



Annual Budget

Fiscal Year 2015

Adopted Budget
December 1, 2014

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Introduction & Overview

Elected and Appointed Officials

POSITION	NAME	TERM EXPIRES
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ELECTED OFFICIALS

City Council

Mayor	Wayne Boucher	December 31, 2016
Council Member	Brad Tafs	December 31, 2014
Council Member	John Geissler	December 31, 2016
Council Member	Darlene Koski	December 31, 2016
Council Member	Gloria Nelson	December 31, 2018
Council Elect	Natalie Peterson	December 31, 2018

APPOINTED OFFICIALS

City Administrator	John Mulder	Continuous
Finance Director	Arlene Tucker	Continuous
Community Development Director	Adam Fulton	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

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



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	(2014A General Obligation Bond)
AA-	Standard & Poor’s	(2009A/2010A /2012A /2012B General Obligation Bonds)
Aa3	Moody’s	(2007A/2007B General Obligation Bonds)

People QuickFacts US Census Bureau	Hermantown	Minnesota
Population, 2013 estimate	9,605	5,420,380
Population, 2012 estimate	9,588	5,379,646
Population, 2010 (April 1) estimates base	9,414	5,303,925
Population, percent change, April 1, 2010 to July 1, 2013	2.0%	2.2%
Population, percent change, April 1, 2010 to July 1, 2012	1.8%	1.4%
Population, 2010	9,414	5,303,925
Persons under 5 years, percent, 2010	5.9%	6.7%
Persons under 18 years, percent, 2010	22.6%	24.2%
Persons 65 years and over, percent, 2010	13.9%	12.9%
Female persons, percent, 2010	46.0%	50.4%
White alone, percent, 2010 (a)	93.1%	85.3%
Black or African American alone, percent, 2010 (a)	2.4%	5.2%
American Indian and Alaska Native alone, percent, 2010 (a)	1.2%	1.1%
Asian alone, percent, 2010 (a)	1.2%	4.0%
Native Hawaiian and Other Pacific Islander alone, percent, 2010 (a)	Z	0.0%
Two or More Races, percent, 2010	1.6%	2.4%
Hispanic or Latino, percent, 2010 (b)	2.2%	4.7%
White alone, not Hispanic or Latino, percent, 2010	91.8%	83.1%
Living in same house 1 year & over, percent, 2008-2012	84.7%	85.5%
Foreign born persons, percent, 2008-2012	2.1%	7.2%
Language other than English spoken at home, pct age 5+, 2008-2012	4.6%	10.6%
High school graduate or higher, percent of persons age 25+, 2008-2012	94.3%	91.9%
Bachelor's degree or higher, percent of persons age 25+, 2008-2012	34.8%	32.2%
Veterans, 2008-2012	993	377,522
Mean travel time to work (minutes), workers age 16+, 2008-2012	17.7	22.7
Housing units, 2010	3,544	2,347,201

Homeownership rate, 2008-2012	73.1%	73.00%
Housing units in multi-unit structures, percent, 2008-2012	22.4%	21.6%
Median value of owner-occupied housing units, 2008-2012	\$217,100	\$194,300
Households, 2008-2012	3,407	2,101,875
Persons per household, 2008-2012	2.52	2.46
Per capita money income in past 12 months (2012 dollars), 2008-2012	\$30,421	\$30,656
Median household income, 2008-2012	\$66,866	\$59,126
Persons below poverty level, percent, 2008-2012	6.3%	11.2%
Business QuickFacts	Hermantown	Minnesota
Total number of firms, 2007	802	496,657
Black-owned firms, percent, 2007	F	2.5%
American Indian- and Alaska Native-owned firms, percent, 2007	F	0.6%
Asian-owned firms, percent, 2007	F	2.3%
Native Hawaiian and Other Pacific Islander-owned firms, percent, 2007	F	S
Hispanic-owned firms, percent, 2007	F	1.0%
Women-owned firms, percent, 2007	35.9%	26.8%
Manufacturers shipments, 2007 (\$1000)	0	107,563,060
Merchant wholesaler sales, 2007 (\$1000)	38,466	82,878,056
Retail sales, 2007 (\$1000)	493,786	71,384,103
Retail sales per capita, 2007	\$53,400	\$13,751
Accommodation and food services sales, 2007 (\$1000)	24,216	10,423,660
Geography QuickFacts	Hermantown	Minnesota
Land area in square miles, 2010	34.35	79,626.74
Persons per square mile, 2010	274.1	66.6
FIPS Code	28682	27
Counties	St. Louis County	

UPDATES:

Households in Hermantown – 3,480 (2013, MN State Demographer)
Population – Total 9,625 (2013, MN State Demographer)
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)

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

<u>Age</u>	<u>18-24</u>	<u>25+</u>
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%
Associate degree		6.5%
Bachelor's degree or higher	15.8%	19.2%
Graduate or professional degree		12.6%

2015 Principal Property Taxpayers

ALLETE, Inc.;, American Transmission Co. LLC; Wal-Mart Property Tax Dept. (Includes Sam’s Club); Menard Inc.; IRET Properties (Edgewood Vista); Steve R. Carlson; Deerfield Luxury Townhomes; BDP Enterprises LLC; Gander Mountain Sporting Goods; and Duluth Clinic LTD.

2015 Principal Employers

Wal-Mart, Independent School District No. 700 (Hermantown), Stepping Stones for Living, Menards, Sam’s Club, General Security Services Corporation, Menards, Kwik Trip, 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 –

6,441 Registered Voters-**2012** General Election

5,492 Ballots Cast-2012 General Election

85 % Voting

6,182 Registered Voters-**2014** State Election

3,205 Ballots Cast-2014 State Election

51.8 % Voting

Public Safety –

Fire Protection

- 3 Stations
- 25 Volunteer Firefighters
- ISO Class 6

Police Protection

- 1 Station
- 15 Sworn Officers

Public Works –

51.9 Miles of Asphalt Streets Maintained

19 Miles of Gravel Roads Maintained

36 Cul-De-Sacs

Streets – 70.9 Miles

Recreation –

325.95 Acres City parks, playgrounds, playfields and trails

- 4 parks, 2 playgrounds, 7 baseball/softball fields, 5 soccer fields, 1 skate park, 1 walking/skiing trail

Utilities -2014 Data

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

- 2,109 Connections
- 62.93 Miles of Water Mains
- 435,616 Gallons Average Daily Consumption
- 530 Hydrants for fire control
- 750,000 Gallons system capacity-2 water storage tanks

Municipal Sewer System-Western Lake Superior Sanitary District

- 1,896 Connections
- 68.288 Miles of Sanitary Sewer Mains
- 432,876 Gallons Average Daily Consumption
- 787 Manholes
- 15 Lift Stations

Community History

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 2014

General Government

1. Review of various ordinances; Related to definitions governing state licensed residential care facilities, licensed day care facilities, planning commission membership, revised Wetland Conservation Act Matters, , amending Section 910 and 920, nuisances (including a new nuisance enforcement procedure). Non-conforming uses. Section 535 of the Zoning Ordinance related to Business and Light Manufacturing uses, revised fence ordinance, City Council and Mayor Compensation.
2. Installation of high speed internet in the Administrative Services Complex. Also change in telephone vendor and internet connection to the Administrative Services Complex, Community Building and Public Works facility.
3. 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. We are awaiting the results of the 2013 CAFR.
4. 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, 2014. This is the fourth year the City has received this award.
5. Review and approval of the 2014 fee schedule, especially pertaining to planning and zoning.
6. New employees in Finance: Accountant and Account Clerk.
7. Council approval to hire the contracted City Building Official as a City employee effective in January 2015.
8. Presented the Debt Service Budgets in separate format and levying additional money for debt service.
9. Refunding of 2007A and 2007B bonds resulting in \$173,029.50 interest savings.
10. The City's bond rating was improved from AA- to AA.

Community Development

1. City received a grant from the Minnesota State Legislature of \$250,000 for pre-design work for the Arrowhead Regional Health and Wellness Center.

Economic Development

1. Hermantown Economic Development Authority (HEDA). Modification to the Development Program for Development District No. 1 and establishment of Hermantown Marketplace District No. 1 – a redevelopment Tax Increment District (TIF).
2. Improved blighted area by razing two existing structures, the former car dealership building and a former cinema building.
3. Improved infrastructure in the area; relocated a sewer main, and created a storm water management system to tie into existing infrastructure.

4. Approved the Hermantown Marketplace area plan and new corresponding zoning district language.
5. Development agreement to construct a 72 to 78 room Holiday Inn Express Suites Hotel in the Hermantown Marketplace TIF District No. 1.
6. Construction of Kwik Trip located on Sugar Maple Drive and Highway 53. Another Kwik trip to be constructed in 2015 in front of the Hermantown Menard's Store on Highway 53.
7. Adolph Small Area Plan.
8. Approval of a first time, 2015 HEDA levy of \$38,000 (budgeted \$36,100).
9. Continuation of the Sugar Maple Crossing development, with building permits issued for a total of 27,500 square feet of new retail, service and office uses.

Public Safety

1. City Council approved the creation of another sergeant to the police department for the 2015 budget.
2. Contracted with Springsted, Inc. to review the delivery of Fire Department services.

Public Works

1. Preview of the Petition process along with several policy and procedural changes.
2. Road reconstruction of Ugstad Road (from Morris Thomas to Hermantown Road).
3. Road construction Project 523 in the Hermantown Marketplace to construct Prospect Avenue and Frontier Way along with sidewalks in the area.
4. Review of infrastructure projects, petitions, objections and then explanation of the E one pump warranty (non-gravity sewer infrastructure projects)
5. Project 439 Haines Road (from Morris Thomas to Mary Lane Drive) sewer availabilities.
6. Implemented a utility delinquent charge for certified delinquent charges.

Park

1. State funding of \$75,000 approved by the Minnesota State Legislator for non-motorized trail system for the Munger Trail Spur Connection. Hermantown and Proctor are working cooperatively on route selection and preliminary engineering for a future paved trail connection between and through both cities, connecting to the Cross City Trail and Munger Trail in Duluth. Several opportunities for community input are planned as part of the process, including a well-attended meeting held on November 20th.
2. Acquisition of 35 acres of State of Minnesota's tax forfeited property for park land.
3. Creation of Rocky Run Trail and construction of Rocky Run Trail Boardwalk with the assistance from the Federal Bureau of Prisons, Duluth located in Hermantown.
4. Stebner Park – pavement was added connecting the parking lot and the concession stand.

5. Removal of public works pole building between Old City Hall and Park Pavilion, creating more open space.
6. Removed field light and power poles at the old football field.
7. Created a handbook section of policy and procedures related to park maintenance activities.

Capital Outlay

1. Police – (2) 2014 Sedans
2. Public Works - Dump Truck Box, Water meters/radio reads and a new road grader.
3. General - replacement of XP operating system computers to all Windows 7. This will address the cancellation of Windows support for XP machines.

Mayor
Wayne Boucher

Administrator
John Mulder

Councilors
Gloria Nelson
Darlene Koski
Brad Tafs
John Geissler



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Budget Message

2015 Budget
November 10, 2014

Attached is the 2015 City of Hermantown Budget.

The adoption of the annual budget is one of the most important actions taken by the City Council each year. The Budget reflects the ongoing operations and planning by the City Council and staff for the future. It is in the budget that dreams and ideas about who we are as a City and where we want to be going can be found. The 2015 Budget describes what the Departments are doing and the direction the Council is heading for the community.

The 2015 General Fund budget is balanced and balances fiscal responsibility with a desire to continue to move forward as an organization and community.

Revenues:

Taxes levied under this preliminary budget are projected to increase by \$207,552 or 5.73%, but due to increased tax capacity, the impact on residential property is an average of 0.99%.

It is important to note that the increase is divided up as follows:

General Fund	\$79,394
Debt Service	\$90,158
Hermantown Economic Development Authority (HEDA)	\$38,000

The levy for the General Fund represents a 2.26% increase. Expenditures are only up 1.74%, so the remaining increase is due to the loss of local government aid. The State of Minnesota has cut Local Government Aid to Hermantown by \$96,060, which represents a 27% cut in that revenue source. The City was able to make some staffing changes and still absorb the loss of local government aid.

It was a conscious effort to capture the increase in the tax capacity to apply the additional revenue for debt service. This is a significant and conscious change. This is the first time the City has levied general tax dollars for debt service payments related to water and sewer projects. In the past, the City has levied money for short term debt in the form of Certificates

of Indebtedness to finance large pieces of equipment and for costs related to the acquisition of the public works facility. The levy for those two purposes remained fairly constant, but in 2015, the City is increasing the debt service levy to make up part of the shortfall between the amounts being collected through special assessments and the debt service payments. The intent was to have a zero percent tax increase impact to cover lost revenue, increased expenditures, and apply levy money to the shortfalls in debt service.

The tax levy for HEDA is a new policy direction for the City Council. In the past, the Hermantown Economic Development Authority has relied on transfers from the general fund and various fees related to conduit financing.

Minnesota State statute allows Cities to levy taxes for an economic development authority. (A copy of the Statutes is attached). As we have attempted to be more proactive in encouraging development, particularly in Hermantown Market place, there are several areas where funds are necessary for us to be able to move forward with implementing the plan for the Market place and other areas for economic development.

Per the statutes, the City could levy .01813% of the estimated market value. That full amount would raise \$151,860.11 for HEDA to spend on economic development activity. (.01813% of 2014 Estimated Market Value \$813,617,800 = \$151,860.11). Based on the 2015 proposed budget, that amount would constitute a 4.45% increase in the tax levy.

Given the General Fund budget, and the desire to minimize the tax impact, it was recommended that the City impose $\frac{1}{4}$ of the allotted amount or \$38,000. This represents a 1% increase in the tax impact on residential property in the City of Hermantown.

Expenditures: Expenditures in the 2015 General Fund Budget are increasing 1.74%.

In the 2014 Budget, an additional Patrol Officer in the Police Department was added in anticipation that the department will be short staffed by two officers for a majority of the year due to an extended absences related to worker compensation and active military duty. In 2015, that additional officer was retained even though the absences had been resolved. In addition, the Council authorized a promotion of an officer in investigation to a Sergeant position.

The other staffing change included in the budget is moving the Building Official from a contractor to a City employee. This change also includes an increase from 4 days per week to 5 days.

Other increases in expenditures include a new pick up in the Street Department and an increase in park maintenance.

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

Expenditures	2014 Budget	2015 Budget	% Change
General Fund Budget	4,268,506	4,342,766	1.74%
Total City Budget (All Funds excluding Capital Project Funds)	11,113,265	11,273,180	1.44%

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 2011 and 2013 along with the status of each of them listed below: When the goals either overlapped, or evolved over time they have been combined.

2011 & 2013 Priorities	Status
Increase Sales Tax .5%; (2011)	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.
Utility Strategic Plan (where & how to use Sales Tax - Water/Sewer Expansion (need/ ROI/ tower/ mains): (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.
Debt Service Plan (shortages, sales tax, levy): (2013)	The City's debt service remains a concern for the City. The City reviewed where sales tax could be applied to debt service as it related to the statutory limits of the use of sales tax revenue. The Council also has specifically levied a portion of the shortfall in debt service payments, with the understanding; that it will need to continue to monitor and adjust to the debt service needs of the city.
Fire Department Relations, Services & Funding; (2011) and repeated in Jan 2013	This remains a Council priority issue as it was identified as part of the goal setting in January 2013. In November, 2014, the Council approved a contract with Springsted, Inc. to conduct a study of the fire department. That study is expected to take approximately 6 months to complete. With that timeframe, it should give the City some time to formulate any budgetary changes that may be necessary for 2016.
Look for/create stable revenue sources (2011)	This was not specifically listed in 2013, but the focus changed to more deliberate economic development activities. Since Jan 2011, the City has implemented a gas franchise fee, and has had a more focused effort on economic development

2011 & 2013 Priorities	Status
<p>Economic Develop Activities (HEDA) (2013)</p> <p>Hiring a grant writer (2013)</p>	<p>activities.</p> <p>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 in March, 2013.</p> <p>That policy was put to use to build infrastructure and remove blight at the intersection of Hwy 53 and Haines Road in 2014 and assist the development of a 5 story hotel which is scheduled to be constructed in 2015.</p> <p>Further, the Council has included a levy of \$38,000 specifically for HEDA in 2015 to continue to develop the Hermantown Market Place.</p> <p>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. The City is currently working on two fairly significant grant projects. The first is state grant of \$75,000 to work joint with the City of Proctor on trail planning, and how to connect with the Willard Munger Trail in Duluth. (see Trail System Master Plan below) The second is a state grant of \$250,000 for the planning and pre-design of the Arrowhead Regional Health and Wellness Center.</p>
<p>Planning & Zoning Director Succession; (2011)</p>	<p>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. The Community Development Director has been in the position for a year now, and has been able to assist the City in making progress in establishing the Hermantown Market Place.</p>
<p>Review cost of contractors (Engineering & Legal); (2011)</p>	<p>Not listed in 2013 as the initial review was completed. The Council is currently soliciting proposals for City Engineers services for 2015.</p>
<p>Organizational Assessment of entire organization (2011)</p>	<p>Not specifically listed in 2013, the City continues to review options when there are vacancies created by turnover. I</p> <p>Further, the City continues to review certain procedures and process of various functions. In January 2014, the Council took time to review the water and sewer petition process in</p>

2011 & 2013 Priorities	Status
	<p>order to improve that process. That review specifically led to changes in section 910 and 920 of the City Code relating to wastewater, public sewers, and private disposal systems. The City also adopted new procedures related to the installation of E-1 pumps on projects which include forced sewer mains.</p> <p>The Council also reviewed various commissions and their size. The Council reduced the number of members on the Planning Commission from 9 to 7 members and combined the Utility and Cable Commissions.</p>
Trail System Master Plan. (2011)	<p>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 the City of Proctor and a regional trail system. In 2014, the Council approved a contract with a firm to complete this study. The timeframe is for the study to be completed in the first half of 2015.</p> <p>The City also acquired two tax forfeited parcels from St. Louis County and constructed the Rocky Run trail, with the hopes that this will be the first leg of trail connecting City Hall with Fichtner Park.</p>
Service Roads – Hwy 53 (2013)	<p>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.</p> <p>The City made specific improvements at the corner of Hwy 53 and Haines road with the construction of Prospect Avenue and Frontier Way. This effort was a joint effort between a developer, the City, and the existing business to improve access and remove blight in the area.</p>
Traffic/pedestrian issues near the school/Arrowhead (2013)	<p>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 approved installing radar speed signs on all four legs of that intersection to try to slow traffic down. Further, the Council is attempting to work with the school district to study how traffic patterns will change as the Schools implement their facilities plan.</p>
Capital Improvement Plan (Street Improvement plan) (2013)	<p>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</p>

2011 & 2013 Priorities	Status
	<p>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.</p> <p>Staff continues to review this issue and recently conducted an inventory of city streets that will be presented to the City Council in early 2015.</p> <p>The City does have a fairly detailed 5 year plan for the Municipal State Aid (MSA) Roads. In 2014, the City used MSA funds to improve a mile of Ugstad Road between Hermantown Road and Morris Thomas Road.</p>
Stormwater Utility (2013)	<p>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.</p>

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 will to continue this process.

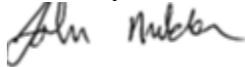
Shortly after January 1, 2015, the City Council will meet again to review the items they have listed in the past, and determine a new set of priorities. Council and Staff will continue to use work sessions to advance projects relating to past priorities and adjust as the Council moves forward into the next two to four years.

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, 2014 for the fourth consecutive. These awards not only give the employees a sense of pride in their work, but show the community that the City is striving for excellence.

Finally, beyond the substance of the budget, it is important to thank Arlene Tucker & Liz Middlemist. Ms. Middlemist started employment with the City on July 30 and has already contributed to this process even as she has worked through the orientation of a new work place. The hard work of budgets is in the details, and Arlene and Liz took care of much of the details. I truly appreciate their contributions to the process. The Department Heads and the employees of City Hall have been very helpful throughout this process.

This message is just a glimpse into all the things that are going on and the work required “to provide excellent and quality services” as stated in the mission statement of the City. After several years of slow growth, there appears to be a renewed energy and enthusiasm as we look forward to the coming year and beyond. The leadership of the Mayor and City Council along with the stewardship and work ethic of all the employees of the organization make the City of Hermantown truly the City of Quality Living.

Sincerely,

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

John Mulder

Distinguished Budget Presentation Award



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, 2014**. 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

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.

2015 Budget Overview

Revenues

Property Taxes: Property taxes are budgeted at \$82,808 or a 2.456% increase in the General Fund. The Hermantown Economic Development Authority will levy in 2015. The HEDA budget increase is for property taxes of \$36,190.

Local Government Aid (LGA): Local Government Aid in 2015 budget decreased by \$95,660 or 27%.

Building Permits: The Hermantown school will be constructing a new high school, remodeling the middle school and in 2014 started an addition to the elementary. It is anticipated more commercial building to be started in 2015. The budget increase is 115% in 2015 budgeted at \$172,000.

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 full year budget at 1% local sales tax for a budget of \$2,410,000.

Debt Service Funds: The total Debt Service Funds budget has an increase of \$83,841 or 81%. Included in the increase is an additional \$87,143 budgeted in Fund 318 to replace unpaid special assessments due to deferrals.

Water Fund: Hermantown purchases water from the City of Duluth. The water rate will increase in 2015 from a rate of \$7.43 to \$7.90 or 6.291% 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 2015 from a rate of \$8.60 to \$8.87 or 3.139% effective January 1, 2015.

Street Lighting and Traffic Signalization: 75% of gas franchise is budgeted in this fund, the remainder 25% is in the General Fund.

Expenditures

Council/Mayor: Increase of \$13,449 (30.785%) for City Councilor and Mayor Compensation per Council action in November 2014.

Administrative/Finance: A decrease of \$48,912 (11%). \$35,000 of the decrease is due the discontinuance of the yearly County Assessor billing and remainder, reduction in health insurance premiums.

Community Development: An increase of \$17,186 (9.74%). Budgeted increases are in engineer fees, legal fees, contracted services, general liability insurance and supplies. City will continue to contract with Arrowhead Regional Development Commission and for Hwy 53 study.

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. This budget has an increase of \$25,153 (5.5%). \$20,000 is included for a fire study, \$4,793 increase in worker's compensation premium and remainder in audit fees.

Building Inspection: The City's contracted building official (4 days/week) will become a full time City employee in 2015. The budget has increased by \$39,512 (41.3%) for additional expense due to the employment (salary, benefits and mileage).

Other Debt/Interest: A new budget item for 2015, \$9,907 for the capital lease of the JD lawn mower. The final payment is in 2017.

2015 Financial Summary Information

	<u>2013 Actual</u>		<u>2014 Original Budget</u>		<u>2015 Budget</u>	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
General Fund	\$4,448,188	\$4,224,753	\$4,259,263	\$4,268,506	\$4,343,533	\$4,342,766
Special Revenue Fund	\$2,192,739	\$1,781,852	\$2,615,362	\$1,583,441	\$2,638,788	\$1,564,370
Debt Service Funds	\$6,062,689	\$7,217,967	\$2,459,115	\$2,580,904	\$2,395,992	\$2,617,500
Enterprise Funds	\$2,614,459	\$2,729,560	\$2,824,762	\$2,680,414	\$2,817,348	\$2,746,044
Total	\$15,318,075	\$15,954,132	\$12,158,502	\$11,113,265	\$12,195,661	\$11,270,680*

*Additional \$2,500 budgeted in future infrastructure projects to transfer to general fund for administrative expenses.

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 2015 budget is a balanced budget with the use of available fund balance.

General Fund:

2015 budgeted revenues are \$84,270 (1.97%) higher than 2014 budgeted revenues. 2015 budgeted expenditures are \$74,260 (1.73%) higher than the 2014 budgeted expenditures. Details are on page 25.

Special Revenue Funds:

2015 budgeted revenues are \$23,426 higher than 2014 budgeted revenues. This increase is mainly due to the property tax revenue in the Hermantown Economic Development Fund. 2015 budgeted expenditures are \$19,071 less than 2014 budgeted expenditure. The transfers to debt service from the sales tax fund decreased by \$47,164. Increases in expenditures; \$4,954 in HEDA, \$20,000 in Park Dedication, \$6,000 Hermantown Wetland, and \$5,661 in Police-School Relations (DARE program).

Debt Service Funds:

Debt Service Funds has revenues of \$2,395,992 and expenditures of \$2,617,500. The difference is a transfer from Special Assessment Deficiency Fund of \$194,763 to fully meet debt service payments. The \$194,763 is included in the debt service total expenditures. 2015 budgeted revenues are \$63,123 less than 2014 budgeted revenues. This decrease is primarily due to the transfers from Sales Tax and Special Deficiency Funds. 2015 budgeted expenditures are \$36,596 more than 2014 budgeted expenditures. This increase is primarily due in part to new Certificate of Indebtedness. Total principal and interest/fiscal charges payments due in 2015 are \$1,680,974 and \$741,763 respectively.

Enterprise Funds:

2015 budgeted revenues are \$7,414 less than 2014 budgeted revenues. This decrease is primarily due to the decrease in water and sewer sales budgeted in 2014. The water rate will increase to \$7.90 per 1,000 gallons and the sewer rate will increase to \$8.87 per 1,000 gallons. 2015 budgeted expenditures are \$65,630 higher than 2014 budgeted expenditures. This increase is primarily due to the City budgeting for increased cost; water line repairs, purchase of locator, equipment rental, transducer, lift station repairs and additional depreciation expense in the sewer funds in 2015.

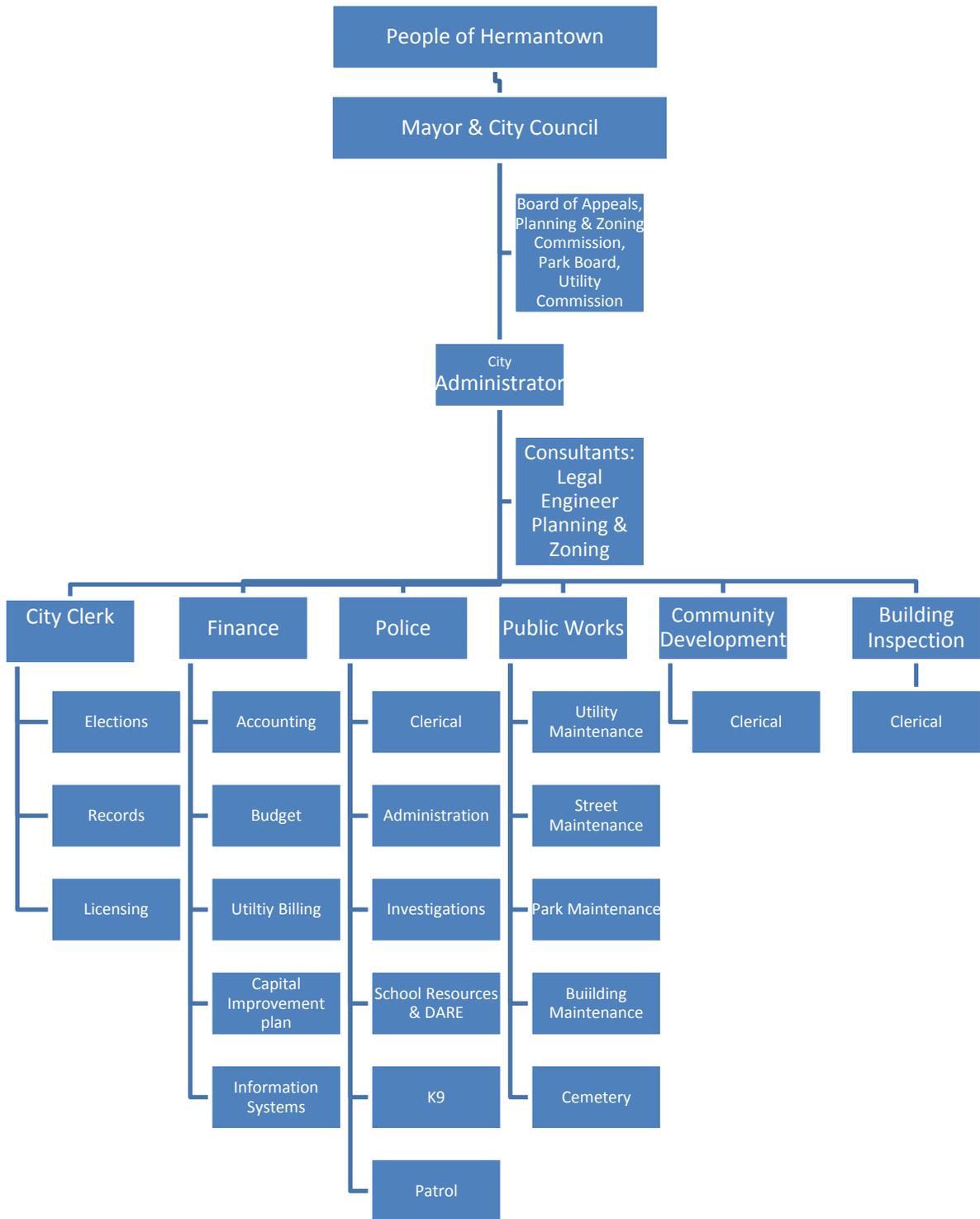
Financial Structure, Policy, and Process

Organization Structure and Chart

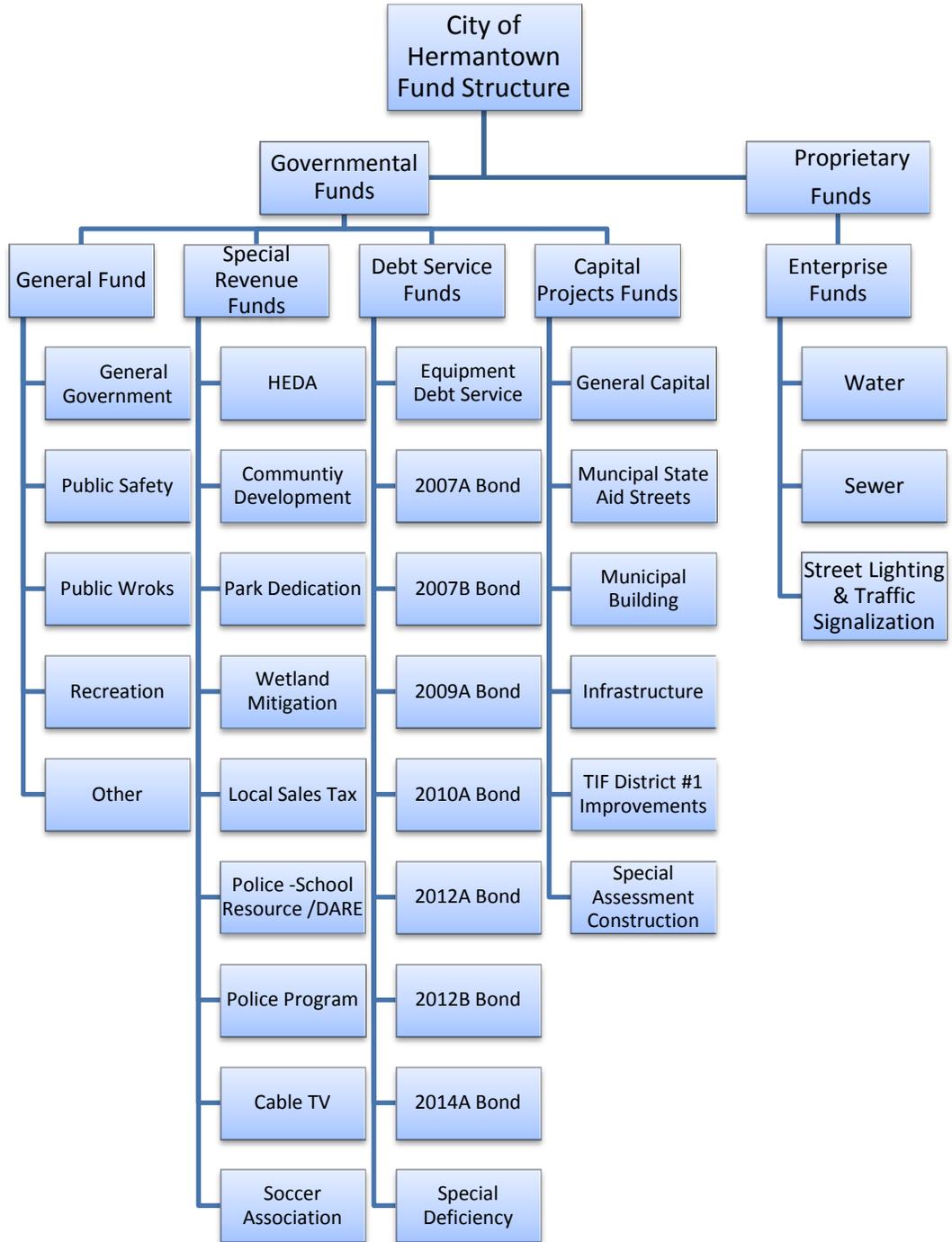
The City of Hermantown was incorporated on December 31, 1975. The City is a Plan A form of government. A five-member council consists of a mayor and four councilors. Councilors serve four-year terms; the mayor is elected to a four-year term. City elections are held in even years. The council may appoint 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.

CITY OF HERMANTOWN, MINNESOTA ORGANIZATIONAL CHART



City of Hermantown Fund Structure



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. The various funds are grouped, for budgeting purposes, into two broad fund categories: Government Funds and Proprietary Funds.

Governmental Funds include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project Funds.

Fund	Description	Major Budgeted	Non Major Budgeted
<i>General Fund</i>	The general fund is the primary revenue source and operating fund for most services cities typically offer. These included public safety (police, fire and building inspection), street maintenance and parks. In addition, the City Council, Administration, Finance, Community Development, City Attorney, City Engineer, Planning & Zoning are predominately funded by the General Fund. It is used to account for all financial resources except those reported in another fund.	X	

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.

Fund	Description	Major Budgeted	Non Major Budgeted
<i>City Sales Tax Fund</i>	Accounts for the local sales tax collected that is authorized by the Minnesota State Legislature to fund; extending a sewer interceptor line, construction of a booster pump station, reservoirs, and related improvements to the water system, and construction of a building containing a police and fire station and an administrative services facility.	X	
<i>Hermantown</i>	Created to preserve and create jobs, enhance tax base,		X

Fund	Description	Major Budgeted	Non Major Budgeted
<i>Economic Development Authority</i>	and promote the general welfare of the people of the City. (Board comprised of entire City Council, Mayor, City Administrator and two community representatives).		
<i>Community Development Fund</i>	Accounts for revenues and expenditures in connection with infrastructure improvements (water, sewer & streets) of general benefit to the community of Hermantown.		X
<i>Park Dedication Fund</i>	Accounts for the collection of revenues dedicated to the acquisition and capital improvement of City parks.		X
<i>Wetland Mitigation Fund</i>	Accounts for the collection of revenues from landowners who disturb wetlands in connection with the development of a parcel of land.		X
<i>Police – School Relations Fund</i>	Accounts for the school liaison and DARE programs conducted by the Hermantown police department in conjunction with the Hermantown school district.		X
<i>Police Program</i>	Accounts for revenue and expenditures for special police programs.		X
<i>Cable Television</i>	Accounts for the revenues and expenditures associated with administering a franchise agreement to provide cable television to Hermantown residents.		X
<i>Soccer Association</i>	Accounts for the revenue from the Soccer Association on the development of the Hermantown Stebner Soccer Park		X

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.

Fund	Description	Major Budgeted	Non Major Budgeted
<i>Fund 301 Equipment Debt Service</i>	Accounts for the accumulated resources to pay the interest and principal payments on the Certificate of Indebtedness in the purchase of Public Work's heavy equipment.		X
<i>Fund 316 2007A General Obligation & Utility Revenue Refunding Bond</i>	Accounts for the accumulated resources to pay the interest and principal payments on the 2007A GO & Utility Revenue Refunding Bond.		X

Fund	Description	Major Budgeted	Non Major Budgeted
<i>Fund 317 2007B General Obligation & Utility Bond</i>	Accounts for the accumulated resources to pay the interest and principal payments on the 2007B GO & Utility Bond.		X
<i>Fund 318 2009A General Obligation Bond – PW Salt Storage & Refinance 2003 Bonds</i>	Accounts for the accumulated resources to pay the interest and principal payments on the 2009A GO & Refunding Bond.		X
<i>Fund 319 2010A General Obligation Bond</i>	Accounts for the accumulated resources to pay the interest and principal payments on the 2010A GO Bond.		X
<i>Fund 320 2012A General Obligation Bond</i>	Accounts for the accumulated resources to pay the interest and principal payments on the 2012A GO Bond.		X
<i>Fund 321 2012B General Obligation Bond</i>	Accounts for the accumulated resources to pay the interest and principal payments on The 2012B GO Bond.		X
<i>Fund 322 2014A General Obligation Bond</i>	Accounts for the accumulated resources to pay the interest and principal payments on the 2014 GO Bond		X
<i>Special Assessment Deficiency Fund</i>	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.		X

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. The City does not budget for Capital Projects Funds.

Proprietary Funds – In addition to the Governmental Funds, the City maintains three separate enterprise funds. These 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.

Fund	Description	Major Budgeted	Non Major Budgeted
<i>Water Enterprise Fund</i>	The City provides water service to its citizens and commercial entities. This fund accounts for the activity of providing water services to the public.	X	
<i>Sewage Enterprise Fund</i>	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. This fund for the activity of providing sewer disposal services to the public.	X	
<i>Street Lighting & Traffic Signalization Fund</i>	The City maintains the street lighting and traffic signals owned by the City. This fund accounts for the activity of lighting and signalizing public streets.		X

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

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 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			
Wetland Mitigation	x							
Sales Tax							x	
Police - School Relations		x						
Police Program		x						
Cable TV						x		
Soccer Association					x			
Enterprise Funds								
Water								x
Sewer								x
Street Lighting & Traffic Signalization								x

Basis of Accounting and Basis of Budgeting

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

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 www.hermantownmn.com.

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

			enabling legislation.
Unrestricted	Committed	<p>“Used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority”⁵ 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"> • The City Council has decided to set aside \$x for a project. • Property tax levies set for a specific purpose by resolution. • Amounts transferred to Capital Project Fund for a specific purpose. • Internal Reserves for a specific purpose such as a large capital purchase.
	Assigned	<p>“Amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed”⁶ 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"> • City Council can set aside specific funds the City’s Finance Director may amend up to specified amount. • City Council delegates the authority to assign fund balance to the Finance Director. • City Council has appropriated fund balance usually titled “subsequent year’s expenditures” • Positive residual balances in government funds other than the general fund.
	Unassigned	<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. ⁷</p>	

² 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).

- ³ GASB Statement No. 54, ¶ 6
- ⁴ GASB Statement No. 54, ¶ 8
- ⁵ GASB Statement No. 54, ¶ 10
- ⁶ GASB Statement No. 54, ¶ 13
- ⁷ 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 31st of the applicable fiscal year. If the actual amount of the commitment is not available by December 31st, 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.

Budget Policy & Financial Control

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 15th 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 City Council will adopt a revised budget in December of each year for the current year. The budgetary level of control is at the department level. The City adopted an Operating Budget Policy in July of 2010.

Budget Calendar

FOR CALENDAR YEAR 2015 AS OF JULY 2014

<u>Date</u>	<u>Task</u>
July 8, 2014	Budget forms supplied to all City departments & consultants
July 14-18, 2014	City Administrator available to conduct budget assistance meetings if necessary with City departments & consultants
July 25, 2014	FINAL DATE to receive budget requests & supplementary information from all City departments & consultants
July 28-31, 2014	City Administrator holds budget sessions with City departments as necessary
Before August 1, 2014	Department of Revenue notifies cities of LGA amounts projected for 2015
August 8 - 8, 2014	City Administrator available to meet with departments to discuss and review the recommended budgets
August 15, 2014	2014 Budget to Actual Update presented to Council. Hold discussion on any 2014 Budget Amendments. Department budget presentations and City Administrator present to the City Council a consolidated budget for all City departments
August 18 - 22, 2014	City Council to conduct any needed additional meetings with departments and consultants for 2015 budget.
September 15, 2014	City Council to pass a preliminary 2015 Levy and city certifies the proposed property tax levy to the County Auditor and certify the Truth-In-Taxation hearing date.
November 26, 2014	2015 Budget booklet sent to City Council for review.
December 1, 2014	Initial Truth-In-Taxation Hearing on 2015 Budget & Levy (regular scheduled meeting) and can adopt the 2015 Budget and Levy
December 15, 2014	Council to adopt the final 2014 Amended Budget. Finance Director submits final levy to County Department of Revenue.

Financial Summaries

2015 Statement of Accounts - All Funds

For January 1, 2014 through November 26, 2014

<u>Fund</u>	<u>Beginning</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending 11/26/14</u>
101 General Fund	2,962,833	2,737,651	3,674,490	2,025,994
230 HEDA	62,324	3,788	19,658	46,454
231 Community Development	81,494	25,023	-	106,517
235 Park Dedication	190,639	24,887	-	215,526
236 Wetland Mitigation	72,862	4	-	72,866
240 City Sales Tax	3,444,638	1,903,215	1,467,888	3,879,966
250 Police School Relations	29,256	81,605	65,648	45,213
251 Police Program	8,441	1,098	2,341	7,198
260 Cable TV	253,369	21,798	13,098	262,069
270 Soccer Association	(48,871)	-	-	(48,871)
301 Certificate of Indebtedness	28,744	189,299	205,550	12,494
315 2006A City Hall Bond	760,295	736,008	735,504	760,799
316 2007A Refunding Bonds	(198,454)	195,874	205,013	(207,593)
317 2007B General Obligation Bonds	181,529	154,343	161,586	174,286
318 2009A G.O. Improvement bonds	176,948	373,045	450,878	99,115
319 2010A General Obligation Bonds	283,322	358,894	393,809	248,407
320 2012A General Obligation Bonds	(271,372)	240,455	280,244	(311,161)
321 2012B General Obligation Bonds	910,117	98,198	69,640	938,675
350 Special Assessment Deficiency	909,421	4,199	245,384	668,236
401 General Capital Projects	53,128	-	-	53,128
402 Municipal State Aid Streets	37,754	772,423	729,128	81,049
409 Municipal Building Reserve	359,473	-	-	359,473
450 Infrastructure Capital Projects Fund	-	-	-	-
460 TIF District #1 Improvements	-	-	488,974	(488,974)
475 Special Assessment Capital Projects	(8,941)	-	-	(8,941)
601 Water Enterprise	10,795,472	1,081,741	984,860	10,892,353
602 Sewer Enterprise	29,501,691	1,037,591	670,233	29,869,049
605 Street Lighting Utility	510,603	93,339	27,755	576,187
Total All Funds	51,086,715	10,134,479	10,891,681	50,329,513

***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.

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

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

Police School Relations 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.

Major Funds and Non-Major Funds by Fund Type

	2013 Actual		2014 Original Budget		2015 Budget	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
General Fund	4,448,188	4,224,753	4,259,263	4,268,506	4,343,533	4,342,766
Special Revenue Funds						
City Sales Tax	2,100,457	1,637,161	2,452,000	1,440,626	2,489,190	1,393,462
Non-Major Special Revenue Funds	92,282	144,691	163,362	142,815	149,598	170,908
Debt Service Funds						
Non-Major Debt Service Funds	6,062,689	7,217,967	2,459,115	2,580,904	2,395,992	2,617,500
Enterprise Funds						
Water Enterprise	1,270,115	1,254,839	1,422,305	1,327,758	1,383,765	1,346,807
Sewer Enterprise	1,243,927	1,421,693	1,302,457	1,310,556	1,293,583	1,352,467
Non-Major Enterprise Fund	100,417	53,028	100,000	42,100	140,000	46,770
Total All Funds	15,318,075	15,954,132	12,158,502	11,113,265	12,195,661	11,270,680
Major funds are in bold type .						

2015 Budget Summary – All Funds Budgeted Revenues

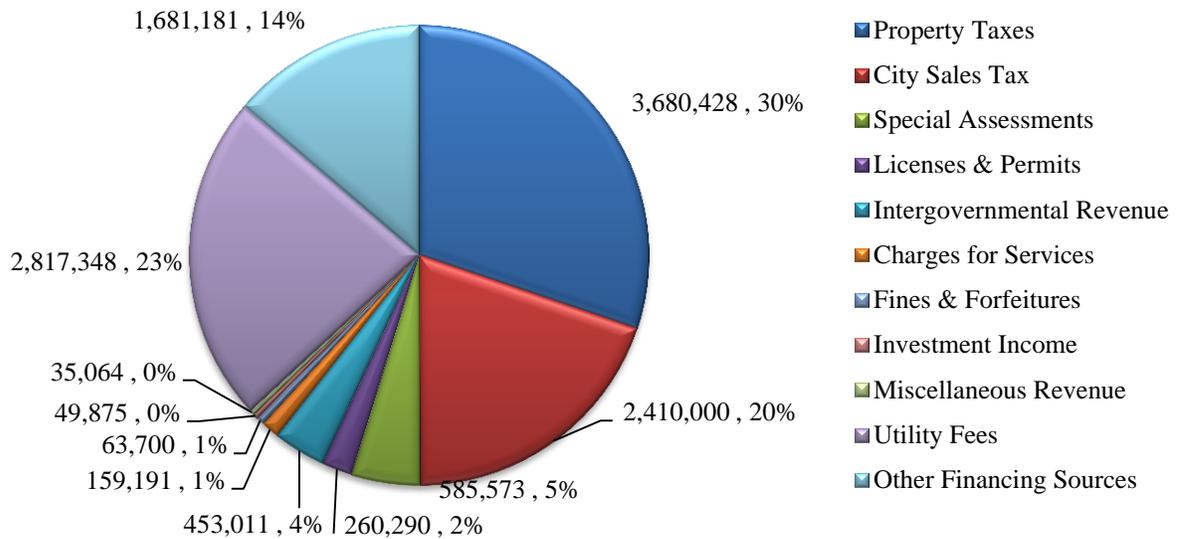
	ACTUAL 2013	ORIGINAL 2014	BUDGET 2015
GENERAL FUND			
Taxes	\$3,441,278	\$3,384,192	\$3,467,000
Licenses & Permits	139,753	142,195	240,590
Intergovernmental	576,788	548,483	453,011
Charges for Services	33,757	31,654	29,674
Fines & Forfeits	52,532	58,300	58,300
Investment Income	(14,091)	22,000	25,000
Miscellaneous	79,582	29,439	26,958
Other Financing Sources	138,589	43,000	43,000
	<u>\$4,448,188</u>	<u>\$4,259,263</u>	<u>\$4,343,533</u>
SPECIAL REVENUE FUNDS			
Taxes	\$ 43,843	\$ 42,500	\$79,190
City Sales Use Tax	2,056,614	2,410,000	2,410,000
Licenses, Permits, & Fees	26,324	24,100	19,700
Charges for Services	62,069	64,310	64,576
Fines & Forfeits	9,106	5,600	5,800
Investment Income	(37,456)	36,350	27,875
Micellaneous	17,138	17,502	16,647
Other Financing Sources	15,000	15,000	15,000
	<u>\$2,192,638</u>	<u>\$2,615,362</u>	<u>\$2,638,788</u>
DEBT SERVICE FUNDS			
Taxes	\$105,221	\$103,397	\$187,238
Special Assessments	1,025,649	638,631	585,573
Investment Income	(428)		
Other Financing	4,932,247	1,717,087	1,623,181
	<u>\$6,062,689</u>	<u>\$2,459,115</u>	<u>\$2,395,992</u>
ENTERPRISE FUNDS			
<i>Water Utility</i>			
Operating Utility Funds	\$1,212,148	\$1,323,488	\$1,271,886
Non-Operating Investment Income	(55,204)	26,500	27,000
Non-Operating Utility Fees	113,172	72,317	84,879
Other Financing Sources	0		
<i>Sewage Disposal</i>			
Operating Utility Fees	1,175,444	1,248,257	1,238,383
Non-Operating Investment Income	(3,466)	11,000	13,000
Non Operating Utility Fees	71,919	43,200	42,200
<i>Street Lighting & Traffic Signalization</i>			
Operating Utility Fees	99,009	100,000	140,000
Non Operating Investment Income	1,536		
Non Operating Utility Fees			
	<u>\$2,614,558</u>	<u>\$2,824,762</u>	<u>\$2,817,348</u>
TOTAL REVENUES	<u>\$15,318,073</u>	<u>\$12,158,502</u>	<u>\$12,195,661</u>

BUDGETED EXPENDITURES

	ACTUAL 2013	ORIGINAL BUDGET 2014	BUDGET 2015
GENERAL FUND			
General Government	\$ 984,184	\$ 904,578	\$ 874,118
Public Safety	2,487,577	2,629,712	2,703,862
Public Works	595,305	606,226	632,881
Park	137,687	112,990	106,998
Other Financing Uses	20,000	15,000	24,907
	<u>\$ 4,224,753</u>	<u>\$ 4,268,506</u>	<u>\$ 4,342,766</u>
SPECIAL REVENUE FUNDS			
HEDA Component Unit	\$ 11,285	\$ 35,056	\$ 40,010
Community Development	\$ -	\$ -	\$ -
Park Dedication	-	-	20,000
Hermantown Wetland Mitigation			6,000
Hermantown Wetland Bank			
City Sales Tax	1,637,164	1,440,626	1,393,462
Police Liaison Education	75,821	74,477	80,138
Police Program	32,498		
Cable Television	25,084	33,282	24,760
Soccer Association Fund			
	<u>\$ 1,781,852</u>	<u>\$ 1,583,441</u>	<u>\$ 1,564,370</u>
DEBT SERVICE FUNDS			
E-1 Pumps	\$102,974	\$0	\$0
Principal Retirement	3,656,351	\$ 1,552,312	\$ 1,680,974
Interest & Fiscal Charges	860,643	783,208	741,763
Other Financing Uses	2,597,999	245,384	194,763
	<u>\$7,217,967</u>	<u>\$ 2,580,904</u>	<u>\$ 2,617,500</u>
ENTERPRISE FUNDS			
Water Utility			
-Operating	\$ 1,039,152	\$ 1,113,971	\$ 1,132,904
-Depreciation	167,848	\$ 165,000	165,000
-Other Financing Uses	47,839	48,787	48,903
Sewage Disposal			
-Operating	705,468	800,137	832,811
-Depreciation	442,519	450,000	460,000
-Other Financing Uses	273,706	60,419	59,656
Street Lighting Utility			
-Operating	48,361	42,100	42,100
-Depreciation	2,167		2,170
-Other Financing Uses	2,500		2,500
	<u>\$ 2,729,560</u>	<u>\$ 2,680,414</u>	<u>\$ 2,746,044</u>
TOTAL EXPENSES	\$ 15,954,132	\$ 11,113,265	\$ 11,270,680

The budget is a blueprint for City services and plans for fiscal year 2015. 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.

2015 Budgeted Revenues

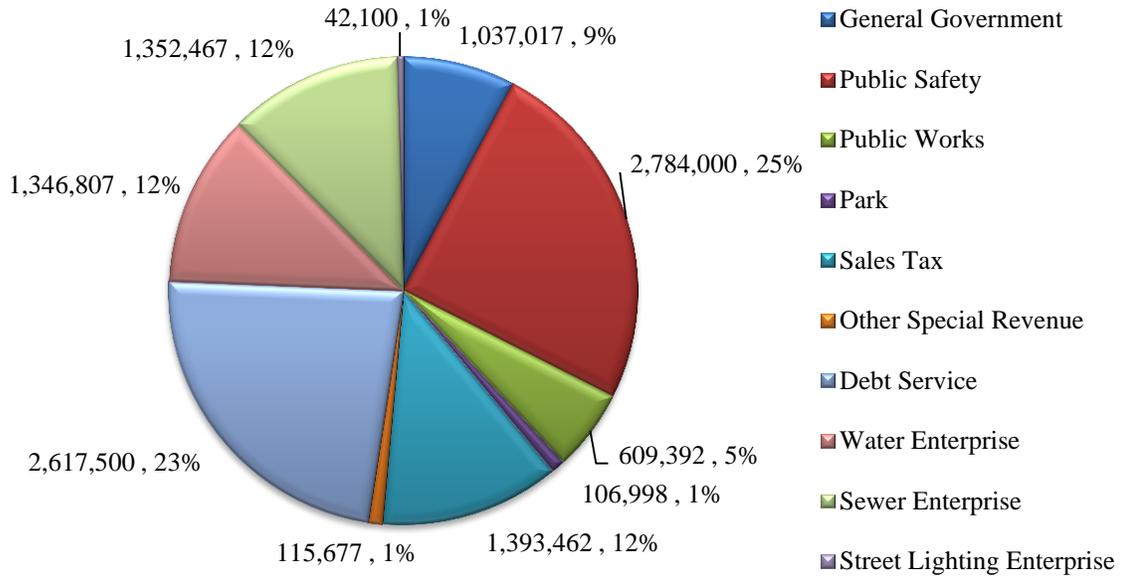


Total Budgeted revenues for all funds equal \$12,195,661.

The five largest components of the 2015 revenue budget, accounting for 91 percent of total revenues, in descending order based on dollars are as follows:

Property Taxes	\$3,680,428	30%
Utility Fees	\$2,817,348	23%
City Sales Taxes	\$2,410,000	20%
Other Financing Sources	\$1,681,181	14%
Intergovernmental	\$453,011	4%

2015 Budgeted Expenditures by Function



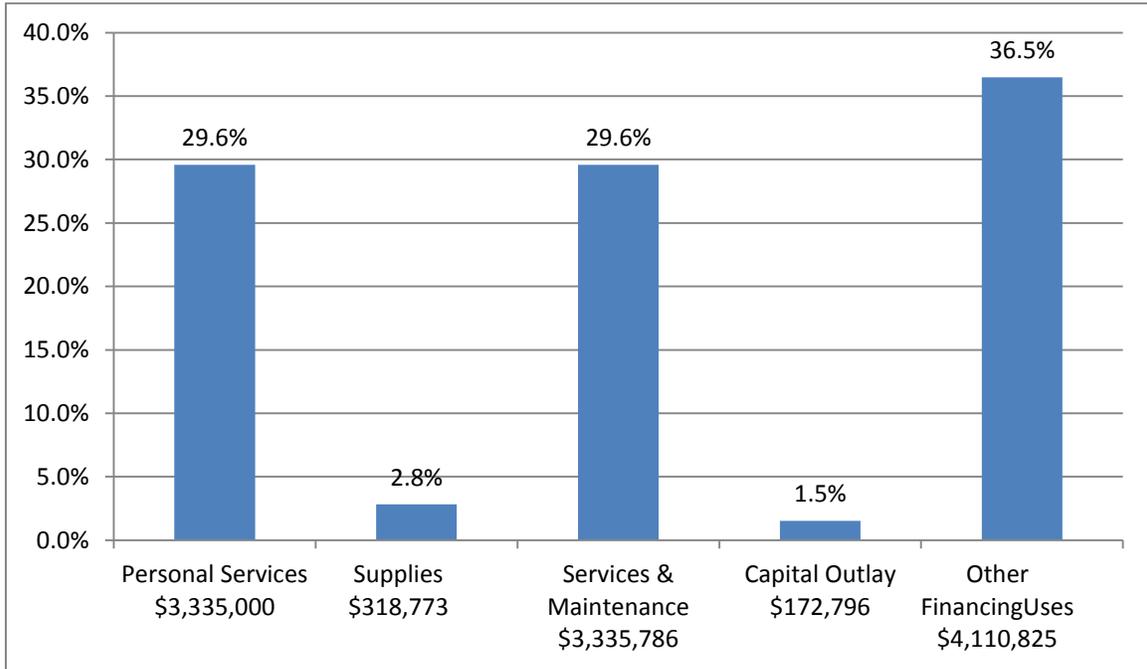
Total budgeted expenses for all funds are \$11,270,680*

*Plus Additional \$2,500 budgeted in future capital projects to transfer to the General Fund for administrative expenses.

The five largest components of the 2015 expenditure budget, accounting for 84 percent of the appropriations, in descending order based on dollars are as follows:

Public Safety	\$2,784,000	25%
Debt Service	\$2,617,500	23%
Sales Tax	\$1,393,462	12%
Water Enterprise	\$1,346,807	12%
Sewer Enterprise	\$1,352,467	12%

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.

Fund Name	Est 2015 Beginning Fund Balance	2015 Revenues	2015 Expenditures	2015 Ending Fund Balance	% Change in Fund Balance	\$ Change in Fund Balance	Reason for Greater than 10 Percent Variance
101 General	2,960,000	4,343,533	4,342,766	2,960,767	0.03%	767	
230 HEDA	46,000	40,010	40,010	46,000	0.00%	-	
231 Community Development	106,000	50	-	106,050	0.00%	50	
235 Park Dedication	215,000	26,636	20,000	221,636	3.09%	6,636	
237 Wetland Mitigation	58,030	1,000	6,000	53,030	-8.62%	(5,000)	
240 Sales Tax	2,400,000	2,435,500	1,393,462	3,442,038	43.42%	1,042,038	Build reserve for debt service, water & trunkline projects
250 Police - School Relations	30,000	82,626	80,138	32,488	8.29%	2,488	
251 Police Program	7,100	2,825		9,925	39.79%	2,825	Unknown forfeiture expenses
260 Cable TV	280,000	44,600	24,760	299,840	7.09%	19,840	
270 Soccer Association Fund.	(41,000)	5,541	-	(35,459)	-13.51%	5,541	Annual payment from Soccer Association
301 Equipment Debt Service	31,000	38,227	68,822	405	-98.69%	(30,595)	Use of fund balance for loan payments
315 2006A City Hall Bond	760,295	660,008	660,008	760,295	0.00%	-	
316 2007A Refunding Bonds	(200,000)	208,768	208,768	(200,000)	0.00%	-	
317 2007B General Obligation Bonds	175,000	162,890	162,890	175,000	0.00%	-	
318 2009A G.O. Improvement Bonds	150,000	447,257	447,257	150,000	0.00%	-	
319 2010A General Obligation Bonds	230,000	387,813	387,813	230,000	0.00%	-	
320 2012A General Obligation Bonds	(300,000)	285,860	283,885	(298,025)	-0.66%	1,975	
321 2012B G.O. Improvement Bonds	940,000	203,294	203,294	940,000	0.00%	-	
350 Special Assessment Deficiency	668,000	1,875	194,763	475,112	-28.88%	(192,888)	Transfers to debt service funds for deferrals, WAC and SAC's
601 Water Enterprise	10,800,000	1,383,765	1,346,807	10,836,958	0.34%	36,958	
602 Sewer Enterprise	29,500,000	1,293,583	1,352,467	29,441,116	-0.20%	(58,884)	
605 Street Lighting Utility	580,000	140,000	46,770	673,230	16.07%	93,230	Build reserve for replacements

Sales Tax Fund (Fund 240) – This fund has a 43.42% budgeted increase in fund balance for 2015. Funds are to build reserves for future debt service transfers through 2028. In addition, reserves for additional sewer interceptor line, related improvements to the water system.

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.

Equipment Debt (Fund 301) – This fund will use the fund balance to make principal and interest payments for 2015.

Special Assessment Deficiency (Fund 350) – This fund will transfer additional funds to various debt service funds to cover special assessment deferrals, water and sewer availabilities.

Street Lighting Utility (Fund 602) – This fund has a 16.07% budgeted increase in fund balance for 2015 due to the current franchise agreement with MN Power which sets the utility fees of this fund. In addition 75% of the current gas franchise with MN Energy is recorded to this fund. Fund balance will build reserves for future replacements and equipment for road right of way.

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. This legislative authority for this sales tax extends to 2026. City Councilors are reviewing the needs of the community and projects that could be funded with local sales tax funds.
- A review of the projects financed by the various bonds was completed in 2014. Adjustments of sales tax funds transfers were made to debt service funds in 2013 and 2014. Upon a thorough 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.
- The City changed the budget process to review budgets for the Debt Service funds separately by the City Council to highlight the need for additional revenue.
- In the 2015 budget, transfers were made from the Special Deficiency Fund to have sufficient revenue to make the bond payments.
- City Council approved an additional debt service levy in 2015 to start to work on addressing the shortages in the various debt service funds. The shortages are caused by the special assessment deferrals, tax forfeited properties, water and sewer availabilities. Additional tax levy for debt service will affect the total tax levy in the future.
- The City continues to review the interest rate ant the call dates of the bonds to monitor the possibility of reducing interest costs by re-financing.
- The City received an upgrade in its bond rating from AA- to AA. This has a long term impact on the City's interest rates on future bonds.
- Future plans will be continue to review on an annual basis the deferred special assessments, water and sewer availabilities and change in ownership of property that cancels the deferrals.
- 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 annually reviews its fee structure and utility rates to keep up with costs.
- City Councilors have quarterly work sessions to discuss their priorities.

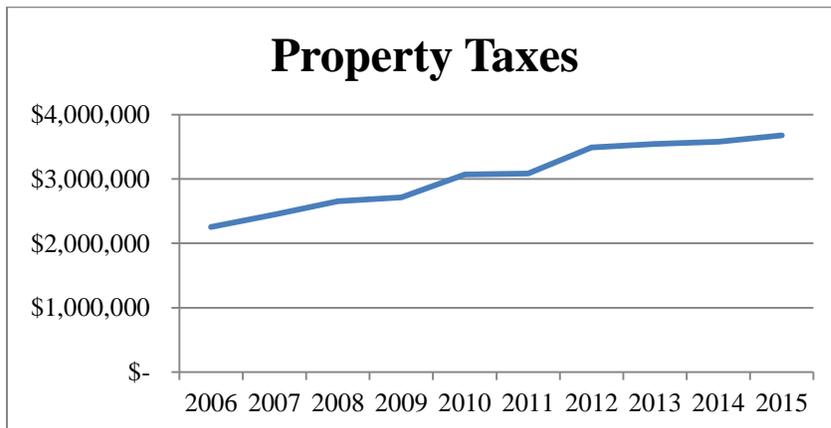
Revenue Categories & Trends

The five largest components of the 2015 revenue budget, accounting for 91 percent of total revenues, in descending order based on dollars are as follows:

Property Taxes	\$3,680,428	30%
Utility Fees	\$2,817,348	23%
City Sales Taxes	\$2,410,000	20%
Other Financing Sources	\$1,681,181	14%
Intergovernmental	\$453,011	4%

The largest sources of revenue are described below. The largest five categories include Property Taxes, Utility Fees, City Sales & Use Taxes, Other Financing Sources, and Intergovernmental which account for 91 percent of the revenue budget.

Property Taxes – The largest source of revenue is property taxes of \$3,680,428 comprising 30 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.

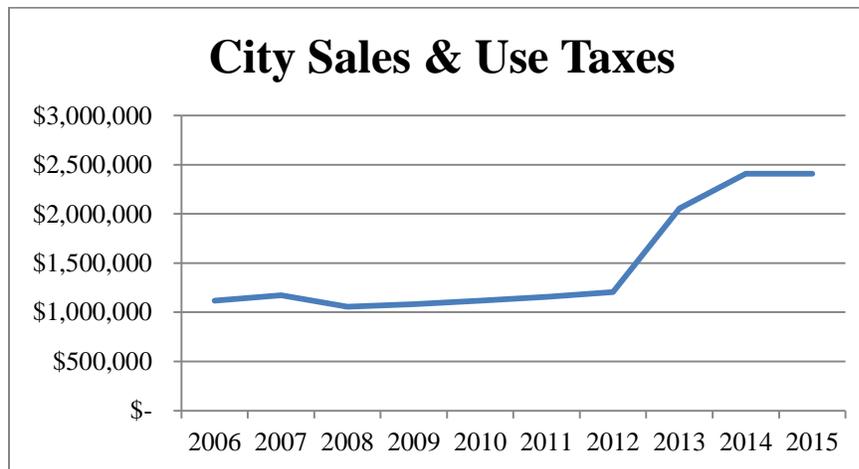


Trends: Property tax levies have been increasing due to cuts in state aid that began in 2001. This is shown in the graph above. The State of Minnesota legislature continues to study the formula for Local Government Aid (LGA). For the year 2015 the City will lose 27% of the 2014 LGA. The City and the State do not have the same budget year. When the legislature enacts cuts within the City’s calendar year, the City is unable to made changes in its current property tax levy to make up the shortfall.

Local Government Aid – Comparison in order by Cities and population

City	2013	2014	2015	2014-215 Incr/(Dec) %	2012 Population
Duluth	\$27,437,478	\$29,030,643	\$29,203,638	\$172,995 .6%	86,033
Hibbing	\$7,994,316	\$8,082,406	\$8,095,281	\$12,875 1.6%	16,299
Hermantown	\$331,873	\$355,571	\$259,511	\$(96,060) (27%)	9,606
Virginia	\$4,062,905	\$4,936,348	\$5,051,344	\$114,996 2.3%	8,675
Proctor	\$955,226	\$1,019,135	\$1,026,173	\$7,038 .7%	3,069
Carlton County:					
Cloquet	\$1,968,020	\$2,299,125	\$2,343,138	\$44,013 1.9%	12,156

City 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% 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.



*2014 and 2015 are based on budgeted revenues.

Trends: Sales tax revenue is expected to remain the same in 2015 as in 2014.

Franchise Fees -Franchise fees are anticipated in the amount of \$53,000. \$10,000 from Minnesota Energy Resources/gas franchise fee and \$43,000 from Media Com/cable franchise fee.

Trends: The first payment from Minnesota Energy Resources gas franchise fee was received in 4th quarter 2013. The 25% (\$10,000) of the gas franchise fee in the General Fund and 75% (\$30,000) in the Street Lighting & Traffic Signalization for right of way maintenance. The \$43,000 franchise fees collected from Media Com will be utilized for the cable program.

Licenses and Permits – License and permit fees of \$260,290 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.

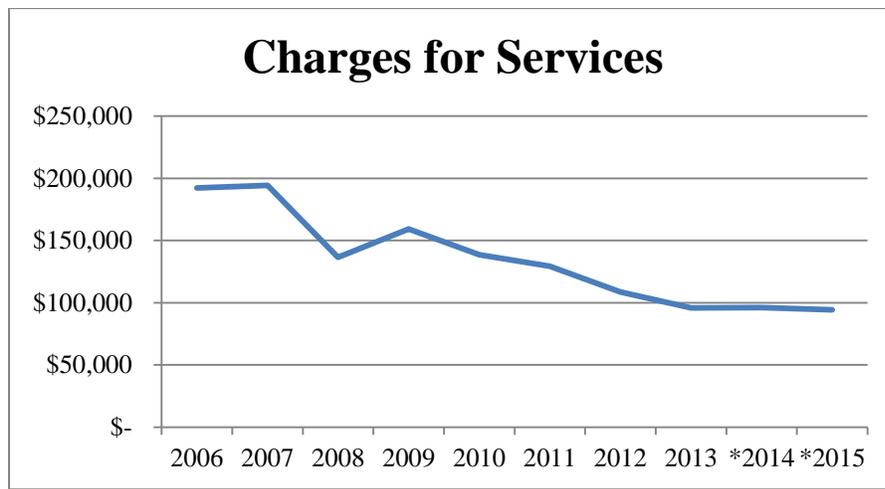
	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014*</u>
All Building Permits (includes additions, remodels					
No. of Permits	197	183	168	156	182
Valuation	\$30,098,239	\$9,732,328	\$12,906,718	\$9,796,333	\$18,909,770
New Single Family Homes					
No. of Permits	34	24	25	32	33
Valuation	\$7,468,585	\$5,147,275	\$4,995,529	\$7,083,536	\$6,613,805
New Multiple Family Buildings					
No. of Permits	3	2	0	1	0
Valuation	\$989,604	\$659,736	\$0	\$420,000	\$0
New Commercial/Industrial					
No. of Permits	3	2	1	1	2
Valuation	\$4,130,886	\$227,040	\$5,328,233	\$733,635	\$1,010,808
* As of October 2014					

Trends: License revenue is expected to remain static. Building permit revenue is expected to increase by over 200% in 2015. The Hermantown school district will be constructing a new high school, remodeling the present high school to a middle school and addition to the elementary. Several large commercial buildings will be constructed.

Intergovernmental Revenues – This revenue accounts for \$453,011 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 2015 budget was set at \$259,511. This is a decrease of \$96,060 or 27% in LGA funding for the 2015 budget.

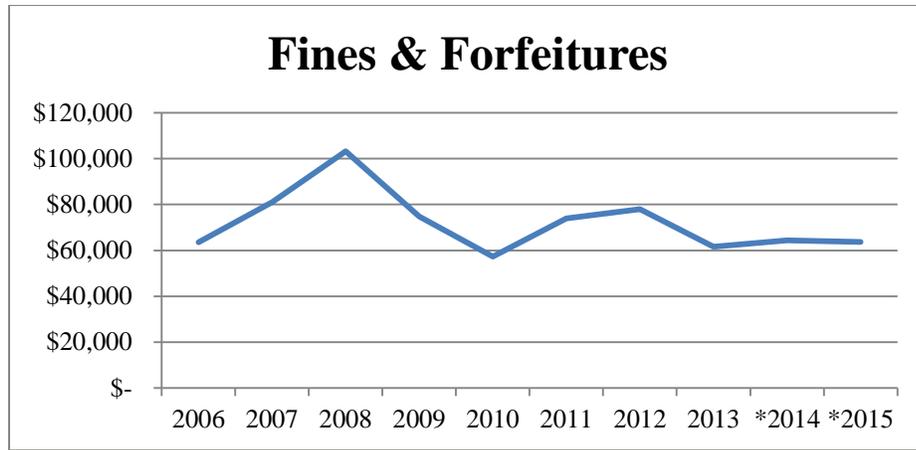
Charges for Services – Charges for services account for \$94,250 of City revenues or 1 percent. This category includes charges for building rentals, assessment searches, fingerprinting services, cemetery burial, and charges to Hermantown High School for Dare/Police School Services.



*2014 and 2015 are based on budgeted revenues.

Trends: Charges for services appear to be static since 2010, with no significant changes foreseen.

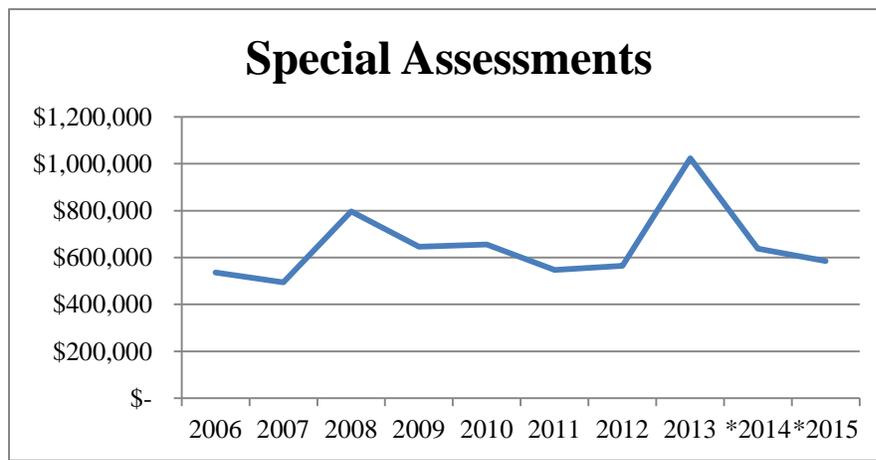
Fines & Forfeitures – Fines & forfeitures account for \$63,700 of City revenues or 1 percent. These funds are the City’s share of police patrol traffic citations, court fines, and DWI/Drug forfeiture proceeds.



*2014 and 2015 are based on budgeted revenues.

Trends: The 2015 Budget for this revenue is 9 percent more than the 2014 Budget. This is in part due to the prorated share of court fines received to be used for the DARE program in 2015. 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 \$585,573 of City revenues or 4 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.



*2014 and 2015 are based on budgeted revenues.

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

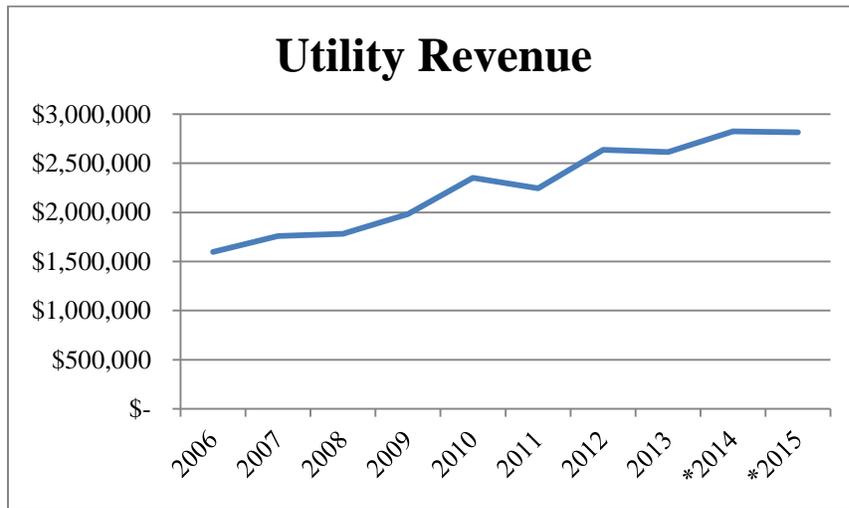
Investment Income – Investment income accounts for \$49,875 of City revenues or 1 percent. General \$22,000 Special Revenue \$27,875

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

Miscellaneous Revenue – Miscellaneous revenue accounts for \$35,064 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 Revenue for water, sewer, and street lighting account for \$2,817,348 of the City’s revenues or 23 percent. The 2015 water rate is \$7.90 and 2015 sewer rate is \$8.8 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.



*2014 and 2015 are based on budgeted revenues.

Trends: On January 1, 2015 the water rate will increase 6% from \$7.43 to \$7.90 and the sewer rate will increase 3.1% from \$8.60 to \$8.87 per 1,000 gallons.

Other Financing Sources – Other Financing Sources for all budgeted funds is \$1,681,181, or 14 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 Information

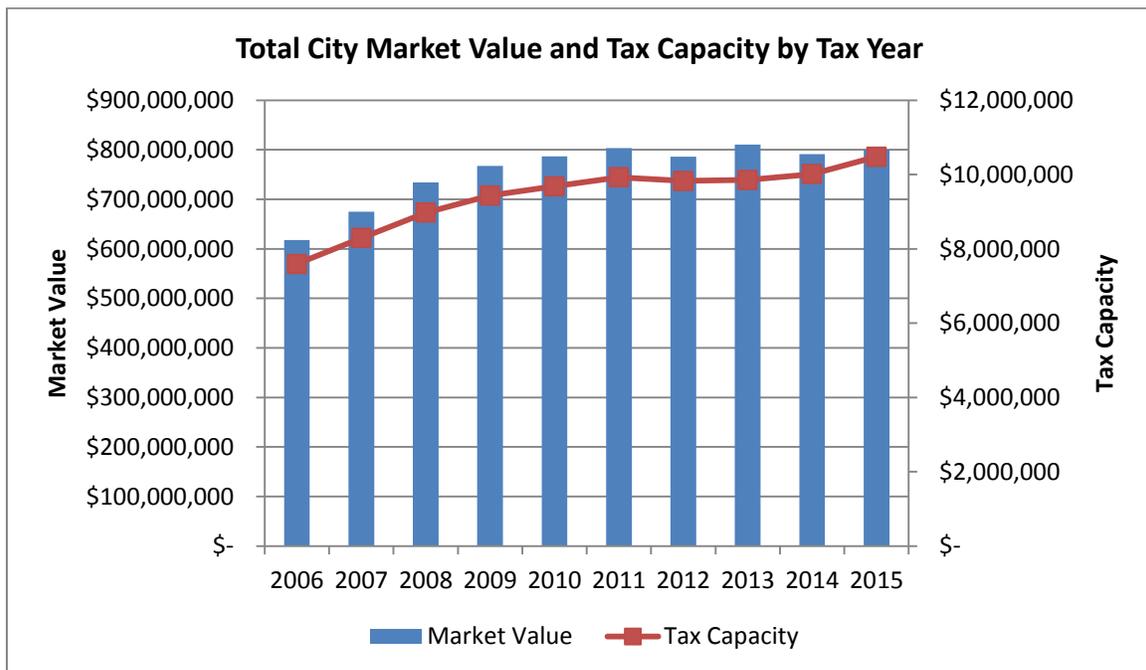
Tax Base

Residential market values used to calculate 2015 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 2015. 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.

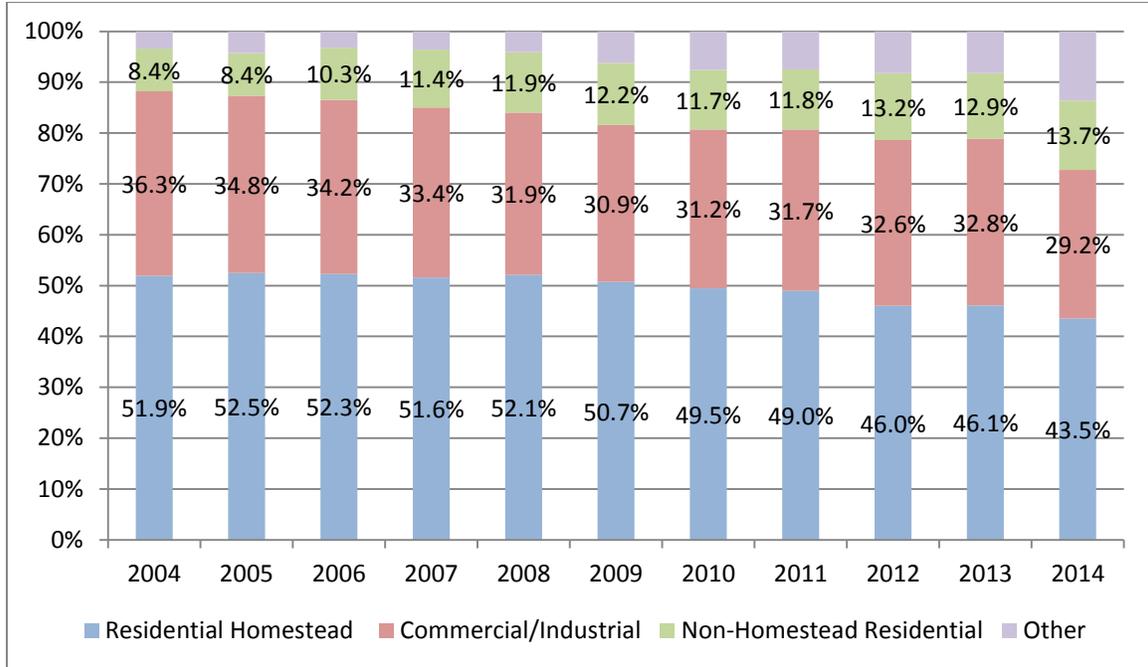
Tax Capacity

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 2015. 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.

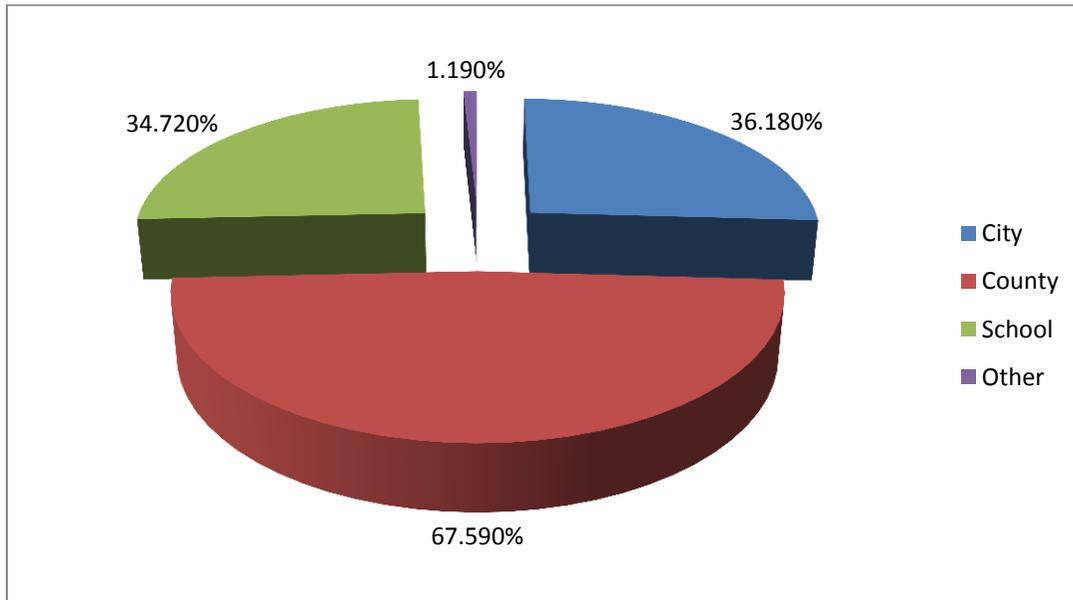


Total City Tax Capacity Comparison

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



Taxes (Payable 2014)



This graph illustrates the total tax as shared by the taxing jurisdictions. Only 36.18 percent of the total tax was levied for City activities in 2014.

City Services

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 2014 of \$2,669 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 2015 is estimated to be; property taxes of \$793 annually or \$66 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 2014 tax capacity for 2015 taxes payable.

Taxes Payable <u>2014</u>	Taxes Payable <u>2015</u>	Home Median Mark
\$217,100	\$217,100	
↓	↓	
		Total Property Tax
↓	↓	
City Portion \$775 for year \$64.50 monthly	City Portion \$793 for year \$66 monthly	

Estimated City Taxes Payable in 2015

The following table lists the estimated city taxes payable in 2015 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	\$ 365.37
150,000	\$ 548.06
200,000	\$ 730.74
250,000	\$ 913.43
300,000	\$ 1,096.11
350,000	\$ 1,278.80
400,000	\$ 1,461.48
450,000	\$ 1,644.17
500,000	\$ 1,826.85

Where Does Our Property Tax Dollars Go?

A \$217,100 home generates \$793 in annual property taxes:
This comes to \$66 per month for 2015.



23 Cents General Government

58 Cents Public Safety

14 Cents Public Works

2 Cents Park

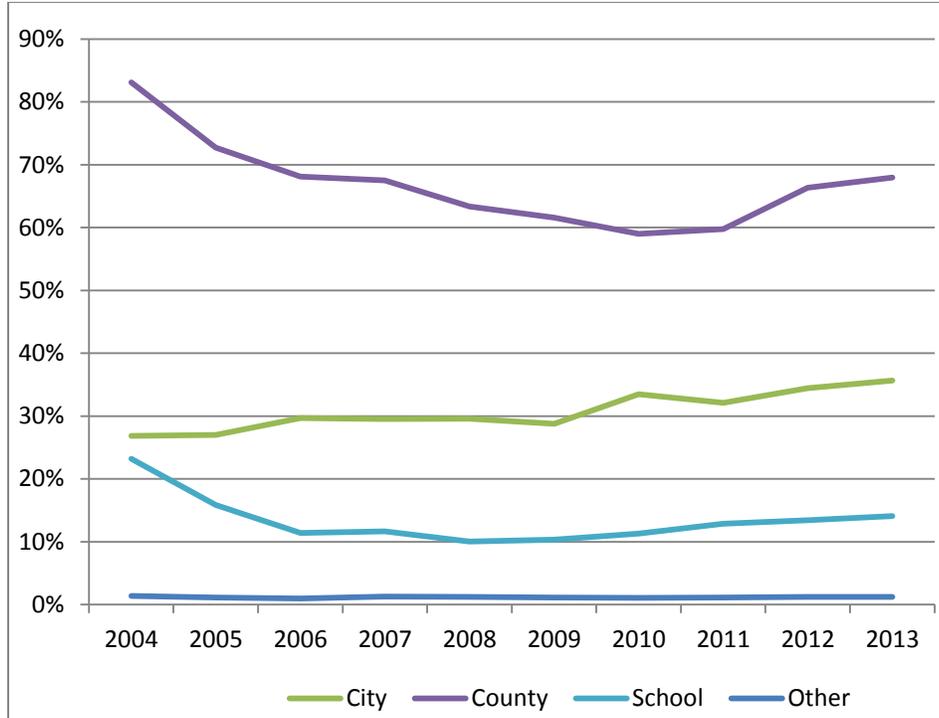
3 Cents Debt Service

Estimated Cost of City Services \$217,100 Home in 2015
(Without market value exclusion)

Actual Cost of City Services Pay 2015 Property Tax Support for \$217,100 (w/o market value exclusion)				
City Service Category	2015 Budget	Percent of Levy	Amount of Levy	Monthly Cost
General Government Council, Ordinances, Mayor, Elections, Administration & Finance, City Attorney, Planning & Zoning, Health Insurance Consultant, City Hall Building Maintenance, Insurance, Cemetery	\$899,025	19.6%	\$156	\$13
Public Safety Police Administration, Fire Administration, Firehall #1, Firehall #2, Firehall #3, Building Inspection, Poundmaster	\$2,703,862	59.1%	\$468	\$39
Public Works Street Department, City Engineer, City Garage, Environmental	\$632,881	13.8%	\$110	\$9
Park Parks, Community Building	\$106,998	2.3%	\$19	\$2
Debt Service Certificate of Indebtedness, Public Works Facility/Salt Storage Bldg.	\$234,701	5.1%	\$41	\$3
Totals	\$4,577,467	100%	\$793	\$66

Tax Rate Analysis

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



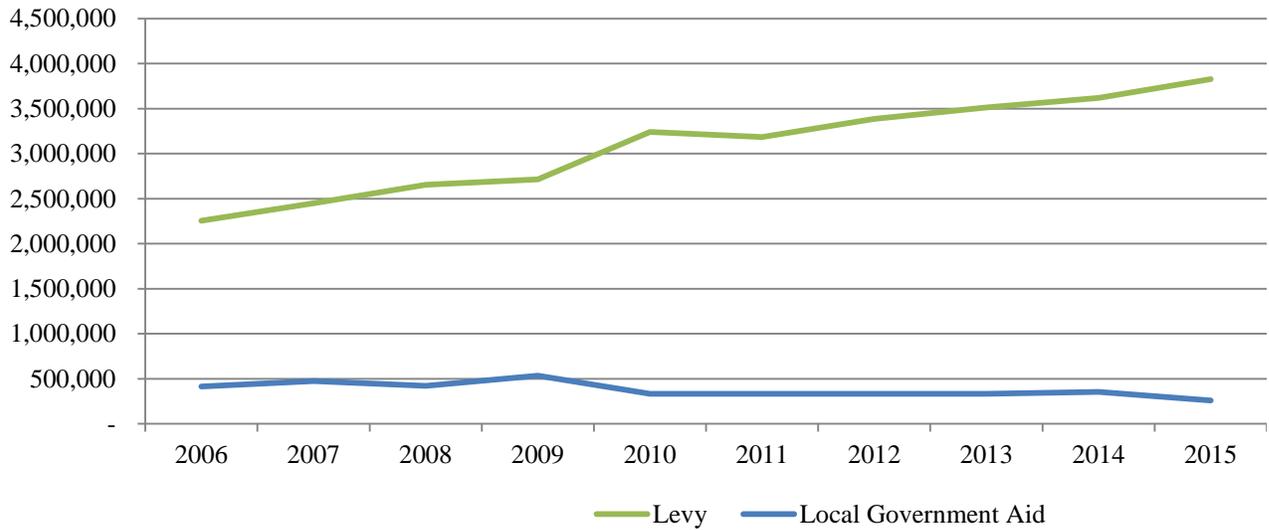
Levy Components

The overall property tax levy is comprised of different levies to pay for different activities of the city. The dollars levied in 2015 are illustrated in the following table:

Levy for General Fund	\$ 3,594,211
Certificate of Indebtedness (Dump Truck)	40,239
Debt Service 2008A GO Bond	91,500
Public Works Facility/Salt Storage Building	64,962
Hermantown Economic Development Authority	\$ 38,000
Total	<u>\$ 3,828,912</u>

Tax Levy Changes

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.



2014 Property Tax Comparison of Cities within St Louis County and Cloquet

Total Tax (City, County, School, Other) based on a \$217,100 Value home in 2014:

St. Louis County:

Hermantown	\$2,869
Proctor	\$2,954
Duluth	\$3,077
Virginia	\$3,302
Hibbing	\$3,305

Carlton County:

Cloquet	\$3,466
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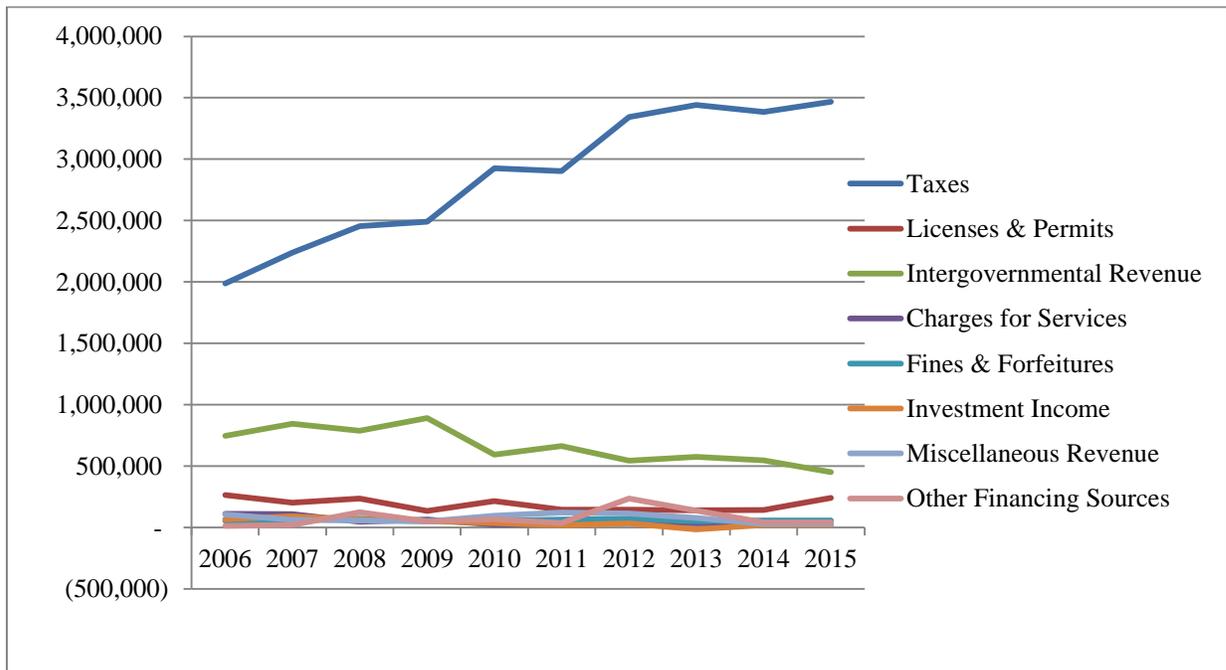
Source of information found at: <http://www.lmc.org/page/1/property-tax-calc-iframe.jsp>

General Fund Summaries – Fund 101

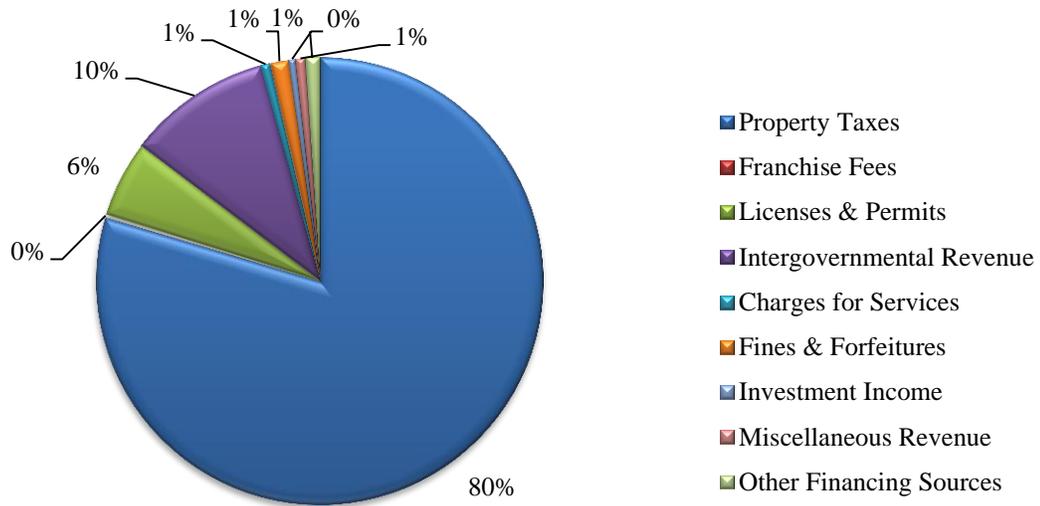
The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the City such as general government, public safety, public works, and parks and recreation. Revenue is recorded by source: i.e., general property taxes, licenses and permits, 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.

2015 General Fund Revenues

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 (2014 & 2015) are based on budgeted revenues):



The following chart shows the 2015 general fund budgeted revenues by source:



2015 General Fund Revenue Summary

<u>Source</u>	<u>Amount</u>	
Property Taxes	\$ 3,457,000	80%
Franchise Fee	\$ 10,000	0%
Licenses & Permits	240,590	6%
Intergovernmental Revenue	453,011	10%
Charges for Services	29,674	1%
Fines & Forfeitures	58,300	1%
Investment Income	22,000	1%
Miscellaneous Revenue	29,958	1%
Other Financing Sources	43,000	1%
Total	\$ 4,343,533	

2015 General Fund Revenue Sources - Detail

Property Taxes - 310000

310100 Current Property Taxes	3,414,500	
310200 Delinquent Property Taxes	40,000	
318100 Franchise	10,000	
319200 Forfeited Property Taxes	<u>2,500</u>	
Subtotal – Property Taxes & Franchise Fee		3,467,000

Licenses & Permits– 320000

321100 Beer Licenses	3,630	
321110 On-Sale Liquor Licenses	27,200	
321120 Off-Sale Liquor Licenses	300	
321140 Sunday Licenses	2,200	
321150 Dance Permits	500	
321800 Contractors Licenses/Permits	3,800	
321900 Tobacco Licenses	5,610	
321950 Fireworks Permits	650	
321990 Other Licenses & Permits	1,000	
322100 Building Permits	172,000	
322110 Zoning Fees	11,000	
322120 SWPP Fees	1,500	
322121 Erosion & Sediment Control	3,000	
322126 Wetland Permits	500	
322130 Property Split Fees	1,500	
322400 Dog Licenses	1,600	
322900 Handgun/Bow Permits	<u>4,600</u>	
Subtotal – Licenses & Permits		240,590

Intergovernmental – 330000

334010 Local Government Aid	259,511	
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>4,000</u>	
Subtotal – Intergovernmental		453,011

Charges for Services – 340000

341010 Building Rentals	5,000
341015 Community Building	16,274
341070 Assessment Search	2,000
341100 Filing Fees	0
342010 Police Services	4,400
342030 Photocopies Police	500
349400 Cemetery Burial	<u>1,500</u>

Subtotal – Charges for Services 29,674

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	1,389
362255 Lightning Drive Tower Lease	11,669
362400 911 Signs	2,000
362990 Miscellaneous Revenue	<u>2,000</u>

Subtotal – Miscellaneous 29,958

Other Financing Sources - 390000

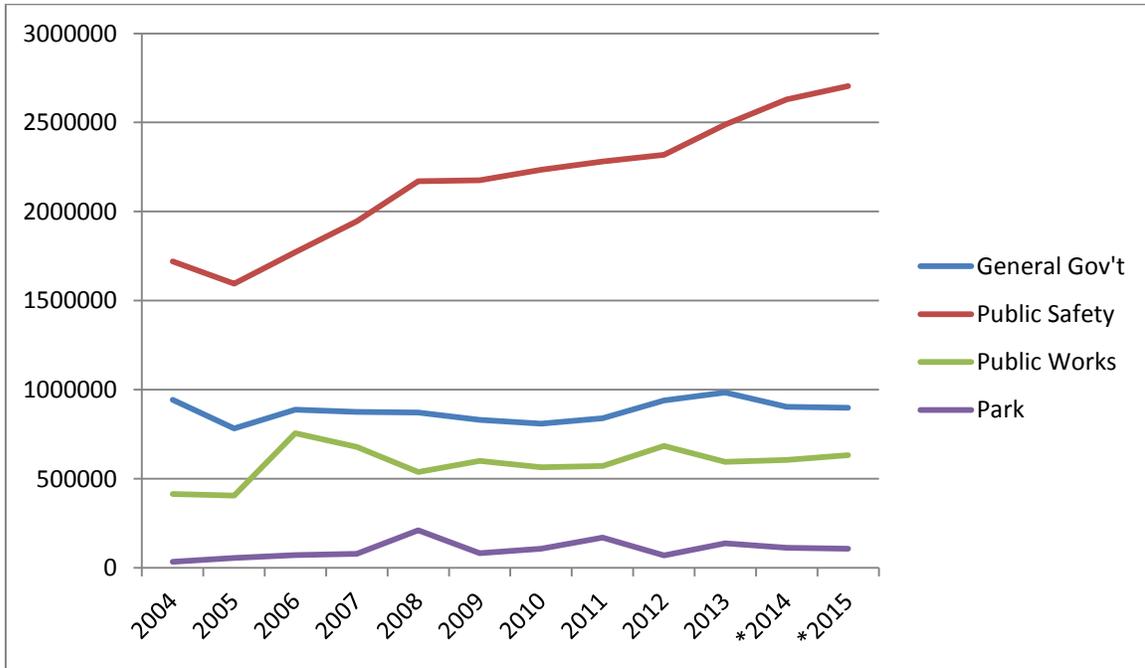
391010 Sale of General Fixed Assets	3,000
392010 Transfers In	<u>40,000</u>

Subtotal – Other Financing Sources 43,000

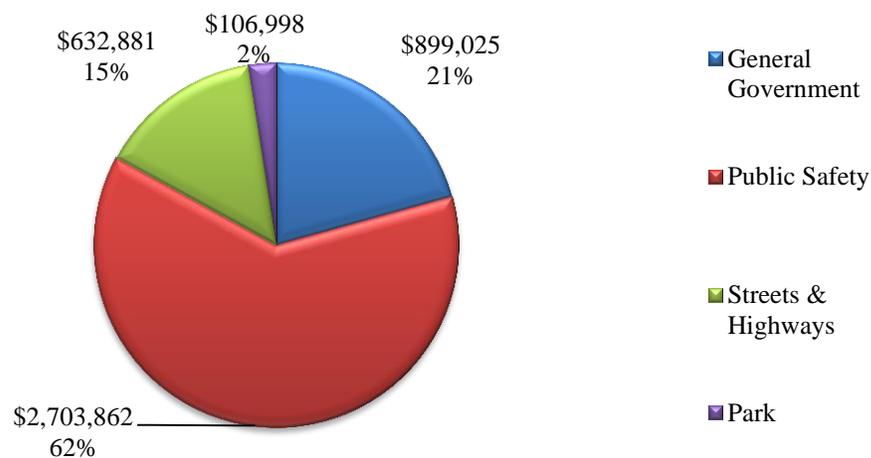
Total All General Fund Revenues 4,343,533

2015 General Fund Expenditures

The city provides many services to its citizens. The following graphs show the general fund expenditures by function (2014 & 2015) are based on budgeted expenditures):



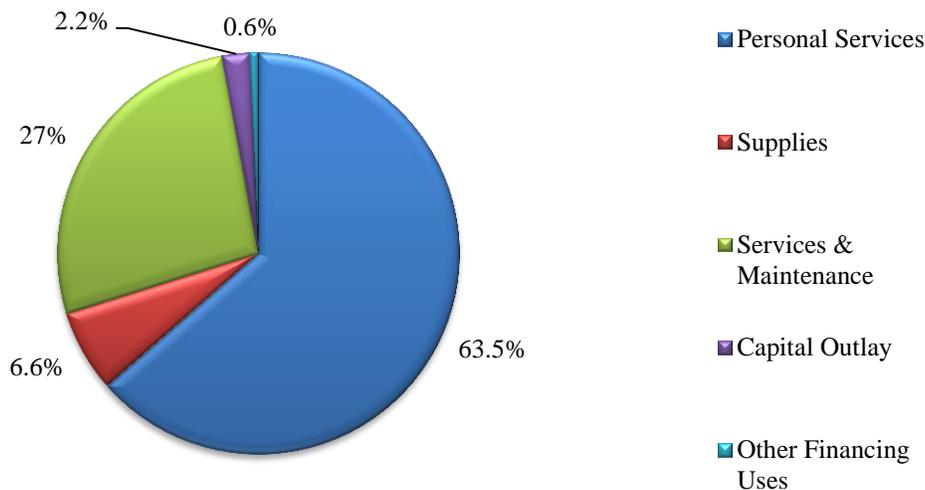
The following chart shows the 2015 General Fund Expenditures by Function:



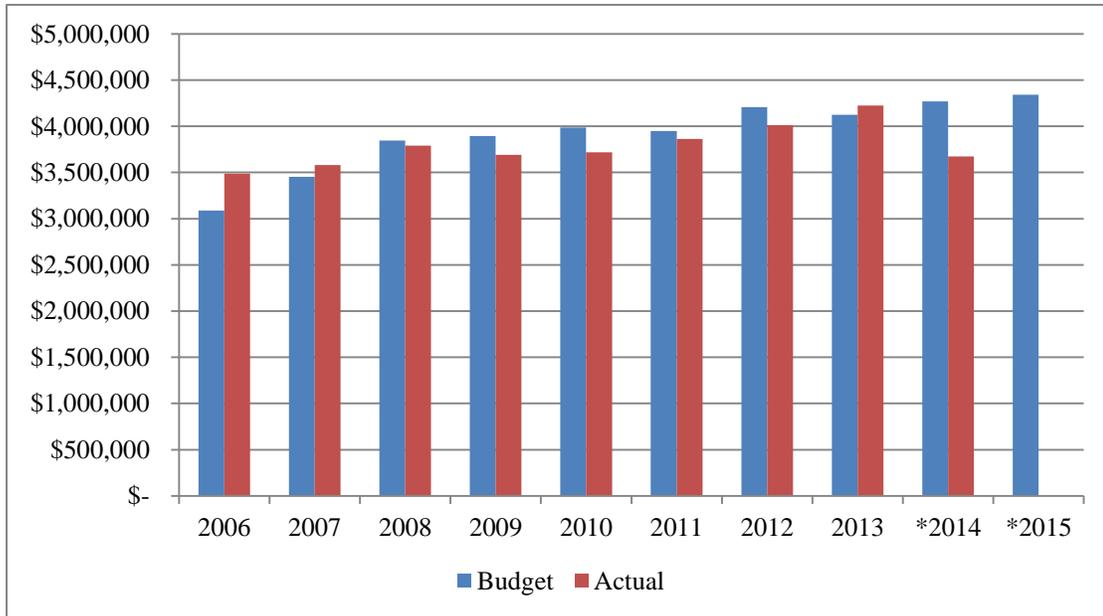
General Fund Expenditures – Detail by Category

<u>Department</u>	<u>Personal Services</u>	<u>Supplies</u>	<u>Services & Maintenance</u>	<u>Capital Outlay</u>	<u>Other Financing Uses</u>	<u>Total</u>
Council	33,191	50	10,285	-	1,000	44,526
Legal Notices	-	-	3,800	-	-	3,800
Mayor	10,828	-	1,782	-	-	12,610
Elections			1,260	-	-	1,260
Administration & Finance	330,772	4,700	56,451		750	392,673
Attorney	-	-	50,000	-	-	50,000
Comm. Dev./Planning & Zoning	122,527	1,240	69,807	-	-	193,574
City Hall & Police Bldg Maint.	59,210	11,192	92,702	900	-	164,004
Police	1,656,340	84,150	208,405	67,700	15,000	2,031,595
Fire	42,500	-	437,850	-	-	480,350
Fire Hall 1	15,604	237	39,168	-	-	55,009
Fire Hall 2 & 3	-	1,950	11,107	-	-	13,057
Building Inspector	125,349	1,550	7,952	-	-	134,851
Poundmaster	-	-	4,000	-	-	4,000
Street	305,381	145,045	92,010	29,100	-	571,536
City Engineer	-	-	22,000	-	-	22,000
Garage Building Maintenance	19,541	2,662	17,142	-	-	39,345
Parks	27,166	33,697	19,569			80,432
Community Building	8,233	950	14,220	-	-	23,403
Cemetery	3,163	-	-	-	-	3,163
Insurance			11,671			11,671
Other					9,907	9,907
Totals	2,759,805	287,423	1,171,181	97,700	26,657	4,342,766
	63.5%	6.6%	27.0%	2.2%	0.6%	

The following chart shows the 2015 general fund expenditures by category:



Trend in Spending Budgeted Expenditures – General Fund



***2014 Expenses through 11/25/2014**

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 asset forms states if there is ongoing maintenance expense in future for the assets.

The Capital Expenditures in the Adopted 2015 Budget amounts to \$172,796 (2015 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 2015.

Administration & Finance

Purchase of computers and monitors: Budget \$750. This is a non-recurring expense.

City Hall & Police Maintenance Building

Purchase of computers and monitors: Budget \$900. This is a non-recurring expense.

Police

Purchase of two marked 2015 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, purchase of Body Armor, which is later reimbursed and replacement of office chairs: Budget \$67,700

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

Street

Purchase of new pickup truck and computer monitors: Budget \$29,100. This is a non-recurring expense.

Park Dedication

Minnesota Power Trail Development: Budget \$20,000. This is a non-recurring expense.

Wetland Mitigation

Conservation easement acquisition: Budget \$2,500. This is a non-recurring expense.

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 \$5,000.

This is a non-recurring expense.

Utilities – Water & Sewer

Purchase of water meters and radio read meters. Budget \$18,446.

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

Lift Station upgrade at Arrowhead site. Budget \$27,400. This is a non-recurring expense

2015 Budgeted Capital Expenditures over \$5,000

Fund/Activity	Actual 2015 Adopted	Capital Expenditures Description	Source of Funds	Budget Page Number
General Fund				
Police - Motor Vehicles	\$ 30,225	1 2015 Sedan	Levy	112-113
Police - Motor Vehicles	\$ 30,225	1 2015 Sedan	Levy	112-113
Police - Body Armor vests	\$ 6,000			113
Streets-Maintenance	\$ 28,200	Pickup Truck	Levy	122-123
Total General Fund	\$ 94,650			
Special Revenue Funds				
Park Dedication				
MN Power Trail Development	\$ 20,000	Trail Development	Park Dedicati	134
Cable Fund				
Cable - Office	\$ 5,000	Computer Equipment	Franchise Fee	141
Enterprise Funds				
Water Fund				
Water Distribution - Other Equipment	\$ 10,543	Purchase of Water Meters, Radio Read Meters	Water Fees	156
Sewer Fund				
Sewer Distribution - Other	\$ 7,903	Purchase of meters and radio reads.		160
Sewer Maintenance - Pumping Plant & Lift Stations	\$ 27,400	Update to the lift station at Arrowhead	Sewer Fees	160
Total Budgeted Capital Improvements All Funds	\$ 165,496			

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

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

The Municipal state aid fund for 2015 will not affect the 2015 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 2014, the Capital Improvement Plan was not in its complete form to include in the 2015 budget. We do plan to include the CIP in the 2016 budget.

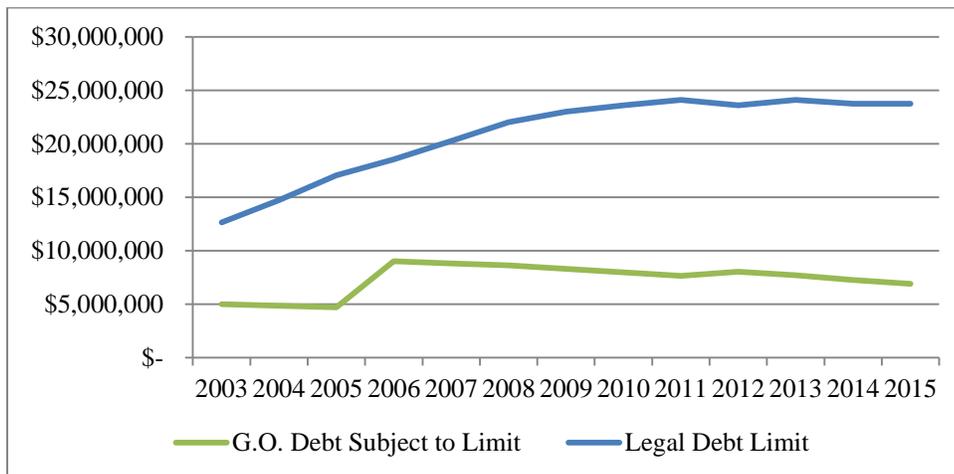
City Debt Overview

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 \$791,463,100. 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.

2015	
General Obligation Debt Limit	\$ 23,743,893
Hermantown's Debt Subject to the Limit (Estimate)	6,895,000
Debt Margin	\$ 16,848,893

Total Debt Outstanding and Legal Debt Limit



*Year 2015 is estimated based on the budget for 2015.

Debt Issuance and Refinancing

The City of Hermantown maintains a bond rating of Standard & Poor's AA for the City's 2014A, bond rating of 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>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Equipment Debt - Certificate of Indebtedness	40,239	52,025	52,025	52,025	52,025
Debt Service	91,500	91,500	91,500	91,500	91,500
Public Works Facility/Salt Storage Building (2010-2030)	64,962	64,962	66,445	62,678	64,112
Total Debt Tax Levy	196,701	208,487	209,970	206,203	207,637

Existing Debt Overview

	Fund	Date of Issuance	Date of Maturity	Interest Rate	12/31/2014	Principal Due 2015	Interest Due 2015	Outstanding Principal 2015
Special Assessment Bonds								
2007A G.O. & Ut. Rev. Ref'ding Bond	316	Jan - 2007	2/1/2021	3.90%	945,000	945,000	33,017	-
2007B G.O. Improv. & Ut. Rev. Bond	317	Oct - 2007	2/1/2028	4.00%	1,710,000	95,000	67,140	1,615,000
2009A G.O. Bond	318	Dec - 2009	2/1/2030	3.48%	4,450,000	290,000	156,506	4,160,000
2010A G.O. Bond	319	Nov - 2010	2/1/2031	2.74%	3,370,000	300,000	87,062	3,070,000
2012A G.O. Refunding Bond	320	July - 2012	2/1/2026	1.93%	2,165,000	250,000	33,135	1,915,000
2012B G.O. Improvement Bond	321	Oct - 2012	2/1/2034	2.58%	3,155,000	135,000	67,544	3,020,000
2014A G.O. Refunding	322	Dec-14	2/1/2018	2.21%	2,170,000	-		
Other Debt								
2006A Public Project Rev. Bond	315	Dec - 2006	2/1/2027	4.05%	7,265,000	370,000	287,207	6,895,000

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. The City will use a portion of the net proceeds of Series 2014A Bond to redeem the 2016 through 2021 maturities on February 1, 2015.

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. An escrow account will be established with the proceeds of the Series 2014A Bond which will redeem the 2017 through 2028 maturities on February 1, 2016.

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.

General Obligation Bond, Series 2014A (Fund 322)- These bonds will be issued in December 2014 in the amount of \$2,170,000, carrying interest rate of 2.207% to refund Series 2007A and 2007B.

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 City Council adopted the following resolutions to make changes in the staffing levels for 2015.

Resolution	Date Adopted	Action
2014-135	10/20/2014	Created Building Official position
2014-137	10/20/2014	Retained Patrol Officer from 2014 Budget
2014-138	10/20/2014	Created Additional Sergeant position in Police Dept.

2015 Full-Time Equivalent (FTE) Summary			
	2013 Actual	2014 Budget	2015 Budget
General Fund			
General Government			
Elections		0.12	
Administration & Finance	4.04	3.92	4.04
Community Development	0.25	1.25	1.25
City Hall Building Maintenance	1.09	0.97	0.65
Total General Government	5.38	6.26	5.94
Public Safety			
Police Administration	16.05	17.05	17.3
Firehall #1 Maintenance	0.22	0.21	0.21
Building Inspection	0.3	0.3	1.3
Total Public Safety	16.57	17.56	18.81
Streets & Highways			
Street Department	3.2	3.97	3.96
City Garage Maintenance	0.46	0.35	0.24
Total Streets & Highways	3.66	4.32	4.2
Parks			
	0.55	0.56	0.31
Community Building			
	0.15	0.12	0.1
Cemetery			
	0.06	0.06	0.04
Total General Fund	26.37	28.88	29.4
Special Revenue Funds			
City Sales Tax	0.25	0.25	0.25
Police Education	0.7	0.7	0.7
Cable TV	0.06	0.06	0.06
	1.01	1.01	1.01
Enterprise Funds			
Water Utility	3.55	3.54	3.51
Sewage Disposal	2.35	2.34	2.34
	5.90	5.88	5.85
Grand Total FTE Employees	33.28	35.77	36.26
Contracted Positions Allocation			
Planning & Zoning	0.71	0	0.71
Total Contracted	0.71	0	0.71

2015 Full-Time Equivalent (FTE) Summary by Position Count

	2013	2014	2015
	Actual	Budget	Budget
Administration & Finance			
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	1.00	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	1.00
Community Development Assistant	0.25	0.25	0.25
Receptionist/Administrative Assistant	1.00	1.00	1.00
Total Administration & Finance	7.25	8.25	8.25
Public Safety			
Building Inspector	-	-	1.00
Police Chief	1.00	1.00	1.00
Deputy Police Chief	1.00	1.00	1.00
Sergeant	2.00	2.00	3.00
Investigator	-	2.00	1.00
DARE Officer	0.70	0.70	0.70
K9 Officer	1.00	1.00	1.00
Police Officer	7.80	7.30	7.30
Senior Secretary	1.00	1.00	1.00
Secretary	1.67	1.75	1.75
Total Police	16.17	17.75	18.75
Public Works			
City Superintendent	1.00	1.00	1.00
Street/Utility Maintenance Workers	7.86	7.00	7.00
Part Time Cleaning Person		0.25	0.25
Building/Park Maintenance	1.00	1.52	1.01
Total Streets & Highways	9.86	9.77	9.26
Total FTE's	33.28	35.77	36.26
Contracted Positions Allocation			
Planning & Zoning Director	0.71	0.71	0.71
Building Inspector		1.00	-
Total Contracted	0.71	1.71	0.71

General Fund

City Council - 411100

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
- Conduct a planning session at the beginning of each odd year

Budget Summary

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
103-151	Salaries/Benefits	22,900	33,191	44.9%
201-499	Supplies/Services	9,922	10,335	4.2%
599	Contingency	1,000	1,000	0.0%
	Total Expenditures	33,822	44,526	31.6%

Budgetary Commentary

The 2015 City council operating budget is increasing by 31.6% of 2014. This is a result of increasing salaries, adding stipend for cell phone and internet use and adding a Life Insurance policy for council.

Budget Detail

	2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
Salaries & Benefits			
Part-Time Employees-Regular	20,675	21,600	28,800
PERA Contributions-DCP	295	270	270
Stipend			1,680
Social Security	1,672	670	1,736
Medicare	300	313	406
Life Insurance	-	-	216
Workers Compensation	74	47	83
Supplies & Services			
Office Supplies	11	95	50
School & Conference	99	600	650
Travel Expense	498	200	400
Computer Maintenance	58	125	75
Dues & Subscriptions	5,375	8,602	8,860
Miscellaneous	487	300	300
Capital Outlay			
Office			
Contingency		1,000	1,000
Total Expenditures	29,544	33,822	44,526

Ordinance, Public Notice, and Proceedings - 411300

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

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
310-355	Services	4,800	3,800	-20.8%
	Total Expenditures	4,800	3,800	-20.8%

Budgetary Commentary:

20.8% decrease in budget from 2014 to 2015. The legal publishing expense was reduced by \$1,000 upon review of past charges.

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Services			
310	Recording/Filing Fees		300	300
351	Legal Notices Publishing	4,521	4,500	3,500
355	Codification Fees	-		
	Total Expenditures	4,521	4,800	3,800

Mayor - 413100

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

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
103-151	Salaries/Benefits	7,874	10,828	37.5%
315-499	Services/Maintenance	1,991	1,782	-10.5%
	Total Expenditures	9,865	12,610	27.8%

Budgetary Commentary:

The 2015 Mayor operating budget is increasing by 27.8% over 2014. This is a result of an increase in salary, stipend for cell phone and internet use and adding a Life Insurance policy.

Budget Detail

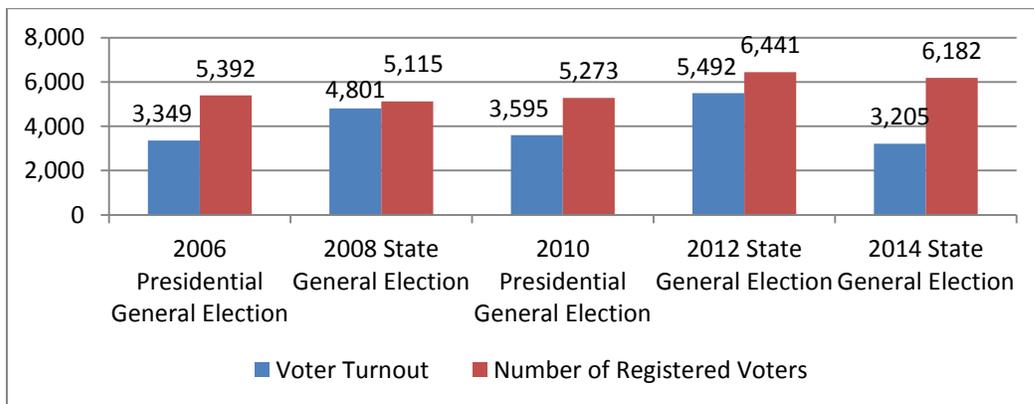
		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Salaries & Benefits			
103	Part-Time Employees-Regular	7,200	7,300	9600
126	Stipend			420
128	Social Security	446	453	595
129	Medicare	104	106	139
133	Life Insurance	-	-	54
151	Workers Compensation	25	15	20
	Services & Maintenance			
315	School & Conference	355	400	400
331	Travel Expense	638	250	300
405	Computer Maintenance	14	1,241	982
451	Dues & Subscriptions			
499	Miscellaneous	110	100	100
	Total Expenditures	8,892	9,865	12,610

Elections - 414100

There is no election for the year 2015.

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.
- Absentee voting at Health Care Facilities
- Publishing requirements for Primary & General elections
- Set up and tear down polling places
- Create an election handbook – for future election administration
- Stay current with all State election rules/obligations/Secretary of State’s Office
- Additional judges will be necessary in 2016 as this is a Presidential Election. Ads will be placed in the local paper, residents off of lists supplied by the different parties and talking to citizens in the community
- Additional hands on training will be conducted with all judges, with special emphasis on closing polls and paperwork needed for the County to expedite the closing process
- Get information from current election judges as to what will work better for them in the set up process
- The next election in 2016 will be a Presidential Election, so there will be additional costs such as, postage, number of judges, number of voting booths and time spent preparing polling places



Budget Summary

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	14,710		100.00%
201-499	Supplies/Services/Maintenance	3,570	1,260	-64.71%
	Total Expenditures	18,280	1,260	-93.11%

Budgetary Commentary:

There are no elections in 2015; therefore, salaries and supplies will have a zero budget. Equipment maintenance, which is an ongoing expense, will not increase.

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular		4,751	
102	Full-Time Employees-Overtime			
103	Part-Time Employees - Regular			
105	Temporary Employees-Regular		6,720	
121	PERA Contributions-Coordinated		344	
128	Social Security		295	
129	Medicare		69	
131	Health Insurance		2,445	
133	Life Insurance		8	
134	Disability Insurance		27	
135	Unemployment Insurance			
151	Workers Compensation		51	
	Supplies/Services & Maintenance			
201	Office Supplies		285	
308	Legal Fees			
325	Postage		600	
331	Travel Expense		200	
351	Legal Notices Publishing		675	
404	Equipment Maintenance	524	1,260	1,260
499	Miscellaneous	7	550	
	Total Expenditures	531	18,280	1,260

Administration & Finance - 415300

The City Administrator has the power and duty to enforce all city ordinances and resolutions, attend all meetings of the city council and participate in discussion, monitor all consulting and 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 as requested by the City Council.

Administrative Objectives:

- Coordinate and direct the operations of the city government through the use of collaborative leadership and team work.
- Recommend the appointment and removal of all city department heads.
- Direct and submit the annual budget that is fiscally responsible and uses prudent stewardship.
- Control and direct administrative affairs of the city.
- Continue the process of preparing the City of Hermantown Handbook to serve as an administrative code, guide and procedure book for the City of Hermantown.
- Recommend such measures deemed necessary for the welfare of the citizens.
- Assist the City Council by conducting a planning session at the beginning of each odd numbered year.

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

4.04

Budget Summary

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	338,509	330,772	-2.3%
201-499	Supplies/Services & Maintenance	97,076	61,151	-37.0%
540	Capital Outlay	6,000	750	-87.5%
	Total Expenditures	441,585	392,673	-11.1%

Budgetary Commentary

The 2015 Administrative/Finance budget is decreasing by 11.1%. The majority of the decrease is due to the County Assessors Fees of \$35,000.

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	223,119	229,273	236,422
102	Full-Time Employees-Overtime			
111	Severence Pay	14,107		
121	PERA Contributions-Coordinated	16,176	16,622	17,732
128	Social Security	13,515	14,215	14,833
129	Medicare	3,161	3,324	3,469
131	Health Insurance	71,528	72,013	54,442
132	Health Care Savings Plan/Sick Leave	246		
133	Life Insurance	301	299	872
134	Disability Insurance	1,090	1,250	1,277
151	Workers Compensation	1,157	1,513	1,725
	Supplies/Services & Maintenance			
201	Office Supplies	2,357	2,185	2,000
202	Printing Supplies	1,759	1,900	1,900
209	Computer Supplies	938	855	800
212	Motor Fuels		142	
301	Audit/Account Services	17,257	16,052	16,695
302	Assessors Fees	101,093	35,000	
303	Banking Fees	2,114	3,700	3,500
309	Labor Relations Consultant	3,018		
310	Recording/Filing Fees	46	500	
314	Computer/Softw are Fees	417		
315	School & Conference	2,329	2,700	2,500
319	Contracted Services	80	500	500
320	Personnel Search Expenses	1,028		
321	Telephone	530	560	1,392
325	Postage	1,700	1,200	1,200
331	Travel Expense	5,781	4,700	4,700
351	Legal Notices Publishing	185	-	
361	General Liability Insurance	571	504	557
370	Interest Expense	50		
404	Equipment Maintenance	226	212	
405	Computer Maintenance	20,571	22,144	20,998
413	Equipment Rental	4,039	2,164	2,164
432	Bad Debts			
434	Employee Recognition Program	631	38	325
451	Dues & Subscriptions	2,063	1,920	1,920
498	Over/Short	4		
499	Miscellaneous		100	
	Capital Outlay			
540	Office Equip/Furnishings	30,722		750
580	Other Equipment		6,000	
	Total Expenditures	543,909	441,585	392,673

City Attorney – 416100 - Contracted

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

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
308	Supplies/Services	50,000	50,000	0.0%
	Total Expenditures	50,000	50,000	0.0%

Budget Commentary

The 2015 City Attorney's contract remains unchanged from 2014.

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Supplies & Services			
308	Legal Fees	40,319	50,000	50,000
	Total Expenditures	40,319	50,000	50,000

Community Development – 419100

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 manages development services to the private sector, seeking to build relationships with the development community and enhance the quality and level of development within the city. 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 Planning Commission and 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 provide recommendations related to economic and community development issues to the Executive Director and Commissioners of the Hermantown Economic Development Authority.
- To administer the city's programs for its Municipal Separate Storm Sewer System (MS4), including ensuring conformity to the MPCA General Permit for small MS4 communities consistent with the requirements of Minnesota Rules Chapter 7900, as amended from time to time.
- 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 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 regular, consistent service to citizens of the City seeking over-the-counter information about various planning and zoning matters.
- 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 administer the city’s wetlands program consistent with the requirements of Minnesota Rules Chapter 8420, as amended from time to time, by serving as the Local Governmental Unit (LGU) responsible for administration of the Wetland Conservation Act within the city.
- To enforce zoning regulations.

Output	2013	2014 *
Zoning Certificates	69	90
Land Alteration Permits	8	0
Special Use Permits	3	5
Sign Permits	16	6
Fence Permits	2	9
Planned Unit Development	2	2
Commercial Industrial Development Permit	4	4
Variance	3	4
Wetland Delineations	1	5
Deminimus Exemptions	1	0
Rezoning	2	1
Creation of TIF Districts	1	0
Zoning Amendments	0	9
Subdivision	0	1
Fill Permits	0	6
Property Splits	0	11
* As of November 2014		

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 Assistant will work 10 hours per week.

FTE Equivalent Employees

1.25

Budget Summary

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
103-151	Salaries/Benefits	120,345	122,527	1.8%
201-451	Supplies/Services & Maintenance	56,043	71,047	26.8%
540	Capital Outlay			
	Total Expenditures	176,388	193,574	9.7%

Budget Commentary

The Planning & Zoning budget item was renamed Community Development to reflect a reorganization completed by the City Council in 2013. The 2015 Community Development operating budget is increasing by 9.7% compared to 2014. 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 2015. 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

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	34,053	81,245	83,894
103	Part-Time Employees-Regular			
121	PERA Contributions-Coordinated	2,469	5,890	6,292
128	Social Security	2,040	5,037	5,201
129	Medicare	477	1,178	1,216
131	Health Insurance	14,470	25,898	24,535
133	Life Insurance	55	102	302
134	Disability Insurance	46	459	475
151	Workers Compensation	251	536	612
	Supplies/Services & Maintenance			
201	Office Supplies	158	760	500
202	Printing Supplies	48	190	190
209	Computer Supplies	460		450
219	Other Operating Supplies	9	190	100
304	Parcel Research Fees	1,285		
305	Engineer Fees	2,385		2,500
306	Planning & Zoning Fees	31,287		
308	Legal Fees	36,938	5,000	7,500
310	Recording/Filing Fees	438	600	800
313	Hosp Co-Ins & Hosp/Sick Leave			
315	School & Conference	225	450	2,150
319	Contracted Services	34,460	34,460	40,000
320	Personnel Search Expenses	251		
321	Telephone	899	40	480
325	Postage	456	600	450
331	Travel Expense	257	300	300
351	Legal Notices Publishing	532	750	700
361	General Liability Insurance	3,188	6,695	9,222
404	Equipment Maintenance	50	47	47
405	Computer Maintenance	3,616	3,661	2,908
413	Equipment Rental		500	250
451	Dues & Subscriptions	1,620	1,800	2,500
540	Office Equip/Furnishings	577	-	-
720	Transfer Out		-	
	Total Expenditures	173,000	176,388	193,574

City Hall/Police Building Maintenance - 419901

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

.65

Budget Summary

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	57,517	59,210	2.9%
211-460	Supplies/Services & Maintenance	102,603	104,794	2.1%
	Total Expenditures	160,120	164,004	2.4%

Budget Commentary

The 2015 city hall/police building maintenance operating budget had a total overall 2.4% increase. 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

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	31,808	29,410	30,036
102	Full-Time Employees-Overtime	930		1,180
103	Part-Time Employees-Regular	6,188	5,835	5,951
104	Part-Time Employees - Overtime	18		
105	Temporary Employees - Regular	228	1,206	1,518
121	PERA Contributions-Coordinated	2,803	2,555	2,788
128	Social Security	2,325	2,260	2,398
129	Medicare	544	529	561
131	Health Insurance	14,542	13,140	12,459
133	Life Insurance	43	38	45
134	Disability Insurance	178	166	170
151	Workers Compensation	1,573	1,378	2,104
	Supplies /Services & Maintenance			
202	Printing Supplies	-		
211	Cleaning Supplies	1,638	950	950
212	Motor Fuels	1,676	1,140	1,140
216	Uniforms	109	95	95
219	Other Operating Supplies	4,358	6,507	6,507
221	General Supplies	165		
223	Bldg Repair & Maint Supplies	11,132	1,900	2,500
224	Land Maintenance & Repair	899	950	950
315	School & Conference		295	295
319	Contracted Services	2,145	1,500	1,500
321	Telephone	12,479	12,700	5,506
322	Internet	628	1,100	6,682
351	Legal Notices			
361	General Liability Insurance	10,470	11,242	10,800
381	Electricity	29,296	25,000	25,000
383	Heating Gas	15,159	25,000	25,000
384	Garbage Removal	1,756	2,000	2,000
401	Building Maintenance	12,337	7,500	7,500
404	Equipment Maintenance	2,989	3,354	3,354
405	Computer Maintenance	7	1,350	2,995
406	Vehicle Maintenance			1,000
417	Uniform Rental	40		
451	Dues & Subscriptions	60	70	70
460	Permits & Licenses	40	50	50
	Capital Outlay			
540	Office Equip/Furnishings	-	900	900
580	Other Equipment			
	Total Expenditures	168,563	160,120	164,004

Police – 421100

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

Objectives

- The police department will strive to lower the crime rate in the City of Hermantown.
- The police department will strive to lower the motor vehicle crate rate in the City of Hermantown.
- The police department will cooperate with businesses to reduce crime that affects them.
- The police department will cooperate with the Hermantown School District to improve safety and security for students and staff.

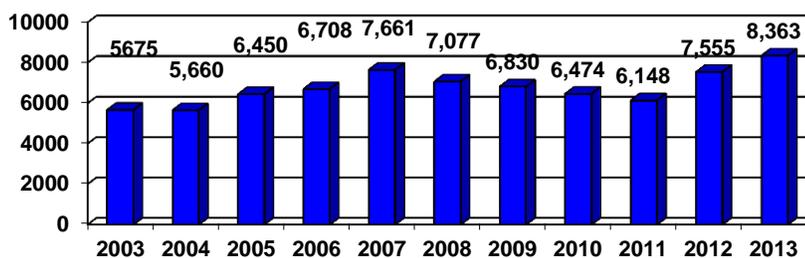
Authorized Personnel

The Police Department has authorized strength of 15 licensed officers as follows; (1) Chief of Police, (1) Deputy Chief, (3) Police Sergeants, (1) Detective, (1) School Police Liaison/Dare Officer, (8) Patrol Officers. The department also has (2.75 FTE) Police Secretaries.

FTE Equivalent Employees

17.30

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	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%
	1,035	891	834	901	907	962	6%

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

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	1,605,535	1,656,340	3.2%
201-499	Supplies/Services & Maintenance	316,068	292,555	-7.4%
540-580	Capital Outlay	89,100	67,700	-24.0%
720	Other Financing Uses	15,000	15,000	0.0%
	Total Expenditures	2,025,703	2,031,595	0.3%

Budget Commentary

The 2015 police department operating budget is increasing by 1% over 2014. Increases were budgeted in salaries/benefits due to an additional full time officer being hired in 2015 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

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	954,523	1,035,835	1,070,042
102	Full-Time Employees-Overtime	100,957	93,536	70,370
103	Part-Time Employees-Regular	9,098	-	
121	PERA Contributions-Coordinated	7,537	7,711	8,121
122	PERA Contributions-Police/Fire	136,833	156,522	167,206
128	Social Security	6,002	6,594	6,713
129	Medicare	14,837	16,376	16,536
131	Health Insurance	244,500	282,226	272,959
132	Health Care Savings Plan/Sick Leave	213	-	
133	Life Insurance	923	991	1,550
134	Disability Insurance	5,089	5,744	5,990
151	Workers Compensation	28,511	33,051	36,853
	Supplies /Services & Maintenance			
201	Office Supplies	2,399	1,425	1,500
202	Printing Supplies	3,480	2,850	3,000
209	Computer Supplies	2,496	1,425	1,500
211	Cleaning Supplies	1,520	1,900	2,500
212	Motor Fuels	40,378	40,850	43,000
216	Uniforms	18,030	13,737	15,500
218	Medical Supplies	1,193	950	800
219	Other Operating Supplies	2,417	1,710	1,800
222	Tires	2,670	3,325	4,800
240	Gun Supplies/Ammo/Tasers	9,122	9,262	9,750
308	Legal Fees	84,910	94,000	94,000
314	Computer/Softw are Fees	12,210	13,829	14,304
315	School & Conference	11,181	10,500	10,500
317	Personnel Testing, Physicals, Recruitment	256	1,000	1,000
319	Contracted Services	229		
320	Personnel Search Expenses	965		
321	Telephone	9,023	9,100	7,212
325	Postage	1,171	1,400	1,000
331	Travel Expense	4,413	4,000	8,500
343	Community Relations	502	2,000	1,500
351	Legal Notices Publishing	137	100	100
361	General Liability Insurance	11,043	18,138	22,832
404	Equipment Maintenance	4,245	3,000	3,000
405	Computer Maintenance	19,837	21,163	17,692
406	Vehicle Maintenance	11,120	12,000	12,000
413	Equipment Rental	4,531	4,815	4,815
434	Employee Recognition		338	250
451	Dues & Subscriptions	931	1,400	1,400
460	Permits & Licenses	537	300	700
490	K-9 Expenses	1,558	2,500	2,100
495	Property Damage Reimb. By Insurance	2,448	2,000	2,000
499	Miscellaneous	3,731	4,000	3,500
	Capital Outlay			
540	Office Equip/Furnishings	6,072	2,800	1,250
544	Motor Vehicles	76,282	76,800	60,450
580	Other Equipment	3,662	9,500	6,000
	Other Financing Uses			
720	Transfer Out	15,000	15,000	15,000
	Total Expenditures	1,878,722	2,025,703	2,031,595

Fire Protection – 422100 - Contracted

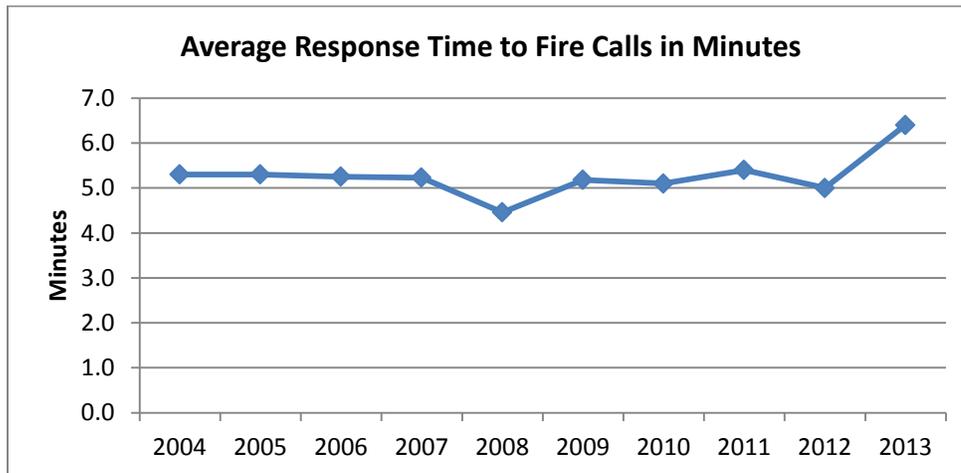
The City of Hermantown contracts yearly for fire protection with The Hermantown Volunteer Fire Department (HVFD) for all properties within the City. In addition, the department also provides first responder service within the City. The HVRD was incorporated in 1951. It functions independent of the city 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
Total Incidents	123	489	557	598	578	578	615	577	740	716	829

Budget Summary

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
125-151	Salaries/Benefits	37,707	42,500	12.7%
301-363	Supplies/Services	417,500	437,850	4.9%
810	Other Financing Uses	-	-	
	Total Expenditures	455,207	480,350	5.5%

Budget Commentary

The 2015 operating budget is an increase of 5.5% from 2014. 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

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Salaries & Benefits			
125	Firemens Pension Contributions	25,000	25,000	25,000
151	Workers Compensation	11,091	12,707	17,500
	Supplies/ Services & Maintenance			
301	Audit/Account Services	5,475	5,500	5,850
308	Legal Fees	61		
317	Personnel Testing, Physicals, Recruitment	800	2,000	2,000
318	Fire Protection	375,000	375,000	375,000
319	Contracted Services			20,000
361	General Liability Insurance	202		
363	2% Fire Insurance	39,376	35,000	35,000
	Other Financing Uses			
810	Refund/Reimbursement Expenditures			
	Total Expenditures	457,005	455,207	480,350

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

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	14,940	15,604	4.4%
219-405	Supplies/Services & Maintenance	34,957	39,405	12.7%
	Total Expenditures	49,897	55,009	10.2%

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Salaries & Benefits			
101	Full-Time Employees - Regular	10,812	9,049	9,350
102	Full-Time Employees - Overtime	434		363
103	Part-Time Employees - Regular	321		
104	Part-Time Employees - Overtime			
105	Temporary Employees - Regular	110	86	
121	PERA Contributions - Coordinated	837	656	720
128	Social Security	688	566	602
129	Medicare	161	132	141
131	Health Insurance	4,833	4,043	3,834
133	Life Insurance	15	12	14
134	Disability Insurance	61	51	52
151	Workers Compensation	421	345	528
	Supplies/Services & Maintenance			
219	Other Operating Supplies			
223	Bldg Repair & Maint Supplies	183	237	237
321	Telephone	3,352	4,500	1,280
322	Internet	628	1,000	1,769
361	General Liability Insurance	3,250	3,576	3,275
381	Electricity	18,666	14,000	14,000
383	Heating Gas	10,229	13,000	13,000
401	Building Maintenance		800	5,000
404	Equipment Maintenance	844	844	844
405	Computer Maintenance	7	-	
495	Property Damage Reimb. By Insurance	-		
	Total Expenditures	55,852	52,897	55,009

Fire Halls #2 & #3 – 422902/422903

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

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
223-383	Supplies/Services & Maintenance	12,466	13,057	4.7%
	Total Expenditures	12,466	13,057	4.7%

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Supplies/Services & Maintenance			
223	Bldg Repair & Maint Supplies	2,057	1,425	1,950
224	Land Maintenance & Repair	-		
361	General Liability Insurance	616	641	707
381	Electricity	2,991	2,400	2,400
383	Heating Gas	7,263	8,000	8,000
413	Equipment Rental	281		
460	Permits & Licenses	10		
	Total Expenditures	13,218	12,466	13,057

Building Inspection – 424100

The building official is responsible for administration, interpretation and enforcement of the MN State Building Code.

The primary goal of the department is to seek compliance with the minimum standards of the MN State Building Code in residential and commercial construction activities.

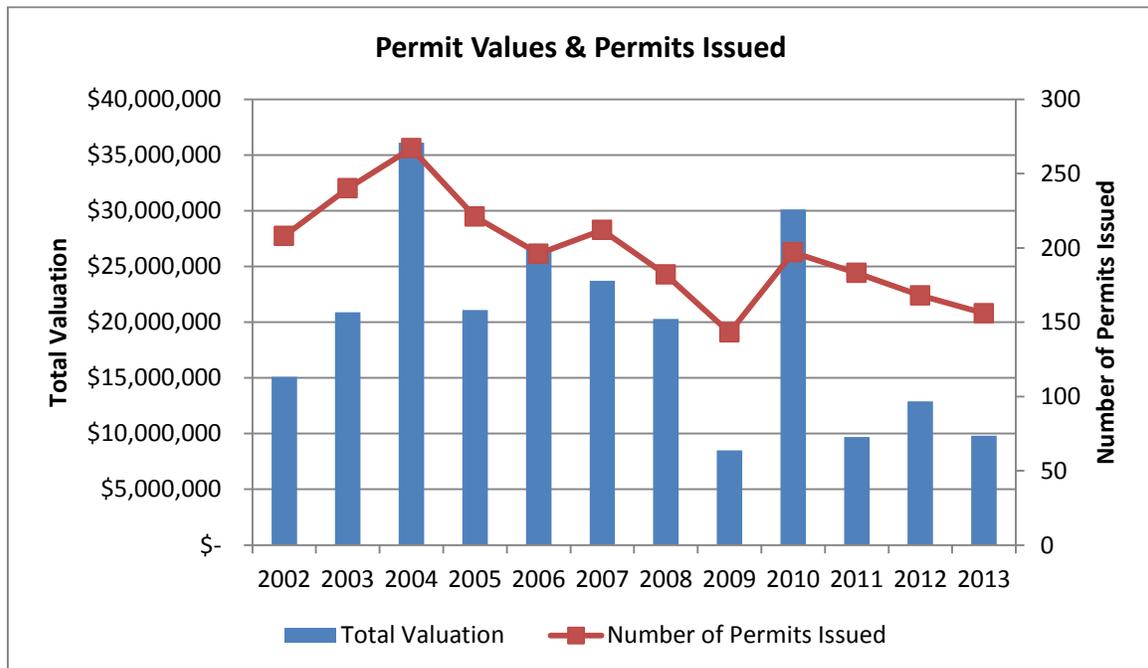
Building inspection fees have covered the cost associated with this service.

Objectives

- Enforce uniform building code.
- Review building plans.
- Issue building permit & certificate of occupancy permits.
- File state reports on construction activity.
- Inform customers of code changes and new requirements.
- Conduct site inspections.
- Provide code interpretation.
- Provide assistance to the customer with building code related questions or issues.
- 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 one full-time Building Inspector and is assisted by the Receptionist/Administrative Assistant.

FTE Building Inspection Position

1.00

Budget Summary

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	17,732	125,349	606.9%
201-451	Supplies/Services & Maintenance	77,707	9,502	-87.8%
	Total Expenditures	95,439	134,851	41.3%

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	9,872	10,032	85,114
102	Full-Time Employees-Overtime			
121	PERA Contributions-Coordinated	716	727	6,384
128	Social Security	609	622	5,612
129	Medicare	142	145	1,312
131	Health Insurance	6,125	6,065	25,493
132	Health Care Savings Plan/Sick Leave	61		
133	Life Insurance	17	18	306
134	Disability Insurance	56	57	481
151	Workers Compensation	51	66	647
	Supplies/Services & Maintenance			
201	Office Supplies	127	570	250
202	Printing Supplies		47	
209	Computer Supplies	99		100
227	Street Lights & Signs	1,357	1,235	1,200
307	Building Inspector Fees	68,376	73,000	
308	Legal Fees		1,000	1,000
321	Telephone	11	40	20
325	Postage	132	150	150
331	Travel			5,400
380	Property Taxes	3,313		
404	Equipment Maintenance	25	24	
405	Computer Maintenance	1,555	1,241	982
451	Dues & Subscriptions	370	400	400
	Capital Outlay			
510	Land Acquisition			
540	Office Equip/Furnishings			
	Total Expenditures	93,014	95,439	134,851

Poundmaster - 427100

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

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
319	Supplies/Services	3,000	4,000	33.3%
	Total Expenditures	3,000	4,000	33.3%

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Supplies & Services			
219	Other Operating Supplies	83		
319	Contracted Services	4,685	3,000	4,000
351	Legal Notices Publishing			
	Total Expenditures	4,768	3,000	4,000

Street - 431100

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

2013 Statistical Information	
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 3.96

Budget Summary

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Wages	300,817	305,381	1.5%
201-451	Supplies/Services & Maintenance	232,416	237,055	2.0%
540	Capital Outlay	9,900	29,100	
	Total Expenditures	543,133	571,536	5.2%

Budget Commentary

The 2015 street department operating budget was increased by 5.2% from 2014. The costs of sand, salt, chloride, contracted services, and general liability insurance, account for the increase in the supplies/services & maintenance.

A new pick-up truck is budgeted in 2015 for \$28,200.

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

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Salaries & Benefits			
101	Full-Time Employees - Regular	162,007	185,834	191,094
102	Full-Time Employees - Overtime	8,933	1,732	4,952
103	Part-Time Employees - Regular	3,634	0	
104	Part-Time Employees - Overtime	852	0	
105	Temporary Employees - Regular	76	1,034	1,301
106	Temporary Employees - Overtime	133		
111	Severance Pay - Vacation/Sick Leave	0		
121	PERA Contributions - Coordinated	12,594	13,599	14,703
128	Social Security	10,734	11,693	12,236
129	Medicare	2,510	2,735	2,862
131	Health Insurance	57,388	70,073	59,103
132	Health Care Savings Plan/Sick Leave	160	0	
133	Life Insurance	205	242	368
134	Disability Insurance	857	1,050	1,080
151	Workers Compensation	12,213	12,825	17,682
	Supplies/Services & Maintenance			
201	Office Supplies	77	285	285
202	Printing Supplies	214	95	95
209	Computer Supplies	414	190	190
212	Motor Fuels	54,338	38,000	45,000
213	Lubricants/Additives	291	2,375	2,375
219	Other Operating Supplies	206		
221	General Supplies	2,744	3,800	3,800
212	Tires	0	4,275	4,000
224	Land Maintenance & Repair	73		
225	Street Maintenance Supplies	19,237	19,000	19,000
226	Sand, Salt, Chloride	60,850	63,650	63,650
227	Street Lights & Signs	4,883	6,650	6,650
314	Computer/Software Fees	747	0	
315	School & Conference	491	1,000	1,000
319	Contracted Services	22,267	32,000	27,000
320	Personnel Search Expenses	146		
321	Telephone	1,569	1,800	2,375
322	Internet			294
324	Radio Communications	750	250	250
325	Postage	39		
331	Travel Expense	653	250	250
351	Legal Notices Publishing	35		
361	General Liability Insurance	10,244	10,779	10,439
403	Improvements OTB Maintenance	25,713	20,000	20,000
404	Equipment Maintenance	21,648	15,000	17,000
405	Computer Maintenance	4,097	2,917	6,327
406	Vehicle Maintenance	2,841	5,000	2,000
413	Equipment Rental	4,974	4,000	4,000
417	Uniform Rental	357	500	500
434	Employee Recognition Plan		300	275
451	Dues & Subscriptions	15	300	300
495	Property Damage Reimb. By Insurance	1,000		
496	Insurance Deductible	393		
499	Miscellaneous	80		
	Capital Outlay			
540	Office Equip/Furnishings	173	900	900
543	Heavy Equipment		9,000	28,200
544	Motor Vehicles		0	
	Total Expenditures	513,855	543,133	571,536

City Engineer – 431130 - Contracted

The City is currently seeking RFP's for engineering services. 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. The Engineer shall 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

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
305	Engineer Fees	22,000	22,000	0.0%
	Total Expenditures	22,000	22,000	0.0%

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Services			
305	Engineer Fees	29,360	22,000	22,000
	Total Expenditures	29,360	22,000	22,000

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 building.

FTE Equivalent Employees

.24

Budget Summary

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Wages	19,049	19,541	2.6%
219-404	Supplies/Services & Maintenance	22,044	19,804	-10.2%
	Total Expenditures	41,093	39,345	-4.3%

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	2,109	10,333	10,451
102	Full-Time Employees-Overtime	109	101	358
103	Part-Time Employees-Regular	5,170	-	
104	Part-Time Employees-Overtime	9	-	
105	Temporary Employees - Regular	414	1,810	2,277
121	PERA Contributions-Coordinated	529	756	810
128	Social Security	481	756	803
129	Medicare	112	178	190
131	Health Insurance	1,357	4,682	3,986
133	Life Insurance	3	14	16
134	Disability Insurance	11	58	59
151	Workers Compensation	245	361	591
	Supplies/Services & Maintenance			
211	Cleaning Supplies	314		
219	Other Operating Supplies	379	712	712
223	Bldg Repair & Maint Supplies	3,455	1,950	1,950
308	Legal Fees	86		
319	Contracted Services	325	300	300
321	Telephone	2,359	4,000	
322	Internet	628	750	
361	General Liability Insurance	3,024	3,131	5,641
381	Electricity	2,736	3,000	3,000
383	Heating Gas	3,240	5,000	5,000
384	Garbage Removal	1,048	1,000	1,000
401	Building Maintenance	23,731	2,000	2,000
404	Equipment Maintenance	201	201	201
417	Uniform Rental	3		
	Total Expenditures	52,078	41,093	39,345

Parks - 452100

The City of Hermantown owns a number of park facilities located throughout the community. For many of the parks, volunteer organizations, formal organized athletic groups and the Hermantown School District, provide a variety of activities for the residents of the City. The City maintains the park facilities, while volunteer organizations, organized athletic groups and the school district, manage the programmed recreational activities available to citizens. City parks include a variety of active and passive recreational activities for citizens. The two largest parks, Keene Creek Park and Fichtner Park, include recreational trails and spaces for community gatherings. The City provides playground equipment at several parks, including Fichtner Park and Stebner Park.

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

.31

Budget Summary							
				2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE	
101-151		Salaries/Wages		29,349	27,166	7.44%	
212-413		Supplies/Services & Maint		45,461	53,266	-17.17%	
500-599		Capital Outlay		9,907		100.00%	
Total Expenditures				84,717	80,432	-5.06%	

Budget Commentary

The 2015 Park operating budget is 90.27% lower than 2014.

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	6,550	15,521	13,735
102	Full-Time Employees-Overtime	40	159	429
103	Part-Time Employees-Regular	4,580	-	
104	Part-Time Employees-Overtime		-	
105	Temporary Employees-Regular	2,873	3,448	4,337
121	PERA Contributions-Coordinated	748	1,137	1,062
128	Social Security	863	1,186	1,147
129	Medicare	204	277	268
131	Health Insurance	3,352	6,938	5,327
133	Life Insurance	9	21	21
134	Disability Insurance	37	88	78
151	Workers Compensation	396	574	762
	Supplies/Services & Maintenance			
212	Motor Fuels	2,140	2,850	2,850
221	General Supplies	1,592	712	712
223	Bldg Repair & Maint Supplies	1,142	3,135	3,135
224	Land Maintenance & Repair	13,269	19,000	27,000
305	Engineer Fees			
306	Planning & Zoning Fees	2,059		
308	Legal Fees			
313	Hosp Co-Ins & Hosp/Sick Leave			
316	GIS Services	88		
325	Postage	60		
361	General Liability Insurance	11,604	12,664	12,469
381	Electricity	3,753	3,100	3,100
384	Garbage Removal	43		
404	Equipment Maintenance	1,125	2,500	2,500
413	Equipment Rental	2,382	1,500	1,500
417	Uniform Rental			
460	Permits & Licenses	39		
	Capital Outlay			
580	Other Equipment	51,210	9,907	
	Total Expenditures	110,158	84,717	80,432

Community Building - 452200

The Community building is located at 5255 Maple Grove Road. Arrowhead Builders Association will be leasing the building for \$11,025 for budget year 2015 per Resolution 2010-62. The Hermantown Historical Society is also leasing a portion of this building for \$819.55 for budget year 2015 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

.10

Budget Detail

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries & Benefits	7,809	8,233	5.4%
219-401	Supplies/Services & Maintenance	17,357	15,170	-12.6%
	Total Expenditures	25,166	23,403	-7.0%

Budget Summary

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Salaries & Benefits			
101	Full-Time Employees - Regular	3,422	4,525	4,621
102	Full-Time Employees - Overtime	177		182
103	Part-Time Employees - Regular	1,231		
104	Part-Time Employees - Overtime			
105	Temporary Employees-Regular		345	434
121	PERA Contributions - Coordinated	346	328	360
128	Social Security	288	302	325
129	Medicare	67	71	76
131	Health Insurance	1,302	2,022	1,917
133	Life Insurance	3	6	7
134	Disability Insurance	14	26	26
151	Workers Compensation	240	184	285
	Supplies/Services & Maintenance			
223	Bldg Repair & Maint Supplies	2,731	950	950
224	Land Maintenance & Repair	1,050		
319	Contracted Services			
321	Telephone	5,568	4,700	1,260
322	Internet	628		588
361	General Liability Insurance	1,828	1,586	2,251
381	Electricity	4,500	4,500	4,500
383	Heating Gas	3,032	4,000	4,000
401	Building Maintenance		1,500	1,500
404	Equipment Maintenance	121	121	121
460	Permits & Licenses	10		
	Total Expenditures	26,558	25,166	23,403

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

.04

Budget Summary

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
102-151	Salaries/Wages	3,107	3,163	1.8%
	Total Expenditures	3,107	3,163	1.8%

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Salaries & Benefits			
101	Full-Time Employees - Regular	79	1,705	1,721
102	Full-Time Employees - Overtime		20	57
103	Part-Time Employees - Regular	695		
104	Part-Time Employees - Overtime			
105	Temporary Employees - Regular	25	259	326
121	PERA Contributions - Coordinated	50	125	133
128	Social Security	49	123	130
129	Medicare	12	29	30
131	Health Insurance		775	644
133	Life Insurance		2	3
134	Disability Insurance		10	10
151	Workers Compensation	58	59	109
	Supplies/Services & Maintenance			
224	Land Maintenance & Repair			
	Total Expenditures	968	3,107	3,163

Insurance General - 492200

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

Budget Summary

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
151	Workers Compensation	-	600	100.0%
361	Supplies/Services	9,718	11,071	13.9%
	Total Expenditures	9,718	11,671	20.1%

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Salaries & Benefits			
151	Workers Compensation	915		600
	Supplies & Services			
361	General Liability Insurance	13,971	9,718	11,071
	Total Expenditures	14,886	9,718	11,671

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.

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
310100	Current Year Taxes			36,190
341010	Building Rentals	1,500	1000	1,000
362100	Investment Interest			
362110	Checking Account Interest	140	50	50
362160	Gain (Loss) on Sale if Investments			
362300	Donations			
362310	Nongovernmental Grants			
362440	Conduit Financing Fees	2,770	2,770	2,770
362990	Miscellaneous Revenue			
392000	Transfers In			
	Total Revenues	4,410	3,820	40,010
	Expenditures			
	Supplies & Services			
103	Part-Time Employees - Regular	1,150	700	2,100
123	PERA Contributions - DCP	10		
128	Social Security	59	44	130
129	Medicare	17	10	30
151	Workers Compensation	1	2	
305	Engineer Fees	863		
308	Legal Fees	1,105		
315	School & Conference	530	700	700
319	Contracted Services	350	30,000	33,250
325	Postage	1		
331	Travel Expense	792	800	1,000
351	Legal Notices Publishing	84		
403	Road Maintenance	3,326		
413	Equipment Rental	254		
451	Dues & Subscriptions	2,745	2,800	2,800
	Total Expenditures	11,287	35,056	40,010
	Revenues Over Expenditures	(6,877)	(31,236)	-

Fund 231 – Community Development Fund

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

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
362110	Checking Account Interest	103		50
	Total Revenues	103	-	50
	Expenditures			
	Other Financing Uses			
720	Transfer Out		0	0
	Total Other Financing Uses		0	0
	Revenues Over (Under) Expenditures	103	0	50

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

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
322460	Park Dedication Fee	17,850	16,500	16,500
322470	Park Dedication Fee in Lieu of Land	7,000	6,600	2,200
362100	Investment Interest	1,600		500
362110	Checking Account Interest	93	100	100
362160	Gain (Loss) on Sale of Investments	(703)		
362250	City Property Lease	1,176	7,264	7,336
362300	Donations			
362350	Development Agreement Fees			
	Total Revenues	27,016	30,464	26,636
	Expenditures			
	Services			
308	Legal Fees			
	Capital Outlay			
520	Buildings & Structures			
530	Improvements Other Than Bldgs			20,000
	Total Expenditures	-	-	20,000
	Revenues Over (Under) Expenditures	27,016	30,464	6,636

Fund 236 - Wetland Mitigation Fund

The 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

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
322125	Wetland Bank Fee	1,474	1,000	1,000
362110	Checking Account Interest	18	25	
	Total Revenues	1,492	1,025	1,000
	Expenditures			
	Supplies & Services			
319	Contracted Services			3,500
510	Land Acquisition			2,500
	Total Expenditures	-	-	6,000
	Revenues Over (Under) Expenditures	1,492	1,025	(5,000)

Fund 240 - City Sales Tax Fund

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 Transfers out: General Fund & Debt Service Funds.

General Fund	101	\$ 35,000.00
Public Project Revenue Bonds/Series 2006A	315	660,008.00
2007A Refunding Bonds	316	179,420.00
2007B General Obligation & Utility Bonds	317	38,618.00
2009A GO Bond-PW Salt/Storage & Refinance 2003	318	72,571.00
2010A GO Bonds	319	196,624.00
2012A GO Bonds	320	142,782.00
2012B GO Improvement Bonds	321	<u>29,838.00</u>
Total		\$ 1,354,859.00

FTE Equivalent Employees

.25

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
313100	City Sales Tax	2,056,614	2,410,000	2,410,000
362100	Investment Interest	15,432	35,000	25,000
362110	Checking Account Interest	1,313	500	500
362160	Gain (Loss) on Sale of Investments	(58,203)		
362990	Miscellaneous Revenue			
	Total Revenues	2,015,156	2,445,500	2,435,500
	Expenditures			
	Salaries & Benefits			
101	Full-Time Employees-Regular	25,073	25,921	27,217
121	PERA Contributions - Coordinated	1,818	1,879	2,041
128	Social Security	1,627	1,607	1,780
129	Medicare	380	376	417
131	Health Insurance	5,211	5,211	4,936
133	Life Insurance	22	22	71
134	Disability Insurance	120	122	122
151	Workers Compensation	134	171	199
	Supplies /Services & Maintenance			
303	Banking Fees			
315	School & Conference		200	200
331	Travel Expense	1,620	1,620	1,620
	Other Financing Uses			
720	Transfer Out	1,601,156	1,403,497	1,354,859
	Total Expenditures	1,637,161	1,440,626	1,393,462
	Revenues (Under) Expenditures	377,995	1,004,874	1,042,038

Fund 250 - Police School Relations 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

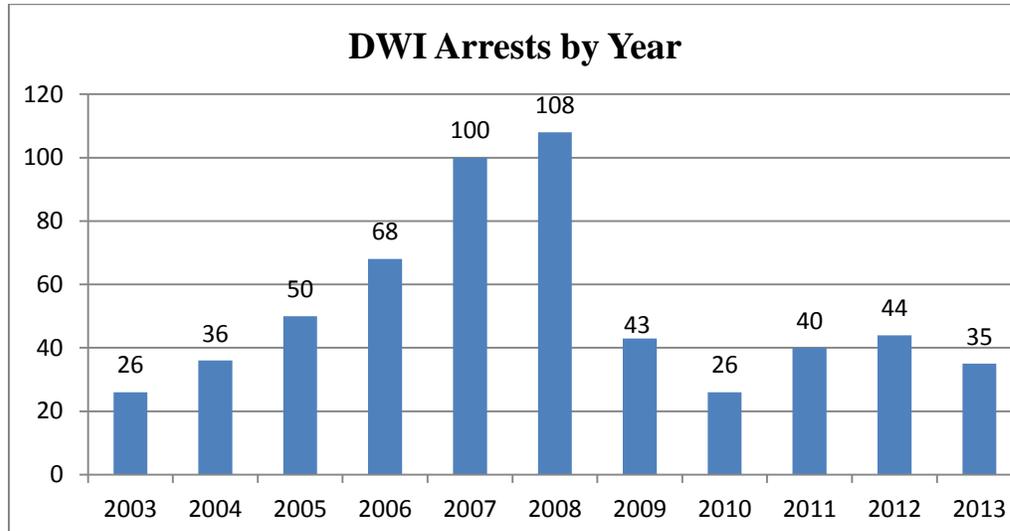
.70 (included in police FTE)

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
342010	Police Services	62,069	63,310	64,576
351010	Court Fines	4,204	3,000	3,000
362110	Checking Account Interest	50	50	50
362300	Donations	3,181		
392010	Transfer In	15,000	15,000	15,000
	Total Revenues	84,504	81,360	82,626
	Expenditures			
	Salaries & Benefits			
101	Full-Time Employees-Regular	44,550	44,630	46,835
102	Full-Time Employees-Overtime	3,545	2,382	5,070
122	PERA Contributions-Police/Fire	6,682	7,193	8,409
129	Medicare	674	682	753
131	Health Insurance	15,044	14,151	13,418
133	Life Insurance	44	41	48
134	Disability Insurance	248	252	265
151	Workers Compensation	1,253	1,486	2,040
	Supplies/Services & Maintenance			
216	Uniforms	560	560	600
219	Other Operating Supplies	2,976	2,500	2,500
308	Legal Fees			
315	School & Conference	25	400	
331	Travel Expense	13	200	200
451	Dues & Subscriptions			
499	Miscellaneous	207		
720	Transfers Out			
	Total Expenditures	75,821	74,477	80,138
	Revenues Over Expenditures	8,683	6,883	2,488

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

	2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
Revenues			
351000 Impound Fees	139		
351010 Court Fines	1,349		
352010 Unclaimed Property	47		
352020 Forfeitures	3,249	2,600	2,500
352026 30% DWI Forfeiture Legal	118	500	300
362110 Checking Account Interest	33	25	25
362300 Donations	500		
362990 Miscellaneous Revenue	668		
Total Revenues	6,103	3,125	2,825
Expenditures			
Supplies/Services & Maintenance			
303 Banking Fees			
308 Legal Fees	1012		
319 Contracted Services	1,643		
370 Interest Expense	2		
460 Permits & Licenses	104		
Capital Outlay			
540 Office Equip/Furnishings			
544 Motor Vehicles	28,051		
580 Other Equipment	1,686		
720 Transfer			
Total Expenditures	32,498	-	-
Revenues Over Expenditures	(26,395)	3,125	2,825

Fund 260 - Cable Television Fund

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. Hermantown High School 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.

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
318100	Cable TV Franchise Fees	43,843	42,000	43,000
362100	Investment Interest	2,700	500	1,500
362110	Checking Account Interest	97	100	100
362160	Gain (Loss) on Sale of Investments	(101)		
	Total Revenues	46,539	42,600	44,600
	Expenditures			
	Salaries & Benefits			
101	Full-Time Employees - Regular	4,685	4,815	5,031
121	PERA Contributions - Coordinated	340	349	378
128	Social Security	282	299	323
129	Medicare	66	70	76
131	Health Insurance	1,250	1,251	1,185
133	Life Insurance	5	5	17
134	Disability Insurance	24	24	25
151	Workers Compensation	30	32	37
	Supplies/Services & Maintenance			
219	Other Operating Supplies	305	300	300
308	Legal Fees	1,069	1,000	1,000
315	School & Conference		700	
319	Contracted Services	7,500	12,500	10,000
325	Postage	94	20	20
351	Legal Notices Publishing		100	100
361	General Liability Insurance	69	117	118
384	Garbage Removal	10		
404	Equipment Maintenance	617	2,500	1,000
451	Dues & Subscriptions		200	150
	Capital Outlay			
540	Office Equip/Furnishings			
580	Other Equipment	8,739	9,000	5,000
	Total Expenditures	25,085	33,282	24,760
	Revenues Over Expenditures	21,454	9,318	19,840

Fund 270 – Soccer Association Fund

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

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
362100	Investment Interest			
362350	Development Agreement	\$ 7,343	\$ 6,468	\$ 5,541
	Total Revenues	\$ 7,343	\$ 6,468	\$ 5,541
	Expenditures			
303	Banking Fees			\$ -
	Total Expenditures	\$ -	\$ -	\$ -
	Revenues over Expenditures	\$ 7,343	\$ 6,468	\$ 5,541

Debt Service Funds

Fund 301 – Equipment Debt Service

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.

2014 Certificate of Indebtedness for a new Caterpillar road grader. Payments will begin in 2015 – 2018. The tax levy for 2015 is \$40,239. Fund balance will be utilized to cover the payments.

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
310100	Current Year Taxes	39,800	40,478	38,227
310110	Current Year Taxes - Mobile Homes/SEV MIN			
310200	Delinquent Taxes	809		
310210	Delinquent Taxes - Mobile Homes			
362110	Checking Account Interest			
	Total Revenues	40,609	40,478	38,227
	Expenditures			
	Debt Service			
603	Principal/Short Term Debt	36,351	37,312	65,974
613	Interest/Short Term Debt	2,199	1,238	2,848
720	Transfer Out			
	Total Expenditures & Other Financing Sources	38,550	38,550	68,822
	Revenues Over (Under) Expenditures	2,059	1,928	(30,595)

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

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
362110	Checking Account Interest			
392010	Transfer In	687,173	736,008	660,008
	Total Revenues	687,173	736,008	660,008
	Expenditures			
	Debt Service			
601	Bond Principal	345,000	430,000	370,000
611	Bond Interest	318,708	303,208	287,208
620	Fiscal Agent Fees	2,000	2,800	2,800
	Total Expenditures	665,708	736,008	660,008
	Revenues Over/(Under) Expenditures	21,465	-	-

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						
As of 11/1/2014						
Project	Paid By	#	Deferrals			
			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

	2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
Revenues			
Principal - Current	18,344	20,722	21,517
Principal - Delinquent	(21)		
Principal - Deferred	11,422		
Interest - Current	9,792	8,626	6,812
Interest - Deferred	6,650		
Transfer In	305,748	175,498	180,439
Total Revenues	351,935	204,846	208,768
Expenditures			
Debt Service			
Bond Principal	155,000	165,000	175,000
Bond Interest	45,087	39,266	33,018
Fiscal Agent Fees	450	580	750
Transfer Out			
Total Expenditures	200,537	204,846	208,768
Revenues (Under) Expenditures	151,398	-	-

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 projects, #425 and 426 sewer projects. No levy.

As of 11/1/2014			Deferrals					
Project	Paid By	#	Hardship	Senior Citizen	Sewer Availability	Other Deferral		
Getchell Rd Waterline /Sewerline	specials/ water/ sewer	426A	\$ 23,996	\$ 139,974	\$ 217,104	\$ 70,568		
Anderson Rd Sewerline/ Stebner Rd to Haines Rd.	specials/ sales tax	425A		\$ 24,244	\$ 169,708			
Total Deferrals			\$ 23,996	\$ 164,218	\$ 386,812	\$ 70,568	\$645,594	

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
361100	Principal - Current	28,245	31,787	31,876
361110	Principal - Delinquent	532		
361120	Principal - Prepaid	33,617		
361130	Principal - Deferred	17,345		
361200	Interest - Current	38,908	38,682	35,140
361210	Interest - Delinquent	1,483		
361300	Penalty/Interest	532		
362110	Checking Account Interest			
392010	Transfer In	168,403	91,021	95,874
	Total Revenues	289,065	161,490	162,890
	Expenditures			
	Debt Service			
601	Bond Principal	90,000	90,000	95,000
611	Bond Interest	74,440	70,840	67,140
620	Fiscal Agent Fees	450	650	750
	Total Expenditures	164,890	161,490	162,890
	Revenues Over/(Under) Expenditures	124,175	-	-

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. 2015 levy \$156,462

As of 11/11/2014			Deferrals				
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	\$ 37,353	\$ 17,241	\$ 37,056	\$ 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
Total Deferrals			\$ 13,159	\$ 37,353	\$ 17,241	\$ 40,291	\$ 99,968
							\$ 208,012

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
310100	Current Year Taxes	63,255	62,919	149,011
310110	Current Year Taxes - Mobile Homes/SEV MIN			
310200	Delinquent Taxes	1,096		
310210	Delinquent Taxes - Mobile Homes			
361100	Principal - Current	69,472	81,377	84,024
361110	Principal - Delinquent	1,899		
361120	Principal-Prepaid	28,165		
361130	Principal-Deferred			
361200	Interest - Current	71,050	73,746	67,532
361210	Interest - Delinquent	2,442		
361220	Interest-Prepaid			
361230	Interest-Deferred			
361300	Penalty/Interest	1,094		
362110	Checking Account Interest			
392010	Transfers In	142,807	233,039	146,690
	Total Revenues	381,280	451,081	447,257
	Expenditures			
	Debt Service			
601	Bond Principal	265,000	285,000	290,000
611	Bond Interest	172,056	165,131	156,507
620	Fiscal Agent Fees	450	950	750
	Total Expenditures	437,506	451,081	447,257
	Revenues Over/(Under) Expenditures	(56,226)	-	-

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 11/1/2014			Deferrals			
Project	Paid By	#	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	
Total Deferrals			\$ 58,416	\$ 5,747	\$ 151,400	\$ 215,563

Budget Detail		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
Revenues				
361100	Principal - Current	45,972	50,640	51,523
361110	Principal-Delinquent	2,019		
361120	Principal - Prepaid	18,408		
361130	Principal-Deferred	20,555		
361200	Interest - Current	52,835	52,160	47,261
361210	Interest-Delinquent	3,806		
361220	Interest-Prepaid			
361230	Interest-Deferred			
361300	Penalties & Interest	1,702		
362100	Investment Interest			
362110	Checking Account Interest			
392010	Transfers in	233,309	291,083	289,029
Total Revenues		378,606	393,883	387,813
Expenditures				
Debt Service				
720	Transfer Out	22,802		
601	Bond Principal	260,000	300,000	300,000
611	Bond Interest	98,663	93,063	87,063
620	Fiscal Agent Fees	450	820	750
Total Expenditures		381,915	393,883	387,813
Revenues Over/(Under) Expenditures		(3,309)	-	-

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 11/1/2014								
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	\$ 8,658	
Linda Rd Street Improvement	Specials	510A		\$ 4,076				
Total Deferrals			\$ 58,044	\$ 4,076	\$ 92,912	\$ 28,406	\$ 8,658	\$ 192,096

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
361100	Principal - Current	39,598	68,575	69,793
361110	Principal-Delinquent	1,558		
361120	Principal - Prepaid	1,839		
361130	Principal - Deferred	6,564		
361200	Interest - Current	9,895	31,670	24,591
361210	Interest-Delinquent	81		
361300	Penalties & Interest	611		
362100	Investment Interest	1,801		
392010	Transfer In	279,778	181,150	191,476
393100	Bond Issuance	-		
	Total Revenues	341,725	281,395	285,860
	Expenditures			
	Debt Service			
601	Bond Principal	90,000	245,000	250,000
611	Bond Interest	37,212	34,498	33,135
620	Fiscal Agent Fees	550	820	750
630	Bond Expenses			
750	Transfer Out	2,285,000		
	Total Expenditures	2,412,762	280,318	283,885
	Revenues Over/(Under) Expenditures	(2,071,037)	1,077	1,975

Fund 321 – 2012B GO Improvement Bonds

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.

Project information:

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 11/1/2014							
			Deferrals				
Project	Paid By	#	State Land/Tax Forfeit	Sewer Availability	Water Availability	Senior Citizen	
Lavaque Sewerline (Apline to #53)	Specials	435		\$ 132,461	\$ 10,109		
Lavaque, Country Acres, Hermantown Rd., Morris Thomas	Specials	442	\$ 19,839	\$ 59,517		\$ 119,034	
Total Deferrals			\$ 19,839	\$ 191,978	\$ 10,109	\$ 119,034	\$ 340,960

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
361100	Principal - Current	539	79,575	64,819
361120	Principal - Prepaid	337,264	-	
361200	Interest - Current	1,189	99,195	78,810
392010	Transfers In	640,103	9,288	59,665
Total Revenues		979,095	188,058	203,294
	Expenditure			
	Debt Service			
580	Other Equipment	102,974		
601	Bond Principal			135,000
611	Bond Interest	58,177	68,894	67,544
620	Fiscal Agent Fees	450	450	750
Total Expenditures		161,601	69,344	203,294
Revenue (Under) Expenditures		817,494	118,714	-

Fund 322 – 2014A GO Improvement Bond

The City of Hermantown City Council approved the sale of \$2,170,000 General Obligation Improvement and Utility Revenue Refunding Bonds, Series 2014A on November 17, 2014. The purpose is to current refund the City's outstanding Series 2007A and to crossover refund the City's outstanding Series 2007B Bonds for an interest cost savings.

Rating: Standard & Poor's Credit Markets 'AA' w/Stable Outlook.

<u>Summary of Results: Results of Sale</u>	
Principal Amount:	\$2,170,000
Prepaid Assessments	150,000
Net Proceeds:	\$1,174,233
Premium Offered:	51,202
Cost of Issuance:	46,969
True Interest Cost:	2.2070%
Yield:	.45% - 2.75%
Future Value \$ Savings:	173,029
Present Value \$ Savings	131,640
Savings Percentage	5.298%
Total Net P&I	\$2,529,302

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. 2015 budgeted transfers out are Fund 316=\$1,019, Fund 317= \$45,016, Fund 318= \$1,441, Fund 319=\$66,766, and Fund 320= \$48694 and Fund 321=\$29,828.

As of 11/1/2014					
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		\$ 2,289
Woodridge Dr. Sewerline	Specials	220A		\$ 3,910	
1978 Waterline	Specials	250A			\$ 71,154
1994 Maple Grove Rd Waterline Lavaque to Reinke	Specials	210A	\$ 9,277		\$ 17,375
Miller Trunk Hwy Waterline	Specials	304A			\$ 24,851
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	\$ 315,709
					\$ 380,716

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
361100	Principal - Current	1,846	1,020	1,020
361110	Principal-Delinquent	182	856	
361120	Principal - Prepaid	74,250		
361130	Principal - Deferred	5,242		
361200	Interest - Current	1,908		855
361210	Interest-Delinquent	121		
361230	Interest - Deferred	4,865		
361300	Penalties & Interest	41		
362100	Investment Interest	1,914		
362110	Checking Account Interest			
362160	Gain (Loss) on Sale of Investements	(4,144)		
392010	Transfers In	22,802		
	Total Revenues	109,027	1,876	1,875
	Expenses			
432500	Sewer Improvements	(22,802)		
471000	Transfer Out	130,057	245,384	194,763
	Total Expense	107,255	245,384	194,763
	Revenues (Under) Expenditures	1,772	(243,508)	(192,888)

Enterprise Funds

Fund 601 - Water Enterprise Fund

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 increase on January 2015 to \$7.90 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 made 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.

Age of System	54 Years
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
Total Miles Added 2013	.12 Miles
Total Miles Added in 2014	.21 Miles
Total Miles of Water Main	63.93 Miles

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
Total Number of New Fire Hydrants Added 2014	2
Total Fire Hydrants	530
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 at a ratio of 60/40.

FTE Equivalent Employees

3.51

Budget Summary

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Wages	264,171	270,453	2.4%
201-499	Supplies/Services/Maintenance & Depreciation	1,006,880	1,016,908	1.0%
540-598	Capital Outlay	7,920	10,543	33.1%
720	Transfer Out	48,787	48,903	0.2%
	Total Expenditures	1,327,758	1,346,807	1.4%

Budget Commentary

The Utility Commission did increase water rates effective January 2015 to \$7.90 per 1,000 gallons. The 2015 budget has an increase of 1.4% compared to 2014. The sewer is not a balance budget as there is continued discussion if all the depreciation should be included in the sewer rate.

As the City acquires more water infrastructure, the depreciation expense will increase. Transfers out are applied to debt payments in the debt service funds.

Budget Detail

		2013 Actual	2014 Original Budget	2015 Budget
	Revenues			
319100	Penalty & Interest Property Taxes	10	0	0
341070	Assessment Search	1,480	2,000	3,000
361300	Penalty/Interest	1	-	-
362100	Investment Interest	32,672	25,000	25,000
362110	Checking Account Interest	1,168	1,500	1,500
362150	Interest Income/City Contracts	490	500	500
362160	Gain (Loss) on Sale of Investments	(89,045)	-	-
362250	City Property Lease	23,126	40,617	42,979
362350	Development Agreement Fees	6,834	-	-
362400	911 Signs Refund & Reimbursement	-	3,000	-
362990	Miscellaneous Revenue	29,242		15,000
371400	Metered Water Sales	1,134,930	1,249,852	1,195,962
371450	Metered Truck Fill Station	2,761	700	2,500
371500	Water Hookups	28,900	25,200	20,400
371550	Water Service Line Extension	2,420	-	-
371710	Service Charge	77,218	72,936	75,924
371720	Front Foot Water Cash	2,468	1,000	1,000
379999	Late Fee	15,440	-	-
392010	Transfers In	-	-	-
	Total Revenue	1,270,115	1,422,305	1,383,765

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Expenses			
433500	Water Improvements			
	Capital Outlay			
595	Transmission/Distribution Mains			
494300	Water Distribution			
	Salaries & Wages			
101	Full Time Employees - Regular	85,974	104,967	108,421
102	Full-Time Employees - Overtime	5,198	3,785	4,421
103	Part-Time Employees - Regular	1,034	631	
104	Part-Time Employees - Overtime		27	
105	Temporary Employees - Regular	330	431	
121	PERA Contributions - Coordinated	6,769	7,885	8,423
128	Social Security	5,688	6,769	7,052
129	Medicare	1,330	1,583	1,649
131	Health Insurance	26,945	31,071	35,717
132	Health Care Savings Plan/Sick Leave	96		
133	Life Insurance	110	131	210
134	Disability Insurance	474	593	609
151	Workers Compensation	3,232	3,625	5,146
	Supplies/Services & Maintenance			
212	Motor Fuels	3,607	4,000	4,000
221	General Supplies	3,699	5,000	5,000
223	Bldg Repair & Maint Supplies	157		
228	Utility System Maint	3,698	3,000	3,000
303	Banking Fees	39		
315	School & Conference	900	750	500
331	Travel Expense	38	700	300
382	Water Purchases	686,404	744,440	744,440
404	Equipment Maintenance	2,907	2,000	2,000
406	Vehicle Maintenance	395	600	600
417	Uniform Rental	135	140	140
451	Dues & Subscriptions	692	700	700
470	Booster Pump Repairs	3,545	750	750
471	Water Line Repairs	32,462	25,000	30,000
472	Hydrant Repairs	8,794	10,000	10,000
495	Property Damage Reimb. By Insurance			
499	Miscellaneous	251	500	500
	Capital Outlay			
580	Other Equipment	1,736	7,920	10,543
	*continued			

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Expenses			
494400	Water Administration & General			
	Salaries & Wages			
101	Full-Time Employees-Regular	72,307	72,021	72,750
102	Full-Time Employees-Overtime	175	711	257
121	PERA Contributions-Coordinated	5,090	5,273	5,476
128	Social Security	4,439	4,509	4,526
129	Medicare	1,038	1,055	1,059
131	Health Insurance	18,974	18,796	13,610
132	Health Care Savings Plan/Sick Leave	62		
133	Life Insurance	95	94	202
134	Disability Insurance	353	392	392
151	Workers Compensation	356	480	533
	Supplies /Services/ Maintenance & Depreciation			
201	Office Supplies	4	200	200
202	Printing Supplies	671	700	700
209	Computer Supplies	198	200	200
221	General Supplies			
223	Bldg Repair & Maint Supplies			
301	Audit/Account Services	2,598	2,361	2,460
303	Banking Fees	1,266	2,500	2,500
305	Engineer Fees	3,057	1,500	1,500
308	Legal Fees	129	2,000	2,000
310	Recording/Filing Fees			
313	Hosp Co-Ins & Hosp/Sick Leave Reserve		-	
315	School & Conference		40	40
319	Contracted Services	4,172	360	360
321	Telephone	4,452	4,700	1,852
322	Internet	377	620	118
323	Gopher One Call Locates	1,635	1,400	1,400
325	Postage	3,101	3,600	3,600
331	Travel Expense	795	825	825
351	Legal Notices Publishing	378	600	600
361	General Liability Insurance	8,706	5,857	6,124
381	Electricity	6,505	5,000	5,000
383	Heating Gas	2,745	4,000	4,000
384	Garbage Removal	1,277	940	940
404	Equipment Maintenance	45	51	51
405	Computer Maintenance	6,508	6,771	5,433
413	Equipment Rental			10,000
417	Uniform Rental	5	-	
420	Depreciation Expense	167,848	165,000	165,000
460	Permits & Licenses		75	75
496	Insurance Deductible	1,000		
	Capital Outlay			
540	Office Equip/Furnishings			
	Other Financing Uses			
720	Transfer Out	47,839	48,787	48,903
	Total Expenses	1,254,839	1,327,758	1,346,807
	Revenues Over/(Under) Expenses	15,276	94,547	36,958

Fund 602 - Sewer Enterprise Fund

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 \$8.60 per 1,000 gallons. January 2015 rate will be \$8.87 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.

Age of System	32 Years
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
Total Miles of Sewer Main	67.928 Miles

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
Total Manholes	777

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 on a ratio of 60/40.

FTE Equivalent Employees

2.34

Budget Commentary

The 2015 Sewer expense budget increased by 3.2% compared to 2014. Increases included negotiated wage, increased supplies, services, maintenance, and depreciation expense with the additional of sewer infrastructure. Capital outlay includes updates to Arrowhead lift stations, meter & radio reads and tools. Transfers out are applied to debt payments in the Debt Service Funds. Sewer rates will increase on January 2015 to \$8.87 per 1,000 gallons.

Budget Summary

		2014 ORIGINAL BUDGET	2015 APPROVED BUDGET	Percent Change
101-151	Salaries/Wages	176,978	181,189	2.4%
201-499	Supplies/Services/Maintenance & Depreciation	1,067,879	1,076,319	0.8%
540-590	Capital Outlay	5,280	35,303	568.6%
720	Transfer Out	60,419	59,656	-1.3%
	Total Expenditure	1,310,556	1,352,467	3.2%

		2013 Actual	2014 Original Budget	2015 Budget
	Revenues			
341070	Assessment Search	987	2000	3000
362100	Investment Interest	3,932	10,000	10,000
362110	Checking Account Interest	1,915	1,000	1,000
362150	Interest Income/City Contracts	2,222	2,000	2,000
362160	Gain (Loss) on Sale of Investments	(9,283)		
362990	Miscellaneous Revenue	990		
371710	Service Charge	65,119	64,692	68,256
372400	Sew er Usage	1,110,325	1,183,565	1,170,127
372500	Sew er Hookups	44,000	30,000	30,000
372710	Sew er Permits	4,725	3,000	3,000
372715	Sew er Capacity Availability Fee	1,384	1,200	1,200
372720	Front Foot Cash	3,690	5,000	5,000
37999	Late Fee	13,921		
	Total Revenue	1,243,927	1,302,457	1,293,583

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Expenses			
494500	Sewer Maintenance			
	Salaries & Wages			
101	Full-Time Employees - Regular	75,566	69,978	71,919
102	Full-Time Employees - Overtime	2,070	2,998	2,947
103	Part-Time Employees - Regular	390		
104	Part-Time Employees - Overtime			
121	PERA Contributions - Coordinated	5,119	5,256	5,615
128	Social Security	4,151	4,495	4,642
129	Medicare	971	1,051	1,086
131	Health Insurance	20,045	20,714	23,811
132	Health Care Savings Plan/Sick Leave	65		
133	Life Insurance	84	87	140
134	Disability Insurance	361	395	406
151	Workers Compensation	1,772	2,059	4,708
	Supplies/Services & Maintenance			
212	Motor Fuels	2,404	3,000	3,000
221	General Supplies	1,110	1,000	1,000
222	Bldg Repair & Maint Supplies	33		
228	Utility System Maint	721	1,000	1,000
229	Lift Station Maintenance	1,250	1,000	1,000
313	Hosp Co-Ins & Hosp/Sick Leave Reserve			
315	School & Conference	975	750	750
331	Travel Expense	711	500	500
385	Sewer Charges	427,423	489,882	494,299
404	Equipment Maintenance	3,281	3,300	3,300
406	Vehicle Maintenance	771	1,200	1,200
417	Uniform Rental	94	100	100
451	Dues & Subscriptions		15	15
460	Permits & Licenses	90	247	247
475	Sewerline Repairs	7,201	22,000	22,000
476	Lift Station Repairs	11,272	20,000	15,000
477	I & I Maintenance	9,496	5,000	5,000
478	Sewer Cleaning	22,217	25,000	25,000
495	Property Damage Reimb. By Insurance			
499	Miscellaneous	143	500	500
	Capital Outlay			
580	Other Equipment	(1,274)		7,903
590	Pumping Plant & Lift Stations		5,280	27,400
720	Transfer Out	216,359		-
	*continued			

494900	Expenses	2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Sewer Administration & General			
	Salaries & Wages			
101	Full-Time Employees-Regular	40,131	48,014	48,500
102	Full-Time Employees-Overtime	117	474	171
121	PERA Contributions-Coordinated	3,403	3,515	3,650
128	Social Security	3,112	3,006	3,055
129	Medicare	728	703	715
131	Health Insurance	12,729	12,531	9,073
132	Health Care Savings Plan/Sick Leave	41		
133	Life Insurance	63	63	135
134	Disability Insurance	236	262	261
151	Workers Compensation	3,767	1,377	355
	Supplies/Services/Maintenance & Depreciation			
201	Office Supplies	3	200	200
202	Printing Supplies	467	500	500
209	Computer Supplies	198	200	200
212	Motor Fuels			
219	Other Operating Supplies		-	
221	General Supplies			
223	Bldg Repair & Maint Supplies			
301	Audit/Account Services	2,165	1,967	2,050
303	Banking Fees	844	1,700	1,700
305	Engineer Fees	8,922	1,500	1,500
308	Legal Fees	1,723	1,000	1,000
310	Recording/Filing Fees			
313	Hosp Co-Ins & Hosp/Sick Leave		-	
315	School & Conference		50	50
319	Contracted Services	264	250	250
321	Telephone	2,968	3,100	1,600
322	Internet	251	410	176
323	Gopher One Call Locates	1,090	1,000	1,000
325	Postage	2,053	2,400	2,400
331	Travel Expense	530	600	600
351	Legal Notices Publishing	63		
361	General Liability	4,313	6,003	8,015
381	Electricity	7,557	12,000	12,000
383	Heating Gas	1,830	3,000	3,000
384	Garbage Removal	851	700	700
401	Building Maintenance			
404	Equipment Maintenance	45	34	34
405	Computer Maintenance	6,493	6,771	5,433
413	Equipment Rental			
420	Depreciation Expense	442,519	450,000	460,000
451	Dues & Subscriptions			
496	Insurance Deductible			
499	Miscellaneous		-	
	Capital Outlay			
540	Office Equip/Furnishings			
	Other Financing Uses			
720	Transfer Out	57,347	60,419	59,656
	Total Expenditure	1,421,693	1,310,556	1,352,467
	Revenues/Over/(Under) Expenditure	(177,766)	(8,099)	(58,884)

Fund 605 - Street Lighting & Traffic Signalization Fund

Street Lighting fund was created to account for the activity of lighting and signalizing 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.

Also included in the franchise fees is 75% of MN Energy gas franchise. 25% is in the General Fund.

Budget Detail

		2013 ACTUAL	2014 ORIGINAL BUDGET	2015 BUDGET
	Revenues			
318100	Franchise Fees	99,009	100,000	140,000
362100	Investment Interest	7,308		
362110	Checking Account Interest	129		
362160	Gain (Loss) on Sale of Investments	(5,900)		
362430	Refund & Reimbursement	-		
	Total Revenues	100,546	100,000	140,000
	Expenses			
	Supplies & Services			
219	Operating Supplies	50		
227	Street Lights & Signs	13,561	7,000	7,000
308	Legal Fees			
381	Electricity	26,703	27,500	27,500
413	Equipment Rental	8,078	7,600	7,600
420	Depreciation Expenses	2,167		2,170
580	Other Equipment	(31)		
585	Street Lights			
	Other Financing Uses			
720	Transfer Out	2,500		2,500
	Total Expenditures	53,028	42,100	46,770
	Revenues Over Expenditure	47,518	57,900	93,230

Glossary

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.

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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