside of Bemidji.

Minke stated that at the last CIP meeting we realize that 38% of the projects could be funded at the current rates, therefore, adjustments were made.

Erickson commented that there is nothing for the Nymore area and they should share in the 38%.

Minke stated that they considered projects that were primarily rate funded, i.e., County Road 11 watermain, water towers, improvements at the WWTF, sewer and water extensions that would have a large general city component to them. Minke commented that staff will do any projects that the Council wants.

Erickson will discuss the CIP further with Freeberg.

COALITION OF GREATER MN CITIES LEGISLATIVE UPDATE

Kari Thurlow, attorney representing the CGMC, reviewed the 2005 regular session report.

Bonding request deadline for the preliminary application is June 15, 2005. A 50% local match is required. Minke stated that it is the City's intent to submit a request.

UPCOMING MEETINGS

- June 27 –5:15 p.m. – Joint City/County meeting - Economic Development of Airport
- July 7 – 5:30 p.m. – Manager – Review
- July 11 – 5:30 p.m. – Quarterly update with Cliff and Manager's Review (goal setting)

ADJOURN

There being no further business, motion by Downs, second by Markeson, to adjourn the meeting. Motion carried. Meeting adjourned at 8:08 p.m.

Respectfully submitted,

Kay Murphy-Schuett
Deputy City Clerk