

BEMIDJI CITY COUNCIL

Work Session Agenda

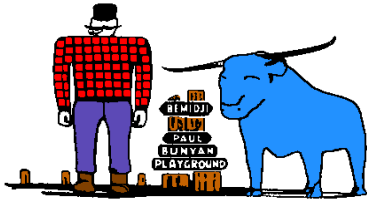
Monday, June 25, 2018

**City Hall
Conference Room
5:30 P.M.**



1. CALL TO ORDER / ROLL CALL
2. 2019 FINANCIAL MANAGEMENT PLAN
3. ADJOURNMENT

NOTE: Please switch all cellphones and pagers to a non-audible function during Council and Committee meetings.



City of Bemidji

Finance Office

Memorandum

To: Honorable Mayor and City Council

From: Ron Eischens, Finance Director

Reviewed by: Nate Mathews, City Manager

Date: June 25, 2018

RE: 2019 Financial Management Plan (FMP)

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At the April 9th work session, several preliminary items were presented as part of the 2019 FMP. The purpose of this meeting is to discuss these and additional 2019 issues.

Financial results for 2017 were better than anticipated, due in part to certain revenue and expense items differing from budget. Therefore, several of the 2019 budget changes more accurately reflect historical activity as discussed below.

Revenue adjustments

Revenue increases recommended for 2019 are \$78,000 as follows:

Local Government Aid – The Legislative session did not increase statewide LGA, but based on the most current data, Bemidji LGA will increase by \$6,400, for a total of \$3.3 million, still short of the 2002 level of \$3.8 million.

Police Aid/Business Licenses/MSA/Engineering Admin/School Resource Officer/Parking Tickets – These items were increased by a total of \$60,000 to reflect historical trends.

Cable Franchise Fees - Cable revenue collected has fallen in recent years and may be due to customers discontinuing traditional cable TV services in exchange for streaming services. As a result, this revenue line item was lowered by \$7,000.

Rural Fire Association Contribution – Increased revenue of \$18,600 consisting of \$10,000 for their share of northern substation lease and \$8,600 in other operational cost increases.

Expenses Adjustments – reflecting a reduction of \$234,400 discussed below:

Annexation Payment – \$29,000 decrease due to revenue sharing agreement.

Personnel costs – are the largest component of departmental budgets. The job study is still in progress. A future work session will review this report once it is available, most likely in late July/early August. Known personnel changes are:

- Converted part-time animal control/Community Service Officer position to full time to assist in enforcement of nuisance matters - \$20,000
- Reduction in administrative staff due to retirements/restructuring - \$98,400
- New street employee in advance of 2020 annexation - \$24,000
- Call back time for paid on call firefighters - \$5,000 increase
- State imposed increase to police and fire PERA contributions - \$21,000
- Workers compensation premium increases - \$23,000

County assessing fee increase – cost of living \$4,400 increase

Misdemeanor prosecution costs – County requested significant increase for 2019. Staff are considering alternatives and will bring them to next meeting.

Northern Fire Station sublease - \$24,000, partially offset by \$10,000 increase contribution from Rural Fire Association

Railroad Corridor study - \$90,000 reduction, study completed.

South Shore Grounds Maintenance - \$20,000 increase for maintenance of exterior grounds area/landscaping surrounding Sanford Center, which includes \$5,000 annually to replace electrical boxes damaged by vehicles or snow plowing.

Contingencies - decrease of \$47,800 due to 2018 one-time expenses of job study, website re-design and job application software including reducing annual contingency budgeted balance to \$30,000

Kitchigami Regional Library - \$3,400 estimated increase of 2.5%

Capital Improvement plan (CIP) - \$114,000 decrease, not including The Sanford Center (SC). The Public Works committee reviewed the proposed 50 year CIP for the SC, which amounts to \$720,000 annually, \$540,000 more than budget. The PW Committee recognizes taxpayers are not able to fund the full CIP amount. When something major needs replacement at the SC, the City most likely will issue bonds to pay the replacement cost, adding to a future tax levy.

Other expenses – any Council direction for items not previously discussed

Alternative Revenue/Hospitality Tax Update

The City is undertaking two significant studies, the Railroad Corridor and Ice. In order to develop one or both projects, an alternative revenue source will be required to pay project and/or operational costs, not to mention possibly reducing property tax funding of The Sanford Center.

Last year City staff made presentations to several business groups to educate the public regarding Event Center purpose, priorities, financial performance and funding sources. Better public awareness was accomplished; however, support for a new tax was not prevalent. Some community members support a hospitality tax while others prefer an additional local sales tax, despite the sales tax hurdles and restrictions. The City needs a united front in approaching the legislature and/or the public to get necessary approval of any new tax.

Other issues

New Construction Value - according to the City assessor, amounts to 2.2% for 2019, which can reduce/offset any 2019 tax levy increase.

2020 annexation – when the City moves forward with Phase III annexation of Northern Township, 2020 budget requests will include a street department employee (\$50,000 plus benefits), police officer (\$59,000 plus benefits) and motor grader (\$240,000) to be included in the 2020 levy. The additional tax capacity of Phase III amounts to \$636,000, generating \$330,000 of property taxes after the 5-year phase in. In addition, there will be fees collected including cable, franchise, PEG and storm water.

Summary

Until the job study and legal prosecution service alternatives are completed and Council direction received, the tax levy for 2019 cannot be determined. An August work session should provide additional clarity on the 2019 financial management plan.