

BEMIDJI CITY COUNCIL

Work Session Agenda

Monday, June 9, 2014

**City Hall
Council Chambers
5:30 P.M.**



1. CALL TO ORDER / ROLL CALL
2. CONSIDER EMERGENCY REPAIRS AT PUBLIC WORKS/PARKS FACILITY
3. 2015 BUDGET DISCUSSION
4. ADJOURNMENT

NOTE: All cellular telephones, pagers and BlackBerry devices to be switched to a non-audible function during Council and Committee meetings.

COUNCIL AGENDA ITEM



Meeting Date: June 9, 2014

Action Requested: Consider Award of Quote for Emergency Repair at Public Works Facility

**Prepared By: Craig J. Gray, P.E.
Director of Public Works/City Engineer**

Reviewed By: John Chattin, City Manager

Background:

Sometime between Friday, May 30 and Monday morning, June 2 the HVAC unit at the public works/parks building went out. Naylor Electric was called in to diagnose the problem and determined that in all likelihood the rooftop air conditioning unit was hit by lightning because one of the two compressors was burnt out. There are two options to fix the system.

The first is to replace the existing burnt out compressor with a similar one. The compressor would have R22 refrigerant in it and would be the same size as the existing compressors. The R22 refrigerant is the refrigerant that the EPA is phasing out. The cost for this would be \$8,806. This could likely be accomplished in 1-2 weeks.

The second option is to have Naylor's replace the entire 15-ton condenser and coils with a new R-410 refrigerant, two-stage condenser and two circuit evaporator coil. This option would also solve the humidity and air flow problems that have plagued the building. This option was also included as one of the projects in the Honeywell contract. We can have Naylor's do this work now for \$37,802 and delete it from the Honeywell work. The only downside is that it may take 4-5 weeks for this to be done.

Recommendation:

It does not make sense to spend the \$8,806 to repair/replace the one burnt out compressor and then have Honeywell come in later and change them both out. Nor does it make sense to add more R22 units to our system. It is recommended that we proceed with the quote to replace the entire Air Handling Unit.

Financing for the project could come from General Fund undesignated reserves. It is recommended that the city council pass a motion approving the quote from Naylor's Electric in the amount of \$37,802 for the replacement of the public works facility air handling unit.



24 HOUR EMERGENCY SERVICE

172 Spirit Avenue NW • Bemidji, MN 56601
218-444-COOL / 218-444-HEAT • Fax 218-444-1920

June 4, 2014

Bemidji Public Works Facility
1351 – 5th Street NW
Bemidji, MN 56601
Via e-mail randall@ci.bemidji.mn.us

Scope of Work

Replace existing 15-ton condenser and evaporator coil with a new R-410A refrigerant, two-stage condenser and two circuit evaporator coil

- 1). New Trane 15-ton two-stage condenser
- 2). New Trane two circuit evaporator coil
- 3). New TXV and solenoid
- 4). Two new ACR copper line sets
- 5). R410A refrigerant
- 6). Crane
- 7). Wiring
- 8). Controls
- 9). Freight
- 10). Labor and tax
- 11). City permit

Total Investment: \$37,802.00 (Thirty-Seven Thousand Eight Hundred Two Dollars)

Note: Unit presently has a 6 week lead time from date of order.

PRICING VALID FOR 30 DAYS

ALL MATERIAL USED IN THIS CONTRACT IS GUARANTEED TO BE AS SPECIFIED, AND THE ENTIRE JOB IS TO BE DONE IN A NEAT AND WORKMANLIKE MANNER. ANY DEVIATION FROM THE WORK HEREIN AGREED UPON WILL BE MADE ONLY UPON A WRITTEN ORDER FOR THE SAME AND WILL INVOLVE AN EXTRA CHARGE OVER THE ABOVE ESTIMATE.

QUOTED BY: David McCollum, Vice President DATE June 4, 2014

ACCEPTED BY: _____ DATE _____



24 HOUR EMERGENCY SERVICE

172 Spirit Ave NW • Wilton, MN 56601
218-444-COOL / 218-444-HEAT • Fax 218-444-1920

June 3, 2014

Bemidji Public Works

We were called to check air conditioner June 2, was blowing breaker.
We found a burnt compressor. It appears to be caused by electrical problem, most likely lightning on Friday May 30.

- Quote to replace compressor
- Compressor
- Drier canister and cores
- Contactor
- R22 refrigerant
- Install material
- Freight
- Labor
- Total repair \$8,806.00

This unit uses R22 which EPA phased out. The unit does not remove enough humidity and should be replaced.

Faye Kroening
Dispatcher



Naylor Heating & Refrigeration
172 Spirit Avenue NW
Bemidji, MN 56601
218-444-4328 ext 111
Fax: 218-444-1920
Installing the Best, Servicing the Rest!

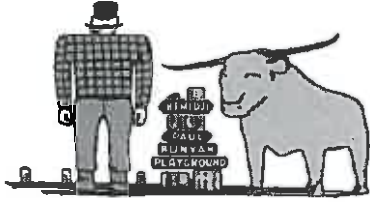
PRICING VALID FOR 30 DAYS

WIRING NOT INCLUDED

ALL MATERIAL USED IN THIS CONTRACT IS GUARANTEED TO BE AS SPECIFIED, AND THE ENTIRE JOB IS TO BE DONE IN A NEAT AND WORKMANLIKE MANNER. ANY DEVIATION FROM THE WORK HEREIN AGREED UPON WILL BE MADE ONLY UPON A WRITTEN ORDER FOR THE SAME AND WILL INVOLVE AN EXTRA CHARGE OVER THE ABOVE ESTIMATE.

QUOTED BY: _____ DATE _____

ACCEPTED BY: _____ DATE _____



City of Bemidji

Finance Office

Memorandum

To: Honorable Mayor and City Council

From: Ron Eischens, Finance Director *Ron*

Reviewed by: John Chattin, City Manager

Date: June 9, 2014

RE: 2015 Budget

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At the March 24th work session staff presented fifteen budget issues for consideration during the 2015 budget process. This memorandum and attachment provide the next budget step relating to general fund activities. The utility (water, sewer line, storm water and refuse) and other budgets will be discussed at a later date.

Staff's goal is to approach the 2015 budget as a long term process, similar to the capital improvement plan. This budget will challenge the City to prioritize issues and fund those of highest priority. **Controlled spending and creating new sources of revenue are critical to the City's future financial health.**

2015 Local Government Aid (LGA) and Property Tax Levy Limits

No significant changes to LGA funding were made. There are no levy limits in place, so the City has the ability to increase the tax levy as it deems appropriate.

Budget Options

The attachment is presented in two steps, the first represents budget changes required/recommended while the second step items are optional. A more detailed description follows:

Step 1

- Staffing and services remain at 2014 levels
- Reallocation of certain revenue line items to reflect historical amounts
- 2% staff cost of living increases as per union contracts and related payroll tax increases
- State of Minnesota mandated increase to PERA contributions of 1/4%
- Finance department staff reduction savings through retirement
- PTO increase for legal department to reflect historical costs
- Auto theft grant phased out
- Property/liability insurance, utilities and fuel increases to reflect historical amounts
- 30th Street Trail project funding of \$50,000 approved as part of the 2015 street reconstruction program
- Capital Improvement Plan funding increase

This step requires funding of \$184,403, equivalent to a 4.4% levy increase. Funding alternatives are discussed later.

Step 2 – Includes step 1 plus **optional** items such as annexation of Phase II of Northern Township, additional staffing and other items.

Phase II annexation of Northern Township included the following:

- Add one street maintenance and building department position
- Increase annual street maintenance program

Having annexation effective July 1st avoids confusion over who is responsible for winter snow plowing. Phase I annexation was effective May 21⁰². The City would not receive any property tax benefit in 2015 but would in 2016.

Step 2 does not include all items presented on March 24th but includes enough to generate a substantial levy increase. Total impact of optional budget items is \$434,000, equivalent to a 10.4% levy increase.

Potential Funding Sources

Property Tax Levy

A 1% levy increase generates approximately \$42,000 in additional tax revenue. The owner of a \$100,000 average home pays \$345 in City taxes. The City assessor estimated new construction value will add 1.4% to the City tax base, which means raising the levy by 1.4% will not increase property owner's taxes. The estimated City tax impact on the average home and business is provided at the bottom of the attachment.

If the City is to benefit from the annexation area tax base, it will require a levy increase of 5% in 2016. Keep in mind this levy increase will **not** increase an

individual property owner's taxes. One of the primary reasons for annexation was increasing the City tax base. If the levy is not increased, there would effectively be a tax decrease for property owners.

Gas/Electric Franchise Fees

A source of additional revenue is the gas/electric franchise fee. The City is authorized up to 5% and are currently at 4.5%. If implemented, the remaining .5% would generate \$98,000 in new revenue. This increase can be implemented at any time.

Liquor Store Profits

Currently the City liquor stores generate \$700,000 in annual profits, of which \$340,000 is transferred to General Fund to keep property taxes down. This leaves \$360,000 available for other purposes. Using an additional \$50,000 of liquor profits to subsidize the General Fund budget is presented as an option.

If the Council is interested in replacing the Discount Liquor store in the future, or expanding store locations, liquor profits should be accumulated for these purposes. Additionally, liquor profits could be utilized if land sales on the South Shore do not meet bond payment requirements. For these reasons staff do not recommend utilizing liquor profits to fund on-going expenses.

Service Reductions

The Council can reduce services in one area to increase services in another.

Hospitality Tax/Fire District Fee

New revenue sources are important because they add stability to City finances, not to mention provide opportunity for reduced property taxes. Either one of these revenue sources could provide substantial property tax relief. The City should make it a priority to develop community support for new revenues sources prior to the start of the next legislative session.

SUMMARY

Review the attachment and provide direction to staff as to changes to make to the 2015 General Fund Budget.

**CITY OF BEMIDJI
2015 BUDGET**

<u>Revenue Adjustments</u>	<u>Amount</u>	<u>Levy Impact</u>
Tax revenue sharing with townships - Phase I	43,000	
Liquor Licenses	14,000	
MSA Street Maintenance	6,000	
Misc	(6,000)	
Gas/Electric Franchise Fees	(57,000)	
Net Revenue Adjustments	-	

<u>Required Expense Adjustments</u>		
2% Cost of living	78,076	
FICA/PERA Payroll taxes	11,400	
State mandated PERA contribuiton increase	8,300	
Finance Dept staff reduction through retirement	(50,144)	
PTO - Legal	7,500	
Auto Theft Grant Phase out	25,000	
Liability/Property Insurance - Various Depts	13,300	
Motor Fuels - Various Depts	17,000	
Water/Sewer/Refuse - Parks	5,000	
Storm Water - Parks	2,000	
30th Street Trail	50,000	
Capital Improvement Plan Increase	16,971	
Net Expense Adjustments	184,403	4.4%

Optional Budget Items

<u>Annexation Impacts</u>		
Street Dept Employee	60,000	1.4%
Street Maintenance Program	25,000	0.6%
Bldg/Rental Inspector	63,000	1.5%
Cable/Franchise Fee increases due to annexation	(15,000)	-0.4%

<u>Other Options</u>		
Sanford Center Capital Replacement	185,000	4.4%
Traffic Calming Measure - local grant match	80,000	1.9%
Building Maintenance Technician	40,000	1.0%
Community Service Officer	65,000	1.6%
Local Match on COPS Grant	28,000	0.7%
Fire Marshall	51,000	1.2%
Use of additional profits	(50,000)	-1.2%
Gas/Electric Franchise Fee increase from 4.5% to 5%	(98,000)	-2.4%
Total Optional Items	434,000	10.4%

Total potential increase	618,403	14.8%
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<u>Annual Impact on Average Valued Home/Business</u>	<u>Home \$100K</u>	<u>Business \$300K</u>
4.4% levy increase	10	77
10% levy increase	30	220
15% levy increase	47	348