
# Truth-in-Taxation Hearing
# December 5, 2022
# 6:00 PM
# (Copy of presentation on City Website)

# ***Required Public Hearing***

## Purpose

- Review 2023 City budget and tax levy
- "City Finance 101"
  - Helpful to respond to questions during year
  - Financial overview
- How is City doing?
  - Historical and comparative information
  - Being "average" isn't good or bad
  - Gives perspective
- Answer questions

# 2023 City Budget Highlights

- **Property value changes from 2022 to 2023**
  - New construction value – projected increase 1%
    - Total value increase - $263 million or 24%
      - Largest increase ever?!
- **Personnel Costs**
  - Union contract terms set for 2022-2024
  - New positions added
    - Asst City Manager/Comm Development Director – July 2023
    - Deputy City Clerk – January 2023
    - Shared IT position for police department with Beltrami County
- **Non-personnel operating costs**
  - No increase despite 8+% inflation
  - May result in reduced services due to limited resources
- **2023 City Budget at $63 million**
  - $13 million increase from last year – Why?
    - $12 million in Water/Sewer – primarily capital costs
    - $450K increase General Fund expenses - details later

# 2023 GENERAL FUND COMMENTS

- **Primary operating fund for City – (1 of 29 funds)**
  - Police, Fire, Parks, Public Works, General Government
  - 24% of total budget expenses
  - But more importantly is 88% of tax levy
    - Balance of tax levy (12%) is PW bldg. debt or capital improvement related
    - Why most discussion spent on General Fund

- **Surplus budget of $164,000 – for future Fire CIP**
  - 2026 Fire Engine - $1 million cost for City

  - Revenue versus Expenses – due to annual fluctuations in equipment

    - 2016 - $1 million deficit – (Nymore Fire Station)
    - 2017 - $343,000 surplus
    - 2018 - $305,000 surplus
    - 2019 - $170,000 deficit – (Fire ladder truck)
    - 2020 - $206,000 surplus
    - 2021 - $109,000 surplus
    - 2022 - $157,000 surplus

# General Fund Revenue

$460,000 increase

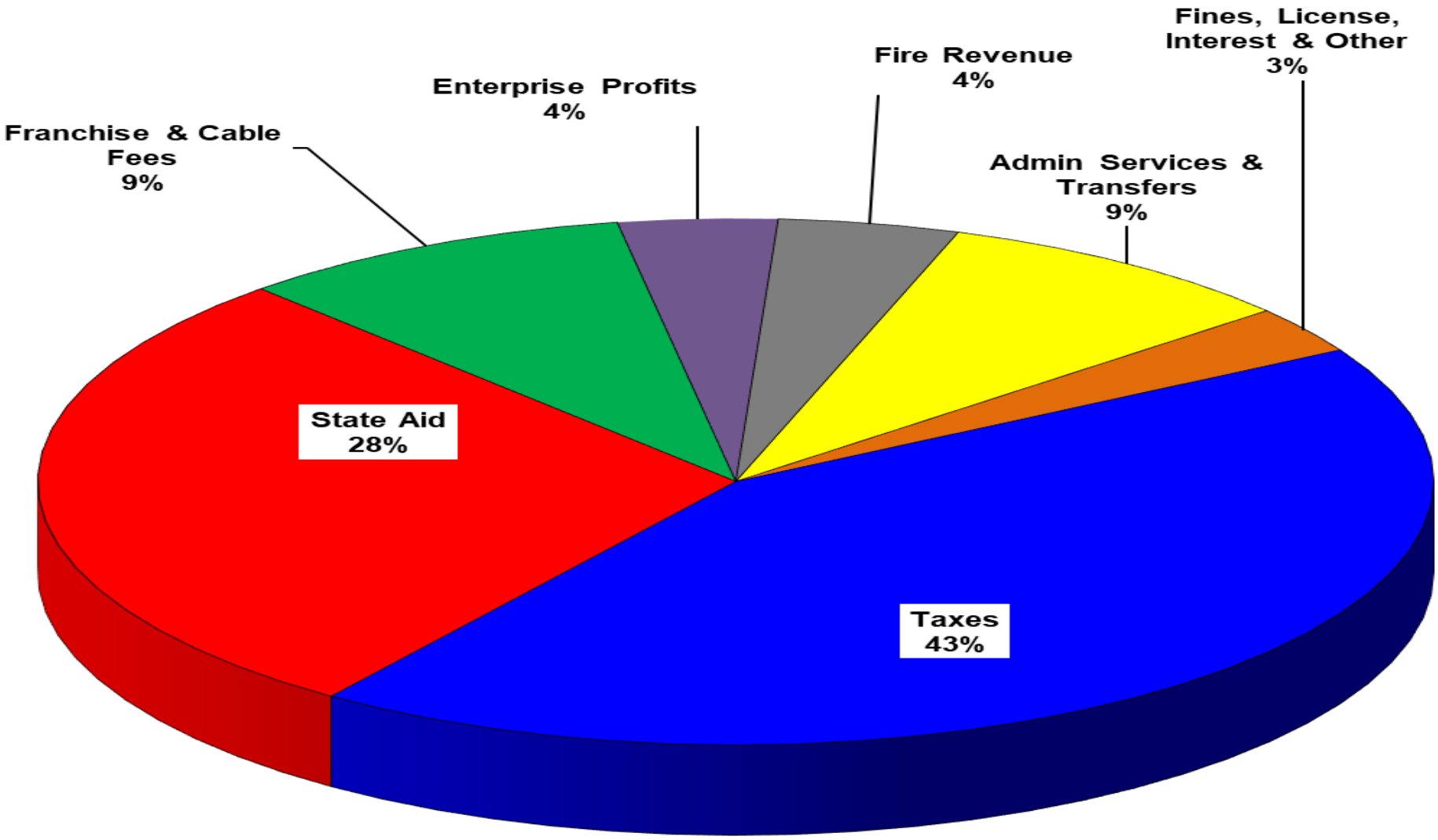
- ✓ **Property tax – $369,000**
- ✓ **Franchise fees - $63,000**
- ✓ **Rural Fire contribution - $27,000**
- ✓ **Local Government Aid - $26,000**
- ✓ **Lower interest income – ($25,000)**

# General Fund Expenses

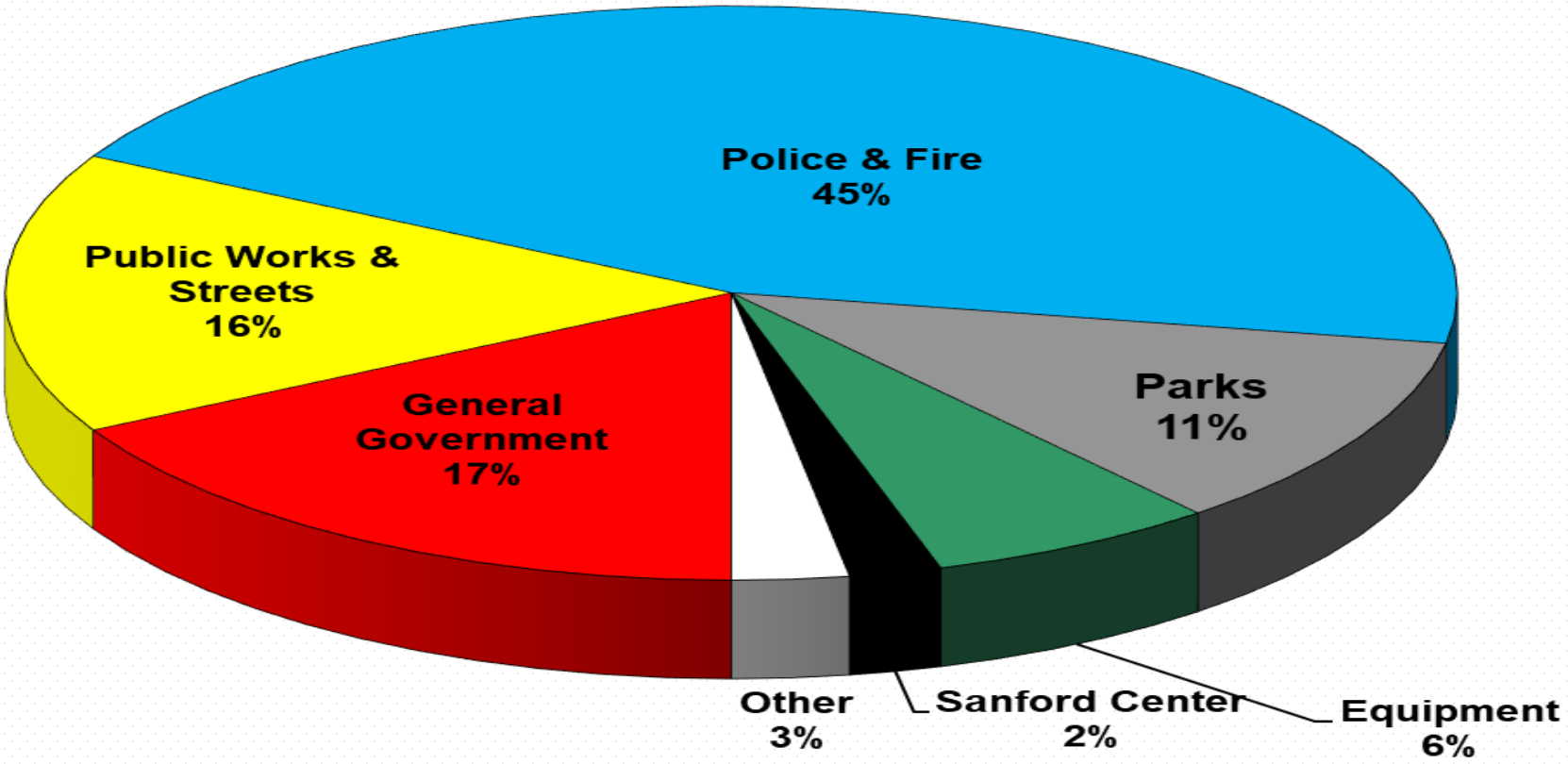
$453,000 increase

- **Personnel costs - $665,000**
- **Equipment purchases – $76,000**
- **Professional services - $25,000**
  - **Assessing, IT and Fire**
- **Contingencies - $(149,000)**
- **Transfers - $(142,000)**
  - **Reduced Sanford Center subsidy**
- **Facilities Mgmt/Other - $(22,000)**
  - **Direct allocation of personnel costs**
- **What isn't in 2023 budget……**
  - Adequate **capital** funding for Sanford Center - $ 1 million/yr
  - Park Improvements/Maintenance funding - $200K annually
  - Neilson Reise Arena – Demo or repurpose?
  - City Hall/Fire Hall repair or new construction
  - Street improvement funding
  - City Building Maintenance funding
  - Railroad Corridor development/cleanup costs, if any
  - Above are all **capital costs**

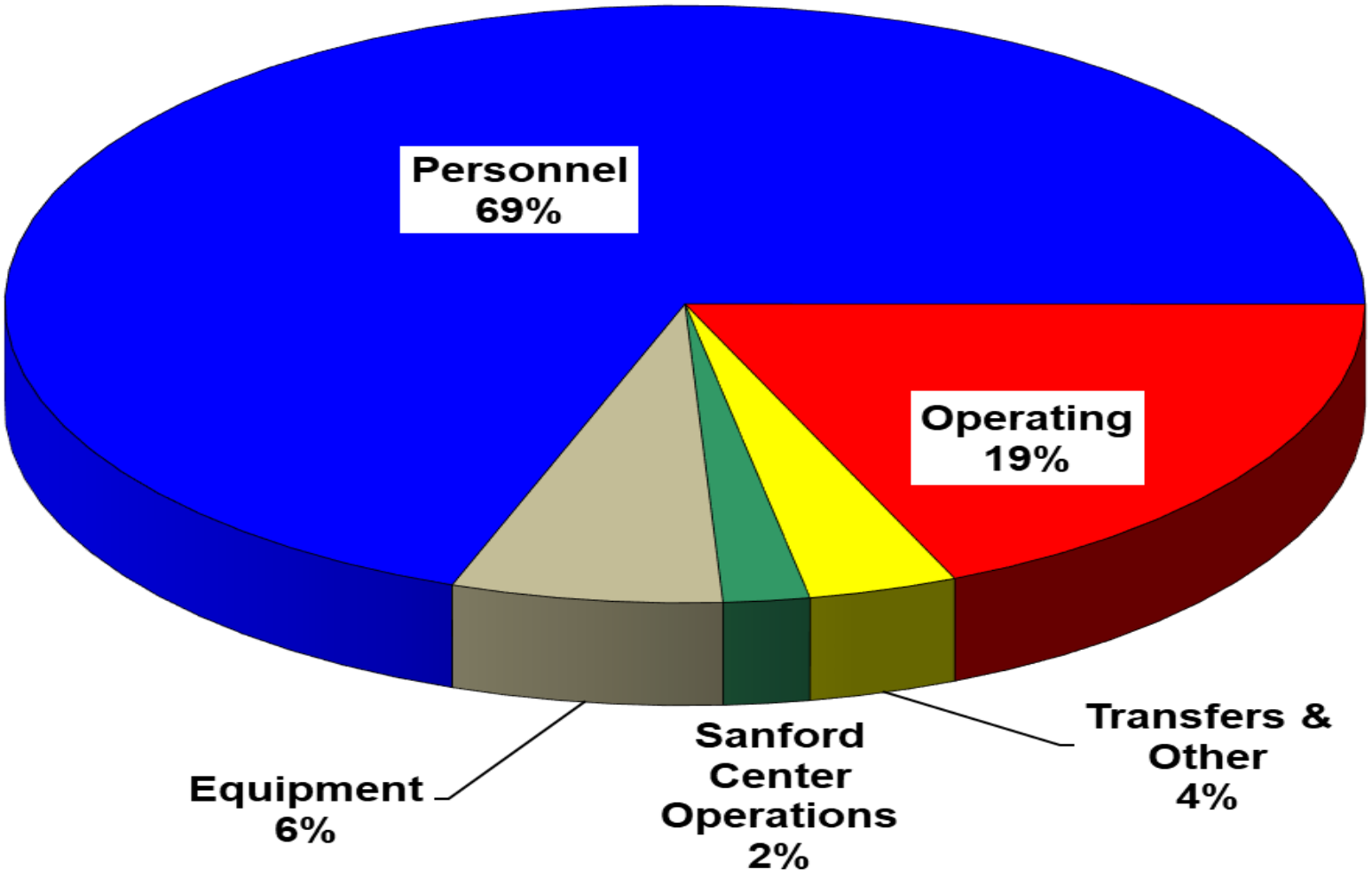
# General Fund - Where it comes from



# 2023 General Fund - Where it goes



# 2023 General Fund - Where it goes



# GENERAL FUND BUDGET 2022/2023

| DESCRIPTION | 2022 BUDGET | 2023 BUDGET | $ Change Inc/(Dec) |
|---|---|---|---|
| **REVENUE** | | | |
| Property Taxes | 6,191,394 | 6,560,138 | 368,744 |
| Other Taxes and Fees | 1,335,200 | 1,398,000 | 62,800 |
| Licenses & Permits | 134,500 | 134,500 | - |
| Intergovernmental | 4,266,485 | 4,293,035 | 26,550 |
| Other Revenue | 179,241 | 154,241 | (25,000) |
| Fire Revenue | 611,220 | 638,076 | 26,856 |
| Fines | 153,500 | 153,500 | - |
| Transfers/Internal Services | 1,866,202 | 1,866,202 | - |
| **TOTAL REVENUE** | 14,737,742 | 15,197,692 | 459,950 |
| | | | |
| **OPERATING EXPENSES** | | | |
| **GOVERNMENT** | | | |
| Mayor & Council | 177,270 | 177,270 | - |
| Administration | 502,192 | 593,392 | 91,200 |
| Election | 9,100 | 9,100 | - |
| Finance | 706,890 | 732,790 | 25,900 |
| Technology/Computer | 159,301 | 166,301 | 7,000 |
| Assessing | 115,850 | 123,850 | 8,000 |
| Legal | 561,952 | 557,252 | (4,700) |
| Joint Planning Board | 172,485 | 205,485 | 33,000 |
| | 2,405,040 | 2,565,440 | 160,400 |
| **PUBLIC SAFETY** | | | |
| Police | 4,945,471 | 5,192,671 | 247,200 |
| Fire and Emergency Mgmt | 1,518,801 | 1,559,601 | 40,800 |
| | 6,464,272 | 6,752,272 | 288,000 |
| **PUBLIC WORKS** | | | |
| Streets | 1,569,110 | 1,587,010 | 17,900 |
| GIS | 165,927 | 177,727 | 11,800 |
| Engineering & PW Admin | 611,267 | 616,367 | 5,100 |
| | 2,346,304 | 2,381,104 | 34,800 |
| **PARKS** | | | |
| Parks & Recreation | 1,248,333 | 1,435,533 | 187,200 |
| Arena Transfer | - | - | - |
| Library | 230,963 | 230,963 | - |
| | 1,479,296 | 1,666,496 | 187,200 |
| **MISCELLANEOUS** | | | |
| Sanford Center | 450,000 | 308,000 | (142,000) |
| Economic Development | 30,000 | 30,000 | - |
| Cable Access | 2,200 | - | (2,200) |
| Contingencies | 189,000 | 40,000 | (149,000) |
| Public Transportation | 15,500 | 15,500 | - |
| Transfers | 306,150 | 306,150 | - |
| | 992,850 | 699,650 | (293,200) |
| **Capital Expenditures** | 893,000 | 969,000 | 76,000 |
| | | | |
| **TOTAL EXPENSES** | 14,580,762 | 15,033,962 | 453,200 |
| | | | |
| Budget (Deficit)/Surplus | **156,980** | **163,730** | 6,750 |

# 2023 CITY TAX LEVY

- **Increase of $357,286 or 5% from 2022**
  - New construction value offsets 1%
  - State average City levy increase is 9.1%

- **Does <u>not</u> translate to 5% increase for taxpayers**
  - Combined with property value increase, results in <u>15% tax rate reduction</u>, meaning…..
  - If property value stays same, City tax decreases 15%
  - Avg residential home in 2022 vs 2023 increased $86
  - Tax rate in **2011** was 42.0 – **2023** rate is 44.5

- **Exception is Phase III Northern Township property**
  - Phased in tax increase over 5 years

- **Levy 43% paid by businesses, 45% residential, 12% rental**

# CITY OF BEMIDJI
# 2023 PRELIMINARY LEVY SUMMARY

| DESCRIPTION | AMOUNT |
|---|---|
| 2022 FINAL LEVY | 7,136,686 |
| PROJECTED 2023 LEVY - See detail below | 7,493,972 |
| DOLLAR INCREASE | 357,286 |
| PERCENTAGE INCREASE | 5.0% |

| LEVY BREAKDOWN | 2021 | 2022 | Projected 2023 |
|---|---|---|---|
| General Fund | 5,511,789 | 6,274,631 | 6,615,629 |
| Sanford Center Capital Improvements | 210,000 | 210,000 | 210,000 |
| Annual Street Improvements | 385,000 | 385,000 | 385,000 |
| **Special Debt Levies** | | | |
| GO Bonds - Public Works Facility | 267,055 | 267,055 | 283,343 |
| TOTAL | 6,373,844 | 7,136,686 | 7,493,972 |

# 2023 Budget/Levy

- **Council adopts final budget and tax levy at December 19th meeting**

- **Total City Budget is $63 million consisting of:**
  - Enterprise Activities - $41 million – **65%** of budget
    - Utilities, Refuse, Liquor, Sanford Center
    - $21 million reflects Water Treatment & WWTP Construction
  - General Fund - $15 million - **24%** of budget
  - Special Revenue - $6 million - 10% of budget
  - Debt Service - $ 646,000 – 1% of budget

# CITY OF BEMIDJI
# 2023 BUDGETED REVENUE AND EXPENSES

| FUND # | FUND DESCRIPTION | REVENUE | EXPENSES | DIFF | | Total By Fund |
|---|---|---|---|---|---|---|
| 101 | **GENERAL** - Primary Operating Fund | 15,197,692 | 15,033,962 | 163,730 | 24% | 15,033,962 |
| | **SPECIAL REVENUE** - Grants & Construction | | | | | |
| 103 | BUILDING AND RENTAL | 572,600 | 564,910 | 7,690 | | |
| 104 | ARP FUNDS | - | 816,600 | (816,600) | | |
| 202 | RAILROAD CORRIDOR | | | - | | |
| 204 | DEVELOPMENT FUND | 28,000 | | 28,000 | | |
| 205 | UDAG | 1,000 | | 1,000 | | |
| 206 | STRATACOR | 10,000 | | 10,000 | | |
| 208 | PROGRAM INCOME | 100 | | 100 | | |
| 209 | DUI PENALTY ASSESSMENT | 31,200 | 143,000 | (111,800) | | |
| 214 | PEG FEE | 15,200 | | 15,200 | | |
| 220 | PARKING DEVELOPMENT | 42,000 | 12,000 | 30,000 | | |
| 222 | CARNEGIE LIBRARY | 34,036 | 31,000 | 3,036 | | |
| 224 | OPC RENT | 22,500 | | 22,500 | | |
| 225 | FIREFIGHTERS RELIEF | 220,000 | 220,000 | - | | |
| 226 | PERMANENT IMPROVEMENTS | 3,427,500 | 3,456,890 | (29,390) | | |
| 230 | PARKLAND DEDICATION | 100 | | 100 | | |
| 232 | JOINT PLANNING BOARD | 385,193 | 428,616 | (43,423) | | |
| 615 | ARENA | 1,100 | 42,300 | (41,200) | | |
| 701 | CENTRAL SERVICES | 784,410 | 601,510 | 182,900 | 10% | 6,316,826 |
| | **DEBT SERVICE** - Bond Principal and Interest | | | | | |
| 306 | 2007 GO - Public Works Bldg | 283,343 | 270,350 | 12,993 | | |
| 384 | UNIVERSITY HEIGHTS | 13,000 | 13,000 | - | | |
| 512 | ENERGY SAVINGS PROJECT | 137,000 | 157,715 | (20,715) | | |
| 520 | 2005 BONDS - BIRCHMONT DRIVE | 205,000 | 205,000 | - | | |
| | | | | | 1% | 646,065 |
| | **ENTERPRISE** - Business Like activities | | | | | |
| 601 | WATER/SEWER | 16,512,000 | 27,503,766 | (10,991,766) | | |
| 602 | STORM WATER | 1,020,500 | 1,129,782 | (109,282) | | |
| 603 | REFUSE | 622,000 | 536,456 | 85,544 | | |
| 604 | THE SANFORD CENTER | 3,316,000 | 2,892,163 | 423,837 | | |
| 609 | LIQUOR | 8,707,000 | 8,653,725 | 53,275 | 65% | 40,715,892 |
| | | 51,588,474 | 62,712,745 | (11,124,271) | | 62,712,745 |

# Why Property Taxes Vary from Year to Year

- **Explaining individual property tax changes from year to year involves a multi-step process and beyond the scope of this presentation**
  - **See City Assessor**

## Generally these items have most impact

- **Property value** drives mathematical calculations
  - City Assessor determines value based on sales
- **Special assessments** added to tax bill
- **Tax levy** for City, County or School District changes
  - Next slide shows simplified example

# Property Tax Impact
# Very small town - population 2

**Value = $100,000**


**Value = $100,000**

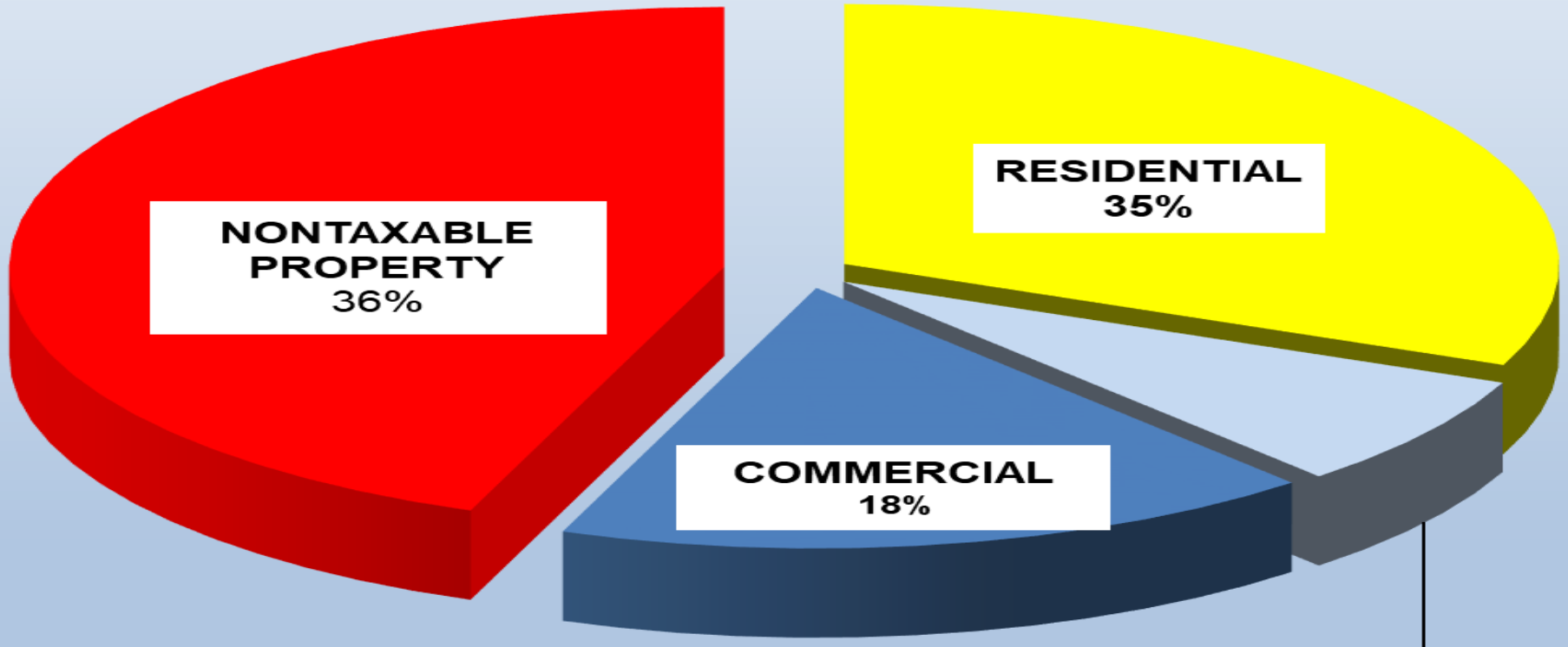
- **City Tax Levy = $4,000**

- **Tax = $2,000**

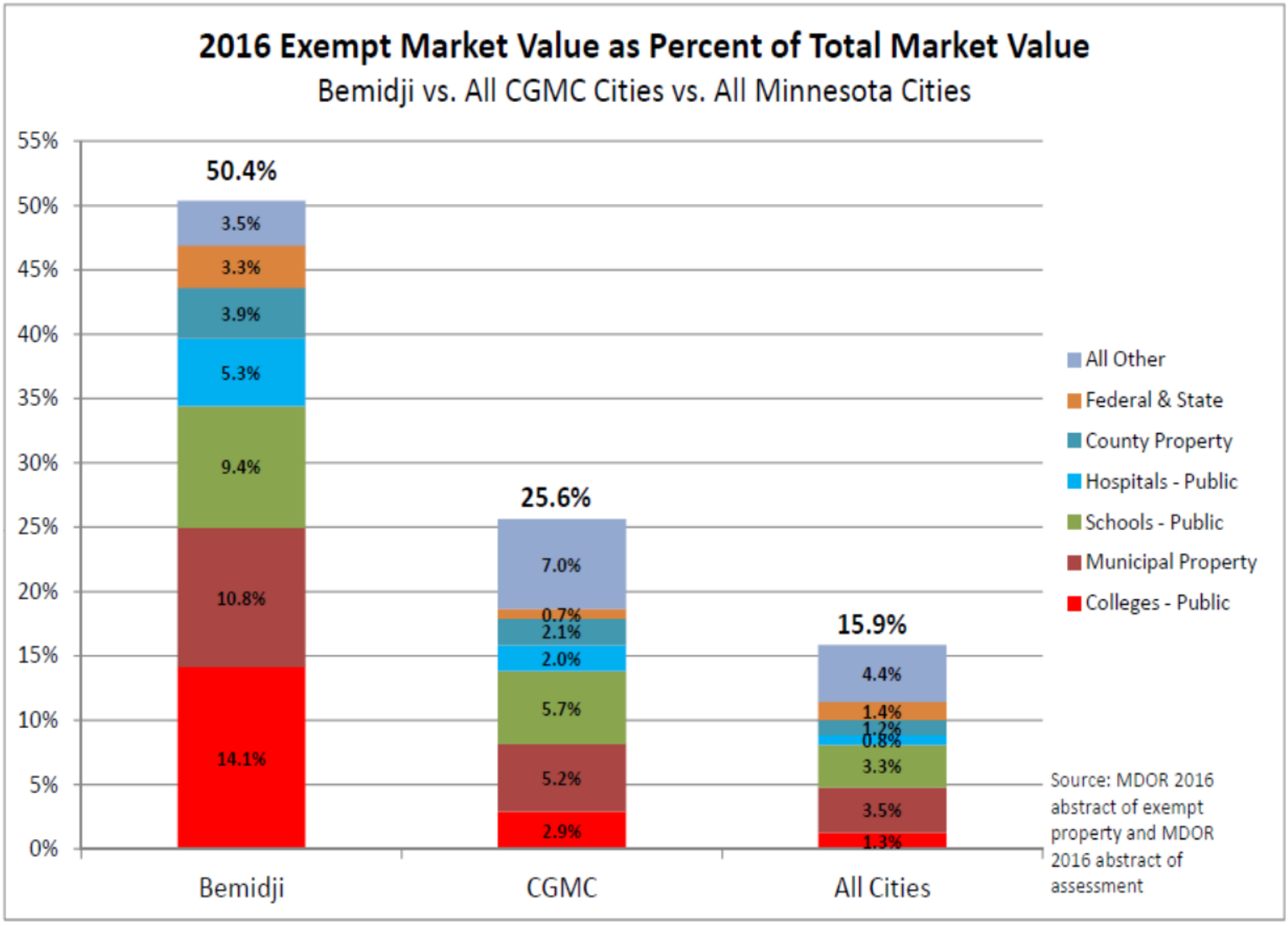
- **Tax = $2,000**

- If values for both properties **increase by 20%** and levy remains $4,000, then taxes for each property remain the same @ $2,000
- Point - property value increases by themselves do not result in tax increases
- MN Property tax regulations are one of most complicated in nation

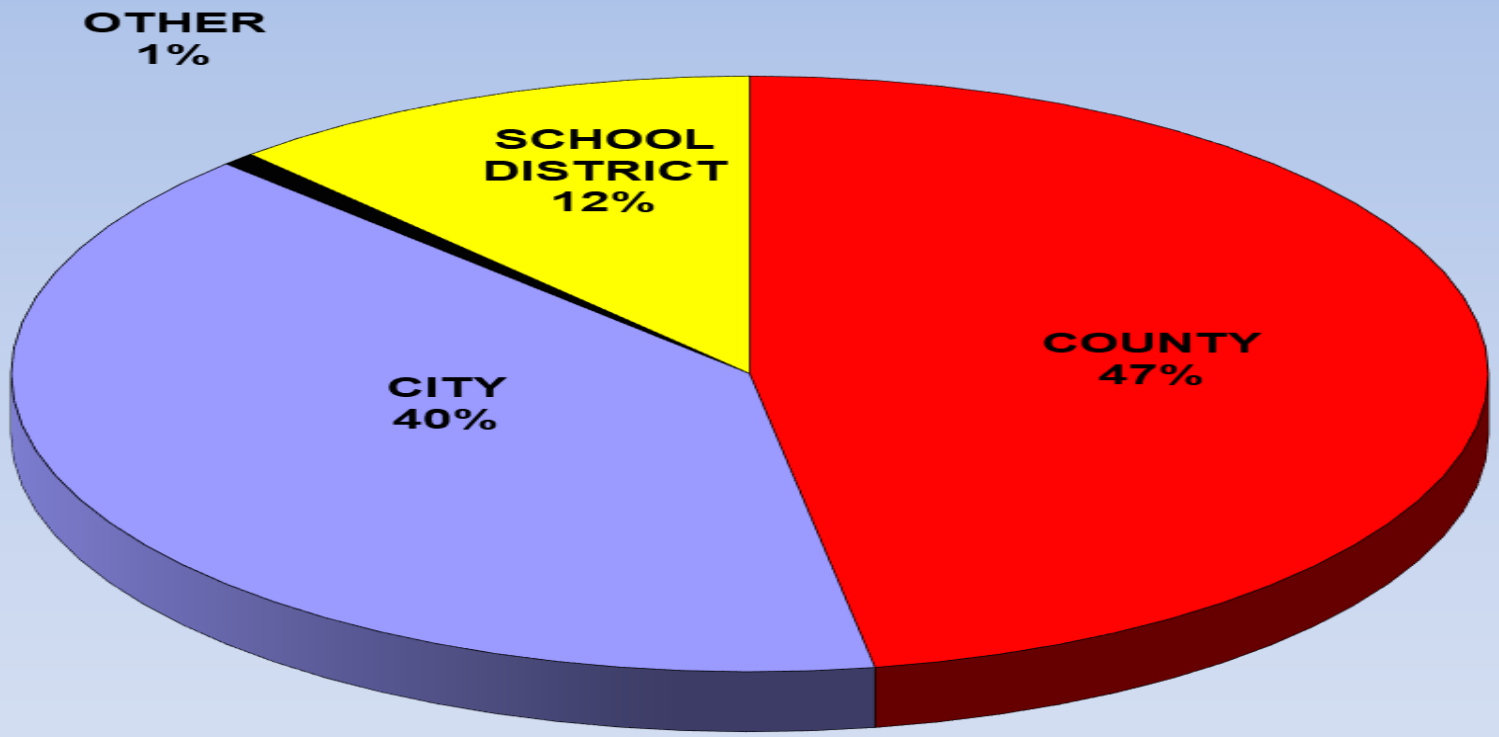
# 2023 PROPERTY CLASSIFICATIONS
## Value $2.2 Billion




- Most Cities @ 20% to 25%
- Why – BSU, Hospital, Govt Facilities
- Provide employment stability and economic engine for community
- Utilize fees (franchise and storm water to access revenue from these entities


2016 Exempt Market Value as Percent of Total Market Value
Bemidji vs. All CGMC Cities vs. All Minnesota Cities
55%
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
50.4%
3.5%
3.3%
3.9%
5.3%
9.4%
10.8%
14.1%
25.6%
7.0%
0.7%
2.1%
2.0%
5.7%
5.2%
2.9%
15.9%
4.4%
1.4%
1.2%
0.8%
3.3%
3.5%
1.3%
Bemidji
CGMC
All Cities
All Other
Federal & State
County Property
Hospitals - Public
Schools - Public
Municipal Property
Colleges - Public
Source: MDOR 2016 abstract of exempt property and MDOR 2016 abstract of assessment

# WHERE YOUR TAX DOLLARS GO




**2023 INFORMATION**

Average home valued at $193,000

City Tax is $772

Average Business valued at $401,000

City tax is $3,234

# CITY OF BEMIDJI
# TEN YEAR HISTORICAL LOOK BACK

| Year | LGA Received | Property Tax Levy | City Tax Rate | Taxable Property (Millions) | General Fund Budget | Employee FTE's |
|---|---|---|---|---|---|---|
| 2013 | 2,906,194 | 4,176,998 | 48.8 | 683 | 9,946,485 | 91.4 |
| 2023 | 3,694,035 | 7,493,972 | 44.5 | 1337 | 15,033,962 | 129.0 |
| **Change** | **787,841** | **3,316,974** | **(4.3)** | **654** | **5,087,477** | **37.6** |

**4.3% annual growth**

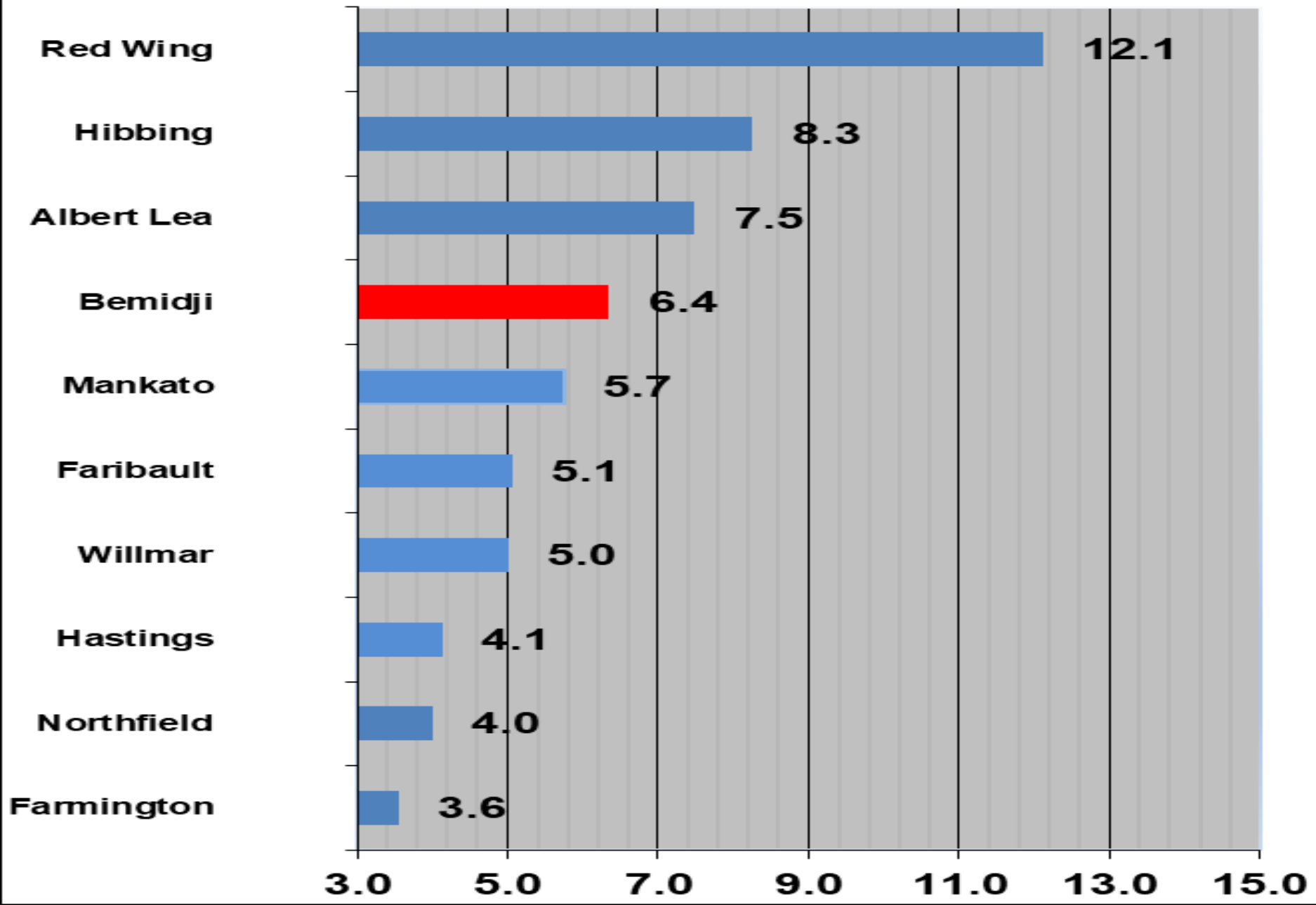
**In 2002 LGA was $3.8 million**

| | |
|---|---|
| **Police** | 1,738,365 |
| **General Gov't** | 862,208 |
| **Fire** | 755,430 |
| **Parks & Recreation** | 623,538 |
| **Public Works** | 564,881 |
| **Equipment** | 363,740 |
| **Transfers** | 165,020 |
| **Development** | 106,300 |
| **Contingencies/Other** | (5) |
| **Sanford Center** | (92,000) |
| **TOTAL** | 5,087,477 |

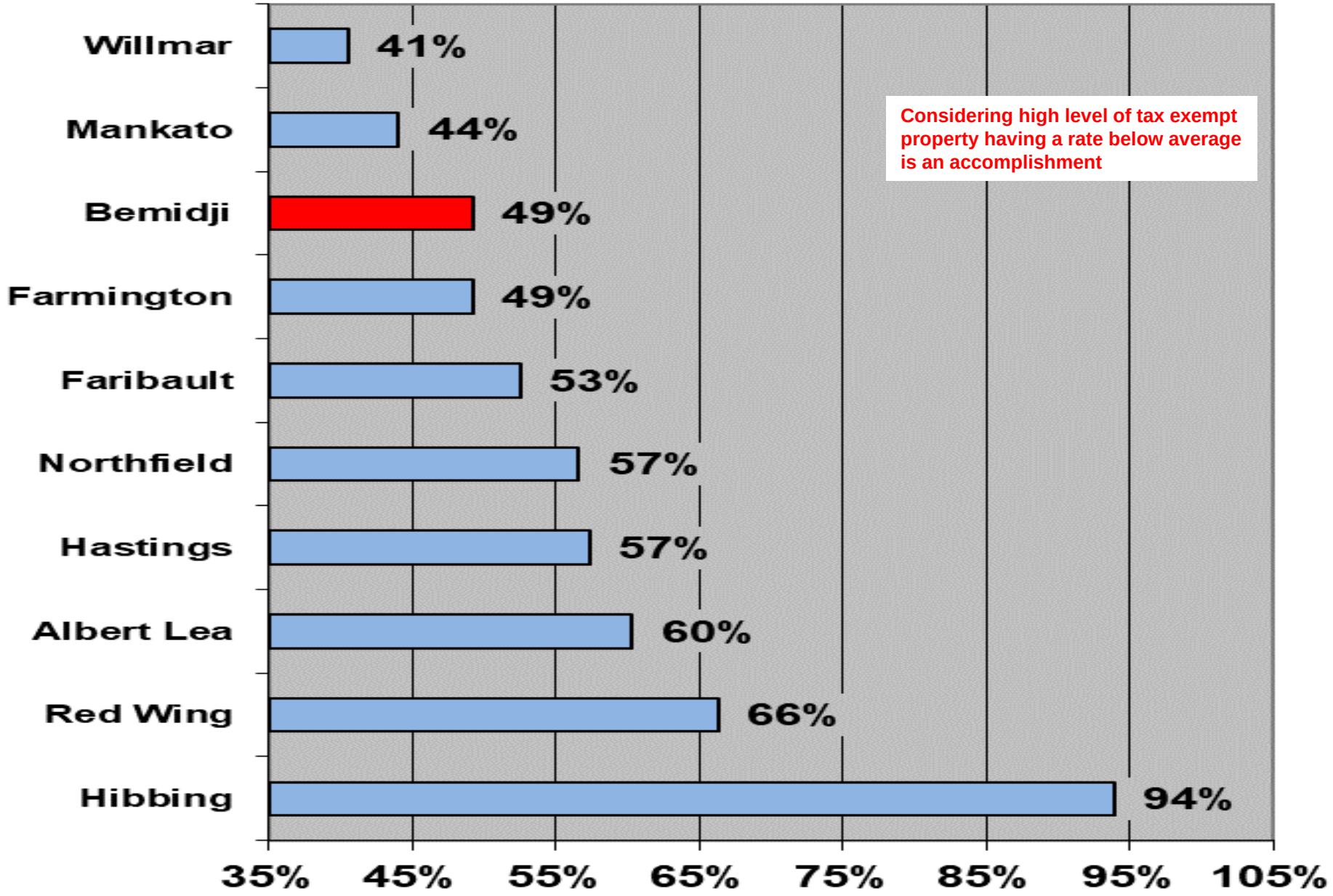
| | |
|---|---|
| Liquor | 13.8 |
| Police/Fire | 5.0 |
| Utility/Refuse | 5.0 |
| JPB | 3.7 |
| Parks/Arena | 3.5 |
| Legal | 2.0 |
| Admin | 1.5 |
| Street | 1.3 |
| Building | 1.0 |
| Facilities Mgmt | 0.8 |
| Engineering | 0.2 |
| PW Facility | 0.1 |
| Finance | (0.3) |
| Total | 37.6 |

# 2022 Employees per 1,000 Population

## Average = 6.2

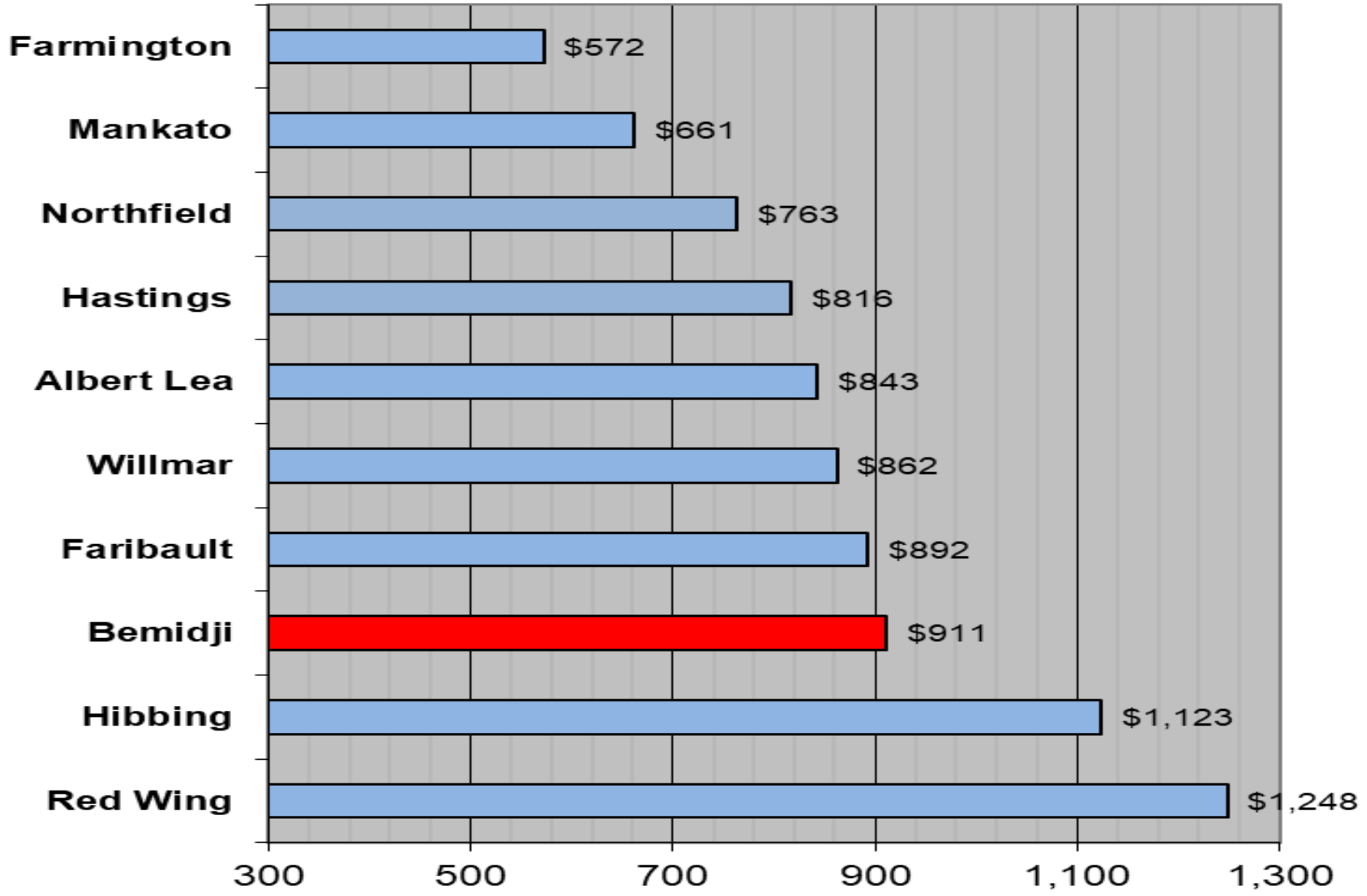


# 2021 Tax Rates
## Average = 57%



# 2020 Operating Expenditures Per Capita

## Average for comparable cities = $869



***Thank you for your time and interest***