The City of Hermantown MINNESOTA

Annual Budget

Fiscal Year 2016

Adopted Budget

December 7, 2015

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Table of Contents

Introduction & Overview **5**
Elected and Appointed Officials 5
Mission Statement 6
Community Profile 7
Community History 12
Major Accomplishments 2015 ..... **14**
Distinguished Budget Presentation Award 24
Budget Overview **25**
Financial Structure, Policy, and Process **27**
Organization Structure and Chart 27
Fund Accounting 30
Basis of Accounting and Basis of Budgeting 35
Financial Management Policies 35
Budget Policy & Financial Control 52
Budget Calendar 53
Financial Summaries **54**
2015 Statement of Accounts - All Funds 54
Major Funds and Non-Major Funds by Fund Type 56
2016 Budget Summary – All Funds 57
Changes in Fund Balance 62
Revenue Categories & Trends 65
Tax Information 71
General Fund Summaries – Fund 101 ..... **78**
2016 General Fund Revenues 78
2016 General Fund Revenue Sources - Detail 80
2016 General Fund Expenditures 82
General Fund Expenditures – Detail by Category 83
Trend in Spending Budgeted Expenditures – General Fund 84
Capital Expenditures **85**
2016 Budgeted Capital Expenditures over $5,000 86
Five Year Plan for Municipal State Aid – MSA Roads 87
Capital Improvement Plan **87**
City Debt Overview **88**
Debt Margin 88
Debt Issuance and Refinancing 89
Debt Service Direct Tax Levy (Next 5 Years) 89
Existing Debt Overview 89
Debt Issuance Details 89
Staffing **91**
General Fund **93**
City Council - 411100 93
Ordinance, Public Notice, and Proceedings - 411300 95
Mayor - 413100 96
Elections - 414100 97
Administration & Finance - 415300 99
City Attorney – 416100 - Contracted 102
Community Development – 419100 103
City Hall/Police Building Maintenance - 419901 107

Police – 421100 109
Fire Protection – 422100 - Contracted 113
Fire Hall #1 - 422901 114
Fire Halls #2 & #3 – 422902/422903 116
Building Inspection – 424100 116
Poundmaster - 427100 119
Street - 431100 119
City Engineer – 431130 - Contracted 123
City Garage Maintenance - 431901 124
Parks - 452100 124
Community Building - 452200 128
Cemetery - 490100 128
Insurance General - 492200 129
Special Revenue Funds 131
Fund 230 – Hermantown Economic Development Authority 131
Fund 231 – Community Development Fund 132
Fund 235 - Park Dedication Fund 133
Fund 236 - Wetland Mitigation Fund 134
Fund 240 - City Sales Tax Fund 135
Fund 250 - Police School Relations Fund 137
Fund 251 - Police Program Fund 138
Fund 260 - Cable Television Fund 138
Fund 270 – Soccer Association Fund 140
Debt Service Funds 141
Fund 301 – Equipment Debt Service 141
Fund 315 – Public Project Revenue Bonds, Series 2006A 142
Fund 316 - 2007A Refunding Bonds 143
Fund 317 – 2007B General Obligation & Utility Bonds 144
Fund 318 – 2009A GO Bond – Refinance 2003A Bonds 145
Fund 320 – 2012A GO Bonds 147
Fund 322 – 2014A GO Improvement Bond 149
Fund 350 - Special Assessment Deficiency Fund 150
Fund 601 - Water Enterprise Fund 151
Fund 602 - Sewer Enterprise Fund 156
Fund 605 - Street Lighting & Traffic Signalization Fund 161
Glossary 162
Acronyms 168

Introduction & Overview

Elected and Appointed Officials

POSITION	NAME	TERM EXPIRES
	ELECTED OFFICIALS	
City Council		
Mayor	Wayne Boucher	December 31, 2016
Council Member	John Geissler	December 31, 2016
Council Member	Darlene Koski	December 31, 2016
Council Member	Gloria Nelson	December 31, 2018
Council Member	Natalie Peterson	December 31, 2018
	APPOINTED OFFICIALS	
City Administrator	John Mulder	Continuous
Finance Director	Kevin Orme	Continuous
Community Development Director	TBD	Continuous
Building Official	Jim Rich	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 Quick Facts U.S. Census Bureau	**Hermantown**	**Minnesota**
Population, 2014 estimate	**9,704**	**5,457,173**
Population, 2013 estimate	**9,605**	**5,420,380**
Population, 2010 (April 1) estimates base	**9,414**	**5,303,925**
Population, percent change, April 1, 2010 to July 1, 2014	**3.1%**	**2.9%**
Population, percent change, April 1, 2010 to July 1, 2013	**2.0%**	**2.2%**
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 Quick Facts	**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 Quick Facts	**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

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

2016 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.

2016 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 -2015 Data

Municipal Water System- purchases all drinkable water from City of Duluth.
- 2,109 Connections
- 64.947 Miles of Water Mains
- 435,616 Gallons Average Daily Consumption
- 535 Hydrants for fire control
- 750,000 Gallons system capacity-2 water storage tanks

Municipal Sewer System-Western Lake Superior Sanitary District
- 1,896 Connections
- 68.373 Miles of Sanitary Sewer Mains
- 432,876 Gallons Average Daily Usage
- 790 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 2015

General Government

1. Conducted a short term (2-4 years) planning process with the City Council.
2. Review of various ordinances related to U-turns, temporary liquor licenses, number of off-sale liquor license, conditions for granting off sale liquor license, updating the cable TV franchise.
3. Made revisions to the budget process, creating several formal reports to the Council during the process (staffing report, Debt Service Budgets, Special Revenue Budgets, Preliminary General Fund Budgets)
4. Revised and re-started the Capital Improvement Planning process.
5. 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, 2015. This is the fifth year the City has received this award.
6. Made the transition to new Finance Director with Kevin Orme starting in the position on September 28.
7. The City selected David Bolf, P.E. of Northland Consulting Engineers as new City Engineer.

Community Development

1. Hermantown Economic Development Authority (HEDA). Modified the Development Program for Development District No. 1 and established the Hermantown Marketplace District No. 1 – a redevelopment Tax Increment District (TIF).
2. Amended the development agreement to construct a 72 to 78 room Holiday Inn Express Suites Hotel in the Hermantown Marketplace TIF District No. l. The hotel is presently under construction with an anticipated opening date of June, 2016.
3. Entered into a development agreement with Mills Fleet Farm for the construction of a new Fleet Farm Store and several improvements to the public infrastructure in area. The 183,000 square foot store is under construction with an anticipated opening date of August, 2016. Extensions to the City's water main infrastructure, storm sewer, and construction of Market Street have all been completed.
4. Completed a design process for new Hermantown Marketplace monument signage to support this growing business district within the City.
5. Supported permitting for construction of a Kwik Trip convenience store located in front of the Hermantown Menards Store on Highway 53.
6. Designated as a Step Two GreenStep City through the Minnesota Pollution Control Agency's GreenStep Cities program.
7. Completion of the Adolph Neighborhood Small Area Plan.
8. Approved a business subsidy agreement to make improvements in the Sugar Maple Crossing development.
9. Collaborated with community partners to initiate a Farmer's Market during the summer months to be held at Fichtner Field/Old City Hall.
10. Began a planning study for the western portions of the Hwy 53 Corridor.

11. Amended ordinances related to Planned Unit Developments, accessory structures, keeping of bees and chickens in residential areas, post-construction storm water management, and erosion and sediment control.
12. In cooperation with the Hermantown School District (ISD 700), initiated a Safe Routes to Schools planning process.
13. Audited zoning map amendments going back to 1991 to improve the veracity of available zoning data.

Public Safety

1. City Council approved the amended job description creating a full time law enforcement secretary/evidence technician following a vacancy of the part time law enforcement secretary.
2. Completion by Springsted, Inc, of a review the delivery of Fire Department services, leading to inclusion of fire station improvements in the updated Capital Improvements Plan.
3. Retired K-9 Dog, Nero.
4. Officer Pfeiffer and K-9 "Tuuko" graduated from the St. Paul Police K-9 Academy
5. The Police Department received significant grants and donations to fund an additional K-9 to the department.
6. The Police Department combined the positions of School Resource Officer and Community Resource Officer.
7. The Police Department instituted a voluntary and incentive based fitness program.
8. The Police Department implemented a Bicycle Rodeo to teach kids about bike safety and also provided free helmets to attendees.
9. The Police Department worked with St. Louis County Public Works to identify a safety solution regarding the Railroad Crossings near Adolph. Subsequently, SLC will be installing a "smart sign" that will warn drivers of stopped traffic in the area.
10. The Police Department partnered with the MN Bureau of Criminal Apprehension and various other trainers to bring high quality training to the Hermantown PD Training Center.
11. The Police Department partnered with contractors performing work on the Hwy 53 reconstruction project. HPD officers provided 533 hours of traffic calming / traffic direction to the contractor to help alleviate backups. The contractor paid for the overtime costs.

Public Works

1. Completed final work on road construction, Project 523 in the Hermantown Marketplace to construct Prospect Avenue and Frontier Way along with sidewalks in the area.

2. City Council hired Short Elliot & Hendrickson (SEH) to serve as the design and construction engineer for the reconstruction of Stebner Road between Hwy 53 and Maple Grove Road in 2016.
3. City Council hired Short Elliot & Hendrickson (SEH) to conduct a feasibility report on the creation of Stormwater Utility.
4. City Engineer and City Public Works Superintendent conducted an inventory and analysis of the condition of all city streets as first step in creating a long term road maintenance plan as part of an overall Capital Improvement plan.
5. City entered into a cooperative agreement with St. Louis County for the County to reconstruct 1 mile of Rose Road. The County agreed to provide the engineering service at no costs and allowed the City to pay for the construction over a two year period in 2016 and 2017.
6. City completed a "leak audit" of its water system and identified over a dozen leaks. Repairs were made significantly reducing the amount of purchased water that was being lost, potentially saving the City close to $50,000 per year.
7. City entered into an agreement with the City of Duluth regarding sewer customers along Haines Road.
8. City entered into a cooperative agreement with the Hermantown School District to build a water main in Hawk Circle Drive. This main will provide a better loop to the City's water tower and improve water service to the new high school.
9. As part of the Hermantown Marketplace, .Mall Drive was renamed to Market Street between Haines and Westberg, and renamed Loberg Ave from the intersection of Market Street to Hwy 53 near Wal-Mart
10. Entered into an agreement with St Louis County for the signal optimization along Miller Trunk Corridor
11. Accepted the frontage road from Menards as a new public road in cooperation with St. Louis County's plan to make improvements to Arrowhead Road east of Highway 53 in 2016

Parks

1. Hermantown and Proctor worked cooperatively on route selection and preliminary engineering for a non-motorized trail system for the Munger Trail Spur Connection between and through both cities. The work was completed using a state grant of $75,000 approved by the Minnesota State Legislature.
2. Completion of the pre-design work for the proposed Regional Health and Wellness Center with a grant from the Minnesota State Legislature of $250,000.
3. Entered into letters of intent with Essentia Health for a physical presences and contribution along with the renaming the proposed wellness center as the Essentia Health Regional Wellness Center.
4. Completion of Rocky Run Trail with assistance from the newly created Friends of the Hermantown Trails volunteer group.

5. Re-located– playground equipment and added new swing sets in both Stebner Park and Fichtner Park.
6. Fichnter Park – Installed new metal roofs on picnic shelter and on dugouts on Field 2

Mayor
Wayne Boucher

Administrator
John Mulder

Councilors
Gloria Nelson
Darlene Koski
Natalie Peterson
John Geissler

The City of Hermantown MINNESOTA

5105 Maple Grove Road Hermantown, Minnesota 55811
Phone: 218-729-3600 / Fax: 218-729-3620
Website: www.hermantownmn.com

Budget Message

2016 Budget
November 10, 2015

Attached is the 2016 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 for the future by the City Council and staff.

The 2016 Budget attempts to move the Council's priorities ahead in order to better serve the community. The goal at the beginning of the budget season was to build information infrastructure using Geographic information systems, address some capital improvement needs, and keep the tax rate consistent with past years.

The 2016 General Fund budget is balanced and takes calculated risks in revenue forecasting and planning beyond the next twelve months.

Revenues:

The amount of levy under this preliminary general fund budget has increased 7.79%. With the growth in the tax base, the goal was to present a budget for the general fund and debt service that did not increase the impact on residential homestead property, while moving forward on additional staffing in the Community Development and addressing some long term capital needs. While it is proposed that the City collect 7.79% more in property taxes, typical residential property owners will actually pay less in City property taxes. The rate decreases from .36537 to .3563.

In the past the City has only budgeted 95% of proposed property tax levy. We have done this because of tax delinquent accounts and the likelihood that we would not collect 100% of the taxes levied. However, since our recent history has shown that we actually collect closer to 100%, this year we are budgeting 97% of the tax levy.

Building permit fees are expected to be lower in 2016. In 2015, we anticipated building permit fees from several major developments within the City. While there are some on the horizon for 2016, we don't believe it will be at the same level as 2015.

Local Government Aid (LGA) for 2016 is reduced $96,150. This is the equivalent of a 2% tax increase. The City will only receive $163,361 in LGA in 2016. This is a continuation of cuts in LGA over the past several years.

Taxes under this preliminary budget are projected to increase by $298,343 or 7.79%, but due to increased tax capacity, the impact on residential property is an average decrease of -2.58%.

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

General Fund	$334,712
Debt Service	($74,369)
Hermantown Economic Development Authority (HEDA)	$38,000

The levy for the General Fund represents a 9.31% increase. Expenditures are up 8.7%, 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 $96,150, 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.

The tax levy for HEDA is a continuation of a new policy direction for the City Council which began in 2015. Minnesota State statute allows Cities to levy taxes for an economic development authority. As we have attempted to be more proactive in encouraging development, particularly in Hermantown Marketplace, there are several areas where funds are necessary for us to be able to move forward with implementing the plan for the Marketplace and other areas for economic development.

In 2015, the City levied $38,000 which represented a quarter of the legal limit the City could limit for economic development activity. In 2016, the City is increasing that to $76,000. This represents less than 2% of the overall levy approved by the City Council.

Expenditures: Expenditures in the 2016 General Fund Budget are increasing 8.70%. This is due in large part to an additional position in the Community Development Department, increases in health insurance, and some capital purchases.

The additional position in Community Development Department will back fill a part time (10 hours/week) administrative support position that was left vacant when the person holding that position left City employment, and the position was assigned full time to the Police Department. This new positon will be responsible for application intake and initial review. This position will assist in the development of the City's Geographic Information Systems (GIS) system, including the input of data as well as occasional field data collection.

Health Insurance premiums are increasing approximately 10% after seeing a decrease in 2015.

Capital improvements in the General Fund include two squads, a license plate reader in the Police Department and a pickup in the Public Works Department.

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

Expenditures	2015 Budget	2016 Budget	% Change
General Fund Budget	4,342,766	4,270,500	-1.66%
Total City Budget (All Funds)	11,270,680	11,628,880	3.18%

City Council Priorities

Since 2011, the City Council has met 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.

On January 9, 2015, the City Council met to discuss what items they would like to see accomplished over the next 2 to 4 years (the remainder or their current terms). Individual Council members had an opportunity to communicate their goals. The goals were grouped by category. The Council was then asked to rank their priorities from 1 to 6, with one being the most important. Fourteen items received a vote for being among the top priorities.

Below is the list of the items identified, their ranking, the number of votes received in the ranking process, and status update. The number in the "count" column is the number of Councilors who identified this as one of their top 6 priorities. The score is average of the priority ranking by the Council. (the lower the number the more important)

A "priority statement" was then developed for each category. The statement was intended to identify why the items in that category are important to the City Council.

Fire: Plan for and develop a long term sustainable Fire Department

In June 2015, the City Council received the report from Springsted regarding the Fire Department. The report included 12 recommendations. The City continues to work through those recommendations and has included improvements to Fire Halls 2 & 3 in the Capital Improvement plan. The two facilities will be reviewed in 2016 to determine the possibility of repairs and/or replacements.

Finance: Maximize proper use of Sales Tax revenue and stabilize the debt service budget

In March 2015, the Council reviewed the status of the sales tax revenues and long term obligations. While sales tax revenues have a limited and specific use, the conclusion of the review was the current revenues will exceed the current obligations. The recommendations included the City should consider engaging in some longer range planning for utilities improvements and/or look at expanding the use of the sales taxes to meet other long term needs of the City.

Economic Development: Facilitate and promote continued community growth in fiscally responsible and sustainable way.

In 2015, two significant projects began in the area the City has called the Hermantown Marketplace. Those two projects are the Fleet Farm store and the Holiday Inn & Suites hotel. Both of these projects included some improvements to the public infrastructure (streets, water, & sewer) as the overall development. That work will continue into 2016, and add significantly to both the property tax base as well as the City's sales tax revenue.

The City concluded the work of the small area plan of the Adolph area, but significant changes are not anticipated based on that report.

The Council identified improvements to the industrial park and general economic development as goals as well. The City is looking at improvements to Lightning Drive in the industrial park along with possible improved signage.

Human Resources: Anticipate and plan for staff changes due to the change in the workloads and demand for service, and for pending retirements or possible staff turnover

In June 2015, the City Council reviewed a staffing report that looked at the number and classifications of the positions in the City. The report included organizational charts of the three main areas, Administration/City Hall, Public Works, and the Police Department. The report showed the cost allocation to various funds for each position and the total costs of employees. Personnel Services make up over 60% of the total expenditures in the general fund. Finally, the report reviewed some demographics regarding age and years of service of the city's work force and some possible staffing changes in the coming years. It has been a deliberate strategy for the City to review each positon as they became vacant due to turnover to see if the positon needs to be filled or changed.

Parks: Improve recreational and wellness opportunities for city residents

During 2015, the City worked cooperatively with the City of Proctor on route selection and preliminary engineering for a trail system that would connect the City of Hermantown and the City of Proctor to the Munger Trail and the Cross City Trail in Duluth. The work was completed using a state grant and the preliminary plan was approved by the City Council in October.

Additionally, the City took a number of steps toward a proposed Regional Wellness Center. The city hired LHB Architects to complete the pre-design work for the facility using a state grant. The City Council entered into a letter of intent with the Hermantown School District for the site of the proposed facility and then entered into a letter of intent with Essentia Health to locate a clinic and have naming rights to the facility. The City has made a request for state bonding money for $8 million of the $17 million construction costs of the facility.

The City worked with community members to create a Farmers Market which ran on Monday afternoons from July 6 to September 20.

Capital Improvement Plan: Create a long term plan for improvements to City Streets and Buildings.

The City renewed its efforts on capital improvement planning for a five year period. The emphasis was on Public Works equipment, City facilities, and City streets. The five year plan lays out a plan for replacing equipment in the Public Works Department and making improvements to City facilities. The primary emphasis on facilities was relatively minor upgrades along with a review of the Fire Halls 2 and 3. The City Engineer and Public Works Superintendent inventoried and analyzed every city street. The streets were given a ranking relative to its current condition. The streets pose a significant challenge to the City. While the vast majority are relatively new and are in good condition, the costs of the roads with the greatest need do not have a firm identified funding source.

Code Enforcement: Enforce the Zoning Code to reduce amount of non-conforming uses and blight in the Community.

The City took steps work with several individual property owners to encourage them to remove blight and eliminate nuisances.

Communication: Improve Communication and identification of the City

The Council identified several specific areas on improving communication and identification, including improvements to the City's website, a communication plan, paperless agendas, and signage around the community. In February, the Council approved a Request for Proposals (RFP) for developing signs in the Hermantown Marketplace. In March, the Council approved a contract with SAS + Associates to provide professional services associated with signage design. The design work has been completed and possible construction can take place in 2016.

Acknowledgements:

The City received the Distinguished Budget Presentation Award to the City for its annual budget for the fiscal year beginning January 1, 2015 for the fifth consecutive year.

It is important to thank Liz Middlemist who has served as the Accountant and Interim Finance Director through most of this Budget Process. In January of this year, I made a conscious decision to be more involved in leading the budget process. A schedule was created with certain tasks to be completed by certain dates. New forms were created and distributed to the Department Heads with instructions on how to complete their portion of the budgets. The revised schedule and forms have helped us stay on tasks and on schedule despite going through a transition period with the Finance Director position being vacant. Ms. Middlemist has kept up her day to day duties and has stepped up assisting with the budget. She has organized the information and has done all of the necessary behind the scenes work to keep

the budget on schedule even as we have had to make adjustment to how we prepare budgets. The hard work of budgets is in the details, and Ms. Middlemist took care of much of the details. I truly appreciate her contributions to the process.

Despite having a vacancy in the Finance Director Positon, the City was able to put additional effort and organization to the five year capital improvement process. This process along with the goals and priorities set by the City Council is assisting the organization to look beyond one year budget, and set a course for the future.

An additional thank you should go to Lee Klein. The revenue side of the budget was going to be a challenge during the transition. Mr. Klein was invaluable resource in reviewing the revenue and calculating the necessary taxes needed to balance the budget, the tax rate, and ultimately the impact of the levy. The Department Heads and the employees of City Hall have been very helpful throughout this process.

Ultimately it is the combination of the vision and leadership by the Mayor and City Council along with the work ethic and stewardship of the employees that can serve the community.

This budget message has summarized the changes in the City's budget from 2015 to 2016, but more importantly, it has attempted to give a sense of the direction and priorities the Council has set for the organization as we serve community. Because in the end, the budget is the means to communicate and plan for accomplishing the priorities that are set which will best serve the community.

Sincerely,

John Mulder
City Administrator
November 10, 2015

Distinguished Budget Presentation Award

GOVERNMENT FINANCE OFFICERS ASSOCIATION

Distinguished Budget Presentation Award

PRESENTED TO

City of Hermantown

Minnesota

For the Fiscal Year Beginning

January 1, 2015

Executive Director

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, 2015**. 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

2016 Budget Overview

Revenues

Property Taxes: Property taxes are budgeted at $3,925,900 or a 9.31% increase in the General Fund. The Hermantown Economic Development Authority will levy in 2016. The HEDA budget increase is for property taxes of $76,000.

Local Government Aid (LGA): Local Government Aid in 2016 budget decreased by $96,150 or 27%.

Building Permits: Building permits are budgeted at $125,000, which is $47,000 less than 2015, due to most of the major construction being done in 2015.

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. Sales Tax is budgeted for $2,500,000 in 2016.

Water Fund: Hermantown purchases water from the City of Duluth. The water rate will remain the same at $7.90 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 sewer rate will remain the same at $8.87.

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

Expenditures

Elections: 2016 is an election year for Mayor, two council members, President and other local offices. There will be slight increases in Council, Legal Notices, Elections and Administrative.

Administrative/Finance: An increase of $15,521 is for department wage increases and additional increases for the election year.

Community Development: A new Planning/GIS Technician has been approved for 2016.

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 a slight increase of $5,925, due mostly to building repairs and maintenance.

2016 Financial Summary Information

	2014 Actual		2015 Original Budget		2016 Budget	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
General Fund	$4,716,060	$4,361,857	$4,343,533	$4,342,766	$4,720,500	$4,720,500
Special Revenue Fund	$2,865,752	$1,678,694	$2,638,788	$1,564,370	$2,763,076	$1,572,042
Debt Service Funds	$5,237,623	$2,964,972	$2,395,992	$2,617,500	$2,309,542	$2,499,554
Enterprise Funds	$2,929,005	$2,756,023	$2,817,348	$2,746,044	$2,907,888	$2,836,784
Total	$15,748,440	$11,761,546	$12,195,661	$11,270,680	$12,701,006	$11,628,880

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 2016 budget is a balanced budget with the use of available fund balance.

General Fund:

2016 budgeted revenues are $376,967 higher than 2015 budgeted revenues, while 2016 budgeted expenditures are $377,734 higher than the 2015 budgeted expenditures.

Special Revenue Funds:

2016 budgeted revenues are $124,288 higher than 2015 budgeted revenues. This increase is mainly due to the property tax revenue in the Hermantown Economic Development Fund.

Debt Service Funds:

Debt Service Funds has revenues of $2,309,542 and expenditures of $2,499,554. The difference is a transfer from Special Assessment Deficiency Fund of $190,012 to fully meet debt service payments. The $190,012 is included in the debt service total expenditures. 2016 budgeted revenues are $86,450 less than 2015 budgeted revenues. This decrease is primarily due to the transfers from Sales Tax and Special Deficiency Funds. 2016 budgeted expenditures are $117,946 less than 2015 budgeted expenditures. The decrease primarily was due to pay off the Certificate of Indebtedness in 2015.

Enterprise Funds:

2016 budgeted revenues are $90,540 more than 2015 budgeted revenues. This increase is primarily due to new commercial construction. The water rate will remain at $7.90 per 1,000 gallons and the sewer rate will remain at $8.87 per 1,000 gallons. 2016 budgeted expenditures are $90,740 higher than 2015 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 2016.

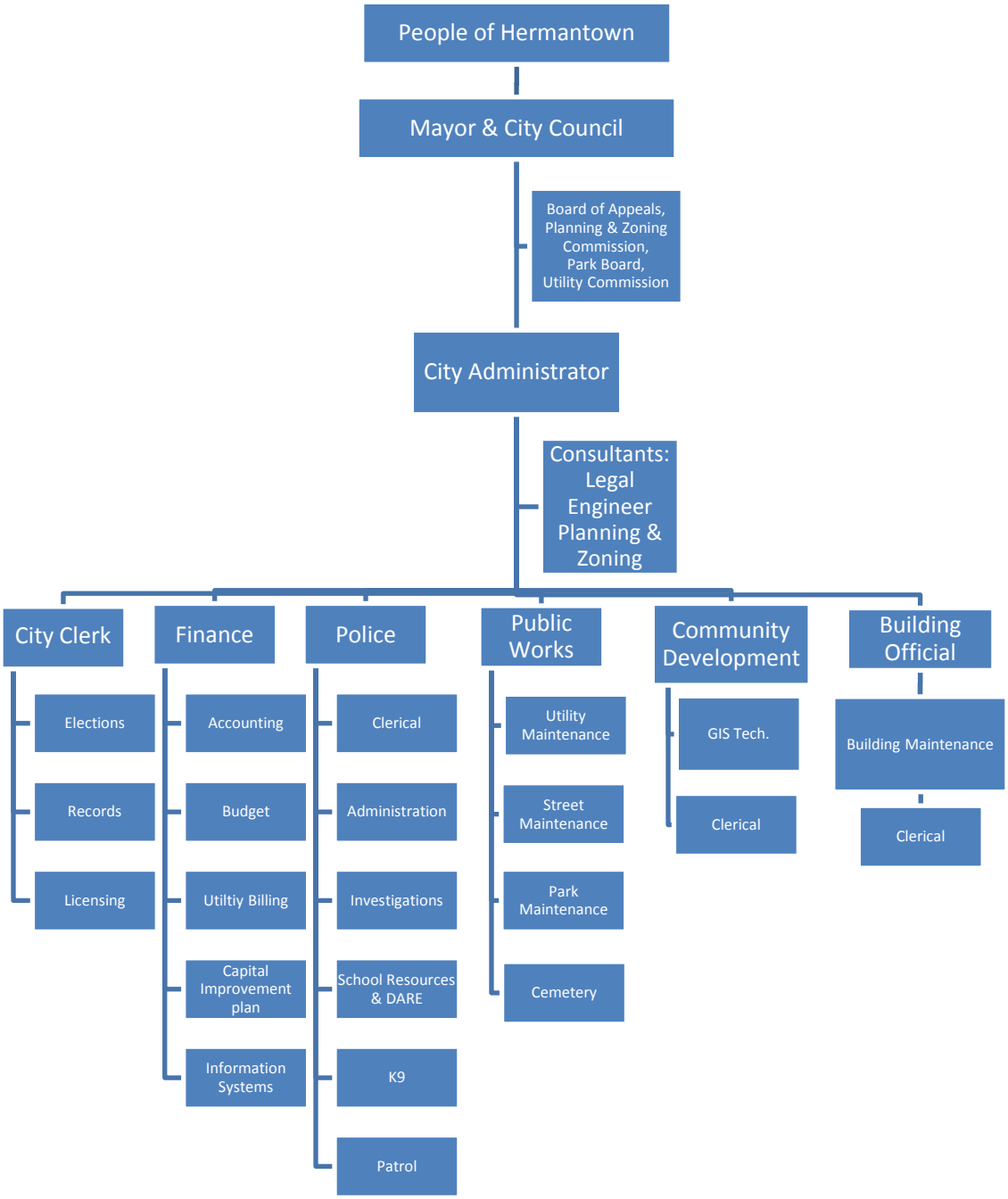
Financial Structure, Policy, and Process

Organization Structure and Chart

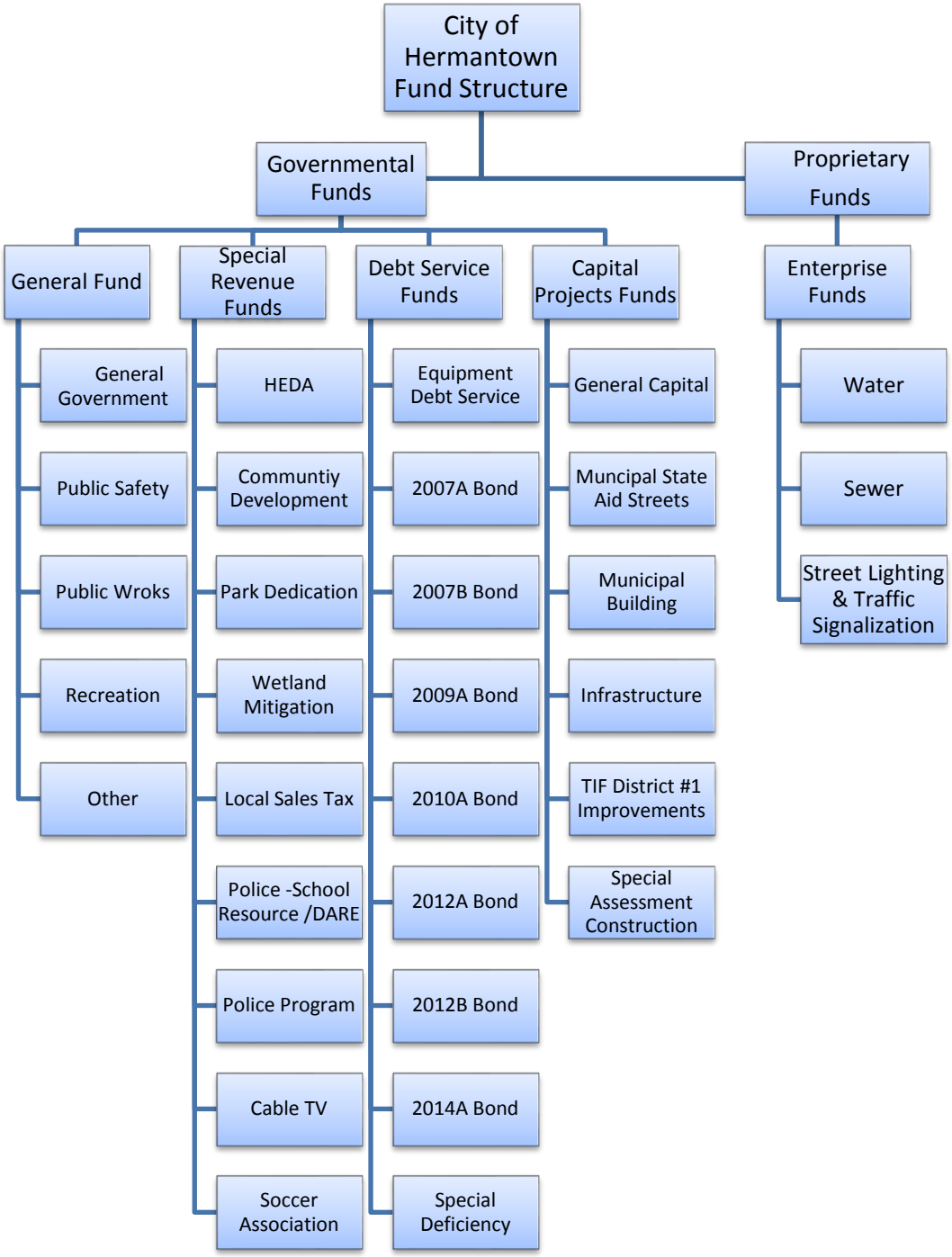
The City of Hermantown was incorporated on December 31, 1975. The City is a Plan A form of government. A five-member council consists of a mayor and four councilors. Councilors serve four-year terms; the mayor is elected to a four-year term. City elections are held in even years. The council may appoint 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
General Fund	The general fund is the primary revenue source and operating fund for most services cities typically offer. These include 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
City Sales Tax Fund	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**	
Hermantown Economic Development Authority	Created to preserve and create jobs, enhance tax base, and promote the general welfare of the people of the City. (Board comprised of entire City Council, Mayor, City Administrator and two community representatives).		**X**
Community Development Fund	Accounts for revenues and expenditures in connection with infrastructure improvements (water, sewer & streets) of general benefit to the community of Hermantown.		**X**
Park Dedication Fund	Accounts for the collection of revenues dedicated to the acquisition and capital improvement of City parks.		**X**
Wetland Mitigation Fund	Accounts for the collection of revenues from landowners who disturb wetlands in connection with the development of a parcel of land.		**X**
Police – School Relations Fund	Accounts for the school liaison and DARE programs conducted by the Hermantown police department in conjunction with the Hermantown school district.		**X**
Police Program	Accounts for revenue and expenditures for special police programs.		**X**
Cable Television	Accounts for the revenues and expenditures associated with administering a franchise agreement to provide cable television to Hermantown residents.		**X**
Soccer Association	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
Fund 301 Equipment Debt Service	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**
Fund 316 2007A General Obligation & Utility Revenue Refunding Bond	Refunded to Fund 322.		**X**
Fund 317 2007B General Obligation & Utility Bond	Accounts for the accumulated resources to pay the interest and principal payments on the 2007B GO & Utility Bond. Refunded to Fund 322.		**X**
Fund 318 2009A General Obligation Bond – PW Salt Storage & Refinance 2003 Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2009A GO & Refunding Bond.		**X**
Fund 319 2010A General Obligation Bond	Accounts for the accumulated resources to pay the interest and principal payments on the 2010A GO Bond.		**X**
Fund 320 2012A General Obligation Bond	Accounts for the accumulated resources to pay the interest and principal payments on the 2012A GO Bond.		**X**
Fund 321 2012B General Obligation Bond	Accounts for the accumulated resources to pay the interest and principal payments on The 2012B GO Bond.		**X**
Fund* 322 *2014A General Obligation Bond	Accounts for the accumulated resources to pay the interest and principal payments on the 2014 GO Bond		**X**
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.		**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**
Water Enterprise Fund	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**	
Sewage Enterprise Fund	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**	
Street Lighting & Traffic Signalization Fund	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.

<u>Operating Fund Crosswalk</u>

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.

	Administration of Fund							
Operating 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. Written 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

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

Fund Balance Reporting		
Classification	***Definition***	***Examples***
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]	• Inventories, • Prepaid items, and • Long-term receivables • Land held for resale
Restricted	"Fund balance should be reported as restricted when constraints placed on the use of resources are either: 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]	• 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**	"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.	• 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	"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.	• 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	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]	

[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 manage 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.

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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 two 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

2016 BUDGET CALENDAR

Date (2015)	Task
April 9 FAST TRACK	Distribution of CIP Instructions and Forms
3rd Monday of June	**ALL PERSONNEL COSTS COMPLETED by the Finance Dept.** (assuming no staff changes at this point) Staffing Report Presented to City Council on June 15
June 11 FAST TRACK	Budget manual forms supplied to all city departments & consultants Review CIP
End of June	City Administrator to conduct budget assistance meetings (if necessary) with each department
End of June	**ALL CAPITAL IMPROVEMENTS INCLUDED** Presented to City Council
	All computer related costs budgeted
July 2	FINAL DATE to receive budget requests & supplementary information from all city departments & consultants
3rd Week of July	City Administrator holds budget sessions with city departments as necessary
End of July	Liability insurance allocated by Finance Department
1st 2 weeks of August	Finance prepares Preliminary Revenue estimates.
During August	Special Revenue Budgets presented to Parks, Planning & Utility Commissions
September 8th	**PRELIMINARY GENERAL FUND BUDGET** - Presented to the City Council
September 21	City Council to pass a levy and city certifies the proposed property tax levy to the County Auditor and certify the Truth-In-Taxation hearing date (Special Meeting)
1st Monday of October	**PRELIMINARY DEBT SERVICE BUDGETS COMPLETED by Finance Department–** Presented to City Council (without additional tax levy)
3rd Monday of October	**PRELIMINARY SPECIAL REVENUE BUDGETS COMPLETED** Presented to City Council
4th Monday of November	Budget booklet presented to City Council
1st Monday of December	Initial Hearing on budget & levy Adoption of Final Levy & Budget

Financial Summaries

2015 Statement of Accounts - All Funds

For January 1, 2015 through November 15, 2015

Fund		Beginning	Receipts	Disbursements	Ending 11/15/15
101	General Fund	3,423,633	4,343,533	4,342,766	3,424,400
230	HEDA	58,365	36,180	26,238	68,307
235	Park Dedication	219,174	73,652	-	292,826
236	Wetland Mitigation	74,803	8,919	2,400	81,322
240	City Sales Tax	2,888,214	1,826,056	1,393,462	3,320,808
250	Police School Relations	36,405	87,004	4,812	118,597
251	Police Program	22,080	24,987	2,492	44,575
260	Cable TV	280,832	22,965	19,973	283,824
270	Soccer Association	(42,403)	-	-	(42,403)
301	Certificate of Indebtedness	30,601	83,528	68,545	45,584
315	2006A City Hall Bond	760,799	660,008	659,408	761,399
316	2007A Refunding Bonds	(191,689)	194,887	193,128	(189,930)
317	2007B General Obligation Bonds	77,332	129,406	162,365	44,373
318	2009A G.O. Improvement bonds	219,445	252,202	466,956	4,691
319	2010A General Obligation Bonds	261,711	374,907	387,513	249,105
320	2012A General Obligation Bonds	(231,393)	240,630	283,585	(274,348)
321	2012B General Obligation Bonds	1,068,701	223,312	202,994	1,089,019
322	2014A General Obligation Bonds	2,324,133	1,588	803,303	1,522,418
350	Special Assessment Deficiency	688,559	14,699	194,763	508,495
401	General Capital Projects	53,128	370,000	-	423,128
402	Municipal State Aid Streets	37,754		107,525	(69,771)
409	Municipal Building Reserve	337,603	-	-	337,603
450	Infrastructure Capital Projects Fund	-	-	-	-
460	TIF District #1 Improvements	(606,117)		23,971	(630,088)
475	Special Assessment Capital Projects	-	-	-	-
601	Water Enterprise	10,856,720	1,110,989	918,874	11,048,835
602	Sewer Enterprise	29,516,931	1,128,504	693,327	29,952,108
605	Street Lighting Utility	607,099	81,088	36,029	652,158
	Total All Funds	**52,772,420**	**11,289,044**	**10,994,429**	**53,067,035**

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 revenues 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

	2014 Actual		2015 Original Budget		2016 Budget	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
General Fund	4,716,060	4,361,857	4,343,533	4,342,766	4,720,500	4,720,500
Special Revenue Funds						
City Sales Tax	2,579,576	1,498,838	2,489,190	1,393,462	2,516,000	1,405,203
Non-Major Special Revenue Funds	286,176	179,856	149,598	170,908	247,076	166,839
Debt Service Funds						
Non-Major Debt Service Funds	5,237,623	2,964,972	2,395,992	2,617,500	2,309,542	2,499,554
Enterprise Funds						
Water Enterprise	1,445,709	1,384,464	1,383,765	1,346,807	1,440,710	1,397,461
Sewer Enterprise	1,347,087	1,331,847	1,293,583	1,352,467	1,332,078	1,393,623
Non-Major Enterprise Fund	136,209	39,712	140,000	46,770	135,100	45,700
Total All Funds	**15,748,440**	**11,761,546**	**12,195,661**	**11,270,680**	**12,701,006**	**11,628,880**
Major funds are in **bold type.**						

2016 Budget Summary – All Funds
Budgeted Revenues

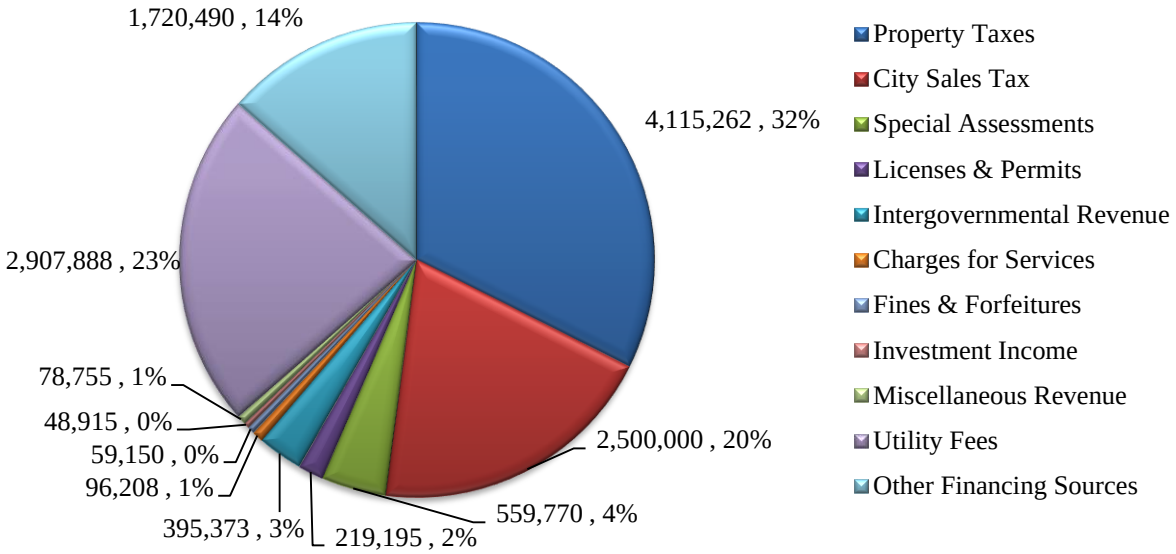
	ACTUAL 2014	ORIGINAL 2015	BUDGET 2016
GENERAL FUND			
Taxes	$3,526,625	$3,457,000	$3,925,900
Licenses & Permits	202,154	240,590	195,195
Intergovernmental	716,858	453,011	395,373
Charges for Services	40,656	29,674	30,341
Fines & Forfeits	55,795	58,200	53,250
Investment Income	59,282	22,000	28,500
Miscellaneous	77,190	24,958	61,941
Other Financing Sources	37,500	43,000	30,000
	$4,716,060	$4,328,433	$4,720,500
SPECIAL REVENUE FUNDS			
Taxes	$ -	$36,190	$72,380
City Sales Use Tax	2,511,209	2,410,000	2,500,000
Licenses, Permits, & Fees	22,400	19,700	24,000
Special Assessments	42,844	64,941	42,700
Charges for Services	63,310	64,576	65,867
Fines & Forfeits	17,924	5,500	5,900
Investment Income	70,155	27,875	20,415
Micellaneous	39,674	10,106	16,814
Other Financing Sources	98,236	15,000	15,000
	$2,865,752	$2,653,888	$2,763,076
DEBT SERVICE FUNDS			
Taxes	$106,356	$187,238	$116,982
Special Assessments	841,166	585,573	517,070
Investment Income	167,000		
Other Financing	4,123,101	1,623,181	1,675,490
	$5,237,623	$2,395,992	$2,309,542
ENTERPRISE FUNDS			
Water Utility			
Operating Utility Funds	$1,269,676	$1,271,886	$1,344,911
Non-Operating Investment Income	110,104	27,000	31,600
Non-Operating Utility Fees	57,136	84,879	54,199
Other Financing Sources	8,793		10,000
Sewage Disposal			
Operating Utility Fees	1,215,563	1,238,383	1,250,530
Non-Operating Investment Income	13,527	13,000	8,500
Non Operating Utility Fees	117,997	42,200	73,048
Street Lighting & Traffic Signalization			
Operating Utility Fees	128,197	140,000	130,000
Non Operating Investment Income	8,012		5,100
Non Operating Utility Fees			
	$2,929,005	$2,817,348	$2,907,888
TOTAL REVENUES	**$15,748,440**	**$12,195,661**	**$12,701,006**

BUDGETED EXPENDITURES

	ACTUAL 2014	ORIGINAL BUDGET 2015	BUDGET 2016
GENERAL FUND			
General Government	$ 985,059	$ 874,118	$ 961,797
Public Safety	2,670,826	2,703,862	2,903,704
Public Works	592,074	632,881	655,899
Park	103,991	106,998	110,747
Other Financing Uses	9,907	24,907	88,353
	$ 4,361,857	$ 4,342,766	$ 4,720,500
SPECIAL REVENUE FUNDS			
HEDA Component Unit	$ 26,544	$ 40,010	$ 75,700
Community Development		$ -	
Park Dedication		20,000	20,000
Hermantown Wetland Mitigation		6,000	7,400
Hermantown Wetland Bank	58,051		
City Sales Tax	1,498,838	1,393,462	1,405,203
Police Liaison Education	74,503	80,138	
Police Program	2,940		
Cable Television	17,818	24,760	63,739
Soccer Association Fund			
	$ 1,678,694	$ 1,564,370	$ 1,572,042
DEBT SERVICE FUNDS			
E-1 Pumps		$0	
Principal Retirement	1,552,312	$ 1,680,974	$ 1,652,266
Interest & Fiscal Charges	783,010	741,763	654,799
Other Financing Uses	629,650	194,763	192,489
	$2,964,972	$ 2,617,500	$ 2,499,554
ENTERPRISE FUNDS			
Water Utility			
-Operating	$ 1,164,641	$ 1,132,904	$ 1,184,461
-Depreciation	171,036	165,000	165,000
-Other Financing Uses	48,787	48,903	48,000
Sewage Disposal			
-Operating	782,443	832,811	873,623
-Depreciation	488,985	460,000	460,000
-Other Financing Uses	60,419	59,656	60,000
Street Lighting Utility			
-Operating	33,996	42,100	40,200
-Depreciation	3,216	2,170	3,000
-Other Financing Uses	2,500	2,500	2,500
	$ 2,756,023	$ 2,746,044	$ 2,836,784
TOTAL EXPENSES	**$11,761,546**	**$ 11,270,680**	**$11,628,880**

The budget is a blueprint for City services and plans for fiscal year 2016. 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.

2016 Budgeted Revenues

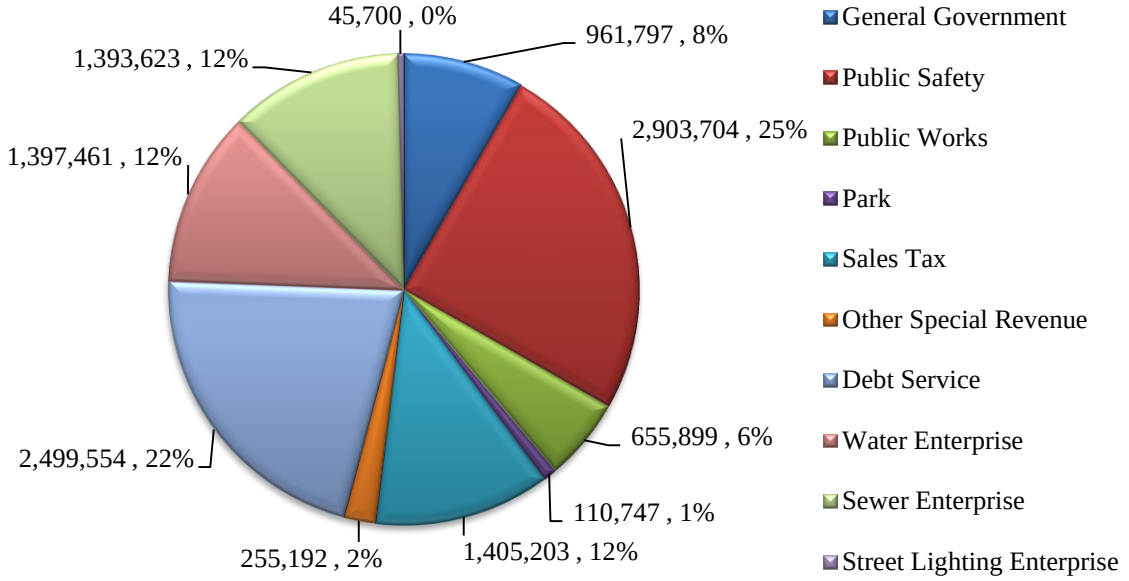


Total Budgeted revenues for all funds equal $12,701,066.

The five largest components of the 2016 revenue budget, accounting for 93 percent of total revenues, in descending order based on dollars are as follows:

Property Taxes	**$4,115,262**	**32%**
Utility Fees	**$2,907,888**	**23%**
City Sales Taxes	**$2,500,000**	**20%**
Other Financing Sources	**$1,720,490**	**14%**
Special Assessments	**$559,770**	**4%**

2016 Budgeted Expenditures by Function

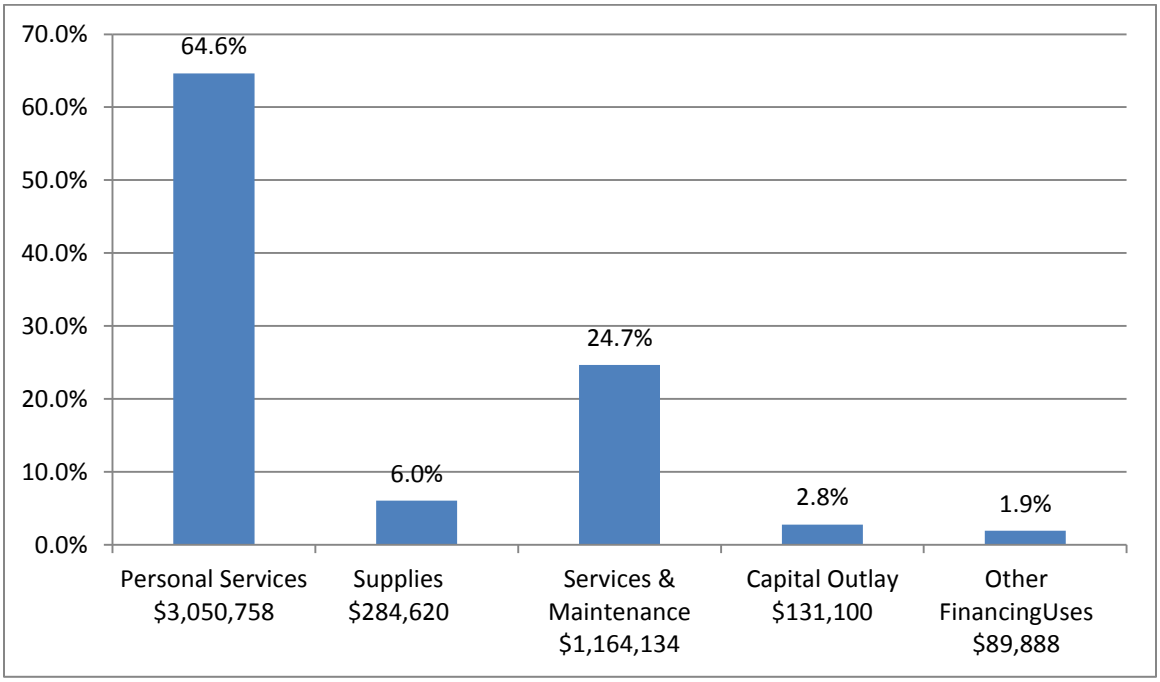


Total budgeted expenses for all funds are $11,628,880

The five largest components of the 2016 expenditure budget, accounting for 83 percent of the appropriations, in descending order based on dollars are as follows:

Public Safety	**$2,903,704**	**25%**
Debt Service	**$2,499,554**	**22%**
Sales Tax	**$1,405,203**	**12%**
Water Enterprise	**$1,397,461**	**12%**
Sewer Enterprise	**$1,393,623**	**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	*2016 Beginning Fund Balance	2016 Revenues	2016 Expenditures	2016 Ending Balance Fund	% Change in Fund Balance	$ Change in Fund Balance	Reason for Greater than 10 % Variance
101	General	3,423,633	4,720,500	4,720,500	3,423,633	0%	0	
230	HEDA	58,365	75,800	75,700	58,465	0%	100	
235	Park Dedication	219,174	31,936	20,000	231,110	5%	11,936	
236	Wetland Mitigation	74,403	1,000	7,400	68,003	-9%	(6,400)	
240	Sales Tax	2,888,214	2,516,000	1,405,203	3,999,011	28%	1,110,797	Build reserve for debt service, water & sewer
250	Police - School Relations	36,405	83,917		120,322	70%	83,917	Will be combining this into General Fund Police
251	Police Program	22,080	4,565		26,645	17%	4,565	Will be combining this into General Fund Police
260	Cable TV	280,832	45,300	63,739	262,393	-7%	(18,439)	
270	Soccer Association Fund	(42,403)	4,558		(37,845)	-12%	4,558	
301	Equipment Debt Service	30,601	50,147	49,547	31,201	2%	600	
315	2006A City Hall Bond	760,799	698,807	698,807	760,799	0%	0	
316	2007A Refunding Bonds	(191,689)			(191,689)	0%	0	
317	2007B G.O. Bonds	77,332			77,332	0%	0	
318	2009A G.O. Bonds	219,445	448,406	448,406	219,445	0%	0	
319	2010A G.O. Bonds	261,711	391,713	391,713	261,711	0%	0	
320	2012A G.O. Bonds	(231,393)	282,198	282,198	(231,393)	0%	0	
321	2012B G.O. Bonds	1,068,700	200,594	200,594	1,068,700	0%	0	
322	2014A G.O. Bonds	2,324,133	235,800	235,800	2,324,133	0%	0	
350	Special Assessment Def	688,559	1,877	192,489	497,947	-38%	(190,612)	Transfers to debt service funds for deferrals
601	Water Enterprise	10,856,720	1,440,710	1,397,461	10,899,969	0%	43,249	
602	Sewer Enterprise	29,516,931	1,332,078	1,393,623	29,455,386	0%	(61,545)	
605	Street Lighting Utility	607,099	135,100	45,700	696,499	13%	89,400	

* Beginning balance as of November 15, 2015

Sales Tax Fund (Fund 240) – This fund has a 38% budgeted increase in fund balance for 2016. Funds are to build reserves for future debt service transfers through 2028. In addition, reserves for additional sewer interceptor line and related improvements to the water system.

Police Program (Fund 251) – This fund accounts for drug and alcohol forfeitures expenses. Budget increases are 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 a $6,500 annual payment per year.

Equipment Debt (Fund 301) – This fund will use the fund balance to make principal and interest payments for 2016.

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

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.
- 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.
- In 2016, the City updated its Capital Improvement Plan and process.

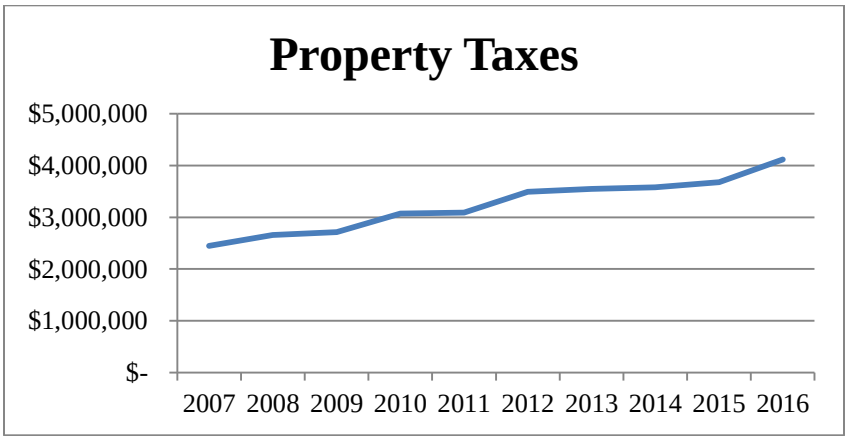
Revenue Categories & Trends

The five largest components of the 2016 revenue budget, accounting for 93 percent of total revenues, in descending order based on dollars are as follows:

Property Taxes	**$4,115,262**	**32%**
Utility Fees	**$2,907,888**	**23%**
City Sales Taxes	**$2,500,000**	**20%**
Other Financing Sources	**$1,720,490**	**14%**
Special Assessments	**$559,770**	**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 Special Assessments which account for 93 percent of the revenue budget.

Property Taxes – The largest source of revenue is property taxes of $4,115,262 comprising 32 percent of total revenues. The Property tax levy is set by the City Council in December of each year and is 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.

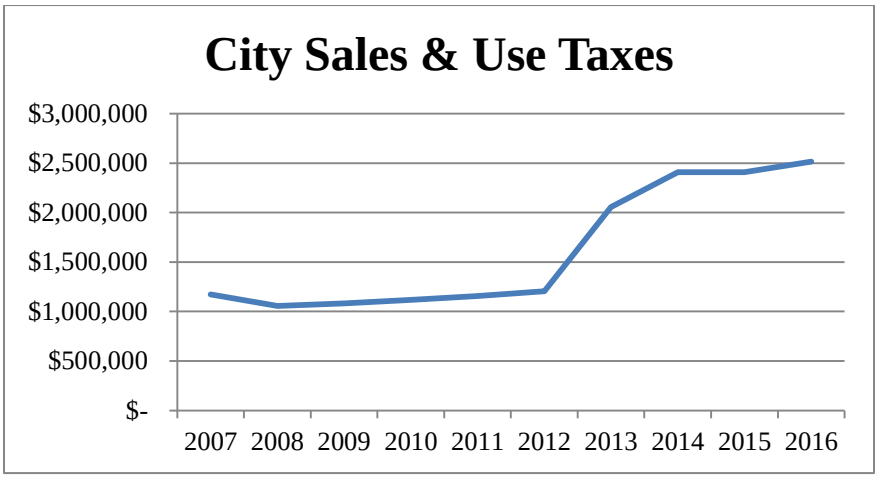


Trends: Property tax levies have been increasing due to cuts in state aid that began in 2001. This is shown in the graph above. The State of Minnesota legislature continues to study the formula for Local Government Aid (LGA). For the year 2016 the City will lose 27% of the 2015 LGA. The City and the State do not have the same budget year. When the state 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	2014	2015	2016	2014-2015 Incr/(Dec)	% Change	2013 Population
Duluth	$29,030,643	$29,203,638	$29,264,120	$60,482	6%	86,139
Hibbing	$8,082,406	$8,095,281	$8,098,798	$3,517	4%	16,335
Hermantown	$355,571	$259,511	$163,261	-$96,250	-27%	9,625
Virginia	$4,936,348	$5,051,344	$5,082,966	$31,622	3%	8,635
Proctor	$1,019,135	$1,026,173	$1,029,530	$3,357	3%	3,088
Carlton County:						
Cloquet	$2,299,125	$2,343,138	$2,356,480	$13,342	1%	12,180

City Sales & Use Taxes – Sales taxes account for $2,500,000 (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.



*2015 and 2016 are based on budgeted revenues.

Trends: Sales tax revenue is expected to increase in 2016.

Franchise Fees -Franchise fees are anticipated in the amount of $23,000. $10,000 from Minnesota Energy Resources/gas franchise fee and $13,000 from Media Com/cable franchise fee from the General Fund.

Trends: The first payment from Minnesota Energy Resources gas franchise fee was received in 4th quarter 2015. 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.

Licenses and Permits – License and permit fees of $195,195 account for 4 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.

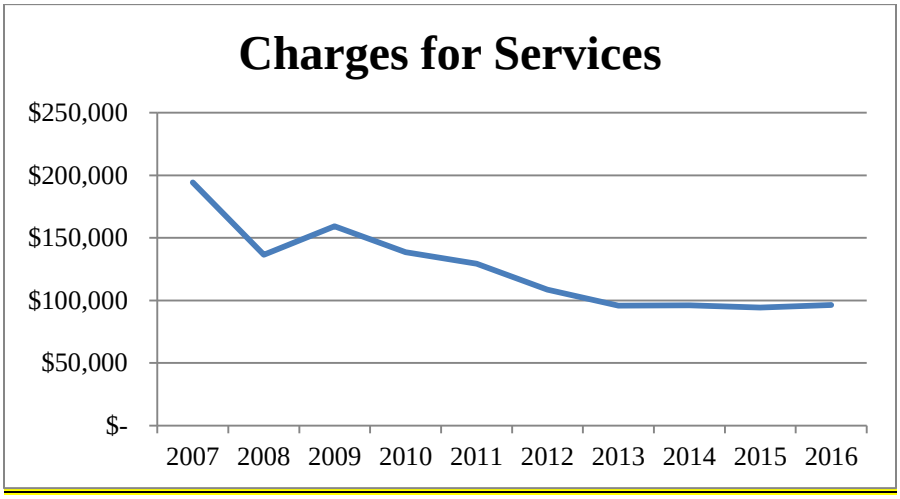
	2011	2012	2013	2014	2015
All Building Permits (includes additions, remodels					
No. of Permits	183	168	156	182	201
Valuation	$9,732,328	$12,906,718	$9,796,333	$18,909,770	$20,550,654
New Single Family Homes					
No. of Permits	24	25	32	33	39
Valuation	$5,147,275	$4,995,529	$7,083,536	$6,613,805	$8,098,830
New Multiple Family Buildings					
No. of Permits	2	0	1	0	0
Valuation	$659,736	$0	$420,000	$0	$0
New Commercial/Industrial					
No. of Permits	2	1	1	2	2
Valuation	$227,040	$5,328,233	$733,635	$1,010,808	$1,010,808
* As of November 2015					

Trends: License revenue is expected to remain level in 2016. The Hermantown school district will be constructing a new high school, remodeling the present high school to a middle school and working on an addition to the elementary. Several large commercial buildings are in the process of completing construction in 2016.

Intergovernmental Revenues – This revenue accounts for $395,373 of City revenues or 8 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 2016 budget was set at $163,261. This is a decrease of $96,250 or 27% in LGA funding from 2015. The trend is LGA will continue to decrease.

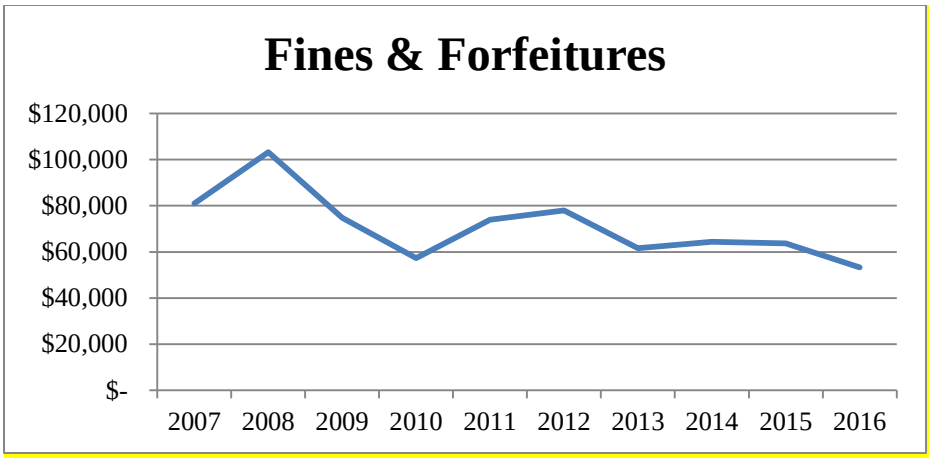
Charges for Services – Charges for services account for $30,341 of City revenues or 1 percent. This category includes charges for building rentals, assessment searches, fingerprinting services, cemetery burial, and charges to Hermantown High School for Dare/Police School Services.



*2015 and 2016 are based on budgeted revenues.

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

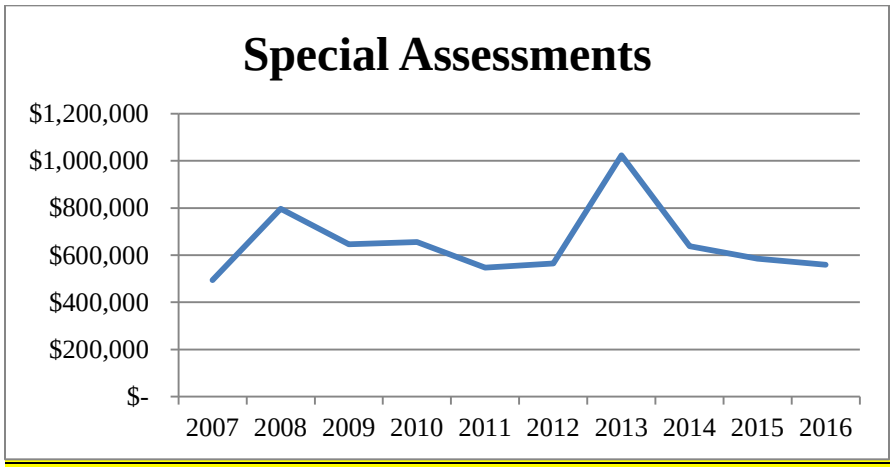
Fines & Forfeitures – Fines & forfeitures account for $53,250 of City revenues or 1 percent. These funds are the City's share of police patrol traffic citations, court fines, and DWI/Drug forfeiture proceeds.



*2015 and 2016 are based on budgeted revenues.

Trends: 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 $559,770 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.



*2015 and 2016 are based on budgeted revenues.

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

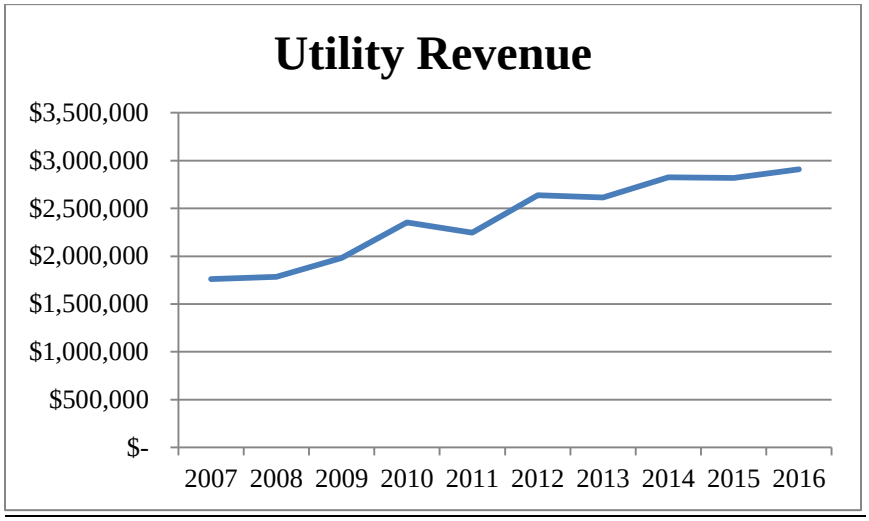
Investment Income – Investment income accounts for $48,915 of City revenues or 1 percent. General $28,500 and Special Revenue $20,415

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

Miscellaneous Revenue – Miscellaneous revenue accounts for $61,941 of City revenues. This category includes cell tower, park fields, city property rental income, donations, 911 signs, insurance reimbursements, and conduit financing.

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

Utility Revenue – Utility Revenue for water, sewer, and street lighting account for $2,907,888 of the City's revenues or 23 percent. The 2016 water rate is $7.90 and 2016 sewer rate is $8.87 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 given by the Hermantown City Council. There were no increases for 2016.



*2015 and 2016 are based on budgeted revenues.

Other Financing Sources – Other Financing Sources for all budgeted funds is $1,720,490 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.

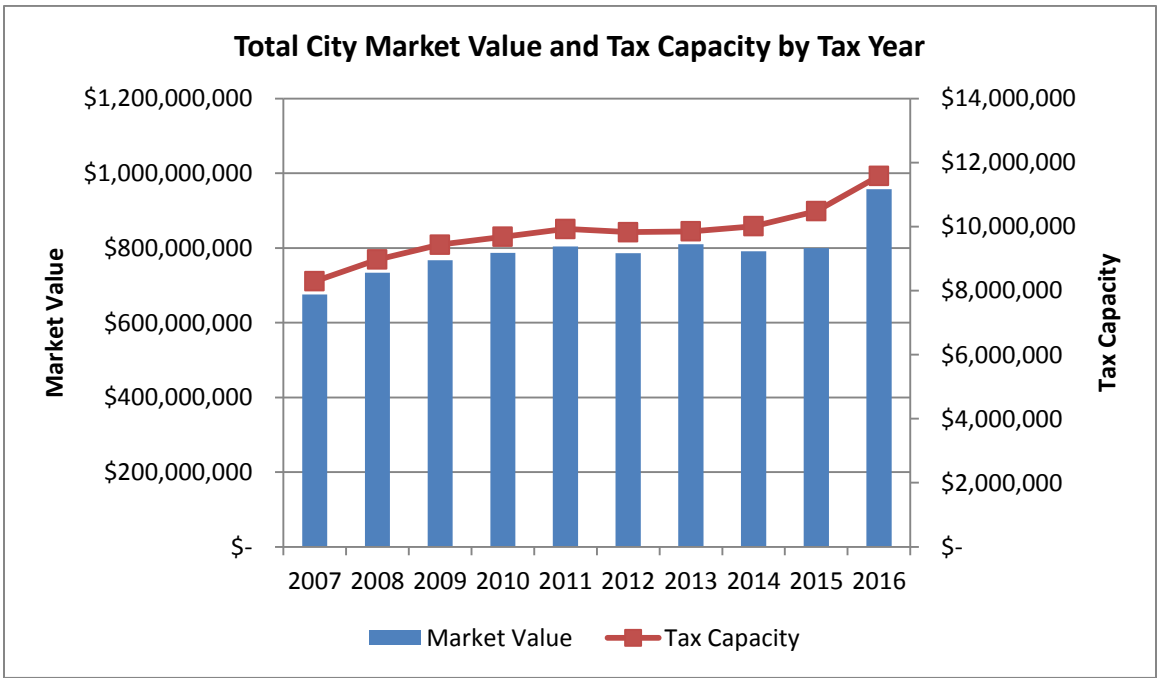
Tax Information

Tax Base

Residential market values used to calculate 2016 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.

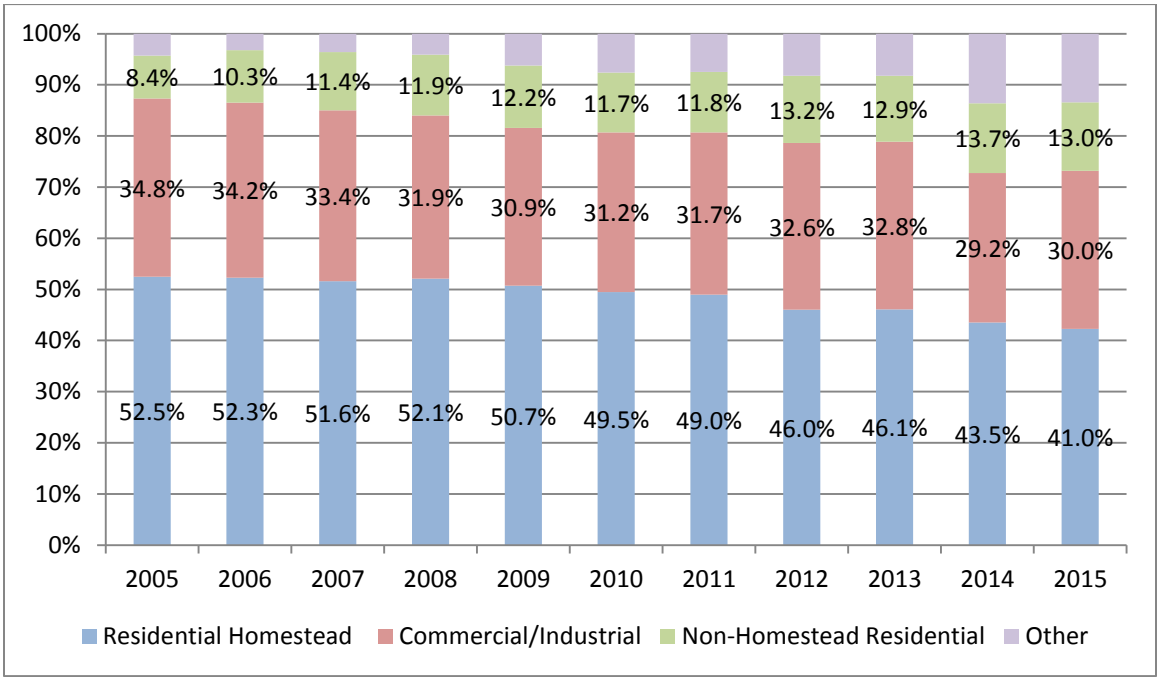
Tax Capacity

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 2016. 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.

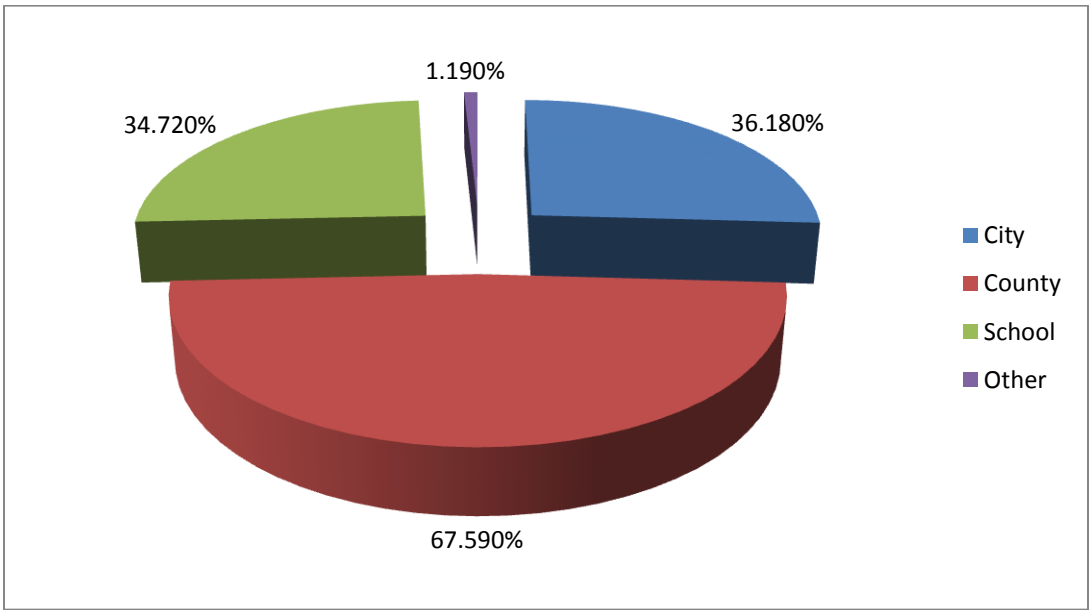


Total City Tax Capacity Comparison

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



Taxes (Payable 2015)



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 2015.

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 of $217,100.

Total taxes paid in 2015 of $2,882 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 2016 is estimated to be; property taxes of $713 annually or $59 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 2015 tax capacity for 2016 taxes payable.

Taxes Payable 2015	Taxes Payable 2016	
$217,100	$217,100	Home Median Market Value
		Total Property Tax
City Portion $722 for year $60 monthly	City Portion $713 for year $59 monthly	

Estimated City Taxes Payable in 2016

The following table lists the estimated city taxes payable in 2016 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	$ 356.30
150,000	$ 534.45
200,000	$ 712.60
250,000	$ 890.75
300,000	$ 1,068.90
350,000	$ 1,247.05
400,000	$ 1,425.20
450,000	$ 1,603.35
500,000	$ 1,781.50

Where Does Our Property Tax Dollars Go?

A $217,100 home generates $713 in annual property taxes:
This comes to $59 per month for 2016.

23 Cents General Government
58 Cents Public Safety
14 Cents Public Works
2 Cents Park
3 Cents Debt Service

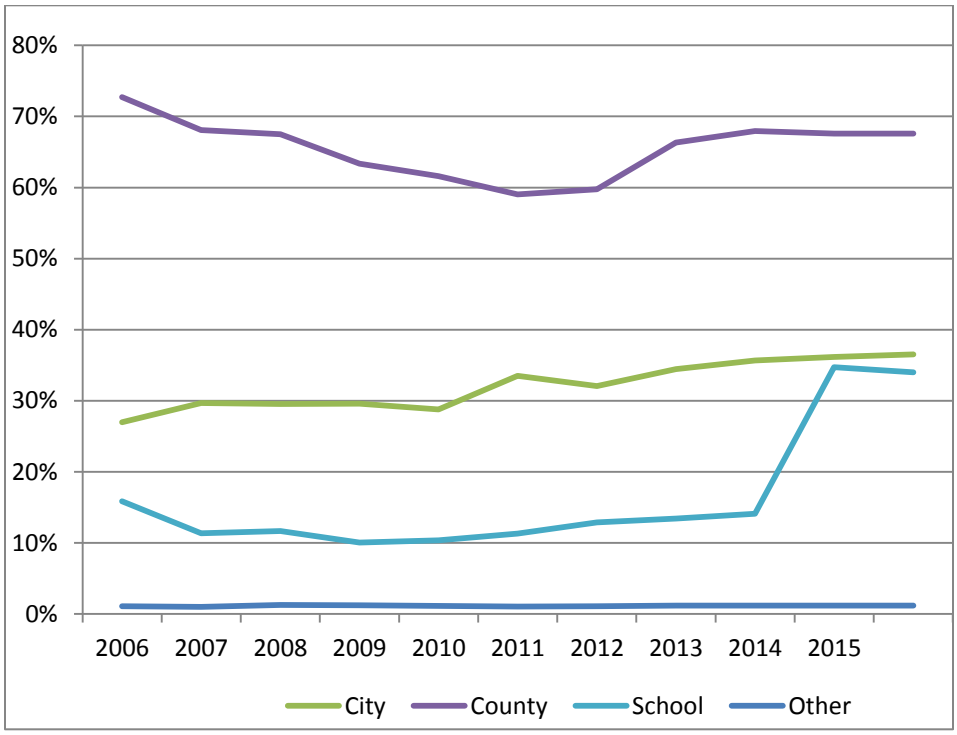
Estimated Cost of City Services $217,100 Home in 2015

(Without market value exclusion)

Actual Cost of City Services Pay 2016 Property Tax Support for $217,100 (w/o market value exclusion)				
City Service Category	**2016 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	$1,050,150	21.4%	$153	$13
Public Safety Police Administration, Fire Administration, Firehall #1, Firehall #2, Firehall #3, Building Inspection, Poundmaster	$2,903,704	59.2%	$422	$35
Public Works Street Department, City Engineer, City Garage, Environmental	$655,899	13.4%	$95	$8
Park Parks, Community Building	$110,747	2.3%	$16	$1
Debt Service Certificate of Indebtedness, Public Works Facility/Salt Storage Bldg.	$187,238	3.8%	$27	$2
Totals	**$4,907,738**	**100%**	**$713**	**$59**

Tax Rate Analysis

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



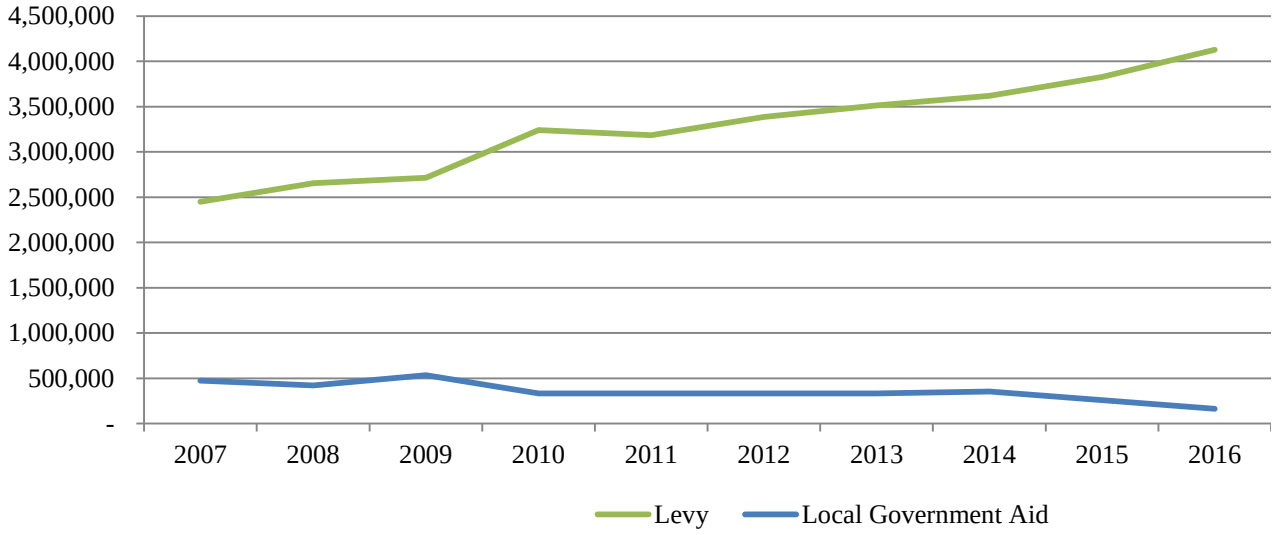
Levy Components

The overall property tax levy is comprised of different levies to pay for different activities of the city. The dollars levied in 2016 are illustrated in the following table:

Levy for General Fund	$	3,928,923
2016 Motor Grader		52,155
Debt Service 2009A GO Bond		70,177
Hermantown Economic Development Authority	$	76,000
Total	**$**	**4,127,255**

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.



2015 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 2015:

St. Louis County:		Carlton County:	
Hermantown	$2,882	Cloquet	$3,631
Proctor	$3,218		
Duluth	$3,083		
Virginia	$3,542		
Hibbing	$3,311		

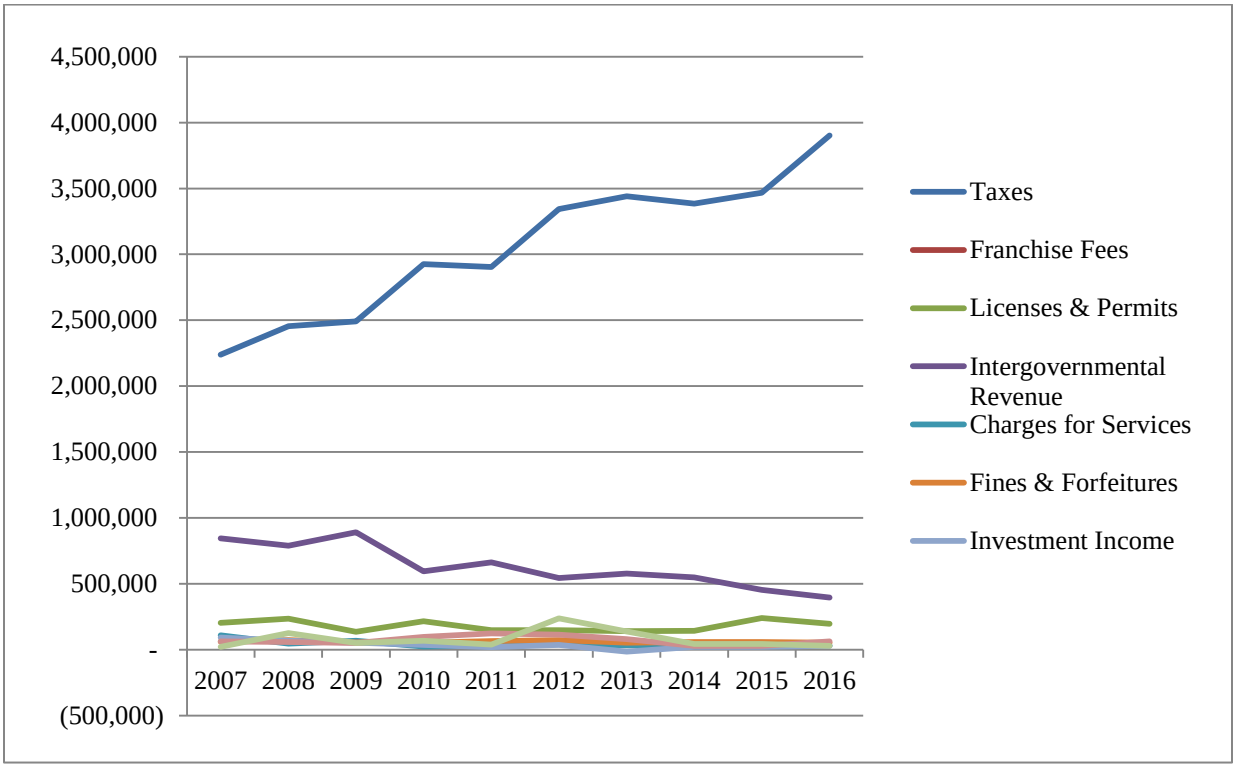
Source of information found at: http://www.lmc.org/page/1/property-tax-calc-iframe.jsp

General Fund Summaries – Fund 101

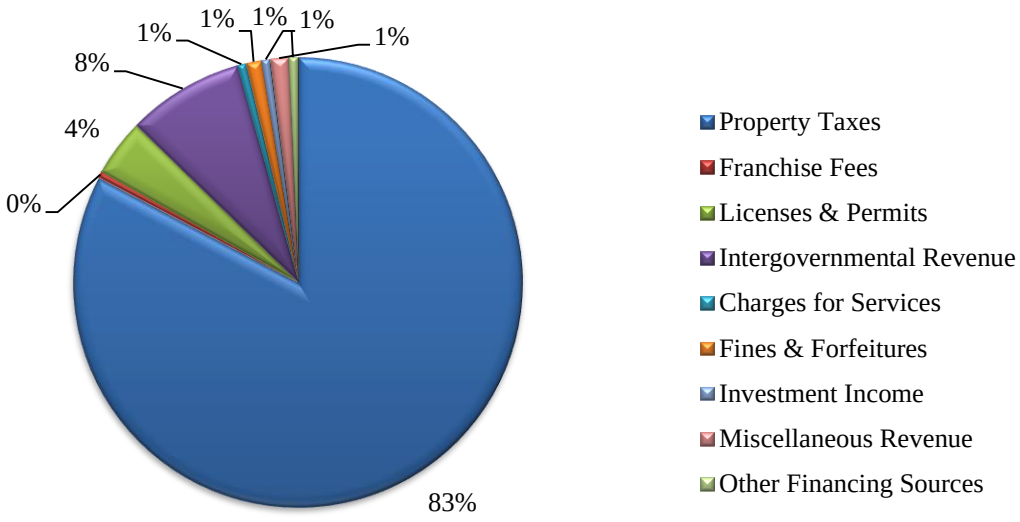
The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the City such as general government, public safety, public works, and parks and recreation. Revenue is recorded by source: i.e., general property taxes, licenses and permits,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

2016 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 (2015 & 2016 are based on budgeted revenues):



The following chart shows the 2016 general fund budgeted revenues by source:



2016 General Fund Revenue Summary

Source		Amount	
Property Taxes	$	3,902,900	83%
Franchise Fee	$	23,000	0%
Licenses & Permits		195,195	4%
Intergovernmental Revenue		395,373	8%
Charges for Services		30,341	1%
Fines & Forfeitures		53,250	1%
Investment Income		28,500	1%
Miscellaneous Revenue		61,941	1%
Other Financing Sources		30,000	1%
Total	**$**	**4,720,500**	

2016 General Fund Revenue Sources - Detail

Property Taxes - 310000

310100 Current Property Taxes	3,851,900	
310200 Delinquent Property Taxes	51,000	
318100 Franchise	21,000	
319200 Forfeited Property Taxes	2,000	
Subtotal – Property Taxes & Franchise Fee		3,925,900

Licenses & Permits– 320000

321100 Beer Licenses	3,705	
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	5,940	
321950 Fireworks Permits	650	
321990 Other Licenses & Permits	1,500	
322100 Building Permits	125,000	
322110 Zoning Fees	11,000	
322120 SWPP Fees	1,500	
322121 Erosion & Sediment Control	3,000	
322126 Wetland Permits	1,000	
322130 Property Split Fees	1,500	
322400 Dog Licenses	1,600	
322900 Handgun/Bow Permits	4,800	
Subtotal – Licenses & Permits		195,195

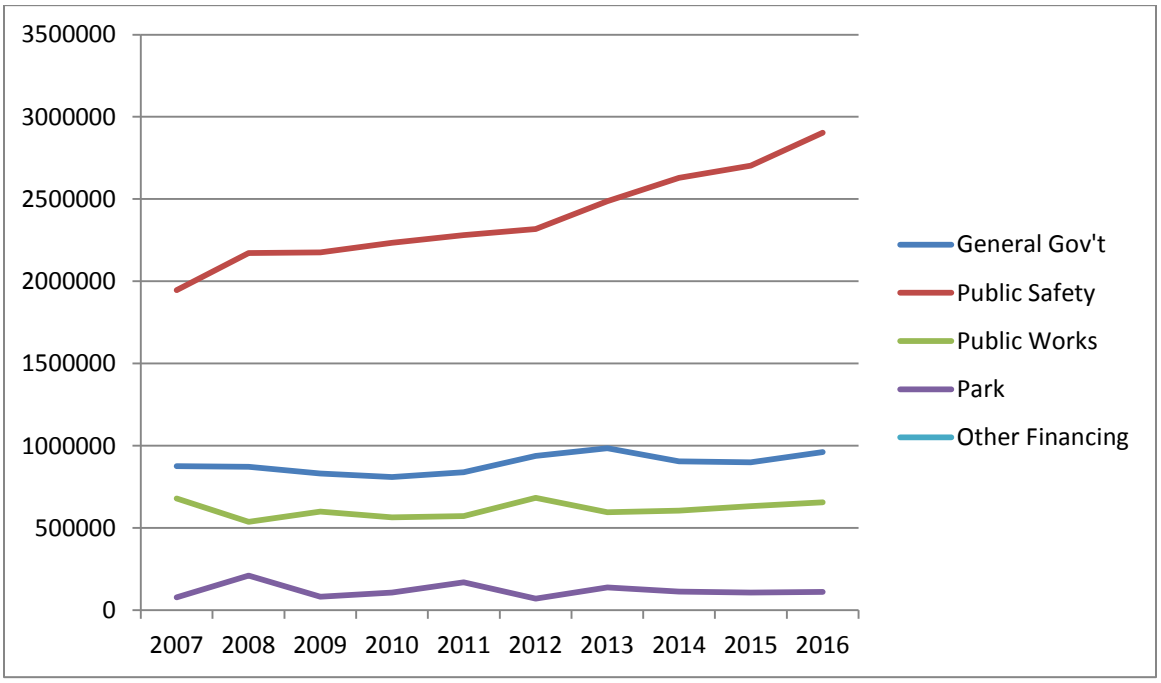
Intergovernmental – 330000

331998 Police Overtime Reimb	25,000	
331999 Other Federal Grants/Aid	4,000	
334010 Local Government Aid	163,261	
334160 Police Training Reimbursement	4,700	
334180 MSAS Maintenance Allocation	65,000	
334200 State 2% Fire Insurance/Fire Relief	35,000	
334210 State Police Aid	95,000	
334999 Other State Grants & Aids	3,412	
Subtotal – Intergovernmental		395,373

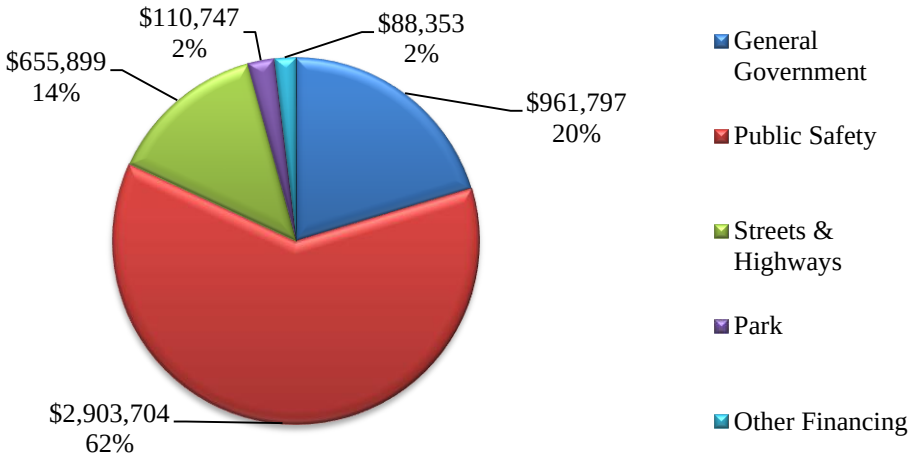
Charges for Services – 340000		
341010 Building Rentals	5,400	
341015 Community Building	16,735	
341100 Filing Fees	6	
342010 Police Services	6,000	
342030 Photocopies Police	700	
349400 Cemetery Burial	1,500	
Subtotal – Charges for Services		30,341
Fines & Forfeits – 350000		
351000 Impound & Towing Charges	200	
351010 Court Fines	53,000	
351020 Parking Fines	50	
Subtotal – Fines & Forfeits		53,250
Investment Income – 362100 & 362110		
361300 Penalties & Interest	3,500	
362100 Investment Interest	24,000	
362110 Checking Account Interest	1,000	
Subtotal – Investment Income		28,500
Miscellaneous – 360000		
362200 Park Field Rental Fees	9,600	
362210 Park Rental Fees	200	
362250 City Property Lease	1,389	
362255 Lightning Drive Tower Lease	12,252	
362350 Development Agreement	7,500	
362400 911 Signs	2,500	
362410 Insurance Recoveries	25,000	
362415 Other Insurance	1,500	
362990 Miscellaneous Revenue	2,000	
Subtotal – Miscellaneous		61,941
Other Financing Sources - 390000		
391010 Sale of General Fixed Assets	10,000	
392010 Transfers In	20,000	
Subtotal – Other Financing Sources		30,000
Total All General Fund Revenues		**4,720,500**

2016 General Fund Expenditures

The city provides many services to its citizens. The following graphs show the general fund expenditures by function (2015 & 2016 are based on budgeted expenditures):



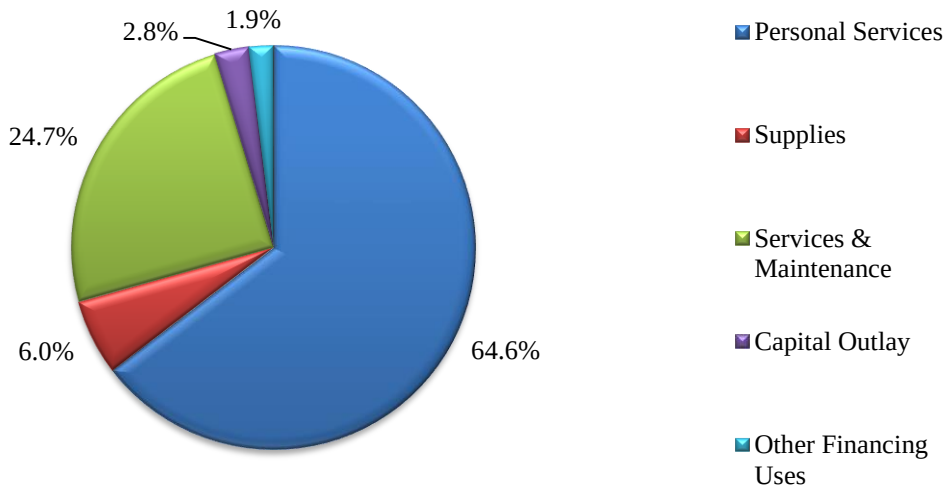
The following chart shows the 2016 General Fund Expenditures by Function:



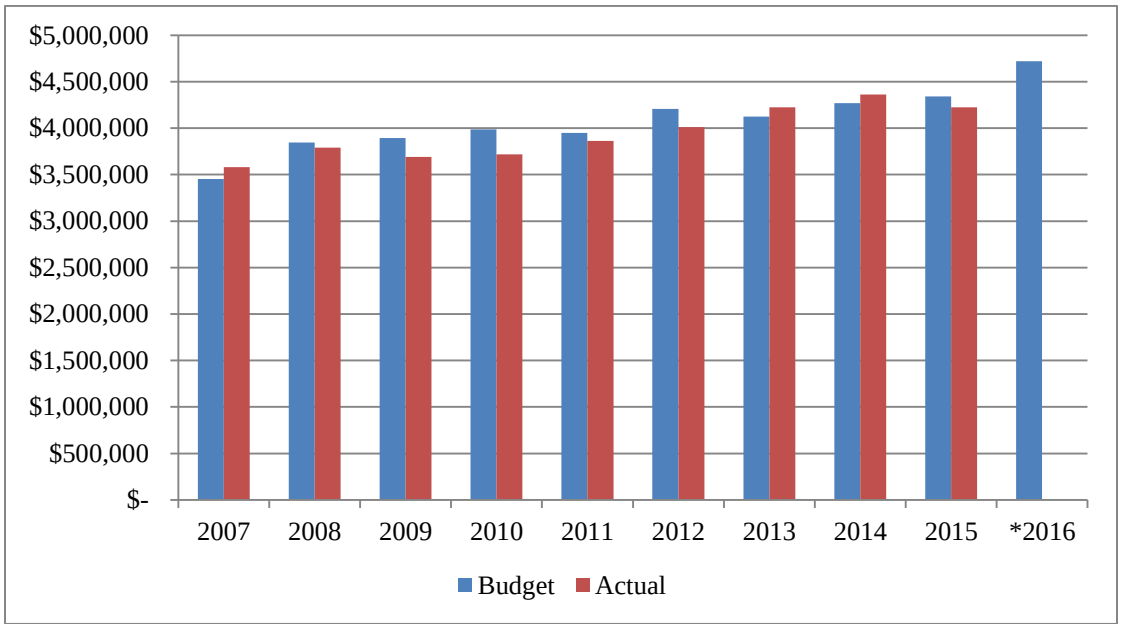
General Fund Expenditures – Detail by Category

Department	Personal Services	Supplies	Services & Maintenance	Capital Outlay	Other Financing Uses	Total
Council	32,719	50	11,050	-	1,000	44,819
Legal Notices	-	-	4,000	-	-	4,000
Mayor	10,714	-	1,833	-	-	12,547
Elections	15,504	500	3,675	-	535	20,214
Administration & Finance	343,324	4,300	60,570			408,194
Attorney	-	-	50,000	-	-	50,000
Comm. Dev./Planning & Zoning	184,124	1,150	55,404	-	-	240,678
City Hall & Police Bldg Maint.	61,330	13,400	96,112	-	-	170,842
Police	1,824,716	84,250	215,674	98,500	-	2,223,140
Fire	39,091	-	418,100	-	-	457,191
Fire Hall 1	16,252	2,300	42,382	-	-	60,934
Fire Hall 2 & 3	-	1,950	11,059	-	-	13,009
Building Inspector	136,030	1,200	8,200	-	-	145,430
Poundmaster	-	-	4,000	-	-	4,000
Street	325,745	139,070	91,492	32,600	-	588,907
City Engineer	-	-	27,000	-	-	27,000
Garage Building Maintenance	20,624	2,700	16,668	-	-	39,992
Parks	28,674	33,150	22,227		-	84,051
Community Building	8,557	600	14,185	-	-	23,342
Cemetery	3,354	-	-	-	-	3,354
Insurance			10,503			10,503
Other					88,353	88,353
Totals	3,050,758	284,620	1,164,134	131,100	89,888	4,720,500
	64.6%	6.0%	24.7%	2.8%	1.9%	

The following chart shows the 2016 general fund expenditures by category:



Trend in Spending Budgeted Expenditures – General Fund



***2015 Expenses through 11/15/2014**

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 2016 Budget amounts to $292,900. The following capital outlay items over $5,000 have been budgeted in the all funds for 2016.

Police

Purchase of two marked 2016 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.

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

Also include is a license plate reader ($19,700), office work stations ($5,000), body armor, ($4,000), and a storage shed at the shooting range, ($8,000)
Budget $98,500

Street

Purchase of new pickup truck: Budget $32,600. This is a non-recurring expense.

Park Dedication

Money was budgeted for possible trail construction and/or as match money for trail grants. Budget $20,000. This is a non-recurring expense.

Cable

New equipment in the public access studio located in the new Hermantown High school is include in the budget at a cost of $18,000. Also included is an upgrade to the audio visual equipment in the training center of the Administrative Services Center at a cost of $20,000 along with miscellaneous equipment expense of $5,000 Total Budget: $43,000. This is a non-recurring expense.

Utilities – Water & Sewer

Purchase of water meters and radio read meters. Budget $21,800. This is a recurring expense to accommodate new construction in residential and commercial.
Utility Truck. Budget $47,000, This is a non-recurring expense
Lift Station retro fit. Budget $30,000. This is a non-recurring expense

2016 Budgeted Capital Expenditures over $5,000

Fund/Activity	Purpose		Amount
General Fund			
Police	Work stations for Detectives		$ 5,000
	Two squads		$ 61,800
	License plate reader		$ 19,700
	Body armor		$ 4,000
	Shed		$ 8,000
Streets	2016 4x4 ton pickup truck		$ 32,600
		Total	$ 131,100
Special Revenue Fund			
Park Dedication	Trail Development		$ 20,000
		Total	$ 20,000
Cable TV	Audio -Visual Equip Training Room		$ 20,000
	High School Cable Studio		$ 18,000
	Miscellaneous Equip		$ 5,000
		Total	$ 43,000
Enterprise Funds			
Water Fund	1/2 of a Utility Truck		$ 23,500
	Water meters		$ 13,000
		Total	$ 36,500
Sewer Fund	1/2 of a Utility Truck		$ 23,500
	Meters		$ 8,800
	Retrofit lift station		$ 30,000
		Total	$ 62,300
	Total - All Funds		$ 292,900

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	Project Description	Allocation	Total Cost	Federal Share	MSA Share
2016	Stebner Road Hwy 53 to Maple Grove	Total Reconstruction 1.4 miles	530,000.00	2,500,000.00	1,600,000.00	900,000.00
	Rose Road	1/2 costs				100,000.00
2017	Rose Road	1/2 costs	530,000.00			100,000.00
2018	Hermantown Road - Stebner to Engwalls	Re-conditioning .85 miles	530,000.00	500,000.00		500,000.00
2019	Market Street - Haines to Loberg	Re-conditioning & Sidewalk	530,000.00	500,000.00		500,000.00
2020	Ugstad Road - Arrowhead to Hwy 53	Re-condition	530,000.00			500,000.00

In 2016, the City will use MSA money to reimburse St. Louis County one half of the cost of the improvements to Rose Road completed by the County under a cooperative agreement.

The City will also reconstruct Stebner Road using MSA funds along with Federal Transportation funds.

The Municipal state aid fund for 2016 will not affect the 2016 operating budget. The City evaluates each MSA project to determine whether a utility infrastructure project could coincide with the road construction or reconstruction project. These do not affect operating budget other than savings in the street maintenance budgets.

Capital Improvement Plan

Despite staff turnover in the finance department in 2015, the Capital Improvement Planning process was re-started. The improvements in the budgeted funds are shown here for 2016. The planning process is an ongoing effort and the incorporation into the budget process needs to be improved.

City Debt Overview

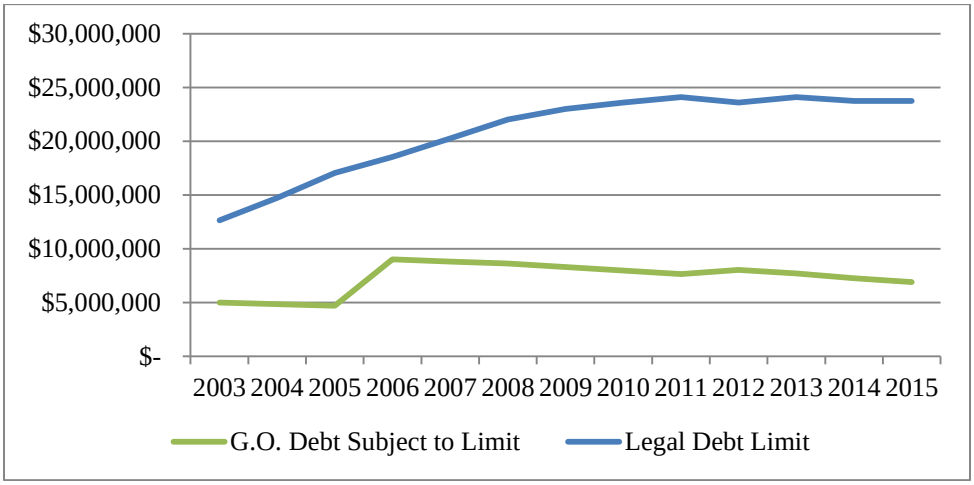
Debt Margin

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 2015 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.

2016

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)

	2016	2017	2018	2019	2020
Equipment Debt - Certificate of Indebtedness	38,227	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)	57,511	66,445	62,678	64,112	64,112
Total Debt Tax Levy	**187,238**	**209,970**	**206,203**	**207,637**	**207,637**

Existing Debt Overview

	Fund	Date of Issuance	Date of Maturity	Interest Rate	12/31/2015	Principal Due 2016	Interest Due 2016	Outstanding Principal 2016
Special Assessment Bonds								
2007B G.O. Improv. & Ut.Rev.Bond	317	Oct - 2007	2/1/2028	4.00%	1,615,000	100,000	63,240	1,515,000
2009A G.O. Bond	318	Dec - 2009	2/1/2030	3.48%	4,160,000	300,000	147,656	3,860,000
2010A G.O. Bond	319	Nov - 2010	2/1/2031	2.74%	3,070,000	310,000	80,963	2,760,000
2012A G.O. Refunding Bond	320	July - 2012	2/1/2026	1.93%	1,915,000	250,000	31,448	1,665,000
2012B G.O. Improvement Bond	321	Oct - 2012	2/1/2034	2.58%	3,020,000	135,000	64,844	2,885,000
2014A G.O. Refunding	322	Dec-14	2/1/2018	2.21%	2,170,000	185,000	50,050	1,985,000
Other Debt								
2006A Public Project Rev. Bond	315	Dec - 2006	2/1/2027	4.05%	6,895,000	425,000	271,307	6,470,000

Debt Issuance Details

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. This bond was refunded as part of Fund 322 below.

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 was 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 were issued in December 2014 in the amount of $2,170,000, carrying interest rate of 2.207% to refund Series 2007A and to crossover refund 2007B for an interest cost savings.

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 2016.

Resolution	Date Adopted	Action
2015-106	9/21/2015	Created Full-Time Planning/GIS Technician

2016 Full-Time Equivalent (FTE) Summary			
	2014 Actual	2015 Budget	2016 Budget
General Fund			
General Government			
Elections	0.12		0.12
Administration & Finance	3.92	4.04	3.17
Community Development	1.25	1.25	2.00
City Hall Building Maintenance	0.97	0.65	0.65
Total General Government	6.26	5.94	5.94
Public Safety			
Police Administration	17.05	17.3	18.3
Firehall #1 Maintenance	0.21	0.21	0.21
Building Inspection	0.3	1.3	1
Total Public Safety	17.56	18.81	19.51
Streets & Highways			
Street Department	3.97	3.96	3.96
City Garage Maintenance	0.35	0.24	0.24
Total Streets & Highways	4.32	4.2	4.2
Parks	0.56	0.31	0.31
Community Building	0.12	0.1	0.1
Cemetery	0.06	0.04	0.04
Total General Fund	28.88	29.4	30.1
Special Revenue Funds			
City Sales Tax	0.25	0.25	1.24
Police Education	0.7	0.7	0
Cable TV	0.06	0.06	0.06
	1.01	1.01	1.3
Enterprise Funds			
Water Utility	3.54	3.51	3.51
Sewage Disposal	2.34	2.34	2.34
	5.88	5.85	5.85
Grand Total FTE Employees	35.77	36.26	37.25
Contracted Positions Allocation			
Planning & Zoning	0	0.71	0.71
Total Contracted	0	0.71	0.71

2016 Full-Time Equivalent (FTE) Summary by Position Count

	2014 Actual	2015 Budget	2016 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	1.00
Community Development Assistant	0.25	0.25	1.00
Receptionist/Administrative Assistant	1.00	1.00	1.00
Total Administration & Finance	8.25	8.25	9.00
Public Safety			
Building Inspector	-	1.00	1.00
Police Chief	1.00	1.00	1.00
Deputy Police Chief	1.00	1.00	1.00
Sergeant	2.00	3.00	2.50
Investigator	2.00	1.00	1.50
DARE Officer	0.70	0.70	0.70
K9 Officer	1.00	1.00	1.00
Police Officer	7.30	7.30	7.30
Senior Secretary	1.00	1.00	1.00
Secretary	1.75	1.75	2.00
Total Police	17.75	18.75	19.00
Public Works			
City Superintendent	1.00	1.00	1.00
Street/Utility Maintenance Workers	7.00	7.00	7.00
Part Time Cleaning Person	0.25	0.25	0.25
Building/Park Maintenance	1.52	1.01	1.00
Total Streets & Highways	9.77	9.26	9.25
Total FTE's	35.77	36.26	37.25
Contracted Positions Allocation			
Planning & Zoning Director	0.71	0.71	0.71
Building Inspector	1.00	-	-
Total Contracted	1.71	0.71	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

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
103-151	Salaries/Benefits	33,191	32,719	-1.4%
201-499	Supplies/Services	10,335	11,100	7.4%
599	Contingency	1,000	1,000	0.0%
	Total Expenditures	**44,526**	**44,819**	**0.7%**

Budgetary Commentary

The 2016 City council operating budget is increasing by .7% of 2015 for conferences and training.

Budget Detail

	2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
Salaries & Benefits			
Part-Time Employees-Regular	21,325	28,800	28,800
PERA Contributions-DCP	255	270	1,080
Stipend	-	1,680	1,680
Social Security	1,006	1,736	446
Medicare	309	406	417
Life Insurance	17	216	216
Workers Compensation	71	83	80
Supplies & Services			
Office Supplies	10	50	50
School & Conference	430	650	700
Travel Expense	780	400	1,000
Computer Maintenance	90	75	75
Employee Recognition Program	50	-	75
Dues & Subscriptions	11,224	8,860	9,000
Miscellaneous	260	300	200
Capital Outlay			
Contingency		1,000	1,000
Total Expenditures	**35,827**	**44,526**	**44,819**

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

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
310-355	Services	3,800	4,000	5.3%
	Total Expenditures	**3,800**	**4,000**	**5.3%**

Budgetary Commentary

The 2016 budget is increasing 5.3% from 2015 due to additional public notices for election year.

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Services			
310	Recording/Filing Fees	-	300	-
351	Legal Notices Publishing	3,481	3,500	4,000
355	Codification Fees	-		
	Total Expenditures	**3,481**	**3,800**	**4,000**

Mayor - 413100

2016 is an election year, of which 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

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
103-151	Salaries/Benefits	10,828	10,714	-1.1%
315-499	Services/Maintenance	1,782	1,833	2.9%
	Total Expenditures	**12,610**	**12,547**	**-0.5%**

Budgetary Commentary

The 2016 Mayor operating budget is decreasing by .5% from 2015, due to a decrease in social security.

Budget Detail

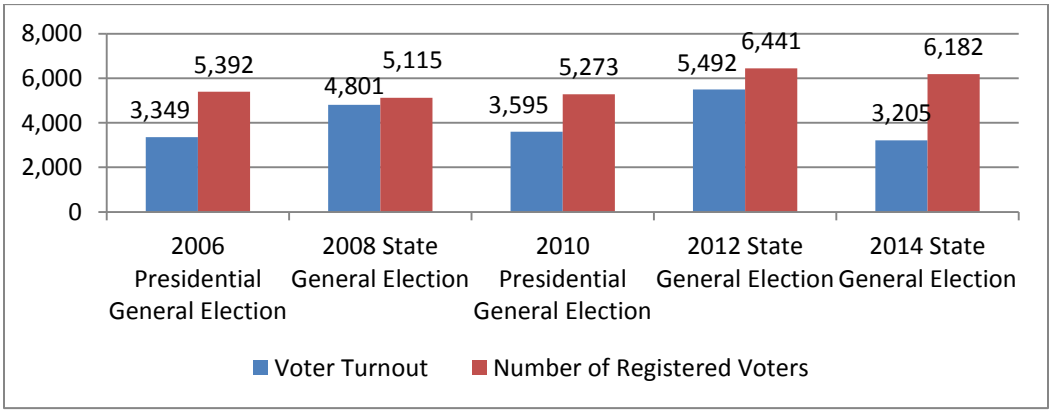
		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Salaries & Benefits			
103	Part-Time Employees-Regular	7,250	9,600	9,600
123	PERA Contributions - DCP	-	-	480
126	Stipend	-	420	420
128	Social Security	450	595	-
129	Medicare	105	139	139
133	Life Insurance	4	54	54
151	Workers Compensation	20	20	21
	Services & Maintenance			
315	School & Conference	70	400	370
331	Travel Expense	452	300	350
405	Computer Maintenance	846	982	983
451	Dues & Subscriptions	-	-	30
499	Miscellaneous	90	100	100
540	Office Equip/Furnishings	624	-	-
	Total Expenditures	**9,911**	**12,610**	**12,547**

Elections - 414100

2016 is an election year for President, Mayor, two council members and other state and local offices.

Objectives

- Provide absentee ballots and enforce appropriate restrictions
- Register voters on Election Day with proof of residence
- Enforce voter qualifications
- 3 Precincts are open for voting within the city from 7:00 am to 8:00 pm
- Absentee voting at Health Care Facilities and City Offices
- 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 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
- 2016 is a Presidential Election, in addition to other state and local offices, so there will be additional costs such as, postage, number of judges, number of voting booths and time spent preparing polling places



Budget Summary

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	-	15,504	100.00%
201-499	Supplies/Services/Maintenance	1,260	4,710	273.81%
	Total Expenditures	**1,260**	**20,214**	1504.29%

Budgetary Commentary

2016 is an election year, therefore, salaries and supplies will increase significantly, as additional judges and voting machines will be needed.

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	2,459		4,880
105	Temporary Employees-Regular	5,738		7,560
121	PERA Contributions-Coordinated	178		366
128	Social Security	175		303
129	Medicare	41		71
131	Health Insurance	571		2,187
133	Life Insurance	5		15
134	Disability Insurance	8		27
151	Workers Compensation			95
	Supplies/Services & Maintenance			
201	Office Supplies	418		500
315	School & Conference	42		
325	Postage	473		550
331	Travel Expense	179		185
351	Legal Notices Publishing	560		640
404	Equipment Maintenance	2,106	1,260	2,300
499	Miscellaneous	531		535
	Total Expenditures	**13,484**	**1,260**	**20,214**

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 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 financial statements and annual budget document, the 5-year Capital Improvement Plan (CIP), monitoring expenditures for compliance with the budget, preparing accurate and timely 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
- Continue to produce the Comprehensive Annual Financial Report (CAFR) that receives the GFOA Award
- Continue to produce the 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

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	330,772	343,324	3.8%
201-499	Supplies/Services & Maintenance	61,151	64,870	6.1%
540	Capital Outlay	750	-	-100.0%
	Total Expenditures	**392,673**	**408,194**	**4.0%**

Budgetary Commentary

The 2016 Administrative/Finance budget is increasing by 4%.

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	221,800	236,422	245,012
102	Full-Time Employees-Overtime	55	-	-
105	Temporary Employees	720	-	-
121	PERA Contributions-Coordinated	16,002	17,732	18,376
128	Social Security	13,552	14,833	15,191
129	Medicare	3,171	3,469	3,553
131	Health Insurance	53,430	54,442	57,150
132	Health Care Savings Plan/Sick Leave	577	-	-
133	Life Insurance	452	872	857
134	Disability Insurance	967	1,277	1,298
135	Unemployment Insurance	6,315	-	-
151	Workers Compensation	1,464	1,725	1,887
	Supplies/Services & Maintenance			
201	Office Supplies	1,974	2,000	2,000
202	Printing Supplies	1,752	1,900	1,900
209	Computer Supplies	375	800	400
211	Cleaning Supplies	(209)	-	-
301	Audit/Account Services	18,343	16,695	19,000
303	Banking Fees	2,791	3,500	3,500
310	Recording/Filing Fees	2,578	-	-
315	School & Conference	2,022	2,500	2,500
319	Contracted Services	2,211	500	500
320	Personnel Search Expenses	988	-	-
321	Telephone	1,522	1,392	1,200
325	Postage	2,073	1,200	1,200
331	Travel Expense	6,000	4,700	4,700
351	Legal Notices Publishing	(64)	-	-
361	General Liability Insurance	494	557	512
370	Interest Expense	9	-	-
404	Equipment Maintenance	361	-	-
405	Computer Maintenance	21,812	20,998	21,000
413	Equipment Rental	3,036	2,164	4,233
434	Employee Recognition Program	309	325	325
451	Dues & Subscriptions	2,385	1,920	1,900
460	Permits & Licenses	16	-	-
499	Miscellaneous	104	-	-
	Capital Outlay			
540	Office Equip/Furnishings	4,869	750	-
580	Other Equipment	2,474	-	-
	Total Expenditures	**396,730**	**392,673**	**408,194**

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

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. It manages the City's Municipal Separate Storm Sewer System (MS4) and all stormwater matters regulated by the Minnesota Pollution Control Agency. The Community Development Department includes a full-time Director, full-time Planning and GIS Technician and a contracted City Planner through a partnership with the Arrowhead Regional Development Commission. The department relies on administrative assistance from the Administration & Finance budget for agenda development and minutes. 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 Statues 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 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 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 enforce zoning regulations.

Output	2013	2014	2015 *
Zoning Certificates	69	95	67
Land Alteration Permits (Fill)	8	6	8
Special Use Permits	3	5	7
Sign Permits	16	7	21
Fence Permits	2	9	8
Planned Unit Development	2	2	1
Commercial Industrial Development Permit	4	5	4
Variance	3	5	2
Wetland Delineations	1	7	13
Wetland Fill Exemptions	1	0	8
Rezoning	2	2	1
Economic Development Districts (TIF/TA)	0	1	2
Zoning Amendments	0	10	2
Subdivision	0	2	1
Non-Conforming Use Permits	0	6	1
Property Splits	0	12	5
* As of November 2015			

Authorized Personnel

The Community Development Department has a full-time Director. 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 16 hours per week. The City Council authorized the new position of Planning and GIS Technician in September, 2015, effective January 1, 2016 per Resolution 2015-106.

FTE Equivalent Employees

2.33

Budget Summary

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	122,527	184,124	50.3%
201-451	Supplies/Services & Maintenance	71,047	56,554	-20.4%
540	Capital Outlay			
	Total Expenditures	**193,574**	**240,678**	**24.3%**

Budget Commentary

The 2016 Community Development operating budget is increasing by 24.3% due to the new Planning and GIS position. The City contracts for City Planner services with the Arrowhead Regional Development Commission. The contract will be renewed for 2016. The City Planner will work 16 hours a week in this department.

The Director and City Planner are continuing to implement the goals and recommendations of the City of Hermantown Comprehensive Plan as directed by the Planning Commission and 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

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	78,544	83,894	121,028
121	PERA Contributions-Coordinated	5,701	6,292	9,077
128	Social Security	4,722	5,201	7,504
129	Medicare	1,104	1,216	1,755
131	Health Insurance	24,486	24,535	42,790
133	Life Insurance	196	302	354
134	Disability Insurance	409	475	684
151	Workers Compensation	400	612	932
	Supplies/Services & Maintenance			
201	Office Supplies	226	500	500
202	Printing Supplies	-	190	200
209	Computer Supplies	-	450	450
212	Motor Fuels	203	-	0
219	Other Operating Supplies	-	100	0
304	Parcel Research Fees	325	-	350
305	Engineer Fees	14,056	2,500	2,500
308	Legal Fees	25,701	7,500	5,000
310	Recording/Filing Fees	1,778	800	650
311	Contracted Escrow Expense	410	-	0
315	School & Conference	560	2,150	2,150
316	GIS Services			2,500
319	Contracted Services	104,333	40,000	24,000
320	Personnel Search Expenses	-	-	-
321	Telephone	381	480	500
325	Postage	444	450	450
331	Travel Expense	5	300	300
351	Legal Notices Publishing	879	700	700
361	General Liability Insurance	7,579	9,222	10,354
404	Equipment Maintenance		47	50
405	Computer Maintenance	3,457	2,908	2,950
413	Equipment Rental		250	250
451	Dues & Subscriptions	1,514	2,500	2,700
499	Miscellaneous	17	-	0
540	Office Equip/Furnishings	6,838	-	0
	Total Expenditures	**284,268**	**193,574**	**240,678**

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

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	59,210	61,330	3.6%
211-460	Supplies/Services & Maintenance	104,794	109,512	4.5%
	Total Expenditures	**164,004**	**170,842**	**4.2%**

Budget Commentary

The 2016 city hall/police building maintenance operating budget had a total overall 4.2 % increase from 2015. The increase in supplies/services & maintenance is due to additional expenses for liability insurance. Budget includes yearly license expense.

Budget Detail

	2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
Salaries & Benefits			
Full-Time Employees-Regular	32,203	30,036	31,628
Full-Time Employees-Overtime	2,067	1,180	226
Part-Time Employees-Regular	5,493	5,951	5,951
Temporary Employees - Regular	764	1,518	1,518
PERA Contributions-Coordinated	2,844	2,788	2,835
Social Security	2,406	2,398	2,438
Medicare	563	561	570
Health Insurance	13,693	12,459	13,695
Life Insurance	44	45	45
Disability Insurance	172	170	179
Workers Compensation	1,890	2,104	2,245
Supplies /Services & Maintenance			
Cleaning Supplies	994	950	1,000
Motor Fuels	1,590	1,140	1,300
Uniforms	-	95	100
Other Operating Supplies	2,474	6,507	5,000
General Supplies	323	-	0
Bldg Repair & Maint Supplies	12,543	2,500	5,000
Land Maintenance & Repair	1,246	950	1,000
School & Conference	-	295	350
Contracted Services	564	1,500	1,500
Personnel Search Expenses	28	-	-
Telephone	12,029	5,506	6,000
Internet	7,376	6,682	7,000
General Liability Insurance	10,497	10,800	10,042
Electricity	28,341	25,000	28,000
Heating Gas	28,813	25,000	25,000
Garbage Removal	1,834	2,000	2,000
Building Maintenance	8,979	7,500	8,000
Equipment Maintenance	3,423	3,354	4,500
Computer Maintenance	1,629	2,995	3,000
Vehicle Maintenance	-	1,000	500
Equipment Rental	11	-	-
Uniform Rental	152	-	-
Dues & Subscriptions	32	70	70
Permits & Licenses	-	50	150
Miscellaneous	25	-	-
Capital Outlay			
Buildings & Structures	4,865	-	-
Office Equip/Furnishings	418	900	-
Total Expenditures	**190,325**	**164,004**	**170,842**

Police – 421100

The Police Department is responsible for law enforcement within the city and cooperates with surrounding law enforcement agencies.

Objectives

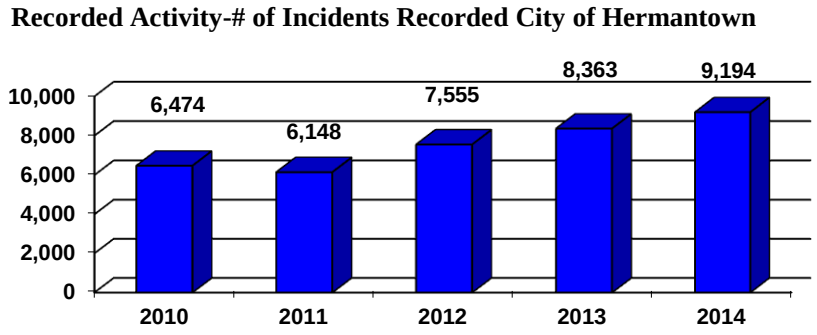
- The police department will strive to lower the crime rate in the City of Hermantown.
- The police department will strive to lower the motor vehicle crash rate in the City of Hermantown.
- The police department will cooperate with businesses to reduce crime that affects them.
- The police department 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 (3.00 FTE) Police Secretaries.

FTE Equivalent Employees

18.00



Incidents are the total number of calls the Police Department handled. Recorded incidents in 2014 totaled 9,194 compared to 8,363 in 2013, a 9.94% increase.

Part I & II Serious Crime

Part I & II Serious Crime

	2009	2010	2011	2012	2013	2014	+/-%
Assault	63	52	63	43	41	43	5%
Burglary	29	37	59	54	64	33	-48%
Forgery/Counterfeiting	22	17	16	25	6	22	267%
Drugs/Narcotics	46	55	31	50	30	55	83%
Escape	5	1	0	3	2	5	150%
Arson/Fires	0	0	0	0	2	0	-100%
Gambling	0	0	0	0	0	0	0%
Homicide	0	0	0	0	0	0	0%
Crime Against Families	5	6	7	6	11	7	-36%
Traffic & Accident Offenses/DWI	118	64	96	107	85	102	20%
Kidnap/Abduction	0	1	1	0	0	0	0%
Criminal Sexual Conduct	9	8	17	12	6	11	83%
Miscellaneous/Federal/Conservation/Juvenile/Liquor	31	26	26	24	27	25	-7%
Disturbing Peace/Privacy/Communications	84	84	75	62	61	59	-3%
Obscenity	0	3	3	2	1	2	100%
Trespass/Property Damage/Risk from Property Damage	113	91	89	79	110	72	-35%
Receiving or Concealing Stolen Property	4	7	2	8	8	2	-75%
Robbery	1	1	1	0	1	4	300%
Theft	301	332	360	354	408	323	-21%
Vehicle Theft	30	34	32	53	72	29	-60%
Weapons	10	3	4	9	3	7	133%
Crimes Against Administration of Justice	14	10	18	11	20	17	-15%
Crimes Against Government/Public Official	5	2	1	5	2	2	0%
Sex Related/Prostitution	1	0	0	0	2	0	-100%
	891	**834**	**901**	**907**	**962**	**820**	**-15%**

Part I & II Serious Crime decreased 15% in 2014 with a total of 820 offenses compared to 962 in 2013.

Source of Data: Hermantown Police Department Annual Reports

Budget Summary

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	1,656,340	1,824,716	10.2%
201-499	Supplies/Services & Maintenance	292,555	299,924	2.5%
540-580	Capital Outlay	67,700	98,500	45.5%
720	Other Financing Uses	15,000	-	-100.0%
	Total Expenditures	**2,031,595**	**2,223,140**	**9.4%**

Budget Commentary

The 2016 police department operating budget is increasing by 10% from 2015. Increases were budgeted into salaries/benefits due to an additional full-time clerical position, step increases for police and increases in health insurance and general liability insurance. The League of Minnesota Cities insurance Trust revised premiums to correlate to claims and liability.

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	959,434	1,070,042	1,163,129
102	Full-Time Employees-Overtime	125,818	70,370	90,506
103	Part-Time Employees-Regular	2		
121	PERA Contributions-Coordinated	7,660	8,121	9,066
122	PERA Contributions-Police/Fire	151,737	167,206	179,456
128	Social Security	5,985	6,713	7,495
129	Medicare	15,365	16,536	17,815
131	Health Insurance	262,029	272,959	311,627
132	Health Care Savings Plan/Sick Leave	231		
133	Life Insurance	1,274	1,550	1,631
134	Disability Insurance	5,095	5,990	6,511
151	Workers Compensation	32,542	36,853	37,480
	Supplies /Services & Maintenance			
201	Office Supplies	1,483	1,500	1,500
202	Printing Supplies	2,103	3,000	3,000
209	Computer Supplies	1,140	1,500	1,500
211	Cleaning Supplies	2,390	2,500	2,500
212	Motor Fuels	48,200	43,000	43,000
216	Uniforms	13,051	15,500	15,000
218	Medical Supplies	368	800	800
219	Other Operating Supplies	1,911	1,800	1,900
221	General Supplies	19		500
222	Tires	4,114	4,800	4,800
240	Gun Supplies/Ammo/Tasers	21,034	9,750	9,750
308	Legal Fees	90,118	94,000	94,000
314	Computer/Softw are Fees	13,623	14,304	15,000
315	School & Conference	8,456	10,500	10,500
317	Personnel Testing, Physicals, Recruitment	1,837	1,000	1,000
319	Contracted Services	971		
321	Telephone	9,668	7,212	9,150
325	Postage	1,140	1,000	1,000
331	Travel Expense	6,136	8,500	8,500
343	Community Relations	1,674	1,500	1,500
351	Legal Notices Publishing	70	100	100
361	General Liability Insurance	19,527	22,832	25,559
404	Equipment Maintenance	2,929	3,000	3,200
405	Computer Maintenance	23,655	17,692	18,000
406	Vehicle Maintenance	9,557	12,000	12,000
413	Equipment Rental	4,098	4,815	4,815
434	Employee Recognition	50	250	250
436	Tow ing Charges	155		500
451	Dues & Subscriptions	1,795	1,400	1,400
460	Permits & Licenses	384	700	600
490	K-9 Expenses	10,316	2,100	2,100
495	Property Damage Reimb. By Insurance	4,996	2,000	3,000
496	Insurance Deductible	1,000		
499	Miscellaneous	2,364	3,500	3,500
	Capital Outlay			
540	Office Equip/Furnishings	14,562	1,250	5,000
544	Motor Vehicles	83,116	60,450	81,500
580	Other Equipment	12,268	6,000	12,000
	Other Financing Uses			
720	Transfer Out	15,185	15,000	
	Total Expenditures	**2,002,635**	**2,031,595**	**2,223,140**

Fire Protection – 422100 - Contracted

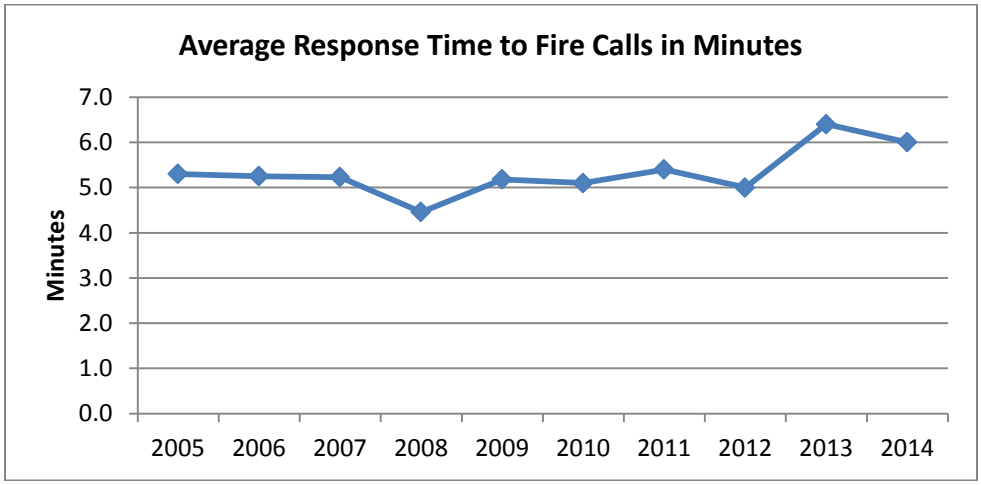
The City of Hermantown contracts yearly for fire protection with The Hermantown Volunteer Fire Department (HVFD) for all properties within the City. In addition, the department also provides first responder service within the City. The HVFD was incorporated in 1951. It functions independent of the city 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 minutes in 2014.



***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	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Severe Weather & Nature Disaster								5		
Overpressure Rupture, Explosion, Overheat	1							3	3	2
Hazardous Condition (No Fire)	38	26	42	38	43	22	34	24	22	22
Good Intent Call	24	15	18	25	27	35	61	39	44	1
Controlled Burning										2
Fire	36	46	40	25	28	42	25	36	25	33
False Alarm & False Call	28	31	46	28	13	32	38	32	38	57
Special Incident Type			2	4					1	1
Service Call	18	17	6	5	3	3	27	28	17	17
Rescue & Emergency Medical Service Incident	412	463	424	453	501	443	555	549	679	795
Total Incidents	**557**	**598**	**578**	**578**	**615**	**577**	**740**	**716**	**829**	**930**

Budget Summary

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
125-151	Salaries/Benefits	42,500	39,091	-8.0%
301-363	Supplies/Services	437,850	418,100	-4.5%
810	Other Financing Uses	-	-	
	Total Expenditures	**480,350**	**457,191**	**-4.8%**

Budget Commentary

The 2016 operating budget decreased 4.8% from 2015. 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

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Salaries & Benefits			
125	Firemens Pension Contributions	25,000	25,000	25,000
151	Workers Compensation	14,963	17,500	14,091
	Supplies/ Services & Maintenance			
301	Audit/Account Services	5,713	5,850	5,850
308	Legal Fees	530		250
317	Personnel Testing, Physicals, Recruitment	3,688	2,000	2,000
318	Fire Protection	375,000	375,000	375,000
319	Contracted Services	1,254	20,000	
361	General Liability Insurance			
363	2% Fire Insurance	61,627	35,000	35,000
	Other Financing Uses			
540	Office Equipment Furnishings	2,388		
	Total Expenditures	**490,163**	**480,350**	**457,191**

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

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	15,604	16,252	4.2%
219-405	Supplies/Services & Maintenance	39,405	44,682	13.4%
	Total Expenditures	**55,009**	**60,934**	**10.8%**

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Salaries & Benefits			
101	Full-Time Employees - Regular	10,963	9,350	9,840
102	Full-Time Employees - Overtime	640	363	70
103	Part-Time Employees - Regular			
104	Part-Time Employees - Overtime			
105	Temporary Employees - Regular	271		
121	PERA Contributions - Coordinated	829	720	735
128	Social Security	699	602	614
129	Medicare	164	141	144
131	Health Insurance	4,661	3,834	4,214
133	Life Insurance	15	14	14
134	Disability Insurance	59	52	55
151	Workers Compensation	460	528	566
	Supplies/Services & Maintenance			
223	Bldg Repair & Maint Supplies	1,466	237	2,300
321	Telephone	3,195	1,280	1,300
322	Internet	647	1,769	1,700
361	General Liability Insurance	3,261	3,275	3,038
381	Electricity	18,116	14,000	18,500
383	Heating Gas	18,247	13,000	15,000
401	Building Maintenance	5,059	5,000	2,000
404	Equipment Maintenance	844	844	844
405	Computer Maintenance		-	
495	Property Damage Reimb. By Insurance	-		
	Total Expenditures	**69,596**	**55,009**	**60,934**

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

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
223-383	Supplies/Services & Maintenance	13,057	13,009	-0.4%
	Total Expenditures	**13,057**	**13,009**	**-0.4%**

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Supplies/Services & Maintenance			
223	Bldg Repair & Maint Supplies	533	1,950	1,950
224	Land Maintenance & Repair			
361	General Liability Insurance	640	707	659
381	Electricity	3,313	2,400	2,400
383	Heating Gas	10,725	8,000	8,000
401	Building Maintenance	539		
413	Equipment Rental			
460	Permits & Licenses			
	Total Expenditures	**15,750**	**13,057**	**13,009**

Building Inspection – 424100

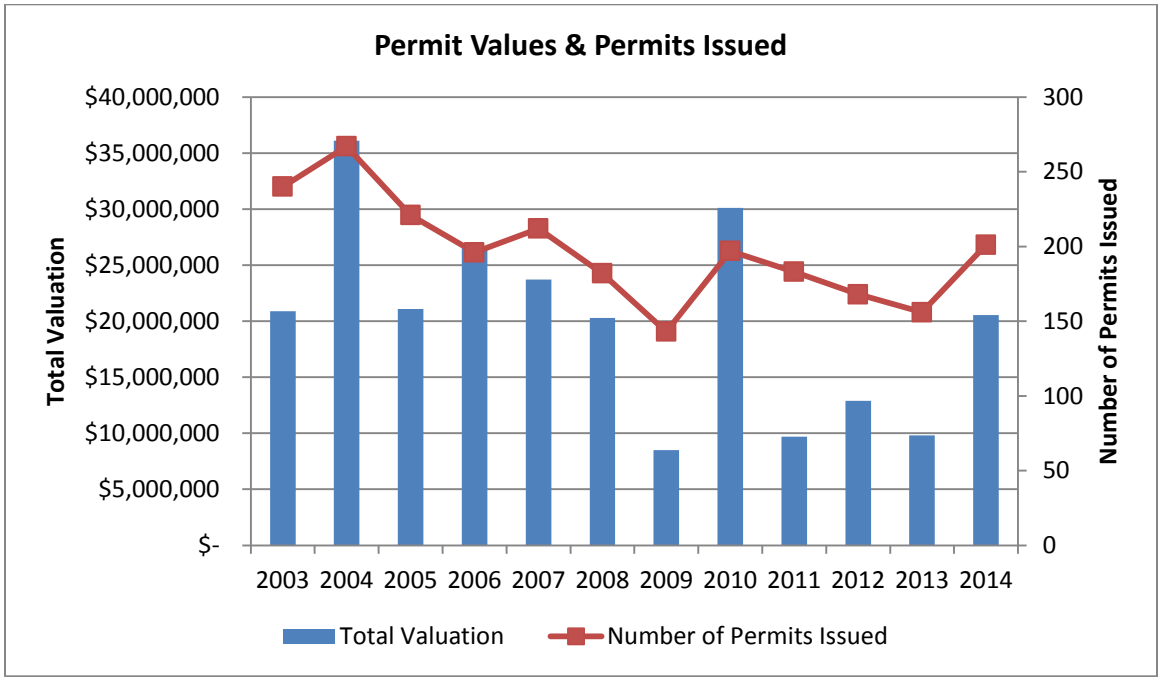
The building official is responsible for administration, interpretation and enforcement of the MN State Building Code.
The primary goal of the department is to seek compliance with the minimum standards of the MN State Building Code in residential and commercial construction activities.
Building inspection 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 2014 - 201 permits valued at $20,550,654 million. (39 new homes valued at $8 million, 49 garages/sheds/decks valued at $478 thousand, 71 residential remodel/repair valued at $981 thousand, 2 commercial valued at $1 million, 12 commercial addition/remodel valued at $9.8 million and other plumbing/mechanical/etc. valued at $164 thousand



Authorized Personnel

The Building Inspection Department has one full-time Building Official and is assisted by the Receptionist/Administrative Assistant.

FTE Building Inspection Position

1.00

Budget Summary

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	125,349	136,030	8.5%
201-451	Supplies/Services & Maintenance	9,502	9,400	-1.1%
	Total Expenditures	**134,851**	**145,430**	**7.8%**

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	9,806	85,114	92,467
121	PERA Contributions-Coordinated	712	6,384	6,935
128	Social Security	597	5,612	5,733
129	Medicare	140	1,312	1,340
131	Health Insurance	5,744	25,493	28,042
133	Life Insurance	41	306	306
134	Disability Insurance	54	481	495
151	Workers Compensation	329	647	712
	Supplies/Services & Maintenance			
201	Office Supplies	76	250	200
209	Computer Supplies		100	
227	Street Lights & Signs	829	1,200	1,000
307	Building Inspector Fees	67,911		
308	Legal Fees	270	1,000	1,000
315	School & Conference			275
321	Telephone		20	25
325	Postage	138	150	150
331	Travel		5,400	5,000
405	Computer Maintenance	1,190	982	1,200
451	Dues & Subscriptions	425	400	550
	Capital Outlay			
510	Land Acquisition			
540	Office Equip/Furnishings	620		
	Total Expenditures	**88,882**	**134,851**	**145,430**

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

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
319	Supplies/Services	4,000	4,000	0.0%
	Total Expenditures	**4,000**	**4,000**	**0.0%**

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Supplies & Services			
219	Other Operating Supplies			
319	Contracted Services	3,800	4,000	4,000
351	Legal Notices Publishing			
	Total Expenditures	**3,800**	**4,000**	**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

2014 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 2014	$33,880

Authorized Personnel

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

FTE Equivalent Employees
3.96

Budget Summary

	2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
Salaries/Wages	305,381	325,745	6.7%
Supplies/Services & Maintenance	237,055	230,562	-2.7%
Capital Outlay	29,100	-	0.0%
Motor Vehicles	-	32,600	0.0%
Total Expenditures	**571,536**	**588,907**	**3.9%**

Budget Commentary

The 2016 street department operating budget was increased by 3.9% from 2015. 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 2016 for $32,600.

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

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Salaries & Benefits			
101	Full-Time Employees - Regular	173,908	191,094	202,326
102	Full-Time Employees - Overtime	11,792	4,952	4,847
105	Temporary Employees - Regular	100	1,301	1,301
121	PERA Contributions - Coordinated	13,373	14,703	15,538
128	Social Security	11,379	12,236	12,925
129	Medicare	2,661	2,862	3,023
131	Health Insurance	59,609	59,103	64,680
132	Health Care Savings Plan/Sick Leave	270		
133	Life Insurance	284	368	368
134	Disability Insurance	839	1,080	1,140
151	Workers Compensation	12,183	17,682	19,597
	Supplies/Services & Maintenance			
201	Office Supplies	45	285	285
202	Printing Supplies	15	95	95
209	Computer Supplies		190	190
212	Motor Fuels	53,221	45,000	45,000
213	Lubricants/Additives	2,378	2,375	2,375
219	Other Opperating Supplies	307		
221	General Supplies	1,460	3,800	3,800
212	Tires	4,761	4,000	2,000
223	Bldg Repair & Maint Supplies	324		175
224	Land Maintenance & Repair	325		
225	Street Maintenance Supplies	21,350	19,000	19,000
226	Sand, Salt, Chloride	43,618	63,650	63,650
227	Street Lights & Signs	6,427	6,650	2,500
305	Enginner Fees	156		
314	Computer/Softw are Fees	65		
315	School & Conference	295	1,000	500
319	Contracted Services	25,895	27,000	27,000
320	Personnel Search Expenses	173		
321	Telephone	3,817	2,375	2,400
322	Internet	828	294	295
323	Gopher One Call Locates			1,120
324	Radio Communications	505	250	250
331	Travel Expense	413	250	250
351	Legal Notices Publishing	35		
361	General Liability Insurance	9,993	10,439	9,552
403	Improvements OTB Maintenance	14,805	20,000	20,000
404	Equipment Maintenance	39,108	17,000	17,000
405	Computer Maintenance	6,573	6,327	6,400
406	Vehicle Maintenance	5,797	2,000	2,000
413	Equipment Rental	3,149	4,000	4,000
417	Uniform Rental	315	500	400
434	Employee Recognition Plan	298	275	275
451	Dues & Subscriptions	32	300	50
460	Permits & Licenses	528		
495	Property Damage Reimb. By Insurance	1,000		
499	Miscellaneous	973		
	Capital Outlay			
540	Office Equip/Furnishings	1,243	900	
543	Heavy Equipment	140	28,200	
544	Motor Vehicles			32,600
580	Other Equipment	10,054		
	Total Expenditures	**546,819**	**571,536**	**588,907**

City Engineer – 431130 - Contracted

In 2015, the City contracted with Northland Consulting Engineers. No change is anticipated in 2016.

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

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
305	Engineer Fees	22,000	27,000	22.7%
	Total Expenditures	**22,000**	**27,000**	**22.7%**

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Services			
305	Engineer Fees	17,022	22,000	27,000
	Total Expenditures	17,022	22,000	27,000

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

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Wages	19,541	20,624	5.5%
219-404	Supplies/Services & Maintenance	19,804	19,368	-2.2%
	Total Expenditures	**39,345**	**39,992**	**1.6%**

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	2,904	10,451	11,075
102	Full-Time Employees-Overtime	593	358	287
103	Part-Time Employees-Regular			
104	Part-Time Employees-Overtime			
105	Temporary Employees - Regular	591	2,277	2,277
121	PERA Contributions-Coordinated	245	810	852
128	Social Security	250	803	839
129	Medicare	59	190	198
131	Health Insurance	1,296	3,986	4,370
133	Life Insurance	2	16	16
134	Disability Insurance	12	59	62
151	Workers Compensation	545	591	648
	Supplies/Services & Maintenance			
219	Other Operating Supplies	184	712	600
223	Bldg Repair & Maint Supplies	2,160	1,950	2,100
319	Contracted Services	291	300	300
321	Telephone	121		
361	General Liability Insurance	4,177	5,641	5,067
381	Electricity	3,264	3,000	3,000
383	Heating Gas	4,341	5,000	5,000
384	Garbage Removal	976	1,000	1,100
401	Building Maintenance	1,111	2,000	2,000
404	Equipment Maintenance	201	201	201
580	Other Equipment	345		
	Total Expenditures	**23,668**	**39,345**	**39,992**

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 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
- Plan for future 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						
			2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE	
101-151		Salaries/Wages	27,166	28,674	**5.55%**	
212-413		Supplies/Services & Maint	53,266	55,377	**3.96%**	
500-599		Capital Outlay	0	0	**0.00%**	
Total Expenditures			**80,432**	**84,051**	**4.50%**	

Budget Commentary

The 2016 Park operating budget is 4.5% higher than 2015.

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	7,285	13,735	14,669
102	Full-Time Employees-Overtime	875	429	286
105	Temporary Employees-Regular	7,656	4,337	4,337
121	PERA Contributions-Coordinated	574	1,062	1,122
128	Social Security	971	1,147	1,196
129	Medicare	227	268	280
131	Health Insurance	3,131	5,327	5,845
133	Life Insurance	10	21	21
134	Disability Insurance	33	78	83
151	Workers Compensation	573	762	835
	Supplies/Services & Maintenance			
212	Motor Fuels	1,724	2,850	2,500
221	General Supplies	251	712	650
223	Bldg Repair & Maint Supplies	1,932	3,135	3,000
224	Land Maintenance & Repair	23,617	27,000	27,000
227	Street Lights & Signs	218		
305	Engineer Fees			1,500
308	Legal Fees	308		300
310	Recording/Filing Fees	46		
319	Contracted Services	1,750		200
325	Postage	71		70
361	General Liability Insurance	12,079	12,469	11,732
381	Electricity	5,423	3,100	3,800
384	Garbage Removal	746		50
404	Equipment Maintenance	2,045	2,500	2,500
413	Equipment Rental	2,851	1,500	2,000
460	Permits & Licenses	79		75
	Capital Outlay			
510	Land Acquisition	343		
	Total Expenditures	**74,818**	**80,432**	**84,051**

Community Building - 452200

The Community building is located at 5255 Maple Grove Road. Arrowhead Builders Association will be leasing the building for $11,355 for budget year 2016 per Resolution 2010-62. The Hermantown Historical Society is also leasing a portion of this building for $844 for budget year 2016 per Resolution 2011-18 to display historical items and information. The Minnesota Bureau of Criminal Apprehension is leasing a portion of the building for $4,732 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 Summary

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries & Benefits	8,233	8,557	3.9%
219-401	Supplies/Services & Maintenance	15,170	14,785	-2.5%
	Total Expenditures	**23,403**	**23,342**	**-0.3%**

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Salaries & Benefits			
101	Full-Time Employees - Regular	1,984	4,621	4,866
102	Full-Time Employees - Overtime	303	182	35
105	Temporary Employees-Regular	222	434	434
121	PERA Contributions - Coordinated	160	360	368
128	Social Security	150	325	331
129	Medicare	35	76	77
131	Health Insurance	972	1,917	2,107
133	Life Insurance	2	7	7
134	Disability Insurance	10	26	27
151	Workers Compensation	242	285	305
	Supplies/Services & Maintenance			
223	Bldg Repair & Maint Supplies	444	950	500
224	Land Maintenance & Repair	779		100
321	Telephone	3,967	1,260	1,300
322	Internet	680	588	600
361	General Liability Insurance	1,827	2,251	2,164
381	Electricity	4,145	4,500	4,500
383	Heating Gas	10,136	4,000	4,000
401	Building Maintenance		1,500	1,500
404	Equipment Maintenance	121	121	121
405	Computer Maintenance	1,093		
580	Other Equipment	345		
	Total Expenditures	**27,617**	**23,403**	**23,342**

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

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
102-151	Salaries/Wages	3,163	3,354	6.0%
	Total Expenditures	**3,163**	**3,354**	**6.0%**

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Salaries & Benefits			
101	Full-Time Employees - Regular	269	1,721	1,826
102	Full-Time Employees - Overtime	11	57	55
105	Temporary Employees - Regular	804	326	325
121	PERA Contributions - Coordinated	20	133	141
128	Social Security	67	130	137
129	Medicare	16	30	32
131	Health Insurance	144	644	705
133	Life Insurance		3	3
134	Disability Insurance	2	10	10
151	Workers Compensation	92	109	120
308	Legal Fees	131		
	Total Expenditures	**1,556**	**3,163**	**3,354**

Insurance General - 492200

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

Budget Summary

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
151	Workers Compensation	600	471	-21.5%
361	Supplies/Services	11,071	10,032	-9.4%
	Total Expenditures	**11,671**	**10,503**	-10.0%

Budget Commentary

The city has insurance coverage for city volunteers when volunteering on city projects through League of Minnesota Cities Insurance Trust.

Budget Detail

	2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
Salaries & Benefits			
Workers Compensation	259	600	471
Supplies & Services			
General Liabilty Insurance	10,522	11,071	10,032
Total Expenditures	**10,781**	**11,671**	**10,503**

Special Revenue Funds

Fund 230 – Hermantown Economic Development Authority

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

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
310100	Current Year Taxes		36,190	72,380
341010	Building Rentals	1,000	1000	1,000
362100	Investment Interest			
362110	Checking Account Interest	64	50	50
362160	Gain (Loss) on Sale if Investments			
362300	Donations			
362310	Nongovernmental Grants	18,750		
362440	Conduit Financing Fees	2,770	2,770	2,270
362990	Miscellaneous Revenue			
392000	Transfers In			
	Total Revenues	**22,584**	**40,010**	**75,700**
	Expenditures			
	Supplies & Services			
103	Part-Time Employees - Regular	2,475	2,100	4,200
123	PERA Contributions - DCP	15		60
128	Social Security	135	130	260
129	Medicare	36	30	60
133	Life Insurance	2		
151	Workers Compensation	1		
201	Office Supplies			250
304	Parcel Research Fees			350
308	Legal Fees	399		
315	School & Conference	540	700	1,000
316	GIS Services			500
319	Contracted Services	18,750	33,250	63,120
325	Postage			100
331	Travel Expense	954	1,000	1,000
343	Community Relations			2,000
351	Legal Notices Publishing	487		
451	Dues & Subscriptions	2,750	2,800	2,800
	Total Expenditures	**26,544**	**40,010**	**75,700**
	Revenues Over Expenditures	**(3,960)**	**-**	**-**

Fund 231 – Community Development Fund

The Community Development Fund will be with HEDA Fund 230 in 2016.

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
362110	Checking Account Interest	92	50	
392010	Transfers In	25,000		
	Total Revenues	**25,092**	**50**	**-**
	Expenditures			
	Other Financing Uses			
720	Transfer Out		0	0
	Total Other Financing Uses		**0**	**0**
	Revenues Over (Under) Expenditures	**25,000**	**0**	**0**

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

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
322460	Park Dedication Fee	20,400	16,500	18,000
322470	Park Dedication Fee in Lieu of Land	2,000	2,200	5,000
362100	Investment Interest	2,118	500	1,500
362110	Checking Account Interest	110	100	100
362160	Gain (Loss) on Sale of Investments	(3,180)		
362250	City Property Lease	7,087	7,336	7,336
362300	Donations			
362350	Development Agreement Fees			
	Total Revenues	**28,535**	**26,636**	**31,936**
	Expenditures			
	Services			
308	Legal Fees			
	Capital Outlay			
520	Buildings & Structures			
530	Improvements Other Than Bldgs		20,000	20,000
	Total Expenditures	**-**	**20,000**	**20,000**
	Revenues Over (Under) Expenditures	**28,535**	**6,636**	**11,936**

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

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
322125	Wetland Bank Fee		1,000	1,000
362110	Checking Account Interest	61		
362350	Checking Account Interest	1,858		
392010	Transfers In	58,051		
	Total Revenues	**59,970**	**1,000**	**1,000**
	Expenditures			
	Supplies & Services			
227	Street Lights & Signs			350
315	School & Conference			650
319	Contracted Services		3,500	3,500
325	Postage			100
331	Travel Expense			300
510	Land Acquisition		2,500	2,500
	Total Expenditures	**-**	**6,000**	**7,400**
	Revenues Over (Under) Expenditures	**59,970**	**(5,000)**	**(6,400)**

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	$ 15,000
Public Project Revenue Bonds/Series 2006A	315	$ 698,807
2007B GO Utility Bond	317	$ 55,868
2009A GO Bond-PW Salt/Storage & Refinance 2003	318	$ 153,907
2010A GO Bonds	319	$ 180,188
2012A GO Bonds	320	$ 197,539
2012B GO Improvement Bonds	321	$ 40,119
2014A GO Bonds	322	$ 68,231
Total		$ 1,409,659

FTE Equivalent Employees

.25

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
313100	City Sales Tax	2,511,209	2,410,000	2,500,000
362100	Investment Interest	13,409	25,000	15,000
362110	Checking Account Interest	1,901	500	1,000
362160	Gain (Loss) on Sale of Investments	53,057		
362990	Miscellaneous Revenue			
	Total Revenues	**2,579,576**	**2,435,500**	**2,516,000**
	Expenditures			
	Salaries & Benefits			
101	Full-Time Employees-Regular	26,228	27,217	29,303
121	PERA Contributions - Coordinated	1,904	2,041	2,198
128	Social Security	1,693	1,780	1,817
129	Medicare	396	417	425
131	Health Insurance	5,007	4,936	5,430
133	Life Insurance	45	71	71
134	Disability Insurance	121	122	122
151	Workers Compensation	161	199	226
	Supplies /Services & Maintenance			
305	Engineer Fees	625		10,000
315	School & Conference		200	200
331	Travel Expense	1,620	1,620	1,620
	Other Financing Uses			
720	Transfer Out	1,461,038	1,354,859	1,409,659
	Total Expenditures	**1,498,838**	**1,393,462**	**1,461,071**
	Revenues (Under) Expenditures	**1,080,738**	**1,042,038**	**1,054,929**

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.

In 2016 this fund will be combined with Fund 251-Police Program Fund.

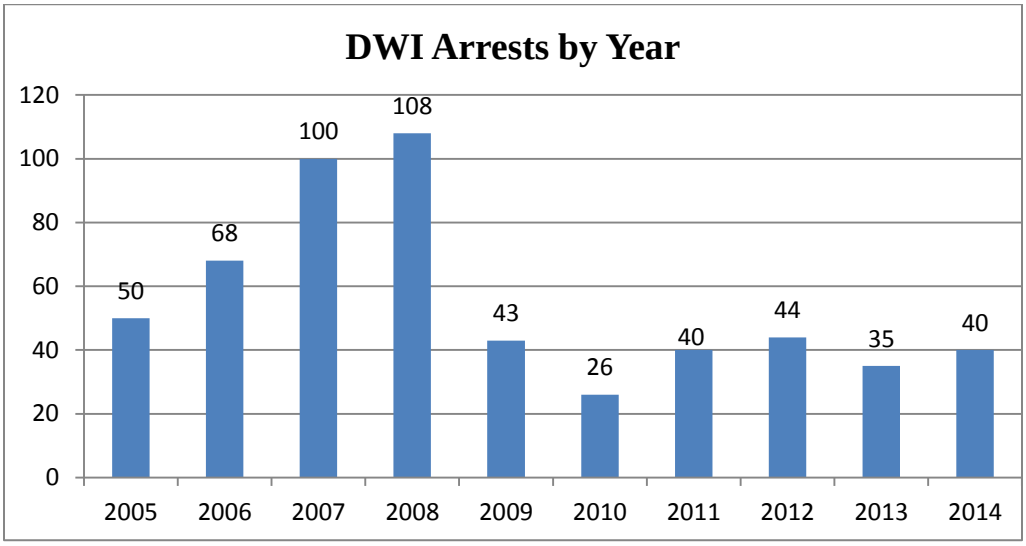
FTE Equivalent Employees
0.00

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
342010	Police Services	63,310	64,576	
351010	Court Fines	2,093	3,000	
362110	Checking Account Interest	55	50	
362300	Donations	1,191		
392010	Transfer In	15,000	15,000	
	Total Revenues	**81,649**	**82,626**	**-**
	Expenditures			
	Salaries & Benefits			
101	Full-Time Employees-Regular	44,284	46,835	
102	Full-Time Employees-Overtime	2,989	5,070	
122	PERA Contributions-Police/Fire	7,727	8,409	
129	Medicare	636	753	
131	Health Insurance	14,017	13,418	
133	Life Insurance	43	48	
134	Disability Insurance	229	265	
151	Workers Compensation	1,594	2,040	
	Supplies/Services & Maintenance			
216	Uniforms	280	600	
219	Other Operating Supplies	2,084	2,500	
308	Legal Fees			
315	School & Conference			
331	Travel Expense		200	
451	Dues & Subscriptions			
540	Office Equip/Furnishings	620		
720	Transfers Out			
	Total Expenditures	**74,503**	**80,138**	**-**
	Revenues Over Expenditures	**7,146**	**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

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
351000	Impound Fees			
351010	Court Fines	2,000		1,500
352010	Unclaimed Property			
352020	Forfeitures	13,831	2,500	2,500
352026	30% DWI Forfeiture Legal		300	300
362110	Checking Account Interest	12	25	15
362300	Donations	550		250
392010	Transfers In	185		
	Total Revenues	**16,578**	**2,825**	**4,565**
	Expenditures			
	Supplies/Services & Maintenance			
303	Banking Fees	2021		
308	Legal Fees	714		
370	Interest Expense	3		
436	Tow ing Charges	65		
460	Permits & Licenses	137		
	Total Expenditures	**2,940**	**-**	**-**
	Revenues Over Expenditures	**13,638**	**2,825**	**4,565**

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 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. In 2016, the AV equipment in the council chambers and training center will be upgraded along with cable upgrades in the school district.

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

		2014 ACTUAL	20145ORIGINAL BUDGET	2016 BUDGET
	Revenues			
318100	Cable TV Franchise Fees	42,844	43,000	42,700
362100	Investment Interest	2,700	1,500	2,500
362110	Checking Account Interest	110	100	100
362160	Gain (Loss) on Sale of Investments	(375)		
	Total Revenues	**45,279**	**44,600**	**45,300**
	Expenditures			
	Salaries & Benefits			
101	Full-Time Employees - Regular	4,817	5,031	5,362
121	PERA Contributions - Coordinated	350	378	402
128	Social Security	291	323	332
129	Medicare	68	76	78
131	Health Insurance	1,193	1,185	1,303
133	Life Insurance	11	17	17
134	Disability Insurance	24	25	25
151	Workers Compensation	70	37	41
	Supplies/Services & Maintenance			
221	General Supplies	141	300	300
308	Legal Fees	1,141	1,000	1,000
319	Contracted Services	9,017	10,000	10,000
325	Postage		20	20
351	Legal Notices Publishing		100	100
361	General Liability Insurance	71	118	109
404	Equipment Maintenance		1,000	1,000
434	Employee Recognition			500
451	Dues & Subscriptions		150	150
	Capital Outlay			
540	Office Equip/Furnishings			18,000
580	Other Equipment	624	5,000	25,000
	Total Expenditures	**17,818**	**24,760**	**63,739**
	Revenues Over Expenditures	**27,461**	**19,840**	**(18,439)**

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

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
362100	Investment Interest			
362350	Development Agreement	$ 6,468	$ 5,541	$ 4,558
	Total Revenues	**$ 6,468**	**$ 5,541**	**$ 4,558**
	Expenditures			
303	Banking Fees			$ -
	Total Expenditures	**$ -**	**$ -**	**$ -**
	Revenues over Expenditures	**$ 6,468**	**$ 5,541**	**$ 4,558**

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. In the past, the Certificate of Indebtedness was issued to purchase large pieces of equipment. In 2015, the City made the final payment on the 2013 International Dump Truck, including the dump box, sander and plow equipment. The City is currently financing the purchase of the motor grader.

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
310100	Current Year Taxes	39,784	38,227	49,547
310110	Current Year Taxes - Mobile Homes/SEV MIN			
310200	Delinquent Taxes	623		600
393400	Delinquent Taxes - Mobile Homes	167,000		
	Total Revenues	**207,407**	**38,227**	**50,147**
	Expenditures			
	Debt Service			
543	Heavy Equipment	167,000		
603	Principal/Short Term Debt	37,312	65,974	47,266
613	Interest/Short Term Debt	1,238	2,848	2,281
720	Transfer Out			
	Total Expenditures & Other Financing Sources	**205,550**	**68,822**	**49,547**
	Revenues Over (Under) Expenditures	**1,857**	**(30,595)**	**600**

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

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
362110	Checking Account Interest			
392010	Transfer In	736,008	660,008	698,807
	Total Revenues	**736,008**	**660,008**	**698,807**
	Expenditures			
	Debt Service			
601	Bond Principal	430,000	370,000	425,000
611	Bond Interest	303,208	287,208	271,307
620	Fiscal Agent Fees	2,296	2,800	2,500
	Total Expenditures	**735,504**	**660,008**	**698,807**
	Revenues Over/(Under) Expenditures	**504**	**-**	-

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 projects. The debt is being paid by city sales tax, special assessments, and special deficiency fund. No levy. This bond was refunded and now is part of fund 322.

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
361100	Principal - Current	19,991	21,517	
361110	Principal - Delinquent	1,016		
361120	Principal - Prepaid	6,261		
361200	Interest - Current	8,519	6,812	
361210	Interest - Delinquent	196		
361300	Penalties & Interest	296		
392010	Transfer In	175,498	180,439	
	Total Revenues	**211,777**	**208,768**	**-**
	Expenditures			
	Debt Service			
601	Bond Principal	165,000	175,000	
611	Bond Interest	39,266	33,018	
620	Fiscal Agent Fees	746	750	
	Total Expenditures	**205,012**	**208,768**	**-**
	Revenues (Under) Expenditures	**6,765**	**-**	**-**

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. This bond was crossover refunded and now is part of fund 322.

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
361100	Principal - Current	27,505	31,876	20,115
361110	Principal - Delinquent	3,250		
361120	Principal - Prepaid	32,033		
361130	Principal - Deferred	16,105		
361200	Interest - Current	33,573	35,140	22,684
361210	Interest - Delinquent	2,679		
361300	Penalty/Interest	1,223		1,000
362110	Checking Account Interest			
392010	Transfer In	91,021	95,874	89,571
	Total Revenues	**207,389**	**162,890**	**133,370**
	Expenditures			
	Debt Service			
601	Bond Principal	90,000	95,000	100,000
611	Bond Interest	70,840	67,140	32,620
620	Fiscal Agent Fees	746	750	750
720	Transfer Out	150,000		
	Total Expenditures	**311,586**	**162,890**	**133,370**
	Revenues Over/(Under) Expenditures	**(104,197)**	**-**	**-**

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.

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
310100	Current Year Taxes	64,933	149,011	66,835
310200	Delinquent Taxes	863		
361100	Principal - Current	75,129	84,024	82,145
361110	Principal - Delinquent	2,521		
361120	Principal-Prepaid	44,405		
361130	Principal-Deferred			
361200	Interest - Current	68,898	67,532	66,179
361210	Interest - Delinquent	2,349		
361220	Interest-Prepaid			
361230	Interest-Deferred			
361300	Penalty/Interest	1,238		1,000
392010	Transfers In	233,039	146,690	232,247
	Total Revenues	**493,375**	**447,257**	**448,406**
	Expenditures			
	Debt Service			
601	Bond Principal	285,000	290,000	300,000
611	Bond Interest	165,131	156,507	147,656
620	Fiscal Agent Fees	746	750	750
	Total Expenditures	**450,877**	**447,257**	**448,406**
	Revenues Over/(Under) Expenditures	**42,498**	**-**	**-**

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.

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
361100	Principal - Current	49,152	51,523	51,051
361110	Principal-Delinquent	3,432		
361120	Principal - Prepaid	27,608		
361130	Principal-Deferred			
361200	Interest - Current	50,154	47,261	46,915
361210	Interest-Delinquent	2,555		
361300	Penalties & Interest	1,729		1,700
362100	Investment Interest			
392010	Transfers in	291,083	289,029	292,047
	Total Revenues	**425,713**	**387,813**	**391,713**
	Expenditures			
	Debt Service			
601	Bond Principal	300,000	300,000	310,000
611	Bond Interest	93,063	87,063	80,963
620	Fiscal Agent Fees	746	750	750
720	Transfer Out	8,515	750	
	Total Expenditures	**402,324**	**388,563**	**391,713**
	Revenues Over/(Under) Expenditures	**23,389**	**(750)**	**-**

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.

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
310200	Delinquent Taxes	153		
361100	Principal - Current	66,441	69,793	24,603
361110	Principal-Delinquent	2,292		
361120	Principal - Prepaid	23,282		
361130	Principal - Deferred	3,800		
361200	Interest - Current	29,697	24,591	20,433
361210	Interest-Delinquent	1,181		
361230	Interest - Deferred	4,653		
361300	Penalties & Interest	1,574		500
392010	Transfer In	187,150	191,476	236,662
	Total Revenues	**320,070**	**285,860**	**282,198**
	Expenditures			
	Debt Service			
601	Bond Principal	245,000	250,000	250,000
611	Bond Interest	34,498	33,135	31,448
620	Fiscal Agent Fees	746	750	750
630	Bond Expenses			
750	Transfer Out			
	Total Expenditures	**280,244**	**283,885**	**282,198**
	Revenues Over/(Under) Expenditures	**39,826**	**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, net interest cost of 2.2436% and mature in 2033. The bonds were used to finance Projects; #442 Sewer, #314 Miller Trunk Water and #432 LaVaque Sewers. The debt is being paid by special assessments.

Budget Detail

		2014 ACTUAL	2015 ORGINAL BUDGET	2016 BUDGET
	Revenues			
334999	Other State Grants & Aids	4,290		
361100	Principal - Current	59,035	64,819	63,451
361120	Principal - Prepaid	76,727		
361200	Interest - Current	78,123	78,810	76,742
361300	Penalties & Interest	762		
392010	Transfers In	9,288	59,665	60,401
Total Revenues		228,225	203,294	200,594
Expenditure				
Debt Service				
580	Other Equipment			
601	Bond Principal		135,000	135,000
611	Bond Interest	68,894	67,544	64,844
620	Fiscal Agent Fees	746	750	750
Total Expenditures		69,640	203,294	200,594
Revenue (Under) Expenditures		158,585	-	-

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.

Budget Detail

		2014 Actual	2015 Original Budget	2016 Budget
	Revenues			
361100	Principal - Current			30,438
361200	Interest - Current			27,872
392010	Transfers In	150,000		177,490
393100	Bond Issuance	2,170,000		
393150	Bond Premium	71,499		
Total Revenues		2,391,499	0	235,800
Expenditures				
630	Bond Expenses	46,970		
635	Bond Discount	20,296		
Debt Service				
601	Bond Principal			185,000
611	Bond Interest			50,050
620	Fiscal Fees	100		750
Total Expenditures		67,366	0	235,800
Revenues Over (Under) Expenditures		2,324,133	0	0

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.

Transfers Out for 2016 are:

Fund 240- $55,868
Fund 319 - $64,853
Fund 320 - $39,123
Fund 321 - $20,282
Fund 322 - $68,231

Total $246,479

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
361100	Principal - Current	1,779	1,020	1,021
361110	Principal-Delinquent	970		
361120	Principal - Prepaid			
361130	Principal - Deferred			
361200	Interest - Current	1,778	855	856
361210	Interest-Delinquent	40		
361230	Interest - Deferred			
361300	Penalties & Interest	374		
362100	Investment Interest	1,022		
362110	Checking Account Interest			
362160	Gain (Loss) on Sale of Investements	1,529		
392010	Transfers In	8,515		
	Total Revenues	**16,007**	**1,875**	**1,877**
	Expenses			
432500	Sewer Improvements	(8,515)		
471000	Transfer Out	245,384	245,384	248,356
	Total Expense	**236,869**	**245,384**	**248,356**
Revenues (Under) Expenditures		**(220,862)**	**(243,509)**	**(246,479)**

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 remain the same of $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 65.06 miles of water mains and 535 hydrants for fire control.
- The City Superintendent is responsible for leading the maintenance of city water mains.

Age of System	**55 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	8.54 Miles
Total Miles Added 2012	.45 Miles
Total Miles Added 2013	.12 Miles
Total Miles Added in 2014	.21 Miles
Total Miles Added in 2015	.14 Miles
Total Miles of HDPE Main Added 2003 to 2015	1.42 Miles
Total Miles of Water Main	**65.06 Miles**

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 Number of New Fire Hydrants Added 2015	5
Total Fire Hydrants	**535**

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

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Wages	270,453	289,709	7.1%
201-499	Supplies/Services/Maintenance & Depreciation	1,016,908	1,023,252	0.6%
540-598	Capital Outlay	10,543	36,500	246.2%
720	Transfer Out	48,903	48,000	-1.8%
	Total Expenditures	1,346,807	1,397,461	3.8%

Budget Commentary

The Utility Commission did not increase water rates and will remain at $7.90 per 1,000 gallons. The sewer is not a balanced 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

		2014 Actual	2015 Original Budget	2016 Budget
	Revenues			
341070	Assessment Search	1,740	3,000	4,000
361300	Penalty/Interest	462	-	
362100	Investment Interest	31,783	25,000	30,000
362110	Checking Account Interest	1,377	1,500	1,200
362150	Interest Income/City Contracts	450	500	400
362160	Gain (Loss) on Sale of Investments	76,494	-	
362250	City Property Lease	47,786	42,979	50,199
362415	Other Insurance	255	-	
362430	Refund & Reimbursement	6,893		
362990	Miscellaneous Revenue	8,793	15,000	10,000
371400	Metered Water Sales	1,109,121	1,195,962	1,225,519
371450	Metered Truck Fill Station	2,883	2,500	2,500
371500	Water Hookups	26,100	20,400	24,000
371550	Water Service Line Extension	220	-	
371710	Service Charge	79,276	75,924	76,392
371720	Front Foot Water Cash	6,720	1,000	6,500
379999	Late Fee	12,815	-	10,000
392010	Transfers In	32,541	-	-
	Total Revenue	**1,445,709**	**1,383,765**	**1,440,710**

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Expenses			
494300	**Water Distribution**			
	Salaries & Wages			
101	Full Time Employees - Regular	101,888	108,421	114,050
102	Full-Time Employees - Overtime	11,754	4,421	6,651
103	Part-Time Employees - Regular			542
104	Part-Time Employees - Overtime			
105	Temporary Employees - Regular	271		
121	PERA Contributions - Coordinated	8,024	8,423	9,053
128	Social Security	7,012	7,052	7,517
129	Medicare	1,640	1,649	1,758
131	Health Insurance	35,494	35,717	39,302
133	Life Insurance	155	210	210
134	Disability Insurance	541	609	638
151	Workers Compensation	4,096	5,146	5,808
	Supplies/Services & Maintenance			
212	Motor Fuels	1,313	4,000	4,000
221	General Supplies	1,785	5,000	4,000
223	Bldg Repair & Maint Supplies	373		
228	Utility System Maint	2,512	3,000	3,000
315	School & Conference	752	500	500
331	Travel Expense		300	300
382	Water Purchases	764,016	744,440	745,000
404	Equipment Maintenance	3,384	2,000	3,000
406	Vehicle Maintenance	588	600	600
413	Equipment Rental			10,000
417	Uniform Rental	183	140	140
451	Dues & Subscriptions	562	700	700
460	Permits & Licenses	68		
470	Booster Pump Repairs	350	750	750
471	Water Line Repairs	61,383	30,000	25,000
472	Hydrant Repairs	7,865	10,000	10,000
495	Property Damage Reimb. By Insurance	1,000		
499	Miscellaneous	1,311	500	500
	Capital Outlay			
540	Office Equipment/Furnishings	374		
544	Motor Vehicles			23,500
580	Other Equipment	39,257	10,543	13,000
	*continued			

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Expenses			
494400	**Water Administration & General**			
	Salaries & Wages			
101	Full-Time Employees-Regular	70,561	72,750	76,493
102	Full-Time Employees-Overtime	196	257	176
121	PERA Contributions-Coordinated	5,026	5,476	5,750
128	Social Security	4,336	4,526	4,753
129	Medicare	1,014	1,059	1,112
131	Health Insurance	13,486	13,610	14,699
133	Life Insurance	115	202	202
134	Disability Insurance	318	392	405
151	Workers Compensation	3,179	533	590
	Supplies /Services/ Maintenance & Depreciation			
201	Office Supplies	81	200	50
202	Printing Supplies	532	700	600
209	Computer Supplies		200	100
221	General Supplies	18		
301	Audit/Account Services	2,482	2,460	1,000
303	Banking Fees	1,660	2,500	1,400
305	Engineer Fees	285	1,500	
308	Legal Fees	1,046	2,000	2,000
315	School & Conference		40	150
319	Contracted Services	11,921	360	5,000
321	Telephone	3,274	1,852	1,800
322	Internet	216	118	150
323	Gopher One Call Locates	1,628	1,400	1,400
325	Postage	3,227	3,600	3,500
331	Travel Expense	704	825	825
351	Legal Notices Publishing	375	600	400
361	General Liability Insurance	2,916	6,124	5,537
381	Electricity	6,321	5,000	6,000
383	Heating Gas	3,638	4,000	3,500
384	Garbage Removal	541	940	950
404	Equipment Maintenance		51	
405	Computer Maintenance	6,349	5,433	6,400
413	Equipment Rental		10,000	10,000
417	Uniform Rental	18		
420	Depreciation Expense	171,036	165,000	165,000
460	Permits & Licenses		75	
496	Insurance Deductible			
	Capital Outlay			
540	Office Equip/Furnishings	704		
580	Other Equipment	(39,482)		
	Other Financing Uses			
720	Transfer Out	48,787	48,903	48,000
	Total Expenses	**1,384,464**	**1,346,807**	**1,397,461**
	Revenues Over/(Under) Expenses	61,245	36,958	43,249

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 $8.87 per 1,000 gallons and will remain the same in 2016.

Objectives

- Provide adequate sanitary sewer operations, the city's sewer system consists of 68.378 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	**35 Years**
Total Miles of Low Pressure Force main to 2014	7.31 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 2012 to 2014	.37 Miles
Total Miles Added 2014 to 2015	.09 Miles
Total Miles of Sewer Main	**68.378 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 2012 to 2014	13
Total Number of Manholes Added 2014 to 2015	3
Total Manholes	**790**

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 Summary

		2015 ORIGINAL BUDGET	2016 APPROVED BUDGET	Percent Change
101-151	Salaries/Wages	181,189	191,047	5.4%
201-499	Supplies/Services/Maintenance & Depreciation	1,076,319	1,080,276	0.4%
540-590	Capital Outlay	35,303	62,300	76.5%
720	Transfer Out	59,656	60,000	0.6%
	Total Expenditure	1,352,467	1,393,623	3.0%

Budget Commentary

The 2016 Sewer expense budget increased by 3% compared to 2015. Increases included negotiated wage, increased supplies, services, maintenance, and depreciation expense with the additional of sewer infrastructure. Capital outlay includes updates to Arrowhead Road lift stations, meter & radio reads and tools. Transfers out are applied to debt payments in the Debt Service Funds. Sewer rates will remain the same at $8.87 per 1,000 gallons.

Budget Detail

		2014 Actual	2015 Original Budget	2016 Budget
	Revenues			
341070	Assessment Search	1,740	3,000	4,000
361100	Principal - Current	45,440		
361300	Penalties & Interest	63		
362100	Investment Interest	7,914	10,000	5,000
362110	Checking Account Interest	1,884	1,000	1,500
362150	Interest Income/City Contracts	1,839	2,000	2,000
362160	Gain (Loss) on Sale of Investments	1,890		
362415	Other Insurance	170		
362430	Refund & Reimbursement	2,954		
371710	Service Charge	67,630	68,256	69,048
372400	Sew er Usuage	1,147,910	1,170,127	1,193,530
372500	Sew er Hookups	39,285	30,000	35,000
372525	E-1 Pump	4,200		
372710	Sew er Permits	3,855	3,000	3,500
372715	Sew er Capacity Availability Fee	3,121	1,200	1,500
372720	Front Foot Cash	4,700	5,000	5,000
379999	Late Fee	12,492		12,000
	Total Revenue	**1,347,087**	**1,293,583**	**1,332,078**

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Expenses			
494500	**Sewer Maintenance**			
	Salaries & Wages			
101	Full-Time Employees - Regular	73,645	71,919	76,033
102	Full-Time Employees - Overtime	5,769	2,947	4,434
103	Part-Time Employees - Regular			
104	Part-Time Employees - Overtime			
105	Temporary Employees	302		
121	PERA Contributions - Coordinated	5,615	5,615	6,035
128	Social Security	4,907	4,642	4,989
129	Medicare	1,147	1,086	1,167
131	Health Insurance	25,463	23,811	26,202
133	Life Insurance	111	140	140
134	Disability Insurance	391	406	425
151	Workers Compensation	6,961	4,708	2,168
	Supplies/Services & Maintenance			
207	Safety Training Supplies	45		
212	Motor Fuels	260	3,000	3,000
221	General Supplies	280	1,000	1,000
222	Tires			500
223	Bldg Repair & Maint Supplies	779		
228	Utility System Maint	2,731	1,000	1,000
229	Lift Station Maintenance	2,953	1,000	1,500
315	School & Conference	748	750	750
331	Travel Expense		500	500
343	Community Relations	612		
385	Sew er Charges	475,937	494,299	495,000
404	Equipment Maintenance	5,421	3,300	4,818
406	Vehicle Maintenance	1,788	1,200	1,200
417	Uniform Rental	148	100	100
451	Dues & Subscriptions	90	15	150
460	Permits & Licenses	85	247	250
475	Sew erline Repairs	23,097	22,000	22,000
476	Lift Station Repairs	9,841	15,000	15,000
477	I & I Maintenance	1,228	5,000	5,000
478	Sew er Cleaning	25,530	25,000	25,000
499	Miscellaneous	530	500	500
	Capital Outlay			
540	Office Equip/Furnishings	249		
544	Motor Vehicles			23,500
580	Other Equipment		7,903	8,800
590	Pumping Plant & Lift Stations	3,772	27,400	30,000
	*continued			

494900	Expenses Sewer Administration & General	2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Salaries & Wages			
101	Full-Time Employees-Regular	47,072	48,500	50,995
102	Full-Time Employees-Overtime	130	171	118
121	PERA Contributions-Coordinated	3,353	3,650	3,833
128	Social Security	2,892	3,055	3,169
129	Medicare	676	715	741
131	Health Insurance	8,990	9,073	9,799
133	Life Insurance	79	135	135
134	Disability Insurance	212	261	270
151	Workers Compensation	224	355	394
	Supplies/Services/Maintenance & Depreciation			
201	Office Supplies	77	200	100
202	Printing Supplies	483	500	500
209	Computer Supplies		200	150
212	Motor Fuels	728		
221	General Supplies	51		
301	Audit/Account Services	2,065	2,050	2,100
303	Banking Fees	1,107	1,700	1,000
305	Engineer Fees	165	1,500	1,500
308	Legal Fees	3,057	1,000	2,000
315	School & Conference	250	50	50
319	Contracted Services	203	250	250
321	Telephone	2,228	1,600	2,100
322	Internet	146	176	150
323	Gopher One Call Locates	1,085	1,000	1,000
325	Postage	2,151	2,400	2,400
331	Travel Expense	880	600	600
351	Legal Notices Publishing	74		
361	General Liability	6,675	8,015	8,374
381	Electricity	9,111	12,000	11,000
383	Heating Gas	2,352	3,000	2,800
384	Garbage Removal	377	700	500
404	Equipment Maintenance		34	34
405	Computer Maintenance	6,342	5,433	6,400
413	Equipment Rental	(5)		
420	Depreciation Expense	488,985	460,000	460,000
499	Miscellaneous	289	-	
	Capital Outlay			
580	Other Equipment	(1,618)		
	Other Financing Uses			
720	Transfer Out	60,419	59,656	60,000
	Total Expenditure	**1,331,847**	**1,352,467**	**1,393,623**
	Revenues/Over/(Under) Expenditure	**15,240**	**(58,884)**	**(61,545)**

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, Loberg Ave & 53, Haines Rd & Hermantown Road, Maple Grove & Loberg Ave, 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 50% of MN Energy gas franchise with the other 50% is in the General Fund.

Budget Detail

		2014 ACTUAL	2015 ORIGINAL BUDGET	2016 BUDGET
	Revenues			
318100	Franchise Fees	128,197	140,000	130,000
362100	Investment Interest	7,311		5,000
362110	Checking Account Interest	166		100
362160	Gain (Loss) on Sale of Investments	535		
362430	Refund & Reimbursement	-		
	Total Revenues	**136,209**	**140,000**	**135,100**
	Expenses			
	Supplies & Services			
227	Street Lights & Signs	2,599	7,000	5,000
305	Engineer Fees	170		
381	Electricity	31,227	27,500	
413	Equipment Rental		7,600	7,500
420	Depreciation Expenses	3,216	2,170	3,000
580	Other Equipment			
585	Street Lights			
	Other Financing Uses			
720	Transfer Out	2,500	2,500	2,500
	Total Expenditures	**39,712**	**46,770**	**18,000**
	Revenues Over Expenditure	**96,497**	**93,230**	**117,100**

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

The City of Hermantown MINNESOTA

5105 Maple Grove Road ▪ Hermantown, MN 55811
Ph: 218-729-3600 Fax: 218-729-3620
www.hermantownmn.com