

Bemidji, Minnesota

July 2019

2018 Summary Financial Report To The Community

Quick Facts

Demographics

Population	15,404
Growth since 2010	8%
Persons under 18 years	19%
Persons 65 and over	16%
Median age	28 yrs
Females	54%
Owner occupied housing	47%
Total Households	5,795
Persons in poverty	25%
Median household income	\$ 39,186
Median home value	\$ 140,367

Major Employers

Full time Employees

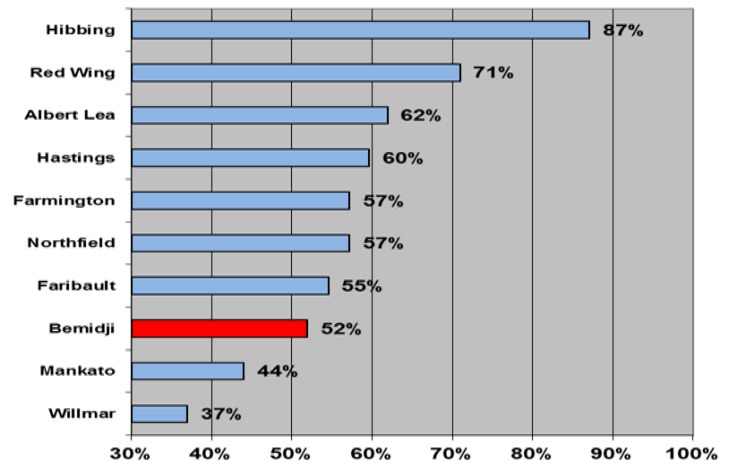
Sanford Health	1,576
Bemidji Public Schools	985
Bemidji State University	554
Beltrami County	295

Making Cents

The City of Bemidji presents its 2018 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 by a function of taxable property value. In comparison with nine similar regional center cities, Bemidji tax rates were in the bottom one-third. The average home value in Bemidji is \$125,000 and pays \$515 annually in City property taxes.

2018 Tax Rates

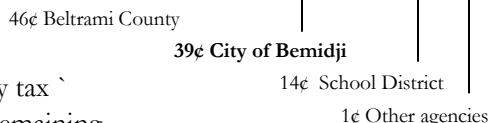


Dividing Up Your Tax Dollar

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 (46 cents), school district (14 cents), other agencies (1 cent).



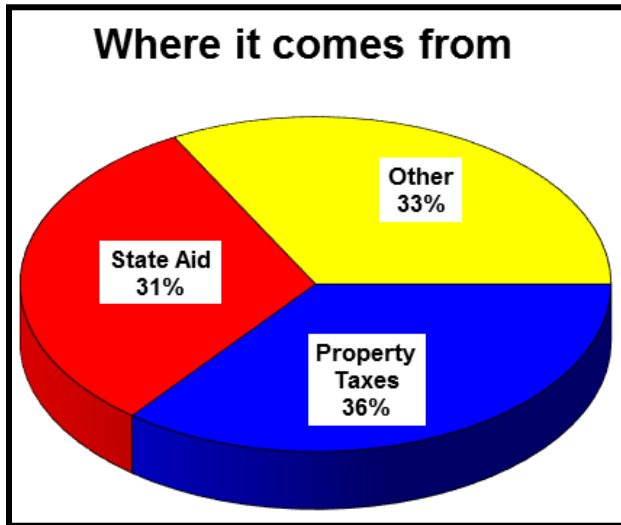
Bemidji Fund Types

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

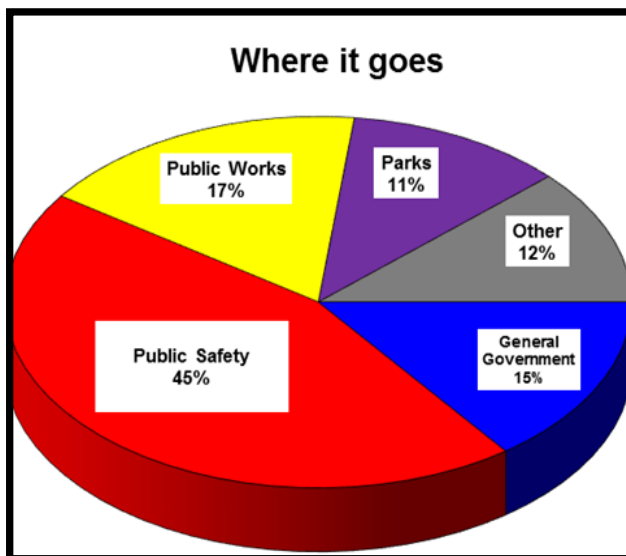


revenues and subsequently the outflow listed as expenditures. Primary revenues for the General Fund are property

	2018	2017
Property Taxes	\$4,444,076	\$4,100,831
State Aid (LGA)	\$3,918,261	\$3,771,459
Franchise & Cable Fees	\$1,343,788	\$1,276,538
Enterprise Profits	\$392,000	\$392,000
Fire Revenue	\$438,609	\$437,544
Transfers	\$1,816,873	\$1,689,434
Other	\$116,024	\$159,309
Total Revenues	\$12,469,631	\$11,827,115

taxes and Local Government Aid (LGA). For the year 2018, the City's revenue total was \$12.5 million which was a \$642,516 (5.4%) increase from the previous year. This was largely due to increased property taxes, LGA and transfers. General Fund cash balances are \$7.6 million or 60% of 2018 expenditures.

General Fund Expenditures



The City's 2018 expenditures were \$12.6 million which was \$97,000 over budget. Overall, General Fund expenditures increased \$1,535,000 (14%), due primarily to down payment on new ladder truck and increased transfers for Carnegie

	2018	2017
General Government	\$1,864,546	\$1,702,215
Public Safety	\$5,649,807	\$5,100,707
Public Works	\$2,161,906	\$2,127,943
Parks and Recreation	\$1,426,684	\$1,330,722
The Sanford Center Operational Subsidy	\$400,000	\$406,000
Other	\$1,089,778	\$390,460
Total Expenditures	\$12,592,721	\$11,058,047

Library and Liquor bonding in 2018. The chart highlights amounts funded to each category. The 2018 audit includes investment activities and adjustments not reflected in this discussion.

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 parking development, Firefighters Relief Association, Joint Planning Board, Building and Rental activities, Neilson-Reise Arena, other grant and construction projects. Revenues to support these activities are derived from grants, 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 \$62.7 million in outstanding debt, with \$58.2 million, (93%) representing bonds with non-property tax sources of repayment. The majority of debt, \$46.5 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 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
2008	2,826,755	2,846,213	35.99	94	8,108,954
2018	3,343,186	5,752,739	52.22	106	11,776,790
Change	516,431	2,906,526	16.2	12	3,667,836

See below

2002 LGA was \$3.8 million

Levy Increase Explanation

Law Enforcement Center Lease	206,000
Annual Street Improvements	425,000
Public Works Facility Payments	297,000
Sanford Center - bond payments, capital and operational contribution	953,677
Operational increases	1,024,849
Levy Increase	2,906,526

Police	1,156,000
Public Works	698,000
Parks & Recreation	519,000
Sanford Center	400,000
General Gov't	342,000
Fire	306,000
Equipment	249,000
Development	198,000
Other	84,000
Transfers	(104,000)
Airport Contribution	(180,000)
TOTAL	3,668,000

What changed over the last 10 years?

- State aid (LGA) is *lower* by \$516,641
- Property taxes have increased \$2.9 million
- 12 more 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 65% of levy increase
- Operational budget increases represents 35% of levy increase

How are your tax dollars spent?

- \$3,870,715—General Fund activities
- \$ 630,000—Sanford Center subsidy and capital
- \$ 425,000—Street renewal program
- \$ 297,098—Public Works Facility bond payments
- \$ 206,249—Law Enforcement Center Lease
- \$ 323,677—Sanford Center and land bonds
- **\$5,752,739—Total 2018 Property Tax Levy**

Bemidji City Government Profile

Geographical		General Government	
Acres - Land	8,642	Business licenses issued	356
Square miles - land	13.5	Vendor checks issued	4,000
Miles from Mpls/St Paul	240	Cash receipts processed	39,000
Police		Library	
Calls for service	26,727	Visitors	192,000
Crime rate per 100,000	17,391	Circulation	147,000
Clearance rate	72%	Program Participants	3,678
# of licensed officers	33	Building and Rental	
Fire		Permits Issued	701
Calls for service	986	Rental Permits	1,108
Fire calls	129	Construction in millions	42
# of fire stations	4	Water (million gallons)	
# of trucks/engines	8	# of gallons pumped	479
ISO classification	3/7	Water distribution miles	107
Public Works		Number of wells	7
Miles of streets	87	Daily average gallons	1.1
# of plowing events	26	# of customers	4,252
Tons of sand/salt used	900	Sanitary Sewer (million gallons)	
City metal street lights	1,036	# of treatment plants	1
Parks and Recreation		Sanitary sewer line miles	98.0
Acres maintained	245	Lift stations refurbished	2
High use # of parks	12	Daily avg gallons	1.0
Adult participants	238	Annual inflow gallons	375
Ice hours rented	1,650	Gallons of sludge applied	1.1
Public skaters	2,000	Storm Water	
Airport - 4th busiest in MN		Street lane miles swept	1,438
Scheduled daily flights	2	Yards of material removed	400
Annual passenger count	30,030	Residential Refuse	
Economic Impact	\$42 million	# of customers	2,800

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%
2018	2,490,915	4.1%

2018 Accomplishments

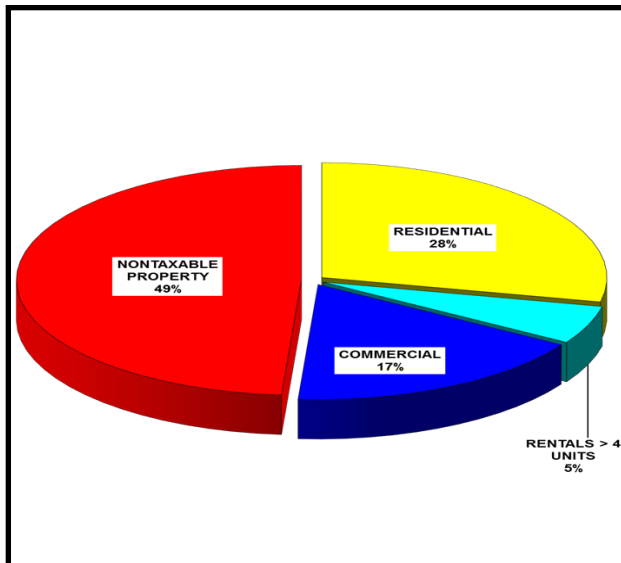
- ◆ City tax base increased \$25 million or 3%
- ◆ Implemented body worn cameras for police officers
- ◆ Crime rate decreased more than 15%
- ◆ Purchased \$1 million ladder truck for fire department
- ◆ ISO fire rating reduced from 4 to 3—results in insurance savings
- ◆ Issued \$42 million in building permits including 7 commercial structures, 12 new residential homes and 3 multi-family units
- ◆ Building inspectors use I-pad computers for on-site field inspections
- ◆ Capital projects of \$4 million completed and \$1 million in equipment
- ◆ Completed draft community comprehensive plan
- ◆ Sanford Center hosted over 116,000 attendees for 241 events
- ◆ Sold liquor bonds for new store construction

Future Challenges

Bemidji is a regional economic center consisting of a large retail base, educational facilities including a state university, medical services featuring Sanford Health and many state and federal government agencies. These attributes contribute to a 48% level of tax exempt property. For this reason, paying for and maintaining regional City assets such as streets, The Sanford Center, parks and trails with property taxes places a heavy burden on local City taxpayers. A special use or sales tax capturing visitor dollars who shop and recreate here would help lower property taxes.

Water conditions continue to be monitored at the City well field as some wells contain PFC contaminants. In addition, waste water treatment plant expansion is necessary and additional treatment may be required in the future. Both water and waste water issues require significant financing. The City is currently seeking state and other funding to supplement these projects.

Property Classification



The total value of City property is \$1.7 billion, of which 48% 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 and state government agencies contribute to this level of tax-exempt property. While these entities provide economic impact and employment opportunities, they present challenges to generating City property tax revenue. In addition, a significant portion of residential housing stock is rental property, impacting neighborhood dynamics.

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 of \$500,000. Of these profits, \$451,000 were used to reduce property taxes, amounting to an 8% tax subsidy. Remaining reserves or profits are used for community projects such as park and street improvements.

The Sanford Center and South Shore

The Sanford Center (SC) 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 2018, this facility hosted 241 events with 116,000 visitors including hockey games, concerts, banquets, conventions and weddings with an estimated economic impact of \$18 million. A detailed annual report for 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 \$230,000 and bond subsidy for south shore land and SC building at \$323,677 paid by property taxes (see page 3)
- Estimated annual economic impact to community of \$18.9 million



About this Report

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

For a complete review of the City's 2018 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.