

BEMIDJI CITY COUNCIL

Work Session Agenda

Monday, August 8, 2016

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

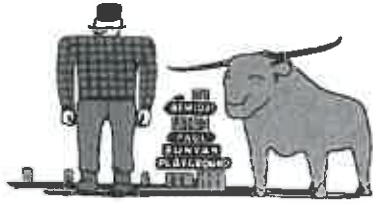


1. CALL TO ORDER / ROLL CALL

2. 2017 BUDGET/FINANCIAL MANAGEMENT PLAN (FMP)

3. ADJOURNMENT

***NOTE:** All cellular telephones, pagers and BlackBerry devices to be switched to a non-audible function during Council and Committee meetings.*



City of Bemidji

Finance Office

Memorandum

To: Honorable Mayor and City Council

From: Ron Eischens, Finance Director *Ron*

Reviewed by: Nate Mathews, City Manager *Nate*

Date: August 8, 2016

RE: 2017 Budget/Financial Management Plan (FMP)

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The Council last met to discuss 2017 budgetary/FMP issues in June with levy increases totaling \$418,952, corresponding to a net increase, after annexation of new construction, of one half of one percent. The purpose of this meeting is to discuss additional budget items listed on the attachment and further explained as follows:

Local Government Aid – The Legislative session ended without an approved tax bill including \$106,000 of additional LGA for Bemidji. A special session is possible but the budget will not include this item unless the tax bill is passed.

Street Reconstruction Funding – With the recent annexation of Phase II Northern Township, additional funding for the street maintenance program is necessary. An additional \$50,000, to \$425,00 annually, will keep the cycle of street replacement on a 105-year rotation. Future annexation in 2020 will add another 14 years to the rotation. The City's local street mileage has increased 32% between 2010 and 2020.

Parks operations and reforestation – With the completion of Paul Bunyan and South Shore Parks, keeping parks in good condition will be a larger financial expense. In addition, recent windstorms destroyed many trees in City parks. An additional \$25,000 will assist in maintaining parks as well as tree replacement.

JPB position to City Employee - The current contract for the JPB "code enforcement" shared position with the City expires in August. In order to retain this

JPB position to City Employee - The current contract for the JPB "code enforcement" shared position with the City expires in August. In order to retain this employee and provide expanded responsibilities in storm water management, staff recommend converting this employee to a City position. The majority (66%) of position funding will come from storm water fees, with the balance from General Fund, with no net levy impact because the City's contribution towards the JPB will be reduced.

Council pay – The most recent pay increase for Council was January 2007. Inflation since that time amounts to 19%, or the equivalent of \$2,000 per position, for a total impact of \$14,000.

Paid on Call Firefighters - Staff and Council Member Hellquist are in a holding pattern, waiting for a response from the Volunteer Firefighters on resolving the pension issue. Part of the "package" being discussed is an increase to the hourly rate of pay. Staff recommend budgeting a \$2 per hour increase at this time. Current paid on call pay rates range from \$11 to \$15 per hour, well below many of our parks and public works staff. Approving any pay increase will require council action at a later date.

Turnout Gear – Firefighters – the Long Range planning committee recommends turnout gear be treated as an operational expense since new personal protective gear is purchased every year. This adds \$11,000 to the fire department operational budget, which is offset by the Rural Fire Association's \$4,620 portion.

City Hall costs – it has been several years since City Hall cost allocations have increased. An estimated \$7,000 annually is requested to cover operational (utilities, maintenance, insurance, etc.) and future capital needs.

Youth Advisory Council – An increase of \$3,500 has been requested.

City Dues – a \$2,000 increase to cover higher dues for membership in the Coalition of Greater MN Cities and League of MN Cities organizations.

Other – listed on the attached are various other topics discussed by Council at the June work session. No amounts are listed.

Summary

The total proposed 2017 levy increase would be \$546,832, representing an 11.3% increase from last year, but equivalent to a 3.1% increase when new construction and annexation values are factored in. The impact on an average home value of \$115,000 would be a \$13 City tax increase.

If a special session is called and the tax bill approved, the increase in LGA will result in a 2% reduction in the tax levy.

**CITY OF BEMIDJI
2017 GENERAL FUND BUDGET/TAX LEVY**

<u>Description</u>	<u>Increase (Decrease</u>	<u>Levy Impact</u>
Levy Increase from 06/13/16 meeting	418,952	8.7%
Less		
Phase II annexation tax base		-4.4%
New construction and increase in property value		-3.8%
Effective levy increase	418,952	0.5%

Additional Budget Considerations

LGA Increase depends on tax bill	Unknown	
Street reconstruction funding	50,000	1.0%
Parks operations and reforestation	25,000	0.5%
Convert JPB Position to City employee	20,000	0.4%
Offsetting reduction JPB contribution	(20,000)	-0.4%
Council pay increase (\$2,000 per position)	14,000	0.3%
Paid on call firefighters	20,000	0.4%
Turnout Gear for Firefighter - operational	11,000	0.2%
Increase in Rural Fire Contribution	(4,620)	-0.1%
City Hall Operating and Maintenance Costs	7,000	0.1%
Youth Advisory Council funding	3,500	0.1%
City Dues - CGMC and LMC	2,000	0.0%
Subtotal	127,880	2.6%
Total Levy Increase/Net Effective %	546,832	3.1%
Gross Levy Increase		11.3%

<u>Annual Impact on Average Valued Home/Business</u>	<u>Home Value</u>	<u>Business</u>
3% levy increase	\$115K 13	\$365K 103