

BEMIDJI CITY COUNCIL

Work Session Agenda

Tuesday, February 25, 2020

**City Hall
4:00 P.M.**



1. CALL TO ORDER / ROLL CALL

2. 2021 FINANCIAL MANAGEMENT PLAN

3. ADJOURNMENT

2021 Financial Mgmt Plan

- Feb 24th Discuss preliminary issues
- May/June Update after legislative session
- August Final meeting before preliminary levy
- Sept 8th Adopt preliminary levy
- Dec 21st Final levy and budget adoption



2021 - “CROSSROADS”

- ▶ Levy impact - 3 main considerations
- ▶ Annexation
 - ▶ Levy increase but no tax rate increase because of additional tax base
 - ▶ Planned new service delivery costs
- ▶ Sanford Center Capital Funding
 - ▶ Keep building in good shape - electronics!
 - ▶ \$750,000 annual estimated need, \$230,000 budgeted, \$520,000 shortfall
- ▶ Operations
 - ▶ Personnel Costs - Year 3 of Union Contracts
 - ▶ New staff - discussed later
 - ▶ Non-personnel costs - last budget increase in 2016
 - ▶ Necessary to maintain service levels and keep pace with inflation

2021 Major Issues

- ▶ Phase III Annexation
 - ▶ \$60 million of market value (6.5% increase)
 - ▶ \$335,000 of new property tax potential after 5 year phase in
 - ▶ Raise levy by 5.5% - capture new tax base - rate stabilization
 - ▶ \$111,000 payment due Northern Township for revenue sharing
 - ▶ New police officer, deputy fire chief, street department employees and equipment
- ▶ Sanford Center Capital Strategy?
 - ▶ Increase levy to cover capital needs - reduce if sales tax approved?
- ▶ General Fund Operational Costs- coming up.....

Department Operational Issues

- ▶ Personnel - 67% of budget costs
- ▶ \$250,000 cost of living and step increases - estimated
- ▶ \$ 40,000 payroll taxes on above
- ▶ \$ 97,000 benefit contributions per union contracts
- ▶ \$ 40,000 Street employee for 8 months (4 months in 2020)
- ▶ \$ 46,000 Police Department reduction in grant funding
- ▶ \$473,000 Subtotal
- ▶ \$171,000 new Deputy Fire Chief, police officer and benefits
- ▶ \$ 15,000 Fire department reorganization costs
- ▶ \$ 59,000 New Police Evidence Technician position
- ▶ \$ 15,000 PTO accrual for new staff and wage changes
- ▶ \$733,000 Estimated total personnel increases

Department/Operational Issues cont.

- ▶ Non-Personnel Operations
 - ▶ Fuel, supplies, maintenance, travel, training, utilities, telephone, prof services
 - ▶ Last increase in 2016 - 2%. Propose 6.5% increase or 1.3% per year
 - ▶ Adjust to reflect spending average from 2017 to 2019
 - ▶ \$160,000 estimated cost
- ▶ Fire Department
 - ▶ Chief retiring 2022
 - ▶ Transition plan to add deputy chief early 2021
 - ▶ Considering staff restructure - recognize experience and responsibilities
 - ▶ New Northern Station building lease - \$52,000 additional cost
 - ▶ Rural Fire (RFA) pays 42% of fire dept budget
 - ▶ RFA approved Deputy Chief addition, staff restructure and new bldg. lease

Department/Operational Issues cont.

- ▶ Police
 - ▶ New patrol officer - deferred from 2020 related to Phase III Annexation
 - ▶ New Evidence Technician
 - ▶ Records Clerks - provided by County - \$15,000 increase for inflation
- ▶ Legal
 - ▶ Paralegal need
 - ▶ Phase III Annexation impact - # of cases
- ▶ Public Building Maintenance
 - ▶ Create budget for public bldg. maint - estimate \$25,000
- ▶ Administration
 - ▶ OSHA Safety Consultant - \$10,000

Departmental/Operational Issues cont.

- ▶ Council
 - ▶ Dues and Travel increase of \$16,000
- ▶ Carnegie
 - ▶ Higher operational costs - \$15,000
 - ▶ Part time staffing by Parks
- ▶ Parks
 - ▶ Staffing structure - part time vs full time
 - ▶ Maintenance pressure on Park and Trail systems
- ▶ Joint Planning Board
 - ▶ Enforcement position - \$29,000 increase to City contribution

Departmental/Operational Issues cont.

- ▶ Street
 - ▶ New employee for 8 additional months (4 mo. in 2020)
- ▶ Technology
 - ▶ Software upgrades, server capacity and maintenance agreements - \$20K
- ▶ Service Reductions - Council Direction
 - ▶ Library - reduce levy to draw down KRL surplus
 - ▶ Neilson Reise
 - ▶ Other

Other Issues

- ▶ Railroad corridor
 - ▶ Funding sources for further development?
- ▶ Ground Water investigation plan cleanup study
 - ▶ \$18,000 preliminary cost - more costs to come
- ▶ Neilson-Reise
 - ▶ Operational cost increases forthcoming
 - ▶ Repurpose, demolish, timeline, funding source?
- ▶ PERA Aid program no longer funded by State
 - ▶ \$8,000 reduction
- ▶ Moberg Land Sales
 - ▶ Proceeds used to pay South Shore Land Bonds

Expense Summary

▶ Personnel - 66%	\$733,000
▶ Non-personnel operational increases	\$160,000
▶ New north Fire station lease	\$ 52,000
▶ Council - Dues and Travel	\$ 16,000
▶ Police - Records clerk services	\$ 15,000
▶ Public Building Maintenance	\$ 25,000
▶ Administration - OSHA and Comm Dev	\$ 10,000
▶ Carnegie Operational Costs	\$ 15,000
▶ JPB City LGU Contribution	\$ 29,000
▶ PERA Aid program no longer funded	\$ 8,000
▶ Ground Water Investigation costs	\$ 18,000
▶ IT - Licensing and Facebook archiving	\$ <u>20,000</u>
▶ TOTAL	\$1,101,000

Potential Revenue Sources

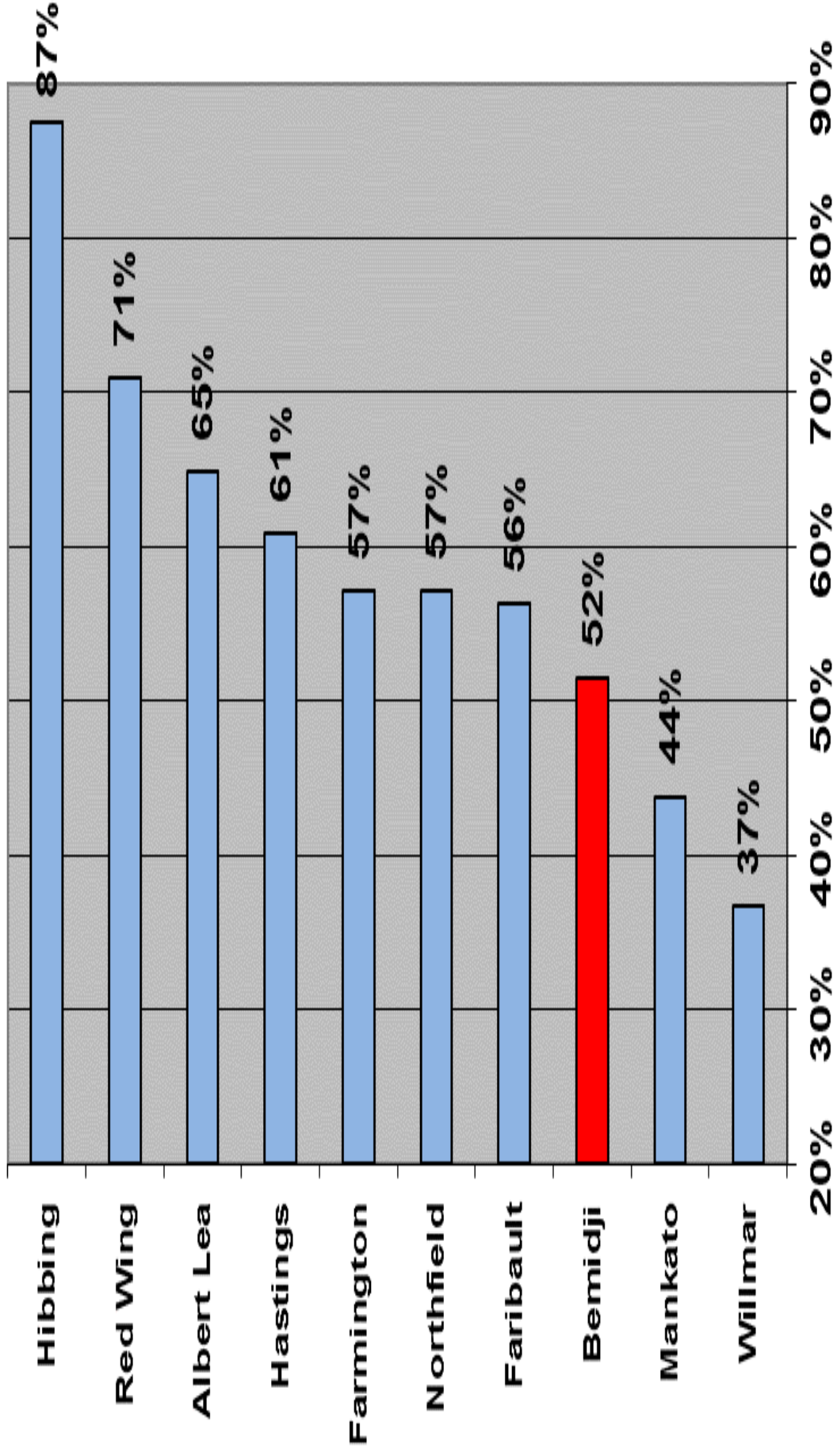
- ▶ Tax Levy Components
 - ▶ Capture Phase III property value - (5.5% levy increase) less payment to Northern
 - ▶ Operational cost increases
 - ▶ Sanford Center Capital needs - \$520K funding shortfall
 - ▶ Strategy increase preliminary levy - reduce final levy if sales tax passes?
 - ▶ New construction value not yet available
- ▶ General Fund Revenue increases - need to review trends
 - ▶ Franchise and Calbe Fees, licenses, etc

Potential Revenue Sources

- ▶ Refuse Profits
 - ▶ Possible increase of profits to transfer
- ▶ Liquor profits
 - ▶ Ability to maintain support?
- ▶ Rural Fire Contributions
 - ▶ Cover 42% of Fire Dept budget
- ▶ EDA Levy - “City” General Fund levy offset
 - ▶ Allows greater flexibility in use of funds

2018 Tax Rates

Average = 59%



Summary

- ▶ Information only - no decisions need to be made at this time

Final Thoughts

- ▶ City tax rate nearly the same since 2015 - 49.6 versus 50.3 in 2020
 - ▶ Meaning - if value stays the same, City property tax same in 2015 as 2020
 - ▶ Levy dollar amount increased \$1.6 million (35%) during this time
 - ▶ Reflects tax base increase from \$705 million to \$929 million (32%)
 - ▶ New construction value added in 2021 - commercial property
 - ▶ Will have this info by next budget meeting - too early at this time

Water/Waste Water Update

- ▶ Water Treatment Plant - in process
- ▶ WWTP upgrades/improvements
 - ▶ License requirements forthcoming
 - ▶ Plan and Timeline
 - ▶ 2021/2022 add clarifier - \$5.4 million
 - ▶ 2023/2024 nitrogen & ammonia treatment - \$5.0 million
 - ▶ 2026 aerated grit tank - \$2.3 million
 - ▶ Total - \$12.7 million
- ▶ Sales Tax Process
 - ▶ Timeline and language