

# RESOLUTION NO. 6281

## RESOLUTION IN SUPPORT OF REQUEST FOR LEGISLATIVE AUTHORITY TO IMPOSE AN ADDITIONAL HALF CENT LOCAL SALES TAX TO FUND SPECIFIC CAPITAL IMPROVEMEMNTS PROVIDING REGIONAL BENEFIT, TO ESTABLISH THE DURATION OF THE TAX AND THE REVENUE TO BE RAISED BY THE TAX, AND TO AUTHORIZE THE CITY TO ISSUE BONDS SUPPORTED BY THE SALES TAX REVENUE

**WHEREAS**, the City of Bemidji, the First City at the Headwaters of the Mississippi River, and a regional center in Northwestern Minnesota, through its experience with groundwater contamination and waste water facility capacity issues, as well as through engagement with community and regional residents and businesses, has identified the following locally and regionally beneficial projects:

1. Upgrade to Municipal Water Treatment Plant – in order to treat Per- and Polyfluoroalkyl Substances (PFAS) contamination, known as “forever chemicals”, in its municipal well field, a new, upgraded water treatment plant is necessary, with an estimated cost of \$16 million. An underlying assumption is that \$8 million may be funded by the State of Minnesota via a concurrent 2020 Legislative Bonding Request, leaving an \$8 million balance proposed to be funded with the requested sales tax.
2. Upgrade to Municipal Waste Water Treatment Plant (WWTP) Expansion/Improvements – the existing municipal WWTP plant is at processing capacity, requiring a new clarifier at an estimated cost of \$5 million. In addition, new Minnesota Pollution Control Agency (MPCA) licensing and discharge requirements will require treatment of nitrogen/ammonia, requiring an additional \$5 million WWTP plant improvement, for total WWTP improvement of \$10 million.
3. Regional Sanford Event Center Capital Rehabilitation Improvements – the Sanford Regional Event Center was completed in 2010 with funding from state bonding and local debt repaid with the current ½% local sales tax. Capital repair and replacement needs to maintain the Regional venue are estimated at \$9 million over ten (10) years; and,

**WHEREAS**, the three (3) aforementioned Projects will result in benefits to the residents and businesses of the City and the Greater Bemidji Area, as well as to non-resident visitors and businesses in the NW Region of the State; and,

**WHEREAS**, the City desires local sales tax funding due to its limited ability to raise property taxes because:

- 48% of City property value is exempt from property taxes, one of the highest levels in the state;
- Higher education facilities, health care institutions, regional event center, as well as retail industry, draw large numbers of visitors to the City who utilize various city services and infrastructure but would also pay sales tax, providing a more equitable funding source for these regional amenities;
- Other Cities with Regional Event Centers have special use, lodging or sales tax to pay operational and capital costs, while Bemidji to date has solely relied on local property taxes;
- Sanford Regional Event Center generates annual economic impact of nearly \$20 million;
- City provides municipal services to tax-exempt regional educational institutions Bemidji State University and Northwest Technical College which also combine to contribute \$320 million and 2,700 jobs to Minnesota’s economy annually;
- Wastewater treatment expansion is a necessary and critical component in attracting business and economic growth to the region. Without it, this development will locate elsewhere;
- Waste water treatment facility is located on the shores of Lake Bemidji and discharges into the Mississippi River, the first city and regional center on the Mississippi River;
- The financial magnitude of these projects would require unrealistic utility rate and property tax increases to fund solely locally; and,

**WHEREAS**, funding the Projects with a local sales tax will more closely distribute the cost of the Projects to the users of the facilities; and,

**WHEREAS**, the total cost for all three (3) Projects are estimated to be approximately \$27 million plus \$3 million in interest financing costs; and,

**WHEREAS**, the City estimates that a local sales tax of ½% would generate \$30 million over 10 years; and,

**WHEREAS**, the City has provided documentation of the regional significance of each Project, including the share of the economic benefit to or use of each Project by persons residing and businesses located within the Greater Bemidji Area and the State generally; and,

**WHEREAS**, the estimated local sales tax revenue and estimated 10 year time-period needed to raise that amount of revenue for each Project is as follows:

- **Water Treatment Plant** - \$8 million plus \$1.3 million in interest financing costs
- **Waste Water Treatment Plant** - \$10 million plus \$1.7 million in interest financing costs
- **Sanford Center Capital Repair and Maintenance** - \$9 million with no interest financing costs

**WHEREAS**, Minn. Stat. §297A.99 authorizes the imposition of a general sales tax if permitted by special law of the Minnesota Legislature; and,

**WHEREAS**, Minn. Stat. §297A.99 requires the City to pass a resolution authorizing such a local tax and to obtain Legislative approval prior to approval by the local voters to enact the local tax.

**NOW, THEREFORE, BE IT RESOLVED:**

1. The City Council supports the authority to impose an additional general local sales tax of ½% for a period of 10 years to fund the three (3) aforementioned Projects;
2. Upon approval of this Resolution, the City will submit the adopted resolution and documentation of regional significance to the Chairs and Ranking Minority Members of the House and Senate Taxes Committees for approval and passage of a special law authorizing the tax, by January 31 of the year that it is seeking the special law.
3. Upon Legislative approval and passage of the special law authorizing the tax, the City will adopt a resolution accepting the new law, which will be filed with a local approval certificate to the Office of the Secretary of State before the following Legislative session.
4. The City will put a detailed ballot question(s), which includes separate questions for each Project, on a general election ballot for local voter approval. This will be done within two (2) years of receiving legislative authority.
5. If one or more ballot questions pass, the City will also pass an ordinance imposing the tax and notify the Commissioner of Revenue at least 90 days before the first day of the calendar quarter that the tax will be imposed.
6. Upon completion of the aforementioned requirements, the local sales tax will commence and run until approximately 2030 or until a sum sufficient to fund the voter approved project(s), including related debt costs, is raised, whichever comes first.

The foregoing resolution was offered by Councilmember Erickson, who moved its adoption, and on due second by Councilmember Rivera, was passed by the following vote:

Yeas: Albrecht, Meehlhause, Beard, Johnson, Rivera, Erickson  
Nays: None  
Absent: Thompson

Passed: January 21, 2020

ATTEST:

  
Michelle R. Miller, City Clerk

APPROVED:

  
Rita C. Albrecht, Mayor