

# CITY COUNCIL PROCEEDINGS

## BEMIDJI, MINNESOTA

### Work Session – Monday, April 13, 2015

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 13, 2015, 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, Hellquist, Johnson, Olson, Larson Absent: Erickson, Meehlhause

Staff Present: Finance Director Ron Eischens, City Attorney Alan Felix, Public Works Director/CE Craig Gray, City Clerk Kay Murphy

Mayor Albrecht stated that Nate Mathews has contacted her as well as City staff requesting to move his start date up to April 30.

**Motion by Hellquist, seconded by Larson, approving a revised start date of April 30, 2015 for Nate Mathews, City Manager. Motion carried unanimously.**

#### 2014 Financial Review

Finance Director Ron Eischens summarized the 2014 financial results for various funds. He noted that the general fund revenue exceeded expenses resulting in a surplus of \$195,945. Of this surplus, \$14,350 was anticipated to meet the City's share of fire equipment based on the Rural Fire Contract. The remaining surplus of \$181,595 is less than 2% of the budget.

- Property taxes – exceeded budget by \$44,000.
- Gas, electric and cable franchise fees exceeded budget by \$82,000.

#### 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 for having fund balance is cash flow, but cash flow alone does not require a 50% fund balance. Emergencies, natural disasters and unanticipated expenses are other reasons to maintain adequate fund balance levels. Staff recommends allocating the \$195,945 surplus as follows:

- \$14,350 to meet capital requirements under contract with the Rural Fire Association;
- The remaining balance of \$181,595 to increase designated fund balance, which will be short of the 50% policy goal by \$51,573. An additional \$51,573 can be transferred from undesignated fund balance, leaving \$205,529 as undesignated, to be used in the future as the Council deems appropriate.

#### City-wide Fund Summary

Eischens noted that revenues exceed expenses on a City-wide basis contributing to increase cash balances of \$348,000. Debt service revenue exceeded expenses by \$6.3 million, primarily the result of \$5.2 million bond refinancing approved by the Council in May 2014 and the \$2 million energy savings lease obligations. He stated that the Sanford Center operated at a loss of \$342,960 which was \$6,327 better than budgeted.

#### Liquor Store Operations

Eischens stated that the City liquor stores had another successful year with revenue ranking 13<sup>th</sup> statewide which included the metro area stores. Sales increased 4% with operating profits of \$772,000 or 14%. In 2014, City liquor profits contributed \$340,000 to reduce property taxes, equal to an 8% tax levy. The liquor fund has \$1.4 million in cash, which is more than adequate to meet current liquor operational needs. He stated that on a short-term basis this cash could subsidize any shortfalls on South Shore land bonds or meet needs for other projects. Staff recommends that \$500,000 be set aside for future liquor store expansion/relocation.

#### Arena Fund

Eischens stated that the arena has an operating loss of \$110,000 which is an increase of \$32,000 from the prior year due to lower rental income, higher electricity and professional service costs. Future capital improvements to the building and ice plant will be necessary.

Recommendation

Eischens recommended the Council approve a resolution designating fund balance for:

- General Fund cash flow and other unplanned expenses at \$5,342,429 (50% of 2015 budgeted expenses) which included the reallocation of \$51,573 of undesignated fund balances.
- Fire capital requirements \$143,454 (\$129,104 from last year plus \$14,350 to meet the 2014 requirements).
- \$500,000 of liquor profits for future liquor store needs.

**RESOLUTION NO. 5941: 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.**

2016 Financial Management Plan (FMP) Process

Eischens stated that at their work session in January, the Council reviewed a list of projects and policy issues raised by staff; no decision was made at that meeting. At the regular work session on May 11, the Council will begin the process of reviewing the plan. Eischens suggested that prior to the meeting, Council prioritize the items from 1 to 5.

Mayor Albrecht reviewed a process she would like the Council to consider for prioritizing the projects. She stated that she will visit with the City Manager regarding using a facilitator to help with the process.

**ADJOURN**

There being no further business, motion by Hellquist, seconded by Olson, to adjourn the meeting. Motion carried. Meeting adjourned at 6:10 p.m.

Respectfully submitted,



Kay M. Murphy  
City Clerk