

CITY COUNCIL PROCEEDINGS

BEMIDJI, MINNESOTA

Work Session – April 9, 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, April 9, 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, Hellquist, Johnson, Albrecht, Negard, Thompson. Absent: Waldhausen

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

Mayor Larson stated that the purpose of the work session was to review the 2011 year-end financial information.

Year 2011 Financial Review

Eischens stated that the 2011 Budget resulted in a surplus of \$74,626 or about 1 percent of the budget. While the surplus is small, the more important issue is that the City has a surplus. He stated that prudent budget management by City departments and higher than anticipated revenue collections contributed to the turn around.

Eischens also stated that the fund balance policy states that reserves should equal 50% of the subsequent year expenses. The City currently has \$4,488,281 in reserves which meets the policy requirement. As previously discussed, the 30 year sales tax bonds have payments that will exceed sales tax collections. Of the available 2010 surplus, Council committed \$91,000 for new police department software, leaving a balance of \$431,752; of this amount staff recommends \$357,813 be used towards the projected sales tax bond shortfall for 2012. The surplus balance of \$73,939 would be added to our reserves for future needs.

Eischens highlighted the liquor store operations stating that the City liquor stores had another successful year. Sales increased \$38,000 with operating profits of \$640,000 or 12.8%. During 2011, City liquor profits paid for the following:

1. \$275,000 transfer to the General Fund to reduce property taxes, equal to 7% levy;
2. \$30,000 for North Country Park playground equipment;
3. \$29,900 for other park improvements/equipment including Nymore tennis courts, tool cat attachment and other park equipment; and
4. \$17,000 to pay City assessments related to the 2011 street improvement project.

Eischens stated that the City will more aggressively promote that the liquor store profits reduce property taxes and pay for community projects.

The City Arena had an operating loss of \$76,000, which is higher than last year due to a \$15,000 payment toward maintenance costs of the Curling Club and an \$11,000 decrease in ice rental revenue. If operating losses continue at the current level, the deficit cash balance of \$9,182 will be corrected by the end of 2012, assuming no further capital improvements are needed. The cash deficit is the result of improvements made to the facility in 2005 amounting to \$545,000.

Eischens stated that future challenges for the City will be maintaining service levels with possible levy limits and LGA cuts, cash flowing debt payments for the SE Shore land and sales tax bonds and financing additional service needs due to annexation.

RESOLUTION NO. 5760: Approving the Designating of General Fund Balances and Transfer of Funds was offered by Councilmember Negard, who moved its adoption, and upon due second by Councilmember Hellquist was passed by unanimous vote.

2013 Budget Assumptions

Eischens asked the Council's direction for staff to prepare the 2013 budget. Two issues could impact the 2013 property tax levy: 1) annexation and 2) taxable bonds. In addition, the Council could consider: 1) staffing changes; 2) operational/inflationary increases

including annexation impacts; 3) cost of living adjustments for staff and union negotiations; 4) specific projects; and 5) service level changes.

Council asked that the following assumptions be included in preparation of the 2013 budget:

- Addition of two full-time police officers;
- Addition of one full-time wastewater treatment employee;
- Negotiation of a two year versus one year union contracts; and
- Possible COLA increases.

Eischens concluded that over the next several months, staff will begin preparing the 2013 budget. City staff will bring the preliminary 2013 budget for Council review at a May or June work session.

Other

The Council briefly discussed the location of the Event Center sign in relationship to the bridge being constructed over Hwy 197.

ADJOURN

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

Respectfully submitted,



Kay M. Murphy
City Clerk