

CITY COUNCIL PROCEEDINGS

BEMIDJI, MINNESOTA

Work Session – September 15, 2015

Pursuant to due call and notice, a special meeting/work session of the City Council of the City of Bemidji, Beltrami County, Minnesota, was held on Monday, September 15, 2015, 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, Johnson, Olson, Erickson, Larson

Staff Present: City Manager Nate Mathews, Finance Director Ron Eischens, City Attorney Alan Felix, Public Works Director Craig Gray, City Clerk Kay Murphy

CIP/Utility Cash Flow Annual Update

Eischens stated that his purpose is to review the projected financial results and related assumptions on City utility funds, which include water, sanitary sewer, storm water and refuse. He noted that historically the City hired the consulting firm Public Financial Management (PFM) to update the information. This year staff completed this project internally since the majority of the information was provided by City staff. Projections include the following major assumptions:

- Water Consumption – at the five year average of 425 million gallons. The implementation of state mandated water conservation rates in 2015 may reduce future water consumption, but using a five year rolling average accounts for weather and usage fluctuations. Sewer consumption is 20% lower (340 million) due to sprinkling meters not contributing to sanitary sewer flow.
- 2016 Proposed Rate Adjustments – proposed rate increases are 3% for water and sewer, no storm water rate increase and an increase of \$1.20 per month for 65 gallon refuse containers.
- Expense Growth – 3% annual increases
- Birchmont Drive Assessments – no additional City contribution is included in these projections to account for shortfalls, if any, on this project.

Sewer Fund Projection

Eischens stated that the Sewer Fund is expected to generate \$2.8 million in revenue for 2015. Capital improvement projects totaling \$5.6 million over the next five years reduce sewer reserves to \$2.5 million by 2020. Staff believes operating results and reserves are appropriate.

Water Fund

Eischens noted that projected 2015 revenue and expenses are nearly the same as 2014 at \$1.8 million. Lower debt service costs are result of bond refinancing at lower interest rates in 2014. Capital projects total \$5.4 million through 2020. Projections indicate cash at \$2.2 million in 2020. This cash reserve is considered adequate.

Storm Water

Eischens stated that rates have been constant since 2011, but with 3% annual increases beginning in 2017, revenues gradually increase. Impacts of future annexation have not been included. Capital costs total \$3.6 million through 2020. Storm water operating profits are healthy but cash reserves are reduced to \$378,000 by 2020. Staff is comfortable with current storm water rate but will review each year as the fund is used for statutory requirements. He briefly reviewed a handout that staff prepared to answer frequently asked questions regarding storm water.

Refuse

Eischens reviewed refuse operations and noted that it currently generates profits of \$104,000 which are transferred to the General Fund to pay for administration and other general fund activities. Discussion continued regarding the rates charged for 65 gallon and 95 gallon containers. Staff recommends charging the same amount for both refuse containers and will include that in the fee schedule for 2016.

Summary

Eischens stated that all utility funds have \$6.9 million of debt with annual payments of \$797,000. This debt was used to construct or improve the City's utility infrastructure. These projections indicate cash reserves decreasing from \$7.7 million in 2014 to \$5.5 million by 2020, primarily due to decline of capital costs.

ADJOURN

There being no further business, motion by Hellquist, seconded by Olson, to adjourn the meeting. Motion carried. Meeting adjourned at 6:10 p.m.

Respectfully submitted,



Kay M. Murphy
City Clerk