

Bemidji, Minnesota

July 2020

2019 Summary Financial Report To The Community

Quick Facts

Demographics

Population	16,318
Growth since 2010	8%
Persons under 18 years	18%
Persons 65 and over	16%
Median age	28 yrs
Females	54%
Owner occupied housing	45%
Total Households	6,122
Persons in poverty	24%
Median household income	\$ 40,750
Median home value	\$ 131,500

Major Employers

Full time Employees

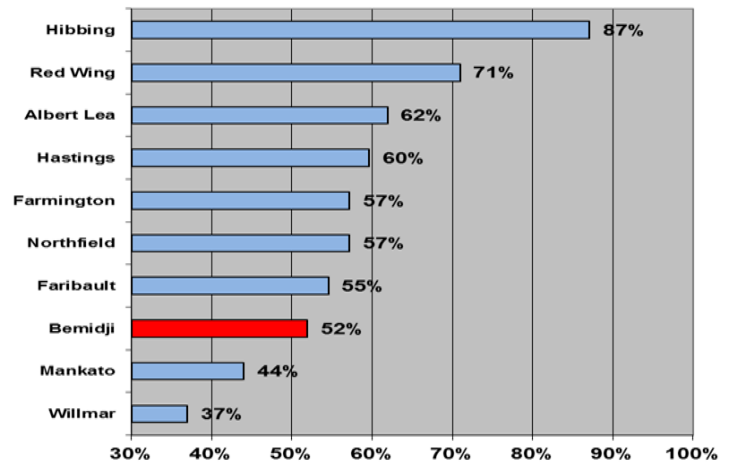
Sanford Health	2,165
Bemidji Public Schools	989
Bemidji State University	545
Beltrami County	385

Making Cents

The City of Bemidji presents its 2019 Summary Financial Report. The purpose of this report is to inform the community of the City's financial activity in an 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 \$133,000 and pays \$541 annually in City property taxes.

2018 Tax Rates

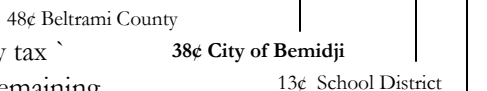


Dividing Up Your Tax Dollar

Your tax dollar is divided into several governmental entities.



Bemidji collects 38 cents of every tax dollar. The remaining portions are divided among Beltrami County (48 cents), School District (13 cents), other agencies (1 cent).



Bemidji Fund Types

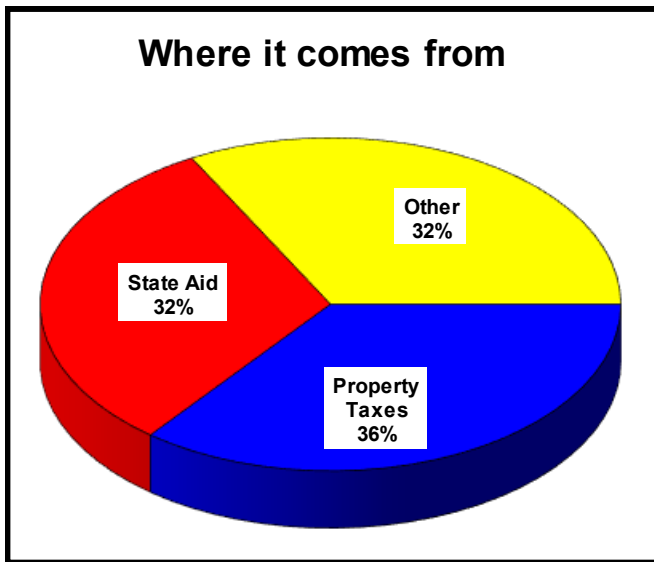
In order for Bemidji to manage City finances smoothly, it divides activities into several different funds.

- 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 such as police, fire protection, streets and parks maintenance while at the same time supplementing portions of other funds. The General Fund relies on the inflow of cash, shown as

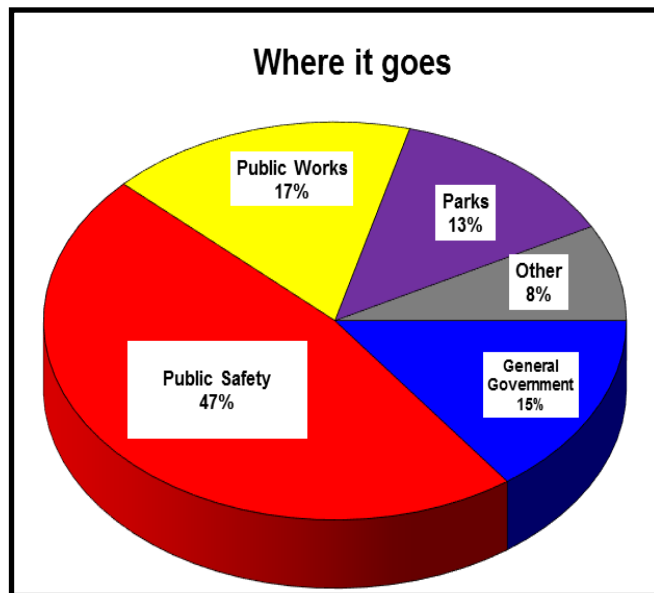
	2019	2018
Property Taxes	\$4,621,258	\$4,444,076
State Aid (LGA)	\$3,930,874	\$3,918,261
Franchise & Cable Fees	\$1,289,933	\$1,343,788
Fire Revenue	\$490,303	\$438,609
Transfers	\$2,007,880	\$1,816,873
Other	\$449,631	\$508,024
Total Revenues	\$12,789,879	\$12,469,631



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

property taxes and State Aid known as Local Government Aid (LGA). For 2019, revenue was \$12.8 million, a \$320,248 (2.6%) higher than the previous year. This was due to increased property taxes, LGA and transfers. General Fund **cash** balances are \$7.3 million or 57% of 2020 expenditures.

General Fund Expenditures



The City's 2019 expenditures were \$13.2 million which was \$9,000 under budget. General Fund expenditures increased \$592,000 (5%), due primarily to labor and capital expenditure increases. The chart highlights amounts funded to each category. The 2019 audit includes investment activities and adjustments not reflected in this discussion.

	2019	2018
General Government	\$1,969,898	\$1,864,546
Public Safety	\$6,214,202	\$5,649,807
Public Works	\$2,249,733	\$2,161,906
Parks and Recreation	\$1,715,372	\$1,426,684
The Sanford Center Operational Subsidy	\$450,000	\$400,000
Other	\$585,323	\$1,089,778
Total Expenditures	\$13,184,528	\$12,592,721

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 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 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, 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 \$64.8 million in outstanding debt, with \$58.9 million, (91%) representing bonds with non-property tax sources of repayment. The majority of debt, \$45.7 million represents amounts incurred for the construction of The Sanford Center, which is supported by local sales tax revenue. Taxable bonds in the amount of \$1.6 million are partially supported by sales of vacant property. If land sales are insufficient, 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
2009	3,069,129	3,074,384	35.3	91	8,774,931
2019	3,349,489	5,867,794	53.1	108	12,478,132
Change	280,360	2,793,410	17.8	17	3,703,201

See below

2002 LGA was \$3.8 million

Levy Increase Explanation

Law Enforcement Center Lease	210,000
Annual Street Improvements	425,000
Public Works Facility Bond Payment	292,000
Sanford Center - Operating/Capital	680,000
South Shore Land Bonds	323,677
Operational increases	862,733
Levy Increase	2,793,410

Police	1,052,000
Equipment	908,000
Sanford Center	450,000
Parks & Recreation	423,000
Public Works	388,000
Fire	326,000
General Gov't	318,000
Transfers	44,000
Development	(1,000)
Other	(21,000)
Airport Contribution	(184,000)
TOTAL	3,703,000

What changed over the last 10 years?

- State aid (LGA) is *lower* by \$280,360
- Property taxes have increased \$2.8 million
- 17 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 69% of levy increase
- Higher operational budgets represents 31% of levy increase

How are your property tax dollars spent?

- \$3,936,796—General Fund activities
- \$ 680,000—Sanford Center subsidy and capital
- \$ 425,000—Street renewal program
- \$ 292,478—Public Works Facility bond payments
- \$ 209,843—Law Enforcement Center Lease
- \$ 323,677—South Shore land bonds
- **\$5,867,794—Total 2019 Property Tax Levy**

Bemidji City Government Profile

Geographical		General Government	
Acres - Land	11,206	Business licenses issued	345
Square miles - land	17.5	Vendor checks issued	4,000
Miles from Mpls/St Paul	240	Cash receipts processed	38,000
Police		Library	
Calls for service	27,197	Visitors	190,000
Crime rate per 100,000	18,000	Circulation	153,000
Clearance rate	67%	Program Participants	4,073
# of licensed officers	32	Building and Rental	
Fire		Permits Issued	670
Calls for service	1,026	Rental Permits	1,250
Fire calls	95	Construction in millions	59
# of fire stations	4	Water (million gallons)	
# of trucks/engines	16	# of gallons pumped	486
ISO classification	3/10	# of gallons sold	427
Public Works		Water main breaks repaired	5
Miles of streets	92	Daily average gallons	1.3
# of plowing events	28	# of customers	4,275
Tons of sand/salt used	700	Sanitary Sewer (million gallons)	
City metal street lights	1,036	# of treatment plants	1
Parks and Recreation		Utility locates completed	2,100
Acres maintained	245	Lift stations refurbished	2
High use # of parks	12	Daily avg gallons	1.4
Adult participants	320	Annual inflow gallons	380
Ice hours rented	1,526	Gallons of sludge applied	2.0
Public skaters	2,524	Storm Water	
Airport - 4th busiest in MN		Street lane miles swept	1,600
Scheduled daily flights	2	Yards of material removed	200
Annual passenger count	62,000	Residential Refuse	
Economic Impact	\$58 million	# of customers	2,500

LOCAL .5% SALES TAX		
Year	Amount	Change
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%
2019	2,590,359	4.0%

- ### 2019 Accomplishments
- ◆ Tax base increased \$55 million or 6%
 - ◆ Completed First City liquor store and Carnegie Library renovation
 - ◆ Crime rate decreased 17%
 - ◆ Estimated property value saved from fire \$7.8 million
 - ◆ Reconstructed and paved 12 alleys
 - ◆ Issued \$42 million in building permits including 7 commercial structures, 21 new residential homes and 1 new governmental structure
 - ◆ \$681,000 of capital improvements made at The Sanford Center
 - ◆ Capital projects of \$7.5 million completed
 - ◆ Equipment purchased of \$2.1 million
 - ◆ Sanford Center hosted over 108,000 attendees at various events
 - ◆ Grand opening of new First City Liquor store in June 2019

Future Challenges

Bemidji is a regional economic center consisting of a large retail base, a state university, medical services featuring Sanford Health and many other governmental agencies. These attributes contribute to a 47% level of tax exempt property. Paying for and maintaining regional City assets such as streets, The Sanford Center and parks with property taxes places a heavy toll on local taxpayers. A special use tax capturing visitor dollars who shop and recreate here would help reduce the property tax burden.

Water conditions continue to be monitored as the \$7.3 million short term water treatment plant begins construction in 2020 to remove PFC contaminants. In addition, waste water treatment plant expansion is necessary and additional treatment of ammonia and nitrates may be required in the future. The City is seeking state bonding and other funding to assist in paying for the cost of these projects, which could approach \$20 million.

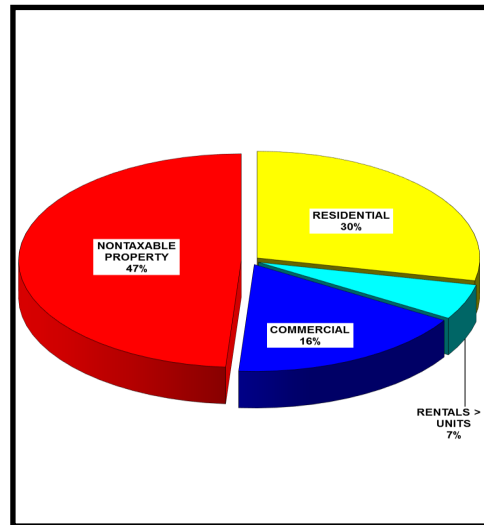


About this Report

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 2019 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 \$1.7 billion, of which 47% 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. Business property pays 50% of City property taxes followed 40% by residential property.

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 \$680,000. During 2019 the City had a grand opening for its new liquor store, First City Liquor, at the site of the former Discount Liquor location. The store is 15,000 sq. feet in size and storage space. Increased sales are projected to repay the \$3.5 million in debt issued to build the store. Profits of \$461,000 were used to reduce property taxes, amounting to a 7.5% property tax subsidy. Remaining reserves or profits are used for community projects such as parks, street improvements and Veteran's Home contribution.



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 2019, this facility hosted 108,000 visitors including hockey games, concerts, banquets, conventions and weddings with an estimated economic impact of \$17 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 \$450,000, capital replacement \$230,000 and bond subsidy for south shore land at \$323,677 paid by property taxes (see page 3)
- Estimated annual economic impact to community of \$18.9 million