

# CITY COUNCIL PROCEEDINGS

## BEMIDJI, MINNESOTA

### Work Session – April 10, 2017

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, April 10, 2017, 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, Hellquist, Johnson, Erickson, Larson

Staff Present: City Manager Nate Mathews, Finance Director Ron Eischens, City Attorney Alan Felix, Parks & Recreation Director Marcia Larson, Public Works Director Craig Gray, City Clerk Kay Murphy

#### Local Government Aid

Mayor Albrecht reviewed a proposed resolution in support of increasing Local Government Aid in the 2017 Legislative session. Erickson suggested amending the resolution to include the local representative names.

**RESOLUTION NO. 6068: In Support of Increasing Local Government Aid in the 2017 Legislative Session as amended was offered by Councilmember Erickson, who moved its adoption, and upon due second by Councilmember Johnson was passed by unanimous vote.**

#### 2016 Year-End Financial Review

Eischens reviewed the City's general fund noting a deficit of \$145,118. This amount was lower than anticipated. He stated that revenues exceeded original budget amount by \$663,000 and approximately \$289,000 or 44% of the above revenue were one-time occurrences (i.e., storm damage reimbursement, forfeitures and asset sales). Eischens stated that due to revenue and expense budget differences, the 2018 budget will be adjusted to more accurately reflect revenue and expenses.

Eischens stated that the City liquor stores had another successful year ranking 12<sup>th</sup> statewide include metro area stores. Sales increased 2.0% with operating profits of \$673,000. Liquor profits contributed \$390,000 in 2016 to reduce property taxes, equal to a 7% tax levy. A work session in May will focus on Sunday liquor sales that was the State Legislation recently approved.

Discussion followed regarding the Sanford Center issues and water leak. The City received a final settlement of \$130,000 in January 2017. City Attorney Felix stated that last summer repairs to the building were completed and after legal and consultant fees are paid, the City has \$91,000 for any other water leak repairs if needed.

Eischens stated that Sanford Center operating account is not adequately funded to meet monthly expenses. According to the contract, the balance should be \$250,000, or 1/12th of annual expenses. He stated that once the State Auditor investigation is complete and reimbursement from Venuworks received, maintenance of adequate operating cash may require additional transfers from the City.

Staff recommended Council approve a resolution designating fund balances as follows:

- General Fund cash flow and other unplanned expenses at \$5,604,860.
- The fire contractual capital needs have been met with the construction of Fire Station #2 which eliminates \$181,867.
- Remove designated fund balance for equipment from the Permanent Improvement Fund since East/West Trail is completed and capital/assessment needs are no longer necessary. The only designated fund balance remaining will be \$350,000 for future parking improvements.

**RESOLUTION NO. 6069: Designating Fund Balances was offered by Councilmember Hellquist, who moved its adoption, and upon due second by Councilmember Meehlhause was passed by unanimous vote.**

2018 Financial Management Plan (FMP)

Eischens noted the following projected impacts to the 2018 FMP and tax levy:

- Personnel costs – based on settled union contracts, pay increases will be 2.5% along with a \$90 increase in monthly benefit contributions has a projected cost of \$190,000. Workers compensation premium increases estimated at \$32,000.
- LGA Increase is unlikely at this time and the City's LGA levels have been flat since 2014. No increase is planned for 2018.
- JPB converted to City Department – This transition may take place in 2017 but is not budgeted. However, the City can utilize contingencies or reserves to carry this 2017 cost. Financial impact for 2018 will depend on staff restructure.
- Hospitality Tax (1.5%) – community education on this topic will continue through this fall. If community supports this, shoot for it to be a 2018 legislative agenda item, utilized to reduce City property taxes by approximately 17%.
- Revenue Increases/Expense reductions – due to the recent budget surplus, a closer review of these items will result in tax levy savings.
- Sanford Center Operations – the annual operational “investment” for this facility has not increased since 2012. Equipment and building maintenance costs will increase as the building ages.
- Others items include: GIS license maintenance agreement, salary study, update to City's website, decertification of Irvingboro TIF, consultant costs for Railroad corridor and purchase of a ladder truck for the Fire Department.

Eischens stated that according to the City assessor, new construction added 1.2% in tax value for 2018, which will offset a portion of any levy increase as well as the 3.1% Irvingboro tax increment district decertification. In other words, the levy could increase 4.3% with no impact on City tax rates due to a larger tax base. City staff will continue to develop the 2018 FMP based on the above assumptions. The Council will continue the 2018 FMP at their June 26 work session.

**ADJOURN**

There being no further business, motion by Hellquist, seconded by Johnson, to adjourn the meeting. Motion carried. Meeting adjourned at 6:25 p.m.

Respectfully submitted,



Kay M. Murphy  
City Clerk