

Bemidji, Minnesota

July 2017

2016 Summary Financial Report To The Community

Quick Facts

Bemidji Quick Facts

Demographics

Population	15,119
Growth rate since 2000	21%
Persons under 18 years	19%
Persons 65 and over	15%
Females	53%
Males	47%
Total Households	5,748
Home ownership rate	48%
MN average ownership rate	72%
Persons in poverty	22%
Median household income	\$ 35,610
Median home value	\$ 120,100
Persons per household	2.2

Major Employers

Approx Employees

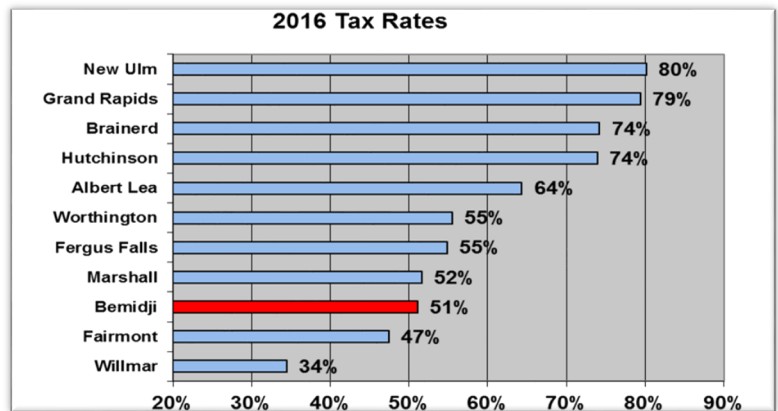
Sanford Health	1500
Bemidji Public Schools	1000
Bemidji State University	550
Beltrami County	330

Making Cents

The City of Bemidji presents its 2016 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 \$116,000 and pays \$482 annually in City property taxes.

How Bemidji Ranks Against Similar Cities



Dividing Up Your Tax Dollar

Your tax dollar is divided up into several governmental entities.



Bemidji collects 40 cents of every tax dollar. The remaining portions are divided among Beltrami County (44 cents), the school district (15 cents), Airport and other agencies (1 cent).

44¢ Beltrami County
40¢ City of Bemidji
15¢ School District
1¢ Other agencies

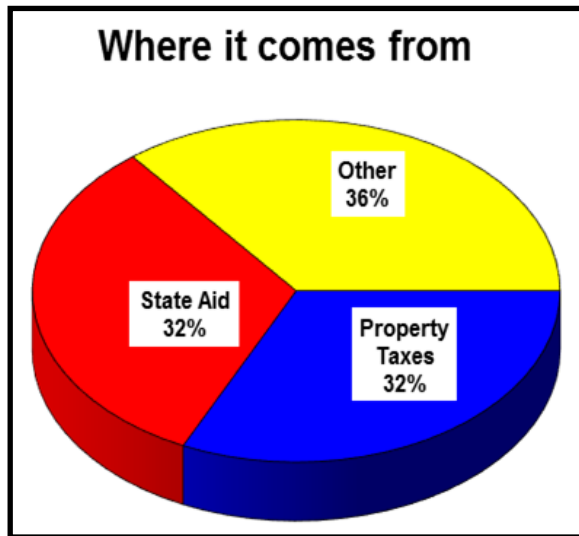
Bemidji Fund Types

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

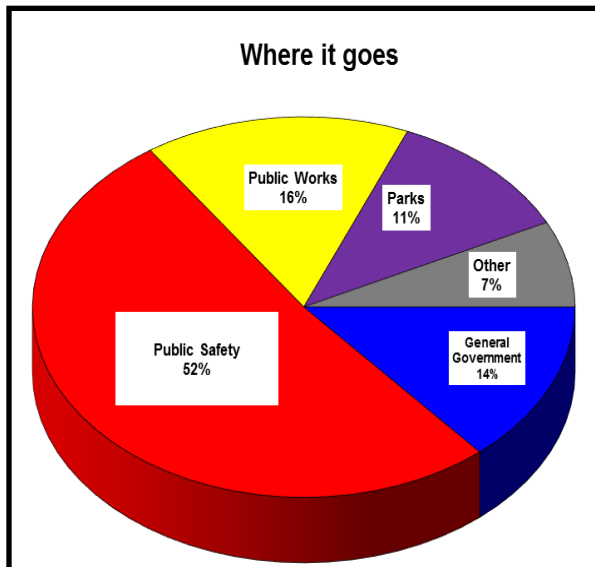
The City's General Fund is the largest and most vital. It accounts for everyday expenditures like park maintenance, police and fire protection while at the same time supplementing portions of other funds. Like most funds, the General Fund relies on the inflow of



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 2016, the City's revenue total was \$11.6 million which was a \$621,361 (5.7%) increase from the previous year. This was largely due to increased property taxes and franchise fees. General Fund **cash** balances are \$6.8 million or 58% of 2016 expenditures.

	2016	2015
Property Taxes	\$3,708,493	\$3,429,766
State Aid (LGA)	\$3,741,006	\$3,688,327
Franchise & Cable Fees	\$1,267,559	\$1,310,421
Enterprise Profits	\$392,000	\$392,000
Fire Revenue	\$413,974	\$372,208
Transfers	\$1,260,159	\$1,240,341
Other	\$793,001	\$521,768
Total Revenues	\$11,576,192	\$10,954,831

General Fund Expenditures



The City's 2016 General Fund expenditures were \$11.7 million which was \$395,884 under budget. Overall, General Fund expenditures increased \$1 million (9.4%) from 2015, due primarily to construction of a new fire station. The chart highlights amounts funded to each. The 2016 audit report includes investment activities and adjustments not reflected in this General Fund discussion.

	2016	2015
General Government	\$1,615,233	\$1,562,430
Public Safety	\$6,052,170	\$4,812,430
Public Works	\$1,856,256	\$1,988,550
Parks and Recreation	\$1,338,674	\$1,633,234
The Sanford Center Operational Subsidy	\$400,000	\$400,000
Other	\$458,977	\$320,102
Total Expenditures	\$11,721,310	\$10,716,74

GENERAL FUND ACTIVITIES

General Government: Provides overall direction for the City as determined by City Council including administration, finance, legal, technology, elections, assessing 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 program 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 \$64.6 million in outstanding debt, with \$54.9 million, (85%) representing bonds with non-property tax sources of repayment. The majority of debt, \$43.9 million 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 \$4.7 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
2006	3,507,656	2,160,313	34.50	99	7,196,369
2016	3,222,583	4,530,636	50.80	96	11,958,494
Change	(285,073)	2,370,323	16.3	(3)	4,762,125

2002 LGA was \$3.8 million

See 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?

- \$3,051,044—General Fund activities
- \$ 580,000—Sanford Center subsidy and capital
- \$ 375,000—Street renewal program
- \$ 295,522—Public Works Facility bond payments
- \$ 201,672—Law Enforcement Center Lease
- \$ 323,677—Sanford Center and land bonds
- **\$4,826,915—Total 2016 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 .5% SALES TAX		
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%
2016	2,390,353	4.0%

- ### 2016 Significant Accomplishments
- ◆ Construction of \$1.2 million new fire station with reserves, saving interest costs
 - ◆ \$3.6 million of public improvements including streets and utilities were constructed
 - ◆ Completion of \$400,000 inclusive playground by partnering with Rotary Club
 - ◆ Invested \$600,000 in new South Shore Park
 - ◆ Issued \$45 million in building permits, increase of 17%
 - ◆ Refinanced bonds saving \$533,000 in interest costs
 - ◆ Upgraded City GIS software allowing better public access to property data
 - ◆ Sanford Center hosted over 132,000 attendees for 286 events
 - ◆ Crime clearance rate of 66% compared to statewide average of 48%

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 \$48,000.

Paying for and maintaining regional City assets such as streets, the Sanford Center, parks, trails and other City buildings with property tax dollars places a burden on 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 \$600,000 annually, which could be used to fund City regional assets and reduce City property taxes.



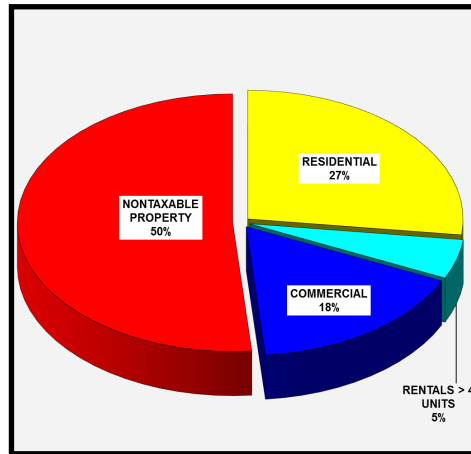
About this Report

The City of Bemidji reports more detailed financial results in the annual audit. This report is an unaudited summary of data from the 2016 audit.

For a complete review of the City's 2016 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, one of the highest %'s 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, they present financial challenges to generating revenue for the City. In addition, a significant portion of residential housing stock is rental property, impacting neighborhood dynamics.

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 \$705,000. Of these profits, \$451,000 are used to reduce property taxes, amounting to a 9.3% tax levy. Remaining profits are used for community projects such as park and street improvements.

The Sanford Center and South Shore

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 2016, this facility hosted 286 events with 132,000 visitors for 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 \$180,000 and bond payment subsidy \$323,677 paid by property taxes (see page 3)

