

# CITY COUNCIL PROCEEDINGS

## BEMIDJI, MINNESOTA

### Work Session – August 22, 2011

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 22, 2011, at 5:30 p.m. in the Conference Room of City Hall, Mayor Larson presiding.

Upon roll call, the following Councilmembers were declared present: Larson, Waldhausen, Hellquist, Johnson, Albrecht, Negard, Thompson

Staff Present: City Manager John Chattin, City Attorney Alan Felix, Finance Director Ron Eischens, Fire Chief Dave Hoefler, Parks & Recreation Director Marcia Larson, Police Chief Jerry Johnson, Public Works Director/City Engineer Craig Gray, City Clerk Kay Murphy

#### Postal Service

**RESOLUTION NO. 5709: Opposing the Proposal to Transfer Certain Postal Services to St. Cloud was offered by Councilmember Thompson, who moved its adoption, and upon due second by Councilmember Albrecht was passed by unanimous vote.**

#### DNR Joint Power Agreement

Felix reviewed the Joint Powers Agreement with DNR for the remaining unfinished Paul Bunyan Trail corridor links in the city. The agreement calls for the City to be a lead agency responsible for the crossing of the BNSF active railroad corridor at Clausen Avenue.

**RESOLUTION NO. 5710: Authorizing Joint Powers Agreement with the Mn Department of Natural Resources for the Paul Bunyan State Trail – Clausen Avenue was offered by Councilmember Thompson, who moved its adoption, and upon due second by Councilmember Hellquist was passed by unanimous vote.**

#### 2012 Budget

Eischens reviewed the proposed 2012 City Budget stating that for the last two years the budget process has been reactionary to state aid reductions resulting in “no change” or reduced operational budgets. City staff have worked diligently to maintain service levels despite reduced staff and budgets during this time period. He stated that the major focus of the proposed 2012 budget is operations and would result in a minimal 1.5% levy increase, due primarily to a proposed change in the gas and electric franchise fee structure. The proposed levy increase is needed to capture the tax capacity of new construction and would not increase the current tax rate. He stated that the City has more needs than it can afford to fund.

Eischens stated that in past years the Market Value Homestead Credit (MVHC) was a credit applied to homestead property, which reduced total taxes paid by a homestead property owner. The amount of the tax reduction, or credit, was reimbursed to the local taxing jurisdiction by the State. Beginning in 2012, the MVHC will no longer be a reduction in taxes paid, but rather a reduction in property market value. This will result in reduced property market value for the City and impact tax rates. In addition, the law change shifts the tax burden towards commercial properties as the market value reduction applies only to homestead properties. He stated that for 2012 the City will collect 100% of its tax levy directly from taxpayers and will not have to budget for the loss of MVHC payments from the State. He suggested that any additional revenues could be considered for meeting unmet needs or to build our surplus and tax revenues for further LGA cuts expected in the next biennium. He highlighted the following:

- Park Improvement projects including Algoma Park, North Country Park and the City Park Interlink Trail projects were not specifically funded but rather \$40,000 of annual liquor profits were budgeted to provide a funding stream for future park and trail improvement needs.
- Gas and Electric Fees – The current franchise fee established in March 2006 generates approximately \$280,000 annually using a fixed fee based on meter type. This fee is considered “compensation” to the City for its consent to issue a franchise to the utility companies and their use of City right-of-way to serve utility customers. Staff proposed a 3% usage based fee. Albrecht expressed concerns about the 3% usage fee on institutions, i.e., BSU, ISD #31.

- General Fund budget items of significance: Proposed increase of \$1 per canister for refuse, 3% increase to operational budgets (does not include personnel costs), \$20,000 to Street Department for increased annexation related costs, \$6,000 increase to Parks for maintenance on Algoma Park.
- Funding of street improvements. Eischens stated that the City is proposing a levy of \$350,000 for street improvements. He stated that any further reduction in funding will impact the quality of city streets.
- Uncommitted funds in the amount of \$269,000 could be available for other projects, providing sales and margins remains competitive. However, a large portion of this amount may be utilized to replenish the 2011 budget deficit.

Council discussed the following:

- Hellquist stated he was in favor in funding the police department to get officers to full force as it is a “quality of life” matter. Chief Johnson commented that the Auto Theft Grant may still be allocated and they are waiting for information on the COPS Grant.
- Waldhausen stated that he did not see a reason to increase the Council’s budget. In particular, he noted Council travel. Chattin stated that a better job could be done in carpooling to meetings; however, he would advocate for as many as possible of the council to attend League of Mn Cities and Coalition functions.
- Sanford Center – could be over budget by an additional \$150,000 for 2011. Concerns expressed about bond payments and lack of land sales. Eischens noted that bond funds currently have a deficit and could be offset by future land sales. Chattin stated that the bonds on the land are short-term bonds and due in February 2012. Staff will look at it the first of year to see if it is favorable to do another short-term bond issue.
- Albrecht stated that the JEDC has been actively transforming their organization and would like to see it funded. She stated that the City, over time, should be actively investing in economic development in our community. She suggested \$10,000 a year.
- Impact of annexation on the City budget. Gray stated that in 2015 there will be additional expenses for equipment and personnel for the second phase of annexation. Albrecht commented that the City doesn’t need to add more streets to maintain.

Waldhausen asked after all is said and done, will the \$350,000 get the same amount of street work done? Gray stated no, but it is good that the City is not bonding as a dedicated source of funding is necessary for this program. However, the proposed budget for the street renewal program is \$100,000 less than in 2011. Street work costs approximately \$1 million a mile and under 2011 funding levels we were on an 80-100 year street rotation. This will increase it to a 120 year rotation, which includes our state aid and stormwater contributions.

Eischens stated that it would be great to be able to set funds aside for the City buildings but the City is not in the position to do that.

Waldhausen stated that he does not want to be known as “the Council that let our City fall apart.”

Thompson asked about the status of Algoma Park at the time it comes into the City. Chattin stated that he received a call from a Northern Town Board member who asked if Northern Township transferred Algoma Park to the City, would it be dedicated as a park? Chattin indicated to that Board member that would be the City’s intention. However, Northern Township has yet to act on Algoma Park.

Gray noted that there are several items not in the 2012 budget, i.e., downtown summer employee, replacement of downtown benches and addressing QNI Study recommendation of filling in the gaps in sidewalks.

Johnson asked about the possibility of a Fire District and how that would impact the City’s budget. Chattin stated that the recommendation being made by the Committee, and based on the consultant that was hired, is that there be no Fire District but a joint powers entity. There will be a joint meeting on September 22 with the Rural Fire Service Committee in this regard.

**Motion by Negard, seconded by Waldhausen, directing staff to prepare the 2012 Preliminary Budget as follows:**

- **2% levy increase includes \$140,000 to fund two police officers, \$10,000 annual JEDC funding, 1% COLA; and**
- **3.5% usage based franchise fee on gas/electric utility bills.**

**All voted aye. Motion carried.**

**Motion by Albrecht, seconded by Waldhausen, to close the public hearing in accordance to in accordance with Minnesota Statute Section 13D.03, Subd. 1 for the purpose of discussing strategies for labor negotiations, including negotiation strategies or developments or discussion and review of labor negotiation proposals. Motion passed unanimously. Public hearing closed at 7:18 p.m.**

Present: Mayor, Council, City Manager, City Attorney, Finance Director, Public Works Director, and City Clerk

**Motion by Albrecht, seconded by Waldhausen, to reopen the meeting at 7:24 p.m. Motion carried unanimously.**

Other Issues

Chattin informed the Council that staff will be working with the GBJPB staff regarding possible amendments to the South Shore Planned Unit Development.

**ADJOURN**

There being no further business, motion by Negard, seconded by Hellquist, to adjourn the meeting. Motion carried. Meeting adjourned at 7:45 p.m.

Respectfully submitted,



Kay M. Murphy  
City Clerk