

Bemidji, Minnesota

July 2016

2015 Summary Financial Report To The Community

Quick Facts

Demographics

Population	15,377
Growth rate since 2000	21%
Persons under 18 years	19%
Persons 65 and over	15%
Median age	29
Females	53%
Males	47%
Total Households	5,451
Home ownership rate	50%
MN average ownership rate	72%
Median household income	\$ 34,599
Median home value	\$ 117,400
Persons per household	2.2

Major Employers

Sanford Health	1,484
Bemidji Public Schools	830
Bemidji State University	554
Beltrami County	295

Dividing Up Your Tax Dollar

Your tax dollar is divided up into several governmental entities.

Bemidji collects 39 cents of every tax

dollar. The remaining portions are divided among Beltrami County (45 cents), the school district (15 cents), Airport and other agencies (1 cent).



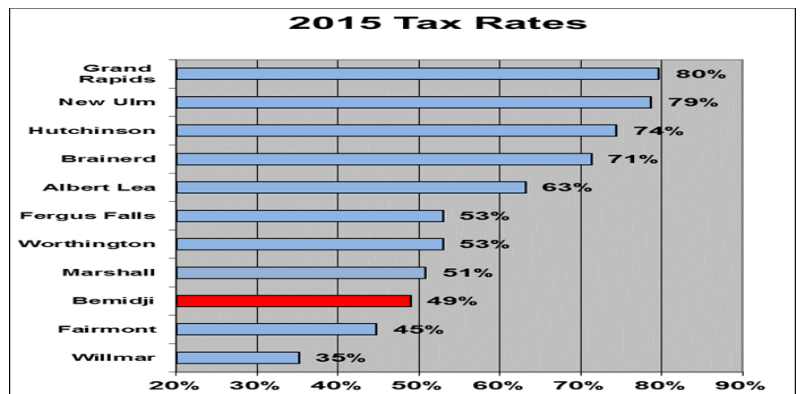
45¢ Beltrami County	39¢ City of Bemidji	15¢ School District	1¢ Other agencies
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Making Cents

The City of Bemidji presents its 2015 Summary Financial Report. The purpose of this report is to inform the community of the City's financial activity in a simple, easy-to-read format. These highlights are based, in part, upon the City's Audit which is a more inclusive document.

Tax rates are often used to compare cities. The rate is calculated by a dividing the property tax levy amount by a function of taxable property value. In comparison with ten similar regional center cities, Bemidji tax rates were near the bottom. The average home value in Bemidji is \$115,000 and pays \$420 annually in City property taxes.

How Bemidji Ranks Against Similar Cities



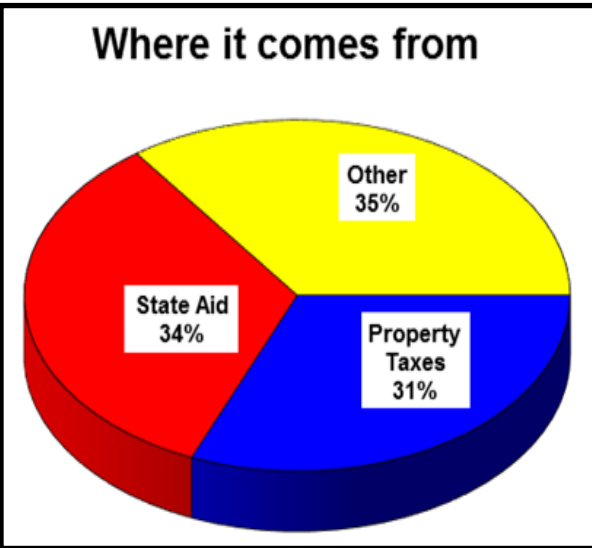
Bemidji Fund Types

In order for Bemidji to manage City finances smoothly, it divides activities into several different funds.

- The **General Fund** accounts for revenues and expenses that provide for *basic operations of the City*, such as police, fire, streets, parks and general government services.
- **Special Revenue Funds** account for activities restricted to *specific purposes* such as grants, building/rental activities, Arena and construction projects.
- **Debt Service Funds** track revenue and expenses related to *issuance and repayment of long term debt*.
- **Enterprise Funds** account for *activities that operate like businesses* which are paid for by user fees. Activities include water, sanitary sewer, storm water, refuse, liquor and The Sanford Center.
- **Internal Service Fund** accumulates and distributes certain administrative costs to various funds.

General Fund Revenue

The City's General Fund is the largest and most vital. It accounts for everyday expenditures like park maintenance, police and fire protection while at the same time supplementing portions of other funds. Like



	2015	2014
Property Taxes	\$3,429,766	\$3,231,644
State Aid (LGA)	\$3,688,327	\$3,638,924
Franchise & Cable Fees	\$1,310,421	\$1,186,290
Enterprise Profits	\$392,000	\$392,000
Fire Revenue	\$372,208	\$379,476
Transfers	\$1,632,341	\$1,157,559
Other	\$521,768	\$464,573
Total Revenues	\$10,954,831	\$10,450,466

most funds, the General Fund relies on the inflow of cash, shown as revenues and subsequently the outflow listed as expenditures. Primary revenues for the General Fund are property taxes and Local Government Aid (LGA). For the year 2015, the City's revenue total was \$11 million which was a \$504,365 (4.8%) increase from the previous year. This was largely due to increased property taxes and franchise fees. General Fund **cash** balances are \$7.1 million or 67% of 2015 expenditures.

General Fund Expenditures



The City's 2015 General Fund expenditures were \$10.6 million which was \$524,644 under budget. Overall, General Fund expenditures increased \$387,850 (3.8%) from 2014. The chart highlights

	2015	2014
General Government	\$1,562,430	\$1,593,997
Public Safety	\$4,812,430	\$4,623,955
Public Works	\$1,988,550	\$2,042,144
Parks and Recreation	\$1,633,234	\$1,202,399
The Sanford Center Operational Subsidy	\$400,000	\$354,741
Other	\$245,727	\$437,285
Total Expenditures	\$10,642,371	\$10,254,521

amounts funded to each. The 2015 audit report includes investment activities not reflected in this General Fund discussion.

GENERAL FUND ACTIVITIES

General Government: Provides overall direction for the City as determined by City Council including administration, finance, legal, technology, elections, assessing, technology and joint planning.

Public Safety: Includes police and fire departments providing police protection, animal control, fire protection/prevention, technical rescue and emergency services including commercial building fire inspections.

Public Works: Manages City infrastructure such as streets, water, sewer, and surface water management.

Parks and Recreation: Responsible to provide recreation activities, maintain and develop City park and trail systems.

Other: Includes Economic Development services, Public Transportation, contingencies, The Sanford Center operating subsidy and transfers.

Special Revenue Funds

The City of Bemidji has several special revenue funds used to account for revenues derived from specific sources or earmarked funds. They are required to finance particular functions or activities which include the Paul Bunyan Drug Task Force, parking development, Firefighters Relief Association, Building and Rental activities, Neilson Reise Arena, other grant funds and construction projects. Revenues to support these activities are derived from grants, transfers, permit fees, state transportation aid, transfers and special assessments.

Internal Service Funds

Internal service funds are an accounting practice used to accumulate and allocate costs internally among the City's various functions. The City maintains an internal service fund to distribute costs including finance, legal, GIS, technology, administration, City Hall and Public Works Facility operations.

Long Term Debt

Bemidji maintains an "Aa3" bond rating from Moody's. Moody's comments stated Bemidji had a **strong financial profile including being a regional economic center, prudent financial management, sizable reserve levels, modest tax base with steady property valuation trends.** Also mentioned were the challenges of **below average demographic profile with low resident income, above average unemployment and very high debt burden.**

The City has \$66.9 million in outstanding debt, with \$56.4 million, (84%) representing bonds with non-property tax sources of repayment. The majority of debt, \$44 million, or 66%, represents amounts incurred for the construction of The Sanford Center, which is supported primarily by local sales tax revenue. Taxable bonds in the amount of \$5.1 million are partially supported by sales of vacant property. If land sales are insufficient to meet needs, property tax increases or other sources of revenue will be required.

Ten Year Look Back

Year	LGA Received	Property Tax Levy	City Tax Rate	Employee FTE's	General Fund Budget
2005	3,507,656	2,160,313	34.50	99	7,196,369
2015	3,222,583	4,530,636	50.80	96	11,958,494
Change	(285,073)	2,370,323	16.3	(3)	4,762,125

See explanation below

Levy Increase Explanation

Law Enforcement Center Lease	202,000
Annual Street Improvements	375,000
Public Works Facility Payments	296,000
Sanford Center Bond Payments	695,000
Operational increases	802,323
Levy Increase	2,370,323

Equipment	1,539,000
Police	1,317,000
Public Works	581,000
Parks & Recreation	544,000
Sanford Center	400,000
General Gov't	325,000
Fire	321,000
Development	157,000
Other	(1,211)
Airport Contribution	(171,000)
Transfers	(249,664)
TOTAL	4,762,125

What changed over the last 10 years?

- State aid (LGA) is *lower* by \$285,073
- Property taxes have increased \$2.4 million
- 3 less full time employees

Why have property taxes increased?

- City investment in new buildings including a joint Law Enforcement Center, Public Works Facility and The Sanford Center as well as a street renewal program represents 66% of levy increase
- Operational budget increases represents 34% of levy increase

How are your tax dollars spent?

- \$2,850,765—General Fund activities
- \$ 484,000—Sanford Center subsidy and capital
- \$ 425,000—Street renewal program
- \$ 320,308—Public Works Facility bond payments
- \$ 201,672—Law Enforcement Center Lease
- \$ 248,891—Sanford Center bond payments
- **\$4,530,636—Total 2015 Property Tax Levy**

Bemidji City Government Profile

Geographical		General Government	
Acres - Land	8,642	Business licenses issued	335
Square miles - land	13.5	Vendor checks issued	4,200
Miles from Mpls/St Paul	240	Cash receipts processed	39,700
Police		Library	
Calls for service	26,895	Visitors	197,729
Crime rate per 100,000	21,966	Circulation	182,296
Clearance rate	67%	Program Participants	2,384
Citations issued	2,708	Building and Rental	
# of licensed officers	33	Permits Issued	624
Public relations events	1,912	Rental Permits	1,026
Fire		Construction in millions	38
Calls for service	2,010	Water (million gallons)	
Fire calls	93	# of gallons pumped	500
# of fire stations	3	Water distribution miles	107
# of trucks/engines	8	Number of wells	5
Public Works		Daily average gallons	1.5
Miles of streets	87	# of customers	4,200
# of plowing events	25	Sanitary Sewer (million gallons)	
Tons of sand/salt used	1,900	# of treatment plants	1
City metal street lights	1,036	Sanitary sewer line miles	32.5
Parks and Recreation		Lift stations refurbished	2
Acres maintained	245	Daily avg gallons	1.0
# of parks - (see below)	20	Annual inflow gallons	375
Trees planted	70	Gallons of sludge applied	2.3
Program participants	1,325	Storm Water	
Ice hours rented	2,000	Street lane miles swept	1,300
Public skaters	2,500	Yards of material removed	90
Airport		Residential Refuse	
Scheduled daily flights	2	# of customers	2,300
Annual passenger count	24,527		

LOCAL 1% SALES TAX COLLECTIONS		
Year	Amount	Change
2006	1,588,131	NA
2007	1,681,588	5.9%
2008	1,675,601	-0.4%
2009	1,763,469	5.2%
2010	1,846,167	4.7%
2011	1,916,248	3.8%
2012	1,955,241	2.0%
2013	2,176,211	11.3%
2014	2,200,823	1.1%
2015	2,299,338	4.5%

- ## 2015 Significant Accomplishments
- ◆ Installation of new \$180,000 outdoor warning siren system
 - ◆ \$5.5 million of public improvements constructed utilizing grants of \$2.8 million
 - ◆ Paul Bunyan Park renovations of \$1.3 million
 - ◆ South Shore beach and lakebed cleanup of \$1.6 million funded by grant
 - ◆ Multi-purpose marina trail completed to provide access to docks
 - ◆ Installation of new dehumidification system at Neilson-Reise Ice Arena
 - ◆ City sold vacant land for development of Candlewood Suites Hotel
 - ◆ Annexation of Phase II in Northern Township
 - ◆ Code Enforcement staff position added to Joint Planning Board

Future Financial Challenges

Bemidji is a regional economic center consisting of a large retail base, educational facilities including a state university, medical services featuring Sanford Health, as well as many local, state and federal government agencies. These attributes contribute to the challenge of having a 50% level of tax exempt property, meaning raising the tax levy 1% only increases revenue by \$45,000.

Paying for and maintaining regional City amenities such as streets, The Sanford Center, parks, trails and other City buildings such as the Arena, with local property tax dollars, creates challenges for local taxpayers. A funding source capturing *visitor* dollars that shop, eat and recreate in the City, would keep property taxes in check. A 1% hospitality tax on lodging and restaurants, paid by customers, would generate approximately \$550,000 annually, which could be used to fund Bemidji regional assets and reduce City property taxes.



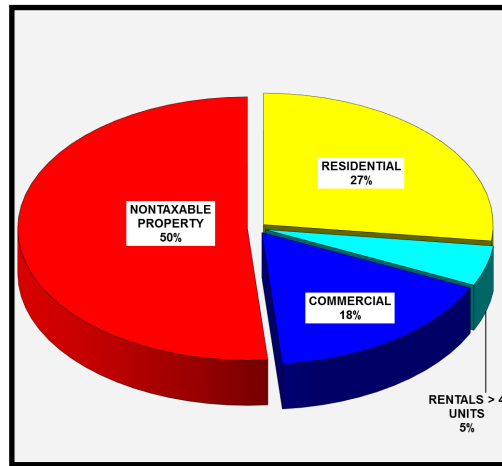
About this Report

The City of Bemidji reports more detailed financial results in the annual audit. This report is an unaudited summary of data from the 2015 audit.

For a complete review of the City's 2015 financial position, consult the audit available on the City's website at www.ci.bemidji.mn.us, or from the Finance Department at 218-759-3568.



Property Classification



The total value of City property is \$1.5 billion of which 50% is non-taxable. This percentage is one of the highest in the state. Bemidji State University, school systems, non-profit medical facilities in addition to many federal, state and local government agencies contribute to the high amount of tax-exempt property. While these entities provide economic and employment opportunities for the community, they present financial challenges to generating revenue for the City. A significant portion of the residential housing stock is rental property.

Enterprise Funds

These funds consist of business-type services provided to the community such as water, sewer, storm water, refuse, (utilities) liquor and The Sanford Center. The City owns and operates two liquor stores generating annual profits of \$722,000. Of these profits, \$451,000 are used to reduce property taxes, amounting to a 10% tax levy. Remaining profits are used for community projects such as park and street improvements.

The Sanford Center

The Sanford Center is a multi-purpose 185,000 square foot, 4,700 seat regional event center located on the south shore of Lake Bemidji which opened in fall 2010. During 2015, this facility hosted 454 event days with 172,000 visitors for 545 events including hockey games, concerts, banquets, conventions and weddings. A detailed annual report about this facility and its operations can be found on the City website at www.ci.bemidji.mn.us.

Statistical information:

- Cost \$67 million paid for by \$44 million bond and \$23 million State Aid
- Annual budgeted deficit \$400,000, capital replacement \$84,000 and bond payment subsidy \$248,891 paid by property taxes (see page 3)
- Estimated annual economic impact to community of \$22.6 million

