

BEMIDJI CITY COUNCIL

Work Session Agenda

Monday, June 26, 2017

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

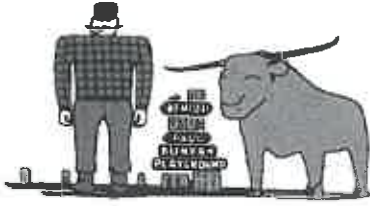


1. CALL TO ORDER / ROLL CALL

2. 2018 FINANCIAL MANAGEMENT PLAN

3. ADJOURN

NOTE: *All cellular devices are to be switched 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 *RE*
Reviewed by: Nate Mathews, City Manager
Date: June 26, 2017
RE: 2018 Financial Management Plan (FMP)

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At the April 10th work session, several preliminary items were presented as part of the 2018 FMP. The purpose of this meeting is to discuss these and additional items as listed on the attachment.

Financial results for 2016 were better than anticipated, due in part to certain revenue and expense items differing from budget. Therefore, several of the 2018 budget changes more accurately reflect past historical activity as discussed below.

Revenue adjustments

The total revenue increase recommended for 2018 is \$146,606 discussed as follows:

Local Government Aid – The special Legislative session ended with approval of a tax/budget bill that included LGA for Bemidji of \$3.3 million, or a \$121,000 increase over the 2017 budget amount. Progress has been made by the state to increase LGA, but still short of the 2002 level of \$3.8 million.

Police Aid/Cable Franchise Fees/MSA/Rural Fire/School Resource Officer/Court fees/FAA reimbursements/Parking Tickets – these items were increased/decreased to reflect historical trends and activity

Recreation Fees – due to higher participation rates, recreation program fees are \$20,000 higher, with an equal and offsetting increase in program expenses.

Expenses Adjustments

Total expense increases amount to \$372,098 detailed below:

Department operations – \$104,000 net expense reduction. Operating expenses adjusted to more accurately reflect historical spending. Reductions/ (increases) as follows:

- Administration - \$1,000 various
- Finance - \$2,000 various
- Assessing - (\$5,000) increased County costs
- Legal - \$8,000 various
- Technology – (\$3,000) increased County costs
- Police - \$42,000 various
- Street - \$31,000 various
- Engineering - \$13,000 various
- Library - \$7,000 various building related costs
- Contingencies - \$8,000 decrease to \$30,000 annually

Annexation Payment – \$20,000 decrease, revenue sharing agreement calls for phase in of property over 5 year time-period.

Personnel costs – \$215,385 reflecting increases for cost of living, police/fire PERA, fringe benefits and workers compensation premiums. This amount includes adjustments for:

- Restructuring current parks foreman position (union) to a non-union position, similar to the street and utility departments, each of which has a superintendent.
- Reduced costs for County Records clerk services
- Increased reimbursement for police security services

Electricity/Heating/Transfers – zero net impact, related to the Energy Savings Project. Energy and utility savings in departments transferred to pay bonds used to finance project costs. Projected energy savings will meet bond payments with actual energy savings calculations made at the end of each year.

Joint Planning – \$41,000 net increase in City costs for absorbing JPB staff. Northern Township contribution locked in at 2016 rate until 2020 as part of new joint powers agreement. JPB financial activity reflected in a special revenue fund to segregate financial activity.

Building Department Transfer – reduction of \$30,000 as building department revenue supports operational costs.

Sanford Center maintenance - \$50,000 to cover anticipated increasing building maintenance costs as well as small equipment items such as computers, furniture, etc. Staff recommend that amounts not spent on this line item be added to fund

major capital replacement needs. (ice plant, roof, HVAC, etc). Venuworks staff is currently working on a detailed 20-year capital replacement plan, with preliminary information available this fall.

Job application software – \$8,000 increase, to automate job application process, staff recommend purchasing software to allow on-line application process, saving applicant and City staff time.

LEC Center Lease - \$1,967 increase in annual rent payment amount to County

City Website Update – \$15,000 increase, current City website has room for improvement from a format and interactive perspective. Maintaining the website has been/will be an on-going time commitment.

GIS License – \$20,000 increase, new GIS software platform requires higher annual license fee for technical support.

KRL Contribution - \$3,300 increase to cover 2.5% estimated operational increases.

Salary Study - \$25,000 increase for estimated costs for compensation study to be used in union contract negotiations.

Proposed Staff additions – \$126,446 increase, through City manager observations and department head discussions, two staff additions recommended for 2018:

1. Police Detective – Bemidji police officers respond to more calls for service than any other similar sized city in the state and overall investigations and level of sophistication required for investigations is growing. Bemidji experiences similar crime activity as metro area suburbs. Cyber/computer crimes, and criminal sex crimes have also increased substantially in recent years. The Police Department has an excellent crime clearance rate but is at its functional capacity in particular regard to investigation work. The addition of a detective would reduce caseload and allow more cases to be more fully responsive and thoroughly investigated. Current Bemidji detectives have a case load of 150; the State average is 80.
2. Assistant City Engineer – The workload of the DPW/City Engineer has increased to the point where an Assistant City Engineer is needed. The number of in-house construction projects, JPB site plan reviews, developer coordination issues, and now the emerging Lake Irvine TMDL and PFC water supply issue have increased where an additional position is justified. Adding an Asst. City Engineer allows the City Engineer to allocate more time and resources to larger projects and construction contract oversight in addition to spending additional time on future projects such as the Rail Corridor development, the construction of the new liquor store, the expansion of the industrial park and the potential Carnegie project. It may also provide the potential for a smooth transition to a new DPW/City Engineer upon the future retirement of the existing City Engineer within the next five years. If an Assistant City Engineer is not hired, the city will have to spend additional monies on private consultants. This position costs will be 70% covered by

project costs and storm water fees, the balance of the position costs, \$30,000 covered by property taxes.

Alternative Revenue/Hospitality Tax Update

City staff attended meetings and made presentations to several groups over the last several months. The goal was to educate the public regarding Event Center purpose, priorities, financial performance and funding sources. Staff believe progress was made in getting a better understand of these issues as well as finding alternative sources of funding, but challenges remain. Some groups/community members support a hospitality tax while others prefer an additional local sales tax, despite the sales tax hurdles. The City needs a united front in approaching the legislature and/or the public, to get necessary approval of any new tax. This requires leadership from the Chamber of Commerce and Visit Bemidji in particular. To date, neither of these entities have a stance on this topic.

Another alternative revenue source for consideration are plan review fees. Should the City charge a fee for time spent by City Engineer/Asst City Engineer to review development plans? City currently does not do so. JPB does charge developers/projects a plan review fee in the range of \$300 to \$500 depending on site size.

Other issues

Staff met with a real estate development consultant from the St Paul Port Authority regarding the Railroad Corridor. We are in the process of getting a proposal for services on a phase basis to prepare this area for development to present to Council. If Council is interested in developing this area, the City will need assistance. Price range for all phases could be in the \$75,000 range. This amount is not included in the preliminary 2018 budget.

Summary

Based on the above revenue/expense adjustments and the net new Bemidji tax capacity growth, the net tax levy is projected to **decrease** by 0.1% for 2018.

A 2018 \$225,492 tax levy increase represents a 4.2% increase from 2017. However, this increase is offset by the 1.2% increase in new construction value and 3.1% tax capacity increase from the decertification of the Irvingboro tax increment district, resulting in the decrease. After the substantial levy increase for 2017, (11.5%) a tax decrease for 2018 is appropriate.

Provide staff further direction regarding 2018 tax levy and budget.

**CITY OF BEMIDJI
2018 GENERAL FUND BUDGET/TAX LEVY**

Revenue Adjustments	Increase (Decrease)	Levy Impact
LGA	120,606	
Police Aid	20,000	
Recreation Fees (offset by expense increases below)	20,000	
Cable Franchise Fees	10,000	
MSA	10,000	
Rural Fire Association Contribution	9,000	
School Resource Officer reimbursement	2,000	
County Court Fees	(5,000)	
FAA Reimbursements	(20,000)	
Parking Tickets	(20,000)	
Revenue increase	146,606	-2.7%
	Increase (Decrease)	
<u>Expenses Adjustments</u>		
Department operational expense reductions	(104,000)	
Annexation payment - Northern Township	(20,000)	
Personnel Costs	215,385	
Electricity/Heating	(74,000)	
Transfer to Energy Savings	74,000	
Joint Planning Board	41,000	
Recreation Dept Expenses - (offset by fee increases above)	20,000	
Transfer to Building Dept	(30,000)	
Sanford Center small capital items (3% for 8 years old)	50,000	
Job application software	8,000	
LEC Lease increase	1,967	
City website update	15,000	
GIS license	20,000	
KRL Contribution	3,300	
Compensation study	25,000	
<u>Proposed staff additions</u>		
Police Detective	96,446	
Assistant City Engineer	30,000	
Expense Increase	372,098	6.9%
Levy Increase	225,492	4.2%
<u>Less Property Value increases</u>		
Irvingboro TIF District Decertified		-3.1%
Value of new construction value		-1.2%
Effective (Net) levy decrease		-0.1%