



# **Annual Budget**

## **Fiscal Year 2014**

**Adopted Budget**  
December 2, 2013



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# Introduction & Overview

## Elected and Appointed Officials

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POSITION	NAME	TERM EXPIRES
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### ELECTED OFFICIALS

#### City Council

Mayor	Wayne Boucher	December 31, 2016
Council Member 1	John Geissler	December 31, 2016
Council Member 2	Darlene Koski	December 31, 2016
Council Member 3	Gloria Nelson	December 31, 2014
Council Member 4	Brad Tafs	December 31, 2014

### APPOINTED OFFICIALS

City Administrator	John Mulder	Continuous
Finance Director	Arlene Tucker	Continuous
Police Chief	Jim Crace	Continuous
City Superintendent	Dean Sharpe	Continuous
City Clerk	Debbie Lund	Continuous
Attorneys	Maki & Overom, Chartered	
Auditors	WIPFLI, LLP.	

# **Mission Statement**

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## ***Organization Mission***

Our mission is to provide excellent and quality services in partnership with our citizens in the highest degree of professionalism and teamwork supported by visionary leadership and planning with fiscal responsibility.

## ***Value Statements***

The following values are fundamental to the City of Hermantown and the fulfillment of our mission:

### ***Excellence and Quality in the Delivery of Services***

We believe that service to the public is our reason for being and strive to deliver quality services in a highly professional and cost-effective manner.

### ***Fiscal Responsibility***

We believe that fiscal responsibility and the prudent stewardship of public funds is essential for citizen confidence in government.

### ***Ethics and Integrity***

We believe that ethics and integrity are the foundation blocks of public trust and confidence and that all meaningful relationships are built on these values.

### ***Treating Citizens as our Partners***

We strive to treat all citizens with courtesy and as valued partners who deserve the best services we can provide.

### ***Positive Relations with the Community***

We believe that positive relations with the community and the public we serve leads to positive, involved, and active citizens.

### ***Professionalism***

We believe that continuous improvement is the mark of professionalism and are committed to applying this principle to the services we offer and to the development of our employees.

### ***Visionary Leadership and Planning***

We believe that the very essence of leadership is to be visionary and to plan for the future.

### ***Cooperation and Teamwork***

We believe that the public is best served when departments and employees work cooperatively as a team.

## Community Profile

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The City of Hermantown is located in northeastern Minnesota near the shores of Lake Superior. Situated adjacent to the City of Duluth in St. Louis County, the community of Hermantown has the advantage of being close to major shopping and entertainment facilities of a larger city while maintaining a rural setting. This advantage has served the community well with its thriving economy, quality education system, and growing population helps us to provide a quality of life unequalled elsewhere in this region.



### City Statistics –

Area – 34.35 square miles (21,952 acres)

## City Bond Ratings

AA-	Standard & Poor's	(2009A/2010A /2012A /2012B General Obligation Bonds)
Aa3	Moody's	(2007A/2007B General Obligation Bonds)
A1	Moody's	(2006A Revenue Bond)

Households in Hermantown – 3,355 (2010, US Census Bureau)  
Median Household Income - \$66,866 (Median for 2008-2012, US Census Bureau)  
Household Size – 2.55 Persons (2010, US Census Bureau)  
Housing - Total Units - 3,544 (2010, US Census Bureau)  
Medium Value of owner-occupied housing \$217,100 (2008-2012 US Census Bureau)  
Population – Total 9,414 (2010, US Census Bureau)  
Population by Age Group 551 Under 5 years  
1,795 Ages 5-19 years  
5,764 Ages 20-64 years  
1,304 Ages 65-85 years and over  
Median Age – 41.2 (2010, US Census Bureau)  
Mean travel time to work - 17.7 minutes

## **2005-2009 American Community Survey Educational Attainment**

Age	18-24	25 +
Population estimate	615	6485
Less than 9th grade		1.2%
9th to 12th grade		6.6%
Less than high school graduate	20.8%	
High school graduate	24.4%	29.2%
Some college	39.0%	24.7%
Associate degree		6.5%
Bachelor's degree or higher	15.8%	19.2%
Graduate or professional degree		12.6%

## **2013 Principal Property Taxpayers**

American Transmission Co. LLC; Menard Inc.; Allete, Inc.; Minnesota Power; IRET Properties (Edgewood Vista); Carlson, Steve R; Wal-Mart Property Tax Dept. (Includes Sam's Club); Empirian Property Management Inc. (Deerfield Luxury Townhomes); Gander Mountain Sporting Goods; and Duluth Clinic LTD.

## **2013 Principal Employers**

Wal-Mart, Independent School District No. 700 (Hermantown), Stepping Stones for Living, Menards, Sam's Club, General Security Services Corporation, Menards, Kolar Chevrolet,

Buick, GMC, Hyundai, Toyota/Scion, Edgewood Vista, Natural Resources Research Institute  
– University of Minnesota Duluth and Federal Prison Camp.

**Educational Institutions –**

Independent School District #700 - 2,062 Students (2013-14 School Year, Hermantown)  
1 Early Childhood - 44 Students  
1 Elementary School (Grades K-3) - 564 Students  
1 Middle School (Grades 4-8) - 657 Students  
1 High School (Grades 9-12) - 797 Students

**Elections –**

5,273 Registered Voters-2010 State Election  
3,595 Ballots Cast-2010 State Election  
68 % Voting  
6,441 Registered Voters-2012 General Election  
5,492 Ballots Cast-2012 General Election  
85 % Voting

**Public Safety –**

Fire Protection  
3 Stations  
30 Volunteer Firefighters  
ISO Class 6  
Police Protection  
1 Station  
15 Sworn Officers

**Public Works –**

49.43 Miles of Asphalt Streets Maintained  
18 Miles of Gravel Roads Maintained  
36 Cul-De-Sacs  
Streets – 115.43 Miles

**Recreation –**

290.95 Acres City parks, playgrounds and playfields  
4 parks, 2 playgrounds, 7 baseball/softball fields, 5 soccer fields, 1 skate park, 1  
walking/skiing trail

**Utilities -2013 Data**

Municipal Water System- purchases all drinkable water from City of Duluth.

2,058 Connections  
63.297 Miles of Water Mains  
422,825 Gallons Average Daily Consumption  
528 Hydrants for fire control  
750,000 Gallons system capacity-2 water storage tanks

Municipal Sewer System-Western Lake Superior Sanitary District  
1,844 Connections  
66.288 Miles of Sanitary Sewer Mains  
420,572 Gallons Average Daily Consumption  
777 Manholes  
15 Lift Stations

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## Community History

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The history of Hermantown is a story of independent people interacting with big government. It started at the very beginning, with pioneers who were granted a piece of the wilderness by the government after living on it, working it, improving it. August Kohlts was granted the first homestead in the Town of Herman in 1872, after living on the land for five years. He and a friend hauled supplies to their land west of the Midway Road by hitching two St. Bernard dogs to a homemade wagon and following a crooked trail (now the Hermantown and Five Corners Roads) through the woods.

Much has been said about where the town got its name. Unfortunately, this cannot be proven, but we know from county records that it was referred to as the Town of Herman in 1873 when taxes were received from the town. At this time, there were very few people living in the town. The man who headed the survey crew in the town was named August Herman and that the town derived its name from him.

By the turn of the century, the Town of Herman had a population of 625. There was rail passenger service into Duluth from Adolph, named after Adolph Bjorlin, who had a general store at the corner of Midway and Morris Thomas. Herman had its first land boom, the result of rumors that the government would be building a new seaway connecting Duluth with the East Coast. Herman land sold for \$250 an acre in 1897, compared to prices of \$12.50 an acre forty years later.

Ten years later, the township had grown by 300 people, built three new two-room schools, and had a town hall in an old one-room school at LaVaque and Hermantown Roads. There were several sawmills, a Herman Ice Company cutting ice from Mogie Lake and selling it for cold storage to nearby dairies, a slaughterhouse at Haines and Hermantown Roads, and carrier mail service in the township.

But the growth of the township was set back by the great forest fire of 1918, which swept through Herman and 36 other townships, including Cloquet and Moose Lake. Hardly a building in town was left standing. Among the few that did survive were the three two-room

schools, the church at Maple Grove and Midway, the town hall and the Woodmen Hall, the center of all activity in the township at the time. With help from the Red Cross, the town was quickly rebuilt, but the 1920 population was down to 842.

Herman's population would soon get a boost from a new wave of homesteaders. During the hard times of the Depression, the federal government built nearly a hundred "subsistence homestead" projects designed to move people trapped in poverty in the cities to new homes in rural or suburban locations. One of the two Minnesota projects was assigned to Herman. The Jackson Project was completed in 1937. Each of the 84 homesteads had a brick veneer farmhouse; half also had a garage/barn combination. Each had five or ten acres of land, and the family also received a pig, a cow, and 35 chickens. The idea was that the family would be able to raise its own food and use the profits from selling any surplus to work off its debt to the government. The units were sold to homesteaders on very liberal terms. The average price for the home and property was \$2,687.40 plus interest. Plumbing and electrical wiring were required. The project marked the start of a transition from rural to suburban for the Town of Herman.

Twenty years later, it would be time for a third wave to come to the township. They were the suburbanites of the 1950's, who came from Duluth to the rural township with its low taxes, country living space, and good school district.

The Air Force became a factor beginning in 1953. In 1957, the construction of a 105 family housing unit on base brought 120 new students to the school district. By 1959, the original brick schoolhouse had been added to five times, and a brand new elementary school built.

The Town of Herman was profoundly influenced by a more local form of government in 1974. A few days after the 4th of July, the neighboring city of Duluth announced its intention to annex two-thirds of the township in order to keep its population over the 100,000 mark and retain first class city status.

Herman, which had already applied to be designated a city, was outraged. Thousands of citizens turned out for public hearings on the matter. Signs were posted; committees organized, telegrams sent, strategies planned.

The fate of Herman, whether it would be split in two, keep its grass roots democracy township organization, or become a city, was in the hands of the Minnesota Municipal Commission. The town board told the commission that its 7,000 citizens needed more services that it could provide with the limited taxing power of a township. Some of the citizens wanted to remain a township and have a direct vote at annual town meetings. Duluth claimed that Herman was actually an outgrowth of Duluth anyway, and would benefit by becoming part of the larger municipality. As a township, Herman could be annexed at any time by the city of Duluth, whether the township residents agreed or not. As a city, that would not be possible. On February 11, 1975, the Municipal Commission declared that the Town of Herman could become the City of Hermantown on December 31 of that year.

# Major Accomplishments 2013

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## General Government

1. Re-instating Local Board of Appeals & Equalization: The Department of Revenue determined that since the City had failed to complete their required training, that the City would be required to have an “Open Book” for the property assessment in 2013 and 2014. We successfully argued that the statutes and their own rules did not support that conclusion, and that the City Council should be allowed to serve as the Local Board of Appeals and Equalization in 2014.
2. The Government Finance Officers Association awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended December 31, 2012. This is the fourth year the City has received this award.
3. The Government Finance Officers Association presented a Distinguished Budget Presentation Award to the City for its annual budget for the fiscal year beginning January 1, 2013. This is the third year the City has received this award.
4. Establishing the Community Development Department: At the end of June, long time contracted city planner retired. The City initially sought and recruited a technical position of Community Development Specialist. During the search the City identified an applicant who could serve not in technical position, but in a leadership position. The position was re-formatted to serve as the Community Development Director which was filled in August of 2013.
5. Turnover in the Finance Department: New Accountant position filled in March 2013, to replace a Bookkeeper vacancy; also a new Assistant Bookkeeper was hired in December 2013, to fill a retirement vacancy.
6. Removing the cost of Assessor from the City Budget: For years, the City has paid St. Louis County nearly \$70,000 to provide property assessment services to the City. Due to some recent changes, in 2014, St. Louis County will provide Assessment services to the City of Hermantown at no charge.

## Local Sales Tax

1. On April 1, 2013, the City began collecting an additional ½% sales tax. The work to accomplish this was done in 2011 and 2012, but it came to fruition on April 1, 2013. This additional ½% sales tax will generate needed revenue for statute approved expenditures (city approved trunk line sewer, water infrastructure, and administration/police/fire building).

## Public Safety

1. The Police Department hired two additional full time officers, to fill a void created by a worker’s compensation absence, and a military deployment.

## Public Works

1. Total flood repairs totaling \$450,625.04 completed in response to the June 2012 flooding. Funding sources are FEMA, State Disaster Aid, MSA funding for the bridge repairs, and the city General Fund.

**Park**

1. Lawn mower-Lease purchase agreement
2. Replaced 440' of fence at Fichtner Field

**Capital Outlay**

1. During 2012 and 2013, the City was involved in three infrastructure improvement projects. These projects involved public hearings and construction work over two years. Financing the project will be: assessments and availabilities. Completed projects 314, 439, and 442 are described as follows:
  - \* 314-Water Improvement Project-Miller Trunk Hwy to Seville.
  - \*439-Sanitary Sewer Project-Haines Road (From Morris Thomas Road to Mary Lane Drive).
  - \*442-Hermantown Road, and Sanitary Sewer Projects (Lavaque Road to 4988 Hermantown Road), Lavaque Road from Thompson Road to Country Acres, Morris Thomas Road (Lavaque Road to 5161 Morris Thomas Road), 4988 Hermantown Road to Kenroy Road Sewer, Morris Thomas Road to Birch Road Sewer. Purchased 3 new squad vehicles for the Police Department.
2. Purchased several new Toughbook computers for the police squad vehicles
3. Purchase of a utility trailer to haul the new lawn tractor for use by the Public Works Department.

Mayor  
Wayne Boucher

Administrator  
John Mulder

Councilors  
Gloria Nelson  
Darlene Koski  
Brad Tafs  
John Geissler



5105 Maple Grove Road Hermantown, Minnesota 55811  
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Website: [www.hermantownmn.com](http://www.hermantownmn.com)

## **Budget Message**

### **2014 Budget February 24, 2014**

Attached is the 2014 Adopted City of Hermantown Budget.

The 2014 Budget is an attempt to balance ongoing planning by the City Council, and maintaining and improving core services.

#### **Revenues:**

The City is subject to levy limits imposed by the State of Minnesota for the 2014 budget. Taxes under this preliminary budget are projected to increase 3.03% which is the maximum increase under the levy limits imposed by the State of Minnesota. Due to increased tax capacity, the impact on residential property is an average of 1.23%. The State is also providing an additional \$23,698 in Local Government Aid for 2014. We have budgeted that amount for revenue, despite our goal of reducing our reliance on Local Government Aid.

Also included in this year's budget is \$10,000 in the new gas franchise fee which the City began collecting in 2013 when it adopted a revised franchise agreement with MN Energy Resources. We are only using 25% of the anticipated revenue from the Gas Franchise fee for the General Fund. The remaining amount is being set aside for future infrastructure needs.

During 2013, the City entered into a lease agreement with the State of MN Bureau of Criminal Apprehension for space in the Community Building. This arrangement provides additional tenants and income for the Community Building. It also is convenient to have their local office near the City Police Department. Charges for Services: This category includes the additional rent from the Bureau of Criminal Apprehension in the Community Building.

**Expenditures:** At this time expenditures in the 2014 General Fund Budget are increasing 3.46%. The General Fund includes \$9,243 in fund balance to cover some expenditures which will not be re-occurring.

The biggest challenge for the 2014 budget was dealing with some staffing changes in the Police and Public Works Department.

In the Police Department, an additional Patrol Officer was added in anticipation that the department will be short staffed by two officers for a majority of the year. The City currently has an officer out due to worker compensation and another officer will be called to active military duty. While we budgeted for these positions, it was necessary to add another officer to cover those hours that will be vacant.

The Public Works Department is being restructured by moving a part-time position that was working almost full time into a regular full time position with benefits. This is being done in part, because the part-time position had increased over the years and now with the Affordable Care Act, the City must either reduce the hours or provide health insurance. Due to the workload, this position was made a full time position and the two part-time positions are limited to 500 hour seasonal employees.

Also included in this budget is the last payment to St. Louis County for Assessor’s services, (approximately \$35,000). This payment is made in January for the second half of the assessment year which runs from July 1 to June 30. We are proposing to use a portion of Fund Balance to cover this onetime cost.

All line items in supplies have been reduced by 5% due to the fact the City will no longer have to pay sales tax on most items.

The category of contracted services has been decreased as the City has transitioned from contracted planning services to a Community Development Director position.

The table below shows the final budget and increase for both the general fund and overall budget.

<b>Expenditures</b>	<b>2013 Budget</b>	<b>2014 Budget</b>	<b>% Change</b>
General Fund Budget	4,125,610	4,268,506	3.46%
Total City Budget (All Funds excluding Capital Project Funds)	10,514,948	11,113,265	5.69%

### **City Council Priorities**

The City Council meets in the beginning of each odd numbered year, to create a list of items they would like to accomplish over the next two to four years. They review the list from previous years and modify it based on their desires for the coming 2 to 4 years. The City Council’s priorities from February of 2011 along with the status of each of them listed below:

2011 Priorities	Status
Increase Sales Tax .5%;	With the legislative approval in 2011 and passage of the required referendum in November 2012, the increase in the sales tax became effective on April 1, 2013. With this goal fully implemented, the Council looked toward strategic use of the revenue to cover existing costs and possible expansion of water and sewer infrastructure.
Fire Department Relations, Services & Funding;	This remains a Council priority issue as it was identified as part of the goal setting in January 2013.
Look for/create stable revenue sources;	This was not specifically listed in 2013, but the focus changed to more deliberate economic development activities. In 2013, the City did enter into a lease arrangement with the Bureau of Criminal Apprehension and created a gas franchise, with a portion of that revenue being used in the general fund, and a portion being set aside for infrastructure needs.
Planning & Zoning Director Succession;	Not listed as a priority item in 2013 as a transition plan was in place, and ultimately changed as a new opportunity presented itself as a candidate came forward that could lead the Community development efforts.
Review cost of contractors (Engineering & Legal);	Not listed in 2013 as the initial review was completed and no changes were needed at the time.
Organizational Assessment of entire organization	Not specifically listed in 2013, the City continues to review options when there are vacancies created by turnover. In the fall of 2012 into the spring of 2013, the City changed the Bookkeeper position into a non-represented Accountant position and then hired a new Account Clerk as the Assistant Bookkeeper retired.
Trail System Master Plan.	This issue was listed in our planning process, but was not identified as a top priority and the City continued to wait for an opportunity to present itself. Later in 2013, a grant application was made to the DNR for money to study trail linkages with an adjoining city and a regional trail system.

As the table indicates, some of those priorities have been addressed and others remain as works in progress that will require longer time.

In January of 2013 the Council reviewed this list and modified it for the coming two to four years. Their top priorities were:

**Utility Strategic Plan (where & how to use Sales Tax - Water/Sewer Expansion (need/ ROI/ tower/ mains):** With the passage of the additional sales tax, the Council turned its attention to thinking about how to best use this additional money to address the needs and possible return on the investment of additional infrastructure.

**Service Roads – Hwy 53:** Highway 53 in Hermantown is the main commercial corridor and a thoroughfare between Duluth and the iron range cities. As development and re-development occurs along this corridor, the City will need to monitor the development to ensure a balance between access and traffic flow.

**Traffic/pedestrian issues near the school/Arrowhead:** With all of the schools located in a single campus near the intersection of Arrowhead and Ugstad Roads, the Council has seen the traffic congestion that can result at the beginning and end of the school days. The Council found a method to try to slow traffic down by installing radar speed signs on all four legs of that intersection.

**Economic Develop Activities (HEDA):** At a quarterly work session in April 2012, the Council discussed the common elements of economic development. The Council reviewed the various tools that it could use to assist economic development in the community. Based on that discussion, the City created a business subsidy policy and is looking at various development proposals during 2014.

**Debt Service Plan (shortages, sales tax, levy):** The City's debt service remains a concern for the City. With the statutory limits of the use of sales tax revenue, the City needs to continue to find ways to address some of the shortages in debt service.

**Fire Department Relations services funding:** This item remains a top Council priority from the list of previous years.

**Capital Improvement Plan (Street Improvement plan):** The City currently does not have a formal written plan for capital improvements, specifically as it relates to city streets. Because many of the subdivisions are relatively new, the City does not face the same pressures for street reconstruction that older cities may face, but this is something that the City will have to develop in the coming years.

**Stormwater Utility:** With changes in the regulations related to Stormwater, the issue of funding the work remains a Council priority. Over the past two years, the City left the position that deals with Stormwater vacant as it transitioned to a Community Development Department. Now with the staff in place, this issue will need to be addressed.

**Hiring a grant writer:** With the constant pressure to do more, along with budget constraints of limited local government aid and levy limits, the Council desires to seek additional grant opportunities. At this point, the City is attempting to seek grant opportunities with existing staff. In late 2013, the City applied for grants related to trail improvements, and handicapped accessibility for voting at the Government Services Building.

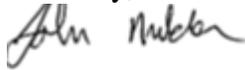
**Quarterly work sessions:** In 2011, the Council began meeting on a quarterly basis to address issues that were beyond request for action at regular City Council meetings. These meetings allow the Council to hold more in-depth discussions on certain issues that did not require immediate action, but set a course on the issues. The Council has found these to be helpful and desire to continue this process.

**Acknowledgements:** The City received recognition from the Government Finance Officers Association in the form of a Certificate of Achievement for Excellence in Financial Reporting to the City for its comprehensive annual financial report for the fiscal year ended December 31, 2012 for the fourth consecutive year and a Distinguished Budget Presentation Award to the City for its annual budget for the fiscal year beginning January 1, 2013 for the third consecutive.

Finally, beyond the substance of the budget, it is important to thank Finance Director Arlene Tucker and Accountant Kari Jacobson. The hard work of budgets is in the details, and Ms. Tucker and Ms. Jacobson took care of much of the details. The Department Heads and the employees of City Hall have been very helpful throughout this process. The City Council can be proud of the team of people working for the residents of Hermantown.

The work of balancing the sometimes competing priorities of excellent service and responsible fiscal management continues to be the greatest challenge facing the city. But I believe this budget shows the value of city services to the residents, and the City Council can take pride in this organization.

Sincerely,

A handwritten signature in cursive script, appearing to read "John Mulder".

John Mulder  
City Administrator  
February 24, 2014

## **Distinguished Budget Presentation Award**

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The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the **City of Hermantown, Minnesota** for its annual budget for the fiscal year beginning **January 1, 2013**. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This award is valid for a period of one year only. We believe our current budget continues to conform to program requirements, and we are submitting it to GFOA to determine its eligibility for another award.

# Budget Overview

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## 2013 Budget Overview

### Revenues

**Property Taxes:** Property taxes are budgeted at a 4.2% increase in the General Fund. The major factors for this increase were to fund the new police records management program, increase contract dollars to The Hermantown Volunteer Fire Department for their equipment fund, new admin IT server and partial funding for the park department mower.

**Local Government Aid (LGA):** Local Government Aid in 2013 budget remained at the same level since 2010, \$331,873.

**Investment Income:** The investment income budget has been decreased in response to the forecast of continued low interest earnings. Staff will continue to look at the most favorable investments and terms in compliance to the Minnesota statutes.

**Transfer from other Funds:** Transfer from Police Program in the amount of \$10,000 will be applied to the new police records management program purchase. Transfer was not utilized in 2013. The Chief of Police recommended that the department would continue to work with St. Louis County Sheriff's Departments records management system. See expenditures police below for undated information.

**Sales Tax Fund:** At the General Election, the voters in the City of Hermantown voted to increase the local sales tax from .5% to 1%. We anticipate the collection to be in effect on April 1<sup>st</sup> and the budget has reflected as such. The budget reflects an additional \$994,600.

**Water Fund:** Hermantown purchases water from the City of Duluth. City of Duluth is raising rates to address their infrastructure problems through a series of rate increases. Hermantown had two rate increases in 2012; 11% and 6%. The 6% increase is effective January 2013. The 2013 budget reflects the increases and will anticipate the next increase in January of 2014.

**Sewer Fund:** Hermantown has an arrangement with Western Lakes Sewer Sanitary System (WLSSD) for sewer services. The increase for 2013 is 5% and the fees were effective January 1, 2013.

### Expenditures

**Election:** There is not a scheduled election in 2013, therefore only election equipment maintenance is budgeted. Personnel cost were shifted to Administrative/Finance Department.

**Administrative/Finance:** Capital cost of new Admin IT server at a cost of \$15,000

**Planning & Zoning:** The Planning & Zoning Director is a contracted position and will terminate services on June 30, 2013. The City funded a planning and zoning study. Implementation of the recommendations of the study is reflected in the 2013 budget.

**Police:** Increase primarily attributable to the purchase of a new records management system. This is one of the large expenditures driving the increase in the budget and levy. The City of Duluth is planning to upgrade its record system in 2013 and it is both economical and effective for Hermantown to have the same records system as the City of Duluth. The Chief of Police recommended that the city continue working with St. Louis County's records management system, therefore expenditure was not utilized in 2013.

**Fire:** The City of Hermantown contracts for fire services with The Hermantown Volunteer Fire Department (independent fire department). The contract increase is to provide additional funds for long term replacement of equipment.

**Environmental:** A part time position was included in the 2012 budget, but was left vacant. The Planning & Zoning Study recommended a new Community Development Specialist position which is in the 2013 budget. This position is ultimately responsible for several environmental protection processes in the development process. In addition this position will assist the Planner in the zoning process, GIS and utilization of the GIS on the website.

**Park:** \$15,000 is in the budget to explore options on the purchase or lease of a wide lawn mower for mowing athletic fields and the grounds around the Government Services Building

## **2014 Budget Overview**

### **Revenues**

**Property Taxes:** Property taxes are budgeted at a 3.27% increase in the General Fund.

**Local Government Aid (LGA):** Local Government Aid in 2013 budget increased by \$23,698 for a total of \$355,571.

**Investment Income:** The investment income budget had no change in response to the forecast of continued low interest earnings. Staff will continue to look at the most favorable investments and terms in compliance to the Minnesota statutes.

**Sales Tax Fund:** At the 2012 General Election, the voters in the City of Hermantown voted to increase the local sales tax from .5% to 1%. The increase to 1% began on April 1, 2013. The budget reflects an additional \$290,400 in 2014.

**Water Fund:** Hermantown purchases water from the City of Duluth. The water rate will remain at the 2013 rate of \$7.43 per 1000 gallons and \$3.00 service charge for residential.

**Sewer Fund:** Hermantown has an arrangement with Western Lakes Sanitary Sewer System (WLSSD) for sewer services. The Utility Commission approved a rate increase for 2014 of 6% and the new rates were effective January 1, 2014. The current rate for 2014 is \$8.60 per 1000 gallons and \$3.00 service charge for residential.

### **Expenditures**

**Election:** There is a scheduled election in 2014. Personnel cost were shifted from the Administrative/Finance Department. The budget has been increased by \$17,020 to cover the additional expenses relevant to hosting the election.

**Administrative/Finance:** Capital cost of new CISCO switch at a cost of \$6,000.

**Community Development:** The Community Development Director was hired in August of 2013. The Planning & Zoning and the Environmental Departments have now been combined within the Community Development budget creating a 2014 budget increase of \$15,661.

**Police:** Police budget was decreased by \$64,783 in 2014.

**Fire:** The City of Hermantown contracts for fire services with The Hermantown Volunteer Fire Department (independent fire department). The contract includes funds for the replacement of equipment.

**Park:** \$9,907 is in the budget for the lease/purchase payment for the John Deere lawn tractor for mowing athletic fields and the grounds around the Government Services Building. 2014 budget also includes an increase to personnel costs due to a full-time replacement for a part-time vacancy.

## **2014 Financial Summary Information**

	<b>2012 Actual</b>		<b>2013 Original Budget</b>		<b>2014 Budget</b>	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
General Fund	4,533,411	4,011,569	4,125,610	4,125,610	4,259,263	4,268,506
Special Revenue Funds	1,415,967	1,535,995	2,313,178	1,417,528	2,615,362	1,583,441
Debt Service Funds	6,052,238	6,843,517	2,029,854	2,354,666	2,459,115	2,580,904
Enterprise Funds	<u>2,637,957</u>	<u>2,483,322</u>	<u>2,698,280</u>	<u>2,644,144</u>	<u>2,824,762</u>	<u>2,680,414</u>
<b>Total</b>	<b><u>14,639,573</u></b>	<b><u>14,874,303</u></b>	<b><u>11,166,922</u></b>	<b><u>10,541,948</u></b>	<b><u>12,158,502</u></b>	<b><u>11,113,265</u></b>

### Balanced Budget

Per the City Operating Budget Policy, appropriations shall not exceed the total of the estimated revenues and available fund balance. The City of Hermantown's 2014 budget is a balanced budget with the use of available fund balance.

### General Fund:

2014 budgeted revenues are \$133,653 higher than 2013 budgeted revenues. The general fund property tax revenue for 2014 is 3.27% higher than in 2013. This is primarily due to the increase listed below. All other expenditure account categories remain the same or are lower.

2014 budgeted expenditures are \$133,653 higher than the 2013 budgeted expenditures. This increase is mainly comprised of the following items:

- Administration/Finance: Upon consultation with the City's technology consultant, the replacement of the current admin IT CISCO switch needs to be budgeted at a cost of \$6,000.
- Community Development: The City has merged the Planning & Zoning and Environmental budgets into the Community Development budget. This is the first year we are budgeting under the new structure of having a Community Development Director instead of a contracted Planning service.
- Police: The Police Department added a Patrol Officer in anticipation of having two vacancies in 2014 due to workers compensation and active military duty by two of the existing officers.
- Streets: The Street Department added a full time position to keep up with the workload and reduced a part-time position that was nearly full time.
- Park: Lease payment on John Deere Lawn Tractor.
- General Liability: While the overall liability premiums increased for 2014, this amount decreased because we are charging more insurance costs back to the individual department. This is in part due to the way the League of MN Cities Insurance Trust allocated the premiums to where the City experiences more losses.

Special Revenue Funds:

2014 budgeted revenues are \$302,184 higher than 2013 budgeted revenues. This increase is mainly due to increased sales tax revenue projected for 2014 due to the voter passage of the 1% local sales tax rate. 2014 budgeted expenditures are \$165,913 higher than 2013 budgeted expenditures. Majority of this is the increase of \$134,476 transfer out of the sales tax fund used to pay debt service obligations. Making up the remainder is \$30,000 investment in Hermantown Economic Development Fund for a Capital Campaign Feasibility Study to determine whether to expand Duluth's YMCA into Hermantown.

Debt Service Funds:

Debt Service Funds has revenues of \$2,459,115 and expenditures of \$2,580,904. The difference is a transfer from Special Assessment Deficiency Fund of \$245,384 to fully meet debt service payments. The \$245,385 is included in the debt service total expenditures. 2014 budgeted revenues are \$97,125 more than 2013 budgeted revenues. This increase is primarily due to the transfers from Special Deficiency Fund. 2014 budgeted expenditures are \$131,325 more than 2013 budgeted expenditures. This increase is primarily due in part to the transfer from Special Deficiency Fund. Total principal and interest/fiscal charges payments due in 2014 are \$1,552,312 and \$783,208 respectively.

Enterprise Funds:

2014 budgeted revenues are \$126,482 higher than 2013 budgeted revenues. This increase is primarily due to the increase in sewer sales budgeted in 2014. The water rate will remain the same as 2013 at \$7.43 per 1,000 gallons and the sewer rate will increase from \$8.09 to \$8.60 per 1,000 gallons. 2014 budgeted expenditures are \$36,270 higher than 2013 budgeted expenditures. This increase is primarily due to the City budgeting for increased cost of sewer charges to the Western Lakes Sanitary Sewer District, PLAWCS, City of Duluth billing, and additional depreciation expense in the water and sewer funds in 2014.

# **Financial Structure, Policy, and Process**

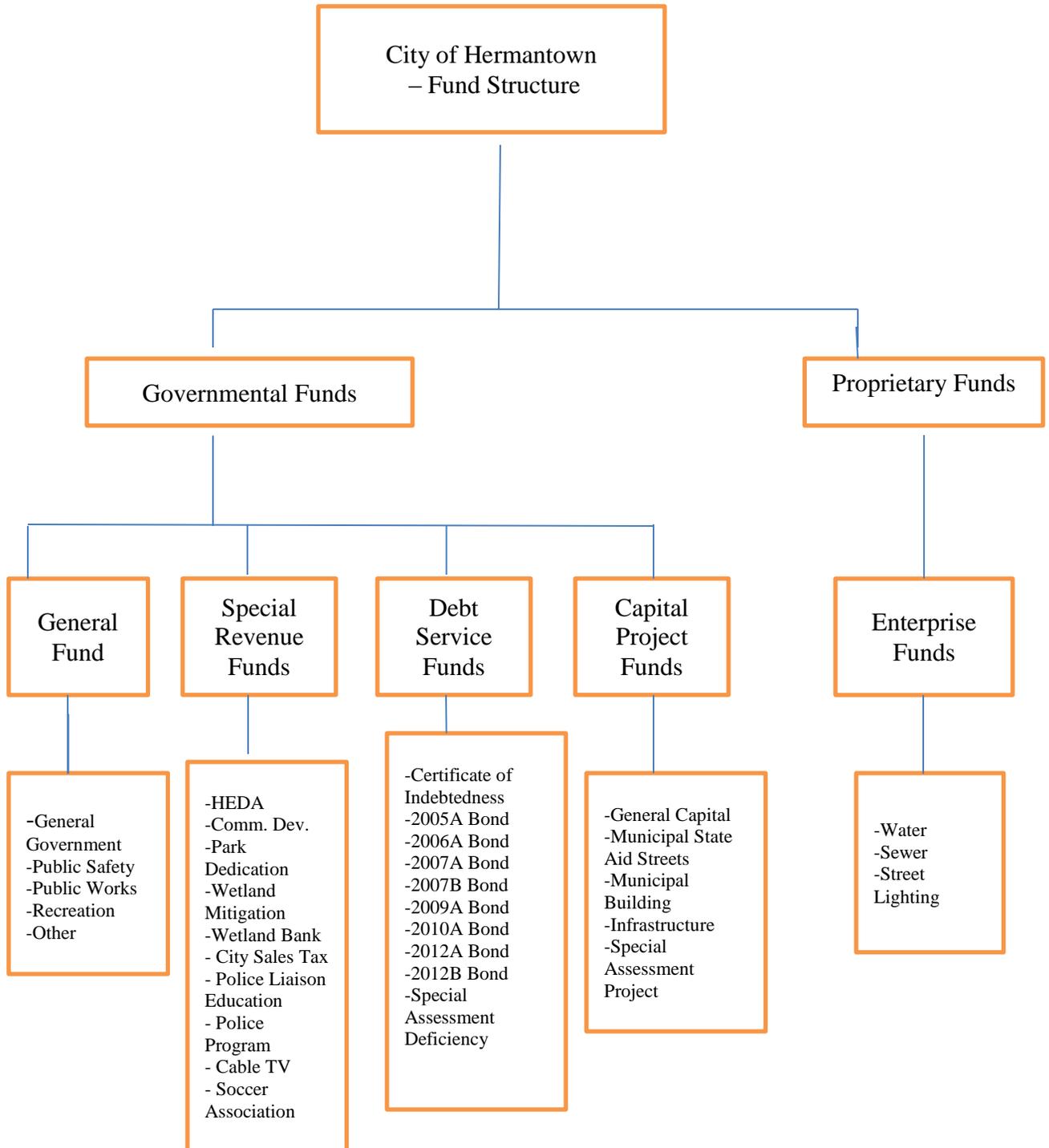
## **Organization Structure and Chart**

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The City of Hermantown was incorporated on December 31, 1975. The City is a Plan A form of government. A five-member council consists of a mayor and four councilors. Councilors serve four-year terms; the mayor is elected to a four-year term. City elections are held in even years. The council may appoint independent boards and commissions, such as a utilities commission, and advisory bodies, such as a planning commission. The council appoints all personnel, including the attorney, building official, and planning & zoning director. The council has all the administrative and legislative authority for governance of the city.

The City Administrator controls and directs the administration of the City's affairs and supervises all departments and divisions. Activities are managed through three departments (Police, Finance, Public Works), each with a supervisor appointed by and reporting to the City Administrator. In addition, there are several employees who report to the City Administrator including the city clerk, environmental resource specialist, and general administration. A description of the departments and their functions is included in this document.





## **Fund Accounting**

The accounts of the City are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses as appropriate.

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. There are additional funds included in the 2011 audited financial statements than in the 2013 budget. There is one (1) Special Revenue Fund (Soccer Fund) not included in the 2013 budget and the City does not budget for Capital Projects Funds. The various funds are grouped, for budgeting purposes, into two broad fund categories as follows:

### **Governmental Funds**

#### ***General Fund***

The general fund is the primary revenue source and operating fund for most services cities typically offer. These included public safety (police and fire), street maintenance and parks. In addition, the City Council, administration, finance, City planner/Zoning Director, City Attorney, City Engineer, City Building official are predominately funded by the General Fund. It is used to account for all financial resources except those reported in another fund.

#### ***Special Revenue Funds***

Special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

#### ***Debt Service Funds***

Debt service funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related cost.

#### ***Capital Projects Funds***

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets.

### **Proprietary Funds**

#### ***Enterprise Funds***

Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Water – The City provides water service to its citizens and commercial entities.

Sewer – The City’s sewers protect public health and preserve water wastewater solids. The City is connected to Western Lakes Sanitary Sewer District’s sewer system.

Street Lighting – The City maintains the street lighting of the lighting owned by the City.

## **Budgeted Major Fund Descriptions**

### ***General Fund***

See above for description of Fund.

### ***City Sales Tax Fund***

Accounts for the local sales tax collected that is authorized by the Minnesota State Legislature to fund the government services building – fire/police/city administrative services facility, Hermantown sewer trunk line and water infrastructure improvements.

### ***Water Utility Fund***

Accounts for the activity of providing water services to the public.

### ***Sewage Disposal Fund***

Accounts for the activity of providing sewer disposal services to the public.

## **Budgeted Nonmajor Special Revenue Funds**

### ***Hermantown Economic Development Authority***

Created to preserve and create jobs, enhance tax base, and promote the general welfare of the people of the City. (Board comprised of entire City Council, Mayor, City Administrator and two community representatives).

### ***Community Development Fund***

Accounts for revenues and expenditures in connection with infrastructure improvements (water, sewer & streets) of general benefit to the community of Hermantown.

### ***Park Dedication Fund***

Accounts for the collection of revenues dedicated to the acquisition and capital improvement of City parks.

### ***Hermantown Wetland Mitigation Fund***

Accounts for the collection of revenues from landowners who disturb wetlands in connection with the development of a parcel of land.

### ***Hermantown Wetland Bank Fund***

Accounts for the collection of revenues from the sale of wetland bank credits.

### ***Police Liaison Education***

Accounts for the school liaison and DARE programs conducted by the Hermantown police department in conjunction with the Hermantown school district.

### ***Police Program***

Accounts for revenue and expenditures for special police programs.

### ***Cable Television***

Accounts for the revenues and expenditures associated with administering a franchise agreement to provide cable television to Hermantown residents.

## **Budgeted Nonmajor Debt Service Funds**

### ***Certificate of Indebtedness***

Accounts for the accumulated resources to pay the interest and principal payments on the Certificate of Indebtedness.

### ***2005A General Obligation Bonds***

Accounts for the accumulated resources to pay the interest and principal payments on the GO Bonds, Series 2005A. Fund 314

### ***2006A Public Project Revenue Bonds***

Accounts for the accumulated resources to pay the interest and principal payments on the Public Project Revenue Bonds, Series 2006A. Fund 315

### ***2007A General Obligation & Utility Revenue Refunding Bonds***

Accounts for the accumulated resources to pay the interest and principal payments on the 2007A GO & Utility Revenue Refunding Bonds. Fund 316

### ***2007B General Obligation & Utility Bonds***

Accounts for the accumulated resources to pay the interest and principal payments on the 2007B GO & Utility Bonds. Fund 317

### ***2009A General Obligation Bonds – PW Salt Storage & Refinance 2003 Bonds***

Accounts for the accumulated resources to pay the interest and principal payments on the 2009A GO & Refunding Fund 318

### ***2010A General Obligation Bonds***

Accounts for the accumulated resources to pay the interest and principal payments on the 2010A GO Bonds. Fund 319

### ***2012A General Obligation Bonds***

Accounts for the accumulated resources to pay the interest and principal payments on the 2012A GO Bonds Fund 320.

### ***2012B General Obligation Bonds***

Accounts for the accumulated resources to pay the interest and principal payments on The 2012B GO Bonds Fund 321

### ***Special Assessment Deficiency Fund***

Accounts for the accumulated resources to ensure debt service payments of bonds in cases where special assessments have been deferred or collections are not sufficient.

## **Budgeted Nonmajor Enterprise Funds**

### ***Street Lighting Fund***

Accounts for the activity of lighting and signaling public streets.

## **Expenditure Object Classifications**

### ***Personal Services***

This object of expenditure includes expenses for salaries, wages, and related employee benefits provided for all persons employed by the city. Employee benefits include employer contributions to social security, Medicare, PERA, health, life, disability insurance, health care savings plan, severance and worker's compensation.

**Supplies**

This object of expenditure includes articles and commodities that are consumed or materially altered when used, such as office supplies, operating supplies, repair and maintenance supplies, and small tools and minor equipment.

**Other Services & Charges**

This object of expenditure includes expenses for services other than personal services. Examples of such charges include professional services, communication, training, insurance, utility services, repair and maintenance, rentals and depreciation.

**Capital Outlay**

This object of expenditures includes outlays that result in the acquisition of or additions to fixed assets.

**Debt Service**

This object of expenditure includes interest, principal payments and related service charges of the city’s bond payments and certificate of indebtedness.

**Other Financing Uses**

This object of expenditure includes transfers to other funds.

**Operating Fund Crosswalk**

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This matrix shows the relationship between functional units and funds. For example, the Public Safety function has some authorized operations in the General Fund, in the Police – School Relations Fund and in the Police Program Fund.

Operating Fund	Administration of Fund							
	General Government	Public Safety	Streets & Highways	Cemetery	Parks	Cable TV	Economic Development	Utilities
General Fund	x	x	x	x	x			
Special Revenue Funds								
HEDA							x	
Community Development							x	
Park Dedication					x			
Hermantown Wetland Mitigation	x							
Hermantown Wetland Bank	x							
Sales Tax							x	
Police - School Relations		x						
Police Program		x						
Cable TV						x		
Enterprise Funds								
Water								x
Sewer								x
Street Lighting								x

## **Basis of Accounting and Basis of Budgeting**

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The basis of budgeting is identical to the basis of accounting used in the audited fund financial statements for all funds. The principles set forth as the Basis of Accounting are strictly observed in the budgeting process. All budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). There are no budgets adopted for Capital Projects Funds. Governmental funds are budgeted for and accounted for using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

Major revenues that are susceptible to accrual include property taxes (excluding delinquent taxes received over 60 days after year-end), special assessments, intergovernmental revenues, charges for services, and interest on investments. Property tax and special assessment revenue is recognized when it becomes measurable and available to finance expenditures of the current period. State revenue is recognized in the year in which it applies according to Minnesota Statutes. Special assessment revenue is recognized in the year it is received. Other revenues are considered measurable and available only when cash is received.

Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred, except for principal and interest on general long-term debt, which is recognized when due.

Proprietary funds are accounted for using the accrual basis of accounting. Revenues are recognized when earned, and expenses are recorded at the time liabilities are incurred.

## **Financial Management Policies**

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The main policies most significant to the development of the budget are: Revenue Management; Operating Budget; Capital Improvements Plan; Debt Management; and Accounting, Auditing and Financial Reporting.

The Revenue Management policy is designed to ensure diversified and stable revenue sources, and adequate long-term funding by using specific revenue sources to fund related programs and services. The Operating Budget policy is the annual financial plan for funding the costs of City services and programs. The Capital Improvements Plan policy states that the Capital Improvements Plan should be reviewed annually by the City Council to decide on the following: project prioritization, funding source acceptability, acceptable financial impact, and whether the issuing of equipment certificates is appropriate to meet capital needs. The Debt Management policy states that during the budget process the Council may review whether a debt study is necessary to be prepared in conjunction with the Capital Improvements Plan to provide information about the City’s debt structure. The Accounting, Auditing and Financial Reporting policy states that the budget will be prepared in a manner to maximize its

understanding by residents and elected officials. The budget will be available on the City's website.

## **City of Hermantown FINANCIAL MANAGEMENT PLAN**

This Financial Management Plan serves two main purposes: it draws together in a single document the City's major financial policy. Also, the plan establishes principles to guide both staff and City Council to make consistent and informed financial decisions.

### **Financial Management Policies Adoption**

The Financial Management Policies were adopted by resolution #2010-72 on July 19, 2010 by the City Council. The policies shall be reviewed by the Finance and Accounting staff on an ongoing basis and any modifications made thereto must be approved by the City Council.

The City of Hermantown strives to ensure that it is capable of adequately funding and providing local government services needed by the City's residents. The City will maintain or improve its infrastructure on a systematic basis to ensure the quality living in Hermantown. This responsibility includes the providing and maintaining of public facilities, managing municipal finances wisely and carefully accounting for public funds.

This Financial Plan establishes City policy in the following areas:

1. Revenue Management
2. Cash and Investments
3. Reserves
4. Operating Budget
5. Capital Improvements Plan
6. Economic Development Authority Fund
7. Debt Management
8. Accounting, Auditing and Financial Reporting
9. Risk Management
10. Fund Balance

The objectives of this Financial Plan are:

- To provide both short term and long term future financial stability by ensuring adequate funding for providing services needed by the community;
- To protect the City Council's policy-making ability by ensuring that important policy decisions are not dictated by financial problems or emergencies to prevent financial difficulties in the future;
- To provide sound principles to guide the decisions of the City Council and staff;
- To employ revenue policies which prevent undue or unbalanced reliance on certain revenues, distribute the cost of municipal services fairly, and provide adequate funding to operate desired programs;

- To provide essential public facilities and prevent deterioration of the City’s public facilities and infrastructure;
- To protect and enhance the City’s credit rating and prevent default on any municipal debt;
- To create a document that staff and Councilor’s can refer to during financial planning, budget preparation and other financial management issues;
- To ensure the legal use and protection of all City funds through a good system of financial and accounting controls;
- To assist sound management of the City government by providing accurate and timely information on financial condition.

## **1. REVENUE MANAGEMENT.**

It is essential to responsibly manage the City’s revenue sources to provide maximum service value to the community. The City will maintain a diversified and stable revenue system in order to avoid short – term fluctuations in a single revenue source. The City will conservatively estimate its annual revenues. All existing and potential revenue sources will be examined annually.

The most important revenue policy guidelines established by the City Council are for the two major sources of city revenue: property taxes and service fees/charges.

### **A. Property Taxes**

When possible, property tax increases should accommodate incremental adjustments. Further, when discussing property taxes, the City should simultaneously explore other revenue and expenditure alternatives that will maximize the City’s future financial flexibility and ability to provide services. This may include considering options such as debt management, fees and charges, cost allocation, use of reserves, and expenditure cuts.

Possible factors for considering an increase in property tax include:

- Maintenance of City services.
- Long-term protection of the City’s infrastructure.
- Meeting legal mandates imposed by outside agencies.
- Maintaining adequate fund balance and reserve funds sufficient to maintain or improve the City’s bond rating.

Property tax increases to meet other purposes will be based on the following criteria:

- A clear expression of community need.
- The existence of community partnerships willing to share resources.

### **B. Service Fees and Charges**

The City may want to consider service fees and charges wherever appropriate for the twin purposes of keeping the property tax rate at a minimum and to fairly allocate the full cost of services to the users of those services. As an example of appropriate cost allocation, service

fees and charges broaden the base to include tax exempt properties, which still have municipal costs associated with the property. Specifically, the City may:

- Establish utility rates sufficient to fund both the operating costs and the long-term depreciation and replacement of the utility systems.
- As part of the City's enterprise effort, evaluate City services and aggressively pursue actions to accomplish the following:
- Find community based partners to share in service delivery.
- Make services financially self-supporting or, when possible, profitable.
- Annually review City services and identify those for which charging user fees are appropriate. Initial review will be to determine whether the fees cover the cost of the service. Also included as part of this process may be a market analysis that compares our fees to comparable market cities.
- Identify some enterprise services as entrepreneurial in nature. The intent of entrepreneurial services will be to maximize revenues to the extent the market and the law allows.
- Review the full cost of activities supported by fees and charges to identify the impact of inflation and other cost increases.

### **C. Non-recurring Revenues**

Several revenue sources, such as intergovernmental transfers, one-time grants, court fines and other non-recurring revenues are outside of direct City control and must be relied upon conservatively. The City Administrator shall ensure that the budget preparation process includes an evaluation of all major non-recurring revenues, in order to minimize reliance on unpredictable revenues for on-going operating costs.

## **2. CASH AND INVESTMENTS.**

Effective cash management is essential to good fiscal management. Investment returns on funds not immediately required can provide a significant source of revenue for the City. Investment policies must be well founded and uncompromisingly applied in their legal and administrative aspects in order to protect the City funds being invested.

### **I. investment Policy**

It is the policy of the City of Hermantown (City) to invest public funds in a manner which will provide the highest investment return with the maximum security while meeting the daily cash flow requirements of the City and in conformance to all state and local statutes governing the investment of public funds.

The purpose of this Policy is to:

- a. develop an overall program for cash investments, designed and managed with a high degree of professionalism, worthy of the public trust;
- b. establish that elected and appointed officials and employees are custodians of a portfolio which shall be subject to public review;

- c. establish cash investment objectives, delegation of authority, standards of prudence, internal controls, authorized investments, selection process for investments, and broker representations.

## **II. Scope**

This Policy applies to the investment and deposit of all funds of the City.

### **A. Pooling of Funds**

Except for cash in certain restricted and special funds, the City will consolidate cash and reserve balances from all funds to maximize investment earnings and to increase efficiencies with regard to investment pricing, safekeeping, and administration. Investment income will be allocated to the various funds based on their respective participation and in accordance with generally accepted accounting principles.

## **III. Objective**

At all times, investments of the City shall be in accordance with Minnesota Statutes Chapter 118A and amendments thereto. The primary objectives of the City's investment activities shall be in the following order of priority:

### **A. Safety**

Safety of principal is the foremost objective of the investment portfolio. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective will be to mitigate credit risk, interest rate risk, and custodial risk.

*Credit Risk:* Credit Risk is the risk of loss due to failure of the security issuer or backer. Thus, designated depositories shall have insurance through the FDIC (Federal Insurance) or the SIPC (Securities Investor Protection Corporation). To ensure safety, it is the policy of the City that when considering an investment, all depositories under consideration be cross-checked against existing investments to make certain that funds in excess of insurance limits are not made in the same institution unless collateralized as outlined below. Furthermore, the City Council will approve all financial institutions, brokers, and advisers with which the City will do business.

*Interest Rate Risk:* Interest Rate Risk is the risk that the market value of securities in the portfolio will fall due to changes in general interest rates. The City will minimize Interest Rate Risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity.

*Custodial Risk:* The City will minimize deposit Custodial Risk, which is the risk of loss due to failure of the depository bank (or credit union), by obtaining collateral or bond for all

uninsured amounts on deposit, and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.

## **B. Liquidity**

The investment portfolio shall remain sufficiently liquid to meet projected disbursement requirements. This is accomplished by structuring the portfolio so that securities mature concurrent with cash needs to meet anticipated demands. Generally, investments shall have “laddered” maturities so that money becomes available on a regular schedule. Liquid funds will allow the City to meet possible cash emergencies without being penalized on investments.

## **C. Yield**

The investment portfolio shall be designed to manage the funds to maximize returns consistent with items A and B above and within the requirements set forth in this Policy. Subject to the requirements of the above objectives, it is the policy of the City to offer financial institutions and companies within the City the opportunity to bid on investments; however, the City will seek the best investment yields.

## **IV. Delegation of Authority**

Responsibility for the investment program is hereby delegated by the City Council to the Finance Director. Authority to conduct actual investment transactions may be delegated to the Finance Director who shall act in accordance with procedures as established with this investment policy. The authorized individuals, when acting in accordance with this Policy and exercising due diligence, shall not be held responsible for losses, provided that the losses are reported immediately and that appropriate action is taken to control further losses.

## **V. Prudence**

The standard of prudence to be used by investment officials shall be the “prudent investor”, and shall be applied in the context of managing the investments. All investment transactions shall be made in good faith with the degree of judgment and care, under the circumstances, that a person of prudence, discretion and intelligence would exercise in the management of their own affairs. This standard of prudence shall mean not for speculation, and with consideration of the probable safety of the capital as well as the probable investment return derived from assets.

## **VI. Internal Controls**

Internal controls are designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions. Before the City invests any surplus funds, competitive quotations shall be obtained. Written quotations from local financial institutions shall be obtained via fax, email, or other form of written documentation, with all of them receiving the exact same rate request. Verbal quotations shall

be received from all other brokers, along with a subsequent confirmation. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, quotations will be requested for instruments that meet the maturity requirement. If no specific maturity is required, a yield analysis will be conducted to determine which maturities would be most advantageous. Quotations will be requested from financial institutions for various options with regard to term and investment type. The City will accept the quotation, which provides the highest rate of return within the maturity required and within the limits of this Policy.

The Finance Director will report periodically to the City Council on the total of all funds invested and the total interest received on all securities year to date.

## **VII. Authorized Investments and Collateralization**

All City investments and deposits shall be those allowable by Minnesota Statutes Chapter 118A and amendments thereto. In accordance with MN Statutes 118A, collateralization will be required on all demand deposit accounts, including checking, savings, and money market accounts, and non-negotiable certificates of deposit in excess of federal deposit insurance.

State law defines the types of securities that a financial institution may pledge as collateral for public deposits. These securities include:

- United States Treasury Issues
- Issues of US Government Agencies and Instrumentalities
- Obligations of State and Local Governments
- Time Deposits (Certificates of Deposits fully insured by the federal deposit insurance company or federal agency).

Since the amount a public entity has on deposit will vary from time to time, the financial institution needs sufficient amounts of pledged collateral to cover 110% of the uninsured amount on deposit during peak deposit times.

## **VIII. Diversification**

The City will attempt to diversify its investments according to type and maturity. The portfolio, as much as possible, will contain both short-term and long-term investments. The City will attempt to match its investments with anticipated cash flow requirements. Extended maturities may be utilized to take advantage of higher yields.

## **IX. Conflict of Interest**

Officers and employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions.

## **X. Broker Representations**

Municipalities must obtain from their brokers certain representations regarding future investments. Pursuant to Minnesota Statutes 118A, the City shall provide each broker with the City's investment policy, and the securities broker shall submit a certification annually to the City stating that the officer has reviewed the investment policies and objectives, as well as applicable state law, and agrees to disclose potential conflicts of interest or risk to public funds that might arise out of business transactions between the firm and the City. All financial institutions shall agree to undertake reasonable efforts to preclude imprudent transactions involving the City's funds.

### **3. RESERVES.**

It is important for the financial stability of the City to maintain reserve funds for unanticipated expenditures or unforeseen emergencies, as well as to provide adequate working capital for current operating needs so as to avoid short-term borrowing. The Reserve Policy of the City is managed closely with the City's Debt Management Policy. The City may choose to consider paying cash for capital projects that can be anticipated and planned for in advance. Therefore the City's reserve levels fluctuate, in part, based on capital project plans.

#### **Policy Statement**

1. At year-end the City's goal is to maintain an unreserved fund balance in the General and Special Revenue Funds of approximately 35 to 50 percent of the fund operating revenues or no less than five months of operating expenditures, which should provide the City with adequate funds until the next property tax revenue collection cycle (the level which will avoid issuing short-term debt to meet the cash flow needs of the current operating budget). This need could fluctuate with each year's budget objectives and appropriations such as large capital expenditures, and variations in the collection of revenues.
  - a. The City will strive to maintain a fund balance within the HEDA Fund, a Special Revenue Fund, in order to meet both anticipated and unanticipated future economic development needs. The City will annually evaluate the level of fund balance for its appropriateness. The Financial Management Plan includes a policy for the collection of revenue for the HEDA Fund.
2. The City will maintain reserves in the Enterprise and Capital Funds at a minimum level sufficient to provide adequate working capital for current expenditure needs. Generally the City shall strive for a minimum of 3-months operating cash in these funds. (This minimum shall be calculated based on the approved budget multiplied by 25-percent). The maximum amount of reserves in the Enterprise and Capital Funds shall be limited to the 3-months operating cash plus an amount of cash that is estimated to be needed to pay for future capital projects. Future capital projects must be identified and quantified in a

written finance plan for the fund which shall be included in the City's annual budget document.

3. The City will annually review the adequacy of all reserve balances.
4. Judicious use of reserves within funds can be used to moderate fluctuations in capital projects and infrastructure maintenance expenses (i.e., Capital Projects Fund).

#### **4. OPERATING BUDGET.**

The Operating Budget is the annual financial plan for funding the costs of City services and programs. The General Operating Budget includes the General, Special Revenue and Capital Funds. Enterprise operations are budgeted in separate Enterprise Funds.

1. The City Administrator shall submit a balanced budget in which appropriations shall not exceed the total of the estimated revenues and available fund balance.
2. The City will provide for all current expenditures with current revenues. The City will avoid budgetary procedures that balance current expenditures at the expense of meeting future years' budgets.
3. The City Administrator will coordinate the development of the capital improvement budget with the development of the operating budget. Operating costs associated with new capital improvements will be projected and included in future operating budget forecasts.
4. The budget will provide for adequate maintenance of the capital plant and equipment, and for their orderly replacement.
5. The impact on the operating budget from any new programs or activities being proposed should be minimized by providing funding with newly created revenues whenever possible.
6. The City Administrator will insure that a budgetary control system is in place to adhere to the adopted budget.
7. The Finance Department will provide regular monthly reports comparing actual revenues and expenditures to the budgeted amounts.
8. The operating budget will describe the major goals to be achieved and the services and programs to be delivered for the level of funding provided.
9. In addition to operating expenses, Enterprise funds shall be budgeted to provide for replacement costs of property, plant, and equipment, if appropriate, when establishing rates and charges for services.

## **5. CAPITAL IMPROVEMENTS PLAN (CIP).**

The demand for services and the cost of building and maintaining the City's infrastructure continues to increase. No city can afford to accomplish every project or meet every service demand. Therefore, a methodology must be employed that provides a realistic projection of community needs, the meeting of those needs, and a framework to support City Council prioritization of those needs. That is the broad purpose of the CIP.

The CIP includes the scheduling of public improvements for the community over a five-year period and takes into account the community's financial capabilities as well as its goals and priorities. A "capital improvement" is defined as any major nonrecurring expenditure for physical facilities of government. Typical expenditures are the cost of land acquisition or interest in land, construction of roads, utilities and parks. Vehicles and equipment can be covered in a CIP or covered separately under an equipment schedule. The CIP is directly linked to goals and policies, land use, and community facility sections of the Comprehensive Plan since these sections indicate general policy of development, redevelopment, and the maintenance of the community.

### **CIP Development Process**

- Compile and prioritize projects. Staff will consolidate and prioritize recommended projects into the proposed Capital Improvement Plan.
- Devise proposed funding sources for proposed projects. Recommended funding sources will be clearly stated for each project.
- Project and analyze total debt service related to the total debt of the City. A debt study will summarize the combined impact of all the existing and proposed debt.

On an annual basis, the City Council will evaluate the proposed CIP and decide on the following:

- Project Prioritization
- Funding Source Acceptability
- Acceptable Financial Impact on Tax Levy, Total Debt, and Utility Rate Levels
- As of 2010, debt levies fell outside of levy limits, therefore, the council should determine whether issuing Equipment Certificates instead of cash financing equipment is an appropriate financing mechanism to meet the capital needs while maintaining operating levy flexibility.

## **6. HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY.**

The Hermantown Economic Development Authority (HEDA) was created by the City Council on April 6, 1992. The City Council acted to appoint the City Councilors, Mayor and two public members to serve as the Board of Commissioners. Under Minnesota Statutes Chapter 469-Economic Development, cities are permitted to establish an EDA, including approval for the EDA to serve as a Housing & Redevelopment Authority (HRA). When the City created the EDA, it approved HRA authority for possible use in the future.

Among the HRA powers in Minnesota law is the authority to collect a “special benefits” tax up to 0.0185 percent of taxable market value in the City (Resolution 91-29 authorizes HEDA’s maximum levy at .01813) Approval of the City Council is required before the HEDA may levy the tax. The Revenue Management Policy of the City, as included in this Financial Management Plan, sets policy for when a tax levy may be considered. Of note, the HRA is a separate levy, and is not subject to the statutory levy limits. The HEDA is subject to the statutory levy limits, except for a debt levy.

This policy section sets policy for the “amount” of tax levy that will be considered for the HEDA.

### **Funding**

The HEDA, with approval by the City Council, shall annually appropriate money to the HEDA from a tax levy or other available source. The appropriation shall be equivalent to the “maximum” that could be provided by a tax levy for economic development purposes. The annual tax levy shall be set based on the amount needed when combined with other available sources achieves the funding level set by this policy.

To provide other sources (non-tax) of funding to the HEDA, the City Council shall annually review the fund balance in the General Fund to determine whether sufficient unreserved fund balance is available for transfer from the General Fund to the HEDA. The decision on transfer of funds shall be made at the time the annual HEDA tax levy is established. If other sources of revenue are not available, the HEDA may set the tax levy at the maximum allowed.

### **Procedure for Using Funds**

Expenditures may be made from the HEDA based on the following criteria:

- A. The HEDA appropriates the funds as part of the annual budget, or
- B. The HEDA authorizes an amendment to the HEDA budget outside of the annual appropriation process.

## **7. DEBT MANAGEMENT.**

The use of borrowing and debt is an important and flexible revenue source available to the City. Debt is a mechanism which allows capital improvements to proceed when needed, in advance of when it would otherwise be possible. It can reduce long-term costs due to inflation, prevent lost opportunities, and equalize the costs of improvements to present and future constituencies.

Debt management is an integral part of the financial management of the City. Adequate resources must be provided for the repayment of debt, and the level of debt incurred by the City must be effectively controlled to amounts that are manageable and within levels that will maintain or enhance the City’s credit rating. A goal of debt management is to stabilize the overall debt burden and future tax levy requirements to ensure that issued debt can be repaid

and prevent default on any municipal debt. A debt level which is too high places a financial burden on taxpayers and can create problems for the community's economy as a whole.

### **Policy Statement**

Wise and prudent use of debt provides fiscal and service advantages. Overuse of debt places a burden on the fiscal resources of the City and its taxpayers. The following guidelines provide a framework and limit on debt utilization:

1. The City will weigh the benefits and costs of long-term borrowing for planned capital improvements (see CIP Policy) and short-term debt for capital outlay.
2. The City should strive to avoid using long-term debt for current operations.
3. When considering financing of capital expenditures, the City may consider paying cash for capital financing as well as debt financing.
4. The City will pay back debt within a period not to exceed the expected useful life of the projects, with at least 50% of the principal retired within 2/3 of the term of the bond issue.
5. The City will maintain good communications with bond rating agencies regarding its financial condition. The City will follow a policy of full disclosure in every financial report and bond prospectus.
6. The City (by itself or with a financial advisor) will track and identify opportunities for restructuring or refinancing debt.
7. When feasible, the City will use refunding mechanisms to reduce interest cost and evaluate the use of debt reserves to lower overall annual debt service where possible.
8. The City's goal is to:
  - a. Maintain the level of annual debt service at or below the current debt levy.
  - b. Maintain a debt service levy that is up to 7% of general fund operating expenditures.
  - c. Quantify the impact of potential future debt on the debt service levy, and on various categories of property taxpayers (or other revenue derived customers).

During the budget process, the Council may review whether a debt study is necessary to be prepared in conjunction with the Capital Improvements Plan to provide information about the City's debt structure. In deciding whether to include a Debt Study, the Council will consider such factors as how long it has been since the last Debt Study, if there have been material changes to the CIP, or if a large amount of debt is expected in the near future.

### **8. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING.**

The key to effective financial management is to provide accurate, current, and meaningful information about the City's operations to guide decision making and enhance and protect the City's financial position.

## **Policy Statement**

1. The City's accounting system will maintain records on a basis consistent with generally accepted accounting standards and principles for local government accounting as set forth by the Government Accounting Standards Board (GASB) and in conformance with the State Auditor's requirements per State Statutes. This allows for modified accrual for populations exceeding 2,500.
2. The City will establish and maintain a high standard of accounting practices.
3. The City will follow a policy of full disclosure written in clear and understandable language in all reports on its financial condition.
4. The budget will be prepared in a manner to maximize its understanding by residents and elected officials. The budget will be available on the City's website.
5. The Finance Department will provide timely monthly and annual financial reports to users.
6. An independent public accounting firm will perform an annual audit and issue an opinion on the City's financial statements.
7. Annually the City Council and staff will meet with the Auditors to review the audit report.
8. Periodic financial reports on budget performance will be provided to the City Council quarterly.

## **9. RISK MANAGEMENT.**

A comprehensive risk management plan seeks to manage the risks of loss encountered in the everyday operations of an organization. Risk management involves such key components as risk avoidance, risk reduction, risk assumption, and risk transfers through the purchase of insurance. The purpose of establishing a risk management policy is to help maintain the integrity and financial stability of the City, protect its employees from injury, and reduce overall costs of operations.

## **Policy Statement**

1. The City will maintain a risk management program that will minimize the impact of legal liabilities, natural disasters, or other emergencies through the following activities:
  - a) Loss prevention - prevent losses where possible
  - b) Loss control - reduce or mitigate losses
  - c) Loss financing - provide a means to finance losses
  - d) Loss information management - collect and analyze data to make prudent prevention, control, and financing decisions.
2. The City will review and analyze all areas of risk in order to, whenever possible, avoid and reduce risks or transfer risks to other entities. Of the risks that must be retained, it shall be the policy to fund the risks which the City can afford and transfer all other risks to insurers.
3. The City will maintain an active safety committee comprised of City employees.
4. The City will periodically conduct educational safety and risk avoidance programs within its various divisions.

5. The City will, on an ongoing basis, analyze the feasibility of self-funding and other cooperative funding options in lieu of purchasing outside insurance in order to provide the best coverage at the most economical cost.
6. Staff will report to the Council, annually on the results of the City’s risk management program for the preceding year.

**10. FUND BALANCE.**

**I. Purpose**

The purpose of this policy is to establish specific guidelines the City of Hermantown will use to maintain an adequate level of fund balance to provide for cash flow requirements and contingency needs because major revenues, including property taxes and other government aids are received in the second half of the City’s fiscal year.

The purpose of this policy is to also establish specific guidelines the City of Hermantown will use to classify fund balances into a categories based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in these funds can be spent.

**II. Classification of Fund Balance/Procedures**

<i><b>Fund Balance Reporting</b></i>		
<i><b>Classification</b></i>	<i><b>Definition</b></i>	<i><b>Examples</b></i>
<b>Nonspendable</b>	“Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.” <sup>3</sup>	<ul style="list-style-type: none"> <li>• Inventories,</li> <li>• Prepaid items, and</li> <li>• Long-term receivables</li> <li>• Land held for resale</li> </ul>
<b>Restricted</b>	“Fund balance should be reported as restricted when constraints placed on the use of resources are either: <ol style="list-style-type: none"> <li>a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or</li> <li>b. Imposed by law through constitutional provisions or enabling legislation.”<sup>4</sup></li> </ol>	<ul style="list-style-type: none"> <li>• Restricted by state statute,</li> <li>• Unspent bond proceeds,</li> <li>• Grants earned but not spent,</li> <li>• Debt covenants,</li> <li>• Taxes dedicated to a specific purpose, and</li> <li>• Revenues restricted by</li> </ul>

			enabling legislation.
<b>Unrestricted</b>	<b>Committed</b>	<p>“Used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority”<sup>5</sup>            Cannot be a negative number.            The City Council will annually or as deemed necessary commit specific revenue sources for specified purpose by resolution. This formal action must occur prior to the end of the reporting period, however, the amount to be subject to the constraint, may be determined in the subsequent period.            To remove the constraint on specified use of committed resources, the City Council shall pass a resolution.</p>	<ul style="list-style-type: none"> <li>• The City Council has decided to set aside \$x for a project.</li> <li>• Property tax levies set for a specific purpose by resolution.</li> <li>• Amounts transferred to Capital Project Fund for a specific purpose.</li> <li>• Internal Reserves for a specific purpose such as a large capital purchase.</li> </ul>
	<b>Assigned</b>	<p>“Amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed”<sup>6</sup>            Cannot be a negative number.            The City Council has delegated the authority to assign and remove assignments of fund balance for specified purposes to the Finance Director.</p>	<ul style="list-style-type: none"> <li>• City Council can set aside specific funds the City’s Finance Director may amend up to specified amount.</li> <li>• City Council delegates the authority to assign fund balance to the Finance Director.</li> <li>• City Council has appropriated fund balance usually titled “subsequent year’s expenditures”</li> <li>• Positive residual balances in government funds other than the general fund.</li> </ul>
	<b>Unassigned</b>	<p>Unassigned fund balance in the residual classification for the General Fund. This is fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other government funds would report deficit fund balances as unassigned. <sup>7</sup></p>	

<sup>2</sup> Governmental fund reporting focuses primarily on the sources, uses, and balances of current financial resources and often has a budgetary orientation. The governmental fund category includes the general fund, special revenue funds, capital projects funds, debt service funds, and permanent funds. (Codification of Governmental Accounting and Financial Reporting Standards § 1300.102).

- <sup>3</sup> GASB Statement No. 54, ¶ 6
- <sup>4</sup> GASB Statement No. 54, ¶ 8
- <sup>5</sup> GASB Statement No. 54, ¶ 10
- <sup>6</sup> GASB Statement No. 54, ¶ 13
- <sup>7</sup> GASB Statement No. 54, ¶ 17

### **III. Minimum Fund Balance**

The City’s revenue stream is not evenly distributed throughout the year (i.e. property tax and state aid) and will need sufficient beginning fund balances to pay expenditures until these revenues are received. In order to avoid service disruptions that otherwise could arise from revenue shortfalls or unanticipated expenditures, governmental fund balances will be managed in such a way as to maintain unrestricted fund balance on the last day of each fiscal year equal to the following:

1. Up to 50% of Property Tax Levy – Budgeted in following year
2. Up to 50% of State Aid Revenues – Local Government Aid and Municipal State Aid for Roads: Budgeted in following year
3. Up to 10% of Annual Expenditures and Transfers Out – Budgeted in Following year

### **IV. Order of Resource Use**

Restricted fund balance resources are normally used first when expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Also, for unrestricted fund balance, the City will spend in the following order; committed, assigned and unassigned, when expenditure is incurred for purposes for which amounts in any of these unrestricted fund balance classification could be used.

### **V. Stabilization Arrangements**

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

The City will set aside amounts by resolution as deemed necessary that can only be expended when certain specific circumstances exist. The resolution will identify and describe the specific circumstances under which a need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely.

### **VI. Committing Fund Balance**

The City Council has the authority to set aside funds for a specific purpose. Any funds set aside as Committed Fund Balance requires the passage of a resolution prior to December 31<sup>st</sup> of the applicable fiscal year. If the actual amount of the commitment is not available by December 31<sup>st</sup>, the resolution must state the process or formula necessary to calculate the actual amount as soon as information is available.

## **VII. Assigning Fund Balance**

Upon passage of the Fund Balance Policy, authority is given to the City's Finance Director to assign funds for specific purposes. Any funds set aside as Assigned Fund Balance must be reported to the City Council and be recorded in the council minutes. The City Council has the authority to remove or change the assignment of the funds by motion or resolution. The City Council has the authority to set aside funds for the intended use of a specific purpose. Any funds set aside as Assigned Fund Balance requires a motion or resolution and recorded in the council minutes. The same action is required to change or remove the assignment. Examples include: Appropriation of existing fund balance to be used to balance the subsequent year's budget. Budget carry-overs for specific items such as: election funding and capital improvement funding.

## **VIII. Appropriate Fund Balance Levels**

The City will maintain an unrestricted fund balance in the General Fund of 35- 50% -no less than five months of the next year's budgeted expenditures of the General Fund. This will assist in maintaining an adequate level of fund balance to provide for cash flow requirements and contingency needs because major revenues, including property taxes and other government aids are received in the second half of the City's fiscal year.

## **IX. Monitoring and Reporting**

The **City Administrator** and **Finance Director** shall annually prepare the status of fund balances in relation to this policy and present to the City Council in conjunction with the development of the annual budget.

## **X. Responsibility and Authority**

Administrative implementation of policies is the responsibility of staff and council.

## **Future Policies**

A revision and or creation of the following policies and procedures: City's purchasing, travel policy, cell phone policy and customer bankruptcy process is planned to be done in 2014.

## **Budget Policy & Financial Control**

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Budgets are financial plans for future events. As better information becomes available, the budget may be amended by the City Council. Annual budgets are prepared per Section 220.03.1.7 of the Hermantown Code of Ordinances. The budget requests link to overall City goals.

Ordinary operating expenditures are subdivided into personal services, supplies, other services & charges, capital outlay, and other financing uses.

### **Budget Process**

Annual budgets are adopted for the General, Special Revenue, Debt Service, and Proprietary Funds. Within the General fund, budgets are prepared for each major department. For example, Finance and Administration is a department within the General fund.

Budgets are adopted on a basis consistent with generally accepted accounting principles. Formal budgets are not adopted for the Capital Project funds; budgetary control is accomplished through the use of project controls.

The City follows the procedures below in establishing the budget:

Budget forms are supplied to all City departments & consultants. The City Administrator conducts budget assistance meetings (if necessary) with each department and consultant. Budget requests & supplementary information from all city departments & consultants must be received by mid-July. The City Administrator and Finance Director prepare the budgeted personnel expenses and revenue portions of the budget. Per the City Operating Budget Policy, appropriations shall not exceed the total of the estimated revenues and available fund balance. The City Administrator meets with departments to discuss and review recommended budgets. The City Administrator and department heads present to the City Council a consolidated budget for the general fund in mid-August for the fiscal year commencing the following January 1. The City sets the preliminary levy and the public hearing information, which is forwarded to the County Auditor by September 15<sup>th</sup> each year. The County mails parcel specific tax notices to property owners providing taxes due the following year based on the preliminary levy. A budget and levy hearing is held in December in accordance with State law. The budget and tax levy are adopted through passage of resolutions. There are 2 opportunities for public input on the proposed budget including the presentation of the preliminary budget in September and the budget and levy hearing in December.

Budgeted amounts are reported as originally adopted. Budgeted expenditure appropriations lapse at year-end. The government's department heads may make transfers of appropriations within a department. The City Council may authorize budget amendments for transfer of budgeted amounts between funds. The budgetary level of control is at the department level. The City adopted an Operating Budget Policy in July of 2010.

# Budget Calendar

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## Tentative Budget Calendar For Calendar Year 2014 AS OF JUNE 2013

<u>Date</u>	<u>Task</u>
June 18, 2013	Budget forms supplied to all City departments & consultants.
July 11 - 12, 2013	City Administrator to conduct budget assistance meetings if necessary with City departments & consultants.
July 16, 2013	FINAL DATE to receive budget requests & supplementary information from all city departments & consultants.
July 23 - 24, 2013	City Administrator holds budget sessions with city departments as necessary.
Before August 1, 2013	Department of Revenue notifies cities of LGA amounts projected for 2014.
August 6 - 9, 2013	City Administrator meets with departments to discuss and review recommended budgets.
August 16, 2013	2013 Budget to Actual update presented to Council. Hold discussion on any 2013 Budget Amendments. Department budget presentations and City Administrator present to the City Council a consolidated budget for all City departments.
August 19 - 23, 2013	City Council to conduct any needed additional meetings with departments and consultants for 2014 budget.
September 16, 2013	City Council to pass a preliminary 2014 Levy and City certifies the proposed property tax levy to the County Auditor and certifies the Truth-In-Taxation hearing date.
November 18, 2013	2014 Budget booklet presented to Council.
December 2, 2013	Initial Truth-In-Taxation Hearing on 2014 Budget & Levy (regular scheduled meeting) and adoption of the 2014 Budget and Levy
December 16, 2013	Final adoption date for Final 2014 Budget & Levy.

# Financial Summaries

## 2013 Statement of Accounts - All Funds

For January 1, 2013 through December 4, 2013

<u>Fund</u>	<u>Beginning</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending 12/4/13</u>
101 General Fund	2,739,391	2,631,476	3,735,088	1,635,779
230 HEDA	69,199	4,270	10,642	62,828
231 Community Development	81,391	-	-	81,391
235 Park Dedication	163,623	31,602	-	195,225
236 Hermantown Wetland Mitigation	13,341	1,474	-	14,815
237 Hermantown Wetland Bank Fund	57,957	-	-	57,957
240 Sales Tax	1,429,481	1,543,403	1,301,342	1,671,542
250 Police Liaison Education	20,573	84,304	64,700	40,177
251 Police Program	34,835	6,415	32,471	8,779
260 Cable TV	231,913	21,860	22,323	231,450
270 Soccer Association	(56,213)	-	-	(56,213)
301 Certificate of Indebtedness	26,685	22,674	38,550	10,809
310 1996 School Bond Issue	-	-	-	-
311 2002 Utility Bond	-	-	-	-
313 2003B Refunding Bond	-	-	-	-
314 2005A Bond	143,135	197,350	179,301	161,184
315 2006A City Hall Bond	738,829	666,508	665,708	739,629
316 2007A Refunding Bonds	(349,918)	186,553	200,537	(363,902)
317 2007B General Obligation Bonds	57,354	109,232	164,890	1,696
318 2009A G.O. Improvement bonds	233,174	305,570	437,506	101,237
319 2010A General Obligation Bonds	241,630	270,753	359,113	153,271
320 2012A General Obligation Bonds	1,799,664	132,510	109,346	1,822,828
321 2012B General Obligation Bonds	92,624	372,699	161,601	303,722
350 Special Assessment Deficiency	907,649	13,170	130,057	790,762
401 General Capital Projects	61,528	-	-	61,528
402 Municipal State Aid Streets	63,826	68,338	227,422	(95,258)
409 Municipal Building Reserve	359,473	-	-	359,473
450 Infrastructure Capital Projects Fund	-	-	-	-
475 Special Assessment Capital Projects	1,481,939	130,137	1,077,625	534,451
601 Water Enterprise	10,380,102	1,073,964	826,541	10,627,525
602 Sewer Enterprise	27,347,626	1,006,907	596,125	27,758,408
605 Street Lighting Utility	463,087	71,934	58,629	476,392
<b>Total All Funds</b>	<b>48,833,898</b>	<b>8,953,101</b>	<b>10,399,515</b>	<b>47,387,484</b>

**\*Footnote – Second half of property taxes of \$1.1 Million due in December would significantly alter the ending fund balance for this report.**

## City of Hermantown Budgeted Funds

### **Minnesota Statute 412.711 CONSIDERATION OF BUDGET; TAX LEVY.**

*The annual budget finally agreed upon shall set forth in detail the complete financial plan of the city for the ensuing fiscal year for the funds budgeted and shall be signed by the majority of the council when adopted.*

Fund revenues and expenditures are budgeted using modified accrual where expenditures are recognized when incurred and payment is due, and revenues are recognized when they are measurable and available. This is the same basis as used in the City's audited financial statements.

In addition to the **General Fund** (the City's primary operating fund) the City has various separate special revenue funds, debt service, enterprise and capital project funds. The funds are detailed below.

#### **Special Revenue Funds:**

HEDA – Hermantown Economic Development Authority for the accounting of revenue collected from conduit financing and expenditures such as business subsidy and community study

Community Development is for the accounting of expenditures that assist community infrastructure projects.

Park Dedication for the accounting of revenue collected from new buildings and developments, and expenditures for park development.

Hermantown Wetland Mitigation for the accounting of revenue from landowners who disturb the wetland in connection of development, and expenditures for Wetland acquisition and preservation.

Hermantown Wetland Bank is for the accounting of sale and purchase of wetland bank credits.

City Sales Tax is for the collection of 1% local sales tax, and expenditures authorized by the Minnesota Legislature.

Police Liaison Education is for the accounting of revenue from the Hermantown School District and, expenditures for the school liaison and DARE programs.

Police Program is for the accounting of alcohol and drug forfeitures, and the expenditures for furthering alcohol and drug investigations.

Cable Television is for the accounting of revenue from Mediacom franchise fees, and expenditures to provide local public channel in Hermantown.

Soccer is for the accounting of revenue from the Hermantown Soccer Association, and expenditure related to the development of the soccer fields.

#### **Debt Service Funds:**

Debt Service is used to account for revenue collected from assessments, fund transfers; levy and expenditures for bond principal, interest and fiscal agent fees.

**Enterprise Funds:**

Water is for accounting of revenue from water fees and expenditures for the distribution of treated water.

Sewer is for accounting of revenue from sewer disposal service and expenditures for the collection of sewer sanitary waste.

Street Lighting is for accounting of revenue from street lighting fees and expenditures in the City's right of way.

The City has additional funds for Capital Projects that are not included in this budget document. Although not required to be budgeted, these funds are included in the City's audited financial statements.

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## Major Funds and Non-Major Funds by Fund Type

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	2012 Actual		2013 Original Budget		2014 Budget	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
<b>General Fund</b>	4,533,411	4,011,569	4,125,610	4,125,610	4,259,263	4,268,506
Special Revenue Funds						
<b>City Sales Tax</b>	1,219,011	1,326,470	2,155,200	1,305,782	2,410,000	1,440,626
Non-Major Special Revenue Funds	196,956	209,524	157,978	111,746	205,362	142,815
Debt Service Funds						
Non-Major Debt Service Funds	6,052,238	6,843,517	2,029,854	2,354,666	2,459,115	2,580,904
Enterprise Funds						
<b>Water Enterprise</b>	1,295,547	1,188,946	1,411,730	1,321,492	1,422,305	1,327,758
<b>Sewer Enterprise</b>	1,230,278	1,247,206	1,185,400	1,279,652	1,302,457	1,310,556
Non-Major Enterprise Fund	112,132	47,070	101,150	43,000	100,000	42,100
<b>Total All Funds</b>	<b>14,639,573</b>	<b>14,874,302</b>	<b>11,166,922</b>	<b>10,541,948</b>	<b>12,158,502</b>	<b>11,113,265</b>
Major funds are in <b>bold type</b> .						

## 2014 Budget Summary - All Funds

### BUDGETED REVENUES

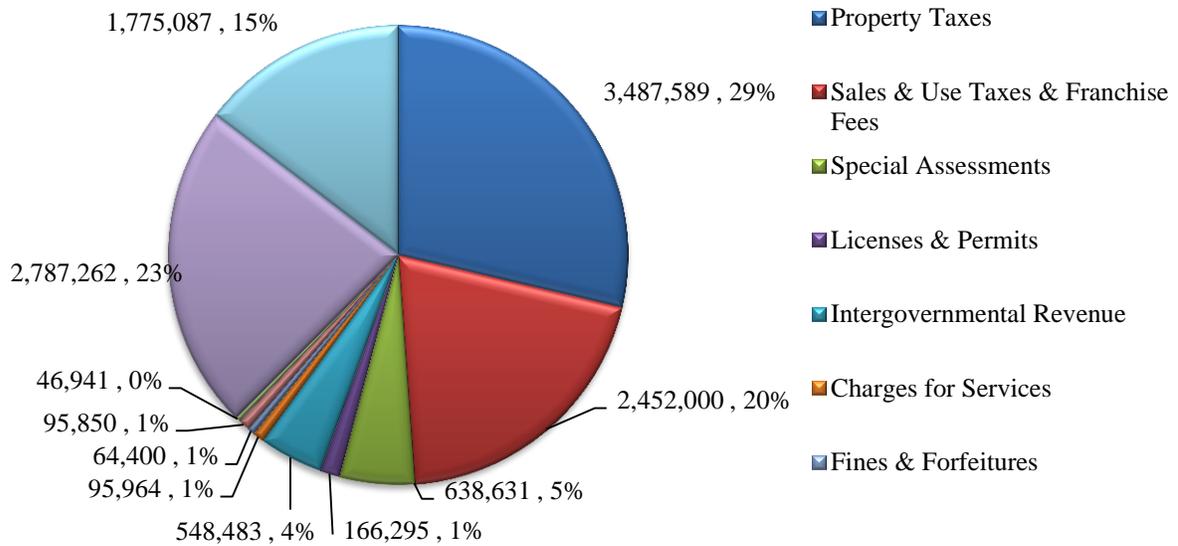
	ACTUAL 2012	ORIGINAL BUDGET 2013	BUDGET 2014
<b>GENERAL FUND</b>			
Property Taxes	\$ 3,342,894	\$ 3,277,007	\$ 3,384,192
Licenses & Permits	147,282	140,340	142,195
Intergovernmental	543,866	525,285	548,483
Charges for Services	39,774	28,046	31,654
Fines & Forfeits	60,367	53,300	58,300
Investment Income	35,932	22,000	22,000
Miscellaneous	126,293	26,632	29,439
Other Financing Sources	237,003	53,000	43,000
	<u>\$ 4,533,411</u>	<u>\$ 4,125,610</u>	<u>\$ 4,259,263</u>
<b>SPECIAL REVENUE FUNDS</b>			
Sales & Use Taxes & Franchise Fees	\$ 1,245,644	\$ 2,159,600	\$ 2,452,000
Licenses, Permits & Fees	21,897	15,500	24,100
Intergovernmental		-	-
Charges for Services	60,895	62,395	64,310
Fines & Forfeits	6,200	6,100	6,100
Investment Income	17,750	37,670	36,350
Miscellaneous	23,398	16,913	17,502
Other Financing Sources	40,183	15,000	15,000
	<u>\$ 1,415,967</u>	<u>\$ 2,313,178</u>	<u>\$ 2,615,362</u>
<b>DEBT SERVICE FUNDS</b>			
Property Taxes	\$ 108,247	\$ 100,319	\$ 103,397
Special Assessments	564,166	460,270	638,631
Investment Income	8,464	-	-
Rents	51,350	-	-
Other Financing Sources	5,320,011	1,469,265	1,717,087
	<u>\$ 6,052,238</u>	<u>\$ 2,029,854</u>	<u>\$ 2,459,115</u>
<b>ENTERPRISE FUNDS</b>			
Water Utility			
-Operating Utility Fees	\$ 1,149,154	\$ 1,321,552	\$ 1,323,488
-Non-Operating Investment Income	43,200	26,500	26,500
-Non-Operating Utility Fees	102,767	63,678	72,317
-Other Financing Sources	426		
Sewage Disposal			
-Operating Utility Fees	1,140,004	1,132,200	1,248,257
-Non-Operating Investment Income	13,586	11,000	11,000
-Non-Operating Utility Fees	76,688	42,200	43,200
Street Lighting			
-Operating Utility Fees	103,014	97,000	100,000
-Non-Operating Investment Income	7,454	4,150	
-Non-Operating Utility Fees	1,664		
	<u>\$ 2,637,957</u>	<u>\$ 2,698,280</u>	<u>\$ 2,824,762</u>
<b>TOTAL REVENUES</b>	<u><b>\$ 14,639,573</b></u>	<u><b>\$ 11,166,922</b></u>	<u><b>\$ 12,158,502</b></u>

## BUDGETED EXPENDITURES

	ACTUAL 2012	ORIGINAL BUDGET 2013	BUDGET 2014
<b>GENERAL FUND</b>			
General Government	\$ 786,452	\$ 845,998	\$ 1,022,017
Public Safety	2,373,882	2,550,434	2,534,273
Public Works	698,628	600,870	609,392
Park	88,794	113,308	87,824
Other Financing Uses	63,813	15,000	15,000
	<u>\$ 4,011,569</u>	<u>\$ 4,125,610</u>	<u>\$ 4,268,506</u>
<b>SPECIAL REVENUE FUNDS</b>			
HEDA Component Unit	\$ 16,590	\$ 5,045	\$ 35,056
Community Development	\$ 25,000		
Park Dedication	65,177	-	
Hermantown Wetland Mitigation		-	
Hermantown Wetland Bank			
City Sales Tax	1,326,470	1,305,782	1,440,626
Police Liaison Education	79,705	68,419	74,477
Police Program	6,663	10,000	
Cable Television	16,362	28,282	33,282
Soccer Association Fund	28		
	<u>\$ 1,535,995</u>	<u>\$ 1,417,528</u>	<u>\$ 1,583,441</u>
<b>DEBT SERVICE FUNDS</b>			
Principal Retirement	\$ 4,819,195	\$ 1,371,351	\$ 1,552,312
Interest & Fiscal Charges	1,093,557	853,258	783,208
Other Financing Uses	930,765	130,057	245,384
	<u>\$ 6,843,517</u>	<u>\$ 2,354,666</u>	<u>\$ 2,580,904</u>
<b>ENTERPRISE FUNDS</b>			
Water Utility			
-Operating	\$ 980,665	\$ 1,113,539	\$ 1,113,971
-Depreciation	160,045	\$ 160,114	165,000
-Other Financing Uses	48,236	47,839	48,787
Sewage Disposal			
-Operating	757,821	781,258	800,137
-Depreciation	428,295	441,047	450,000
-Other Financing Uses	61,090	57,347	60,419
Street Lighting Utility			
-Operating	44,570	40,500	42,100
-Other Financing Uses	2,500	2,500	
	<u>\$ 2,483,222</u>	<u>\$ 2,644,144</u>	<u>\$ 2,680,414</u>
<b>TOTAL EXPENSES</b>	<u><b>\$ 14,874,303</b></u>	<u><b>\$ 10,541,948</b></u>	<u><b>\$ 11,113,265</b></u>

The budget is a blueprint for City services and plans for fiscal year 2014. The purpose of the budget is to communicate the financial plans of the City and its allocation of resources. This document expresses priorities, goals, plans and targets. The budget is an implementation plan to achieve the City's goals and objectives.

## 2014 Budgeted Revenues

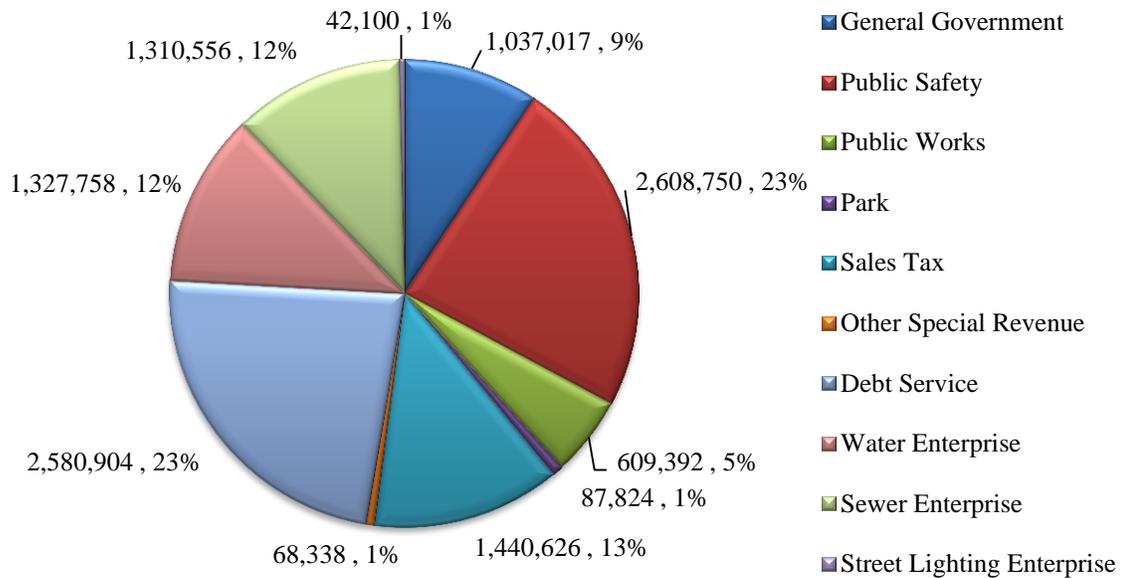


Total Budgeted revenues for all funds equal \$12,158,502.

The five largest components of the 2013 revenue budget, accounting for 92 percent of total revenues, in descending order based on dollars are as follows:

<b>Property Taxes</b>	<b>\$3,487,589</b>	<b>29%</b>
<b>Utility Fees</b>	<b>\$2,787,262</b>	<b>23%</b>
<b>Sales &amp; Use Taxes &amp; Franchise Fees</b>	<b>\$2,452,000</b>	<b>20%</b>
<b>Other Financing Sources</b>	<b>\$1,775,087</b>	<b>15%</b>
<b>Intergovernmental</b>	<b>\$548,483</b>	<b>4%</b>

## 2014 Budgeted Expenditures by Function

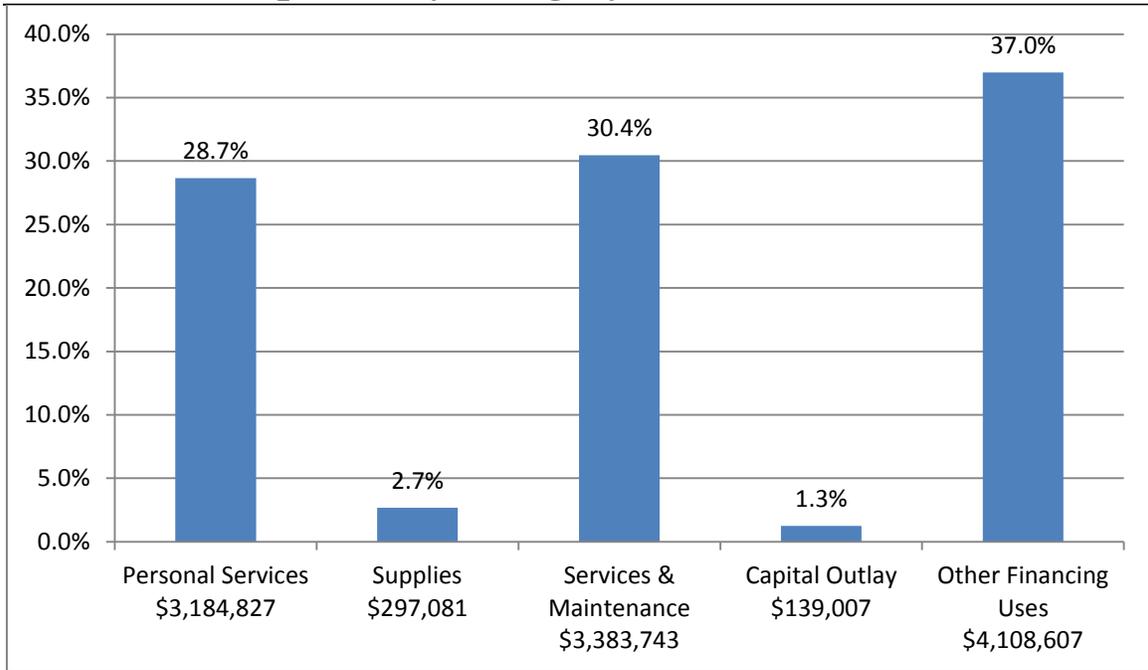


Total budgeted expenses for all funds is \$11,113,265.

The five largest components of the 2014 expenditure budget, accounting for 83 percent of the appropriations, in descending order based on dollars are as follows:

<b>Public Safety</b>	<b>\$2,608,750</b>	<b>23%</b>
<b>Debt Service</b>	<b>\$2,580,904</b>	<b>23%</b>
<b>Sales Tax</b>	<b>\$1,440,626</b>	<b>13%</b>
<b>Water Enterprise</b>	<b>\$1,327,758</b>	<b>12%</b>
<b>Sewer Enterprise</b>	<b>\$1,310,556</b>	<b>12%</b>

## All Funds – Expenses by Category



The City's expenditures are budgeted in five major spending categories: personal services, supplies, services & maintenance, capital outlay, and other financing uses. This chart shows the breakdown of expenditures by spending category.

## Changes in Fund Balance

Fund Balance is defined as the difference between a fund's assets and liabilities. Adequate fund balance is necessary to have funds for emergency or unexpected events, to enhance the City's financial position and bond ratings, to provide cash for operations prior to receipt of tax revenues and to maximize investment earnings.

		Est. 2014 Beginning Fund Balance	2014 Revenues	2014 Expenditures	2014 Ending Fund Balance	% Change in Fund Balance	\$ Change in Fund Balance	Reason for Greater than 10 Percent Variance
101	General	2,789,391	4,259,263	4,268,506	2,780,148	-0.33%	(9,243)	
230	HEDA	68,974	3,820	35,056	37,738	-45.29%	(31,236)	Capital campaign feasibility study
231	Community Development	81,391	-	-	81,391	0.00%	-	
235	Park Dedication	185,523	30,464	-	215,987	16.42%	30,464	Building Up Reserve for Park Improvements
236	Hermantown Wetland Mitigation	14,366	1,025	-	15,391	7.13%	1,025	
237	Hermantown Wetland Bank	58,057	1,000	-	59,057	1.72%	1,000	
240	Sales Tax	2,278,899	2,445,500	1,440,626	3,283,773	44.09%	1,004,874	Voter increase from .5% to 1% local sales tax
250	Police - School Relations	31,119	81,360	74,477	38,002	22.12%	6,883	School Contract/Transfer from General Fund
251	Police Program	27,960	3,125	-	31,085	11.18%	3,125	Unknown forfeiture expenses
260	Cable TV	244,231	42,600	33,282	253,549	3.82%	9,318	
270	Soccer Association Fund.	(48,870)	6,468	-	(42,402)	-13.24%	6,468	Annual payment from Soccer Association
301	Equipment Debt Service	27,185	40,478	38,550	29,113	7.09%	1,928	
311	2002 Utility Bond	-	-	-	-	0.00%	-	
314	2005A Bond	130,347	-	-	130,347	0.00%	-	
315	2006A City Hall Bond	738,829	736,008	736,008	738,829	0.00%	-	
316	2007A Refunding Bonds	(349,918)	204,846	204,846	(349,918)	0.00%	-	
317	2007B General Obligation Bonds	(10,554)	161,490	161,490	(10,554)	0.00%	-	
318	2009A G.O. Improvement Bonds	154,938	451,081	451,081	154,938	0.00%	-	
319	2010A General Obligation Bonds	177,584	393,883	393,883	177,584	0.00%	-	
320	2012A General Obligation Bonds	181,054	281,395	280,318	182,131	0.59%	1,077	
321	2012B G.O. Improvement Bonds	92,624	188,058	69,344	211,338	128.17%	118,714	Collection/assessments saved for future debt service
350	Special Assessment Deficiency	779,469	1,876	245,384	535,961	-31.24%	(243,508)	Transfer to debt service
601	Water Enterprise	10,470,340	1,422,305	1,327,758	10,564,887	0.90%	94,547	
602	Sewer Enterprise	27,253,374	1,302,457	1,310,556	27,245,275	-0.03%	(8,099)	
605	Street Lighting Utility	521,237	100,000	42,100	579,137	11.11%	57,900	Franchise Agreement with MN Power

**HEDA**-This fund major expense will be used to fund capital campaign feasibility study to determine whether to expand the Duluth YMCA in Hermantown.

**Park Dedication Fund (Fund 235)** – This fund has no expenditures planned for 2014. ‘Advance Hermantown’ community group has been discussing a ‘community center(s)’ and park board will discuss what and how they will contribute to the community group’s recommendations.

Sales Tax Fund (Fund 240) – This fund has a 44.09% budgeted increase in fund balance for 2014. At the 2012 general election, the voters approved to increase local sales tax from .5% to 1% estimating the collection to begin April 1, 2013.

Police-School Relations (Fund 250) – This fund has a 22.12% budgeted increase in fund balance for 2014. Per Resolution 2013-26, there is an agreement between the Hermantown Police Department and the Hermantown Community Schools for a Police/School Liaison Officer for the 2013-2014 school year. There is also a transfer from the general fund police department to fund the expenses of this officer.

Police Program (Fund 251) – This fund accounts for drug and alcohol forfeitures expenses. Budget increases due to unknown forfeiture expenses.

Soccer Association Fund (Fund 270) – This fund has a deficit due to the large soccer complex construction. The soccer association is committed to decrease the deficit each year by an average of \$6,500 annual payment per year.

2012B General Obligation Improvement Bonds (Fund 321) – This fund includes additional revenues from collection/assessments saved for future debt service.

Special Assessment Deficiency (Fund 350) – This fund additional expense will be transferred to debt service.

Street Lighting Utility (Fund 602) – This fund has a 11.11% budgeted increase in fund balance for 2014 due to the current franchise agreement with MN Power which sets the utility fees of this fund.

## **Long Range financial plans and its affect upon the budget and the budget process.**

The City of Hermantown residents passed the 1% local sales tax increase at the 2012 General Election. The increase began effective on April 1, 2013. Pursuant to Minnesota Statutes the local sales tax expenditures are restricted to the following: extending a sewer interceptor line, construction of a booster pump station, reservoirs, and related improvement to the water system; and construction of a building containing the administrative services/ police/ fire services. The tax collections had been over \$850,000 short of projections from 2006 through 2012. In addition the Phase III sewer trunkline had an overrun of \$1.5M due to unexpected construction cost.

A review of the projects bonded by the various bonds was completed in 2013. Adjustments of sales tax funds transfers were made to debt service funds in 2013. This will affect future transfers too. Upon study of the construction costs and the projects that qualify under the state statute a reallocation of sales tax funds were applied to the debt service funds.

In the 2014 budget, transfers were made from the Special Deficiency Fund to have sufficient revenue to make the bond payments.

Future plans will be continue to review the deferred special assessments, water and sewer availabilities and change in ownership of property that cancels the deferrals. This will be done yearly as well as confirming ownership of the property.

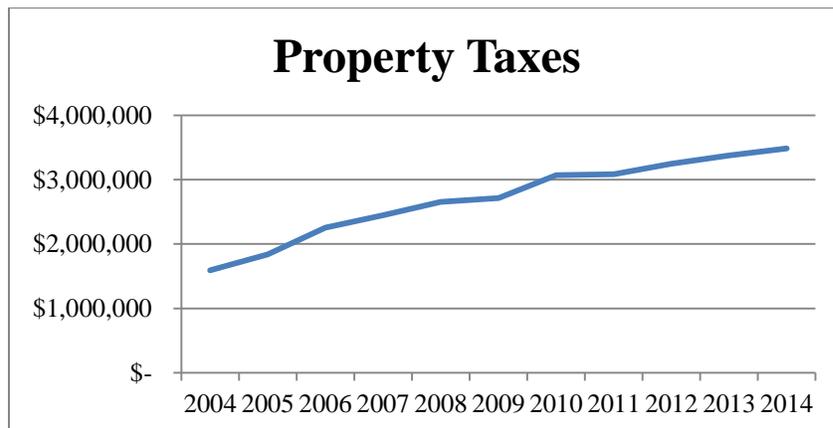
The City Council made a number of changes to the Special Assessment policy. They include stricter guidelines for deferrals and the yearly payment of average assessment interest. These are effective for future special assessment projects.

The City will levy for the bonds that are unable to have sufficient revenue for the yearly bond payments.

## Revenue Categories & Trends

The largest sources of revenue are described below. The largest five categories include Property Taxes, Utility Fees, Other Financing Sources, Sales & Use Taxes, and Intergovernmental which account for 92 percent of the revenue budget.

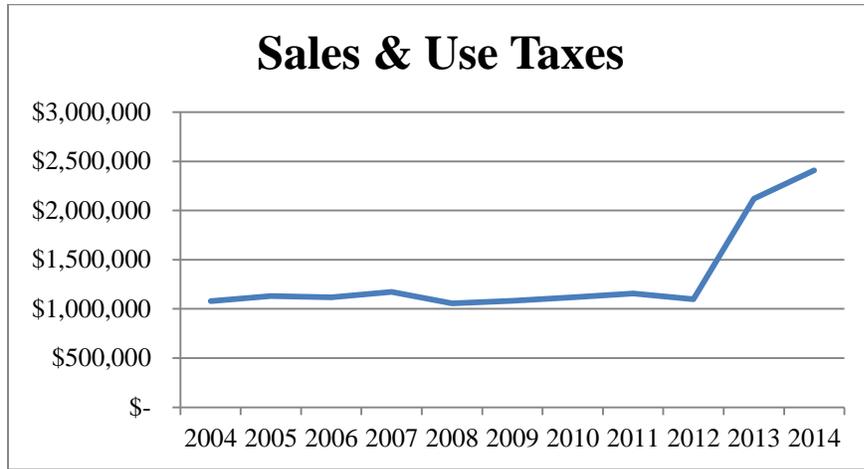
**Property Taxes** – The largest source of revenue is property taxes of \$3,477,589 comprising 29 percent of total revenues. Property taxes are set by the City Council in December of each year and are certified to St. Louis County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Property taxes are levied for several different City purposes. The largest section of property tax is put into the General Fund to support general taxpayer services such as police and fire protection, administration, and street plowing and repair. The City also has two special levies for debt service: Certificate of Indebtedness for purchase of a snow plow truck and the Public Works Facility/Salt Storage Facility.



*Trends:* Property tax levies have been increasing due to cuts in state aid that began in 2001. This is shown in the graph on page 65. The State of Minnesota legislature continues to study the formula for Local Government Aid (LGA). In the years 2008 through 2011, the City of Hermantown has lost \$665,163 in LGA. The City and the State do not have the same budget year. When the legislature enacts cuts within the City's calendar year, the City is unable to make changes in its current property tax levy to make up the shortfall. In 2013 the State of Minnesota legislature changed the LGA formula calculation that resulted in an increase of \$23,698 for a total of \$355,571 in 2014.

**Sales & Use Taxes** – The taxes account for \$2,410,000 (20%) city revenue. The balance of the budgeted revenue in the Sales Tax Fund is for investment income. At the November 2012 General Election, City of Hermantown voters approved to increase the .5% Sales and Use Tax to 1%. The City anticipates this will be effective and collectible in April 1, 2013. Local sales and use tax applies to retail sales made and taxable services provided within the local taxing area. The tax applies to the same items that are taxed by the Minnesota sales and use tax law. The Minnesota Department of Revenue currently administers this local sales tax. The

City has an agreement with the Minnesota Department of Revenue which addresses the fees and procedures of the local sales tax collection and payment. Sales tax revenues less state administration fees are remitted to the City each month.



\*2013 and 2014 are based on budgeted revenues.

**Trends:** Sales tax revenue is expected to increase by 9 percent in 2014 based on increase in local sales tax. In 2013, 1% local sales tax was collected for 9 months and .5% for 3 months. 2014 budget projects local sales tax collection for 12 months at 1%.

**Franchise Fees/Taxes-**Franchise fees are anticipated in the amount of \$52,000. \$10,000 from Minnesota Energy Resources/gas franchise fee and \$42,000 from Media Com/cable franchise fee.

**Trends:** The first payment from Minnesota Energy Resources gas franchise fee was received in 4<sup>th</sup> quarter 2013. The 25% (\$10,000) of the gas franchise fee will be utilized in the General Fund. The \$42,000 franchise fees collected from Media Com will be utilized for the cable program.

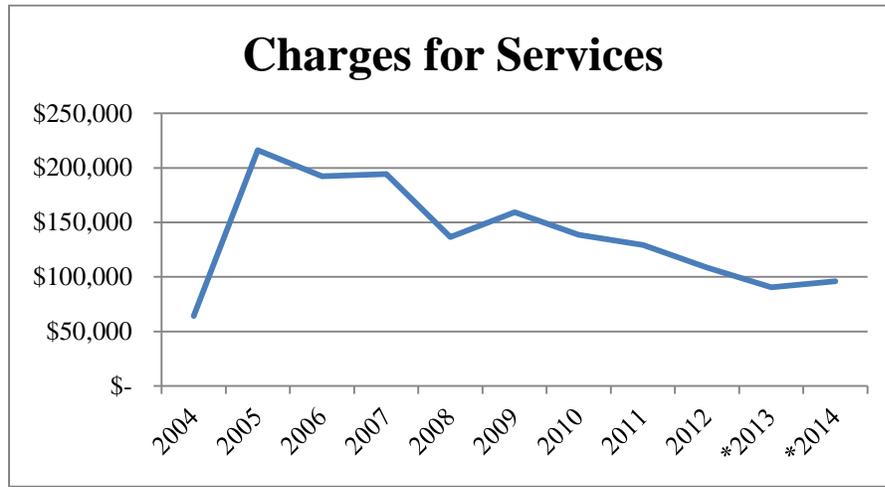
**Licenses and Permits** – License and permit fees of \$166,295 account for 1 percent of total revenues. Permits are required for most construction projects and major remodeling projects. Examples of permits required are building permits, zoning permits, driveway permits, and handgun/bow permits. Licenses are required for certain businesses selling liquor, beer, or tobacco and for dogs in the City.

**Trends:** License revenue is expected to remain static. Building permit revenue is expected to constant in 2014.

**Intergovernmental Revenues** – This revenue accounts for \$548,483 of City revenues or 4 percent. Intergovernmental revenue includes Local Government Aid, Police & Fire State Aid and grants for Police, Street Maintenance, and PERA.

*Trends:* The major revenue within this category is Local Government Aid which is administered by the State of Minnesota. Local Government Aid (LGA) for the 2014 budget was set at \$355,571. The certified amount of 2014 LGA by the MN Department of Revenue is \$355,571, (2014 one time levy limit). This is an increase of \$23,698 in LGA funding for the 2014 budget.

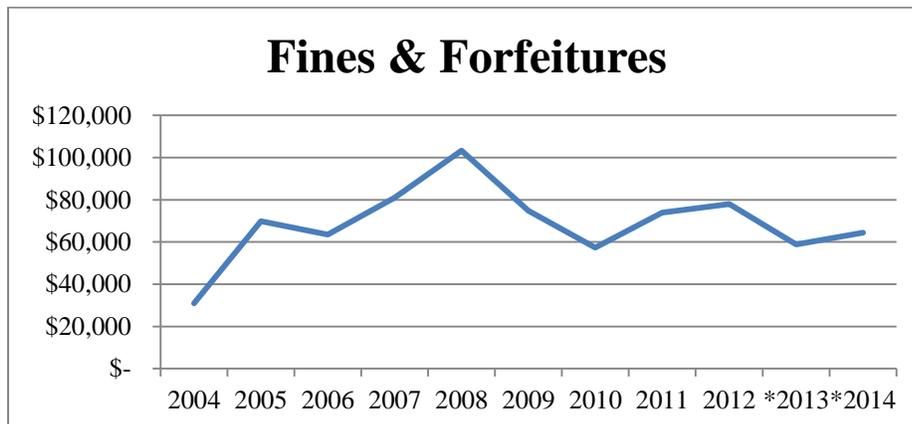
**Charges for Services** – Charges for services account for \$95,964 of City revenues or 1 percent. This category includes charges for building rentals, assessment searches, fingerprinting services, cemetery burial, and charges to Hermantown High School for Dare/Liaison Services.



\*2013 and 2014 are based on budgeted revenues.

*Trends:* Charges for services appear to be static since 2008, with no significant changes foreseen.

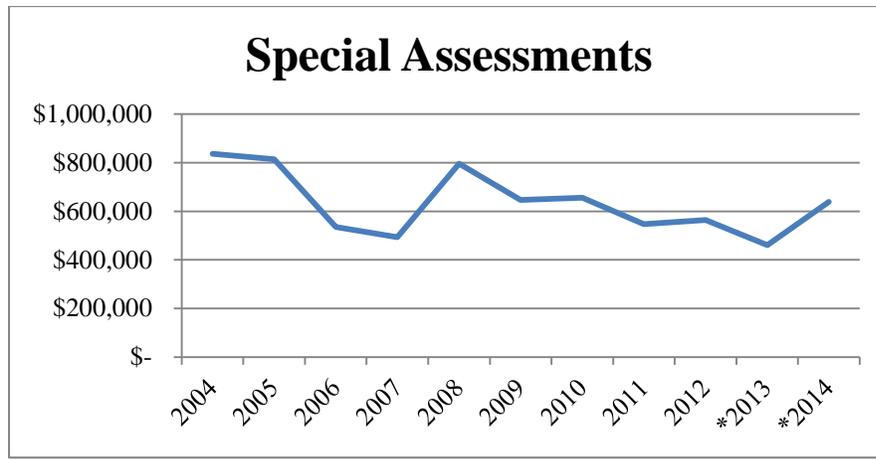
**Fines & Forfeitures** – Fines & forfeitures account for \$64,400 of City revenues or 1 percent. These funds are the City’s share of police patrol traffic citations, court fines, and DWI/Drug forfeiture proceeds.



\*2013 and 2014 are based on budgeted revenues.

*Trends:* The 2014 Budget for this revenue is 9 percent more than the 2013 Budget. This is in part due to the prorated share of court fines received to be used for the DARE program in 2014. Hermantown is one of two communities in South St. Louis County that receives DARE court fines. The DARE court fines are allocated per school grade enrollment. The police department now has two full time investigators that will bring more attention to the fines and forfeitures.

**Special Assessments** – Special assessments account for \$638,631 of City revenues or 5 percent. These funds are collections from specific projects that require a payment from the taxpayer, such as water and sewer line construction or street improvements. These assessments are collected by St. Louis County along with the property tax levy.



\*2013 and 2014 are based on budgeted revenues.

*Trends:* Special Assessment revenues fluctuate due to the timing of water, sewer, and street infrastructure projects.

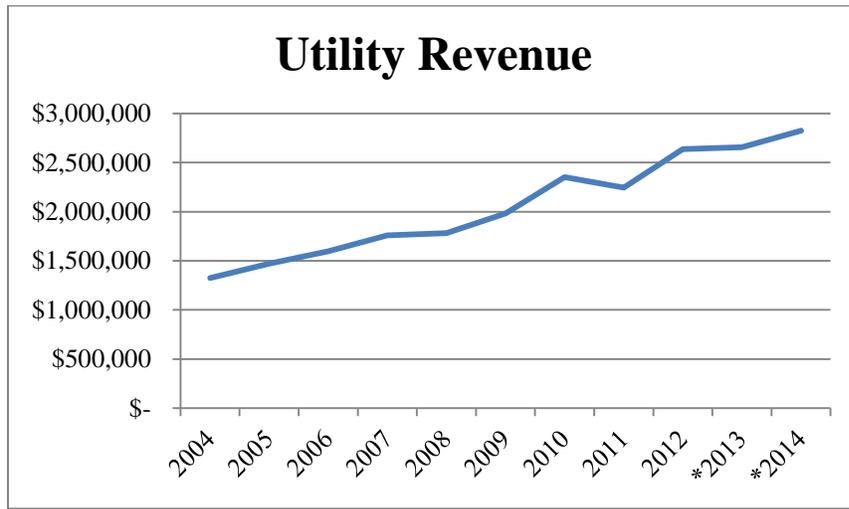
**Investment Income** – Investment income accounts for \$95,850 of City revenues or 1 percent. General \$22,000 Special Revenue \$36,350 Water \$26,500 Sewer \$11,000.

*Trends:* Earnings are dependent on interest rates and amount of funds available to invest. The trends in rates are steady, consistent for 2014 and 2013. As always, investment earnings are subject to sudden shifts in the economy.

**Miscellaneous Revenue** – Miscellaneous revenue accounts for \$46,941 of City revenues. This category includes cell tower, park fields, city property rental income, donations, 911 signs, insurance reimbursements, and conduit financing.

*Trends:* These revenues are expected to remain constant over the next several years.

**Utility Revenue** – Utility Fees for water, sewer, and street lighting account for \$2,741,145 of the City’s revenues or 23 percent. The 2014 water rate is \$7.42 and 2014 sewer rate is \$8.60 per 1000 gallons. Monthly water and sewer service charges are \$3.00 respectively. The street lighting fee is charged as a city fee of \$2/month and collected on MN Power bills. Rates are determined by calculating the amount of funding needed to cover operations, depreciation, and future capital costs. Rate increases must be approved by the Hermantown Utility Commission and also final approval by the Hermantown City Council.



\*2013 and 2014 are based on budgeted revenues.

*Trends:* On January 1, 2014 the water rate will remain the same as 2013 at \$7.43 and the sewer rate will increase 6% from \$8.09 to \$8.60 per 1,000 gallons.

**Other Financing Sources** – Other Financing Sources for all budgeted funds is \$1,775,087, or 15 percent of revenue. This category accounts for transfers in from other funds, such as the Sales Tax Fund and Utility funds to the Debt Service to make bond payments.

*Trends:* Most of these transfers are calculated based on principal and interest debt service payments.

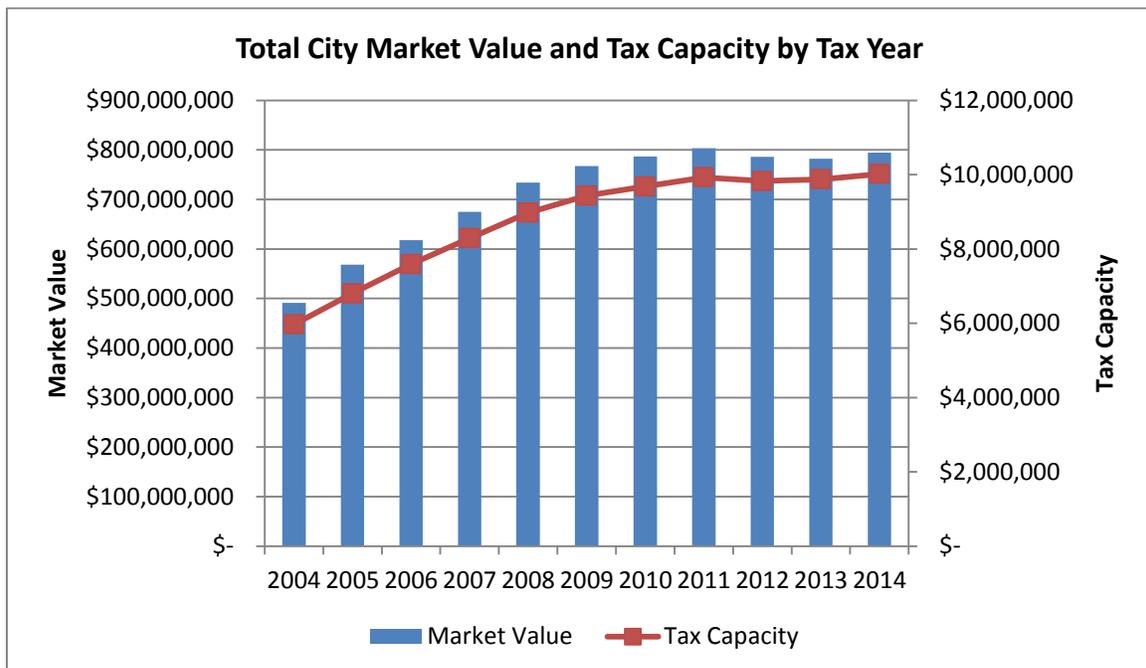
## Tax Base

Residential market values used to calculate 2014 taxes somewhat decreased and an increase was made to the commercial properties. There was an estimated increase of .476% of taxable tax capacity. Market values are not used directly to calculate tax. Market values and state mandated classification rates are used only to distribute the dollar amount of levy requested.

The proportional share of net tax capacity went up property for pay 2014. The proportional share of tax burden borne by various property types is constantly changing based on relative changes in market value for each class of property.

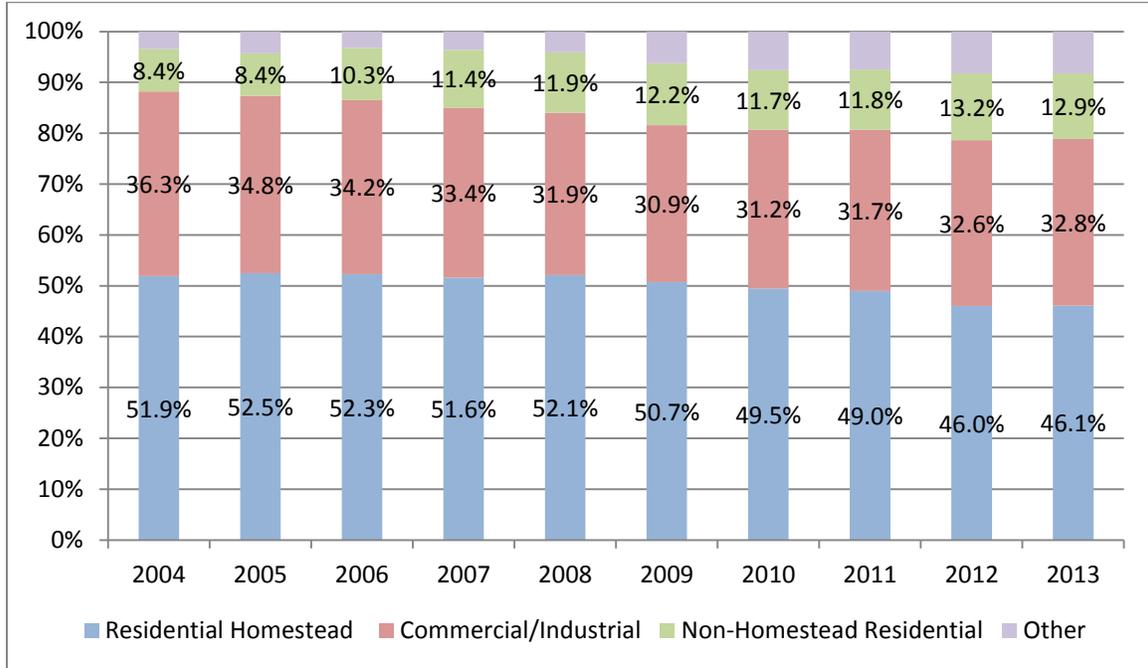
## Tax Capacity

During the 2011 special session, the Legislature repealed the market value homestead credit (MVHC) program and created new market value exclusion for qualifying homes. Lower value homes (\$76,000) receive the maximum exclusion. The exclusion percentage falls as home value increases and is at zero at a home value of \$413,800. These changes are effective for taxes payable in 2013. The immediate effect of the exclusion is a decrease in the tax base. The tax base decrease will mean that in order to generate the same amount of city property tax dollars as in 2011, city tax rates will have to go up. The exclusion will result in a shift in tax burden from homestead properties to other kinds of property.

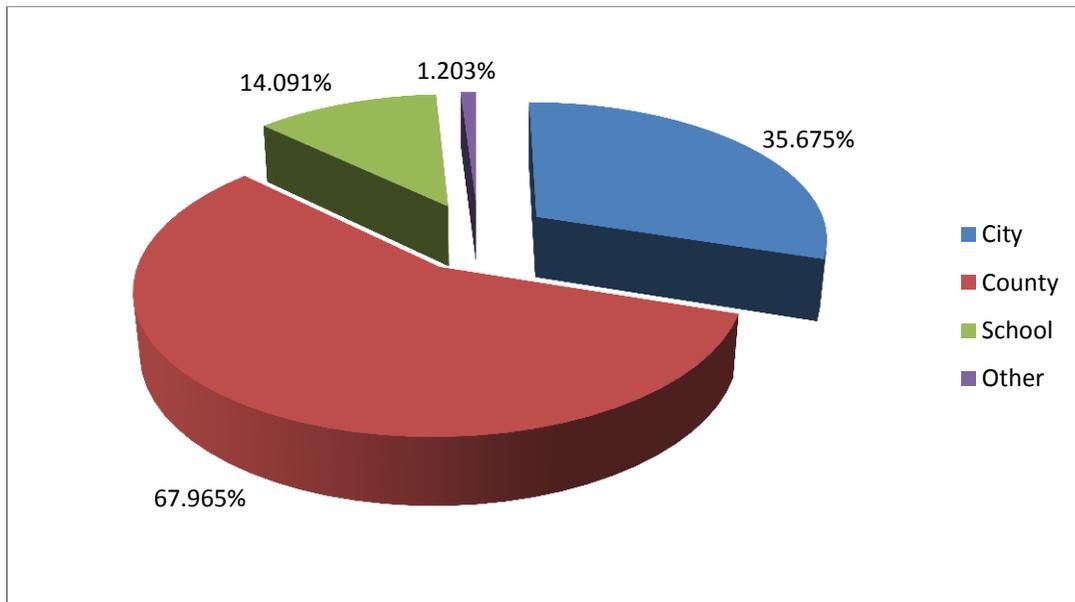


## Total City Tax Capacity Comparison

The largest 3 categories of tax capacity for the City are Residential Homestead Property, Commercial/Industrial Property, and Non-Homestead Residential Property.



## Taxes (Payable 2013)



This graph illustrates the total tax as shared by the taxing jurisdictions. Only 35.675 percent of the total tax was levied for City activities in 2013.

## City Services

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The City's levy is allocated against the tax base along with the levies for the school district, county, and other special taxing districts. A median value home in Hermantown pays on an assessed market value determined in 2011 of \$204,300.

Total taxes paid in 2013 of \$2,430 were shared by local government agencies based on each taxing district's adopted levy. This is excluding the market value exclusion the state utilizes to reduce residential property taxes.

The City's tax rate for taxes payable in 2014 is estimated to be; property taxes of \$738.51 annually or \$61.54 per month on a median value home in Hermantown. Yearly growth in the City's market values has caused the city's tax capacity to increase, which then decreases the city capacity rate applied to property tax. We do anticipate the City portion will decrease on this example once the county has calculated the 2013 tax capacity for 2014 taxes payable.

Taxes Payable <u>2013</u>	Taxes Payable <u>2014</u>	
\$204,300	\$204,300	Home Median Mark
↓	↓	
↓	↓	Total Property Tax
City Portion \$727.39 for year \$60.62 monthly	City Portion \$738.51 for year \$61.54 monthly	

## Estimated City Taxes Payable in 2014

The following table lists the estimated city taxes payable in 2014 for various home values. These figures do not include a market value exclusion that the state utilizes to reduce residential property taxes.

Home Market Value	Payable City Taxes
\$ 100,000	\$ 361.50
150,000	\$ 542.25
200,000	\$ 723.00
250,000	\$ 903.75
300,000	\$ 1,084.50
350,000	\$ 1,265.25
400,000	\$ 1,446.00
450,000	\$ 1,626.75
500,000	\$ 1,807.50

## Where Does Our Property Tax Dollars Go?

A \$204,300 home generates \$738.51 in annual property taxes:  
This comes to \$61.54 per month for 2014.



## Estimated Cost of City Services \$204,300 Home in 2014

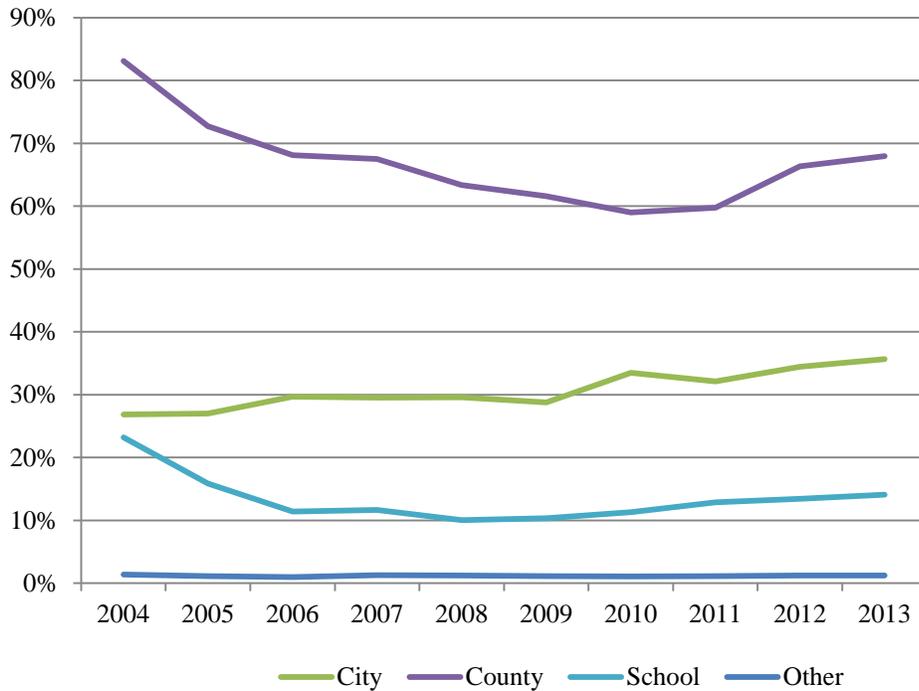
(Without market value exclusion)

<b>Actual Cost of City Services Pay 2014 Property Tax Support for \$204,300 (w/o market value exclusion)</b>				
<b>City Service Category</b>	<b>2014 Budget</b>	<b>Percent of Levy</b>	<b>Amount of Levy</b>	<b>Monthly Cost</b>
<b>General Government</b> Council, Ordinances, Mayor, Elections, Administration & Finance, City Attorney, Planning & Zoning, Health Insurance Consultant, City Hall Building Maintenance, Insurance, Cemetery	\$1,022,017	23.4%	\$173	\$14
<b>Public Safety</b> Police Administration, Fire Administration, Firehall #1, Firehall #2, Firehall #3, Building Inspection, Poundmaster	\$2,549,273	58.3%	\$431	\$36
<b>Public Works</b> Street Department, City Engineer, City Garage, Environmental	\$609,392	13.9%	\$103	\$9
<b>Park</b> Parks, Community Building	\$87,824	2.0%	\$15	\$1
<b>Debt Service</b> Certificate of Indebtedness, Public Works Facility/Salt Storage Bldg.	\$103,397	2.4%	\$17	\$1
<b>Totals</b>	<b>\$4,371,903</b>	<b>100%</b>	<b>\$739</b>	<b>\$62</b>

## Tax Rate Analysis

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The graph illustrates the changes in the property tax rate of the City, County, School and other.



## Levy Components

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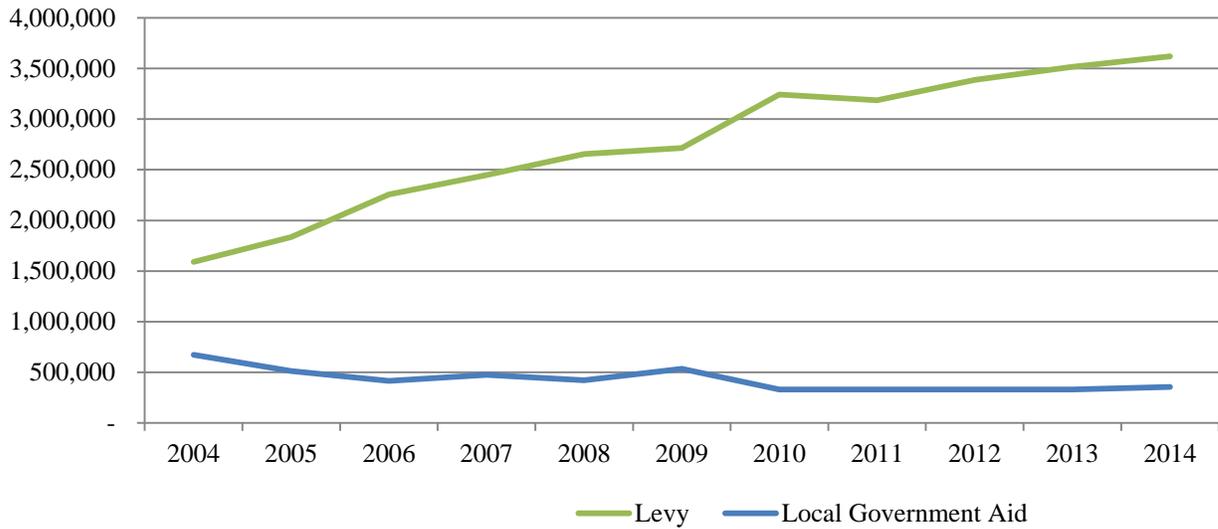
The overall property tax levy is comprised of different levies to pay for different activities of the city. The dollars levied in 2014 are illustrated in the following table:

Levy for General Fund	\$ 3,514,817
Certificate of Indebtedness (Dump Truck)	40,478
Public Works Facility/Salt Storage Building	66,065
<b>Total</b>	<b><u>\$ 3,621,360</u></b>

## Tax Levy Changes

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The city tax levy has fluctuated recently as a result of fast growth, multiple changes in state aid, and increasing service demands. The following graph illustrates the changes in levy and local government aid.



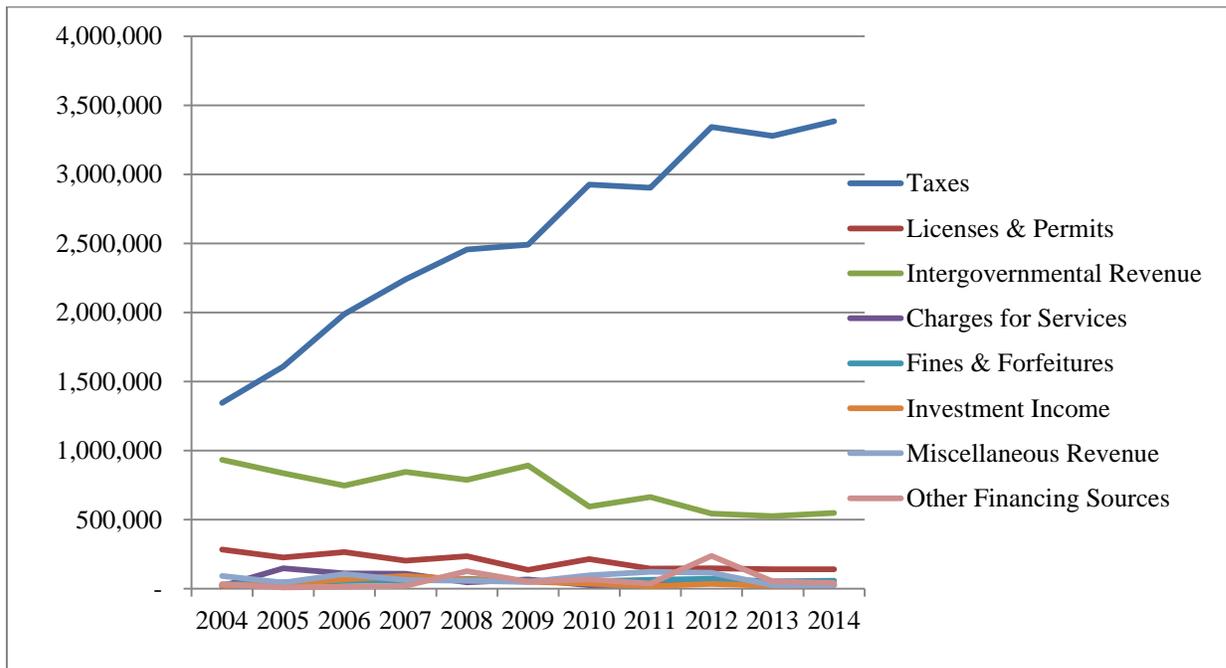
## General Fund – Fund 101

The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the City such as general government, public safety, public works, and parks and recreation. Revenue is recorded by source: i.e., general property taxes, licenses and permits, fines & forfeits, charges for service, etc. General Fund expenditures are made primarily for current day-to-day operations and operating equipment and are recorded by major functional classifications and by operating departments. This fund accounts for all financial transactions not reported in another fund.

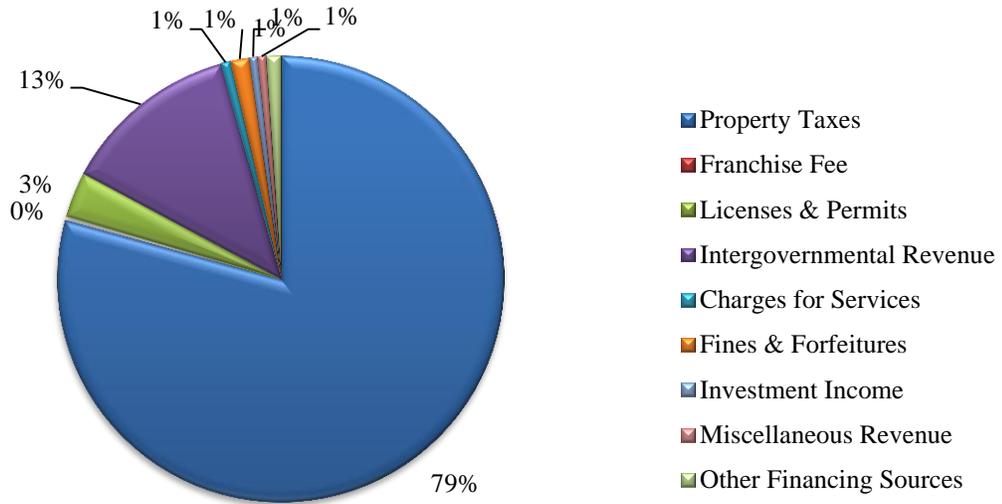
### 2014 General Fund Revenues

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The general fund revenue sources have changed in recent years as a result of legislative actions. The following graph illustrates the change in general fund revenues (2013 & 2014) are based on budgeted revenues):



The following chart shows the 2014 general fund budgeted revenues by source:



### 2014 General Fund Revenue Summary

<u>Source</u>	<u>Amount</u>
Property Taxes	\$ 3,374,192
Franchise Fee	\$ 10,000
Licenses & Permits	142,195
Intergovernmental Revenue	548,483
Charges for Services	31,654
Fines & Forfeitures	58,300
Investment Income	22,000
Miscellaneous Revenue	29,439
Other Financing Sources	43,000
<b>Total</b>	<b>\$ 4,259,263</b>

## 2014 General Fund Revenue Sources - Detail

---

### **Property Taxes - 310000**

310100 Current Property Taxes	3,336,692	
318100 Franchise Fees	10,000	
310200 Delinquent Property Taxes	35,000	
319200 Forfeited Property Taxes	<u>2,500</u>	
Subtotal – Property Taxes		3,384,192

### **Licenses & Permits– 320000**

321100 Beer Licenses	3,553	
321110 On-Sale Liquor Licenses	23,800	
321120 Off-Sale Liquor Licenses	300	
321140 Sunday Licenses	1,800	
321150 Dance Permits	500	
321800 Contractors Licenses/Permits	3,500	
321900 Tobacco Licenses	5,280	
321950 Fireworks Permits	300	
321990 Other Licenses & Permits	600	
322100 Building Permits	80,000	
322110 Zoning Fees	11,000	
322120 SWPP Fees	1,020	
322121 Erosion & Sediment Control	3,000	
322126 Wetland Permits	300	
322130 Property Split Fees	1,240	
322400 Dog Licenses	1,500	
322900 Handgun/Bow Permits	<u>4,500</u>	
Subtotal – Licenses & Permits		142,195

### **Intergovernmental – 330000**

334010 Local Government Aid	355,571	
334160 Police Training Reimbursement	4,500	
334180 MSAS Maintenance Allocation	65,000	
334200 State 2% Fire Insurance/Fire Relief	35,000	
334210 State Police Aid	85,000	
334999 Other State Grants & Aids	<u>3,412</u>	
Subtotal – Intergovernmental		548,483

**Charges for Services – 340000**

341010 Building Rentals	5,000
341015 Community Building	15,954
341070 Assessment Search	4,000
341100 Filing Fees	0
342010 Police Services	4,400
342030 Photocopies Police	500
349400 Cemetery Burial	<u>1,800</u>

Subtotal – Charges for Services 31,654

**Fines & Forfeits – 350000**

351000 Impound & Towing Charges	100
351010 Court Fines	58,000
351020 Parking Fines	100
351200 Dog/City Fines	<u>100</u>

Subtotal – Fines & Forfeits 58,300

**Investment Income – 362100 & 362110**

362100 Investment Interest	20,000
362110 Checking Account Interest	<u>2,000</u>

Subtotal – Investment Income 22,000

**Miscellaneous – 360000**

361300 Penalties & Interest	3,000
362200 Park Field Rental Fees	9,600
362210 Park Rental Fees	300
362250 City Property Lease	1,426
362255 Lightning Drive Tower Lease	11,113
362400 911 Signs	2,000
362990 Miscellaneous Revenue	<u>2,000</u>

Subtotal – Miscellaneous 29,439

**Other Financing Sources - 390000**

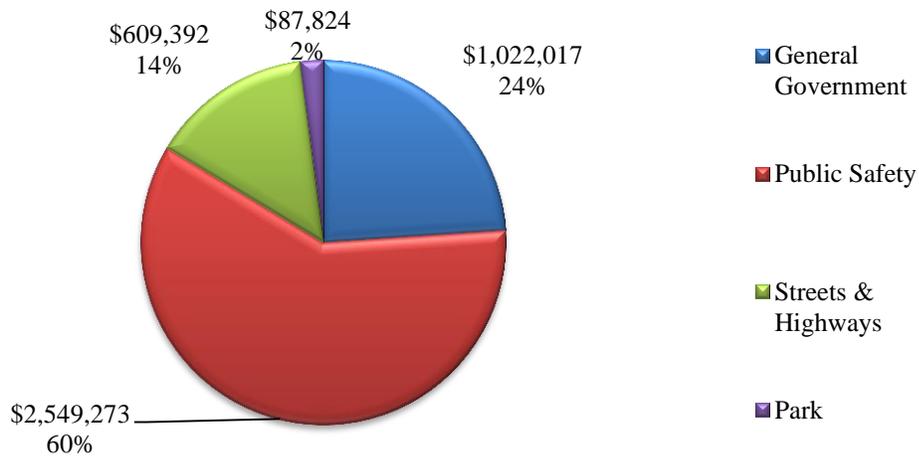
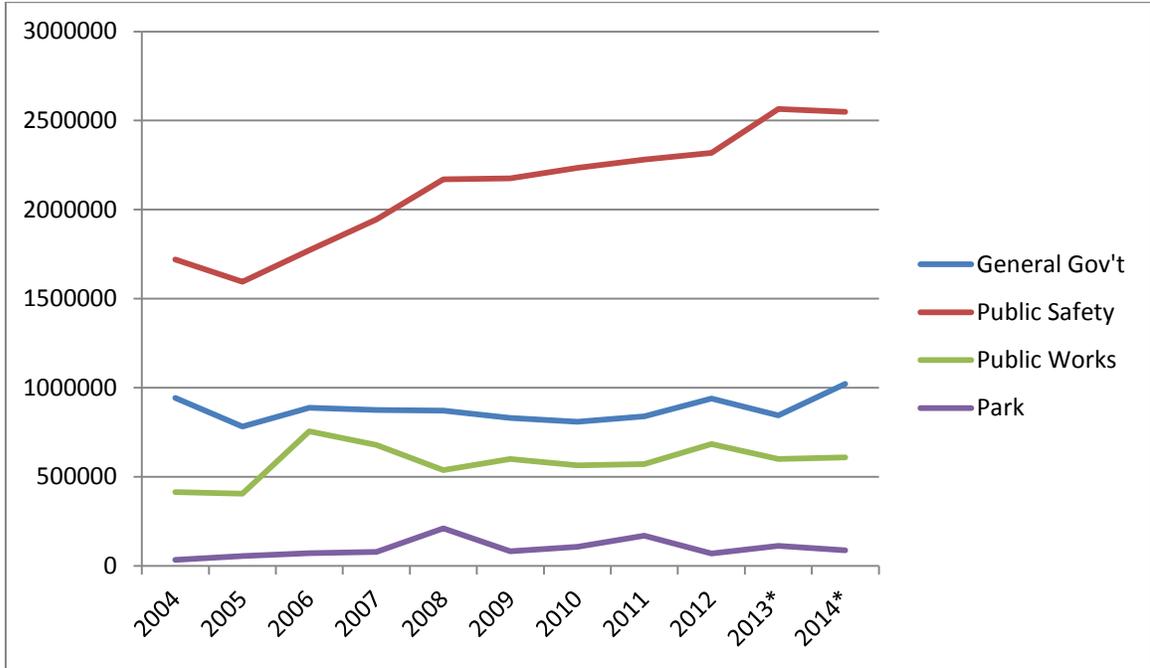
391010 Sale of General Fixed Assets	3,000
392010 Transfers In	<u>40,000</u>

Subtotal – Other Financing Sources 43,000

**Total All General Fund Revenues 4,259,263**

## 2014 General Fund Expenditures

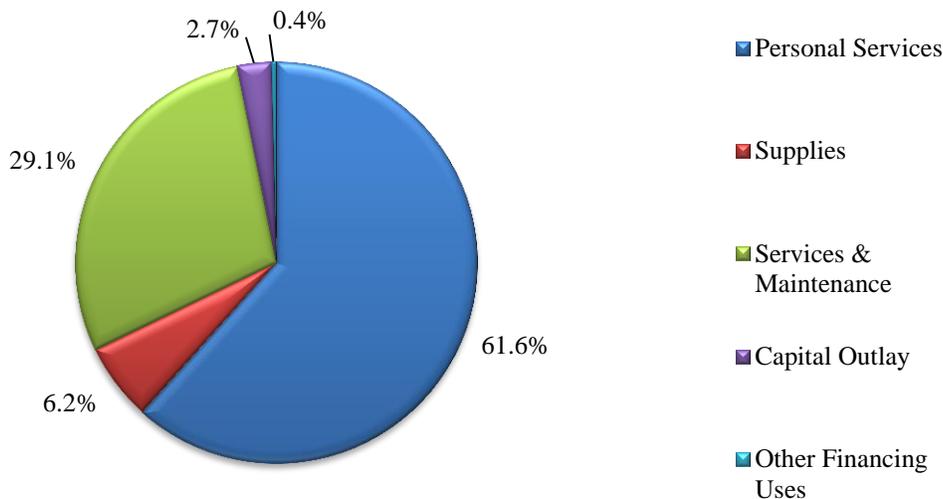
The city provides many services to its citizens. The following graphs show the general fund expenditures by function (2013 & 2014) are based on budgeted expenditures):



## General Fund Expenditures – Detail by Category

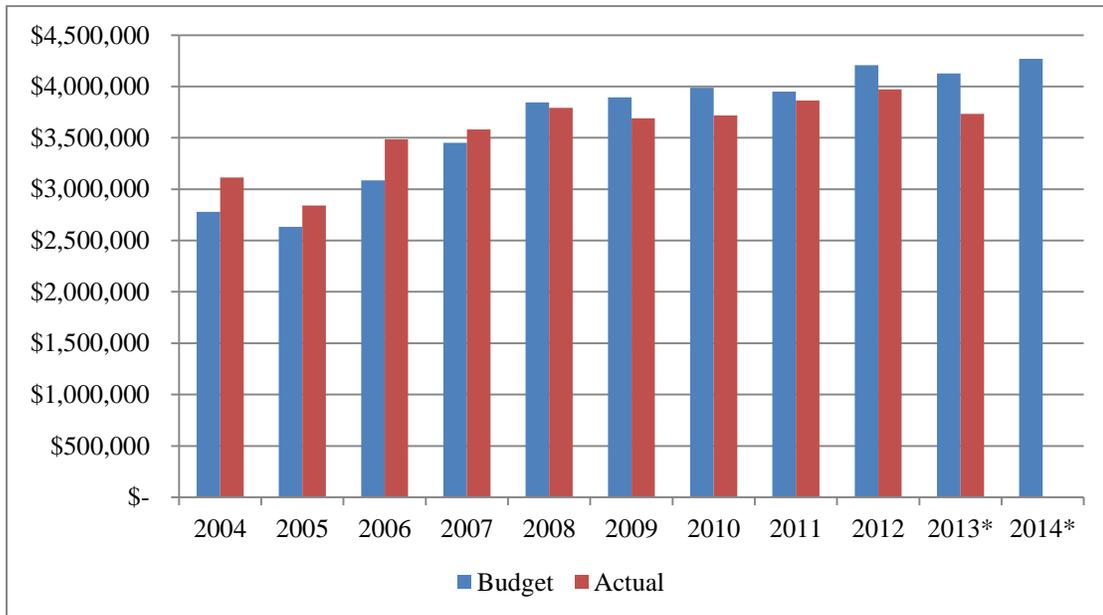
<u>Department</u>	<u>Personal Services</u>	<u>Supplies</u>	<u>Services &amp; Maintenance</u>	<u>Capital Outlay</u>	<u>Other Financing Uses</u>	<u>Total</u>
Council	22,900	95	9,827	-	1,000	33,822
Legal Notices	-	-	4,800	-	-	4,800
Mayor	7,874	-	1,991	-	-	9,865
Elections	14,710	285	3,285	-	-	18,280
Administration & Finance	338,509	5,082	91,994	6,000	-	441,585
Attorney	-	-	50,000	-	-	50,000
Comm. Dev./Planning & Zoning	120,345	1,140	54,903	-	-	176,388
City Hall & Police Bldg Maint.	56,517	11,542	91,161	900	-	160,120
Police	1,638,586	77,434	205,583	89,100	15,000	2,025,703
Fire	37,707	-	417,500	-	-	455,207
Fire Hall 1	14,940	237	37,720	-	-	52,897
Fire Hall 2	-	950	3,358	-	-	4,308
Fire Hall 3	-	475	7,683	-	-	8,158
Building Inspector	17,732	1,852	75,855	-	-	95,439
Poundmaster	-	-	3,000	-	-	3,000
Street	300,817	138,320	94,096	9,900	-	543,133
City Engineer	-	-	22,000	-	-	22,000
Garage Building Maintenance	19,049	2,662	19,382	-	-	41,093
Parks	29,349	25,697	19,764	9,907	-	84,717
Community Building	7,809	950	16,407	-	-	25,166
Cemetery	3,107	-	-	-	-	3,107
Insurance	-	-	9,718	-	-	9,718
Totals	2,629,951	266,721	1,240,027	115,807	16,000	4,268,506
	61.6%	6.2%	29.1%	2.7%	0.4%	

The following chart shows the 2014 general fund expenditures by category:



## Trend in Spending Budgeted Expenditures – General Fund

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**\*2013 Expenses through 12/04/2013**

## **Capital Expenditures**

---

The Capital Improvement Plan (CIP) is a schedule for requests and a plan to finance those capital expenditures. The City Administrator and the Finance Director meet with each Department Head and/or consultant to discuss each request. Based on that meeting, a Capital Outlay Request form is completed for each request. Once all of the Capital Outlay Request forms are completed, the Fast Track Group reviews the CIP.

Capital Expenditures are defined as a project with a minimum cost of more than \$5,000 and a life expectancy of over 2 years. Capital assets are depreciated using the straight-line method.

The Capital Expenditures in the Adopted 2014 Budget amounts to \$115,807 (2014 Budget does include items under \$5,000 in capital expenditure line items with a life over 2 years). The following capital outlay items over \$5,000 have been budgeted in the all funds for 2014.

### **Administration**

---

The current ADMIN IT SERVER was replaced in 2013, and the \$6,000 in 2014 is for the CISCO switch replacement. This is a non-recurring expense.

### **Police**

---

Purchase of two marked 2014 sedan squad cars equipped with police equipment, supplies, graphics, Toughbook computers and installation of equipment. Maintains the plan to purchase 2 vehicles yearly to maintain a healthy fleet of vehicles, reduce vehicle maintenance costs, and to keep officers and the public safe. Budget \$89,100.

Recurring expense annually is to replace two patrol vehicles each year due to the high mileage and demand on the vehicles.

### **Park**

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The City is responsible for maintaining the athletic fields on the City owned property. In 2013 the city entered into a lease/purchase agreement for a John Deere lawn tractor. The principal and interest lease payment is \$9,907 for 2014.

This will remain a reoccurring expense for the years 2015, 2016, and 2017.

### **Streets**

---

Purchase new dump truck box for 2004 F450 \$9,000 for 2014.  
This is a non-recurring expense.

## Utilities – Water & Sewer

---

Purchase of water meters and radio read meters. Budget \$13,200.

The purchase of water meters and radio read meters is a recurring expense to accommodate new construction in residential and commercial.

## Cable

---

New equipment was purchased in 2007 and 2008 in anticipation of moving into the new Administrative building. The IT plan includes the replacement of equipment is in this request. Budget \$9,000.

This is a non-recurring expense.

## 2014 Budgeted Capital Expenditures over \$5,000

---

<b>Fund/Activity</b>	<b>Actual 2014 Adopted</b>	<b>Capital Expenditures Description</b>	<b>Source of Funds</b>	<b>Budget Page Number</b>
<b>General Fund</b>				
Admin- Office	\$ 6,000	New CISCO Switch-IT	Levy	96-97
Police - Motor Vehicles	\$ 44,550	1 2014 Sedan	Levy	107-108
Police - Motor Vehicles	\$ 44,550	1 2014 Sedan	Levy	107-108
Streets-Maintenance	\$ 9,000	Dump Trunk Box	Levy	117-118
Park - Other Equipment	\$ 9,907	Mower - Lease Payment	Levy	123-124
<b>Total General Fund</b>	<b><u>\$ 114,007</u></b>			
<b>Special Revenue Funds</b>				
<b>Cable Fund</b>				
Cable - Office	<b><u>\$ 9,000</u></b>	Computer Equipment	Franchise Fees	138
<b>Enterprise Funds</b>				
<b>Water Fund</b>				
Water Distribution - Other Equipment	<b><u>\$ 7,920</u></b>	Purchase of Water Meters, Radio Read Meters	Water Fees	151 & 153
<b>Sewer Fund</b>				
Sewer Maintenance - Pumping Plant & Lift Stations	<b><u>\$ 5,280</u></b>	Purchase of meters and radio reads.	Sewer Fees	156-157
<b>Total Budgeted Capital Improve</b>	<b><u>\$ 136,207</u></b>			

The City has an ongoing five-year plan which lists requests incorporated for budget purposes. Each request then returns to the City Council for approval.

**Five Year Plan for Municipal State Aid – MSA Roads**  
**Five Year Plan for Municipal State Aid (MSA) Roads**

Year	Project	Description	Cost	Federal	State	City Allocation	Balance
2014		MSA Funds				540,580	\$ 550,949
2014		MSA Funds					\$ 550,949
	Ugstad Road						
	Morris Thomas						
	Rd to	Total					
	Hermantown	Reconstruction					
2014	Rd	1.0 miles	1,500,000		1,500,000		\$ (949,051)
2015		MSA Funds				510,945	\$ (438,106)
2016		MSA Funds				510,000	\$ 71,894
		Total					
2016	Stebner Rd	Reconstruction	2,500,000	1,600,000	900,000		\$ (828,106)
2017		MSA Funds				510,000	\$ (318,106)
	Hermantown						
	Rd Stebner to	Recondition .85					
2018	Engwall	mile	500,000		500,000		\$ (818,106)
		MSA Funds				510,000	\$ (308,106)

The Municipal state aid fund for 2014 will not affect the 2014 operating budget. The City evaluates each MSA projects to determine whether a utility infrastructure projects could coincide with the road construction or reconstruction projects. These do not affect operating budget other than savings in the street maintenance budgets.

**Capital Improvement Plan**

Due to staff turnovers in the finance department in 2013, the Capital Improvement Plan was not in its complete form to include in the 2014 budget. We do plan to include the CIP in the 2015 budget.

## City Debt Overview

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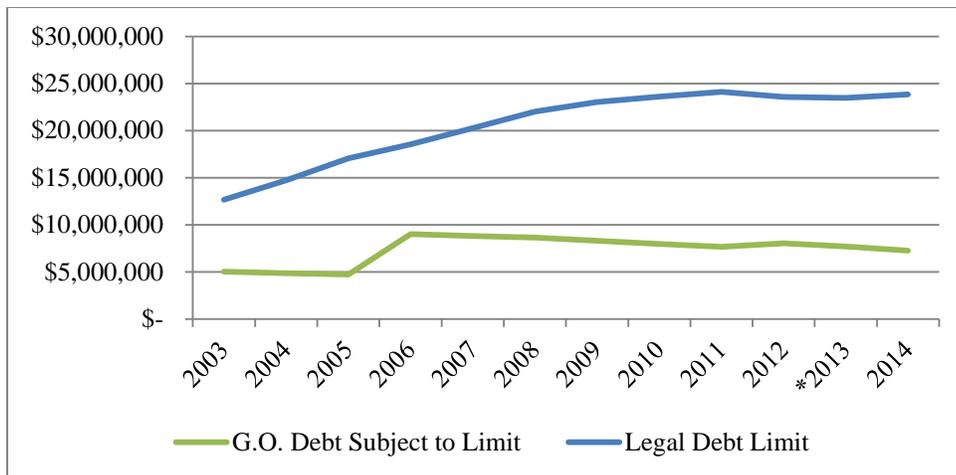
### Debt Margin

All Minnesota municipalities (counties, cities, towns and school district) are subject to statutory “net debt” limitations under the provisions of Minnesota Statutes, Section 475.53. Under this provision, the legal debt limit is 3% of the assessor’s market value of the municipalities’ tax base. Hermantown’s taxable market value for tax year 2014 is \$794,596,096. The general obligation debt subject to the limitation may be offset by the amounts set aside for repaying general obligation bonds. This limitation provides reasonable assurance of the municipality’s ability to pay its obligations. The graph below shows ten years of general obligation debt subject to the limit compared to the legal debt limit. The City’s debt has increased over the last 10 years.

#### 2014

General Obligation Debt Limit	\$ 23,837,882
Hermantown's Debt Subject to the Limit (Estimate)	<u>7,265,000</u>
Debt Margin	<u>\$ 16,572,882</u>

**Total Debt Outstanding and Legal Debt Limit**



\*Year 2014 is estimated based on the budget for 2014.

## Debt Issuance and Refinancing

The City of Hermantown maintains a bond rating of Aa3 from Moody's on all of its general obligation debt except for the Standard & Poor's AA- rating assigned to the City's 2009A, 2010A, and 2012A General Obligation Bonds. The 2006A Public Project Revenue Bond is rated A1 by Moody's. Bond ratings are one indicator of a municipalities' financial health and indicates the risk associated with the repaying of debt. The bond rating has a direct impact on the interest rates the city receives on the debt it issues.

## Debt Service Direct Tax Levy (Next 5 Years)

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Certificate of Indebtedness	40,478	20,239			
Public Works Facility/Salt Storage Building (2010-2030)	66,065	64,962	66,445	62,678	64,112
<b>Total Debt Tax Levy</b>	<b>106,543</b>	<b>85,201</b>	<b>66,445</b>	<b>62,678</b>	<b>64,112</b>

## Existing Debt Overview

	<b>Fund</b>	<b>Date of Issuance</b>	<b>Date of Maturity</b>	<b>Interest Rate</b>	<b>12/31/2013</b>	<b>Principal Due 2014</b>	<b>Interest Due 2014</b>	<b>Outstanding Principal 2014</b>
<b>Special Assessment Bonds</b>								
2007A G.O.& Ut.Rev. Ref'ding Bond	316	Jan - 2007	2/1/2021	3.90%	1,110,000	165,000	39,266	945,000
2007B G.O. Improv. & Ut.Rev.Bond	317	Oct - 2007	2/1/2028	4.00%	1,800,000	90,000	70,840	1,710,000
2009A G.O. Bond	318	Dec - 2009	2/1/2030	3.48%	4,735,000	285,000	165,131	4,450,000
2010A G.O. Bond	319	Nov - 2010	2/1/2031	2.74%	3,670,000	300,000	93,063	3,370,000
2012A G.O. Refunding Bond	320	July - 2012	2/1/2026	1.93%	2,410,000	245,000	34,498	2,165,000
2012B G.O. Improvement Bond	321	Oct - 2012	2/1/2034	2.58%	3,155,000	-	68,894	3,155,000
<b>Other Debt</b>								
2006A Public Project Rev. Bond	315	Dec - 2006	2/1/2027	4.05%	7,695,000	430,000	303,207	7,265,000

## Debt Issuance Details

**General Obligation Utility Revenue Refunding Bonds, Series 2007A (Fund 316)** – These bonds were issued in January 2007 in the original amount of \$1,565,000, carry a net interest rate of 3.90% and mature in 2021 to refund the City's General Obligation Utility Revenue Bonds, Series 2000 (Fund 309) – Sewer trunk line phase 1, Hwy 194 sewer, 1999 Stebner sewer and 1996 Water improvement. Revenue source: Local sales tax collections and special assessments.

**General Obligation Improvement and Utility Revenue Bonds, Series 2007B (Fund 317)** – These bonds were issued on October 2007 in the original amount of \$2,180,000, carry a net interest rate of 4% and mature in 2028 to finance sewer improvement Anderson Road (Stebner to Haines) and water/sewer improvements Getchell Road (Anderson to Hermantown). Revenue source: Special assessments, local sales tax, water and sewer transfers.

**General Obligation Bonds, Series 2009A (Fund 318)** – These bonds were issued in the original amount of \$5,515,000 for the following purposes: to refund the City’s General Obligation Improvement Bonds, Series 2003A (Fund 312); to fund sewer improvements Midway Road (Seville to Hwy 194) and Hermantown Road (Haines Road to Arthur Lane); and to finance the acquisition of the Public Works Building and Salt/Storage Facility. Revenue source: Special assessments, property tax, local sales tax, water and sewer transfers.

**General Obligation Bonds, Series 2010A (Fund 319)** – These bonds were issued in the original amount of \$3,955,000 for the following purposes: to refund the City’s General Obligation Utility Revenue Improvement Bonds, Series 2002 (Fund 311); and to fund sewer improvements Ugstad Road (Maple Grove to Hermantown) and Morris Thomas Road (From Getchell Road West Approx. 1,000 Feet). Revenue source: Special assessments, local sales tax and sewer transfer.

**General Obligation Bonds, Series 2012A (Fund 320)** – These bonds were issued in the original amount of \$2,500,000 to refund the General Obligation Improvement Refunding Bonds, Series 2003B (Fund 313) and the General Obligation Bonds, Series 2005 (Fund 314). The General Obligation Bonds, Series 2005 will be refunded on February 1, 2013. Revenue source: Local sales tax, special assessments and special deficiency fund transfer.

**General Obligation Improvement Bonds, Series 2012B ( Fund 321)** - These bonds were issued in the original amount of \$3,155,000 to finance the following utility infrastructure projects: Miller Trunk Hwy Waterline (5454 Miller Trunk to Lindahl); Lavaque Road Sewerline (Alpine Drive to Highway 53); and Combined Sewer Improvement Projects: Hermantown Road (LaVaque Road to 4988 Hermantown Road), LaVaque Road (Thompson Road to Country Acres), Morris Thomas Road (LaVaque Road to 5161 Morris Thomas Road), 4988 Hermantown Road to Kenroy Road, and 5161 Morris Thomas Road to Birch Road. Revenue source: Special assessments and Sales tax.

**Public Project Revenue Bonds, Series 2006A (Fund 315)**- These bonds were issued in December 2006 in the original amount of \$9,630,000, carry a net interest rate of 4.05% and mature in 2027 to finance new construction of an administrative services. In addition the bond was used to refund the Bond Series 1998(Police/Fire Building). Revenue source: Local sales tax.

## Staffing

The staffing level for FTE Employees increased in the 2014 budget due to the following; +1.0 FTE Community Development Director, .25 FTE building cleaning employee, and a +1.0 FET Public Works employee.

### 2014 Full-Time Equivalent (FTE) Summary

	2012	2013	2014
	Actual	Budget	Budget
<b>General Fund</b>			
General Government			
Elections		-	0.12
Administration & Finance	4.04	4.04	3.92
Planning & Zoning	0.23	0.25	
Community Development			1.25
City Hall Building Maintenance	0.82	1.09	0.97
Total General Government	5.09	5.38	6.26
Public Safety			
Police Administration	16.06	16.05	17.05
Firehall #1 Maintenance	0.27	0.22	0.21
Building Inspection	0.30	0.30	0.30
Total Public Safety	16.63	16.57	17.56
Streets & Highways			
Street Department	3.38	3.20	3.97
City Garage Maintenance	0.33	0.46	0.35
Total Streets & Highways	3.71	3.66	4.32
Environmental		1.00	
Parks	0.63	0.55	0.56
Community Building	0.09	0.15	0.12
Cemetery	0.03	0.06	0.06
Total General Fund	26.18	27.37	28.88
<b>Special Revenue Funds</b>			
City Sales Tax	0.25	0.25	0.25
Police Liaison Education	0.70	0.70	0.70
Cable TV	0.06	0.06	0.06
	1.01	1.01	1.01
<b>Enterprise Funds</b>			
Water Utility	3.39	3.55	3.54
Sewage Disposal	2.51	2.35	2.34
	5.90	5.90	5.88
<b>Grand Total FTE Employees</b>	<b>33.09</b>	<b>34.28</b>	<b>35.77</b>
<b>Contracted Positions Allocation</b>			
Planning & Zoning	0.66	0.71	-
Parks	0.04	0.06	-
Building Inspection	0.71	0.77	0.77
<b>Total Contracted</b>	<b>1.41</b>	<b>1.54</b>	<b>0.77</b>

Note: A majority of employees provide services to various cost centers and are allocated accordingly. FTE Employees shown later in individual departments match up to this schedule.

## 2014 Full-Time Equivalent (FTE) Summary by Position Count

	2012	2013	2014
	Actual	Budget	Budget
<b>Administration &amp; Finance</b>			
City Administrator	1.00	1.00	1.00
Finance Director	1.00	1.00	1.00
City Clerk	1.00	1.00	1.00
Accountant	0.75	1.00	1.00
Account Clerk	1.00	1.00	1.00
Utility Billing Clerk	1.00	1.00	1.00
Community Development Director			1.00
Community Development Assisstant	0.25	0.25	0.25
Receptionist/Administrative Assisstant	1.00	1.00	1.00
<b>Total Administration &amp; Finance</b>	<b>7.00</b>	<b>7.25</b>	<b>8.25</b>
<b>Public Safety</b>			
Police Chief	1.00	1.00	1.00
Deputy Police Chief	1.00	1.00	1.00
Sergeant	2.00	2.00	2.00
Investigator	-	2.00	2.00
Community Service Officer	-	1.00	-
DARE/Liaison Officer	0.70	0.70	0.70
K9 Officer	1.00	1.00	1.00
Police Officer	7.80	5.30	7.30
Senior Secretary	1.00	1.00	1.00
Secretary	1.67	1.75	1.75
<b>Total Police</b>	<b>16.17</b>	<b>16.75</b>	<b>17.75</b>
<b>Public Works</b>			
City Superintendent	1.00	1.00	1.00
Street/Utility Maintenance Workers	7.92	6.00	7.00
Part Time Cleaning Person		0.25	0.25
Building/Park Maintenance	1.00	2.03	1.52
<b>Total Streets &amp; Highways</b>	<b>9.92</b>	<b>9.28</b>	<b>9.77</b>
<b>Total FTE's</b>	<b>33.09</b>	<b>33.28</b>	<b>35.77</b>
<b>Contracted Positions Allocation</b>			
Planning & Zoning Director	0.70	0.77	-
Building Inspector	0.71	0.77	0.77
<b>Total Contracted</b>	<b>1.41</b>	<b>1.54</b>	<b>0.77</b>

# General Fund – Fund 101

## City Council - 411100

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The cornerstone of city government in Minnesota is the elected mayor and city council. The City Council consists of the Mayor and four city councilors. The City Council usually meets on the first and third Monday of each month at 6:30 pm in City Hall. The city council supervises administrative officers, formulates policies and exercises city powers. As individuals the council members have no administrative authority. Therefore it is important, each member works toward a team concept. The most important single responsibility of a council member is participation at council meetings. The City of Hermantown has various boards and commissions established to provide recommendations to the City Council and to decide upon items that are in a particular field.

### Objective

- Adopt policies and ordinances consistent with Council’s position on growth, zoning and financial strategy.
- Approve all major decisions
- Adopt the annual budget

### Budget Summary

		<b>2013 ORIGINAL BUDGET</b>	<b>2014 APPROVED BUDGET</b>	<b>PERCENT CHANGE</b>
103-151	Salaries/Benefits	23,172	22,900	-1.2%
201-499	Supplies/Services	9,314	9,922	6.5%
599	Contingency	1,000	1,000	0.0%
	<b>Total Expenditures</b>	<b>33,486</b>	<b>33,822</b>	<b>1.0%</b>

### Budgetary Commentary

The 2014 City council operating budget is increasing by 1.0% of 2013. This is a result of additional expenses in dues & subscriptions.

## Budget Detail

		<b>2012 ACTUAL</b>	<b>2013 ORIGINAL BUDGET</b>	<b>2014 BUDGET</b>
	<b>Salaries &amp; Benefits</b>			
103	Part-Time Employees-Regular	20,850	21,600	21,600
123	PERA Contributions-DCP	511	540	270
128	Social Security	659	670	670
129	Medicare	302	315	313
151	Workers Compensation	37	47	47
	<b>Supplies &amp; Services</b>			
201	Office Supplies	100	100	95
315	School & Conference	337	600	600
331	Travel Expense		200	200
405	Computer Maintenance	149	150	125
451	Dues & Subscriptions	7,817	7,964	8,602
499	Miscellaneous	378	300	300
	<b>Capital Outlay</b>			
540	Office			
599	Contingency		1,000	1,000
	<b>Total Expenditures</b>	<b>31,140</b>	<b>33,486</b>	<b>33,822</b>

## Ordinance, Public Notice, and Proceedings - 411300

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Minnesota statutes require publication of all board meetings, ordinance changes, or additions. Likewise, certain state compliance reports such as the annual financial report and budget summary report are required to be published by law.

### Budget Summary

		2013 ORIGINAL BUDGET	2014 APPROVED BUDGET	PERCENT CHANGE
310-355	Services	5,400	4,800	-11.1%
	<b>Total Expenditures</b>	<b>5,400</b>	<b>4,800</b>	<b>-11.1%</b>

### Budgetary Commentary:

Slight decrease in budget from 2013 to 2014. Upon review of anticipated expenses, reduced legal notice publishing expense and recording/filing by \$500 and \$100.

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Services</b>			
310	Recording/Filing Fees	46	400	300
351	Legal Notices Publishing	5,400	5,000	4,500
355	Codification Fees	-		
	<b>Total Expenditures</b>	<b>5,446</b>	<b>5,400</b>	<b>4,800</b>

## Mayor - 413100

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The Mayor is elected for a 4-year term. The Mayor is the presiding officer and regular member of the City Council, which entitles the Mayor to vote on all city council issues. The Mayor must have full knowledge of Robert's Rules of Order to conduct successful and organized meetings. As the head elected official of the City, the Mayor speaks officially for the community.

### Objectives

- Serves as the city's representative before the state legislature, federal agencies, and other local government.
- Performs ceremonial duties on behalf of the community.
- Responsible for exerting leadership in city affairs.

### Budget Summary

		2013 ORIGINAL BUDGET	2014 APPROVED BUDGET	PERCENT CHANGE
103-151	Salaries/Benefits	7,874	7,874	0.0%
315-499	Services/Maintenance	690	1,991	188.6%
	<b>Total Expenditures</b>	<b>8,564</b>	<b>9,865</b>	<b>15.2%</b>

### Budgetary Commentary:

The 2014 Mayor operating budget is increasing by 15.2% over 2013. This is a result of \$100 increase for the League of Minnesota conference expense, and \$1,201 increase in computer maintenance.

### Budget Detail

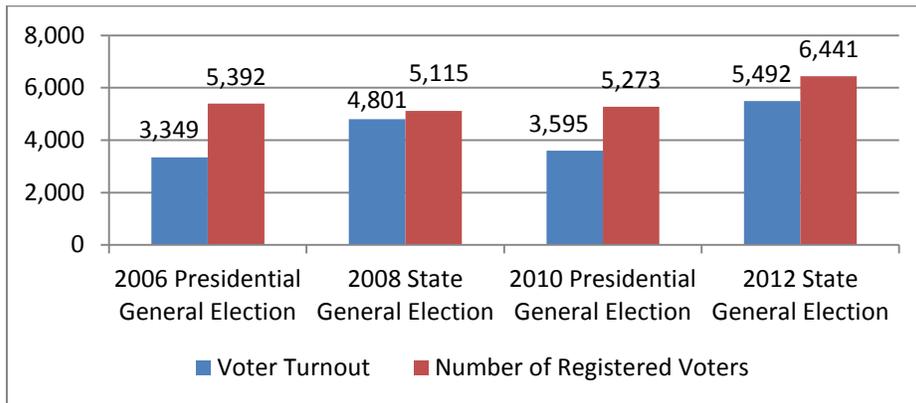
		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Salaries &amp; Benefits</b>			
103	Part-Time Employees-Regular	7,200	7,300	7300
128	Social Security	446	453	453
129	Medicare	104	106	106
151	Workers Compensation	16	15	15
	<b>Services &amp; Maintenance</b>			
315	School & Conference	355	300	400
331	Travel Expense		250	250
405	Computer Maintenance	37	40	1,241
451	Dues & Subscriptions	30		
499	Miscellaneous	95	100	100
	<b>Total Expenditures</b>	<b>8,283</b>	<b>8,564</b>	<b>9,865</b>

## Elections - 414100

The budget covers election judge training, supplies for the primary and general election, and other costs for conducting an election.

### Objectives

- Provide absentee ballots and enforce appropriate restrictions.
- Register voters on Election Day with proof of residence.
- Enforce voter qualifications.
- 3 Precincts are open within the city from 7:00 am to 8:00 pm.



### FTE Equivalent Employees .12

### Budget Summary

		2013 ORIGINAL BUDGET	2014 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	-	14,710	100.00%
201-499	Supplies/Services/Maintenance	1,260	3,570	183.33%
	<b>Total Expenditures</b>	<b>1,260</b>	<b>18,280</b>	<b>1350.79%</b>

**Budgetary Commentary:**

The 2014 Election operating budget is increasing by 1350.79% compared to 2013. This is due to the election planned for 2014. Salaries and benefits include costs allocated from Administration \$7,990 plus \$6,720 for temporary elections judges. Supplies/Services increase is due to the additional supplies/travel expense/legal notices & publishing.

**Budget Detail**

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Salaries &amp; Benefits</b>			
101	Full-Time Employees-Regular	4,369		4,751
102	Full-Time Employees-Overtime			
103	Part-Time Employees - Regular			
105	Temporary Employees-Regular	6,953		6,720
121	PERA Contributions-Coordinated	317		344
128	Social Security	261		295
129	Medicare	61		69
131	Health Insurance	1,718		2,445
133	Life Insurance	6		8
134	Disability Insurance	31		27
135	Unemployment Insurance			
151	Workers Compensation	43		51
	<b>Supplies/Services &amp; Maintenance</b>			
201	Office Supplies	280		285
308	Legal Fees			
325	Postage	507		600
331	Travel Expense	184		200
351	Legal Notices Publishing	638		675
404	Equipment Maintenance	1,185	1,260	1,260
499	Miscellaneous	533		550
	<b>Total Expenditures</b>	<b>17,086</b>	<b>1,260</b>	<b>18,280</b>

## **Administration & Finance - 415300**

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The City Administrator has the power and duty to enforce all city ordinances and resolutions, attend all meetings of the city council & participate in discussion, monitor all consulting & contract work, and perform economic development activities for the city.

The City Administrator also appoints all other employees of the City and performs other duties requested by the City Council.

### **Administrative Objectives:**

- Coordinate and direct the operations of the city government.
- Recommend the appointment and removal of all city department heads.
- Direct and submit the annual budget.
- Control and direct administrative affairs of the city.
- Recommend such measures deemed necessary for the welfare of the citizens.

The Finance Department & City Clerk's office are responsible for accurate and timely recording of the city's financial activity, preparation of the annual financial statements, preparation of the budget document, keeping records of the city council, preparing agenda's, conducting of elections, and executing and filing official documents.

The Finance Department manages the financial affairs of the City. Responsibilities include providing financial information to the City Administrator and City Council regarding the fiscal affairs of the City, the preparation of the annual budget document and 5-year Capital Improvement Plan (CIP), monitoring expenditures for compliance with the budget, preparing financial reports, administering the payroll, accounts payable, accounts receivable, utility billing, cashiering, purchasing functions, and overseeing the Management Information Systems.

### **Financial Objectives**

- To record and process all financial transactions in a timely manner.
- Provide meaningful and accurate financial and budget reports to Council and staff.
- To oversee the general information systems.
- Continue to produce the Comprehensive Annual Financial Report (CAFR) that receives the GFOA Award
- Continue to produce budget document in a format that received GFOA's Distinguished Budget Document Presentation Award

The City Clerk acts as executive officer, keeps records of all council proceedings, handles all correspondence on behalf of the council, draws up agendas and executes any assignments given by the council. Performs duties associated with voter registration, election arrangements, official records, licenses, etc. as required by law. Serves as custodian of the city's seal and records, signs all official papers, posts and publishes notices, ordinances and resolutions as required. Filing of official documents, certify local approval of special laws pertaining to the city, special assessments to the county auditor and plats of land within the city to the county recorder.

### Authorized Personnel

The Administration & Finance Department has the following authorized personnel; City Administrator, Finance Director, City Clerk, Accountant, Account Clerk and Receptionist/Administrative Assistant.

### FTE Equivalent Employees

3.92

### Budget Summary

		<b>2013 ORIGINAL BUDGET</b>	<b>2014 APPROVED BUDGET</b>	<b>PERCENT CHANGE</b>
101-151	Salaries/Benefits	321,507	338,509	5.3%
201-499	Supplies/Services & Maintenance	130,523	97,076	-25.6%
540	Capital Outlay	16,400	6,000	-63.4%
	<b>Total Expenditures</b>	<b>468,430</b>	<b>441,585</b>	<b>-5.7%</b>

### Budgetary Commentary

The 2014 Administrative/Finance budget is decreasing by 5.7%. The majority of the decrease is due to the County Assessors Fees of \$35,000.

## Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Salaries &amp; Benefits</b>			
101	Full-Time Employees-Regular	204,495	219,247	229,273
102	Full-Time Employees-Overtime	6	137	-
103	Part-Time Employees-Regular			
121	PERA Contributions-Coordinated	14,777	15,905	16,622
128	Social Security	12,438	13,602	14,215
129	Medicare	2,909	3,181	3,324
131	Health Insurance	61,002	65,472	72,013
132	Health Care Savings Plan/Sick Leave	241		
133	Life Insurance	210	245	299
134	Disability Insurance	1,445	2,216	1,250
151	Workers Compensation	1,439	1,502	1,513
	<b>Supplies/Services &amp; Maintenance</b>			
201	Office Supplies	2,534	2,300	2,185
202	Printing Supplies	2,051	2,000	1,900
209	Computer Supplies	464	900	855
212	Motor Fuels	201	150	142
301	Audit/Account Services	13,855	14,067	16,052
302	Assessors Fees	67,501	70,000	35,000
303	Banking Fees	2,460	3,700	3,700
309	Labor Relations Consultant			-
310	Recording/Filing Fees	460	500	500
315	School & Conference	1,984	2,700	2,700
319	Contracted Services		500	500
321	Telephone	721	560	560
325	Postage	1,216	1,200	1,200
331	Travel Expense	5,051	4,700	4,700
351	Legal Notices Publishing	319	-	
361	General Liability Insurance	494	557	504
404	Equipment Maintenance	212	400	212
405	Computer Maintenance	21,755	22,500	22,144
413	Equipment Rental	2,508	2,164	2,164
432	Bad Debts			
434	Employee Recognition Program	658	25	38
451	Dues & Subscriptions	1,384	1,500	1,920
499	Miscellaneous	10	100	100
	<b>Capital Outlay</b>			
540	Office Equip/Furnishings	1,267	16,400	6,000
	<b>Total Expenditures</b>	<b>426,067</b>	<b>468,430</b>	<b>441,585</b>

## City Attorney – 416100 - Contracted

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The city contracts with the law office of Maki & Overom for city attorney services. The law firm advises the City on all legal matters.

### Objectives

- Review contracts, draft contracts and resolutions.
- Confer with Mayor, City Administrator, and city staff for routine city matters.
- Advise the Hermantown Economic Development Authority.

### Output

- Draft city ordinances and resolutions.
- Draft special assessment documents to meet the requirements of state law.
- Draft development agreements.

### Budget Summary

		2013 ORIGINAL BUDGET	2014 APPROVED BUDGET	PERCENT CHANGE
308	Supplies/Services	50,000	50,000	0.0%
	<b>Total Expenditures</b>	<b>50,000</b>	<b>50,000</b>	<b>0.0%</b>

### Budget Commentary

The 2014 City Attorney's contract remains unchanged from 2013.

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Supplies &amp; Services</b>			
308	Legal Fees	37,181	50,000	50,000
	<b>Total Expenditures</b>	<b>37,181</b>	<b>50,000</b>	<b>50,000</b>

## **Community Development – 419100**

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The Community Development Department administers wetland, floodplain and zoning regulations in a uniform, fair, and consistent manner. It recommends policies and provides advice for the development of the city consistent with the adopted Comprehensive Plan. It also analyzes existing conditions and future trends in transportation, land use, housing, recreation and open space, natural resources, community services, and economic development. The Community Development Department includes a full-time Director, a 0.25 Planning & Zoning Coordinator, and a contracted City Planner. The Community Development Department is responsible for enforcing the City's Zoning Ordinance.

### **Community Development Department Objectives**

- To recommend to the City Council changes to the Hermantown Comprehensive Plan.
- To prepare and recommend to the City Council plans for specific improvements pursuant to the Comprehensive Plan and to aid the City Council in the development and completion of such projects.
- To hear and review applications and submit reports and offer recommendations to the City Council for special use permits, grading and filling permits, subdivision plats, planned unit developments, commercial-industrial development permits, and other matters as required by the Hermantown Zoning Ordinance.
- To update and recommend changes and amendments to the Hermantown Zoning Ordinance in collaboration with the Planning and Zoning Commission to ensure the city follows current planning and zoning best practices.
- To exercise all powers and perform all duties granted to a Planning Commission by Minnesota Statutes Chapter 462, as amended from time to time.
- To create and make accessible applications, checklists and procedures to assist Hermantown citizens and businesses in handling development and ordinance matters to be considered by the Planning and Zoning Commission and the City Council.
- To administer the city's program for environmental review, including review of environmental assessment worksheets and other environmental documents leading to submission of reports and recommendations to the Planning and Zoning Commission and City Council.
- To perform other functions as delegated by the City Administrator or the City Council.
- To work with the city's Boards and Commissions to evaluate community needs for planning and development services, land use changes, recreation or transportation improvements, and environmental impacts.
- To stay updated on available grant opportunities and lead the grant application process on behalf of the city.

- To provide responsive, transparent, and effective development services to citizens and businesses interested in doing business in the city.
- To establish intergovernmental relationships with St. Louis County and neighboring cities to coordinate land use, transportation, and environmental planning efforts.
- To enforce zoning regulations.
- To administer the city's wetland protection and management program.
- To administer the city's storm water pollution prevention program.

### Output (2013)

69 - Zoning Certificates, 8 - Land Alteration Permits, 3 - Special Use Permits, 16 – Sign Permits, 2 – Fence Permits, 0 – Subdivisions, 2 – Planned Unit Development, 4 – Commercial Industrial Development Permit, 3 – Variance, 1 – Wetland Delineations, 1 – Deminimus Exemptions, 0 – Wetland Replacement Plan, 0 – No Loss Determinations, 2 – Rezoning's, 0 - Other Wetland Projects

### Authorized Personnel

The Community Development Department added a full-time Director in August of 2013. A contract is in place with Arrowhead Regional Development Commission/Regional Planning Division for city planning services, with a City Planner active at Hermantown city offices 10 hours per week. The part-time Planning & Zoning Coordinator will work 10 hours per week.

### FTE Equivalent Employees

1.25

### Budget Summary

		2013 ORIGINAL BUDGET	2014 APPROVED BUDGET	PERCENT CHANGE
103-151	Salaries/Benefits	13,357	120,345	801.0%
201-451	Supplies/Services & Maintenance	85,016	56,043	-34.1%
540	Capital Outlay			
	<b>Total Expenditures</b>	<b>98,373</b>	<b>176,388</b>	<b>79.3%</b>

### Budget Commentary

The Planning & Zoning budget item was renamed Community Development to reflect a reorganization completed by the City Council in 2013. The 2014 Community Development operating budget is increasing by 79.3% compared to 2013. This is due to a full time Community Development Director replacing the contracted position of Planning and Zoning Director, and due to merging the vacant Environmental Resources Specialist position into this

Department which resulted in a commensurate reduction elsewhere in the 2014 budget. In 2012, the City signed an agreement with Arrowhead Regional Development Commission (ARDC) to perform a Hermantown Planning Assessment (Resolution 2012-29). As recommended in the Assessment, the City contracted for a part time City Planner with ARDC in 2013, and renewed the contract for 2014. The City Planner will work 10 hours a week in this department.

The Director and City Planner are continuing to implement the recommendations of the Hermantown Planning Assessment as directed by the City Council. Goals include completion of environmental projects, streamlining the issuance of zoning certificates, creating a development services page on the website, and improving the zoning code.

## Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Salaries &amp; Benefits</b>			
101	Full-Time Employees-Regular	7,576	7909	81,245
103	Part-Time Employees-Regular			
121	PERA Contributions-Coordinated	549	573	5,890
128	Social Security	444	490	5,037
129	Medicare	104	115	1,178
131	Health Insurance	4,581	4,045	25,898
133	Life Insurance	13	12	102
134	Disability Insurance	44	64	459
151	Workers Compensation	152	149	536
	<b>Supplies/Services &amp; Maintenance</b>			
201	Office Supplies	725	800	760
202	Printing Supplies			190
219	Other Operating Supplies			190
306	Planning & Zoning Fees	61,845	69,460	
308	Legal Fees	5,195	5,000	5,000
310	Recording/Filing Fees	506	660	600
313	Hosp Co-Ins & Hosp/Sick Leave			
315	School & Conference		100	450
319	Contracted Services	15,000	3,000	34,460
321	Telephone	14	40	40
325	Postage	419	600	600
331	Travel Expense		100	300
351	Legal Notices Publishing	419	750	750
361	General Liability Insurance			6,695
404	Equipment Maintenance	47	195	47
405	Computer Maintenance	3,631	3,500	3,661
413	Equipment Rental	533	711	500
451	Dues & Subscriptions		100	1,800
499	Miscellaneous	5	-	
720	Transfer Out	6,162	-	
	<b>Total Expenditures</b>	<b>107,964</b>	<b>98,373</b>	<b>176,388</b>

## **Health Consultant – 419200**

The City negotiated in the 2012/2013 labor contracts to eliminate.

### **Budget Summary**

		<b>2013 ORIGINAL BUDGET</b>	<b>2014 APPROVED BUDGET</b>	<b>PERCENT CHANGE</b>
319	Supplies/Services	-	-	
	<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	

### **Budget Detail**

		<b>2012 ACTUAL</b>	<b>2013 ORIGINAL BUDGET</b>	<b>2014 BUDGET</b>
	<b>Supplies &amp; Services</b>			
319	Contracted Services	731	-	-
	<b>Total Expenditures</b>	<b>731</b>	<b>-</b>	<b>-</b>

## City Hall/Police Building Maintenance - 419901

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Maintenance is conducted to preserve the citizen's investment in city buildings and track the expenditures required to maintain City Hall and the Police side of the public safety portion of the building on 5105-5111 Maple Grove Road, Hermantown.

### Objectives

- Maintain a reputable facility to house meetings and staff.

### Authorized Personnel

The City Hall/Police Building Maintenance department includes the Building Grounds Maintenance worker as authorized personnel. This position also does maintenance work for other buildings including Fire hall #1, #2 & #3, Public Works and Community Building.

### FTE Equivalent Employees

.97

### Budget Summary

		2013 ORIGINAL BUDGET	2014 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	61,290	57,517	-6.2%
211-460	Supplies/Services & Maintenance	98,920	102,603	3.7%
	<b>Total Expenditures</b>	<b>160,210</b>	<b>160,120</b>	<b>-0.1%</b>

### Budget Commentary

The 2014 city hall/police building maintenance operating budget had a total overall slight decrease. The increase in supplies/services & maintenance is due to additional expenses for liability insurance. WI-FI networks were installed in the city hall/police building. Budget includes yearly license expense.

## Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Salaries &amp; Benefits</b>			
101	Full-Time Employees-Regular	31,663	28,099	29,410
102	Full-Time Employees-Overtime	1,490	2,076	-
103	Part-Time Employees-Regular	4,493	3,721	-
104	Part-Time Employees - Overtime	160	204	-
105	Temporary Employees - Regular	315	700	7,041
121	PERA Contributions-Coordinated	2,741	2,473	2,555
128	Social Security	2,293	2,156	2,260
129	Medicare	536	495	529
131	Health Insurance	14,188	12,274	13,140
133	Life Insurance	40	34	38
134	Disability Insurance	234	166	166
151	Workers Compensation	1,489	1,320	1,378
	<b>Supplies /Services &amp; Maintenance</b>			
202	Printing Supplies	-		
211	Cleaning Supplies	335	1,000	950
212	Motor Fuels	1,374	850	1,140
216	Uniforms		100	95
219	Other Operating Supplies	7,438	7,000	6,507
221	General Supplies	416		
223	Bldg Repair & Maint Supplies	383	1,600	1,900
224	Land Maintenance & Repair	27	800	950
315	School & Conference		295	295
319	Contracted Services	784	2,000	1,500
321	Telephone	13,135	12,700	12,700
322	Internet	1,053	1,100	1,100
351	Legal Notices	28		
361	General Liability Insurance	9,380	9,718	11,242
381	Electricity	28,574	25,000	25,000
383	Heating Gas	15,823	30,000	25,000
384	Garbage Removal	1,447	3,000	2,000
401	Building Maintenance	12,728	7,500	7,500
404	Equipment Maintenance	3,362	3,250	3,354
405	Computer Maintenance	19	400	1,350
406	Vehicle Maintenance	55		
451	Dues & Subscriptions	28	70	70
460	Permits & Licenses	72	50	50
	<b>Capital Outlay</b>			
540	Office Equip/Furnishings	-		900
580	Other Equipment	8,661		
	<b>Total Expenditures</b>	<b>164,764</b>	<b>160,151</b>	<b>160,120</b>

## Police – 421100

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The police department is responsible for law enforcement within the city and cooperates with surrounding law enforcement agencies.

### Objectives

- Law enforcement within the City of Hermantown
- Cooperation with surrounding law enforcement agencies
- Reduce crime and disorder within the community

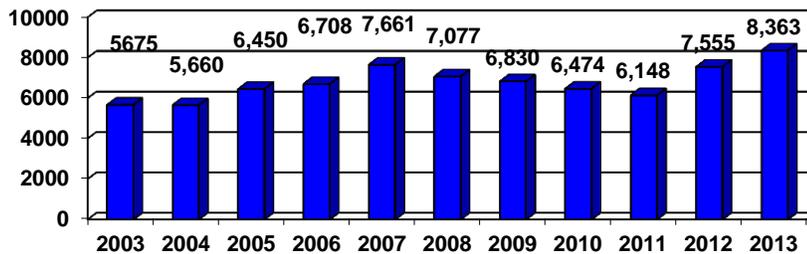
### Authorized Personnel

The Police Department has authorized personnel as follows; Chief of Police, Deputy Chief, Police Sergeants, School Police Liaison/Dare Officer, K9 Officer, Investigator, Patrol Officers, and Police Secretaries.

### FTE Equivalent Employees

17.05

Recorded Activity-# of Incidents Recorded City of Hermantown



Incidents are the total number of calls the Police Department handled. Recorded incidents in 2013 totaled 8,363 compared to 7,555 in 2012, a 10.7% increase.

### Part I & II Serious Crime

Part I & II Serious Crime	2008	2009	2010	2011	2012	2013	+/-%
Assault	66	63	52	63	43	41	-5%
Burglary	48	29	37	59	54	64	19%
Forgery/Counterfeiting	19	22	17	16	25	6	-76%
Drugs/Narcotics	37	46	55	31	50	30	-40%
Escape	3	5	1	0	3	2	300%
Arson/Fires	1	0	0	0	0	2	0%
Gambling	0	0	0	0	0	0	0%
Homicide	1	0	0	0	0	0	0%
Crime Against Families	7	5	6	7	6	11	83%
Traffic & Accident Offenses/DWI	235	118	64	96	107	85	-21%
Kidnap/Abduction	0	0	1	1	0	0	0%
Criminal Sexual Conduct	5	9	8	17	12	6	-50%
Miscellaneous/Federal/Conservation/Juvenile/Liquor	52	31	26	26	24	27	13%
Disturbing Peace/Privacy/Communications	85	84	84	75	62	61	-2%
Obscenity	1	0	3	3	2	1	-50%
Trespass/Property Damage/Risk from Property Damage	95	113	91	89	79	110	39%
Receiving or Concealing Stolen Property	2	4	7	2	8	8	0%
Robbery	0	1	1	1	0	1	#DIV/0!
Theft	315	301	332	360	354	408	15%
Vehicle Theft	28	30	34	32	53	72	36%
Weapons	14	10	3	4	9	3	-67%
Crimes Against Administration of Justice	14	14	10	18	11	20	82%
Crimes Against Government/Public Official	6	5	2	1	5	2	-60%
Sex Related/Prostitution	1	1	0	0	0	2	0%
	<b>1,035</b>	<b>891</b>	<b>834</b>	<b>901</b>	<b>907</b>	<b>962</b>	<b>6%</b>

Part I & II Serious Crime increased 6% in 2013 with a total of 962 offenses compared to 907 in 2012.

Source of Data: Hermantown Police Department Annual Reports

## Budget Summary

		<b>2013 ORIGINAL BUDGET</b>	<b>2014 APPROVED BUDGET</b>	<b>PERCENT CHANGE</b>
101-151	Salaries/Benefits	1,540,677	1,605,535	4.2%
201-499	Supplies/Services & Maintenance	262,156	316,068	20.6%
540-580	Capital Outlay	134,651	89,100	-33.8%
720	Other Financing Uses	15,000	15,000	0.0%
	<b>Total Expenditures</b>	<b>1,952,484</b>	<b>2,025,703</b>	<b>3.8%</b>

## Budget Commentary

The 2014 police department operating budget is increasing by 3.8% over 2013. Increases were budgeted in salaries/benefits due to an additional full time officer being hired in 2013 to fill two temporary vacancies in 2014. Increases are indicated in the general liability insurance premiums, and computer/software fees. The League of Minnesota Cities insurance Trust revised premiums to correlate to claims and liability. Liability premiums for police department increase by 350%.

## Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Salaries &amp; Benefits</b>			
101	Full-Time Employees-Regular	890,565	951,169	1,035,835
102	Full-Time Employees-Overtime	98,747	100,726	93,536
103	Part-Time Employees-Regular	-	-	-
104	Part-Time Employees-Overtime	-	-	-
121	PERA Contributions-Coordinated	7,332	7,332	7,711
122	PERA Contributions-Police/Fire	127,898	136,911	156,522
128	Social Security	5,722	6,270	6,594
129	Medicare	14,007	15,252	16,376
131	Health Insurance	260,454	280,748	282,226
132	Health Care Savings Plan/Sick Leave	255	1,000	-
133	Life Insurance	796	923	991
134	Disability Insurance	6,263	9,614	5,744
151	Workers Compensation	29,801	30,732	33,051
	<b>Supplies/Services &amp; Maintenance</b>			
201	Office Supplies	2,025	1,500	1,425
202	Printing Supplies	2,498	3,300	2,850
209	Computer Supplies	826	1,500	1,425
211	Cleaning Supplies	1,645	2,500	1,900
212	Motor Fuels	40,227	43,000	40,850
216	Uniforms	13,204	14,328	13,737
218	Medical Supplies	780	600	950
219	Other Operating Supplies	1,328	1,800	1,710
221	General Supplies	3,452	-	-
222	Tires	2,100	3,500	3,325
240	Gun Supplies/Ammo/Tasers	4,345	7,700	9,262
308	Legal Fees	87,151	94,000	94,000
313	Hosp Co-Ins & Hosp/Sick Leave Reserve	2,746	-	-
314	Computer/Software Fees	13,876	8,349	13,829
315	School & Conference	8,150	10,500	10,500
317	Personnel Testing, Physicals, Recruitment	2,066	-	1,000
319	Contracted Services	150		
320	Personnel Search Expenses	-		
321	Telephone	8,522	9,100	9,100
325	Postage	1,216	1,200	1,400
331	Travel Expense	3,263	3,000	4,000
343	Community Relations	1,806	2,000	2,000
351	Legal Notices Publishing	56	-	100
361	General Liability Insurance	4,472	3,989	18,138
384	Garbage Removal	10	-	-
404	Equipment Maintenance	2,292	3,000	3,000
405	Computer Maintenance	20,099	19,700	21,163
406	Vehicle Maintenance	14,427	14,000	12,000
413	Equipment Rental	4,899	4,815	4,815
434	Employee Recognition	50	225	338
451	Dues & Subscriptions	741	1,400	1,400
460	Permits & Licenses	822	650	300
490	K-9 Expenses	1,206	2,500	2,500
495	Property Damage Reimb. By Insurance	937		2,000
499	Miscellaneous	3,794	4,000	4,000
	<b>Capital Outlay</b>			
540	Office Equip/Furnishings	8,510	54,651	2,800
544	Motor Vehicles	77,264	76,000	76,800
580	Other Equipment	41,603	4,000	9,500
	<b>Other Financing Uses</b>			
720	Transfer Out	28,146	15,000	15,000
	<b>Total Expenditures</b>	<b>1,852,544</b>	<b>1,952,484</b>	<b>2,025,703</b>

## Fire Protection – 422100 - Contracted

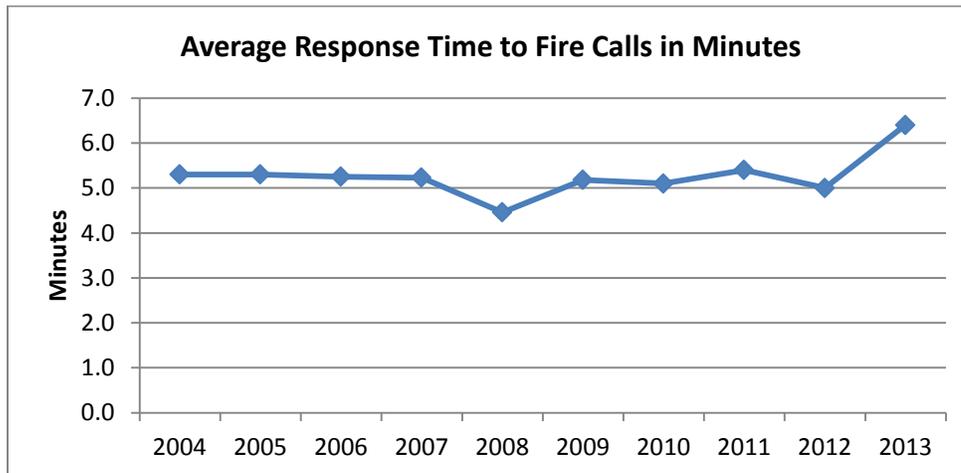
The City of Hermantown contracts yearly for fire protection with The Hermantown Volunteer Fire Department (HVFD) for all properties within the City. In addition, the department also provides first responder service within the City. The HVRD was incorporated in 1951. It functions independent of the city and its officers are elected by the membership.

### Objectives

- Provide fire protection.
- First responder service.

### Output

- Averaged an overall response time excluding mutual aid of 6.4 minutes in 2013.



**\*Note-These times are excluding Mutual Aid and per the Fire Department 911 doesn't always record the on scene times properly.**

Fire Department Incident Type Summary											
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Severe Weather & Nature Disaster										5	
Overpressure Rupture, Explosion, Overheat	1		1							3	3
Hazardous Condition (No Fire)	24	38	38	26	42	38	43	22	34	24	22
Good Intent Call	9	18	24	15	18	25	27	35	61	39	44
Fire	32	45	36	46	40	25	28	42	25	36	25
False Alarm & False Call	16	30	28	31	46	28	13	32	38	32	38
Special Incident Type					2	4					1
Service Call	7	13	18	17	6	5	3	3	27	28	17
Rescue & Emergency Medical Service Incident	34	345	412	463	424	453	501	443	555	549	679
<b>Total Incidents</b>	<b>123</b>	<b>489</b>	<b>557</b>	<b>598</b>	<b>578</b>	<b>578</b>	<b>615</b>	<b>577</b>	<b>740</b>	<b>716</b>	<b>829</b>

## Budget Summary

		<b>2013 ORIGINAL BUDGET</b>	<b>2014 APPROVED BUDGET</b>	<b>PERCENT CHANGE</b>
125-151	Salaries/Benefits	34,553	37,707	9.1%
301-363	Supplies/Services	417,839	417,500	-0.1%
810	Other Financing Uses	-	-	
	<b>Total Expenditures</b>	<b>452,392</b>	<b>455,207</b>	<b>0.6%</b>

## Budget Commentary

The 2014 operating budget is an increase of .6% from 2013. The salaries/benefits include \$25,000 contributions to firemen's pension and workers compensation expense for the firefighters. The workers compensation increases are based on city populations and claims history. The pension contributed has remained unchanged for over 5 years.

The City pays for the maintenance of the City's three Fire halls, physicals for new firefighters, audit fees-(HVFD and Hermantown Fire Relief), workers compensation and building liability insurance premiums, utilities, telephone and internet.

## Budget Detail

		<b>2012 ACTUAL</b>	<b>2013 ORIGINAL BUDGET</b>	<b>2014 BUDGET</b>
	<b>Salaries &amp; Benefits</b>			
125	Firemens Pension Contributions	25,000	25,000	25,000
151	Workers Compensation	9,509	9,553	12,707
	<b>Supplies/ Services &amp; Maintenance</b>			
301	Audit/Account Services	5,350	5,500	5,500
308	Legal Fees	1,427		
317	Personnel Testing, Physicals, Recruitment	3,746	2,000	2,000
318	Fire Protection	309,999	375,000	375,000
361	General Liability Insurance	369	339	-
363	2% Fire Insurance	35,312	35,000	35,000
	<b>Other Financing Uses</b>			
810	Refund/Reimbursement Expenditures	4,008		
	<b>Total Expenditures</b>	<b>394,720</b>	<b>452,392</b>	<b>455,207</b>

## Fire Hall #1 - 422901

Fire hall maintenance is conducted to preserve the citizen's investment in city buildings and to track the costs associated with maintaining and preserving the fire hall portion of the public safety facility. There are 3 fire stations located in Hermantown.

Fire Hall #1 is located at:  
5111 Maple Grove Road

### FTE Equivalent Employees

.21

### Budget Summary

		2013 ORIGINAL BUDGET	2014 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	15,960	14,940	-6.4%
219-405	Supplies/Services & Maintenance	37,036	37,957	2.5%
	<b>Total Expenditures</b>	<b>52,996</b>	<b>52,897</b>	<b>-0.2%</b>

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Salaries &amp; Benefits</b>			
101	Full-Time Employees - Regular	9,940	8,585	9,049
102	Full-Time Employees - Overtime	447	660	-
103	Part-Time Employees - Regular	343	631	-
104	Part-Time Employees - Overtime		27	-
105	Temporary Employees - Regular	75	50	86
121	PERA Contributions - Coordinated	778	722	656
128	Social Security	648	617	566
129	Medicare	151	144	132
131	Health Insurance	4,403	4,045	4,043
133	Life Insurance	13	15	12
134	Disability Insurance	73	87	51
151	Workers Compensation	374	377	345
	<b>Supplies/Services &amp; Maintenance</b>			
219	Other Operating Supplies	123		
223	Bldg Repair & Maint Supplies	-	250	237
321	Telephone	3,448	4,500	4,500
322	Internet	1,053	1,000	1,000
361	General Liability Insurance	2,834	2,603	3,576
381	Electricity	18,269	14,000	14,000
383	Heating Gas	10,374	13,000	13,000
401	Building Maintenance	453	800	800
404	Equipment Maintenance	844	845	844
405	Computer Maintenance	37	38	-
495	Property Damage Reimb. By Insurance	-		
	<b>Total Expenditures</b>	<b>54,680</b>	<b>52,996</b>	<b>52,897</b>

## Fire Halls #2 & #3 – 422902/422903

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Fire hall maintenance is conducted to preserve the citizen's investment in city buildings and to track the costs associated with maintaining the fire halls.

Fire Hall #2 is located at 4900 Morris Thomas Road.

Fire Hall #3 is located at 4494 Midway Road.

### Budget Summary

		2013 ORIGINAL BUDGET	2014 APPROVED BUDGET	PERCENT CHANGE
223-383	Supplies/Services & Maintenance	12,226	12,466	2.0%
	<b>Total Expenditures</b>	<b>12,226</b>	<b>12,466</b>	<b>2.0%</b>

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Supplies/Services &amp; Maintenance</b>			
223	Bldg Repair & Maint Supplies	922	1,500	1,425
224	Land Maintenance & Repair	-		
361	General Liability Insurance	574	526	641
381	Electricity	2,894	2,400	2,400
383	Heating Gas	8,014	7,800	8,000
460	Permits & Licenses	10		
	<b>Total Expenditures</b>	<b>12,414</b>	<b>12,226</b>	<b>12,466</b>

## Building Inspection – 424100- Contracted

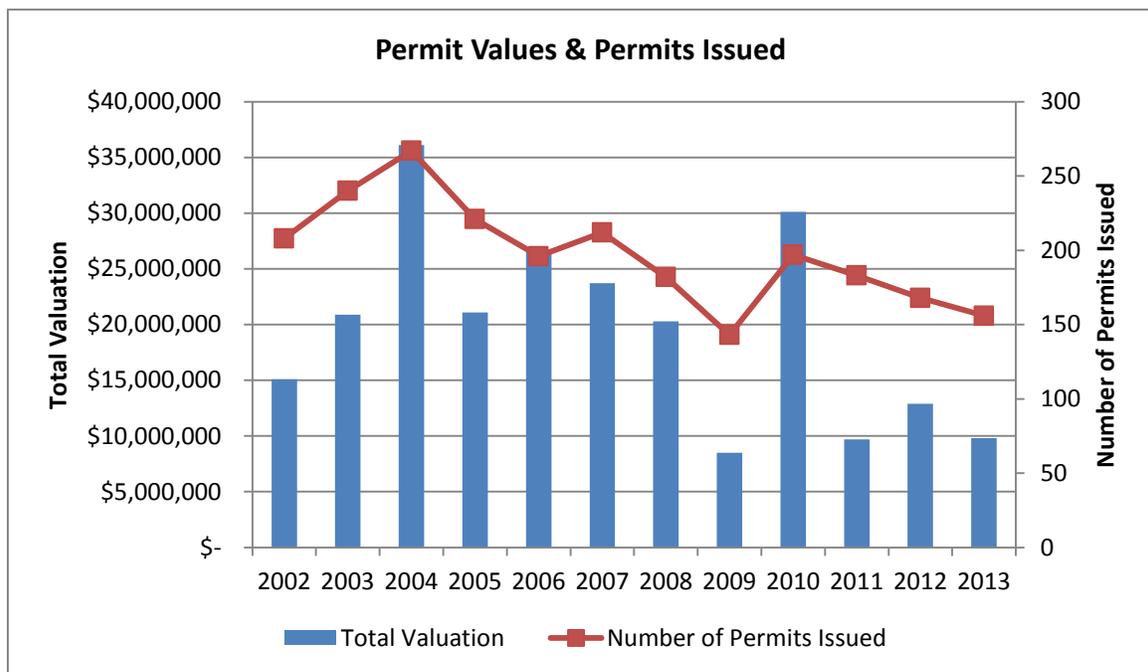
The City contracts out building inspection services. The contracted building official is responsible for ensuring all commercial and residential construction meets the minimum standards of the Minnesota State Building Code. Building inspection fees have covered the cost associated with this service.

### Objectives

- Enforce uniform building code.
- Review building plans.
- Issue building permit & certificate of occupancy permits.
- File state reports on construction activity.
- Inform constructors of code changes and new requirements.
- Conduct site inspections.
- Interpret codes to provide explanation & assistance.
- Assist the public.
- Issue 911 addresses.
- Fire Inspections.

### Output

- Building Permits Issued 2013 - 156 permits valued at \$9.8 million. (113 residential permits valued at \$8.36 million, 12 commercial permits valued at \$1.2 million and 31 miscellaneous permits valued at \$.21 million)



## Authorized Personnel

The Building Inspection Department has a contracted Building Inspector and is assisted by the Receptionist/Administrative Assistant.

## FTE Equivalent Employees Including Contracted Position

1.07

### Budget Summary

		2013 ORIGINAL BUDGET	2014 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	17,271	17,732	2.7%
201-451	Supplies/Services & Maintenance	76,065	77,707	2.2%
	<b>Total Expenditures</b>	<b>93,336</b>	<b>95,439</b>	<b>2.3%</b>

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Salaries &amp; Benefits</b>			
101	Full-Time Employees-Regular	9,143	9,595	10,032
102	Full-Time Employees-Overtime	3		
121	PERA Contributions-Coordinated	663	696	727
128	Social Security	560	595	622
129	Medicare	131	139	145
131	Health Insurance	5,690	6,068	6,065
132	Health Care Savings Plan/Sick Leave	55		-
133	Life Insurance	16	18	18
134	Disability Insurance	67	97	57
151	Workers Compensation	64	63	66
	<b>Supplies/Services &amp; Maintenance</b>			
201	Office Supplies	371	400	570
202	Printing Supplies		50	47
227	Street Lights & Signs	814	1,200	1,235
307	Building Inspector Fees	68,448	71,488	73,000
308	Legal Fees		1,000	1,000
321	Telephone	13	25	40
325	Postage	131	125	150
404	Equipment Maintenance	24		24
405	Computer Maintenance	1,373	1,377	1,241
451	Dues & Subscriptions	370	400	400
	<b>Capital Outlay</b>			
510	Land Acquisition			
540	Office Equip/Furnishings			
	<b>Total Expenditures</b>	<b>87,936</b>	<b>93,336</b>	<b>95,439</b>

## Poundmaster - 427100

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The City provides limited animal control services. The City works with Animal Allies Humane Society in Duluth for a portion of this service to the community.

### Budget Summary

		<b>2013 ORIGINAL BUDGET</b>	<b>2014 APPROVED BUDGET</b>	<b>PERCENT CHANGE</b>
319	Supplies/Services	2,000	3,000	50.0%
	<b>Total Expenditures</b>	<b>2,000</b>	<b>3,000</b>	<b>50.0%</b>

### Budget Detail

		<b>2012 ACTUAL</b>	<b>2013 ORIGINAL BUDGET</b>	<b>2014 BUDGET</b>
	<b>Supplies &amp; Services</b>			
219	Other Operating Supplies	118		
319	Contracted Services	3,580	2,000	3,000
351	Legal Notices Publishing	45		
	<b>Total Expenditures</b>	<b>3,743</b>	<b>2,000</b>	<b>3,000</b>

## Street - 431100

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The street department is responsible for maintenance, ice and snow removal of all municipal streets, as well as public street right of ways. The City Superintendent is responsible for leading the maintenance and repair of city streets for safe use. There are three full-time employees that work within the street department. Water and sewer employees will assist the street department employees during snowfall events. City snow removal equipment consists of three trucks with plows and a grader. The plowing of all city streets after a snowfall event takes approximately ten (10) hours. Principal collector streets are always plowed first before residential neighborhood streets.

### Objectives

- Patching of city streets
- Grading graveled streets
- Ice control or sanding of streets
- Monitor & oversight of weed control in right-of-ways
- Sign installation & maintenance
- Inspect excavation permits
- Inspection of all street related jobs
- Barricading
- Maintenance of storm sewers
- Litter pickup in right-of-ways
- Maintain equipment
- Thaw main culverts
- Crack filling
- Dust control
- Painting traffic control markings – contracted
- Sweeping city streets- contracted
- Paving - contracted

<b>2013 Statistical Information</b>	
Asphalt Streets Maintained	49.43 Miles
Gravel Roads Maintained	18 Miles
Cul-De-Sacs	36
Road Markings/Striping	12 Miles
Curb & Gutter Street Sweeping (Contracted Services)	14.5 Miles
Gravel Usage	3,331 Tons
Sand Usage	1,500 Tons
Salt Usage	140 Tons
Calcium Chloride Cost 2013	\$33,880

## Authorized Personnel

The Street Department has the following authorized personnel; City Superintendent, Street Maintenance Workers.

## FTE Equivalent Employees

**3.97**

## Budget Summary

		<b>2013 ORIGINAL BUDGET</b>	<b>2014 APPROVED BUDGET</b>	<b>PERCENT CHANGE</b>
101-151	Salaries/Wages	247,317	300,817	21.6%
201-451	Supplies/Services & Maintenance	219,596	232,416	5.8%
540	Capital Outlay	-	9,900	
	<b>Total Expenditures</b>	<b>466,913</b>	<b>543,133</b>	<b>16.3%</b>

## Budget Commentary

The 2014 street department operating budget increased by 16.3% from 2013. This increase is due to hiring an additional full time employee replacing a part time employee. Other increases in costs of sand, salt, chloride, contracted services, and general liability insurance account for the increase in supplies/services & maintenance.

New dump truck box for \$9,000 is included in the capital outlay budget.

Street Department employees' actual wages are charged to actual activity: street, parks, cemetery, garage, and to water and sewer when necessary.

## Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Salaries &amp; Benefits</b>			
101	Full-Time Employees - Regular	158,306	147,291	185,834
102	Full-Time Employees - Overtime	4,934	5108	1732
103	Part-Time Employees - Regular	2,375	2733	0
104	Part-Time Employees - Overtime	381	115	0
105	Temporary Employees - Regular	265	600	1034
106	Temporary Employees - Overtime	87		0
111	Severance Pay - Vacation/Sick Leave	-		0
121	PERA Contributions - Coordinated	11,800	11299	13599
128	Social Security	9,949	9,663	11,693
129	Medicare	2,327	2,260	2,735
131	Health Insurance	57,739	55975	70073
132	Health Care Savings Plan/Sick Leave	154	0	0
133	Life Insurance	190	186	242
134	Disability Insurance	1,157	1489	1050
151	Workers Compensation	10,998	10,598	12,825
	<b>Supplies/Services &amp; Maintenance</b>			
201	Office Supplies	27	300	285
202	Printing Supplies	-	100	95
207	Safety Training Supplies	27		0
209	Computer Supplies	381		190
212	Motor Fuels	39,475	40000	38000
213	Lubricants/Additives	2,357	2500	2375
219	Other Operating Supplies	126		0
221	General Supplies	2,429	4000	3800
222	Tires	3,571	500	4275
225	Street Maintenance Supplies	21,509	20000	19000
226	Sand, Salt, Chloride	50,627	57000	63650
227	Street Lights & Signs	4,587	7000	6650
308	Legal Fees	21		
313	Hosp Co-Ins & Hosp/Sick Leave Reserve	-	0	
315	School & Conference	98	1000	1000
319	Contracted Services	21,791	28000	32000
321	Telephone	1,958	1800	1800
324	Radio Communications	110	250	250
325	Postage	10		0
331	Travel Expense	216	250	250
351	Legal Notices Publishing	120		0
361	General Liability Insurance	9,293	8596	10779
384	Garbage Removal	-		0
403	Improvements OTB Maintenance	15,383	20000	20000
404	Equipment Maintenance	12,473	15000	15000
405	Computer Maintenance	4,115	5000	2917
406	Vehicle Maintenance	2,306	5000	5000
413	Equipment Rental	1,924	3000	4000
417	Uniform Rental			500
434	Employee Recognition Plan	25		300
451	Dues & Subscriptions	28	300	300
460	Permits & Licenses	144		
495	Property Damage Reimb. By Insurance	-		
499	Miscellaneous	5		
	<b>Capital Outlay</b>			
540	Office Equip/Furnishings			900
543	Heavy Equipment			9,000
544	Motor Vehicles	182,913	-	0
	<b>Total Expenditures</b>	<b>638,711</b>	<b>466,913</b>	<b>543,133</b>

## City Engineer – 431130 - Contracted

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The City contracts with Salo Engineering, Inc. for city engineering services including preparation of preliminary engineering reports. The services to be provided by the City Engineer are as follows:

### Objectives

- Responsible for the implementation of the Minnesota State Aid program within the City of Hermantown.
- Prepare “minor” plans, which will include necessary overlays. He shall also supervise the construction and make up the partial and final estimates on these projects.
- Review all proposed subdivision plats and write up his recommendations for any changes needed to protect the interests of the City.
- Report directly to the Mayor and City Council and act promptly to any reasonable requests made by them.
- Work with the City and consultants for the City and provide and develop legal descriptions, plat plans and maps and other information as may from time to time be needed by the City.
- Attend City Council, MSA, T.A.C., and M.I.C meetings as directed by the Council.
- Prepare Preliminary Engineering Reports from time to time, as requested, in connection with improvements to be constructed and specially assessed under Chapter 429 of the Minnesota Statutes.

### Budget Summary

		2013 ORIGINAL BUDGET	2014 APPROVED BUDGET	PERCENT CHANGE
305	Engineer Fees	22,000	22,000	0.0%
	<b>Total Expenditures</b>	<b>22,000</b>	<b>22,000</b>	<b>0.0%</b>

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Services</b>			
305	Engineer Fees	32,911	22,000	22,000
	<b>Total Expenditures</b>	<b>32,911</b>	<b>22,000</b>	<b>22,000</b>

## City Garage Maintenance - 431901

Maintenance is conducted to preserve the citizen's investment in city buildings. The public works facility is located in the Hermantown Industrial Park. The facility allows more efficient operations and room to expand operations as additional demands for service are placed on the community. Water and sewer fund also supports the City Garage maintenance.

### FTE Equivalent Employees

.35

### Budget Summary

		2013 ORIGINAL BUDGET	2014 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Wages	22,260	19,049	-14.4%
219-404	Supplies/Services & Maintenance	24,228	22,044	-9.0%
	<b>Total Expenditures</b>	<b>46,488</b>	<b>41,093</b>	<b>-11.6%</b>

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Salaries &amp; Benefits</b>			
101	Full-Time Employees-Regular	1,322	7,998	10,333
102	Full-Time Employees-Overtime	178	433	101
103	Part-Time Employees-Regular	4,850	5,887	-
104	Part-Time Employees-Overtime	-	249	-
105	Temporary Employees - Regular	224	1,050	1,810
121	PERA Contributions-Coordinated	460	1,056	756
128	Social Security	405	964	756
129	Medicare	95	226	178
131	Health Insurance	1,245	3,843	4,682
133	Life Insurance	2	12	14
134	Disability Insurance	11	81	58
151	Workers Compensation	294	461	361
	<b>Supplies/Services &amp; Maintenance</b>			
219	Other Operating Supplies	1,407	750	712
223	Bldg Repair & Maint Supplies	912	750	1,950
313	Hosp Co-Ins & Hosp/Sick Leave	-	-	-
319	Contracted Services	288	300	300
321	Telephone	1,977	5,600	4,000
322	Internet	1,053	750	750
361	General Liability Insurance	2,597	2,578	3,131
381	Electricity	2,390	3,000	3,000
383	Heating Gas	3,265	6,000	5,000
384	Garbage Removal	966	1,000	1,000
401	Building Maintenance	608	3,000	2,000
404	Equipment Maintenance	235	500	201
460	Permits & Licenses	10		
	<b>Total Expenditures</b>	<b>24,794</b>	<b>46,488</b>	<b>41,093</b>

## Environmental - 441100

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Environmental has been merged to Community Development #419100.

### Budget Summary

		2013 ORIGINAL BUDGET	2014 APPROVED BUDGET	PERCENT CHANGE
103-151	Salaries/Wages	58,724	-	-100.0%
202-451	Supplies/Services & Maintenance	3,630	-	-100.0%
	<b>Total Expenditures</b>	<b>62,354</b>	<b>-</b>	<b>-100.0%</b>

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Salaries &amp; Benefits</b>			
103	Part-Time Employees - Regular		35,431	
104	Part-Time Employees - Overtime			
121	PERA Contributions - Coordinated		2,569	
128	Social Security		2,197	
129	Medicare		514	
131	Health Insurance		17,422	
133	Life Insurance		58	
134	Disability Insurance		299	
151	Workers Compensation	197	234	
	<b>Supplies/Services &amp; Maintenance</b>			
202	Printing Supplies		200	
212	Motor Fuels		-	
219	Other Operating Supplies		200	
306	Planning & Zoning Fees	188		
315	School & Conference		350	
319	Contracted Services		350	
321	Telephone			
325	Postage		30	
331	Travel Expense		200	
361	General Liability Insurance	210		
451	Dues & Subscriptions	1,620	1,600	
	<b>Capital Outlay</b>			
540	Office Equip/Furnishings		700	
	<b>Total Expenditures</b>	<b>2,215</b>	<b>62,354</b>	<b>-</b>

## **Park – 452100**

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Volunteer youth organizations and the Hermantown School District provide a wide variety of activities and facilities for the residents of Hermantown. The City provides and maintains the park facilities, while the volunteer organizations and school district manage the recreational activities.

### **Objectives of the Park Board/Park Department**

- Annually make reports of its activities to the City Council.
- Maintain, beautify and care for all park property in the City.
- Perform such other functions as may by resolution of the City Council be delegated to it.
- Provide recreational opportunities for all citizens.
- Provide a mix of active and passive recreation facilities throughout the community.
- Preserve stream corridors and other natural areas not suited for development.

### **Hermantown Park Facilities**

**Rose Road Park** (4494 Midway Road) – Ball fields utilized by the Hermantown Softball Association during the summer season.

**Stebner Park** (4860 Maple Grove Road) – Soccer fields utilized by the Hermantown Youth Soccer Association.

**Fichtner Field Complex** (Intersection of Maple Grove & Ugstad Roads) – Field 1 used by Hermantown High School Baseball between March and early June. Fields 2 & 3 used by Hermantown High School Softball between March and early June. Fields 1, 2, 3, & 4 used by Hermantown Little League between the end of May and beginning of August.

**Keene Creek Park** (South end of Okerstrom Road) - Ball field utilized by the Hermantown Softball Association during the summer season. 10 kilometers of trails open for public use.

**Hermantown Community Park** (5255 Maple Grove Road) - The pavilion at this location can be reserved for family events or group activities.

A Trails Master Plan was adopted by the Park Board and the City Council in Resolution 2011-77. The Trails Master Plan Report is a product of an in-depth planning process for future Hermantown trails. The Trails Master Plan will be reviewed annually during the internal budget process along with the Capital Improvement Plan (CIP). The trail segment and the source of funds to construct the segment must be identified in the CIP approved the City Council. The Park Board will continue to monitor the progress of the trail system.

### Authorized Personnel

The Parks & Recreation department has a part-time maintenance worker and a seasonal mower.

### FTE Equivalent Employee

.56

### Budget Summary

		<b>2013 ORIGINAL BUDGET</b>	<b>2014 APPROVED BUDGET</b>	<b>PERCENT CHANGE</b>
101-151	Salaries/Wages	27,569	29,349	6.5%
212-413	Supplies/Services & Maintenance	43,526	45,461	4.4%
500-599	Capital Outlay	15,000	9,907	-34.0%
	<b>Total Expenditures</b>	<b>86,095</b>	<b>84,717</b>	<b>-1.6%</b>

### Budget Commentary

The 2014 Park operating budget is 1.6% lower than 2013. Salaries/Benefits have increased due to the hiring an additional full time employee to replace a part time employee.

City administrator will be attending Park Board meeting in place of City Planner.

## Budget Detail

		<b>2012 ACTUAL</b>	<b>2013 ORIGINAL BUDGET</b>	<b>2014 BUDGET</b>
	<b>Salaries &amp; Benefits</b>			
101	Full-Time Employees-Regular	7,531	11,097	15,521
102	Full-Time Employees-Overtime	297	582	159
103	Part-Time Employees-Regular	4,548	5,046	-
104	Part-Time Employees-Overtime		213	-
105	Temporary Employees-Regular	3,796	2,000	3,448
121	PERA Contributions-Coordinated	897	1,228	1,137
128	Social Security	995	1,174	1,186
129	Medicare	233	275	277
131	Health Insurance	3,401	5,259	6,938
133	Life Insurance	8	15	21
134	Disability Insurance	47	112	88
151	Workers Compensation	409	568	574
	<b>Supplies/Services &amp; Maintenance</b>			
212	Motor Fuels	2,608	3,000	2,850
221	General Supplies	614	750	712
223	Bldg Repair & Maint Supplies	1,791	3,300	3,135
224	Land Maintenance & Repair	16,467	20,000	19,000
305	Engineer Fees	1,080		-
306	Planning & Zoning Fees	4,968		-
308	Legal Fees			-
313	Hosp Co-Ins & Hosp/Sick Leave			-
315	School & Conference			-
321	Telephone			-
325	Postage	124		-
361	General Liability Insurance	35		-
381	Electricity	10,162	9,376	12,664
384	Garbage Removal	3,970	3,100	3,100
404	Equipment Maintenance	304		-
413	Equipment Rental	887	2,500	2,500
460	Permits & Licenses	2,728	1,500	1,500
	<b>Capital Outlay</b>			
580	Other Equipment		15,000	9,907
	<b>Total Expenditures</b>	<b>67,900</b>	<b>86,095</b>	<b>84,717</b>

## Community Building - 452200

The Community building is located at 5255 Maple Grove Road. Arrowhead Builders Association will be leasing the building for \$10,704 for budget year 2014 per Resolution 2010-62. The Hermantown Historical Society is also leasing a portion of this building for \$795.68 for budget year 2014 per Resolution 2011-18 to display historical items and information. The Minnesota Bureau of Criminal Apprehension is leasing a portion of the building for \$4,454.20 per lease agreement. The current budget accounts for the cost of maintenance personnel, telephone, insurance, electricity, and heating for the facility.

### FTE Equivalent Employees

.12

### Budget Detail

		2013 ORIGINAL BUDGET	2014 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries & Benefits	9,083	7,809	-14.0%
219-401	Supplies/Services & Maintenance	18,130	17,357	-4.3%
	<b>Total Expenditures</b>	<b>27,213</b>	<b>25,166</b>	<b>-7.5%</b>

### Budget Summary

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Salaries &amp; Benefits</b>			
101	Full-Time Employees - Regular	1,239	4,293	4,525
102	Full-Time Employees - Overtime	222	330	
103	Part-Time Employees - Regular	580	1,051	
104	Part-Time Employees - Overtime		44	
105	Temporary Employees-Regular	8	200	345
121	PERA Contributions - Coordinated	148	415	328
128	Social Security	125	367	302
129	Medicare	29	86	71
131	Health Insurance	768	2,023	2,022
133	Life Insurance	2	7	6
134	Disability Insurance	10	43	26
151	Workers Compensation	173	224	184
	<b>Supplies/Services &amp; Maintenance</b>			
223	Bldg Repair & Maint Supplies	174		950
224	Land Maintenance & Repair	374		
319	Contracted Services	337		
321	Telephone	5,748	4,700	4,700
322	Internet	1,053		
361	General Liability Insurance	2,004	1,805	1,586
381	Electricity	4,075	5,000	4,500
383	Heating Gas	2,938	4,000	4,000
401	Building Maintenance	756	2,500	1,500
404	Equipment Maintenance	121	125	121
460	Permits & Licenses	10		
	<b>Total Expenditures</b>	<b>20,894</b>	<b>27,213</b>	<b>25,166</b>

## Cemetery - 490100

There are four private cemeteries and a City cemetery located within Hermantown. The City operates a municipal cemetery and provides regular maintenance of the grounds. The City Cemetery is located along the north side of Morris Thomas Road between Ugstad Road and Lindahl Road. The eligibility requirements for burial are as follows:

- Persons who have resided in the city for 30 years or more.
- Persons who are landowners and residents of the City for at least five consecutive years at the time of their death.
- Persons who were landowners and residents of the City for at least five consecutive years until taking up residence in a skilled nursing care facility.
- Persons residing in an apartment or other leased or rented dwelling unit in the city for five consecutive years at the time of their death.
- Dependent children of persons eligible for burial

### FTE Equivalent Employees

.06

### Budget Summary

		2013 ORIGINAL BUDGET	2014 APPROVED BUDGET	PERCENT CHANGE
102-151	Salaries/Wages	3,115	3,107	-0.3%
	<b>Total Expenditures</b>	<b>3,115</b>	<b>3,107</b>	<b>-0.3%</b>

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Salaries &amp; Benefits</b>			
101	Full-Time Employees - Regular	802	1,256	1,705
102	Full-Time Employees - Overtime		60	20
103	Part-Time Employees - Regular	604	631	
104	Part-Time Employees - Overtime		27	
105	Temporary Employees - Regular	50	150	259
121	PERA Contributions - Coordinated	102	143	125
128	Social Security	89	132	123
129	Medicare	21	31	29
131	Health Insurance	318	607	775
133	Life Insurance	1	2	2
134	Disability Insurance	6	13	10
151	Workers Compensation	30	63	59
	<b>Supplies/Services &amp; Maintenance</b>			
224	Land Maintenance & Repair			
	<b>Total Expenditures</b>	<b>2,023</b>	<b>3,115</b>	<b>3,107</b>

## Insurance General - 492200

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The City is insured through the League of Minnesota Cities Insurance Trust for general liability insurance.

### Budget Summary

		<b>2013 ORIGINAL BUDGET</b>	<b>2014 APPROVED BUDGET</b>	<b>PERCENT CHANGE</b>
151	Workers Compensation	-	-	
361	Supplies/Services	20,275	9,718	-52.1%
	<b>Total Expenditures</b>	<b>20,275</b>	<b>9,718</b>	<b>-52.1%</b>

### Budget Detail

		<b>2012 ACTUAL</b>	<b>2013 ORIGINAL BUDGET</b>	<b>2014 BUDGET</b>
	<b>Salaries &amp; Benefits</b>			
151	Workers Compensation	685		-
	<b>Supplies &amp; Services</b>			
361	General Liability Insurance	16,747	20,275	9,718
	<b>Total Expenditures</b>	<b>17,432</b>	<b>20,275</b>	<b>9,718</b>

### Budget Commentary:

The city has insurance coverage for city volunteers when volunteering on city projects.

A reallocation of general liability insurance premium was budgeted for all departments. The city's insurance carrier, League of Minnesota Cities Insurance Trust, changed the calculation of insurance premiums based on LMCIT's claims history.

# Special Revenue Funds

## Fund 230 – Hermantown Economic Development Authority

The Hermantown Economic Development Authority (HEDA) was established on April 6, 1992 by Resolution 92-29. HEDA is governed by a board of commissioners with seven members. All of the members of the City Council are board members and two public members. The City is financially accountable for HEDA because the City Council approves the budget for HEDA, levies taxes (if necessary), and must approve any debt issuances. HEDA sponsors projects involving tax exempt financing (“conduit financing”) for the benefit of outside entities. For this reason, HEDA is reported as a discretely presented component unit. HEDA has no employees; Board members do receive pay for each meeting they attend.

### Budget Commentary

Community members & Duluth YMCA have expressed interest on a YMCA facility in Hermantown. Included in 2014 budges is a capital campaign feasibility study at a cost of \$30,000.

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
310500	Tax Increments			
341010	Building Rentals	1,000	1500	1000
362100	Investment Interest		500	
362110	Checking Account Interest	98	50	50
362160	Gain (Loss) on Sale if Investments			
362300	Donations	1,750		
362310	Nongovernmental Grants			
362440	Conduit Financing Fees	3,270	2,770	2,770
362990	Miscellaneous Revenue	33		
392000	Transfers In	4,049		
	<b>Total Revenues</b>	<b>10,200</b>	<b>4,820</b>	<b>3,820</b>
	<b>Expenditures</b>			
	<b>Supplies &amp; Services</b>			
103	Part-Time Employees - Regular		700	700
123	PERA Contributions - DCP		15	
128	Social Security		44	44
129	Medicare		10	10
151	Workers Compensation	2	1	2
202	Printing Supplies			
306	Planning & Zoning Fees	646		
308	Legal Fees	350		
315	School & Conference		700	700
319	Contracted Services	11,808		30,000
331	Travel Expense	1,049	750	800
351	Legal Notices Publishing			
451	Dues & Subscriptions	2,735	2,725	2,800
499	Miscellaneous		100	
	<b>Total Expenditures</b>	<b>16,590</b>	<b>5,045</b>	<b>35,056</b>
	<b>Revenues Over Expenditures</b>	<b>(6,390)</b>	<b>(225)</b>	<b>(31,236)</b>

## Fund 231 – Community Development Fund

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Community Development Fund accounts for revenues and expenditures in connection with infrastructure improvements (water, sewer & streets) of general benefit to the community of Hermantown. This fund was created per Ordinance 2002-01 and there are various expenditure limitations in the ordinance for this fund.

### Budget Detail

		<b>2012 ACTUAL</b>	<b>2013 ORIGINAL BUDGET</b>	<b>2014 BUDGET</b>
	<b>Revenues</b>			
362110	Checking Account Interest	132	100	-
	<b>Total Revenues</b>	<b>132</b>	<b>100</b>	<b>-</b>
	<b>Expenditures</b>			
	<b>Other Financing Uses</b>			
720	Transfer Out	25,000	0	0
	<b>Total Other Financing Uses</b>	<b>25,000</b>	<b>0</b>	<b>0</b>
	<b>Revenues Over (Under) Expenditures</b>	<b>(24,868)</b>	<b>100</b>	<b>0</b>

## Fund 235 - Park Dedication Fund

Accounts for the collection of revenues dedicated to the acquisition and capital improvement of City parks. Revenue is collected by charging a park dedication fee on new buildings and developments.

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
322460	Park Dedication Fee	20,250	13,500	16,500
322470	Park Dedication Fee in Lieu of Land		1,000	6,600
362100	Investment Interest	1,236	500	
362110	Checking Account Interest	184	100	100
362160	Gain (Loss) on Sale of Investments	(443)		
362250	City Property Lease	6,847	6,800	7,264
362300	Donations			
362350	Development Agreement Fees			
	<b>Total Revenues</b>	<b>28,074</b>	<b>21,900</b>	<b>30,464</b>
	<b>Expenditures</b>			
	<b>Services</b>			
308	Legal Fees			
	<b>Capital Outlay</b>			
520	Buildings & Structures	60,578		
530	Improvements Other Than Bldgs	4,599		
	<b>Total Expenditures</b>	<b>65,177</b>	<b>-</b>	<b>-</b>
	<b>Revenues Over (Under) Expenditures</b>	<b>(37,103)</b>	<b>21,900</b>	<b>30,464</b>

No Capital outlay is planned for 2014.

## Fund 236 - Hermantown Wetland Mitigation Fund

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Hermantown Wetland Mitigation Fund accounts for the collection of revenues from landowners who disturb wetlands in connection with the development of a parcel of land to utilize for the acquisition, enhancement, restoration, or creation of Wetlands within the City.

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
322125	Wetland Bank Fee	1,647	1,000	1,000
362110	Checking Account Interest	17	25	25
	<b>Total Revenues</b>	<b>1,664</b>	<b>1,025</b>	<b>1,025</b>
	<b>Expenditures</b>			
	<b>Supplies &amp; Services</b>			
308	Legal Fees			
465	Restorations (Wetland)			
	<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>
	<b>Revenues Over (Under) Expenditures</b>	<b>1,664</b>	<b>1,025</b>	<b>1,025</b>

## Fund 237 - Hermantown Wetland Bank Fund

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Hermantown Wetland Bank Fund accounts for the collection of revenues from the sale of wetland bank credits.

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
331999	Other Federal Grants & Aids	-		1000
362110	Checking Account Interest	73	100	
392010	Transfers In	6,162		
	<b>Total Revenues</b>	<b>6,235</b>	<b>100</b>	<b>1,000</b>
	<b>Expenditures</b>			
	<b>Supplies &amp; Services</b>			
316	GIS Services			
380	Property Taxes			
	<b>Total Expenditures</b>	<b>-</b>		
	<b>Revenues Over (Under) Expenditures</b>	<b>6,235</b>	<b>100</b>	<b>1,000</b>

## **Fund 240 - City Sales Tax Fund**

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Accounts for the City sales tax collected that is authorized by the Minnesota State Legislature to fund the construction of a city administrative services/public safety facility, Hermantown sewer trunk line and water infrastructure improvements. The Hermantown City Sales Tax rate was increased from .5% to 1%. Voters approved the increase in the 2012 General Election. Collections at the 1% rate were effective April 1, 2013.

### **Budget Commentary**

Description of Transfer out-other than general fund balance for the debt service.

General Fund	101	\$ 35,000.00
Public Project Revenue Bonds/Series 2006A	315	736,008.00
2007A Refunding Bonds	316	175,498.00
2007B General Obligation & Utility Bonds	317	37,563.45
2009A GO Bond-PW Salt/Storage & Refinance 2003	318	72,018.54
2010A GO Bonds	319	199,825.25
2012A GO Bonds	320	138,296.00
2012B GO Improvement Bonds	321	<u>9,287.50</u>
Total		\$ 1,403,496.74

### **FTE Equivalent Employees**

.25

## Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
313100	City Sales Tax	1,204,188	2,119,600	2,410,000
362100	Investment Interest	20,775	35,000	35,000
362110	Checking Account Interest	998	600	500
362160	Gain (Loss) on Sale of Investments	(6,949)		
362990	Miscellaneous Revenue			
	<b>Total Revenues</b>	<b>1,219,012</b>	<b>2,155,200</b>	<b>2,445,500</b>
	<b>Expenditures</b>			
	<b>Salaries &amp; Benefits</b>			
101	Full-Time Employees-Regular	25,073	25,475	25,921
121	PERA Contributions - Coordinated	1,818	1,847	1,879
128	Social Security	1,626	1,579	1,607
129	Medicare	380	369	376
131	Health Insurance	5,023	5,211	5,211
133	Life Insurance	17	18	22
134	Disability Insurance	163	257	122
151	Workers Compensation	170	170	171
	<b>Supplies /Services &amp; Maintenance</b>			
303	Banking Fees		15	
315	School & Conference	113	200	200
331	Travel Expense	1,621	1,620	1,620
	<b>Other Financing Uses</b>			
720	Transfer Out	1,290,466	1,269,021	1,403,497
	<b>Total Expenditures</b>	<b>1,326,470</b>	<b>1,305,782</b>	<b>1,440,626</b>
	<b>Revenues (Under) Expenditures</b>	<b>(107,458)</b>	<b>849,418</b>	<b>1,004,874</b>

## Fund 250 - Police Liaison Education Fund

The City contracts with the Hermantown School District for the school liaison and DARE programs conducted by the Hermantown police department. The contract is renewed annually. Court fines that are designated for the DARE program are allocated per student to the schools in St. Louis County.

The transfer in is from the General Fund Police Department general operating budget.

### FTE Equivalent Employees

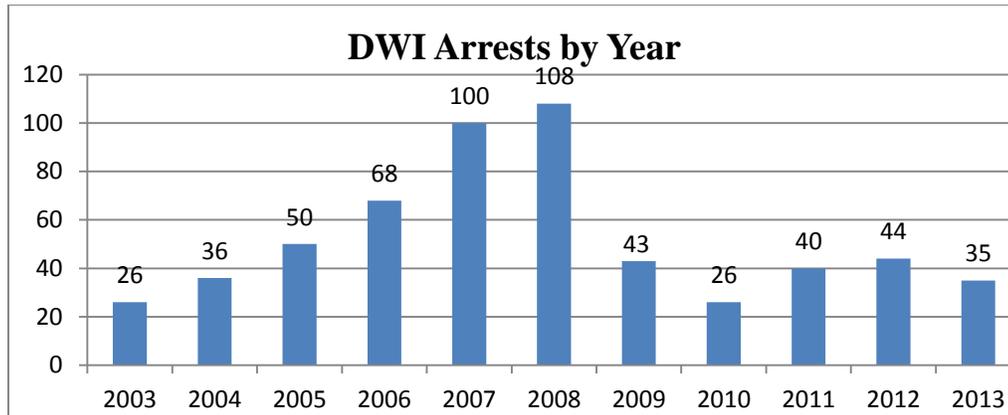
.70 (included in police FTE)

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
342010	Police Services	60,895	60,895	63,310
351010	Court Fines	2,935	3,000	3,000
362110	Checking Account Interest	74	70	50
362300	Donations	1,780		
392010	Transfer In	15,000	15,000	15,000
	<b>Total Revenues</b>	<b>80,684</b>	<b>78,965</b>	<b>81,360</b>
	<b>Expenditures</b>			
	<b>Salaries &amp; Benefits</b>			
101	Full-Time Employees-Regular	47,364	40,283	44,630
102	Full-Time Employees-Overtime	3,199	1,349	2,382
122	PERA Contributions-Police/Fire	7,450	5,995	7,193
129	Medicare	534	604	682
131	Health Insurance	14,300	14,566	14,151
133	Life Insurance	43	41	41
134	Disability Insurance	337	407	252
151	Workers Compensation	1,435	1,414	1,486
	<b>Supplies/Services &amp; Maintenance</b>			
216	Uniforms	560	560	560
219	Other Operating Supplies	2,025	2,500	2,500
308	Legal Fees	21		
315	School & Conference	165	500	400
331	Travel Expense	211	200	200
451	Dues & Subscriptions	40		
499	Miscellaneous			
720	Transfers Out	2,021		
	<b>Total Expenditures</b>	<b>79,705</b>	<b>68,419</b>	<b>74,477</b>
	<b>Revenues Over Expenditures</b>	<b>979</b>	<b>10,546</b>	<b>6,883</b>

## Fund 251 - Police Program Fund

Police Program Fund accounts for revenue and expenditures for special police programs such as alcohol/drug forfeitures, police K9, and the public safety expo.



Data Source: Hermantown Police Department Annual Reports

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
351000	Impound Fees	273		
351010	Court Fines	506		
352020	Forfeitures		2,600	2,600
352025	70% DWI Forfeitures for Ed, Training	2,087		
352026	30% DWI Forfeiture Legal	400	500	500
362110	Checking Account Interest	41	25	25
362300	Donations	550		
392000	Transfers In	14972		
	<b>Total Revenues</b>	<b>18,829</b>	<b>3,125</b>	<b>3,125</b>
	<b>Expenditures</b>			
	<b>Supplies/Services &amp; Maintenance</b>			
303	Banking Fees	1		
308	Legal Fees	1456		
319	Contracted Services	1,432		
343	Community Relations	1,896		
460	Permits & Licenses	138		
	<b>Capital Outlay</b>			
540	Office Equip/Furnishings			
544	Motor Vehicles			
580	Other Equipment	1,740		
720	Transfer		10,000	
	<b>Total Expenditures</b>	<b>6,663</b>	<b>10,000</b>	<b>-</b>
	<b>Revenues Over Expenditures</b>	<b>12,166</b>	<b>(6,875)</b>	<b>3,125</b>

## **Fund 260 - Cable Television Fund**

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Accounts for the revenues and expenditures associated with administering a franchise agreement with Mediacom to provide cable television to Hermantown residents. The current franchise agreement was approved on 9/21/99, Ordinance No. 2009-06 and is set to expire on 9/14/14. The current franchise fee charge is 5% of a resident's Mediacom cable television bill. The City contracts with a Cable TV Coordinator who works with the Hermantown High School, which is the site of the control room for the local cable channel

### **Cable TV Commission Objectives 230.04.8**

- To monitor the performance of the current franchise company, or “company” herein, under the cable television franchise granted by the City.
- Submit an annual report to the City Council assessing the company's performance according to the terms of the franchise and make recommendations to the City Council regarding the apparent or likely need for upgrading the cable communications system maintained and operated by company to meet the then current state of the art.
- Submit a report to the City Council 18 months prior to the expiration of the initial term or any renewal term of the franchise. The report shall include a written appraisal of the performance of the company over the entire length of the franchise with regard to the provisions of the franchise. The report shall also include recommendations for revised or additional provisions of the franchise, considering all possible means of expanding and updating the cable communication system operated by company.
- Meet at least four times a year to review and assess the needs of the citizens of the City with respect to the cable communications system operated by company and take whatever action the Cable Commission deems appropriate to satisfy such needs
- The Cable Commission shall perform whatever other duties and responsibilities as may by resolution of the City Council or by this code be delegated to it.
- The Cable Commission shall make recommendations to the City Council with respect to the expenditure of the franchise fee paid to the City by the company pursuant to the franchise.

### **FTE Equivalent Employees**

.06

#### **Budget Commentary:**

The Cable TV Coordinator is a contracted position. Administration staff salary and benefits are allocated to the Cable Fund for administration of the Fund.

The capital outlay will upgrade the technology for the cable TV system with new computer equipment at the school site.

## Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
318100	Cable TV Franchise Fees	41,456	40,000	42,000
362100	Investment Interest	2,472	500	500
362110	Checking Account Interest	141	100	100
362160	Gain (Loss) on Sale of Investments	(886)		
	<b>Total Revenues</b>	<b>43,183</b>	<b>40,600</b>	<b>42,600</b>
	<b>Expenditures</b>			
	<b>Salaries &amp; Benefits</b>			
101	Full-Time Employees - Regular	4,544	4,705	4,815
121	PERA Contributions - Coordinated	329	341	349
128	Social Security	275	292	299
129	Medicare	64	68	70
131	Health Insurance	1,187	1,251	1,251
133	Life Insurance	4	4	5
134	Disability Insurance	31	48	24
151	Workers Compensation	31	31	32
	<b>Supplies/Services &amp; Maintenance</b>			
219	Other Operating Supplies	201	300	300
308	Legal Fees	717	1,000	1,000
315	School & Conference		700	700
319	Contracted Services	7,500	7,500	12,500
325	Postage	14	20	20
351	Legal Notices Publishing		100	100
361	General Liability Insurance	23	22	117
384	Garbage Removal	34		
404	Equipment Maintenance	487	2,500	2,500
451	Dues & Subscriptions	150	200	200
	<b>Capital Outlay</b>			
540	Office Equip/Furnishings	504		
580	Other Equipment	267	9,200	9,000
	<b>Total Expenditures</b>	<b>16,362</b>	<b>28,282</b>	<b>33,282</b>
	<b>Revenues Over Expenditures</b>	<b>26,821</b>	<b>12,318</b>	<b>9,318</b>

## Fund 270 – Soccer Association Fund

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Accounts for the revenues and expenditures associated with the development agreement of the soccer field with the Hermantown Soccer Association.

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
362100	Investment Interest	\$ (80)		
362350	Development Agreement	\$ 8,168		\$ 6,468
	<b>Total Revenues</b>	<b>\$ 8,088</b>	<b>\$ -</b>	<b>\$ 6,468</b>
	<b>Expenditures</b>			
303	Banking Fees	\$ 28		\$ -
	<b>Total Expenditures</b>	<b>\$ 28</b>	<b>\$ -</b>	<b>\$ -</b>
	<b>Revenues over Expenditures</b>	<b>\$ 8,060</b>	<b>\$ -</b>	<b>\$ 6,468</b>

## Debt Service Funds

### Fund 301 – Certificate of Indebtedness

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Accounts for the accumulated resources from tax levy to pay the interest and principal payments on the Certificate of Indebtedness. The Certificate of Indebtedness was issued in 2012, Resolution No. 2012-55 for the purpose of providing funds to purchase a 2013 International Dump Truck including dump box, sander, & plow equipment. The first payment is \$20,000 with five additional payments of \$19,274.94 for the period of August 1, 2012 to February 1, 2015. The tax levy for 2014 is \$40,478.

#### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
310100	Current Year Taxes	39,132	38,550	40,478
310110	Current Year Taxes - Mobile Homes/SEV MIN			
310200	Delinquent Taxes	1,687	500	
310210	Delinquent Taxes - Mobile Homes	9		
362110	Checking Account Interest			
	<b>Total Revenues</b>	<b>40,828</b>	<b>39,050</b>	<b>40,478</b>
	<b>Expenditures</b>			
	<b>Debt Service</b>			
603	Principal/Short Term Debt	19,195	36,351	37,312
613	Interest/Short Term Debt	805	2,199	1,238
720	Transfer Out	70,000		
	<b>Total Expenditures &amp; Other Financing Sources</b>	<b>90,000</b>	<b>38,550</b>	<b>38,550</b>
	<b>Revenues Over (Under) Expenditures</b>	<b>(49,172)</b>	<b>500</b>	<b>1,928</b>

## Fund 315 – Public Project Revenue Bonds, Series 2006A

The Public Project Revenue Bonds, Series 2006A were issued in December of 2006 in the original amount of \$9,630,000, carry a net interest rate of 4.04% and mature in 2027. The bonds were used to refinance the Public Project Revenue Bonds, Series 1998 (Police/Fire Building) and to construct an administrative services addition to the public safety facility. The debt is being paid by city sales tax collections. No levy.

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
362110	Checking Account Interest			
392010	Transfer In	657,108	666,508	736,008
	<b>Total Revenues</b>	<b>657,108</b>	<b>666,508</b>	<b>736,008</b>
	<b>Expenditures</b>			
	<b>Debt Service</b>			
601	Bond Principal	325,000	345,000	430,000
611	Bond Interest	332,108	318,708	303,208
620	Fiscal Agent Fees	2,751	2,800	2,800
	<b>Total Expenditures</b>	<b>659,859</b>	<b>666,508</b>	<b>736,008</b>
	<b>Revenues Over/(Under) Expenditures</b>	<b>(2,751)</b>	<b>-</b>	<b>-</b>

## Fund 316 - 2007A Refunding Bonds

The General Obligation Utility Revenue Refunding Bonds, Series 2007A, were issued in January of 2007 in the original amount of \$1,565,000, carry a net interest rate of 3.90% and mature in 2021. The proceeds were issued to redeem the 2008 through 2021 maturities of the General Obligation Utility Revenue Bonds, Series 2000- Fund 309. The 2000 bonds were used to finance Phase I Sewer Trunk Line, #402 and 400 sewer projects and #300 water project. The debt is being paid by city sales tax, special assessments, and special deficiency fund. No levy.

Fund 316			Deferrals		
As of 11/1/2013					
Project	Paid By	#	Hardship	Sewer Availability	Water Availability
Hwy 194 Sewerline	Specials	402A		\$ 68,532	
Stebner Rd Sewerline	Specials	400A		\$ 48,799	
Maple Grove Rd Water Improv of 1994	Specials	300A			\$ 13,780
Total Deferrals			\$ -	\$ 117,331	\$ 13,780
					\$ 131,111

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
<b>Revenues</b>				
361100	Principal - Current	17,636	20,722	20,722
361110	Principal - Delinquent	1,048		
361200	Interest - Current	10,685	8,626	8,626
361300	Penalties & Interest	761		
362110	Checking Account Interest	542		
392010	Transfer In	134,440	171,319	175,498
<b>Total Revenues</b>		<b>165,112</b>	<b>200,667</b>	<b>204,846</b>
<b>Expenditures</b>				
<b>Debt Service</b>				
601	Bond Principal	155,000	155,000	165,000
611	Bond Interest	50,686	5,087	39,266
620	Fiscal Agent Fees	577	580	580
720	Transfer Out			
<b>Total Expenditures</b>		<b>206,263</b>	<b>160,667</b>	<b>204,846</b>
<b>Revenues (Under) Expenditures</b>		<b>(41,151)</b>	<b>40,000</b>	<b>-</b>

## Fund 317 – 2007B General Obligation & Utility Bonds

The General Obligation Improvement and Utility Bonds, Series 2007B, were issued on October 2007 in the original amount of \$2,180,000, carry a net interest rate of 4% and mature in 2028. The debt is being repaid by special assessments, city sales taxes, water fund, and sewer fund. The bonds were used to finance public improvements: #308 water project, #425 and 426 sewer projects. No levy.

As of 11/1/2013			Deferrals					
Project	Paid By	#	Hardship	Senior Citizen	Sewer Availability	Other Deferral		
Getchell Rd Waterline /Sewerline	specials/ water/ sewer	426A	\$ 23,996	\$ 157,319	\$ 199,026	\$ 70,568		
Anderson Rd Sewerline/ Stebner Rd to Haines Rd.	specials/ sales tax	425A		\$ 24,244	\$ 169,708			
<b>Total Deferrals</b>			<b>\$ 23,996</b>	<b>\$ 181,563</b>	<b>\$ 368,734</b>	<b>\$ 70,568</b>	<b>\$644,861</b>	

## Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
361100	Principal - Current	28,004	33,191	31,787
361110	Principal - Delinquent	3,874		
361120	Principal - Prepaid			
361130	Principal - Deferred			
361200	Interest - Current	41,337	40,413	38,682
361210	Interest - Delinquent	6,117		
361300	Penalty/Interest	3,848		
362110	Checking Account Interest			
392010	Transfer In	22,719	23,578	91,021
	<b>Total Revenues</b>	<b>105,899</b>	<b>97,182</b>	<b>161,490</b>
	<b>Expenditures</b>			
	<b>Debt Service</b>			
601	Bond Principal	85,000	90,000	90,000
611	Bond Interest	77,940	74,440	70,840
620	Fiscal Agent Fees	627	650	650
	<b>Total Expenditures</b>	<b>163,567</b>	<b>165,090</b>	<b>161,490</b>
	<b>Revenues Over/(Under) Expenditures</b>	<b>(57,668)</b>	<b>(67,908)</b>	<b>-</b>

## Fund 318 – 2009A GO Bond – Refinance 2003A Bonds

The General Obligation Improvement Bonds, Series 2009A were issued in December of 2009 in the original amount of \$5,515,000, carry a net interest rate of 3.48% and mature in 2030. The bonds were used for acquisition of the existing public works facility, construction of a new salt storage building, to refund the General Obligation Improvement Bonds, Series 2003A-Fund 312, financing public improvements; #305 water project, #413,406,408,415,421 and 429 sewer projects. The debt is being repaid by special assessments, property tax levy, city sales taxes, water fund, sewer fund, and special deficiency. 2014 levy \$66,065.

As of 11/11/2013			De ferrals				
Project	Paid By	#	Tax Forfeit	Senior Citizen	Hardship	Deferred	Sewer Availability
Getchell/ Shelby/Thompson/ Stebner Sewerline	Specials/ Water/ Sewer/ Sales Tax/ Other/ Grant	406A	\$ 13,159	\$ 54,671	\$ 17,241	\$ 37,929	\$ 36,395
50% of Lavaque Sewerline/ Arrowhead to Lavaque Junction	Specials	408A				\$ 3,235	\$ 17,232
Midway Road/Seville to Hwy 194	Specials	421A					\$ 32,764
Hermantown Road Sewerline	Specials	429A					\$ 13,577
<b>Total Deferrals</b>			<b>\$ 13,159</b>	<b>\$ 54,671</b>	<b>\$ 17,241</b>	<b>\$ 41,164</b>	<b>\$ 99,968</b>
							<b>\$ 226,203</b>

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
310100	Current Year Taxes	63,604	61,269	62,919
310110	Current Year Taxes - Mobile Homes/SEV MIN			
310200	Delinquent Taxes	1,835		
310210	Delinquent Taxes - Mobile Homes	7		
361100	Principal - Current	66,469	81,691	81,377
361110	Principal - Delinquent	1,207		
361120	Principal-Prepaid	19,228		
361130	Principal-Deferred	17,564		
361200	Interest - Current	74,912	74,003	73,746
361210	Interest - Delinquent	1,191		
361220	Interest-Prepaid	407		
361230	Interest-Deferred	156		
361300	Penalty/Interest	406		
362110	Checking Account Interest			
392010	Transfers In	143,555	142,807	233,039
	<b>Total Revenues</b>	<b>390,541</b>	<b>359,770</b>	<b>451,081</b>
	<b>Expenditures</b>			
	<b>Debt Service</b>			
601	Bond Principal	265,000	265,000	285,000
611	Bond Interest	177,356	172,056	165,131
620	Fiscal Agent Fees	923	950	950
	<b>Total Expenditures</b>	<b>443,279</b>	<b>438,006</b>	<b>451,081</b>
	<b>Revenues Over/(Under) Expenditures</b>	<b>(52,738)</b>	<b>(78,236)</b>	<b>-</b>

## Fund 319 – 2010A GO Bonds

The General Obligation Improvement Bonds, Series 2010A were issued in November of 2010 in the original amount of \$3,955,000, carry a net interest rate of 2.74% and mature in 2031. The bonds were used to refund the General Obligation Utility Revenue Bonds, Series 2002-Fund 311, and to finance public improvements: water tower, #311,310 water projects, phase II sewer trunk line, #405,407,408,411,412,432 and 434 sewer projects. The debt is being repaid by special assessments, city sales taxes, sewer fund, and special deficiency. No levy.

Fund 319					
As of 11/1/2013					
Project	Paid By	#	Defferrals		
			Senior Citizen	Deferred	Sewer Availability
Copley/Dana/Berkley/Linda/Morris Thomas on Johnson Rd Sewerline	Specials	405A	\$ 58,416		\$ 69,446
Lavaque Sewerline/Arrowhead to Lavaque Junction	Specials	408A		\$ 3,235	\$ 15,373
Lavaque Sewerline/Maple Grove to Midway	Specials	411A		\$ 2,512	\$ 66,581
<b>Total Defferrals</b>			<b>\$ 58,416</b>	<b>\$ 5,747</b>	<b>\$ 151,400</b>
					<b>\$215,563</b>

## Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
361100	Principal - Current	45,596	50,640	50,640
361110	Principal-Delinquent	7,554		
361120	Principal - Prepaid	2,682		
361130	Principal-Deferred	15,549		
361200	Interest - Current	56,400	52,160	52,160
361210	Interest-Delinquent	12,756		
361220	Interest-Prepaid	407		
361230	Interest-Deferred	520		
361300	Penalties & Interest	7,988		
362100	Investment Interest	9,174		
362110	Checking Account Interest	(9)		
392010	Transfers in	93,799	201,093	291,083
	<b>Total Revenues</b>	<b>252,416</b>	<b>303,893</b>	<b>393,883</b>
	<b>Expenditures</b>			
	<b>Debt Service</b>			
601	Bond Principal	3,140,000	260,000	300,000
611	Bond Interest	176,983	98,663	93,063
620	Fiscal Agent Fees	807	820	820
	<b>Total Expenditures</b>	<b>3,317,790</b>	<b>359,483</b>	<b>393,883</b>
	<b>Revenues Over/(Under) Expenditures</b>	<b>(3,065,374)</b>	<b>(55,590)</b>	<b>-</b>

## Fund 320 – 2012A GO Bonds

The General Obligation Improvement Bonds, Series 2012A were issued in July of 2012 in the amount of \$2,500,000, carry a net interest rate of 1.93% and mature in 2026. The bonds were used to refund the General Obligation Bonds, Series 2003B (Fund 313) on August 1, 2012 and the General Obligation Bonds, Series 2005A (Fund 314) on February 1, 2013. The debt is being repaid by special assessments, city sales taxes, and the special assessment deficiency fund. No levy.

Fund 320								
As of 11/1/2013								
Project	Paid By	#	Deferrals				Senior Citizen	Church
			State Land/Tax Forfeit	Deferral	Sewer Availability			
1992 Maple Grove Rd Sewerline	Specials	200A	\$ 11,313		\$ 35,717	\$ 6,102		
1991 Stebner Sewerline	Specials	206A	\$ 3,265					
1992 Lavaque Sewerline	Specials	207A	\$ 21,615		\$ 30,427			
1993 Rebecca/Kingswood Sewerline	Specials	209A	\$ 8,308					
Haines Rd. Phase II Sewerline	Specials	221A			\$ 9,246			
Kenroy Rd. Sewerline	Specials	418A	\$ 13,543			\$ 13,543		
Hwy 53 E to 30 Miller Truck Hwy Sewerline	Specials	420A			\$ 17,522	\$ 8,761	\$ 9,154	
Linda Rd Street Improvement	Specials	510A		\$ 4,076				
<b>Total Deferrals</b>			<b>\$ 58,044</b>	<b>\$ 4,076</b>	<b>\$ 92,912</b>	<b>\$ 28,406</b>	<b>\$ 9,154</b>	
							<b>\$ 192,592</b>	

## Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
361100	Principal - Current	38,095	43,321	68,575
361110	Principal-Delinquent	1,246		
361120	Principal - Prepaid			
361200	Interest - Current	12,891	6,835	31,670
361210	Interest-Delinquent	194		
361300	Penalties & Interest	472		
362100	Investment Interest			
362110	Checking Account Interest	187		
392010	Transfer In	235,632	96,836	181,150
393100	Bond Issuance	2,138,082		
	<b>Total Revenues</b>	<b>2,426,799</b>	<b>146,992</b>	<b>281,395</b>
	<b>Expenditures</b>			
	<b>Debt Service</b>			
601	Bond Principal		90,000	245,000
611	Bond Interest		38,782	34,498
620	Fiscal Agent Fees		820	820
630	Bond Expenses	49,017		
635	Bond Discount	20,000		
	<b>Total Expenditures</b>	<b>69,017</b>	<b>129,602</b>	<b>280,318</b>
	<b>Revenues Over/(Under) Expenditures</b>	<b>2,357,782</b>	<b>17,390</b>	<b>1,077</b>

## Fund 321 – 2012B GO Improvement Bonds

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The General Obligation Improvement Bonds, Series 2012B were issued in September of 2012 in the amount of \$3,155,000, true interest cost of 2.2436% and mature in 2033. In 2013 \$58,176.95 interest will be capitalized. The bonds are being used to finance Projects; #442 Sewer, #314 Miller Trunk Water and #432 LaVaque Sewers. A transfer of \$25,000 from the Community Fund #231 was used to partially cover costs on project #314. The debt will be repaid by special assessments. Properties benefiting from project #432 will have sewer availabilities, when necessary transfers will be made from the special assessment deficiency fund.

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### Status of Project:

Construction began in 2012 and was completed in 2013. Deposit to Capitalized Interest Fund the amount of \$92,623.83 which will pay the August 2013 and February 2014 interest payments. The construction was completed in 2013; the special assessments were certified to the St. Louis County auditor in the November of 2013. The special assessment payments will begin in 2014. The first bond principal payment will be made in 2015.

Fund 321						
As of 11/1/2013			Deferrals			
Project	Paid By	#	State Land/Tax Forfeit	Sewer Availability	Water Availability	
Lavaque Sewerline (Apline to #53)	Specials	435		\$ 132,461	\$ 10,109	
Lavaque, Country Acres, Hermantown Rd., Morris Thomas	Specials	442				
<b>Total Deferrals</b>			<b>\$ -</b>	<b>\$ 132,461</b>	<b>\$ 10,109</b>	<b>\$ 142,570</b>

## Budget Detail

		<b>2012 ACTUAL</b>	<b>2013 ORIGINAL BUDGET</b>	<b>2014 BUDGET</b>
	<b>Revenues</b>			
361100	Principal - Current			79,575
361200	Interest - Current			99,195
392010	Transfers In			9,288
393100	Bond Issuance	92,624	-	
	<b>Total Revenues</b>	<u>92,624</u>	<u>-</u>	<u>188,058</u>
	<b>Expenditure</b>			
	<b>Debt Service</b>			
601	Bond Principal			
611	Bond Interest			68,894
620	Fiscal Agent Fees			450
	<b>Total Expenditures</b>	<u>-</u>	<u>-</u>	<u>69,344</u>
	<b>Revenue (Under) Expenditures</b>	<u>92,624</u>	<u>-</u>	<u>118,714</u>

## Fund 350 - Special Assessment Deficiency Fund

Accounts for the accumulated resources to ensure debt service payments of bonds in cases where special assessments have been deferred or collections are not sufficient. 2014 budgeted transfers out are Fund 317= \$41,315, Fund 318= \$87,975, Fund 319= \$67,240, and Fund 320= \$48,854.

As of 11/1/2013						
Project	Paid By	#	Tax Forfeit	Deferrals		
				Sewer Availability	Water Availability	
Jamebard Rd. Improv	Specials	201A	\$ 7,600			
Lavaque Watterline Veaver Creek Mary Lane	Specials	204A	\$ 13,535		\$ 2,290	
Woodridge Dr. Sewerline	Specials	220A		\$ 3,910		
1978 Waterline	Specials	250A			\$ 73,359	
1994 Maple Grove Rd Waterline Lavaque to Reinke	Specials	210A	\$ 9,277		\$ 17,375	
Miller Trunk Hwy Waterline	Specials	304A			\$ 38,923	
Loberg Rd. Water/Sewer	Specials	516		\$ 30,685	\$ 2,040	
Miller Trunk Hwy Waterline	Specials	314			\$ 198,000	
Haines Road (MT to Mary Lane)	Specials	439				
Total Deferrals			\$ 30,412	\$ 34,595	\$ 331,987	\$ 396,994

## Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
361100	Principal - Current	3,563	954	1,020
361110	Principal-Delinquent	784		
361200	Interest - Current	2,148	923	856
361300	Interest-Delinquent	223		
361300	Penalties & Interest	206		
362100	Investment Interest	2,271		
362110	Checking Account Interest			
362160	Gain (Loss) on Sale of Investements	(2,980)		
392010	Transfers In	524,232		
	<b>Total Revenues</b>	<b>530,447</b>	<b>1,877</b>	<b>1,876</b>
	<b>Expenses</b>			
	Debt Service			
471000	Transfer Out	21,630	130,057	245,384
	<b>Total Expense</b>	<b>21,630</b>	<b>130,057</b>	<b>245,384</b>
	<b>Revenues (Under) Expenditures</b>	<b>508,817</b>	<b>(128,180.0)</b>	<b>(243,508.0)</b>

# Enterprise Funds

## Fund 601 - Water Enterprise Fund

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This fund accounts for the activity of providing water services to the public. The Hermantown Utility Department is responsible for the distribution of treated water. The City purchases all drinkable water from the City of Duluth. The current water utility rate will remain the same from 2013 at \$7.43 per 1,000 gallon.

### Utility Commission/Water Department Objectives

- To consider and make recommendations to the City Council with respect to improvements to be constructed and financed pursuant to Chapter 429 of the Minnesota Statutes.
- To administer the public utilities provided by the City of Hermantown
- To perform such other functions as may be by resolution of the City Council delegated to it.
- Provide an adequate supply of water. Current city water storage includes a 150,000 gallon elevated storage tank at Ugstad Road/Arrowhead Road and a 600,000 gallon elevated storage tank at Ugstad Road/Hwy 53. These two tanks have sufficient capacity to provide for two days of average daily demand if the city should lose its water supply.
- The city's current water system also includes 62.72 miles of water mains and 527 hydrants for fire control.
- The City Superintendent is responsible for leading the maintenance of city water mains.

<b>Age of System</b>	<b>42 Years</b>
Total Miles of Water Main Added From 1960 to 1990	46 Miles
Total Miles Added From 1990 to 2001	6.5 Miles
Total Miles Added From 2001 to 2003	1.68 Miles
Total Miles Added From 2003 to 2011	8.547 Miles
Total Miles Added 2012	.45 Miles
<u>Total Miles Added 2013</u>	<u>.12 Miles</u>
<b>Total Miles of Water Main</b>	<b>63.297 Miles</b>

Total Feet of HDPE Main Added 2003 to 2010	5,714 Feet
Total Number of Fire Hydrants Added 1960 to 1990	351
Total Number of New Fire Hydrants 1990 to 2001	55
Total Number of New Fire Hydrants 2001 to 2003	19
Total Number of New Fire Hydrants 2003 to 2012	102
Total Number of New Fire Hydrants Added 2013	1
<b>Total Fire Hydrants</b>	<b>528</b>
Average Water Usage 2003	150 Million Gallons
Average Water Usage 2009	156 Million Gallons
Average Water Usage 2013	154 Million Gallons

One 150,000 Gallon Water Tower  
 One 600,000 Gallon Water Tower  
 One Booster Pumping Station

### Authorized Personnel

The Water Enterprise and Sewer Enterprise fund includes authorized personnel as follows; Utility Clerk and Utility Workers.

**The wages for these employees are split between the Water & Sewer Fund.**

### FTE Equivalent Employees

3.56

### Budget Summary

		2013 ORIGINAL BUDGET	2014 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Wages	261,098	264,171	1.2%
201-499	Supplies/Services/Maintenance & Depreciation	1,005,106	1,006,880	0.2%
540-598	Capital Outlay	7,449	7,920	6.3%
720	Transfer Out	47,839	48,787	2.0%
	<b>Total Expenditures</b>	<b>1,321,492</b>	<b>1,327,758</b>	<b>0.5%</b>

### Budget Commentary

The Utility Commission did not increase water rates for 2014. The 2014 budget has an increase of .5% compared to 2013.

As the City acquires more water infrastructure, the depreciation expense increases.

Transfers out are applied to debt payments in the debt service funds.

## Budget Detail

		2012 Actual	2013 Original Budget	2014 Budget
	<b>Revenues</b>			
341070	Assessment Search			2000
361120	Principal - Prepaid			
361300	Penalty/Interest	285		
362100	Investment Interest	37,330	25,000	25,000
362110	Checking Account Interest	1,630	1,500	1,500
362150	Interest Income/City Contracts	479	720	500
362160	Gain (Loss) on Sale of Investments	4,241		
362250	City Property Lease	30,501	33,058	40,617
362350	Development Agreement Fees	2,756		
362990	Miscellaneous Revenue	19,897	3,000	3,000
371400	Metered Water Sales	1,084,397	1,249,852	1,249,852
371450	Metered Truck Fill Station	1,832	700	700
371500	Water Hookups	24,500	25,200	25,200
371550	Water Service Line Extension			
371710	Service Charge	64,757	71,700	72,936
371720	Front Foot Water Cash	6,683	1,000	1,000
379999	Late Fee	15,835		
392010	Transfers In	426		
	<b>Total Revenue</b>	<b>1,295,549</b>	<b>1,411,730</b>	<b>1,422,305</b>

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Expenses</b>			
<b>433500</b>	<b>Water Improvements</b>			
	<b>Capital Outlay</b>			
595	Transmission/Distribution Mains			
<b>494300</b>	<b>Water Distribution</b>			
	<b>Salaries &amp; Wages</b>			
101	Full Time Employees - Regular	102,612	102,237	104,967
102	Full-Time Employees - Overtime	3,879	8,528	3,785
103	Part-Time Employees - Regular	995	631	
104	Part-Time Employees - Overtime		27	
105	Temporary Employees - Regular	377	250	431
121	PERA Contributions - Coordinated	6,736	8,078	7,885
128	Social Security	7,474	6,924	6,769
129	Medicare	1,748	1,619	1,583
131	Health Insurance	27,844	31,460	31,071
132	Health Care Savings Plan/Sick Leave	92		
133	Life Insurance	105	127	131
134	Disability Insurance	659	1,033	593
151	Workers Compensation	3,656	3,708	3,625
	<b>Supplies/Services &amp; Maintenance</b>			
212	Motor Fuels	3,400	4,000	4,000
221	General Supplies	3,032	5,000	5,000
228	Utility System Maint	1,471	3,000	3,000
313	Hosp Co-Ins & Hosp/Sick Leave Reserve			
315	School & Conference	463	750	750
331	Travel Expense	942	700	700
382	Water Purchases	625,111	750,070	744,440
404	Equipment Maintenance	2,121	2,000	2,000
406	Vehicle Maintenance	543	600	600
413	Equipment Rental			
417	Uniform Rental			140
451	Dues & Subscriptions	525	700	700
470	Booster Pump Repairs	2,729	750	750
471	Water Line Repairs	25,325	22,000	25,000
472	Hydrant Repairs	13,901	4,500	10,000
495	Property Damage Reimb. By Insurance			
499	Miscellaneous	1,183	500	500
	<b>Capital Outlay</b>			
580	Other Equipment	1,638	7,449	7,920
	*continued			

		<b>2012 ACTUAL</b>	<b>2013 ORIGINAL BUDGET</b>	<b>2014 BUDGET</b>
	<b>Expenses</b>			
<b>494400</b>	<b>Water Administration &amp; General</b>			
	<b>Salaries &amp; Wages</b>			
101	Full-Time Employees-Regular	64,885	67,599	72,021
102	Full-Time Employees-Overtime	237	633	711
121	PERA Contributions-Coordinated	4,670	4,947	5,273
128	Social Security	4,264	4,230	4,509
129	Medicare	997	989	1,055
131	Health Insurance	15,697	16,863	18,796
132	Health Care Savings Plan/Sick Leave	60		
133	Life Insurance	72	82	94
134	Disability Insurance	456	683	392
151	Workers Compensation	17	450	480
	<b>Supplies /Services/ Maintenance &amp; Depreciation</b>			
201	Office Supplies	58	500	200
202	Printing Supplies	775	750	700
209	Computer Supplies	38		200
221	General Supplies		100	
223	Bldg Repair & Maint Supplies	336	200	
301	Audit/Account Services	2,000	2,100	2,361
303	Banking Fees	1,476	2,500	2,500
305	Engineer Fees	435	1,000	1,500
308	Legal Fees	2,658	2,000	2,000
310	Recording/Filing Fees	96		
313	Hosp Co-Ins & Hosp/Sick Leave Reserve		-	
315	School & Conference		40	40
319	Contracted Services	4,918	351	360
321	Telephone	4,432	4,300	4,700
322	Internet	632	620	620
323	Gopher One Call Locates	1,596	1,400	1,400
325	Postage	4,190	3,600	3,600
331	Travel Expense	785	825	825
351	Legal Notices Publishing	637	600	600
361	General Liability Insurance	11,003	11,534	5,857
381	Electricity	6,050	5,000	5,000
383	Heating Gas	2,585	4,000	4,000
384	Garbage Removal	1,140	940	940
401	Building Maintenance		500	-
404	Equipment Maintenance	51	140	51
405	Computer Maintenance	6,598	6,595	6,771
413	Equipment Rental	320	427	
420	Depreciation Expense	160,045	160,114	165,000
451	Dues & Subscriptions		400	
460	Permits & Licenses	58		75
499	Miscellaneous			
	<b>Capital Outlay</b>			
540	Office Equip/Furnishings			
	<b>Other Financing Uses</b>			
720	Transfer Out	48,236	47,839	48,787
	<b>Total Expenses</b>	<b>1,188,946</b>	<b>1,321,492</b>	<b>1,327,758</b>
	<b>Revenues Over/(Under) Expenses</b>	106,603	90,238	94,547

## Fund 602 - Sewer Enterprise Fund

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Sewer fund accounts for the activity of providing sewer disposal services to the public. The Hermantown Utility Department is responsible for the collection of sanitary sewer waste. The Western Lake Superior Sanitary District purifies sanitary sewer waste. The rates are set by the Utility Commission and voted by resolution or motion by the City Council. The current sewer utility rate is \$8.09 per 1,000 gallons. January 2014 rate will be \$8.60 per 1,000 gallons.

### Objectives

- Provide adequate sanitary sewer operations, the city's sewer system consists of 67.928 miles of sewer mains but continues to expand based upon neighborhood petitions requesting an extension of services.
- The City Superintendent is responsible for leading the maintenance of city sewer mains.

<b>Age of System</b>	<b>32 Years</b>
Total Miles of Low Pressure Forcemain	3.61 Miles
Total Miles of Sewer Main Added From 1970 to 1990	24 Miles
Total Miles Added From 1990 to 2001	13 Miles
Total Miles Added From 2001 to 2003	6.688 Miles
Total Miles Added From 2003 to 2010	15.62 Miles
Total Miles Added From 2010 to 2012	1.30 Miles
Total Miles Added From 2013	2.07 Miles
<b>Total Miles of Sewer Main</b>	<b>67.928 Miles</b>

Total Number of Manholes Added 1970 to 2001	270
Total Number of Manholes Added 2001 to 2002	123
Total Number of Manholes Added 2002 to 2010	354
Total Number of Manholes Added 2010 to 2012	27
Total Number of Manholes Added in 2013	3
<b>Total Manholes</b>	<b>777</b>

Average Sewer Usage 2003	110 Million Gallons
Average Sewer Usage 2009	133.5 Million Gallons
Average Sewer Usage 2013	154 Million Gallons

15 Pumping Stations  
 Phase I Trunk Sewer 2.4 Miles  
 Phase II Trunk Sewer 2 Miles  
 Phase III Trunk Sewer 2.47 Miles

## Authorized Personnel

The Water Enterprise and Sewer Enterprise fund includes authorized personnel as follows; Utility Clerk and Utility Workers. **The wages for these employees are split between the Water & Sewer Fund.**

## FTE Equivalent Employees

2.34

## Budget Commentary

The 2014 Sewer expense budget increased by 2.4% compared to 2013. Increases included negotiated wage, increased supplies, services, maintenance, and depreciation expense with the additional of sewer infrastructure. Capital outlay was reduced as the SCADA system will be completed in 2013. Transfers out are applied to debt payments in the Debt Service Funds. Sewer rates will increase on January 1<sup>st</sup> to \$8.09 per 1,000 gallons.

## Expense Budget Summary

		<b>2013 ORIGINAL BUDGET</b>	<b>2014 APPROVED BUDGET</b>	<b>Percent Change</b>
101-151	Salaries/Wages	174,260	176,978	1.6%
201-499	Supplies/Services/Maintenance & Depreciation	1,036,045	1,067,879	3.1%
540-590	Capital Outlay	12,000	5,280	-56.0%
720	Transfer Out	57,347	60,419	5.4%
	<b>Total Expenditure</b>	<b>1,279,652</b>	<b>1,310,556</b>	<b>2.4%</b>

		<b>2012 Actual</b>	<b>2013 Original Budget</b>	<b>2014 Budget</b>
	<b>Revenues</b>			
341070	Assessment Search			2000
361120	Principal - Prepaid			
361300	Penalties & Interest			
362100	Investment Interest	19,226	10,000	10,000
362110	Checking Account Interest	1,357	1,000	1,000
362150	Interest Income/City Contracts	2,374	3,000	2,000
362160	Gain (Loss) on Sale of Investments	(6,997)		
362430	Refund & Reimbursement			
362990	Miscellaneous Revenue	1,179		
371710	Service Charge	64,169	63,300	64,692
372400	Sewer Usage	1,075,835	1,068,900	1,183,565
372500	Sewer Hookups	30,000	30,000	30,000
372710	Sewer Permits	3,025	3,000	3,000
372715	Sewer Capacity Availability Fee	1,459	1,200	1,200
372720	Front Foot Cash	24,114	5,000	5,000
37999	Late Fee	14,538		
	<b>Total Revenue</b>	<b>1,230,279</b>	<b>1,185,400</b>	<b>1,302,457</b>

		<b>2012 ACTUAL</b>	<b>2013 ORIGINAL BUDGET</b>	<b>2014 BUDGET</b>
	<b>Expenses</b>			
<b>494500</b>	<b>Sewer Maintenance</b>			
	<b>Salaries &amp; Wages</b>			
101	Full-Time Employees - Regular	72,752	68,158	69,978
102	Full-Time Employees - Overtime	2,719	5,686	2,998
103	Part-Time Employees - Regular	355	210	
104	Part-Time Employees - Overtime		9	
121	PERA Contributions - Coordinated	6,054	5,370	5,256
128	Social Security	1,416	4,592	4,495
129	Medicare	1,363	1,074	1,051
131	Health Insurance	21,884	20,974	20,714
132	Health Care Savings Plan/Sick Leave	62		
133	Life Insurance	86	85	87
134	Disability Insurance	540	689	395
151	Workers Compensation	2,080	2,103	2,059
	<b>Supplies/Services &amp; Maintenance</b>			
212	Motor Fuels	2,010	3,000	3,000
221	General Supplies	1,853	1,000	1,000
222	Tires	2,422		
228	Utility System Maint	1,245	1,000	1,000
229	Lift Station Maintenance	334	500	1,000
313	Hosp Co-Ins & Hosp/Sick Leave Reserve			
315	School & Conference	38	750	750
331	Travel Expense		500	500
385	Sewer Charges	450,088	467,848	489,882
404	Equipment Maintenance	4,206	4,670	3,300
406	Vehicle Maintenance	1,250	500	1,200
417	Uniform Rental			100
451	Dues & Subscriptions		15	15
460	Permits & Licenses	130	247	247
475	Sewerline Repairs	20,132	22,000	22,000
476	Lift Station Repairs	8,607	20,000	20,000
477	I & I Maintenance	2,750	3,313	5,000
478	Sewer Cleaning	25,190	25,000	25,000
495	Property Damage Reimb. By Insurance			
499	Miscellaneous	1,059	500	500
	<b>Capital Outlay</b>			
580	Other Equipment			
590	Pumping Plant & Lift Stations	6,261	12,000	5,280
	*continued			

	<b>Expenses</b>	<b>2012 ACTUAL</b>	<b>2013 ORIGINAL BUDGET</b>	<b>2014 BUDGET</b>
	<b>Sewer Administration &amp; General</b>			
	<b>Salaries &amp; Wages</b>			
101	Full-Time Employees-Regular	51,464	45,066	48,014
102	Full-Time Employees-Overtime	158	422	474
121	PERA Contributions-Coordinated	3,113	3,298	3,515
128	Social Security	2,699	2,820	3,006
129	Medicare	631	660	703
131	Health Insurance	10,463	11,242	12,531
132	Health Care Savings Plan/Sick Leave	40		
133	Life Insurance	48	54	63
134	Disability Insurance	304	456	262
151	Workers Compensation	1,510	1,292	1,377
	<b>Supplies/Services/Maintenance &amp; Depreciation</b>			
201	Office Supplies	38	500	200
202	Printing Supplies	765	500	500
209	Computer Supplies	26		200
212	Motor Fuels	250		
219	Other Operating Supplies		-	
221	General Supplies		100	
223	Bldg Repair & Maint Supplies	224	400	
301	Audit/Account Services	1,700	1,800	1,967
303	Banking Fees	984	1,700	1,700
305	Engineer Fees	6,993	1,500	1,500
308	Legal Fees	2,847	1,000	1,000
310	Recording/Filing Fees	46		
313	Hosp Co-Ins & Hosp/Sick Leave		-	
315	School & Conference		50	50
319	Contracted Services	434	250	250
321	Telephone	2,954	3,000	3,100
322	Internet	421	410	410
323	Gopher One Call Locates	1,064	1,000	1,000
325	Postage	2,781	2,500	2,400
331	Travel Expense	523	600	600
351	Legal Notices Publishing	35		
361	General Liability	2,691	2,809	6,003
381	Electricity	10,177	15,000	12,000
383	Heating Gas	1,723	3,000	3,000
384	Garbage Removal	760	700	700
401	Building Maintenance			
404	Equipment Maintenance	34	93	34
405	Computer Maintenance	6,560	6,578	6,771
413	Equipment Rental	213	285	
420	Depreciation Expense	428,295	441,047	450,000
451	Dues & Subscriptions		380	
496	Insurance Deductible	2,000		
499	Miscellaneous	126	-	
	<b>Capital Outlay</b>			
540	Office Equip/Furnishings			
	<b>Other Financing Uses</b>			
720	Transfer Out	61,090	57,347	60,419
	<b>Total Expenditure</b>	<b>1,247,205</b>	<b>1,279,652</b>	<b>1,310,556</b>
	<b>Revenues/Over/(Under) Expenditur</b>	<b>(16,926)</b>	<b>(94,252)</b>	<b>(8,099)</b>

## Fund 605 - Street Lighting Fund

Street Lighting fund was created to account for the activity of lighting and signaling public streets. The City is responsible for the expenditures to maintain the traffic signals to control traffic flow at the following intersections: Cirrus Drive & Hwy 53, Ugstad & 53, Lavaque & 53, Arrowhead & 53, Mall Drive & 53, Haines Rd & Hermantown Road, Maple Grove & Loberg, and Maple Grove & Stebner. A monthly franchise fee is charged through MN Power to residents at a rate of \$2 per month.

### Budget Detail

		2012 ACTUAL	2013 ORIGINAL BUDGET	2014 BUDGET
	<b>Revenues</b>			
318100	Franchise Fees	103,014	97,000	100,000
362100	Investment Interest	6,949	4,000	
362110	Checking Account Interest	157	150	
362160	Gain (Loss) on Sale of Investments	347		
362430	Refund & Reimbursement	1,664		
	<b>Total Revenues</b>	<b>112,131</b>	<b>101,150</b>	<b>100,000</b>
	<b>Expenses</b>			
	<b>Supplies &amp; Services</b>			
219	Operating Supplies	50		
227	Street Lights & Signs	5,842	7,000	7,000
308	Legal Fees	168		
381	Electricity	102		
413	Equipment Rental	28,377	27,000	27,500
495	Property Damage Reimb. By Insurance	5,593	6,500	7,600
580	Other Equipment	1,664		
585	Street Lights	660		
		2,113		
	<b>Other Financing Uses</b>			
720	Transfer Out	2,500	2,500	
	<b>Total Expenditures</b>	<b>47,069</b>	<b>43,000</b>	<b>42,100</b>
	<b>Revenues Over Expenditure</b>	<b>65,062</b>	<b>58,150</b>	<b>57,900</b>

## Glossary

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**Accrual Basis** – The method of accounting under which revenues are recorded when they are earned (whether or not cash is received at that time) and expenditures are recorded when goods and services are received (whether cash disbursements are made at that time or not).

**Activity** – A cost center for recording charges for services delivered or functions performed. Each activity has an assigned manager who is responsible for planning and conducting the various approved objectives or workloads.

**Ad Valorem** – In proportion to value. A basis for levying taxes upon property.

**Adopted Budget** – The financial plan of revenues and expenditures for a fiscal year as adopted by the City Council.

**Appropriation** – An authorization made by the legislative body of a government that permits officials to incur obligations against and to make expenditures of governmental resources. Appropriations are usually made for fixed amounts and are typically granted for a one-year period.

**Assessment** – (1) The process of making the official valuation of property for taxation. (2) The valuation placed upon property as a result of this process.

**Assets** – Property owned by a government that has monetary value.

**Balanced Budget** – In a balanced budget: expenditures are exactly offset by an equal amount of resources including revenues and available carryover fund balances.

**Bond** – A written promise to pay (debt) a specified sum of money (called principal or face value) at a specified future date (called the maturity date(s)) along with periodic interest paid at a specified percentage of the principal (interest rate). Bonds are typically used for long-term debt.

**Bonded Indebtedness** – Outstanding debt by issues of bonds, which is paid by ad valorem or other revenue.

**Budget** – A plan of financial operation embodying an estimate of proposed expenditures for a given period and the proposed means of financing them.

**Budget Calendar** – The schedule of key dates which a government follows in the preparation and adoption of the budget.

**Budget Message** – A general discussion of the proposed budget presented in writing as a part of or supplement to the budget document. The budget message explains principal budget

issues against the background of financial experience in recent years and presents recommendations made by the City Administrator.

**Capital Improvement Program (CIP)** – A five-year plan for proposed capital improvements. Also called Capital Improvement Plan.

**Capital Outlay** – Purchases of fixed assets that have a value of \$500 or more (\$200 or more for computer equipment) and a useful life of more than one year.

**Certified Levy** – Total tax levy of a jurisdiction, which is certified to the County Auditor.

**City Council** – The elected body of members making up the legislative arm of local government in Hermantown.

**Debt Limit** – The maximum of gross or net debt, which is legally permitted.

**Distinguished Budget Presentation Awards Program** - A voluntary awards program administered by the Government Finance Officers Association to encourage government to prepare effective budget documents.

**Delinquent Taxes** – Taxes that remain unpaid on and after the date on which a penalty for non-payment is attached.

**Department** – Basic organizational unit of City government responsible for carrying out related functions.

**Division** – An organizational unit within a department for purposes of administration and cost accounting.

**Drug Abuse Resistance Education (DARE)** – The DARE program gives kids the life skills they need to avoid involvement with drugs, gangs, and violence. The City has a DARE fund and one officer working at the Hermantown High School for DARE awareness.

**Enterprise Fund** – A fund established to account for operations financed and operated in a manner similar to private business enterprises. In this case, the governing body intends that costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

**Expenditures** – Where accounts are kept on the accrual or modified basis of accounting, the cost of goods received or services rendered whether cash payments have been made or not. Where accounts are kept on a cash basis, expenditures are recognized only when the cash payments for the above purchases are made.

**Federal Deposit Insurance Corporation (FDIC)** – Preserves and promotes public confidence in the U.S. financial system by insuring deposits in banks and thrift institutions for at least \$250,000.

**Fines & Forfeits** – A sum of money imposed or surrendered as a penalty.

**Fiscal Year** – A 12-month period to which the annual operating budget applies and at the end of which a government determines its financial position and the results of its operations.

**Full-Time Equivalent (FTE)** – Equivalent of one employee working fulltime, or 2,080 hours per year. An FTE can be filled by any number of employees whose combined hours total 2,080 per year.

**Fund** – An independent fiscal and accounting entity with a self-balancing set of accounts recording cash and/or other resources together with all related liabilities, obligations, reserves, and equities which are segregated for the purpose of carrying on specific activities or attaining certain objectives.

**Fund Balance** – The excess of a fund's assets over its liabilities, generally called a reserve. A negative fund balance is sometimes called a deficit.

**General Fund** – The fund used to account for all financial resources except those reported in another fund.

**Generally Accepted Accounting Principles (GAAP)** – Accounting rules used to prepare, present, and report financial statements for a wide variety of entities.

**General Obligation Bonds** – When a government pledges its full faith and credit to the repayment of the bonds it issues, those bonds are general obligation (GO) bonds. Sometimes the term is also used to refer to bonds that are to be repaid from taxes and other general revenues.

**Governmental Accounting Standards Board (GASB)** – It is the highest source of accounting and financial reporting guidance for state and local governments.

**Government Finance Officers Association (GFOA)** – A professional association of approximately 17,500 state, provincial, and local government finance officers in the United States and Canada.

**Governmental Funds** – Funds used to account for the acquisition, use and balance of expendable financial resources and the related current liabilities-except those accounted for in proprietary funds. Under current GAAP, there are four governmental fund types: general, special revenue, debt service and capital projects.

**Grant** – A contribution of assets (usually cash) by one governmental unit or other organization to another. Typically, these contributions are made to local governments from the state and federal governments. Grants are usually made for specified purposes.

**Hermantown Economic Development Authority (HEDA)** – The Hermantown Economic Development Authority (HEDA) was established on April 6, 1992 by Resolution 92-29. HEDA is governed by a board of commissioners with seven members. All of the members of the City Council shall be board members and two public members. The City is financially accountable for HEDA because the City Council approves the budget for HEDA, levies taxes (if necessary), and must approve any debt issuances.

**Homestead Market Value Exclusion (HMVE)** - Property tax relief delivered by excluding a portion of each qualifying home's market value from taxation. Homes up to \$76,000 in total market value receive maximum exclusion. Amount of exclusion decreases for homes valued at over \$413,800. Replaced MVHC at the end of 2011.

**Infrastructure** – The basic facilities, equipment, services and installations needed for the growth and functioning of a community. Includes roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems.

**Intergovernmental Revenues** – Revenues from other governments in the form of grants, entities, shared revenues or payments in lieu of taxes.

**Legislative** – Having the power to create laws.

**Levy** – (1) (Verb) To impose taxes, special assessments or service charges for the support of governmental activities. (2) (Noun) The total amount of taxes, special assessments or service charges imposed by a government.

**Local Government Aid (LGA)** – A state government revenue sharing program for cities and townships that is intended to provide an alternative to the property tax. LGA is distributed through a formula based on tax base, population, population decline, age of housing, and the percent of market value classified as commercial or industrial.

**Major Program** – The ten departments in the City of Hermantown government: General Government, Public Safety, Streets and Highways, Recreation, Sales Tax, Special Revenue, Debt Service, Water Enterprise, Sewer Enterprise, Street Lighting Enterprise.

**Market Value Homestead Credit (MVHC)** – Started in 2002, this is the primary State program for property tax relief. The State remits a portion of sales and income taxes to local government to assist in keeping property taxes down. In 2011 the MVHC program was replaced with new homestead market value exclusion (HMVE).

**Maturities** – The dates on which the principal or stated value of investments or debt obligations mature and may be reclaimed.

**Municipal State Aid Street System (MSAS)** – Mechanism to identify and fund a “backbone” system of collector and arterial streets.

**Object of Expenditure** – Expenditure classification based upon the types or categories of goods and services purchased:

Typical objects of expenditure include:

- Personal services (salaries and wages);
- Supplies;
- Charges for service (utilities, maintenance contracts, travel);
- Capital outlay
- Debt service
- Other financing uses

**Objective** – Serving as a goal; being the object of a course of action.

**Ordinance** – A formal legislative enactment by the government body of a municipality.

**Personal Services** – A level of budgetary appropriations, which includes expenses for salaries, wages, and related employee benefits such as the City’s share of retirement and insurance.

**Policy** – A set of guidelines used for making decisions.

**Program** – Group activities, operations or organizational units directed to attaining specific purposes or objectives.

**Proprietary Funds** – Account for government’s ongoing organizations and activities that are similar to those often found in the private sector. All assets, liabilities, equities, revenues, expenses and transfers relating to the government’s business and quasi-business activities are accounted for through proprietary funds.

**Public Employees Retirement Association (PERA)** – PERA administers retirement plans providing defined benefit plan coverage to employees of local governments and school districts.

**Reserves** – Assets kept back or saved for future use or special purpose.

**Retained Earnings** – An equity account reflecting the accumulated earnings of the government’s proprietary funds (those funds where service charges will recover costs of providing those services).

**Revenue** – The term designates an increase to a fund’s assets which:

- Does not increase a liability (e.g., proceeds from a loan);
- Does not represent a repayment of an expenditure already made;

- Does not represent a cancellation of certain liabilities; and
- Does not represent an increase in contributed capital.

**Securities Investor Protection Corporation (SIPC)** – Federally mandated corporation that protects investors in certain securities from financial harm if a broker-dealer fails.

**Special Assessment** – A compulsory levy made against certain properties to defray part or all of the cost of a specific improvement or service deemed to primarily benefit those properties.

**Special Revenue Fund** – A fund used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

**Storm Water Pollution Prevention (SWPP)** – Defines and controls the handling of storm water runoff from a construction site.

**Supplies** – A level of budgetary appropriations, which includes expenses for commodities that are used such as office supplies, operating supplies, repair and maintenance supplies.

**Tax Capacity** – A valuation set upon real estate and certain personal property by the County Assessor as a basis for levying property taxes. The assessor determines the estimated market (resale) value of the property. This value is converted to tax capacity by a formula specified in state law. To be noted: HMVE reduces tax capacity.

**Tax Increment Financing (TIF)** – Financing tool originally intended to combat severe blight in areas which would not be redeveloped “but for” the availability of government subsidies derived from locally generated property tax revenues.

**Tax Levy** – The total amount to be raised by general property taxes for the purposes stated in the resolution certified to the County Auditor.

**Taxes** – Compulsory charges levied by a government to finance services performed for the common benefit.

# Acronyms

CAFR	Comprehensive Annual Financial Report
CD	Certificate of Deposit
CIP	Capital Improvement Plan
CPI	Consumer Price Index
DARE	Drug Abuse Resistance Education
FDIC	Federal Deposit Insurance Corporation
FNLB	Federal Home Loan Bank
FNMA	Federal National Mortgage Association
FTE	Full Time Equivalent
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association
GO	General Obligation
HEDA	Hermantown Economic Development Authority
I & I	Inflow & Infiltration
LGA	Local Government Aid
MSAS	Municipal State Aid Street System
PERA	Public Employee Retirement Association
SAC	Sewer Availability Charge
SCBA	Self-contained Breathing Apparatus
SIPC	Securities Investor Protection Corporation
SWPP	Storm Water Protection Prevention
TIF	Tax Increment Financing
WAC	Water Availability Charge



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