

BEMIDJI CITY COUNCIL CITY OF BEMIDJI

NOTICE OF REGULAR MEETING PURSUANT TO MINNESOTA STATUTES SECTIONS 13D.04 AND 13D.021

NOTICE OF REGULAR COUNCIL MEETING BY TELEPHONE OR OTHER ELECTRONIC MEANS

NOTICE IS HEREBY GIVEN that the City Council of the City of Bemidji will hold its Work Session on Monday, July 13, 2020 at 6:00 p.m. at Bemidji City Hall.

In accordance with the requirements of Minn. Stat. Sections 13D.04 and 13D.021, Mayor Rita C. Albrecht, has determined that an in person meeting is not practical or prudent because of a health pandemic and Peace Time State of Emergency, declared under Chapter 12 of the Minnesota Statutes.

Because of the health pandemic and Peace Time State of Emergency, it has been determined that attendance at the regular meeting location by members of the public is not feasible.

Because of the health pandemic and Peace Time State of Emergency, it has been determined that the physical presence at the regular meeting location by at least one member of the body, chief legal counsel or chief administrative officer is not feasible.

Therefore, some or all of the City Council members may be participating by telephone or other electronic means.

To join by video conference, go to Cisco Webex website (www.webex.com), click on “join” in the upper right corner and enter information below (access will open at 5:15 p.m.):



- **Enter meeting number: 126 006 0222**
- **Enter meeting password: fM3DXmH3yu2 (36339643 from phones & video systems)**
 - **Click Join Meeting**

To join by phone, dial: +1-408-418-9388. Enter meeting number (access will open at 5:15 p.m.):

- **126 006 0222 #**
- **Press # for no attendee ID number**

BEMIDJI CITY COUNCIL

Work Session Agenda

Monday, July 13, 2020

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



1. CALL TO ORDER / ROLL CALL

2. 2021 BUDGET (FMP)

3. ADJOURNMENT

Financial Mgmt Plan/Budget - Update 7/13/2020



Recap

- ▶ Last discussed Feb 25th – world has changed since then
 - ▶ Described City at “crossroads” at that time
 - ▶ Currently financially healthy
 - ▶ 50% reserve levels (\$6.4 million) in General Fund
 - ▶ \$1.4 million in construction fund (12/31/19) – unfunded project needs
 - ▶ \$8.5 million cash in water/sewer fund – to be discussed in rate study
 - ▶ Adequate liquor reserves to meet bond requirements
 - ▶ Challenge is funding upcoming infrastructure needs
 - ▶ Water Treatment Plant – state bonding?
 - ▶ WWTP improvements – sales tax?
 - ▶ Sanford Center – special use tax?
 - ▶ Without outside funding – significant utility rate and/or tax increases

Recap - continued

▶ 3 Primary topics discussed in February

- ▶ Annexation - Phase III \$60 million market value increase
- ▶ Sanford Center Capital Funding - search for funding source
 - ▶ \$230K funded versus \$750K projected annual need
- ▶ Operations
 - ▶ Year 3 of Union contracts - negotiations start in mid 2021 for next 3 yr cycle
 - ▶ Non-personnel costs have not increased since 2016 - impacts service levels
 - ▶ New staff requests - discussed in more detail later
 - ▶ Deputy Fire Chief
 - ▶ Police Officer
 - ▶ Evidence Technician
 - ▶ JPB Enforcement position
 - ▶ Street Dept employee - start fall 2020

Staff recommendations

▶ Goals

- ▶ Recognize COVID impact
- ▶ Balance with growth/service demands
- ▶ Budget target - zero tax RATE increase
 - ▶ Meaning - if property value stays same, no City tax increase
 - ▶ City tax rate same since 2015 - due to market value growth
 - ▶ Utilize annexation property value and new construction
 - ▶ Allows for additional tax revenue but no rate increase
- ▶ **Recommendations are compromises but not ideal**

Step 1 - Revenue Adjustments

- ▶ Adjust Revenue to reflect historical trends or new sources
 - ▶ \$76,000 - Rural Fire Contribution - (new lease and dep fire chief)
 - ▶ \$50,000 - Refuse profits - enterprise fund like liquor
 - ▶ Currently use \$126,000 for admin costs and tax reduction
 - ▶ \$108K remaining profits avail after capital expenditures in 2018/19
 - ▶ \$10,000 - Police state aid
 - ▶ \$10,000 - County court fines
 - ▶ \$(8,000) - PERA Aid - state eliminated this funding program
 - ▶ \$(8,000) - Insurance refunds
 - ▶ \$130,000 - Revenue increase

Step 2 - Expense Adjustments

- ▶ Adjust expenses to maintain services and union agreements
 - ▶ Personnel - largest budget cost for all depts
 - ▶ \$ 356,200 COLA, steps and benefit adjustments
 - ▶ \$(119,000) Community Development Director not replaced
 - ▶ \$ 60,000 New Police Evidence Technician - Jan 2021
 - ▶ Frees up officer time
 - ▶ \$ 50,000 New Deputy Fire Chief - July 2021 - (Jan 2021 requested)
 - ▶ 42% paid by Rural Fire Association
 - ▶ \$ 80,000 Asst Attorney (added in 2020, not all originally budgeted)
 - ▶ \$ 30,000 New Street Dept employee salary for 8 months
 - ▶ \$ (9,000) Finance Support staff
 - ▶ \$ 448,200 Additional personnel costs

Expense Adjustments - Continued

▶ Other Expense Adjustments

- ▶ \$ 86,000 - annexation revenue sharing payment to Northern Township
- ▶ \$ 55,000 - Northern fire station lease payment - 42% paid by Rural Fire
- ▶ \$ 46,000 - reduced grant funding for police department
- ▶ \$ 40,000 - funding for City building maintenance - (Facility Manager)
 - ▶ Funding needs:
 - ▶ \$50K for building temperature control updates - various bldgs in 2020
 - ▶ Historic Depot repair/maintenance needs
 - ▶ Janitorial services - part time contract?
 - ▶ Annual CIP amount of \$42,000 - not finished
 - ▶ \$40K not enough but good starting point

Expense Adjustments - Continued

- ▶ \$ 25,000 - Public Works building operating expense allocation
 - ▶ Operating costs of PW Bldg increasing - utilities, maint, etc
- ▶ \$ 30,000 - Technology/licensing/Facebook archiving costs
- ▶ \$ 16,000 - Council Dues and Travel - no increase since 2016
- ▶ \$ 15,000 - Police records clerk services
- ▶ \$ 13,000 - Carnegie operating costs
- ▶ \$ 29,000 - Capital improvement plan
- ▶ \$(10,000) - Elections
- ▶ \$345,000 - Other expense increases

Levy Discussion - Background

- ▶ 2020 Tax levy consists of \$6.1 million:
 - ▶ General Fund - \$4.9 million - 80%
 - ▶ Sanford Center Capital Replacement - \$230,000
 - ▶ Street Improvement Program - \$425,000
 - ▶ Debt repayment - South Shore land and PW Building - \$590,000

Levy discussion - Continued

- ▶ Amount necessary to reach ZERO rate impact - **\$266,000**
- ▶ Options
 - ▶ Reallocate levy amounts previously discussed
 - ▶ Use reserves - construction or general fund
 - ▶ Both of above are temporary solutions
 - ▶ Service reductions - budget cuts
 - ▶ Combination of above

Staff Recommendation

- ▶ Street Improvement levy reallocation - \$40,000
 - ▶ Reduce street levy by \$40,000 - reallocate to general fund
 - ▶ Increase assessment charge per linear foot to \$45 versus \$38
 - ▶ Increases revenue by \$40,000 - no impact to street program
- ▶ Sanford Center Capital reduction - \$200,000
 - ▶ Reduce SC CIP levy from \$230,000 to \$30,000 - reallocate to Gen Fund
 - ▶ Capital funding not adequate - special use tax
- ▶ PW Building bond refinancing savings - \$26,000
 - ▶ From bond refinancing to lower interest rate in 2019
- ▶ Combination of above strategies generates necessary \$266,000

What ISN'T in 2021 Budget

- ▶ Police officer - deferred to determine annexation impact
 - ▶ Evidence Technician - less expensive and frees up officer time
- ▶ JPB Enforcement position - deferred \$29,000 - use JPB reserves?
 - ▶ Defer discussion until after next slide
- ▶ Fire staff reorganization - deferred
- ▶ Operating expenses - not increased since 2016 - service impacts
 - ▶ 3 out of last 4 years General Fund has had deficit
- ▶ Sales tax collections - adequate to cover bond payments?
 - ▶ Through March collections have been equal to 2019

Summary

▶ Revenue Increases	\$ 130,000	
▶ Personnel increases	\$ (448,200)	
▶ Other expense increases	\$ (345,000)	
▶ Levy reallocation	<u>\$ 266,000</u>	<u>Levy Change %</u>
▶ LEVY INCREASE	\$ 397,200	6.5%
▶ Phase III Annexation		(5.5%)
▶ New Construction Value		<u>(1.0%)</u>
▶ <u>Net Tax Rate Impact</u>		<u>Zero</u>
▶ 1% levy increase = \$61,000		
▶ Council comments/questions?		