

City of Bemidji

City Council Work Session

March 22, 2004 - 5:30 p.m.

Present: Lehmann, Downs, Hellquist, Johnson, Meuers
Absent: Erickson, Zachman
Staff: Minke, Sherman, Felix, Eischens, Mack, Oakes

Mayor Lehmann called the meeting to order at 5:30 PM.

Review 2003 Utility and Liquor Funds

Public Utilities and Liquor Store annual reports (attached) were presented for review prior to the meeting.

Minke noted that water and sewer both operated with a deficit for 2003. That deficit is expected to be eliminated in 2004 due to the 2003 mid-year rate increases.

Refuse operated at a slight positive. 2004 is expected to be better than that as the City put an automated truck in service mid-way through the year in 2003, and reduced the work force through the early retirement program. The storm water fund shows a fairly healthy operating margin however, Minke reminded the Council of the NPDES storm water permit issue looming on the horizon, the ponds in the SE Lake Bemidji area, as well as a number of other storm water improvement projects which need to be done.

Utility Fund

Eischens provided a brief overview of the utility funds (water/sewer/refuse) noting that Council agreed in 2003 that the revenue generated by the water/sewer utilities should cover normal day-to-day operating expenses (salaries, supplies, repairs, etc.). He noted that utility rates have been adjusted significantly in the past five years due to the growing needs of new construction and the need for reconstruction. He discussed the cost of the City's debt service, which helped to create the need for a rate increase in 2003. He also discussed the value of establishing a sinking fund (depreciation) to minimize the City's need to bond for future projects, saving the cost of issuing debt and interest expense, giving the Council more flexibility in doing other projects or keeping rates more constant.

With regard to refuse, Eischens noted that the goal for 2004 is to segregate the residential revenue and expenses and the commercial revenue and expenses to see if rates are appropriate. He noted that the City supplemented the refuse department for years but the new system has turned that around. This is an area where the city is in direct competition with another firm. It was suggested that the city should run another ad campaign to advertise rates and perhaps promote Project Pride.

Liquor Fund

In a memo to the Council, Eischens noted that Bemidji annual liquor sales are the highest of any non-metro city in the state. In 2003 the Council agreed to utilize liquor store "profits" to subsidize certain street projects where other funding was not available or reasonable. An amount of \$450,000 was identified for 2004 street projects in order to avoid issuing debt.

Lehmann noted that a new liquor store opened to the west of Bemidji, which may potentially impact the City's sales. Council discussed the possibility having an analysis done to determine the best location or locations for the City liquor stores. It was suggested that the city might want to look at a satellite store or a convenience store without coolers and a lot of equipment.

Review 2005 Budget Process

Minke reviewed the 2004 Budget process and requested feedback to see if the Council is comfortable with the way things are going.

Meuers expressed appreciation and noted that she liked the format which was easily understood and expressed support for repeating the process.

Eischens recapped the procedure, noting that staff received council consensus or direction on some major assumptions, which started the process. He noted that is a critical area from the staff's perspective - knowing what the Council's feelings are on major policy issues so that we can keep those issues in mind as we go through the line items with department heads.

Minke expressed the need for guidance from the Council as to the desired outcomes so the staff can figure out how to maneuver the budget to get there.

Downs asked what sinking funds were set up last year. Eischens noted that one was set up for capital equipment and a sinking fund for building maintenance was discussed. That one has not yet been set up but should be considered during the 2005 budget process – knowing that we have a heating/air conditioning issue at City Hall that needs to be dealt with at some point. The Council also agreed to set aside some preliminary design funding to start construction of a new Public Works Garage. Approximately mid-summer we should have some idea of price ranges for the building.

Tax capacity and levy limits were discussed. Minke noted that the levy limits are due to expire in 2005 and the legislature is expected to address levy limits before they adjourn this session.

Lehmann suggested that the Council needs to give serious thought to staffing issues during this budget session – particularly in the Legal Department and Community Development/Planning.

Lehmann also noted that in the past, the Council heard from department heads that gave a rundown of their needs. He personally found that useful

There were no other comments or questions regarding the budget process.

Consider Dates for the Joint City Council/County Board Meeting

Minke noted that the joint meeting of County Board and City Council – originally scheduled for April 26 – had too many scheduling conflicts. Council suggested the dates of May 12 or May 19 – at 3:00 pm. Minke will follow up with the County Administrator.

Lehmann suggested that the Council also look at a joint meeting with BSU in the future.

Labor Negotiation Update

Motion by Meuers, second by Johnson, to close the meeting in accordance with Minnesota Statute 13D.03 for the purpose of considering the city's labor negotiation strategies, developments and review of labor proposals. Motion carried by unanimous vote.

Motion by Johnson, second by Hellquist, to reopen the meeting at 6:55 pm. Motion carried by unanimous vote.

Minke requested Council action on labor contracts for Police Officers and Firefighters. Motion by Meuers, second by Johnson, to approve the contracts as presented. Motion carried by unanimous vote.

Adjourn

With no further business, Motion by Downs, second by Johnson to adjourn the meeting. Motion carried. Meeting adjourned 7:05 PM.

Respectfully submitted,

Shirley Sherman, City Clerk