

# **BEMIDJI CITY COUNCIL**

## **Work Session Agenda**

**Tuesday, October 15, 2019**

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



1. CALL TO ORDER / ROLL CALL
  
2. CONSIDER SPECIAL USE/SALES TAX FOR UPCOMING LEGISLATIVE SESSION
  
3. ADJOURNMENT

# **COUNCIL AGENDA ITEM**



**Meeting Date:** October 15, 2019

**Action Requested:** Consider Special Use/Sales Tax for upcoming legislative session

**Prepared By:** Ron Eischens, Finance Director *Ron*

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## **Background**

For several years, the City has pursued community support for a special use and/or sales tax for various purposes. Last winter and spring, a committee, consisting of council and community members wrestled with this issue. The committee came to no conclusion and made no recommendation but did have good discussion on a number of issues. Following are summaries of this discussion as well as other information:

### **Committee proposed options for special use tax:**

- Property tax reduction and/or offset
- Sanford Center capital investment
- Funds for Visit Bemidji, sports commission/sports tourism
- Creation of a "Harvest" fund to buy conventions/concerts for economic impact
- Offset Sanford Center operational deficit
- Second sheet of ice at Sanford Center
- Funds to assist community organizations and non-profit groups to rent/contract with Sanford Center for events and fund raisers at a discounted rate
- New water treatment and wastewater treatment plant improvements
- General public infrastructure costs

### **Committee top three priorities:**

- Property tax reduction and/or offset
- Sanford Center capital investment
- Funds for VCB, sports commission/sports tourism

## **Other Information**

**How is current sales tax being used?**

**Does it have an expiration date?**

**Is there a surplus?**

**Will new tax be in addition to current sales tax or replace it?**

The current city ½% local sales tax pays principal and interest on the bonds sold to construct the Sanford Center. According to state statute, this tax cannot be used for

other purposes until the bonds are paid off, scheduled for year 2041. Currently sales tax collections meet bond payments. If these bonds are paid early, Council can terminate the current sales tax, or, leave it in place and use proceeds for Sanford Center capital improvements. At 12/31/18, there was a surplus of \$680,000 available to prepay bonds or cover years where tax collections fall below projections. Bonds remaining amount to \$45.7 million. A new special use tax, if any, would be in addition to the current sales tax.

**Attachments:**

**Special Taxes Implemented by Other Event Center Cities**

Summarizes area cities who own and operate event centers. All of these cities implement a special use tax to assist with event center costs as well as other City purposes.

**Hospitality and Local Sales Tax Differences**

Reviews characteristics and differences between hospitality and sales tax.

**2020 Sanford Center Capital Requests**

Venuworks staff prepared this request and narrative for capital upgrades of the Sanford Center. The 2020 proposed City budget includes \$180,000 for these needs and \$50,000 for major maintenance items, for a total of \$230,000. How these funds are used is up to Council, as the entire \$230,000 can be allocated to the items on the attached. My thinking was \$50,000 be used for unanticipated major repair/maintenance issues during the year. Either way, the requested items exceed budget for capital replacement. **Discuss how to resolve the shortfall.**

**2019 Special Sales and Use tax submitted to legislature**

List of cities requesting additional tax and projects identified. .

**Summary**

Discuss how to move forward with a special use tax for the upcoming 2020 legislative session. If an additional sales tax is desired, the City needs to obtain legislative approval before a referendum can be presented to residents for a vote.

# Special Taxes Implemented by Other Cities

Type of Tax	<u>Bemidji</u>	<u>Saint Cloud</u>	<u>Grand Forks</u>	<u>Rochester</u>	<u>Duluth</u>	<u>Mankato</u>
Sales	.5%	.5%	2.25%	.75%	1.0%	.5%
Restaurant		1.0%	.25%		2.25%	.5%
Ticket						.5%
Lodging - Base	3.0%	5.0%	.25%	7.0%	3.0%	3.0%
Lodging > 30 units					5.5%	
State Sales Tax	6.88%	6.88%	5.00%	6.88%	6.88%	6.88%
<b>Total</b>	<b>10.38%</b>	<b>13.38%</b>	<b>7.75%</b>	<b>14.63%</b>	<b>15.63%</b>	<b>11.38%</b>

**Notes:**

- Not all of the above taxes are used for Event Center purposes
- Duluth uses 65% of their lodging tax, \$1.8 million for debt service and operations
- St Cloud uses 40% of lodging tax, \$649,000 for marketing
- Mankato sales tax is authorized for operational needs

# Hospitality and Local Sales Tax Differences

<u>Issue</u>	<u>Hospitality Tax</u>	<u>Sales Tax</u>
Time frame	No sunset	Sunset
Proceeds used for	Any purpose	Capital projects*
Process to approve	Legislative approval	Referendum vote and legislative approval
Applies to	Restaurants and/or lodging	Taxable purchases

\* Unless special legislative language allows for other uses

**SANFORD CENTER  
CAPITAL REQUESTS IN PRIORITY ORDER**

<b>Description - in order of priority</b>	<b>2020</b>	
	<b>Original</b>	<b>Revised</b>
Electrical/AV/Sound/Technology Systems/Security Systems	156,655	156,655
BSU WING/Office/Locker Rooms/Hallways/Green Room	65,000	65,000
Admin Computers/Printers	15,822	5,000
Interior Finishes	55,416	55,416
Suite/Club Level Improvements	50,000	50,000
Operations Equipment	50,000	25,000
Concession Equipment	52,626	15,000
Catering/Kitchen Equipment	21,294	15,000
ProDeck Cover/ Ice Resurface Equipment	22,000	16,500
Masonry, Repair/Landscaping	15,000	15,000
Furniture/Tables/Chairs/Ect.	47,497	25,000
Signage	45,781	40,000
<b>TOTAL REQUESTS</b>	<b>597,090</b>	<b>483,571</b>

<b><u>Capital Funding available through City</u></b>		
2020		180,000
	Available Funding	180,000
	Capital Requests above	(483,571)
	Shortfall	<b>(303,571)</b>



# SANFORD CENTER



## Sanford Center Capital Improvement Plan Explanation

September 24, 2019

The following page is the Sanford Center Capital Improvement Plan recommendations based on the needs of the Facility.

- The Electrical/AV/Sound/Technology Systems/Security Systems consists of an upgrade to the Building Automation System for the HVAC Equipment as well as an upgrade to our lighting control system which is past its life and is now failing.
- The BSU Wing/Office/Locker Rooms/Hallways/Green Room consist of new paint and furniture as well as upgrades to the back of house area where visiting teams and artists spend most of their time while they are here.
- The Admin Computers/Printers is to replace computers that are hitting the end of their life.
- The Interior Finishes consists of cleaning and maintenance to the airwalls in the convention center. They are tired and need to be cleaned/and fixed to help extend their life.
- The Suite/Club Level Improvements consist of upgrades to the décor and environment of the club level.
- The Operations Equipment consists of tools and equipment to continue to promote a safe working environment and to increase efficiency.
- The Concessions and Catering/Kitchen Equipment consist of everything from small wares to a dishwasher overhaul to extend its life and new cooking equipment.
- The ProDeck Cover/Ice Resurface Equipment consists of replacing some ice decking sheets as well as sending in the Zamboni for an overhaul to extend its life.
- The Masonry, Repair/Landscaping is to continue upgrading the landscaping around the building to create a safer environment for patrons, and staff as well as help upsell the space for future weddings, meetings, and conventions.
- The Furniture/Tables/Chairs/etc. is for more tables to boost efficiencies and meet the needs of existing and future events.
- The Signage consists of additional wayfinding signage as well as upgraded advertising inventory opportunities throughout the building.

The 2020 CIP is based off of the 50 year CIP that was asked for by the City Council.

Sincerely,

Robert Anderson

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2019 Special Sales and Use Tax legislation submitted/pending to MN Legislature

CITY	TYPE OF USE TAX	AMOUNT	PROJECTS IDENTIFIED
Avon	0.5% sales	\$ 1,500,000	Transportation projects, street priority improvement projects
Blue Earth	0.5% sales	\$ 5,000,000	Sewer plant improvements, street reconstruction, recreation amenities
Cambridge	0.5% sales	\$ 22,000,000	\$8m: Library projects; \$14m: CIP project, outdoor park projects
Cloquet	0.5% sales modification NOTE 1	\$ 16,500,000	\$4.5m: parks; \$5.8m: utilities for property devt; \$6.2m: roads, bridges, storm/water/sewer
Detroit Lakes	0.5% sales	\$ 6,700,000	New police department facility
Elk River	0.5% sales	\$ 35,000,000	Various recreation/park improvements: multipurpose rec facility, senior center, picnic pavilion expansion, trails, etc.
Excelsior	0.5% sales	\$ 7,000,000	Park expenses: beach area enhancements, shoreline erosion prevention, band shell, playground equipment, walkability
Glenwood	0.5% sales	\$ 2,800,000	Phase II and III of 2nd Street SE; parks, trails, recreational facilities; city hall and police station improvements
International Falls	0.5% sales	\$ 30,000,000	Transportation and public infrastructure project in the city
North Mankato	1% food and beverage sales NOTE 2	\$50k/yr	Construction/debt for Caswell City Park Sports complex capital, operation, maintenance, costs related to tourism events
Perham	0.5% sales	\$ 5,200,000	Redevelopment/renovation of Perham Community Center
Sauk Center	0.5% sales + \$20 motor vehicle excise tax	\$ 10,000,000	City costs for Trunk Highway 71 reconstruction and other projects in the City CIP
Sartell	1.5% food and beverage sales NOTE 3	\$200/300k	Capital or operational costs for new and existing recreational facilities within the city
Scanlon	0.5% sales	\$ 400,000	City street improvements and utility infrastructure including storm sewer and sanitary sewer improvements
Two Harbors	Additional 0.5% sales from their existing 0.5%	\$ 30,000,000	Water and sewer infrastructure projects, drain tile, service lines, street patching, etc.
Virginia	0.5% sales	\$ 30,000,000	Renovation, reconstruction, expansion and improvements of the Miner's Memorial recreation complex/convention center
Willmar	0.5% sales	\$ 30,000,000	\$2m: Community Center; \$6m: new fields; \$5m: various park; \$7m: stormwater; \$10m: new recreation event center
West St. Paul	0.5% sales	\$ 28,000,000	Debt financing for city pavement management plan street priority projects I and II
Worthington	0.5% sales + \$20 motor vehicle excise tax	\$ 25,000,000	Improvements to: aquatic center, field house, ice arena, parks and recreation, lake quality, 10th Street Plaza

NOTE 1 Cloquet request to use funds if the \$5.8m project comes under budget

NOTE 2 Enabling legislation, N Mankato states they may only issue 0.5%

NOTE 3 Enabling legislation, Sartell states they would issue the full 1.5%