

**SPECIAL JOINT MEETING
BEMIDJI TOWNSHIP, NORTHERN TOWNSHIP, CITY OF BEMIDJI**

**Tuesday, February 9, 2010
Northern Town Hall
6:00 pm.**

PRESENT:

Bemidji Town Board Members; Becky Livermore, Jan Heuer, Joan McKinnon, John Rowles, and Rick Petrowske. Northern Town Board Members; Ron Gangeness, Dan Bahr, Tim Mountain, Mike Kelly and Clark Chambers. City Council Members; Mayor Richard Lehmann, Roger Hellquist, Jerry Downs, Ron Johnson, Greg Negard, and Kevin Waldhausen. Absent: City Councilor Barb Meuers. Facilitator Mel Milender, Northern Township Clerk Mary Israelson, City Attorney Al Felix, and City Finance Director Ron Eischens, City Engineer Craig Gray, Bemidji Township Clerk Lane Paulson. See guest book (at Northern Town Hall) for visitors.

PURPOSE:

Milender reviewed the reasoning for tonight's meeting stating that it is to discuss Phase I of the Orderly Annexation Agreement (OAA) only. The regular semi-annual joint meeting of the three entities will be conducted sometime in March-April and will be hosted by Bemidji Township. As stated in the OAA, the first phase annexations were to take place any time after January 1, 2010, by the City filing a resolution with Minnesota Planning. The Northern Township Board has formally asked the City to delay that process due to assessment appeal issues related to the sewer/water/road project completed along Birchmont Drive in 2008. The City had conducted a work session and voted to proceed with the annexations as scheduled leaving seven (7) properties affected by the assessment appeal out, thus creating islands of Northern Township properties within the City boundaries. The topic was again discussed at last week's City Council Meeting, with Tim Mountain addressing the Council, asking that they reconsider their decision and either delay the annexation process, or proceed taking all of the properties in phase I including the seven (7) properties affected by the appeal. Some members of the City Council verbally indicated that they had not understood the issues and were now in favor of delaying the process. In turn, they have asked that some consideration be given to alter the property tax distribution percentages that are also in the agreement.

DISCUSSION:

Ron Gangeness, Northern Township Chairman, explained that Northern Township is currently engaging in a contract to proceed with appraising approximately 72 properties that are affected by a Court Ordered re-assessment process for the Birchmont Drive Utility Project. Seven of the affected properties are located in the first phase of annexations and therefore, he asks that the City delay annexing until January 2011 and that the tax distribution schedule remain the same. He also stated that the appraisal process would likely be completed by fall of 2010.

Mayor Lehmann indicated that he had not understood the financial issues related to the re-assessment process, and was prepared to change his vote in favor of delaying the process.

Ron Johnson has asked that the formula for tax distribution be revisited if the City were to agree to delay annexing. His suggestion would be that instead of collecting over five (5) years; 0% - 20% - 40% - 60% - 80% - 100%, the formula would change to 0% - 25% - 50% - 75% - 100%.

Tim Mountain explained that the 'elephant' in the room was the Birchmont Project. The residents along the road petitioned the City for the utility services while the Township played a very passive role during the planning and construction process. The Township did agree to the project as the assessing authority simply handling the funds on an in and out basis. But, 54 property owners appealed the assessment levied against their property and as a result, a District Court Judge determined that the process lacked information supporting benefit to the properties of at least the amount of the assessment

and ordered that those properties be appraised and re-assessed. As a result, Northern Township has already incurred expenses in excess of \$20,000 and will be incurring many more. It is hoped that the expenses can be charged against the project, but that will not be determined until the appraisal process is complete and the benefit is calculated. If there is a shortage, possible funding might come from a levy against all the property owners of Northern Township. Therefore, the Township would like to gain as much financial advantage with as many property owners as possible and asks that the City hold off on the annexations until 2012. This delay would not affect the planned annexations that are scheduled for 2015 and 2020.

Milender and Felix explained that there are two (2) formulas that will take place at the same time after the annexations occur; one being the property tax distribution to the appropriate local government unit, and the other bringing the new City residents gradually up to the City's tax rate. The second formula is much more complicated but can be done over any period of time not to exceed six (6) years. Considerable discussion ensued.

Jan Heuer indicated that Bemidji Township is sympathetic toward Northern Township and their quest to be able to recoup cost associated with the utility project along Birchmont Drive. She believes that first, it must be determined whether or not there is an agreement to delay the annexation process, and then if so, the tax formulas need to be addressed.

Greg Negard understands that Northern Township needs to try and recoup the Birchmont costs, but is concerned with the financial status of the City and the fact that they are facing LGA cuts and need to find other sources of funding. Finance Director Ron Eischens reported that the best estimate that he could come up with for the first year that the City would receive funds from the annexation (20% in 2011 if the annexations were to take place in 2010) would be @ \$9,000 for the two (2) townships.

Mike Kelly suggested that if the City wanted to proceed with the annexations as scheduled, that they take the entire first phase and assume the responsibility of the seven (7) properties involved in the appeal, which would total approximately \$98,000. Felix responded that he did not feel that it was wise to have two entities dealing with the re-assessment process and that every effort should be made to try alleviate the re-appeal possibility.

DECISION:

Greg Negard suggested the following scenario since he believes that the City had agreed that they would delay the process at least one year; 1) to delay the first phase of annexations one (1) year until 2011 and to keep the formulas as laid out in the OAA, or 2) delay the annexations two (2) years until 2012 and to change the tax distribution formulas to a four year phase in. Therefore, the annexation could begin after January 1, 2012, and the distribution would be as follows: (example A)

2012	City receives	0%	Townships receive	100%
2013	City receives	25%	Townships receive	75%
2014	City receives	50%	Townships receive	50%
2015	City receives	75%	Townships receive	25%
2016	City receives	100%	Townships receive	0%

Also, the formula equalizing the property tax increase for the property owner entering the City would be shortened to four (4) years. Eischens gave an example that a home with an estimated value of \$100,000 would see an increase of about \$50/year over 5 years, and if done over four (4) years would be increased approximately \$62/year. Milender felt that \$100,000 was a good representation of the average home within the first phase area, with the exception of the Birchmont Drive area.

Ron Johnson suggested that a third option be added that Bemidji Township be annexed as scheduled, the first phase in 2010. Livermore stressed that her understanding was that Bemidji Township would be treated in the same manner as Northern Township. Heuer agreed that it was the intent and spirit of the OAA that both townships be treated

the same.

A non-binding straw poll vote of those present was taken;

- 1) To delay the first phase of annexations one year until after January 1, 2011 and maintain the tax distribution formula as laid out in the OAA. Vote – 0.
- 2) To delay the first phase of annexations until after January 1, 2012 and to accelerate the tax distribution formula to four (4) years (example A). Vote – All in favor except for Johnson and Downs.
- 3) To delay annexing the first phase in Northern Township until 2012 with shortened tax distribution, and to annex Bemidji Township in 2010 as laid out in the OAA. Vote – Downs, Johnson and Mountain (voted twice).

Milender explained that this amendment would only affect the first phase of annexations and that the Orderly Annexation Agreement would have to be amended and then approved by all three (3) entities. It was agreed that the JPB and its attorney would do most of the work on the amendments for language related to the tax rate increase. Al Felix indicated that he would be involved with the JPB attorney in drafting the language. It was suggested that the amendments be drafted in time for review at the March-April Joint Meeting. Felix indicated that the issue is on the agenda for the City Council to address at their Feb. 16th meeting. Any decision to change the tax distribution would be contingent on the OAA being amended.

The meeting adjourned at 7:57 p.m.

Respectfully submitted:

Mary Israelson
Northern Township Clerk