

# CITY COUNCIL PROCEEDINGS

## BEMIDJI, MINNESOTA

### Work Session – October 8, 2012

Pursuant to due call and notice, a work session of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on Monday, October 8, 2012, at 5:30 p.m. in the Conference Room of City Hall, Mayor Larson presiding.

Upon roll call, the following Councilmembers were declared present: Larson, Waldhausen, Hellquist, Johnson, Albrecht, Thompson Absent: Negard

Staff Present: City Manager John Chattin, City Attorney Alan Felix, Finance Director Ron Eischens, PWD/City Engineer Craig Gray, City Clerk Kay Murphy

#### Public Utility Funds Financial Projections

Eischens stated that since 2005 The PFM Group has assisted City staff with projecting the future health of City public utility funds (i.e., water, sewer, stormwater and refuse). He summarized the estimated financial condition of utility funds stating the following:

- Water usage has declined since 2007 despite adding new customers to the system. Staff attributes this decline to water conservation measures.
- Staff has made significant efforts to reduce operating expenses by reduce and reorganizing staff without compromising system maintenance.
- Due to large future capital outlays for the WWTP, sewer cash reserves will decrease and be negative by 2017. Future rate increases need to be higher or capital project reduced in order to maintain adequate reserve levels.
- Based on 3% rate increases, it is anticipated there will be sufficient revenues to generate a surplus each year through 2017. Additional refuse truck and part-time employee are included in the 2015 to meet anticipated annexation needs.
- Assumed refuse profits and administrative costs of \$112,000 will be transferred to the General Fund annually.

In summary, the City public utility enterprise funds have nearly \$10 million of debt with annual debt service payments totaling approximately \$1.7 million in 2012. This debt was utilized to construct or improve the City's utility infrastructure. Despite the City's success in controlling operating costs in recent years, the capital needs of the sewer systems outweigh the City's ability to pay for them. The City's utility rates are generally higher than comparable cities, due in part to the higher level of wastewater treatment the City incurs.

#### Lake Avenue – Utility Extension

Gray reported that Beltrami County will be completing a full depth mill and repaving project on Lake Avenue in 2013. Their project will start at First Street and continue north past the Mississippi River bridge. The County has asked us if the City has any utility needs along this route. He stated that he broken the area into three segments which are as follows:

- Segment One – First Street to Fifth Street. The estimated cost to install water and sewer mains along this segment of Lake is approximately \$300,000.
- Segment Two – Fifth Street to Mill Street. Adding utilities to this segment would increase the project costs to \$300,000 for water and \$380,000 for sanitary sewer.
- Segment Three – Mill Street to Power Dam Road. Utilities to this segment would result in a total project cost of approximately \$850,000 for water and \$1.1 million for sanitary sewer.

Gray reviewed the financing for the segments stating that Segment One could likely be financed within the existing Capital Improvement Plan. He stated that Segment Two would require a significant shift in capital projects within the utility departments and wastewater treatment facility and does not recommend any additional long term shifting of the projects as they have already been delayed.

Councilmembers made the following comments:

- Uncertain about the future of annexations with Bemidji Township
- Large lots in the area as well as sandy soil
- Effect on water and sewer rates
- Opportunity to piggy-back with a County project thereby potentially saving money
- Desire to provide utilities around Lake Bemidji

Motion by Thompson, seconded by Hellquist, to proceed with Segment One.

Discussion continued regarding the potential of completing Segment One and Two. Gray and Eischens will prepare additional information regarding financing the utility extension for the next Council meeting on October 15, 2012.

Thompson withdrew his motion.

**CITY MANAGER PERFORMANCE REVIEW**

**Motion by Waldhausen, seconded by Johnson, to close the meeting in accordance with Minnesota Statute Section 13D.05, Subd. 3 for the purpose of evaluating the performance of City Manager John Chattin. Motion carried unanimously. Meeting closed at 6:30 p.m.**

Present: Mayor, Council, Chattin and Murphy

**Motion by Hellquist, seconded by Albrecht, to reopen the meeting. Motion carried unanimously. Meeting reopened at 7:28 p.m.**

Mayor Larson will summarize the Manager's performance at the next regular Council meeting on October 15, 2012.

**ADJOURN**

There being no further business the meeting adjourned at 7:30 p.m.

Respectfully submitted,



Kay M. Murphy  
City Clerk