

BEMIDJI CITY COUNCIL

Work Session Agenda

Monday, August 27, 2018

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



1. CALL TO ORDER / ROLL CALL
2. 2019 FINANCIAL MANAGEMENT PLAN
3. ADJOURNMENT

NOTE: Please switch all cellphones and pagers to a non-audible function during Council and Committee meetings.

COUNCIL AGENDA ITEM



Meeting Date: August 27, 2018
Action Request: 2019 Financial Management Plan (Budget)
Prepared By: Ron Eischens, Finance Director *Ron*
Reviewed By: Nate Mathews, City Manager *Nate*

On June 25th Council reviewed 2019 proposed revenue and expense adjustments listed on attachment one. Since then, additional items were added (shaded lines) and described below:

Toward Zero Death (TZD) Grant – Police department received notice of an \$89,000 one-year grant towards a current officer position. Only \$66,750 is included because grant runs on a fiscal year from October to September, or nine months in 2019. The grant may be renewed in the future.

Legal Prosecution Services – Estimated savings of \$19,000 recognized from structure change in prosecution services as discussed at August 13th work session.

Expense adjustments, other than those presented on June 25th are shaded and discussed in more detail below:

Job Study/Personnel Costs

2019 personnel costs, specifically the implementation of the Job Study Recommendations, has been a significant consideration in the Council's preparation of the 2019 budget.

Several people have asked questions regarding why specific comparable cities were selected. As background, on January 16 the Council approved comparable cities based on:

- Organizational structure, service and staff levels
- Represent Greater MN regional centers
- Complexity and level of development activity
- Event Center and State University City (Mankato)

No single city is an "apples to apples" comparison to Bemidji, but through a combination of similar, but not identical cities, one gets an accurate representation of pay ranges. Because several Councilors asked about Mankato, we asked the consultant what impact removing Mankato would have on the study. The consultant removed Mankato and the overall market average impact was .45% lower. In other words, removing Mankato would have nominal impact on the proposed new wage scale and implementation cost. This demonstrates why multiple cities are utilized, to minimize the influence any one city has.

As mentioned by the Police Chief at the August 7th meeting, patrol officer wages, based on the job study will be \$.84 per hour lower than comparable cities. Despite this, the Chief is positive about implementing the job study. While the study is not perfect for each position, it is an improvement over the current situation and reflects job market conditions and internal position duty changes.

The two components of pay increases are cost of living (COLA) and market adjustments.

Cost of living (COLA): Based on information from the CGMC and League of MN Cities, union contract settlements for 2019 and 2020 range from 2.6% to 3% with settlement closer to 3% range in year 2020. In addition, the most current Consumer Price Index for July, an inflation indicator, for all urban customers is 2.95%. We recommend budgeting for an estimated COLA and negotiate COLA's and benefit changes with unions.

Based on job study results, attachment two identifies implementation options with associated costs and levy impacts. Costs are segregated between general fund and utility/other funds:

- **Option 1 – Closest step:** Each position moves to the step closest to, but greater than current rate of pay. On employee's position anniversary date, they advance to next step. City historically implemented this option. Average 2019 employee pay increases would be a negotiated COLA and market increase of 3.4%, with step increases available in the future.
- **Option 2 – Years of Service:** Positions move to pay step reflecting years of service with the City. For example, employees with 8 years or more of service move to top of new pay scale. Effectively, this loads the entire market increase into 2019 versus spreading out over several years as described in option one.

PERA/FICA – projected impact based on higher personnel costs

Union Negotiations

All five City union contracts expire December 31, 2018. City unions have submitted their notifications to start the negotiation process.

Reviewing the 2019 pay scale in the context of the 2019 budget will provide direction to staff regarding the negotiation parameters. Attachment number three represents the job study consultant's recommendation for the 2019 pay scale, not including COLA amounts. Council approval of the pay scale is recommended to provide union negotiation direction.

Other 2019 Budget considerations

Sanford Center Operating Contribution – The Council approved a booking/events policy that allows for a reduced event pricing structure for non-profit groups to conduct community related events at the Sanford Center. The impact of this policy amounted to \$116,000 in reduced revenue. In addition, maintenance contracts, utility costs and operating expenses have increased over time. With this in mind, increasing the annual operating contribution should be considered.

Community Development Director – based on Council consensus from June 25, estimated costs were calculated at \$80,000 for this position if hired approximately May 1st next year.

Veteran's Home Contribution – It hasn't been determined at this time the extent of the City's contribution to this project, but we have discussed a one-time cash donation, pledge/levy, and/or permit forgiveness.

Sanford Center Capital Replacement – funding to repair/replace building components is not sufficient. Based on a 50-year lifespan, average annual needs are the \$1 million range, with funding of \$180,000, leaving a shortfall of \$820,000. This shortfall may not be required for some time, but at some point it will become reality. Once again, the hospitality tax comes into play, both as a means to reduce property taxes, but also to fund capital replacement costs of this facility.

SUMMARY/RECOMMENDATIONS

Job Study

Recommend option one for job study implementation because:

- 1) Past practice used to implement new market studies
- 2) Cost impact spread over multiple years

COLA

Budget for an estimated COLA of 2.5% at this time. After meetings with Unions and finalized health insurance premiums, we will have a clearer picture of 2019 insurance costs and union expectations.

Sanford Center

Increase operating contribution by \$50,000, for an annual amount of \$450,000.

Community Development Director

Further discussion regarding the scope of the Community Development Director position is needed prior to finalizing this position and placing it in the 2019 budget.

Veterans Home

Since this project is a one-time cost, funding should could come from either liquor, general fund or construction reserve accounts.

Based on above recommendations, 2019 budgeted expense increases are \$161,909, combined with revenue increases of \$144,653, result in a levy increase of \$17,256 for 2019. When new construction value is considered, the potential levy **decreases** by nearly 2%. Despite the decrease, from a long-range planning perspective, staff suggest a small levy increase of 2%, to minimize future levy demands or prevent a levy spike. Depending on results of union negotiations and Council direction on the Community Development Director and Veteran's Home contribution, the levy can be lowered in December.

ACTION REQUESTED:

Motion to approve the following items:

- 2019 budget adjustments as presented on attachment two
- Direct staff to move forward with a 2% preliminary 2019 levy increase to be formally approved on September 17
- Approve 2019 pay scale as presented on attachment three

**CITY OF BEMIDJI
2019 GENERAL FUND BUDGET/TAX LEVY**

<u>Revenue Adjustments</u>	<u>Increase (Decrease)</u>	<u>Levy Impact</u>
LGA	6,303	
TZD Grant	66,750	
Police Aid	10,000	
Cable Franchise Fees	(7,000)	
Business Licenses	5,000	
MSA	10,000	
Engineering Admin	20,000	
Rural Fire Association Contribution	18,600	
School Resource Officer reimbursement	5,000	
Parking Tickets	10,000	
Revenue increase	144,653	-2.5%

<u>Expenses Adjustments</u>	<u>Increase (Decrease)</u>	
Job Study Cost	161,483	
Estimated COLA/Benefit impacts	156,177	
Sanford Center Subsidy	50,000	
Community Development Director	????	
PERA /FICA	47,649	
Workers Compensation premiums - (police and fire)	23,000	
North Fire Station Lease	24,000	
New street dept employee - (4 months)	24,000	
State required PERA - .75% for police and fire	21,000	
New full time CSO position	20,000	
Lakeshore Drive Grounds Maintenance	20,000	
Paid on call firefighter - call back time - same as full time	5,000	
Assessing and IT Services	4,400	
KRL Contribution increase @ 2.5%	3,400	
Legal Prosecution Services	(19,000)	
Revenue sharing annexation payment - Northern Township	(29,000)	
Contingencies	(47,800)	
Railroad Corridor transfers	(90,000)	
Admin support staffing	(98,400)	
Capital improvement plan	(114,000)	
Expense Increase	161,909	2.8%
Total Levy Increase	17,256	0.3%
<u>Less</u>		
Value of new construction value		-2.2%
Potential net levy decrease		-1.9%

**CITY OF BEMIDJI JOB STUDY
IMPLEMENTATION COSTS/OPTIONS
YEAR 2019**

<u>Option 1</u>	Move to closest step			Levy Impact
	73% Gen Fund	27% Util/Other	100% Total	
Market Adjustment	88,704	32,809	121,513	1.54%
COLA @ 2.25%	107,173	39,639	146,812	1.86%
Total	195,877	72,448	268,325	3.40%

<u>Option 2</u>	Years of service			Levy Impact
	73% Gen Fund	27% Util/Other	100% Total	
Market Adjustment	297,101	109,886	406,987	5.16%
COLA @ 2.25%	107,173	39,639	146,812	1.86%
Total	404,273	149,526	553,799	7.03%

ATTACHMENT # 2

**City of Bemidji
2019 Pay Scale
Without COLA**

Grade	Step								
	1	2	3	4	5	6	7	8	9
1	31,030.41	31,961.32	32,920.16	33,907.77	34,925.00	35,972.75	37,051.93	38,163.49	39,308.40
2	33,047.39	34,038.81	35,059.97	36,111.77	37,195.13	38,310.98	39,460.31	40,644.12	41,863.44
3	35,195.47	36,251.33	37,338.87	38,459.04	39,612.81	40,801.19	42,025.23	43,285.98	44,584.56
4	37,483.17	38,607.67	39,765.90	40,958.87	42,187.64	43,453.27	44,756.87	46,099.57	47,482.56
5	39,919.58	41,117.17	42,350.68	43,621.20	44,929.84	46,277.73	47,666.06	49,096.05	50,568.93
6	42,514.35	43,789.78	45,103.48	46,456.58	47,850.28	49,285.79	50,764.36	52,287.29	53,855.91
7	45,277.78	46,636.12	48,035.20	49,476.26	50,960.54	52,489.36	54,064.04	55,685.96	57,356.54
8	48,220.84	49,667.47	51,157.49	52,692.21	54,272.98	55,901.17	57,578.20	59,305.55	61,084.72
9	51,355.19	52,895.85	54,482.73	56,117.21	57,800.72	59,534.75	61,320.79	63,160.41	65,055.22
10	54,693.28	56,334.08	58,024.10	59,764.83	61,557.77	63,404.50	65,306.64	67,265.84	69,283.81
11	58,248.35	59,995.80	61,795.67	63,649.54	65,559.03	67,525.80	69,551.57	71,638.12	73,787.26
12	62,034.49	63,895.52	65,812.39	67,786.76	69,820.36	71,914.97	74,072.42	76,294.60	78,583.43
13	66,066.73	68,048.73	70,090.19	72,192.90	74,358.69	76,589.45	78,887.13	81,253.74	83,691.36
14	70,361.07	72,471.90	74,646.06	76,885.44	79,192.00	81,567.76	84,014.79	86,535.24	89,131.29
15	74,934.54	77,182.57	79,498.05	81,882.99	84,339.48	86,869.67	89,475.76	92,160.03	94,924.83
16	79,805.28	82,199.44	84,665.42	87,205.39	89,821.55	92,516.19	95,291.68	98,150.43	101,094.94
17	84,992.62	87,542.40	90,168.68	92,873.74	95,659.95	98,529.75	101,485.64	104,530.21	107,666.11
18	90,517.15	93,232.66	96,029.64	98,910.53	101,877.84	104,934.18	108,082.21	111,324.67	114,664.41
19	96,400.76	99,292.78	102,271.57	105,339.71	108,499.90	111,754.90	115,107.55	118,560.77	122,117.60
20	102,666.81	105,746.81	108,919.22	112,186.79	115,552.40	119,018.97	122,589.54	126,267.23	130,055.24
21	109,340.15	112,620.36	115,998.97	119,478.94	123,063.30	126,755.20	130,557.86	134,474.59	138,508.83
22	116,447.26	119,940.68	123,538.90	127,245.07	131,062.42	134,994.29	139,044.12	143,215.44	147,511.91
23	124,016.33	127,736.82	131,568.93	135,516.00	139,581.48	143,768.92	148,081.99	152,524.45	157,100.18
24	132,077.40	136,039.72	140,120.91	144,324.54	148,654.27	153,113.90	157,707.32	162,438.54	167,311.69
25	140,662.43	144,882.30	149,228.77	153,705.63	158,316.80	163,066.30	167,958.29	172,997.04	178,186.95