

# CITY COUNCIL PROCEEDINGS

## BEMIDJI, MINNESOTA

### Work Session – August 10, 2015

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, August 10, 2015, at 5:30 p.m. in the Council Chambers of City Hall, Mayor Albrecht presiding.

Upon roll call, the following Councilmembers were declared present: Albrecht, Meehlhause, Hellquist, Johnson, Olson, Erickson Absent: Larson

Staff Present: City Manager Nate Mathews, Finance Director Ron Eischens, Fire Chief Dave Hoefer, Public Works Director Craig Gray, Parks & Recreation Director Marcia Larson, Police Captain James Marcotte, City Clerk Kay Murphy

Mayor Albrecht stated that the purpose of the work session was to review the 2016 Financial Management Plan.

Finance Director Eischens stated that the goal of the 2016 budget was to view the process on a longer term basis. At previous work sessions, staff presented several issues for consideration and direction. Many of these items were eliminated due to cost or timing.

#### Revenue Adjustments

Eischens noted that various line items were increased or decreased to reflect historical trends. He stated that Phase I annexation revenue sharing with Bemidji and Northern townships is no longer required, resulting in a savings of \$34,500. LGA is proposed to increase \$10,698. Phase II annexation of Northern Township is assumed late 2015, therefore increases in cable and gas/electric franchise fees were budgeted. The impact of these revenue changes result in a \$118,198 increase, equivalent to a 2.6% levy reduction.

#### Expenses

Several items were discussed in May or at a closed work session on July 13. Those items resulted in a total expense increase of \$446,000, equal to 9.9% levy increase.

#### Other considerations/updates

The City received a State of Minnesota Auto Theft Grant for the period of July 1, 2015 to June 30, 2015 resulting in a 2016 budget savings of \$55,000.

Police Department Overtime - The Police Chief and Captain reviewed overtime and determined that a significant portion was contributed to larger turnover in personnel in recent years. Overtime costs should stabilize and scheduling training to occur more often on non-overtime status, as well as lowering court call back time, should keep this line item adequate with a \$20,000 increase.

Kitchigami Regional Library – The City received notification from KRL of an increase of \$3,786 for 2016. Eischens advised that this increase is contingent on Beltrami County increasing their contribution as well.

Beltrami County Contracts - The City contracts with Beltrami County for MIS, assessing and legal services. The County has indicated that their general wage increase for 2016 is 3% and requires an increase of \$5,791.

Joint Planning Shared Position – The wage ages for this position is \$44,000, the city share is \$22,000 which is \$2,000 higher than budgeted in 2015. Councilor Erickson noted that the City pays a portion of these wages through its share of the Joint Planning.

Street Dept. Employee – Based on recent discussions with Northern Township, the City is likely to annex a portion of Phase II in 2015. Annexation will not require the hiring of an additional street department employee. **Council concurred with Eischens recommendation for reallocation as follows: 1) Council travel \$3,000; 2) Greater Bemidji \$5,000; 3) Stormwater fees to cover new City parks \$10,000; 4) Liability insurance \$20,000; and 5) property insurance for new fire station \$7,000.**

Eischens stated that based on the Rural Fire Association's lack of support for a new fire fighter position in 2016, it was not budgeted. However, the fire department will receive administrative support of 8 to 12 hours per week from current city staff, which will provide some relief to the department at no additional cost.

Eischens summarized that assuming the proposed revenue and expenses items are approved, the levy increase for 2016 would be 6.6%.

### **Levy Reallocation**

Eischens stated that the South Shore land sale revenue will not meet amounts originally projected. Therefore, he recommended that the Council plan now for a shortfall in meeting bond payments. Assuming land sales are significantly lower than the City's realtor projected, the City could face a \$3 million bond shortfall over the next 13 years. He recommended that the City set aside funding to cover the shortfall as follows:

- Sales tax bonds – The local sales tax collections have been strong since inception, increasing an average of 4.6% versus projections of 3.3%. Staff recommended reducing this levy by \$40,599 at this time.
- 30<sup>th</sup> Street Trail Project – A one-time 2015 cost of \$50,000.
- Public Works Building bond payment – Due to refinancing these bonds to a lower interest rate, saves the City \$24,786 annually.

**Council concurred with Eischens recommendation to reallocate funds in the amount of \$115,385 to the South Shore Bond Repayment Subsidy.**

### **Future Financial Challenges**

Eischens stated that new revenue sources are important because they add stability to City finances. Paying for and maintaining regional City amenities such as streets, parks, trails, event center and City buildings with local property tax dollars creates financial challenges for the City. Eischens then reviewed a number of unresolved long-term budget issues. Developing community support for a 1% hospitality tax on lodging and restaurants is critical.

Eischens stated that the South Shore Park lakebed cleanup is anticipated to be completed this fall. There is no funding or plans for park amenities or roads. He suggested that if the Council desired these items for the area that the levy could be increased to cover the costs. Discussion followed regarding the cost to restore the stone building and extending the road.

Parks & Recreation Director Larson stated that it is unknown if the stone building is structurally sound and how much it would cost to restore it. Staff noted that extending Central Avenue with a drop off is approximately \$100,000.

Johnson stated that basic amenities in this park could potentially help future south shore land sales.

Hellquist suggested that any park amenities that are done should be minimal. He further stated that it might be more cost effective to use the stone building for storage and construct new restrooms. Larson responded that she would have to check with the Joint Planning Office to see what could be done at this area.

Council discussed various options to fund the park, i.e., liquor store versus levy increase.

**Council directed staff to have an architect look at the stone building at the south shore to determine if it is structurally sound. The Council will review prior to setting the preliminary levy to determine if it is feasible to fund the project in 2016.**

Mayor Albrecht commented that she would like to see an increase to the Parks budget for maintaining current parks. She noted that Diamond Point Park is already showing signs of wearing.

Discussion followed regarding the Neilson-Reise Arena as the building and ice plant are in need of significant upgrades with costs in the \$3 to \$6 million range. **Consensus of the Council was that another work session is needed regarding this facility.**

### **ADJOURN**

There being no further business, motion by Hellquist, seconded by Meehlhause, to adjourn the meeting. Motion carried. Meeting adjourned at 6:35 p.m.

Respectfully submitted,



Kay M. Murphy  
City Clerk