

CITY COUNCIL PROCEEDINGS

BEMIDJI, MINNESOTA

Special Meeting/Work Session – March 24, 2014

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, March 24, 2014, at 5:30 p.m. in the Conference Room of City Hall, Mayor Albrecht presiding.

Upon roll call, the following Councilmembers were declared present: Albrecht, Meehlhause, Johnson, Hellquist, Olson, Erickson, Thompson

Staff Present: Finance Director Ron Eischens, City Attorney Alan Felix, Public Works Director/City Engineer Craig Gray, Parks & Recreation Director Marcia Larson, Fire Chief Dave Hoefler, Police Chief Mike Mastin, City Clerk Kay Murphy

Other Present: Paul Ericsson, Librarian

Mayor Albrecht stated that the purpose of the special work session was to review 2013 and discuss the 2015 budget priorities.

2013 Financial Review

Finance Director Eischens summarized the 2013 financial results for various city funds. He noted that the general fund revenue exceeded expenses resulting in a surplus of \$270,114. This includes costs incurred for the Paul Bunyan Trail sign, lobbying expenses, tree giveaway, downtown electrical repairs and the 106 Group library park archaeological study. He further noted that of this surplus, nearly half was budgeted for including 1) south shore marina/day dock in the amount of \$100,000 and 2) fire equipment in the amount of \$26,759. He commended city staff for working diligently within their budgets. The following revenue items differed significantly from budget amounts:

- Property taxes – exceeded budget by \$48,935.
- Other taxes and fees – gas and franchise fees were below budget by \$57,000. Cable franchise fees and miscellaneous assessments exceeded budget by \$2,389.
- Other and interest – property insurance dividends exceeded budget by \$20,000 while sale of surplus equipment was \$14,000 higher.

General Fund Summary

Eischens stated that the City fund balance policy states “the city will strive to maintain an unassigned fund balance equal to 50% of the subsequent year’s budgeted expenditures.” The state auditor recommends a fund balance between 35% and 50%. The primary purpose of the unassigned fund balance is for cash flow. He noted that while 50% is not required other reasons for this amount are: emergencies, natural disasters and unanticipated expenses. Staff recommended allocating the \$270,114 in 2013 surplus as follows:

- \$136,018 to increase fund balance to \$5,109,261 to comply with City policy;
- \$100,000 for SE Shore Marina/Dock;
- \$26,759 to meet fire department requirements under contract with the Rural Fire Association; and
- \$7,337 to undesignated fund balance for future use as Council deems appropriate.

Hellquist asked for a distinction between marina and docks. Felix replied that docks do not require a DNR permit and overnight docks or marinas are permitted by the DNR.

City-wide Fund Summary

Eischens stated that revenues exceed expenses on a City-wide basis contributing to increased cash balances of \$755,375. Special revenue funds are established for specific purposes and have designated revenue streams to support their activities. However, the timing of revenue and expenses do not necessarily coincide. Debt service revenue exceeded expenses by \$455,000. Annual revenue consists of special assessments, property taxes, south shore land sales, tax increment and rent. The debt service funds have cash reserves of \$3.2 million to cover future bond payments. Discussion continued regarding the sales tax bonds sold for the event center. It was noted that the City is not funding any capital replacement needs for the Sanford Center and Eischens suggested that the Council consider providing some level of capital funding.

Liquor Operations

Eischens stated that the municipal liquor stores had another very successful year. Sales increased \$193,000 or 3.8% with operating profits of \$772,000 or 14.5%. He stated that liquor profits contributed \$340,000 to reduce property taxes, equal to an 8% tax levy.

City Arena

The City arena had an operating loss of \$78,000 which is an increase of \$15,000 over the prior year due to higher maintenance and personnel costs. There will be capital improvements to the building and ice plant in the near future due to the 2020 phase out of R-22 refrigerant, the plant will need to be replaced. Estimates for the upgrades could easily exceed \$1 million.

The Council requested a work session to discuss the marina/dock and future of the City arena.

RESOLUTION NO. 5883: Designating Fund Balances and Transfer of Funds was offered by Councilmember Hellquist, who moved its adoption, and upon due second by Councilmember Johnson was passed by unanimous vote.

2015 Budget Priorities

Eischens stated that the 2015 budget process should focus on long-term issues; similar to how the City views its five-year capital budgets. He highlighted some of the issues that department heads compiled for the Council to consider and prioritize.

Erickson stated that one of the City's top priorities should be taking care of the things we already have, i.e., the Sanford Center. Meehlhause concurred stating that the City should look at maintenance of all its buildings in particular, the library and city hall.

Erickson questioned the need for another community service officer and wondered why the City was operating a kennel. She felt that the task of operating the kennels should be handled by another organization such as the Humane Society. Chief Mastin explained that the kennels are operated because it is perceived as cheaper than paying a local veterinarian to kennel them.

Council then reviewed funding options to fund some of the proposed projects which are as follows:

- increase to property taxes of 1% would generate approximately \$42,000 annually
- 1% hospitality tax would generate approximately \$500,000 annually;
- franchise fee increase from the current 4.5% to 5% (max allowed) could generate an additional \$98,000 annually; and
- budget reallocations – reduce services in one area in order to increase services in another.

Olson suggested that in lieu of hospitality tax he would like the Council to consider an additional half cent sales tax.

Mayor Albrecht asked department heads for additional comments.

- Hoefler noted that the Long Range Fire Department will be addressing funding for Fire Station No. 2.
- Ericsson stated that the library will be conducting a “needs assessment” for services which will give them a better idea on what will be needed there.
- Mastin noted that the auto theft grant partially funds one officer but he anticipates that it will go down more as the grant becomes more competitive.
- Gray stated that along with the phase one annexation the city has added a number of streets with new developments. Miles are being added but funding for street projects has remained the same.

ADJOURN

There being no further business, motion by Hellquist, seconded by Meehlhause, to adjourn the meeting. Motion carried. Meeting adjourned at 7:00 p.m.

Respectfully submitted,



Kay M. Murphy
City Clerk