

Council Proceedings

Council Special Meeting/Work Session

August 30, 2004

Pursuant to due call and notice, a Special Meeting/Work Session of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on Monday, August 30, 2004, at 5:30 p.m. in the Council Chambers of City Hall, Mayor Lehmann presiding.

Upon roll call the following Council members were declared present: Lehmann, Zachman, Downs, Johnson, Erickson, Hellquist. Absent: Meuers

Staff Present: Minke, Eischens, Sherman, Bahr, Mack,

Mayor Lehmann called the meeting to order and noted that the purpose of the meeting was to review the utility and liquor store budgets.

A narrative of the Utility and Liquor Store budgets including exhibits was provided on Friday, August 27th for Council review.

UTILITY BUDGET

Minke highlighted the information provided for the public utilities funds, noting these budgets include the same assumptions as the general fund including a 3% COLA increase for employees, 40% increase for fuel costs, and 30% increase for property and liability insurance. The water and sewer budgets also propose a rate increase of 3% as an inflationary adjustment.

Downs inquired about the increase for property and liability insurance. Eischens explained that some of the increase is driven by the City's loss history but noted that the increase is industry wide. He offered to provide a copy of the City's loss history for review.

Eischens noted that the five-year summary of utility projects includes an ambitious schedule including extension of utilities to newly annexed areas such as the Lost 40 in Nymore, Bardwell Park and the Industrial Park, an alternative well, Bemidji Avenue water main and interceptor projects, County Road #11 water main, etc. It was noted that some projects may be designed in 2005, but will not bid out for construction until 2006. It was suggested that the Council may need to set some priorities in this area.

Minke noted that last year the Council agreed utility rates should cover operations, debt service, and depreciation. Staff recommended a rate/cashflow analysis at a cost of \$4,000-\$6,000 per fund, to be used as a planning tool for utility projects and to establish long-term rate stability. Council expressed no opposition.

Erickson suggested a closer look at the current deferral policy (up to 15 years) for sewer and water hookups. She was concerned that the policy was too liberal in light of current budget demands. It was suggested that the issue be referred to the Public Works Committee for discussion.

There are no proposed changes in the Storm Water fees. The current fund is sufficient to sustain current projects, debt repayment, and will fund approximately \$200,000 towards the storm water portion of street reconstruction projects such as the Ward 1 street reconstruction project.

The Residential and Commercial refuse funds were reviewed. There is no proposed rate increase for 2005. Eischens recommended that the refuse fund be separate from the water/sewer funds beginning in 2004 to segregate refuse cash and operations from water and sewer activity. Eischens also noted his intent to evaluate methods of achieving rate flexibility/responsiveness to account for the enterprise nature of the refuse business.

Erickson inquired about the proposed 2005 expenditure of \$135,000 for equipment purchases. Mack noted that the refuse department proposes purchase of a standard garbage truck to service commercial routes. Councilmembers provided positive comments regarding the operation of the automated truck, which was placed in operation during 2004.

LIQUOR STORE BUDGET

The Liquor Store summary was reviewed. Bahr suggested that the current locations are still adequate but the City may want to look at future development on the west end or south, near the proposed Pinnacle Mall. He also suggested that the Council give some consideration to establishing a first right of refusal to purchase the Northern Liquor Store after that area of Northern Township has been annexed to the City.

The 2005 Liquor Fund budget transfers include \$220,000 to the General Fund and \$732,000 to the Ward 1 street reconstruction project.

Erickson expressed concerns regarding the transfer of \$732,000 to the Ward 1 street reconstruction project, noting that the liquor funds are the only real liquidity the City has. She felt that the proposed 28 percent levy increase was extremely high and suggested using the \$732,000 liquor proceeds to reduce the levy. She also suggested bonding to take care of street reconstruction projects.

Lehmann noted that the Council established a policy to use liquor store funds to offset street projects, and expressed the need to continue with that policy.

Erickson stated she could not support a 28 percent levy increase for 2005 and suggested that citizens would have a difficult time supporting development on Southeast Lake Bemidji if they are also facing the proposed levy increase. She felt a 10 percent levy increase would be more agreeable.

To put the 28 percent levy increase into perspective, Eischens noted that the city's portion of the tax bill on a \$100,000 home would add \$54 in 2005. Eischens also reminded the Council that this is a Preliminary Budget. The Council can reduce the proposed levy in December with the Final Budget, but the levy cannot be increased at that time. He also noted that the proposed levy might be reduced approximately 5 percent if some of the 2005 proposed equipment purchases could actually be made using savings from the 2004 budget. Actual 2004 budget savings cannot be projected until early December.

Hellquist noted that the County and School District are above average in their taxation, and the City has been historically low in taxation. He expressed frustration that liquor store proceeds are the only variable and was concerned that there would be limited funds left for other projects that might be needed and expressed the need to find a middle ground.

Johnson and Downs were concerned about the impact of the proposed levy increase on the City's ability to get support from the public for the SE Lake Bemidji development.

Mack expressed concerns regarding aging city streets that have been neglected over the years and urged the Council to continue the momentum on street improvements.

Lehmann asked for consensus from each individual Council member. Zachman supported use of liquor funds for streets and supported the preliminary budget. Downs would like to see a lower levy, but agreed to support the preliminary budget. Johnson felt he could support the 28 percent levy increase but wanted to explore other options for purchase of land for development of SE Lake Bemidji. Erickson opposed the 28 percent levy increase and supported her proposal to use liquor proceeds to reduce the levy. Hellquist agreed with Erickson on the premise but felt the need to support the proposed preliminary budget.

APPROVE TRAVEL TO DULUTH FOR COUNCILORS ERICKSON AND JOHNSON FOR COURT APPEARANCE

Motion by Zachman, second by Hellquist to approve travel expense for this purpose. Motion carried by unanimous vote.

OTHER BUSINESS

Minke reminded the Council of the joint meeting on Tuesday, August 31, 2004 at 6:00 p.m. between the City and Townships to review the Bemidji Area Growth Management Task Force agreement.

ADJOURN

There being no further business presented for discussion at this time, motion by Zachman, second by Downs, to adjourn the meeting. The meeting was adjourned 7:30 p.m.

Respectfully submitted,

Shirley Sherman, City Clerk