

BEMIDJI CITY COUNCIL ***CITY OF BEMIDJI***

NOTICE OF REGULAR MEETING OF CITY COUNCIL PURSUANT TO MINNESOTA STATUTES SECTIONS 13D.015, 13D.021 and 13D.04

NOTICE OF MEETING OF CITY COUNCIL BY TELEPHONE OR OTHER ELECTRONIC MEANS

In accordance with the requirements of Minn. Stat. Sections 13D.015, 13D.021, and 13D.04, the Mayor of the City of Bemidji has determined that an in person meeting is not practical or prudent because of a health pandemic and Peace Time State of Emergency, declared under Chapter 12 of the Minnesota Statutes.

Because of the health pandemic and Peace Time State of Emergency, it has been determined that attendance at the regular meeting location by members of the public is not feasible.

Because of the health pandemic and Peace Time State of Emergency, it has been determined that the physical presence at the regular meeting location by at least one member of the body, chief legal counsel or chief administrative officer is not feasible. Therefore, some or all of the City Council members may be participating by telephone or other electronic means.

NOTICE IS HEREBY GIVEN that the City Council of the City of Bemidji will hold a Work Session on Monday, April 12, 2021 at 5:30 p.m. at Bemidji City Hall.

To join by video conference, go to Cisco Webex website (www.webex.com), click on “join” in the upper right corner and enter information below:



- Meeting number (access code): 182 365 4685
- Meeting password: JbZJi6Kty72 (52954658 from phones and video systems)
 - Click Join Meeting

To join by phone, dial: +1-408-418-9388. Follow the prompts and use the following access codes:

- Password: 182 365 4685
- Press # for no attendee ID number

BEMIDJI CITY COUNCIL

Work Session Agenda

Monday, April 12, 2021

**City Hall
317 4th Street NW
5:30 P.M.**



1. CALL TO ORDER / ROLL CALL
2. 2020 FINANCIAL REVIEW
3. CITY REFUSE CONTRACT DISCUSSION
4. ADJOURNMENT

2020 Financial Results



Introduction

- ▶ Meeting purpose
 - ▶ Review 2020 City financial activity
 - ▶ Designate fund balance
 - ▶ Discuss cash and debt positions
- ▶ Significant amount of information to cover
 - ▶ Encourage Council to call staff to discuss questions prior to work session
 - ▶ Takes time to get comfortable and familiar with financial data and terminology
 - ▶ Future spending decisions discussed during budget process starting in May
- ▶ City finances/budget process include many acronyms and terminology
 - ▶ Will do my best to remember to explain

City Fund Summary - 32 Funds

- ▶ General (1)- **largest fund consisting of City “basic operations” - 36%**
 - ▶ **Gov’t Services** - council, admin, legal, finance, technology, assessing
 - ▶ Public Safety - police and fire
 - ▶ Public Works - GIS, engineering, streets
 - ▶ Parks & Recreation including library
 - ▶ Misc - transfers including Sanford Center, contingencies, Econ Development
- ▶ Special Revenue (18)- **activities restricted to “specific purposes” - 12%**
 - ▶ Building/Rental, Arena, Construction projects
 - ▶ Joint Planning Board (JPB), Carnegie Library, Revolving Loan Fund (RLF)
 - ▶ **Public, Education & Gov’t (PEG) Fee, Parking Development, Grants**

City Fund Summary - Continued

- ▶ Debt Service (8) - bond issuance and pymts **related to** “long term debt” - 5%
 - ▶ Public Works Bldg
 - ▶ South Shore Land
 - ▶ Bureau of Criminal Apprehension (BCA) Bldg
 - ▶ **Tax Increment “Pay as You Go” Debt** - 1 current active district
 - ▶ Energy Savings
 - ▶ Does not include Enterprise Debt (Sanford Center, Liquor & Utilities)
- ▶ Enterprise (5) - **activities** “operating like a business” - 47%
 - ▶ Utilities - water/sewer/refuse/storm water
 - ▶ Liquor - two store locations
 - ▶ Sanford Center

General Fund

- ▶ Exhibit # 1
- ▶ Surplus - \$1.1 million
 - ▶ Revenue greater than expenses - expected result
 - ▶ Why? - COVID Funds - \$1.2 million
 - ▶ \$115,000 spent on PPE & technology equipment
 - ▶ Balance spent on staff time redirected to performing COVID tasks
 - ▶ Staff time was already budgeted

General Fund Compared to budget

- ▶ Revenue under budget by \$124,000 - (.9%)
 - ▶ \$60,000 Business licenses lower - refund of liquor licenses
 - ▶ \$83,000 Franchise fees - lower gas & electric fees - weather
 - ▶ \$26,000 Interest earnings - lower rates
 - ▶ \$11,000 Property taxes - increase in delinquency
 - ▶ \$(59,000) higher allocation of engineering project time
- ▶ Expenses lower than budget by \$5,000 - (.04%)
 - ▶ Concerns
 - ▶ **Non-personnel operating budgets haven't increased since 2016**
 - ▶ Technology cost increases - more computers/licensing/maint
 - ▶ Staffing - Asst City Manager

General Fund Continued

- ▶ Majority of revenue (63%) from Property Tax and Local Govt Aid (LGA)
 - ▶ Received 2X a year in July and December
 - ▶ **Need “fund balance” to pay bills (cash flow - savings account)**
- ▶ City Fund Balance Policy states
 - ▶ **“City will strive to maintain a fund balance equal to 50% of subsequent year budget”**
- ▶ Primary purpose of fund balance is cash flow but does not require 50%
 - ▶ Internal financing of fire ladder truck and Nymore Fire Station are examples - saves thousands \$\$ in interest costs
 - ▶ Emergencies, natural disasters and unanticipated expenses are other reasons to maintain fund balance level
 - ▶ Impacts City bond rating and interest rates on bonds

2020 General Fund Surplus

- ▶ Recommended use of 2020 surplus - \$1.1 million
 - ▶ Fund balance allocation
 - ▶ \$450,585 to designated fund balance
 - ▶ In accordance with City policy of 50%
 - ▶ \$642,424 available for other purposes
 - ▶ Staff recommend applying to South Shore bonds
 - ▶ Frees up future tax levy dollars
 - ▶ Decide use(s) during budget process - May
 - ▶ Questions?

City Wide Perspective - Exhibit # 2

▶ Summary of all 32 City Funds

- ▶ Expenses exceeded revenue by \$4.5 million
 - ▶ General Fund @ \$1.1 million surplus
 - ▶ Debt Service @ \$2.2 million deficit - planned
 - ▶ Bond payments of \$4.8 million Jan 2020
 - ▶ 2019 refinance and paid off higher interest rate debt in 2020
 - ▶ Water/Sewer deficit @ \$3.8 million - planned
 - ▶ Water plant construction paid with debt

City Wide Perspective - Continued

- ▶ Special Revenue Funds
 - ▶ Specific purposes with designated revenue stream
 - ▶ Timing of revenue and **expenses often don't coincide**
 - ▶ Expenses > Revenue by \$400K because:
 - ▶ Planned spending of construction reserves on
 - ▶ Annual street reconstruction project
 - ▶ Industrial Park Street Lights
 - ▶ **South Shore “drop off” street project**
 - ▶ Made four revolving loan funds totaling \$150K

City Wide Perspective - Continued

▶ Construction Fund

- ▶ **Proceeds rec'd from** special assessments on street projects
- ▶ Cash balance - \$1.2 million
 - ▶ \$350,000 dedicated by Council for future parking needs
- ▶ Exhibit 4 lists unfunded street projects totaling \$2 million
 - ▶ **Doesn't include parking** commitment
 - ▶ Tourist Information Center improvements, Depot, other

City Wide Perspective - Continued

▶ Debt Service Funds

- ▶ Tracks bond issuance and expenditures except enterprise fund debt
 - ▶ Expenses > Revenue due to bond activity discussed on previous slide
- ▶ South Shore Land bonds - outstanding balance \$1.2 million
 - ▶ Paid off in 2023 but tax levy may be required beyond
 - ▶ Because fund has negative cash balance at this time
 - ▶ Why? - Land has not sold at price or pace as projected
 - ▶ Depends on timing and amount of future land sales - Moberg lots
 - ▶ 95% of debt has non-property tax sources of repayment
- ▶ Concerns - None other than land bond issue above

City Total Debt Summary

<u>General Obligation Debt</u>	<u>Amount Due</u>	<u>Maturity Date</u>
▶ Public Works Bldg	\$ 1,840,000	02/01/2028
▶ South Shore Land	\$ 1,185,000	02/01/2023
▶ Energy Savings Lease	\$ 1,763,474	08/27/2034
<u>Revenue Bonds (Enterprise Funds)</u>		
▶ Water/Sewer Refinancing	\$ 3,015,000	02/01/2032
▶ Water Treatment Plant	\$ 3,875,000	02/01/2031
▶ Sanford Center Refinancing	\$44,800,000	02/01/2041
▶ Liquor Store	\$ 3,370,000	02/01/2038
▶ BCA Lab (Rented by State of MN)	\$ 600,000	12/01/2021

City Wide Perspective - Continued

▶ Enterprise Funds

- ▶ Water/Waste Water/Storm water/Refuse/Liquor/Sanford Center (SC)
- ▶ Funds normally show surplus unless large capital expenditures
 - ▶ \$3.8 million deficit - water plant construction with debt financing
- ▶ Generate profit to reduce property taxes, pay capital needs & debt
 - ▶ Utility rate study completed & implemented - financially sound
- ▶ Sanford Center information reflects non-operational items - debt/capital
 - ▶ \$842,000 cash for lower sales tax collections or debt prepayment
 - ▶ \$303,000 cash for capital improvements
 - ▶ Lighting and building controls still in progress for approx \$256,000

▶ Concern

- ▶ Alternative funding source for SC operations & capital needs

Liquor Operations - Exhibit # 3

- ▶ Excellent first full year of operations at new store location
 - ▶ Higher profit margins due to labor efficiencies of new store
 - ▶ 11th in statewide sales including metro area stores
 - ▶ Sales increase 29% over last year
 - ▶ COVID impact benefitted liquor sales across the Country
 - ▶ Excellent job by staff - concern - retain/recruitment
- ▶ Profits contribute \$463,000 to reduce property taxes
 - ▶ 7.1% property tax savings
 - ▶ Used for special projects - parks, Veterans Home, Paul & Babe, etc
- ▶ Concern - legislation allowing liquor sales in grocery/C-stores

Recommendation

Resolution to designate fund balance:

- ▶ Increase designated fund balance for cash flow and unplanned expenses to \$6,835,134 which is equal to 50% of 2021 budget to meet City policy requirements
- ▶ Undesignated fund balance @ \$642,000
 - ▶ Discuss utilization at May 10 worksession
- ▶ Questions
- ▶ Refuse discussion & background - assign to committee

GENERAL FUND BUDGET REPORT

31-Dec-20

DESCRIPTION	YTD ACTUAL	YTD BUDGET	UNDER BUDGET	%
REVENUE				
Property Taxes	4,813,244	4,823,589	10,345	100%
Other Taxes & Fees	1,216,653	1,300,200	83,547	94%
Grants - COVID	1,164,911	1,164,911	-	
Licenses & Permits	74,100	134,500	60,400	55%
Intergovernmental	4,103,606	4,095,949	(7,657)	100%
Other & Interest	157,829	180,441	22,612	87%
Fire Revenue	526,361	537,220	10,859	98%
Fines	105,880	108,500	2,620	98%
Internal Services/Transfers	1,824,851	1,766,055	(58,796)	103%
TOTAL REVENUE	13,987,435	14,111,365	123,930	99%
EXPENSES				
GOVERNMENT				
Council	147,331	154,170	6,839	96%
Administration	417,163	434,892	17,729	96%
Election	13,911	19,900	5,989	70%
Finance	673,782	670,990	(2,792)	100%
Assessing	110,495	111,850	1,355	99%
Legal	517,804	489,132	(28,672)	106%
Joint Planning Board	168,001	172,485	4,484	97%
MIS/Technology Systems	116,719	119,301	2,582	98%
	2,165,206	2,172,720	7,514	100%
PUBLIC SAFETY				
Police	4,811,049	4,687,871	(123,178)	103%
Fire & Emergency Services	1,154,268	1,188,271	34,003	97%
	5,965,317	5,876,142	(89,175)	102%
STREETS				
Streets	1,549,629	1,590,030	40,401	97%
Engineering & Public Works	623,307	626,967	3,660	99%
GIS	160,477	170,813	10,336	94%
	2,333,413	2,387,810	54,397	98%
PARKS				
Parks & Recreation	1,274,532	1,299,033	24,501	98%
Arena Transfer	27,810	27,810	-	100%
Library	207,038	213,863	6,825	97%
	1,509,380	1,540,706	31,326	98%
MISCELLANEOUS				
Cable Access Operations	194	2,200	2,006	9%
Greater Bemidji	30,000	30,000	-	100%
Contingencies	55,915	55,005	(910)	102%
Transportation	1,564	1,500	(64)	104%
Transfers	326,782	326,782	-	100%
Sanford Center Operating Transfer	506,655	506,655	-	100%
	921,110	922,142	1,032	100%
TOTAL EXPENSES	12,894,426	12,899,520	5,094	100%

Exhibit 1

**CITY OF BEMIDJI
2020 CITY WIDE FUND SUMMARY**

FUND	DESCRIPTION	Actual		Revenue>	12/31/2020
		Revenue	Expense	Expense	CASH BALANCE
.101	<u>GENERAL FUND</u>	13,987,435	12,894,426	1,093,009	8,399,092
Various	<u>SPECIAL REVENUE</u>	4,040,279	4,439,798	(399,519)	4,263,533
Various	<u>DEBT SERVICE</u>	1,672,517	3,838,819	(2,166,302)	(223,811)
<u>ENTERPRISE FUNDS</u>					
601	Water/Sewer	6,146,115	9,939,554	(3,793,439)	8,319,408
602	Storm Water	1,414,861	1,347,196	67,665	2,115,324
603	Refuse	608,018	635,336	(27,318)	908,740
604	Sanford Center	2,856,874	2,621,865		1,145,747
609	Liquor	8,467,841	7,992,252	475,589	1,347,293
	Total	<u>19,493,709</u>	<u>22,536,203</u>	<u>(3,277,503)</u>	<u>13,836,512</u>
GRAND TOTAL		<u>39,193,940</u>	<u>43,709,246</u>	<u>(4,750,315)</u>	26,275,326
				12/31/19 Cash	<u>30,706,761</u>
				Decrease	<u>(4,431,435)</u>

CITY OF BEMIDJI LIQUOR OPERATIONS

DESCRIPTION	2018	2019	2020
SALES	6,039,402	6,509,736	8,423,238
COST OF GOODS	4,260,060	4,501,328	5,870,524
GROSS PROFIT	1,779,342	2,008,408	2,552,714
GROSS PROFIT %	29.5%	30.9%	30.3%
OPERATING EXPENSES	1,234,948	1,328,570	1,555,162
OPERATING PROFIT	544,394	679,838	997,552
OPERATING PROFIT %	9.0%	10.4%	11.8%
OTHER EXPENDITURES			
Transfers to General Fund & admin costs	(450,758)	(450,758)	(462,758)
Veterans Home repayment to Construction Fund			(50,000)
Energy Savings/Facilities transfer			(12,646)
Store Improvements/Equipment	(12,563)	(30,580)	(9,930)
New Store construction/Land Acquisition	(2,796,779)	(572,343)	-
Bond Payments		(174,019)	(256,563)
Street Project City assessments	(57,652)	-	(24,671)
Total	(3,317,752)	(1,227,700)	(816,568)
Cash @ Year End	\$ 2,334,814	\$ 1,080,750	\$ 1,347,293
Restricted/Committed cash per bond resolution			
Reserves	(259,813)	(259,813)	(259,813)
Repairs/Future Improvements	(185,000)	(185,000)	(185,000)
Debt service plus 2021 Jan debt pymts	(432,582)	(451,781)	(532,585)
Remaining construction costs	(1,140,388)	(121,387)	-
Unrestricted/available cash	\$ 317,031	\$ 62,769	\$ 369,895

EXHIBIT 3

Construction Reserves Current & Potential Projects
Within the next 1-5 years

1. Allocation to 2022 Street Renewal Program - \$150,000
2. City share of 23rd Street & Middle School Drive Trail (2022) - \$ 110,000
3. City Share of MnDOT Improvements to T.H. 197 NW = \$200,000
4. City share of Division Street Trail from downtown to Jefferson Roundabout (2026) - \$115,000
5. Paving of Elliot Road - \$700,000
6. Future MnDOT Replacement of City Traffic Signals (city share) = \$200,000
7. ADA Improvements to city parking lots or exterior buildings = \$150,000
8. Painting of Street Light Poles = \$50,000
9. City share of MnDOT Improvements at T.H. 71 & Hannah Avenue Roundabout (2022) = \$320,000 \$270,000 is in existing CIP for tax levy, but this could be changed to reserves if you wish.

\$1,995,000 TOTAL COST

Exhibit 4

RESOLUTION NO.

A RESOLUTION DESIGNATING FUND BALANCES

WHEREAS, on April 12, 2021, the City Council considered the designation of fund balances.

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Bemidji hereby designates fund balances in accordance with the following schedule:

General Fund

- For cash flow and other unplanned expenses of \$6,835,134; representing 50% of 2021 General Fund Budget

BE IT FURTHER RESOLVED, the above designations are effective as of December 31, 2020.

The foregoing resolution was offered by Councilmember _____, who moved its adoption, and on due second by Councilmember _____, was passed by the following vote:

Yeas:

Nays:

Absent:

Passed: April 12, 2021

ATTEST:

APPROVED:

Michelle R. Miller, City Clerk

Jorge S. Prince, Mayor