

# **BEMIDJI CITY COUNCIL**

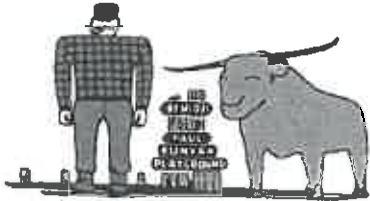
## ***Work Session Agenda***

**Monday, September 11, 2017**

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



1. CALL TO ORDER / ROLL CALL
  
2. 2018 FINANCIAL MANAGEMENT PLAN (FMP)
  
3. ADJOURN



*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:** September 11, 2017

**RE:** 2018 Financial Management Plan (FMP)

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This meeting is to discuss additional 2018 budget items listed on the attachment. At the June 26<sup>th</sup> work session, the projected 2018 levy increase was at a breakeven amount. Since that time, other issues have been presented to staff or Council and are listed on the attached and described below.

**Prosecution services** – The City pays the Beltrami County Attorney's office to provide prosecution services for City misdemeanor and gross misdemeanor cases. For 2018, the City was projected to pay \$153,000 for these services. The County recently requested a \$100,000 increase for these services. Staff believe some increase is justifiable based on caseload and time involved, but have not had time to complete research on alternatives as the County's request came late in our budget process. Considering the recent appointment of the County Attorney to judge, City staff propose a \$30,000 increase as a compromise. This amount recognizes the need for an increase while allowing the City and County to have further discussions and time to review alternatives.

**Railroad Corridor Study** – City hired the St Paul Port Authority to study the railroad corridor and prepare a plan for its future development. Staff estimate a \$90,000 cost for these services.

**Airport Fire services** – Currently, the Airport reimburses the City \$65,000 annually to provide fire services for daily flights. The airport is reviewing its ability to provide these services with its own staff. In preparation for this transition, staff recommend budget adjustments reflecting:

- \$65,000 reduction in airport reimbursements,
- (\$23,000) reduction in fire department expenses, (overtime, training, fuel)
- (\$17,000) increase in Rural Fire Association reimbursements (42%)

The above changes amount to a \$25,000 net budget impact or increase. Fire department staff levels will remain the same but duties reassigned, including commercial building inspections, to account for the additional staff time made available.

**Wolfe Center operational contribution** – The Council received a request for \$5,000 in operating funds.

**Youth Advisory Commission** – requested additional funding of \$2,500 for Evergreen Youth Services to continue to administer this program.

**Other items** – Council member suggestions/requests for items and/or projects?

**Funding option** – the attachment shows the property tax impact for the above 2018 budget items. Utilizing general fund reserves is an option to fund approximately \$69,000 of these items if the Council chooses to do so. Using reserves for budget funding is typically used for non-recurring or one-time expense items. The Railroad Corridor study may be funded with reserves, reducing the levy by 1.7%. However, there will be clean-up costs and local grant match requirements for infrastructure to prepare the site for development that need future funding sources.

**Hospitality Tax Update** – staff made several presentations to educate various groups regarding a property tax reduction plan by implementation of a hospitality tax. There does not appear to be adequate community support on this matter. Some prefer a sales tax, which has significant limitations, versus a hospitality tax. Until there is a united front and greater community support for a hospitality tax, new revenue to reduce local property taxes will not move forward.

### **Summary:**

The impact of approving the above expense items with property taxes is a levy increase of \$377,992, or 7% for 2018. The levy increase is reduced to 2.7% because of the value of new construction and decertification of a TIF district. Should the Council use undesignated reserves for the Railroad Corridor study, the levy impact could be 1.7% lower.

Provide staff direction on the 2018 budget items listed and funding sources in order to finalize the 2018 property tax levy. The preliminary levy will be adopted at the September 18, 2017 Council meeting.

**CITY OF BEMIDJI  
2018 GENERAL FUND BUDGET/TAX LEVY**

| <b>Revenue Adjustments</b>                                     | <b>Increase<br/>(Decrease)</b> | <b>Levy<br/>Impact</b> |
|--|--------------------------------|------------------------|
| <b>Levy Increase from June 26th meeting</b>                    | <b>225,492</b>                 | <b>4.2%</b>            |
| <b><u>Staff Recommendations or Council Approved Items</u></b>  |                                |                        |
| Additional funding for prosecution services provided by County | 30,000                         | 0.6%                   |
| Railroad Corridor Study  | 90,000                         | 1.7%                   |
| Fire department - airport reimbursements - net impact          | 25,000                         | 0.5%                   |
| <b><u>Additional Requests</u></b>                              |                                |                        |
| Wolfe Center Operational Contribution                          | 5,000                          | 0.1%                   |
| Youth Advisory Commission additional funding request           | 2,500                          | 0.0%                   |
| Other requests??   | -                              |                        |
|  | <b>377,992</b>                 | <b>7.0%</b>            |
| <b><u>Less Property Value increases</u></b>                    |                                |                        |
| Irvingboro TIF District Decertified                            |                                | -3.1%                  |
| Value of new construction value                                |                                | -1.2%                  |
| <b>Effective (Net) levy decrease</b>                           |                                | <b>2.7%</b>            |