

CITY COUNCIL PROCEEDINGS

BEMIDJI, MINNESOTA

Regular Meeting/Work Session – April 13, 2009

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, April 13, 2009, 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, City Engineer Craig Gray, City Clerk Kay Murphy

Agenda

Mayor Lehmann asked for any amendments to the agenda. The following items were requested:

- Out of town travel – St. Cloud – Johnson & Hellquist
- Set a special work session date for Manager's Goals

Motion by Johnson, seconded by Negard, to approve the agenda with the additions as noted. Motion carried unanimously.

Travel

Motion by Meuers, seconded by Waldhausen, to approve Council travel to the Airport Symposium in St. Cloud, April 15-17. Motion carried unanimously.

Year 2008 Financial Review

Eischens reviewed the 2008 financial results for various city funds. He noted that the City's auditor has reported minor adjusts and their report will be presented to the Council in July. Eischens reported that the general fund expenses exceeded revenues resulting in a deficit of \$637,500 representing 7% of its budget. Approximately half, or \$332,629, of this deficit was budgeted. He stated that the primary causes of the deficit are attributed to the purchase of a fire truck, unallotment of Local Government Aid and settlement of the 2007 police union contract.

Eischens stated that staff recommends the Council consider closing out the cable franchise fee special revenue fund to the general fund and budget future cable programming operating expenses within the general fund. Discussion continued regarding digitizing the cable access equipment.

Eischens reported that the Police Department was over budget by \$87,000 for personnel costs and another \$11,000 for a combination of items (repairs, telephone, professional services). Despite the overage, the Police Department was within 3% of its budget. The police department has a \$3 million plus budget.

Discussion continued regarding coverage of wells and the license requirement for personnel. Chattin commented that staff is working toward replacing the need for personnel to check the wells with technology.

Eischens stated that the positive news is that most departments stayed within budget. Total expenditures were within 1% of budgeted amounts. The City has \$4,279,067 in General Fund designated and undesignated reserves available to offset deficit budget results in 2008. In order to do so, the City needs to reduce designated reserves by \$456,011 and eliminate undersigned reserves. This will leave \$3,598,644 in designated cash reserves, representing 41% of the 2009 budget. The City's goal is to maintain 50%, or six months worth of expenses in reserves.

Eischens stated that the 2008 liquor operations generated \$362,400 in operating profits. During 2008, \$318,000 was spent on sign additions, general fund subsidy and Youth Hockey contributions. Overall profit margins have historically been in the 9% to 11% range. A primary cause of the lower margin of 8% in 2008 is the rising use of credit cards. During 2008 approximately 40% of all liquor sales were made with credit cards. Discussion continued on various ways to handle the use of credit cards.

Hellquist asked if the Assessor is reviewing the city property values due to the economic downturn. Chattin stated that the Assessor looks at parts of the city every year and if property values have dropped, that percentage would be applied city-wide.

Eischens stated that the City will be challenged with keeping the tax rate at 35% which is lower than comparable cities.

Eischens stated that the City had a lot of bonding activity in 2008. The City's A2 rating falls in the upper medium grade indicating low credit risk and strong financial commitment. The City maintains the A2 rating because it has reasonable debt levels, strong financial management and healthy reserves. During 2008, the City sold over \$25 million in bonds.

Lehmann asked if the city has compared their bond rating with other cities. Eischens stated that he has not compared our bond rating with similar size cities. However, entities buying our bonds do more than look at the bond rating but do an in depth analysis of the local economy.

Eischens stated that future challenges for the City are maintaining City service levels and staffing with levy limits and anticipated LGA cuts, funding for equipments needs, building maintenance issues and construction projects, BREC start up and operational costs, annexation costs and 2010 property tax levy. Discussion continued regarding the 2009 annexations and the final implications to the City.

Chattin stated that staff is exploring the cost of the annexation and the financial impact. Staff will be bringing their recommendations to the Council at a work session.

RESOLUTION NO. 5552: Designating Fund Balances and Transfer of Funds was offered by Councilmember Hellquist, who moved its adoption, and upon due second by Councilmember Negard was passed by unanimous vote.

Budget & Street Light Utility Issues

Chattin reviewed the budget with and without the street light fee. He stated that the City is okay for 2009, however, the City either needs the fees in 2010 and beyond, or levy limits would have to go away to allow for a 5.3% levy increase to offset the \$161,514 cumulative deficit or an 8.6% levy increase to make up for the \$265,455 annual deficit in 2010. Chattin stated that cities have become a fee for service entity. Government is here to protect and serve and provide infrastructure. The frustration is we are in a time where no one wants to raise taxes. Staff is ready, willing and able to deal with whatever options the Council chooses. However, choices do need to be made. Just to cover the amount that the Governor is taking in LGA, the tax increase would be 20%.

Waldhausen stated that other communities are dealing with street light fees. He stated that recently he did some door knocking of residents in his ward and asked which option would they prefer – a street light fee, raised taxes or lay off people. He stated that he overwhelmingly heard that they would rather not see people laid off but a street light fee.

Downs stated that he is concerned that the utility fee is another fee that could run away.

Mayor Lehmann stated that Council asked staff to come up with recommendations, which they did. He stated that if the Council could find another option, he would entertain it.

Discussion continued regarding personnel and if that there are any problems legally to eliminate union positions. Chattin stated that the Council needs to decide what services they want to cut, because staff is running out of areas to consider.

Hellquist asked about fire department trucks responding to emergency/medical response. Discussion continued regarding the fire departments response to fire and medical calls and possibly eliminating responding to medical emergencies.

Chattin stated that a tax increase is more palatable than a fee. The City could increase taxes approximately 16% within the current levy limit. The City would still be in a deficit at the end of 2010 but not \$246,000.

Council discussed the following items:

- Possible retirement incentives. Chattin stated that staff has looked into this which will offer no significant savings.
- Projection of levy increases over the next two years. Eischens stated that the City Assessor has indicated that it will be flat.

- Explore other options for staffing fire department.
- Hellquist would like to see some options laid out for the Council to consider.
- Negard asked if it is necessary to hire a seasonal summer parks employee
- How will cutting services at the Fire Department affect the ISO rating?

Chattin stated that staff felt good about the solutions presented as it was done without staff cuts.

Hellquist commented that people on the street cannot understand why there have not been any staff reductions.

Meuers commented that the public does not trust the Council any longer.

Chattin stated the city has been run extremely efficiently. He stated that staff is not holding back any significant budget cut possibilities. The Council needs to wrestle with the options of imposing fees, increasing taxes, or cutting services. The City finds itself in this position due to the State's cut to LGA.

Council directed Staff to provide additional options for the Council to consider at another work session. In the meantime, the Council will postpone the final reading of the proposed ordinance for a street light utility fee.

Goal Setting

Council set a special work session on Wednesday, April 22, 2009 at 5:30 p.m. to discuss the Manager's goals.

ADJOURN

There being no further business, motion by Negard, seconded by Downs, to adjourn the meeting. Motion carried. Meeting adjourned at 7:10 p.m.

Respectfully submitted,


Kay M. Murphy
City Clerk