

CITY COUNCIL PROCEEDINGS

BEMIDJI, MINNESOTA

Work Session – August 11, 2014

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 11, 2014, at 5:30 p.m. in the Conference Room of City Hall, Mayor Albrecht presiding.

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

Staff Present: City Manager John Chattin, City Attorney Alan Felix, City Clerk Kay Murphy, Police Chief Mike Mastin, Finance Director Ron Eischens, Parks & Recreation Director Marcia Larson, Fire Chief Dave Hoefer, Building Official Mike Miller, Arena Attendant Evan Meyer

Others Present: Parks & Trails Commission Members – Dan Rice, Don Heinonen

Neilsen-Reise Arena Evaluation Results

Scott Ward, Stevens Engineering, reported the results from their recent evaluation of the building, mechanical and ice systems for the City's arena. He noted that the facility has been well maintained. However, the 47 year old, pre-engineered metal building is showing signs of deterioration. The main concerns are the condition of the roof and mechanical systems. Some leaks in the roof are starting to occur and condensation is affecting the ice quality, wall, roof systems and energy use. The existing refrigeration system was manufactured in 1972 and was installed in the facility around 1987 and has well exceeded its 25-year expected life. The ice system uses R-22 refrigerant which is scheduled to be phased out by 2020 due to its adverse environmental effects. He stated that as the phase-out date approaches, the cost of R-22 will increase.

Ward reviewed the estimated cost of improvements to the arena:

<u>Phase 2</u>	
Roof Replacement – Spray foam insulation	\$419,482
Wall Improvement – Rigid foam metal panel	\$520,030
<u>Phase 2 or 3</u>	
Ice system replacement	\$1,981,220
Refrigeration room improvements	\$93,100
Demand control ventilation	\$16,963
Ice equipment room ventilation	\$47,495
<u>Phase 4</u>	
New lobby addition (6,000 sf)	\$1,062,000 to \$1,416,000
New Arena (32,000 sf)	\$6,159,600 to \$7,542,000

Ward stated that implementing recommendations is not only necessary in some cases but will provide a strong operational and structural foundation for the facility over the next 25 to 30 years.

Larson stated that the arena is home to Bemidji Figure Skaters as well as utilized by a variety of youth hockey organizations. It is the only year round ice arena in this region, it is highly used and the single sheet of ice is needed by the community to continue to provide the current level of service. Larson stated that if the Council is interested in continuing to operate the City arena, she recommended that the dehumidification system be replaced in 2015 at an estimated cost of \$329,072.

Discussion continued regarding the cost of the recommended improvements to the arena and the future of the City's arena. Meehlhause suggested that a group be formed to discuss ice needs in the community.

Hellquist stated that if the City taxpayers are paying for major improvements at the City's arena, it should be a referendum question on the ballot.

2015 BUDGET DISCUSSION

Eischens stated that based on previous 2015 budget discussions, the following items have been added to the proposed 2015 budget:

- Traffic calming measure local grant match in the amount of \$80,000 – Capital Improvement Plan;
- Grant matching costs of \$28,000 for one police officer funded through COPS grant; and
- Use of \$50,000 of liquor profits to subsidize General Fund budget, effectively reducing property taxes.

Northern Township Annexation

Eischens stated that staff have recommended an effective date of July 1, 2015 for Phase II annexation in Northern Township to avoid snow plowing confusion. The City would not receive any property tax benefit from annexation until 2016.

Gray stated that adding additional streets due to annexation increases the street rotation from 100 years to 110 years, etc. The current street improvement budget does not take into account inflation. Gray stated that annexing Northern Township roads is not a hardship.

Chattin noted that from a fiscal perspective annexing Phase II in Northern Township is positive; however, there are properties in Phase III that are detrimental to the City's budget. Discussion continued regarding 2018 and areas in Bemidji Township that are not a revenue source but a "drain" on City resources.

Consensus of the Council to annex Phase II Northern Township properties effective July 1, 2015.

Long-Term Budget Considerations

Eischens reviewed the following long-term issues that the Council should consider as they may have significant impact on future budgets:

- South Shore Land Bond Payments – Based on land sale proceeds received to date, there is sufficient cash for bond payments through the end of 2015. If no land sales occur before December 2015, the City will need \$239,000 to meet 2016 bond requirements.
- Neilson-Reise Arena – Eischens stated that as discussed earlier in the meeting, the building and ice plant are in need of significant upgrades. He recommended that the Council should decide what policy direction to take regarding this facility.
- South Shore Park and Beach Cleanup – Depending on the City's recent grant application for lake bed cleanup, there remains significant obligation if the Council still desires to complete a park on the South Shore.
- Sanford Center – Staff discussed briefly potential financial ramifications at the Sanford Center due to water leaks including legal costs and other costs to resolve this matter.
- Birchmont Drive Assessments – The outcome of this legal case may remain unresolved until 2015 or beyond and may require City funds to resolve the matter.
- Capital maintenance of City buildings and infrastructure – Eischens stated that funding to keep City buildings, streets and infrastructure in good condition requires adequate on-going funding. He stated that funding depreciation completely perhaps is something that the City cannot afford to do.
- Annexation – Eischens suggested that phasing in the costs of new positions needed due to annexation.

Optional Budget Items

- **Sanford Center Capital Replacement** – Eischens stated that the Council has discussed funding for future major capital repairs at the Sanford Center but clear direction was not provided. He stated that deferring the decision on this issue only compounds the problems. He noted that BSU budgets replacements at a \$1 per square foot which equates to \$185,000 annually for the event center. VenuWorks estimated the annual amount for major repairs at \$230,000.

Erickson stated that if the Council does not plan for the future of the Sanford Center, they would be "derelict in their duties and not good stewards". Erickson stated that the city plans all the time for future expenses and why would the City ignore its most valuable asset.

Hellquist wondered if this fund would build to a certain level and if is not used would there be a cap placed on the amount of the funds to set aside for capital repairs. Erickson stated that she did not think so as in ten years at \$185,000 that would only be \$1.8 million.

Olson noted that \$185,000 is a 4.7% levy increase and observed that most government spending is on credit.

Chattin commented that it is purely a philosophical discussion and funding depreciation does not work. One of the reasons that governments do not fund depreciation is because those who are paying for the upgrade in the future may not be around to use it.

Mayor Albrecht stated that \$185,000 per year is more than she wants to levy just to put aside for future repairs at the Sanford Center. She could support something under one percent as the City has so many current needs, i.e., underground utilities, streets, additional employees.

Eischens stated that he understands the theory behind not funding depreciation but, from his perspective, he does not want to be sitting at the table with no money to fix a major repair.

Motion by Erickson, seconded by Thompson, to budget \$1 per square foot or \$185,000 per annum for major capital improvement funding at the Sanford Center beginning in 2015. Motion failed with the following vote: Ayes: Hellquist, Erickson, Thompson. Nays: Albrecht, Meehlhause, Olson.

Motion by Olson, seconded by Thompson, to budget \$84,000, or 2% levy, for major capital improvement funding at the Sanford Center beginning in 2015. Motion carried with the following vote: Ayes: Olson, Meehlhause, Erickson, Thompson, Hellquist. Nays: Albrecht.

- **Fire Marshal/Inspector** – The goal of the Fire Department is to reduce the impact of fire on the community by providing fire prevention and emergency response. Fire Chief Hoefer stated that currently public education, code enforcement, and fire protection is performed on a minimal basis, if at all. The creation of a Fire Marshal/Inspector would allow implementation of a more effective fire prevention program. **Consensus of the Council was not to add this position in 2015.**
- **Building Maintenance/Inspector** – Eischens stated that currently several City staff fill the role of building maintenance, most of which do not have the technical experience or background for the position. Building Official Mike Miller stated that he does routine maintenance tasks at City Hall and at other City buildings. The Building Department staff could generate \$50,000 in revenue in 2014 to review plans for state projects. This revenue stream would average \$35,000 annually in the future. Eischens stated that hiring a full-time person to handle both building inspection as well as maintenance duties would be an effective utilization of resources. Total cost of \$65,000 less \$35,000 funded through building plan review fees. Discussion continued on what would be required of the position.

Chattin stated that the building official has \$50,000 in state fees that he could collect if he gets time to do the work. It was noted that the building official has gone through a lot of work to get certified to do state contracts.

Consensus of the Council was to include a building maintenance/inspector at \$30,000 or .7% levy increase in 2015.

- **Community Service Officer (CSO)** – Chief Mastin discussed the need for an officer to perform community-oriented policing functions. The cost for a CSO would be \$65,000. Eischens noted that Chief Mastin has applied for a COPS grant and the Council has previously set aside the \$28,000 match. **Consensus of the Council was to increase the levy by .9% or \$37,000, if the City does not get the COPS Grant.**
- **Neilson-Reise Arena** – Eischens stated that the Council had discussed the arena's needs earlier in the meeting. Larson noted that there is \$70,000 budgeted for replacement of the dehumidifier which reduces the request from \$350,000 to \$280,000. Meehlhause stated that having the arena year-round provides a good service for the community and felt it important that the City keep it going. Albrecht stated that if the dehumidifier is fixed it would buy some time to get the interested users together to discuss the future of this arena. Hellquist stated that the arena is for the "elite" and nobody is lining up to help with it.

Motion by Thompson, seconded by Meehlhause, to include a dehumidifier for the Neilson-Reise Arena in the Capital Improvement Plan in the amount of \$56,000 for

five years, or a 1.3% levy increase in 2015. Motion carried with the following vote: Ayes: Meehlhause, Thompson, Albrecht, Olson. Nays: Hellquist, Erickson.

- **Emergency Outdoor Warning System** – Chief Hoefler discussed the need to replace the City’s “aging” outdoor warning system. Replacement costs are approximately \$30,000 per siren or \$180,000 total. **Consensus of the Council was to study the need for and placement of sirens.**
- **Upstream TV** – Request for funding was withdrawn at their request.
- **Railroad Corridor Development** – Mayor Albrecht noted that development of the railroad corridor development would be a different kind of support not cash in the budget.

Annexation Impacts

The Council discussed the impact of the 2015 annexation impacts regarding additional streets maintenance. **Consensus by the Council to increase the annual street maintenance program in the amount of \$25,000 or .6% levy and add a street department employee for part of 2015 at a cost of \$30,000 or a .7% levy increase.**

Bemidji Downtown Authority Survey

Gray noted that the BDA would like to discuss their wants for downtown regarding winter time snow removal. Consensus of the Council was there would be no additional funds allocated for downtown.

Gas/Electric Franchise Fees

Eischens stated that a .5% increase of gas and electric franchise fees would generate approximately \$98,000 in new revenue. Eischens noted that increase of fees requires an ordinance process.

Motion by Thompson, seconded by Olson, to increase the gas and electric franchise fees from 4.5% to 5% to begin immediately. Motion carried with the following vote: Ayes: Albrecht, Thompson, Olson, Meehlhause. Nays: Hellquist, Erickson.

In summary, the levy increase for 2015 is 8.65% or an effective increase of 7.25% after consideration for value of new construction.

Eischens stated that at the Sanford Advisory Committee meeting they discussed crack sealing and LED lights for the parking lots. He suggested that the cost could be included in the CIP at a cost of \$24,000 to \$78,000.

Gray stated that he looked at the parking lot and crack filling could be done every other year.

Mayor Albrecht stated that it is difficult to make a decision without the information in front of the Council.

ADJOURN

There being no further business, Mayor Albrecht adjourned at 9:09 p.m.

Respectfully submitted,


Kay M. Murphy
City Clerk