

# Bemidji, Minnesota

July 2018

## 2017 Summary Financial Report To The Community

### Quick Facts

#### Demographics

Population	15,549
Growth since 2010	8%
60 mile radius population	156,299
Persons under 18 years	19%
Persons 65 and over	15%
Median age	28 yrs
Females	52%
Owner occupied housing	47%
Total Households	5,755
Persons in poverty	24%
Median household income	\$ 40,958
Median home value	\$ 132,000

#### Major Employers

#### Full time Employees

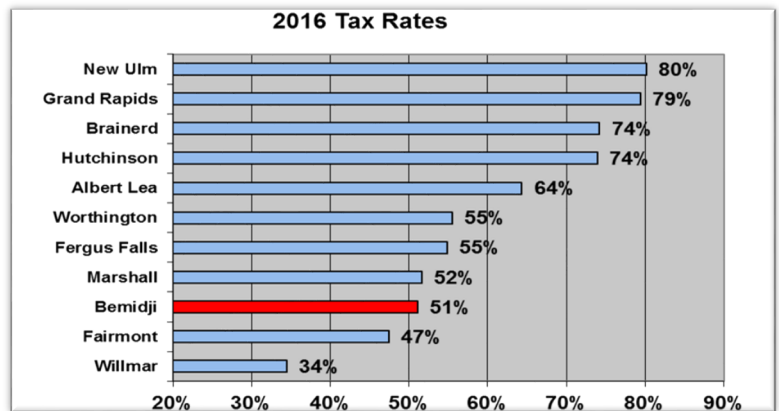
Sanford Health	1,649
Bemidji Public Schools	982
Bemidji State University	556
Beltrami County	327

### Making Cents

The City of Bemidji presents its 2017 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 \$123,000 and pays \$503 annually in City property taxes.

### How Bemidji Ranks Against Similar Cities

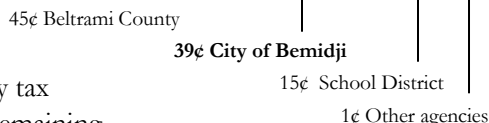


### Dividing Up Your Tax Dollar

Your tax dollar is divided up into several governmental entities.



Bemidji collects 39 cents of every tax dollar. The remaining portions are divided among Beltrami County (45 cents), school district (15 cents), other agencies (1 cent).



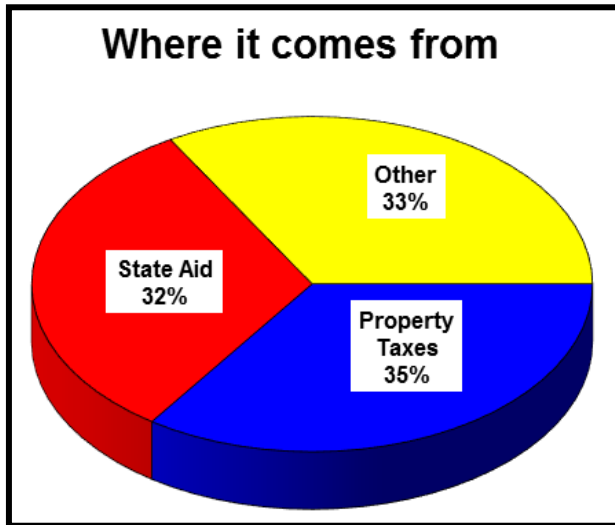
### Bemidji Fund Types

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 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

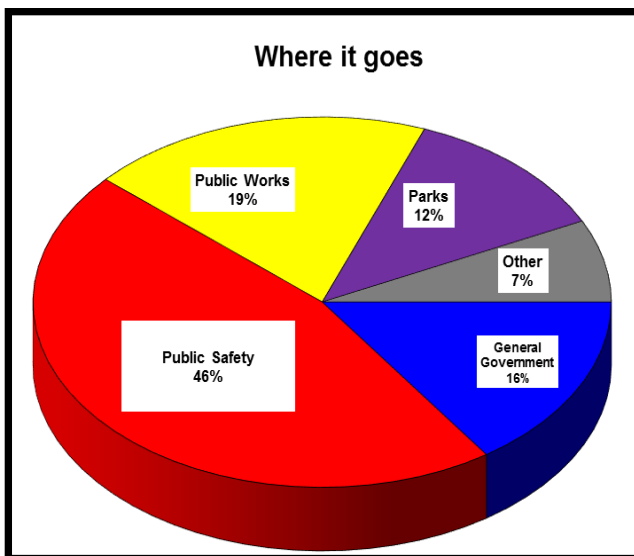


as revenues and subsequently the outflow listed as expenditures. Primary revenues for the General

	2017	2016
Property Taxes	\$4,100,831	\$3,708,493
State Aid (LGA)	\$3,771,459	\$3,741,006
Franchise & Cable Fees	\$1,276,538	\$1,267,559
Enterprise Profits	\$392,000	\$392,000
Fire Revenue	\$437,544	\$413,974
Transfers	\$1,689,434	\$1,260,159
Other	\$159,309	\$793,001
<b>Total Revenues</b>	<b>\$11,827,115</b>	<b>\$11,576,192</b>

Fund are property taxes and Local Government Aid (LGA). For the year 2017, the City's revenue total was \$11.8 million which was a \$250,923 (2.2%) increase from the previous year. This was largely due to increased property taxes and transfers. General Fund cash balances are \$7.8 million or 70% of 2017 expenditures.

### General Fund Expenditures



The City's 2017 General Fund expenditures were \$11 million which was \$326,000 under budget. Overall, General Fund expenditures decreased \$663,000 (5.6%), due primarily to construction of a new fire station in 2016. The chart highlights amounts funded to each. The 2017 audit includes investment activities and adjustments not reflected in this General Fund discussion.

	2017	2016
General Government	\$1,702,215	\$1,615,233
Public Safety	\$5,100,707	\$6,052,170
Public Works	\$2,127,943	\$1,856,256
Parks and Recreation	\$1,330,722	\$1,338,674
The Sanford Center Operational Subsidy	\$406,000	\$400,000
Other	\$390,460	\$458,977
<b>Total Expenditures</b>	<b>\$11,058,047</b>	<b>\$11,721,310</b>

#### GENERAL FUND ACTIVITIES

**General Government:** Provides overall direction for 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 "A1" bond rating from Moody's. Their 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 \$61.9 million in outstanding debt, with \$56.8 million, (92%) representing bonds with non-property tax sources of repayment. The majority of debt, \$47.4 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 \$2.4 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
2007	3,327,034	2,589,821	34.10	100	7,794,310
2017	3,222,583	5,379,747	54.10	99	11,209,720
<b>Change</b>	<b>(104,451)</b>	<b>2,789,926</b>	<b>20.0</b>	<b>(1)</b>	<b>3,415,410</b>

**2002 LGA was \$3.8 million**

See below

#### Levy Increase Explanation

Law Enforcement Center Lease	204,000
Annual Street Improvements	425,000
Public Works Facility Payments	291,000
Sanford Center - bond payments, capital and operational contribution	788,000
Operational increases	1,081,926
<b>Levy Increase</b>	<b>2,789,926</b>

Police	1,298,000
Parks & Recreation	568,000
Public Works	523,000
Sanford Center	400,000
Equipment	306,000
Fire	279,000
General Gov't	269,000
Development	157,000
Other	(53,084)
Transfers	(151,506)
Airport Contribution	(180,000)
<b>TOTAL</b>	<b>3,415,410</b>

#### What changed over the last 10 years?

- State aid (LGA) is *lower* by \$104,451
- Property taxes have increased \$2.8 million
- 1 less full-time employee

#### 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 61% of levy increase
- Operational budget increases represents 39% of levy increase

#### How are your tax dollars spent?

- \$3,505,675—General Fund activities
- \$ 630,000—Sanford Center subsidy and capital
- \$ 425,000—Street renewal program
- \$ 291,113—Public Works Facility bond payments
- \$ 204,282—Law Enforcement Center Lease
- \$ 323,677—Sanford Center and land bonds
- **\$5,379,747—Total 2017 Property Tax Levy**

## Bemidji City Government Profile

<b>Geographical</b>		<b>General Government</b>	
Acres - Land	8,642	Business licenses issued	338
Square miles - land	13.5	Vendor checks issued	4,100
Miles from Mpls/St Paul	240	Cash receipts processed	39,000
<b>Police</b>		<b>Library</b>	
Calls for service	26,613	Visitors	190,000
Crime rate per 100,000	20,593	Circulation	177,000
Clearance rate	69%	Program Participants	3,550
# of licensed officers	33	<b>Building and Rental</b>	
<b>Fire</b>		Permits Issued	644
Calls for service	2,152	Rental Permits	1,109
Fire calls	97	Construction in millions	35
# of fire stations	3	<b>Water</b> (million gallons)	
# of trucks/engines	8	# of gallons pumped	500
ISO classification	4/7	Water distribution miles	107
<b>Public Works</b>		Number of wells	5
Miles of streets	87	Daily average gallons	1.3
# of plowing events	25	# of customers	4,200
Tons of sand/salt used	1,500	<b>Sanitary Sewer</b> (million gallons)	
City metal street lights	1,036	# of treatment plants	1
<b>Parks and Recreation</b>		Sanitary sewer line miles	98.0
Acres maintained	245	Lift stations refurbished	1
High use # of parks	13	Daily avg gallons	1.0
Program participants	2,341	Annual inflow gallons	375
Ice hours rented	1,632	Gallons of sludge applied	2.0
Public skaters	3,187	<b>Storm Water</b>	
<b>Airport - 4th busiest in MN</b>		Street lane miles swept	1,650
Scheduled daily flights	2	Yards of material removed	429
Annual passenger count	28,779	<b>Residential Refuse</b>	
Economic Impact	\$42 million	# of customers	2,300

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%
2017	2,393,528	0.1%

2017 Significant Accomplishments
<ul style="list-style-type: none"> <li>◆ Bemidji named best MN Town by MN Monthly magazine as well as Hockey Day Minnesota in 2019</li> <li>◆ City tax base increased \$70 million or 9.7%</li> <li>◆ City staff increased by 7 FTE's including 3 Greater Bemidji Joint Planning staff</li> <li>◆ New seasonal maintenance position added to keep downtown cleaner and in better condition</li> <li>◆ Police department added 7 new volunteer reserve officers</li> <li>◆ Capital projects of \$3 million constructed in addition to \$1.3 million in equipment additions</li> <li>◆ Issued \$35 million in building permits</li> <li>◆ Sanford Center hosted over 131,000 attendees for 327 events</li> </ul>

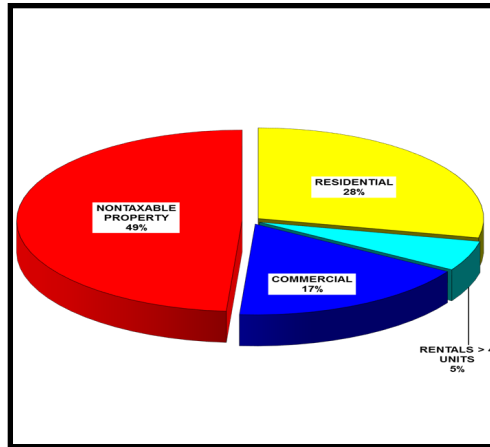
## Future Financial Challenges

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 48% level of tax exempt property, meaning raising the tax levy 1% only creates new revenue by \$54,000.

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 heavy burden on local taxpayers. A funding source capturing visitor dollars that shop, eat and recreate in the City, would lower property taxes. A 1% hospitality tax on lodging and restaurants, paid by customers, would generate approximately \$600,000 annually, which could fund City regional assets and reduce City property taxes.



## Property Classification



The total value of City property is \$1.7 billion of which 49% 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.

### About this Report

The City of Bemidji reports more detailed financial results in the annual audit. This report is an unaudited summary from the 2017 audit.

For a complete review of the City's 2017 financial position, consult the audit available on the City's website at [www.ci.bemidji.mn.us](http://www.ci.bemidji.mn.us), or from the Finance Department at 218-759-3568.

## Enterprise Funds

These funds consist of business-type services such as water, sewer, storm water, refuse, (utilities) liquor and The Sanford Center. The City owns and operates two liquor stores generating annual profits in excess of \$600,000. Of these profits, \$757,000 were used to reduce property taxes or subsidize The Sanford Center, amounting to a 13% tax levy. Remaining reserves or 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 2017, this facility hosted 327 events with 131,000 visitors for events including hockey games, concerts, banquets, conventions and weddings with an estimated economic impact of \$20 million. A detailed annual report about this facility and its operations can be found on the City website at [www.ci.bemidji.mn.us](http://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 \$230,000 and bond payment subsidy \$323,677 paid by property taxes (see page 3)

