

CITY OF HERMANTOWN

AGENDA

**Preliminary Agenda Meeting Monday, August 1, 2016 @ 5:00 p.m. –
Large Conference Room
City Administrative Services Building**

**City Council Meeting August 1, 2016 @ 6:30 p.m. – Council Chambers
City Administrative Services Building**

1. **CALL TO ORDER**
2. **PLEDGE OF ALLEGIANCE**
3. **ROLL CALL**
4. **ANNOUNCEMENTS** *(Council Members may make announcements as needed)*
5. **PUBLIC HEARING** – *(only when necessary. The rule adopted three minutes per person if necessary. Any action required after the public hearing will be taken immediately following the closing of the public hearing.)*
6. **COMMUNICATIONS**
 - 2016-169** Brandon Kohlts, WLSSD
TO: Paul Senst, Public Works Director
RE: Review of 2015-2016 Inflow & Infiltration (1 & 2) FOG Program
 - 2016-179** Ryan Kern, President Duluth Airshow
TO: Mayor Boucher
RE: 2016 Duluth Air & Aviation
7. **PRESENTATIONS** *(Department Heads may give reports if necessary)*
 - A. Fire Department Audit
 - B. Investment Report
 - C. 2nd Quarter Financial Report
8. **PUBLIC DISCUSSION** *(This is the time for individuals to address the Council about any item.)
The time limit is three minutes per person.)*
9. **CONSENT AGENDA** *(All items on the Consent Agenda are items which are considered routine by the City Council and will be approved by one motion via voice vote. There will be no discussion of these items unless a Council member or citizen so requests, in which event the item will be removed from the Consent Agenda and considered at the end of the Consent Agenda.)*
 - A. **Minutes** – Approval or correction of the July 18, 2016 City Council Continuation Minutes and July 25, 2016 City Council Continuation Minutes

- B. Accounts Payable** – Approve general city warrants from July 15, 2016 through July 31, 2016 in the amount of \$582,250.07

C. Resolutions

- 2016-92** Resolution Authorizing And Directing Mayor And City Clerk To Execute And Deliver An Agreement For Professional Consulting Services Between T.E.A.M. Consulting, LLC And City Of Hermantown

(motion, roll call)

10. MOTIONS

11. ORDINANCES

- A. 2016-51** An Ordinance Amending Hermantown Code Of Ordinances Section 220 - City Administrator

Second Reading

(motion, roll call)

- B. 2016-52** An Ordinance Opting-Out Of The Requirements Of Minnesota Statutes Section 462.3593

First Reading

- C. 2016-53** An Ordinance Amending Hermantown Zoning Ordinance Section 525 C-1 Office/Light Industrial And 530 -C-1A Office/Light Industrial/Adult Uses

First Reading

12. RESOLUTIONS *(Roll call will be taken only on items required by law and items requiring 4/5's votes, all others can be done by voice vote)*

- A. 2016-93** Resolution Approving Quotation From Video Service America For Cable Television Equipment In The Amount Of \$13,825

(motion, roll call)

- B. 2016-94** Resolution Adopting Availability Charges For Project 445 – Highway 53 Sewer

(motion, roll call)

- C. **2016-95** Resolution Authorizing And Directing The Mayor And City Clerk To Enter Into A Non-Exclusive Banking Services Agreement With National Bank Of Commerce

(motion, roll call)

- D. **2016-96** Resolution Approving Question To Be Posed Regarding A Proposed Hermantown Sales Tax

(motion, roll call)

- E. **2016-97** Resolution Authorizing And Directing Mayor And City Clerk To Execute And Deliver Agreement Between Hermantown Police Department And Hermantown Community Schools For Police/Liaison Officer

(motion, roll call)

- F. **2016-98** Resolution Adopting Revised Capital Asset Policy

(motion, roll call)

- G. **2016-99** Resolution Authorizing And Directing The Mayor And City Clerk To Execute And Deliver Development Agreement With Titan Premier LLC

(motion, roll call)

13. **RECESS** Recess to August 12, 2016 @ 9:00 a.m. to canvass the Primary Election results.

DATE: 2016

TO: CITY COUNCIL MEMBERS

FROM: JOHN MULDER, CITY ADMINISTRATOR

RE: CORRESPONDENCE

Enclosed in your packet is a correspondence summary log. This log briefly summarizes and assigns a log number for written correspondence received at City Hall. You are provided with the summary so that you may request a full copy of any correspondence article of interest to you. Debbie and I have copied only the correspondence that we believe to be of special interest.

John Mulder

CORRESPONDENCE

<u>DATE</u>	<u>LOG #</u>	<u>FROM</u>	<u>TO</u>	<u>REGARDING</u>	<u>FILED</u>
6/27/2016	16-159	Minnesota Energy Resources	City of Hermantown	Notice of Public Hearing - Rochester Natural Gas Extension Project Cost Recovery	6/27/2016
6/27/2016	16-160	Lara Nygaard, Maki & Overom	Patrick Spott, Spott Law Office	Hermantown General Store Canopy	6/21/2016
6/27/2016	16-161	Robert Kanuit, Fryberger, Buchanan, Smith & Frederick	Steve Overom, Maki & Overom & J.G. Enterprises	Jackson Estates, 4th Addition	6/17/2016
6/28/2016	16-162	Patrick Spott, Spott Law Office	Debbie Lund, City Clerk	Hermantown General Store Canopy, 51205 Morris Thomas Road	6/27/2016
6/29/2016	16-163	John Mulder, City Administrator	Park Board	Gates at Stebner Park	6/21/2016
6/29/2016	16-164	Ulland Brothers, Inc.	City of Hermantown	Receipt and Waiver of Mechanic's Lien Rights	6/20/2016
6/29/2016	16-165	Steven Hanke, City of Duluth Attorney's Office	Wayne Boucher, Mayor	Board of Adjustment Appointees Needed for Duluth International Airport Joint Zoning Board	6/20/2016
6/29/2016	16-166	Eric Johnson, Community Development Director	Park Board	Parks Master Plan	6/21/2016
6/29/2016	16-167	Ian Kushner, MN Dep. Of Employment and Economic Development	John Mulder, City Administrator	Regional Health and Wellness Center	6/27/2016
7/11/2016	16-168	Laura Bennett, Fryberger, Buchanan, Smith & Frederick	Debbie Lund, City Clerk	General Obligation Refunding Bonds	7/7/2016
7/13/2016	16-169	Brandon Kohlts, WLSSD	Paul Sens, Public Works Director	Review of 2015-2016 Inflow and Infiltration (I & II) FOG Program	7/8/2016
7/18/2016	16-170	Hermantown Volunteer Fire Department	Hermantown City Council	Budget Submittal for 2017	7/12/2016
7/18/2016	16-171	Josh Bergstad, City Planner	Hermantown P&Z Commission	Recommendation to amend Section 525-C-1	7/18/2016

CORRESPONDENCE

<u>DATE</u>	<u>LOG #</u>	<u>FROM</u>	<u>TO</u>	<u>REGARDING</u>	<u>FILED</u>
7/18/2016	16-172	Josh Bergstad, City Planner	Hermantown P&Z Commission	Recommendation opting out of Minn. Stat. §462.3593	7/18/2016
7/18/2016	16-173	John Bergstad, City Planner	Hermantown P&Z Commission	Jackson Estates 4th Addition	7/18/2016
7/18/2016	16-174	JLG Enterprises	Hermantown City Council	Jackson Estates 4th Addition	7/18/2016
7/22/2016	16-175	Office of the State Auditor	City of Hermantown	Hermantown Fire Relive Association 2015 Financial & Investment Reporting Enrv	6/30/2016
7/22/2016	16-176	Brent Malvick, Fanft Fride	Ulland Brothers - cc'd to John Mulder, City Administrator & Paul Senst, Public Works Director	Jesse Coyle, 4904 Miller Trunk Hwy	7/14/2016
7/22/2016	16-177	Marianne Bohren, WLSSD	MN Pollution Control Agency	Discharge Monitory Report	7/15/2016
7/22/2016	16-178	Ross Bjorlin	Mayor Wayne Boucher	Stebner Park	7/18/2016
7/27/2016	16-179	Ryan Kern, President Duluth Airshow	Mayor Wayne Boucher	2016 Duluth Air and Aviation Expo	7/15/2016
7/27/2016	16-180	Travelers	John Mulder, City Administrator	New Carrier for Work Comp & other Liability Coverages	7/25/2016



2626 Courtland Street
 Duluth, MN 55806-1894
 phone 218.722.3336
 fax 218.727.7471
 www.wlssd.com



Western Lake Superior Sanitary District

July 8, 2016

Mr. Paul Senst
 City of Hermantown
 5105 Maple Grove Road
 Hermantown, MN 55811

RE: REVIEW OF 2015-2016 INFLOW AND INFILTRATION (I & I) AND FATS, OILS AND GREASE (FOG) PROGRAM

Dear Mr. Senst:

Thank you for providing WLSSD the 2015 Inflow and Infiltration and Fats, Oils and Grease Annual Report and 2016 Work Plan for your community. The annual report and work plan you submitted was thoroughly reviewed by WLSSD staff and presented WLSSD Planning Committee on June 21, 2016 to provide the District Board members with not only a summary of your plan but also a means for comparing activity level between each community.

The review of these submittals combined with system performance helps the Board determine compliance with the WLSSD I & I and FOG ordinances. Following the review of your submittals along with an analysis of collection system performance, the compliance status detailed below was assigned to your I & I and FOG programs.

Community Program	2015-2016 Score	2015-2016 Status
Inflow and Infiltration	7	Compliant
Fats, Oils and Grease	40	Borderline Non-compliant

Scoring Key:

- 0 – 25 points = compliant
- 26 – 39 points = marginally complaint
- 40 – 50 points = borderline non-compliant
- 51+ points = non-compliant

A status of "borderline non-compliant" was applied to the City of Hermantown Fats, Oil and Grease Program. To ensure that the City of Hermantown does not become non-compliant with the provisions of the WLSSD FOG Ordinance, the following items are required:

1. Per the Notice of Violation issued by WLSSD on February 22, 2016, the City of Hermantown should continue to provide WLSSD with monthly progress reports detailing actions and efforts completed in eliminating the sources of FOG and motor oil from the City of Hermantown collection system.
2. District staff will review each monthly report after submittal to monitor progress. Failure to submit timely monthly reports or substantially complete items identified in the work plans will result in a recommendation to the WLSSD Board of Directors to find the City of Hermantown non-compliant with the provisions of the WLSSD Ordinance Establishing Standards for Fats, Oils and Grease Reduction.

The City of Hermantown will be considered "borderline non-compliant" pending the submittal of the monthly reports as outlined above and the submittal of an updated 2017 Fats, Oils and Grease work

plan by February 15, 2017 when the Inflow and Infiltration and Fats, Oils and Grease Annual Reports are due to be submitted to WLSSD from all municipalities.

WLSSD appreciates the continued efforts and commitment to identifying and removing sources of I & I and FOG from within the sanitary sewer system. Please do not hesitate to contact me at 218-722-3336 ext. 298 or brandon.kohlts@wlssd.com if you have any questions in this regard. I look forward to continuing to work with you throughout the next year.

Sincerely,



Brandon Kohlts
Senior Planner

Encl. 2015-2016 I/I and FOG score sheets
2015 Level of Service and Excess Flow Summary

INFLOW AND INFILTRATION (I & I) PROGRAM ASSESSMENT SHEET

COMMUNITY: HERMANTOWN

PROGRAM YEAR: 2015-2016



A. OVERALL RESPONSIVENESS OF I & I PROGRAM SUBMITTAL

Criteria	SATISFACTORY	MARGINAL	INADEQUATE
Continuity with previous submittals/Level of detail	0	1	2
Required supporting documentation included with submittal	0	1	2
All Items completed in report	0	1	2

NOTES: Report not reviewed/signed by City Engineer.

B. RESPONSIVENESS TO LEVEL OF SERVICE (LOS) EXCEEDANCES IN 2015

Criteria	SATISFACTORY	MARGINAL	INADEQUATE
Response and follow-up actions to LOS exceedance notifications received in 2015	0	3	6

NOTES: Zero LOS exceedances in 2015.

C. COMPLETION OF ITEMS IN 2015 WORK PLAN

Criteria	Completed as proposed more than proposed	Completed the majority as proposed	Completed some work, but less than proposed	Completed significantly less than proposed	Did not complete any projects as proposed
To what level was work identified in 2015 completed	0	5	10	15	20

NOTES: No indication if manhole inspections on trunk sewer were completed as specified in 2015 work plan

D. ADEQUACY OF 2016 WORK PLAN TO ADDRESS I & I ISSUES

Criteria	SATISFACTORY	MARGINAL	INADEQUATE
Planned I & I Identification Activities - 2016	0	4	8
Planned I & I Reduction Activities - 2016	0	4	8

NOTES:

E. INFLOW AND INFILTRATION PROGRAM PROGRESS

Criteria	SATISFACTORY	MARGINAL	INADEQUATE
Score of 2013-14 I & I Program	0	4	8
Score of 2014-15 I & I Program	0	4	8

NOTES:

F. LEVEL OF SERVICE EXCEEDANCES

Criteria	0	1-5	6-10	11-15	16 or more
Total number of I & I caused LOS Exceedances experienced in reporting year	0	5	10	15	20

NOTES: A

G. PEAKING FACTOR - 2015

Criteria	0 - 7 peaking factor	8 - 11 peaking factor	12 - 15 peaking factor	16 - 20 peaking factor	21+ peaking factor
Highest hourly peak flow from 2015 divided by average dry weather flow for community	0	4	8	12	16

NOTES:

TOTAL SCORE	7 Compliant
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Scoring Key (100 total points possible):

- 0 – 25 points = Compliant
- 26 – 39 points = Marginally Compliant
- 40 – 50 points = Borderline Non-Compliant
- 51+ points = Non-compliant

Previous Year Scores

- 2014-2015: 5
- 2013-2014: 0
- 2012-2013: 0
- 2011-2012: 5

FATS, OILS & GREASE (FOG) PROGRAM ASSESSMENT SHEET

COMMUNITY: HERMANTOWN

PROGRAM YEAR: 2015-2016



A. OVERALL RESPONSIVENESS OF FOG SUBMITTAL

Criteria	SATISFACTORY	MARGINAL	INADEQUATE
Continuity with previous submittals/Level of detail in submittal	0	3	6
Required Supporting documentation included with submittal (copies of educational materials, copies of inspection reports, etc.)	0	3	6

NOTES:

SECTION A SUBTOTAL	0
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B. INSPECTION OF COMMUNITY FOG GENERATORS IN 2015

Criteria	100% completed	75-99% completed	50-74% completed	25-49% completed	0-25% completed
Inspections completed as identified by community in 2015 work plan submittal	0	5	10	15	20

Criteria	SATISFACTORY	MARGINAL	INADEQUATE
Documentation and record keeping of inspection activities completed by community	0	5	10

NOTES:

SECTION B SUBTOTAL	10
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C. FOG EDUCATIONAL MATERIALS DISTRIBUTED

Criteria	YES	NO
Community distributed education/informational materials to potential FOG generators in 2015	0	6

NOTES:

SECTION C SUBTOTAL	0
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D. 2016 FOG IDENTIFICATION & REDUCTION WORK PLAN

Criteria	SATISFACTORY	MARGINAL	INADEQUATE
Community plan for inspection of community FOG generators	0	8	16
Community plan for education/information activities	0	3	6

NOTES:

SECTION D SUBTOTAL	0
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E. FOG MAINTENANCE ISSUES

Criteria	NONE	FEW	FREQUENT	ONGOING
Occurrence of FOG related cleaning/maintenance activities downstream of community	0	10	20	30

NOTES:

SECTION E SUBTOTAL	30
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2015-16 PROGRAM SCORING SUMMARY

Section A Total	0
Section B Total	10
Section C Total	0
Section D Total	0
Section E Total	30
FINAL SCORE	40 Borderline Non-Compliant

Scoring Key (100 total points possible):

- 0 – 25 points = Compliant
- 26 – 39 points = Marginally Compliant
- 40 – 50 points = Borderline Non-Compliant
- 51+ points = Non-compliant

2015 Level of Service and Excess Flow Summary – Municipal Customers

Municipal Customer	2015 Average Dry Weather Flow (MGD)	2015 Level of Service Flow (MGD)	Actual 2015 Peak Flow (MGD)	2015 Peaking Factor (Peak Flow/ADWF)	2015 Peak Flow in Excess of Level of Service (MGD)	2015 LOS Exceedances
City of Duiuth	9.35	45.20	82.669	8.84 x ADWF	37.47	9
City of Cloquet (w/ 22 nd St)	0.89	5.80	4.39	4.93 x ADWF	- 1.41	0
City of Hermantown (w/ Bayview)	0.51	3.53	2.37	4.65 x ADWF	- 1.16	0
City of Proctor	0.27	1.96	2.1396	7.92 x ADWF	0.18	3
Town of Thomson	0.14	0.98	0.7891	5.64 x ADWF	- 0.19	0
City of Carlton	0.12	0.86	1.1549	9.62 x ADWF	0.26	1
City of Scanlon	0.10	0.71	0.7426	7.43 x ADWF	0.03	1
Pike Lake	0.08	0.45	0.3046	3.81 x ADWF	- 0.15	0
Town of Twin Lakes	0.07	0.40	0.23	3.29 x ADWF	- 0.12	0
City of Rice Lake	0.04	0.31	0.2628	6.57 x ADWF	- 0.05	0
Midway Township	0.04	0.26	0.1556	3.89 x ADWF	- 0.10	0
D/NSSD	0.04	0.24	0.4361	10.90 x ADWF	0.20	8
City of Wrenshall	0.02	0.13	0.1426	7.13 x ADWF	0.01	2
Village of Oliver	0.02	0.10	0.1279	6.39 x ADWF	0.03	2
KRLSD	0.01	0.10	0.50 (calculated)	50.00 x ADWF	0.40	9
Jay Cooke State Park	0.003	0.01	0.056	18.67 x ADWF	0.05	0

¹ ADWF = Average Dry Weather Flow - typically January or February average daily flow

² Level of Service = ADWF x (Dry Weather Peaking Factor x Wet Weather Peaking Factor)

³ Highest metered peak flow during 2015



2110 West First Street
Duluth, MN 55806

P: 218.628.9996

F: 218.727.2654

www.duluthairshow.com

July 15, 2016

Wayne Boucher
C/o The City of Hermantown
5105 Maple Grove Road
Hermantown, MN 55811

Wayne,

As we conclude the 2016 Duluth Air and Aviation Expo I wanted to say thank you for your partnership and support of the Duluth Airshow this year! We were incredibly fortunate to have amazing weather over the weekend and an amazing turn out with over 45,000 spectators physically on the airport grounds to watch the USAF Thunderbirds.

This year alone, the Duluth Air and Aviation Expo provided a local economic impact of nearly 9 million dollars! Additionally, through your partnership you contributed to our ability to support more than 50 area non-profit groups who work the event and were able to generate revenue from the Duluth Airshow to sustain and grow their organizations. Many of these non-profit groups count on the Duluth Airshow's award winning Protected Group Fund (PGF) as their sole source of funding and because of your willingness to partner with us we are able to have a significant impact on our community.

The Duluth Airshow also provided educational opportunities to the public in aviation and aerospace careers with the help of local colleges, universities, and educational organizations. The Duluth Air and Aviation Expo will continue to see growth in terms of adding even more events and opportunities within the event.

We are already in planning for our next show which will take place in just 11 months on June 3-4, 2017 for Duluth's first ever back-to-back airshow when we welcome back the United States Navy Blue Angels! On behalf of the Duluth Airshow Board of Directors, I want to say thank you for supporting the Duluth Air and Aviation Expo.

Respectfully,

Ryan Kern
President/Founder
Duluth Airshow



ICAS Marketing Awards Winner | 2001, 2003, 2006, 2008, 2010, 2012

TO: Mayor & City Council
FROM: Kevin Orme, Finance Director
DATE: June 24, 2016
SUBJECT: 2015 Fire Audit



Meeting Date: 8/1/16
Agenda Item: Presentation
7-A

REQUESTED ACTION

Informational only – no action required

BACKGROUND

The 2014 Fire Department audit was not completed or received until very late in 2015. The City decided to switch auditors and hire WIPFLI CPA's to do the 2015 Fire audit and complete it in the same timeframe as they do our City audit. This was accomplished and the audit report came out approximately six months prior to the previous year which is a vast improvement. Overall both WIPFLI and I think the Fire Dept. does a good job keeping the books. Subsequent to receiving the audit John Mulder and I met with representatives of the Fire Department and reviewed the audit with them. Below I will highlight a few items from the 2015 Fire audit.

Performance

- The Fire Dept. had over \$500K in cash at the end of 2015.
- The Fire Dept. had a surplus of 111K on 375K of income in 2015
- The Fire Dept. increased their cash by 167K in 2015

Other Issues

- There were some prior period adjustments the auditor had to do. Virtually all of the dollar value of the adjustments was removing old equipment the Fire Dept. no longer has that hadn't been removed from the books in prior years.
- The Fire Dept. had a substantial amount of excess uninsured cash as the FDIC limit is \$250,000. The auditor noted this and Mr. Mulder and I brought this up at our meeting with the Fire Dept. and encouraged them to address this issue.

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

2015 Fire Audit



Wipfli LLP 16-130
1502 London Road
Suite 200
Duluth, MN 55812
218.722.4705
fax 218.722.8589
www.wipfli.com

Rec'd
6-1-16

May 3, 2016

To the Board of Directors
Hermantown Volunteer Fire Department, Inc.
Hermantown, Minnesota

Dear Board of Directors:

We have audited the financial statements of the Hermantown Volunteer Fire Department, Inc. (the "Department") for the year ended December 31, 2015, and have issued our report thereon dated May 3, 2016. Professional standards require that we provide you with the following information related to our audit:

Our Responsibility under Auditing Standards Generally Accepted in the United States

As stated in our engagement letter dated January 12, 2016, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to your representative, Jason Carlson, in our meeting about planning matters on February 1, 2016 in addition to our engagement letter dated January 12, 2016, accepted by Jason Carlson.

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Department are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2015.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events.

The disclosures in the financial statements are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. The following adjustments were material to the financial statements:

Property and equipment and related accumulated depreciation reported as of December 31, 2014, incorrectly included items that had been disposed of in previous years. An adjustment was made to remove property and equipment and related accumulated depreciation, and reduced net assets as of December 31, 2014, in the amount of \$9,955.

Accrued payroll and mileage and the associated expense was under reported as of December 31, 2014. An adjustment was made to reduce net assets in the amount of \$5,699.

The net adjustments reduced net assets as of December 31, 2014 by \$15,654.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated May 3, 2016, a copy of which accompanies this letter.

Management Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. To our knowledge, management has not obtained any opinions from other independent accountants on the application of accounting principles generally accepted in the United States which would affect the Department's financial statements or on the type of opinion which may be rendered on the financial statements.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Department's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not, in our judgment, a condition of our retention.

Internal Control Matters

In planning and performing our audit of the financial statements of the Department as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States, we considered the Department's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and; therefore, material weaknesses or significant deficiencies may exist that were not identified.

However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies and another deficiency that we considered to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We consider the following deficiencies in internal control to be significant deficiencies:

Item 2015-01 - Lack of Segregation of Duties

Condition - Due to a limited number of staff in charge of accounting and reporting functions, a lack of segregation of duties exists over; general ledger accounting, expense transaction record keeping, revenue and cash receipt and disbursement transaction record keeping, and monthly financial statement preparation. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction or financial reporting.

Effect - Segregation of duties is a key internal control in an organization's accounting system. Without adequate segregation of duties, the likelihood that unauthorized or false transactions will be prevented or detected in a timely fashion is significantly diminished which may result in misstated financial statements.

Item 2015-02 - Financial Statement Presentation and Disclosure

Condition - The Department's internal control over financial reporting does not end at the general ledger, but extends to the financial statements and related notes. As a part of our professional services for the year ended December 31, 2015, Wipfli assisted in drafting the financial statements and related notes. The Department does not have sufficient expertise to completely prepare its own financial statements and related notes, and relies on Wipfli to provide necessary understanding of current accounting and disclosure principles in the preparation of the financial statements and related notes.

Effect - The completeness of the related note disclosures and the accuracy of the overall financial presentation is negatively impacted as outside auditors do not have the same comprehensive understanding of the Department as its internal staff. The potential exists that a misstatement of the financial statement and related notes could occur and not be prevented or detected by the Department.

We consider the following deficiency in internal control to be a material weakness:

Item 2015-03 - Material Audit Adjustments

Condition - During the performance of our audit, we noted misstatements and proposed journal entries to correct those misstatements, including prior period adjustments related to both property and equipment, and accrued payroll and mileage. The net effect of the prior period adjustments was a reduction in net assets of \$15,654 as of December 31, 2014. The entries were errors that were not known to management. The errors were, in our judgment, material to the financial statements. Management subsequently corrected the misstatements. However, since the Department's control policies and procedures did not prevent or detect the material misstatement of the financial statements, we concluded there is a material weakness in the Department's control policies and procedures which are required to be reported under professional standards.

To the Board of Directors
Hermantown Volunteer Fire Department, Inc.
Page 4
May 3, 2016

Effect - Without controls over procedures that will detect or prevent a misstatement when entering transactions or making adjustments to the financial statements, the financial statements may be misleading.

Other Matters

At December 31, 2015 the bank balances at one financial institution exceeded the FDIC insured \$250,000. The amount uninsured was \$281,819. The Department should consider moving the excess deposits to another financial institution, or investing in short-term securities.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Enc.
Duluth, Minnesota
May 3, 2016

Hermantown Volunteer Fire Department, Inc. Hermantown, Minnesota

May 3, 2016

Wipfli LLP
1502 London Road
Suite 200
Duluth, MN 55812

This representation letter is provided in connection with your audit of the financial statements of the Hermantown Volunteer Fire Department, Inc. (the "Department"), which comprise the statement of financial position as of December 31, 2015, and the related statement of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with accounting principles generally accepted in the United States (GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief as of the date of this letter, the following representations made to you during your audit.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated January 12, 2016.
2. The financial statements referred to above are fairly presented in conformity with GAAP.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of GAAP.
7. All events subsequent to the date of the financial statements and for which GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. We agree with the adjusting journal entries proposed by you and which are given effect to in the financial statements.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with GAAP.

10. Material concentrations have been properly disclosed in accordance with GAAP.
11. Guarantees, whether written or oral, under which the Department is contingently liable, have been properly recorded or disclosed in accordance with GAAP.

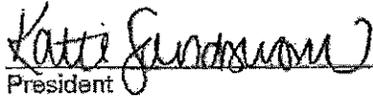
Information Provided

12. We have provided you with:
 - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
 - b. Additional information that you have requested from us for the purpose of the audit.
 - c. Unrestricted access to persons within the Department from who you determined it necessary to obtain audit evidence.
13. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the Department involving:
 - a. Management.
 - b. Employees who have significant roles in internal control.
 - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Department's financial statements communicated by employees, former employees, regulators, or others.
16. We have disclosed to you all known instances of noncompliance or suspected noncompliance with laws and regulations whose effects should be considered when preparing financial statements.
17. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
18. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GAAP.
19. We have disclosed to you the identity of the Department's related parties and all the related party relationships and transactions of which we are aware.
20. The Department has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any material asset been pledged, except as disclosed in the notes to the financial statements.
21. The Department has identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.

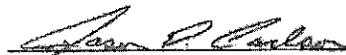
22. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Department vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.
23. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us; and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
24. We have complied with all restrictions on resources (including donor restrictions) and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance. This includes complying with donor requirements to maintain a specific asset composition necessary to satisfy their restrictions.
25. The Hermantown Volunteer Fire Department, Inc. is an exempt organization under Section 501 (c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the organization's tax-exempt status, and all activities subject to tax on unrelated business income or excise or other tax, have been disclosed to you. All required filings with tax authorities are up to date.
26. As part of your audit, you prepared the draft financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have assumed all management responsibilities. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.

To the best of our knowledge and belief, no events, including instances of noncompliance, have occurred subsequent to the statement of financial position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Sincerely,



President



Treasurer

**HERMANTOWN VOLUNTEER FIRE DEPARTMENT
HERMANTOWN, MINNESOTA**

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
TOGETHER WITH INDEPENDENT AUDITOR'S REPORT**

HERMANTOWN VOLUNTEER FIRE DEPARTMENT
DULUTH, MINNESOTA

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Independent Auditor's Report

To The Board of Directors
Hermantown Volunteer Fire Department
Duluth, Minnesota

We have audited the accompanying financial statement of the Hermantown Volunteer Fire Department (Department), which comprise the statement of financial position as of December 31, 2015 and the related statement of activities, functional expenses, and cash flow for the years then ended, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hermantown Volunteer Fire Department as of December 31, 2015 and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States.

Adjustments to Prior Period Financial Statements

The financial statements of the Hermantown Volunteer Fire Department, Inc. as of December 31, 2014, were audited by other auditors whose report dated November 14, 2015, expressed an unmodified opinion on those financial statements. As discussed in Note 6, the Department has restated its 2014 financial statements during the current year to correct errors identified during 2015, in accordance with accounting principles generally accepted in the United States. The other auditors reported on the 2014 financial statements before the restatement.

As part of our audit of the 2015 financial statements, we also audited adjustments described in Note 6 that were applied to restate the 2014 financial statements. In our opinion, such adjustments are appropriate and have been properly applied. We were not engaged to audit, review, or apply any procedures to the 2014 financial statements of the Department other than with respect to the adjustments and, accordingly, we do not express an opinion or any other form of assurance on the 2014 financial statements as a whole.

Wipfli LLP

Wipfli LLP

Duluth, Minnesota
May 3, 2016

HERMANTOWN VOLUNTEER FIRE DEPARTMENT
HERMANTOWN, MINNESOTA
STATEMENT OF FINANCIAL POSITION
AS OF DECEMBER 31, 2015

<u>ASSETS</u>	
Current Assets	\$ 139,930
Cash	388,500
Restricted cash	1,625
Prepaid expenses	<u>530,055</u>
Total current assets	
Property and Equipment	453,588
Equipment	1,166,632
Vehicles	<u>1,620,220</u>
Total property and equipment	(794,379)
Less accumulated depreciation	<u>825,841</u>
Net property and equipment	
Total assets	<u>\$ 1,355,896</u>
 <u>LIABILITIES AND NET ASSETS</u>	
Current Liabilities	\$ 27,042
Accrued payroll and mileage	
Net Assets	
Unrestricted	<u>1,328,854</u>
Total liabilities and net assets	<u>\$ 1,355,896</u>

See accompanying notes to financial statements.

HERMANTOWN VOLUNTEER FIRE DEPARTMENT
HERMANTOWN, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Total
Public support and revenue	
Public support	\$ 375,000
Contributions	
Revenue and gains	
Interest and dividend income	200
Total public support and revenue	375,200
Expenses	233,261
Program services	30,545
Management and general	263,806
Total expenses	111,394
Change in net assets	1,217,460
Net assets, beginning of year, restated	1,217,460
Net assets, end of year	\$ 1,328,854

See accompanying notes to financial statements.

HERMANTOWN VOLUNTEER FIRE DEPARTMENT
HERMANTOWN, MINNESOTA
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED DECEMBER 31, 2015

	Program Services	Management and General	Total
Wages, taxes and related expenses	\$ 72,942	\$ 16,783	\$ 89,725
Total wages and related expenses	<u>72,942</u>	<u>16,783</u>	<u>89,725</u>
Firefighting and EMS supplies	6,469		6,469
Hall supplies	3,941		3,941
Office supplies		536	536
Committees, conferences and meetings		1,489	1,489
Training	6,291		6,291
Dues and subscriptions	1,125		1,125
Administrative expense		3,254	3,254
Insurance	12,556	1,395	13,951
Fuel	5,745		5,745
Mileage reimbursements	25,272	2,810	28,082
Travel	250		250
Equipment repair and maintenance	11,696		11,696
Telephone	1,922		1,922
Uniforms	1,646	182	1,828
Miscellaneous	115		115
Total expenses before depreciation	<u>149,970</u>	<u>26,449</u>	<u>176,419</u>
Depreciation	<u>83,291</u>	<u>4,096</u>	<u>87,387</u>
Total functional expenses	<u>\$ 233,261</u>	<u>\$ 30,545</u>	<u>\$ 263,806</u>

See accompanying notes to financial statements.

HERMANTOWN VOLUNTEER FIRE DEPARTMENT
HERMANTOWN, MINNESOTA
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities	\$ 111,394
Change in net assets	
Adjustments to reconcile the change in net assets to net cash provided by (used in) operating activities	
Depreciation	87,387
(Increase) decrease in assets	(103)
Prepaid expenses	
Increase (decrease) in liabilities	843
Accrued payroll and mileage	<u>199,521</u>
Net cash provided by operating activities	
 Cash flows from investing activities	
Purchase of property and equipment	<u>(31,853)</u>
Net cash used in investing activities	<u>(31,853)</u>
 Net increase in cash	167,668
 Cash, beginning	<u>360,762</u>
 Cash, ending	<u><u>\$ 528,430</u></u>
 Presented in the Statement of Financial Position as:	
Cash	\$ 139,930
Restricted cash	<u>388,500</u>
 Total	<u><u>\$ 528,430</u></u>

See accompanying notes to financial statements.

HERMANTOWN VOLUNTEER FIRE DEPARTMENT
HERMANTOWN, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015

NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities - The Hermantown Volunteer Fire Department (the Department) is an independent firefighting organization that is organized and operated to provide firefighting and emergency medical services for persons within the City of Hermantown. The Department is a legally separate organization from the City of Hermantown.

Basis of Accounting - The financial statements of the Department have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States, and accordingly reflect all significant receivables, payables, and other liabilities.

Basis of Presentation - The Department is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. Income is recognized when earned and expenses are recorded when incurred.

Cash - Cash consists of demand deposits.

Restricted Cash - Restricted cash consists of amounts required by the Department's agreement with the City of Hermantown to be reserved for long term equipment needs.

Property and Equipment - Property and equipment are stated at cost and depreciated using the straight-line method over their estimated useful lives of 5 to 40 years. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. It is the Department's policy to capitalize land, building, and equipment with a cost of \$200 or more. Total depreciation expense for the year ended December 31, 2015 was \$87,387.

Unrestricted Net Assets - Used to account for resources currently available for use over which the Governing Board has discretionary control in carrying on the operations and purpose of the Center.

Temporarily Restricted Net Assets - Used to account for resources whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the Center pursuant to those stipulations. Temporarily restricted contributions whose restrictions are met in the same reporting period are reported as unrestricted support. The Department has no temporarily restricted net assets at December 31, 2015.

Permanently Restricted Net Assets - Used to account for resources that are required by donors to be maintained in perpetuity. The Department has no permanently restricted net assets at December 31, 2015.

Functional Expenses - The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

HERMANTOWN VOLUNTEER FIRE DEPARTMENT
HERMANTOWN, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

**NOTE 1 NATURE OF ACTIVITIES AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
(Continued)**

Income Taxes - The Department is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Returns for the years ended 2012 and thereafter remain subject to examination by the IRS.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States, requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events - In preparing these financial statements, the Department has evaluated events and transactions for potential recognition or disclosure through May 3, 2016, the date the financial statements were available to be issued.

NOTE 2 CONCENTRATION OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

Custodial credit risk is the risk that in the event of a financial institution failure, the Center's deposits may not be returned to it. The financial institutions used by the Center are covered by federal deposit insurance coverage (FDIC) up to \$250,000. As of December 31, 2015, the Department had deposits that exceeded FDIC insurance and were exposed to custodial credit risk in the amount of \$281,819.

NOTE 3 PROPERTY AND EQUIPMENT

Property and equipment consisted of the following as of December 31, 2015:

Office equipment, furniture and fixtures	\$ 47,715
Firefighting equipment	379,581
Communication equipment	26,292
Vehicles	<u>1,166,632</u>
Total property and equipment	1,620,220
Less accumulated depreciation	<u>(794,379)</u>
 Total property and equipment, net of accumulated depreciation	 <u>\$ 825,841</u>

Depreciation expense was \$87,387 for the year ended December 31, 2015.

HERMANTOWN VOLUNTEER FIRE DEPARTMENT
HERMANTOWN, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 3 PROPERTY AND EQUIPMENT (Continued)

The following items are additions made to property and equipment during 2015 with a cost greater than \$5,000 which are required to be disclosed by the Department according to its agreement with the City of Hermantown:

Extraction equipment	\$ 18,500
Computers	<u>6,193</u>
	<u>\$ 24,693</u>

NOTE 4 CONCENTRATION OF FUNDING

The Department is funded 100 percent through its non-cancelable contract with the City of Hermantown. During 2015, the City made payments to the Department totaling \$375,000. The contract became effective on January 1, 2015 and remains in effect until a new contract is negotiated and agreed upon.

NOTE 5 FIRE RELIEF ASSOCIATION

Plan Description

Firefighters of the Hermantown Volunteer Fire Department, Inc., a Minnesota Corporation, are members of a defined benefit pension plan administered by the Hermantown Fire Fighters Relief Association (Association). The plan is a single-employer pension plan available to members operating under the provisions of Minnesota Statute Section 69.772, as amended. The plan is governed by a six-member board of trustees elected by the members of the Association for one year terms. Two City Council members and the Fire Chief are ex officio, nonvoting members of the board of trustees.

Benefit Provisions

Each member who is at least 50 years of age, has retired from the Fire Department, has served at least 10 years of active service with the Fire Department before retirement and has been a member of the Association in good standing at least 10 years prior to retirement, is entitled to a lump-sum pension on retirement in the amount of \$3,800 for each year of active service. According to the bylaws of the Association, a member who retires with less than 20 years of service is eligible for a reduced service pension. If a member of the Association becomes permanently and totally disabled the member will receive the sum of \$3,800 for each year or partial year the member was an active member.

Funding Policy

The Department is not required to contribute to the plan. The City of Hermantown is required by state statute to contribute the amount certified annually to the Office of the State Auditor. The State of Minnesota provides specific aids used to fund the pension as well.

The Association issues a financial report that includes financial statements and required supplemental information. That report may be obtained from Hermantown Fire Department Relief Association, 5111 Maple Grove Road, Hermantown, Minnesota 55811.

HERMANTOWN VOLUNTEER FIRE DEPARTMENT
HERMANTOWN, MINNESOTA

NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2015
(Continued)

NOTE 6 PRIOR PERIOD ADJUSTMENT

A correction was made to the accounting for fixed assets, accumulated depreciation, and accrued wages and mileage for the year ended December 31, 2014. The effect of the prior period adjustment is as follows:

Unrestricted net assets, December 31, 2014, as previously stated	\$ 1,233,114
Removal of fixed assets disposed of in prior years	(203,591)
Removal of accumulated depreciation related to property and equipment disposed of in prior years	193,636
Unrecorded accrued payroll at December 31, 2014	<u>(5,699)</u>
Unrestricted net assets, December 31, 2014, as restated	<u>\$ 1,217,460</u>

NOTE 7 SUBSEQUENT EVENT

On March 10, 2016, the board approved a loan in the amount of \$199,987 to finance the purchase of a new fire truck. The loan bears interest at a rate of 2.46 percent with principal and interest payments due annually.

City of Hermantown

(As of 6/30/16)

Cash/Investments per Fund

Fund	
240 City Sales Tax Fund	6,244,848
601 Water Fund	3,232,154
602 Sewer Fund	3,178,325
101 General Fund	1,243,301
350 Special Assessment Fund	584,498
Other	(437,388)
Total	<u>14,045,738</u>

Note: Not including Bond escrow accounts

Who holds our money

4M	2,039,394
RBC Dain	8,920,824
Wells Fargo	1,754,350
Morgan Stanley	772,087
MBS	559,083
Total	<u>14,045,738</u>

How our money is invested

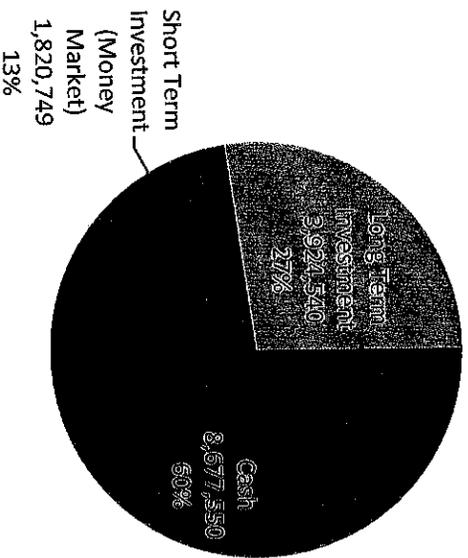
	6/30/2016	12/11/2015	11/30/2015
Cash	945,128	4,538,822	8,677,550
Short Term Investment (Money Market)	2,047,227	1,772,335	1,820,749
Long Term Investment	11,053,383	10,173,985	3,924,540
Total	<u>14,045,738</u>	<u>16,485,142</u>	<u>14,422,839</u>

Year our Investments mature

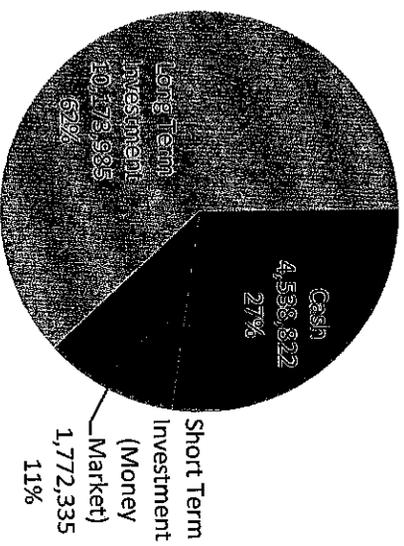
2016	2,253,827
2017	5,383,165
2018	1,930,659
2019	965,443
2021 and later	520,289
Total	<u>11,053,383</u>

Breakdown of cash/investments

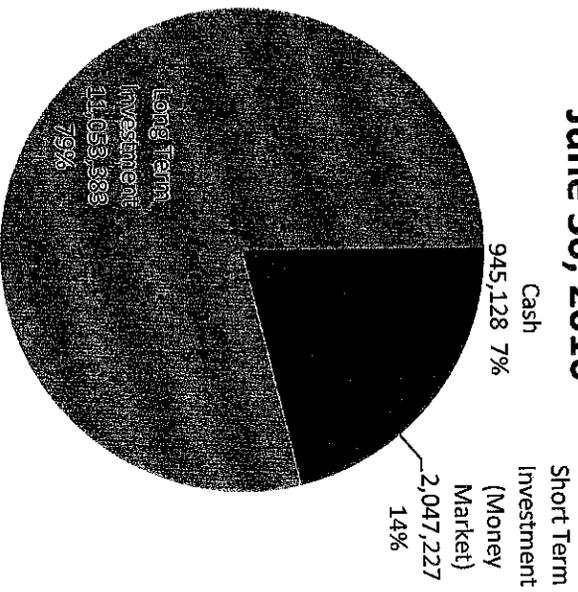
November 30, 2015



Week of December 11, 2015



June 30, 2016



Fund Account	Department	Vendor Name	Description	Amount	Check #
101 431100	Street Department	ACME TOOLS	Whipper Repair	20.00	54018
101 431100	Street Department	ACME TOOLS	5 Gallon Cooler	33.99	54018
101 415300	Administration & Finance	AICPA RENEWAL PROCESSING	AICPA Membership/Orme	255.00	54019
101 431901	City Garage	AMERIPRIDE LINEN & APPAREL INC	Supplies	74.14	54020
101 419901	City Hall & Police Building Maintenance	AMERIPRIDE LINEN & APPAREL INC	Mats (CH)	37.58	54020
602 494500	Sewer Maintenance	AMERIPRIDE LINEN & APPAREL INC	Coveralls	7.19	54020
101 431100	Street Department	AMERIPRIDE LINEN & APPAREL INC	Coveralls	14.34	54020
601 494300	Water Distribution	AMERIPRIDE LINEN & APPAREL INC	Coveralls	9.56	54020
101 419901	City Hall & Police Building Maintenance	AMERIPRIDE LINEN & APPAREL INC	Mats (Pub Saf)	93.43	54020
101 419901	City Hall & Police Building Maintenance	AMERIPRIDE LINEN & APPAREL INC	Coveralls	2.40	54020
101 427100	Poundmaster	ANIMAL ALLIES HUMANE SOCIETY	June Boarding	40.00	54021
101 419100	Community Development	ARROWHEAD REGIONAL DEVELOPMENT COMMISSIO	2016 Planning Assesiz/2nd Instal	9,375.00	54022
320 471000	Debt Service	BOND TRUST SERVICES CORPORATION	2012A GO Bonds	15,255.00	54023
321 471000	Debt Service	BOND TRUST SERVICES CORPORATION	2012B GO Bonds	31,746.88	54023
322 471000	Debt Service	BOND TRUST SERVICES CORPORATION	2014A GO Bonds	24,100.00	54023
319 471000	Debt Service	BOND TRUST SERVICES CORPORATION	2010A GO Bonds	38,931.25	54023
319 471000	Debt Service	BOND TRUST SERVICES CORPORATION	2010A GO Bond Paying Agent Fee	450.00	54023
318 471000	Debt Service	BOND TRUST SERVICES CORPORATION	2009A GO Bond Paying Agent Fee	450.00	54023
321 471000	Debt Service	BOND TRUST SERVICES CORPORATION	2012B GO Bond Paying Agent Fee	450.00	54023
322 471000	Debt Service	BOND TRUST SERVICES CORPORATION	2014A GO Bond Paying Agent Fee	450.00	54023
318 471000	Debt Service	BOND TRUST SERVICES CORPORATION	2009A GO Bonds	71,578.13	54023
602 494500	Sewer Maintenance	BORDER STATES ELECTRIC SUPPLY	Cable Ties/Arrow III	81.44	54024
602 494500	Sewer Maintenance	BRENT'S SEPTIC SERVICE LLC	Pump Sewer/Arrowhead III	1,237.50	54025
602 494500	Sewer Maintenance	BRENT'S SEPTIC SERVICE LLC	Pump Lift Station/Ugstad Rd.	200.00	54025
101 431100	Street Department	BW DISTRIBUTING	Vehicle Wash	159.98	54026
101 421100	Police Administration	CROW-GOEBEL VETERINARY CLINIC, P A	K-9 Vet Expense	406.00	54027
101 419100	Community Development	CW TECHNOLOGY GROUP INC	GIS Computer/Anderson	1,245.05	54028
101 419100	Community Development	CW TECHNOLOGY GROUP INC	Set-Up GIS Comp/Anderson	511.00	54028
101 452100	Parks	DAIRYLAND FENCE CO INC	Fence Repair/Fichtner Field	3,787.59	54029
101 419901	City Hall & Police Building Maintenance	DALCO	Restroom Supplies	136.71	54030
101 419901	City Hall & Police Building Maintenance	DALCO	Toilet Tissue	62.27	54030
101 431100	Street Department	DENNY'S LAWN & GARDEN	Locknut for Whipper	14.71	54031
101 431100	Street Department	DULUTH LAWN & SPORT	Parts for Mower	326.17	54032
101 431100	Street Department	DUST DOCTOR	Calcium Chloride	6,800.00	54033
101 414100	Elections	ELECTION SYSTEMS & SOFTWARE	Transfer Case	47.54	54034

CITY OF HERMANTOWN, MN 07/16/16 - 07/31/16
 Check # is between 5 and 54089

Fund Account	Department	Vendor Name	Description	Amount	Check #
101 422100	Fire Administration	ESSENTIA HEALTH	FD Stress Test/Maslonka	350.00	54035
601 494400	Water Administration and General	GOPHER STATE ONE-CALL INC	June Locate Requests	308.40	54036
602 494900	Sewer Administration and General	GOPHER STATE ONE-CALL INC	June Locate Requests	205.60	54036
602 494500	Sewer Maintenance	GREAT LAKES PIPE SERVICE INC	Emergency Sewer Clean	1,120.00	54037
601 494400	Water Administration and General	GREAT LAKES PIPE SERVICE INC	Clean Valve Boxes	910.00	54037
602 494500	Sewer Maintenance	GREAT LAKES PIPE SERVICE INC	Vac Liftstation/Arrowhead 1	1,120.00	54037
101 431901	City Garage	HARTEL/S/DBJ DISPOSAL CO LLC	Yard Trash Disposal	164.26	54038
101 419901	City Hall & Police Building Maintenance	HARTEL/S/DBJ DISPOSAL CO LLC	Recycling/Garbage Disposal	289.35	54038
601 494300	Water Distribution	HD SUPPLY WATERWORKS LTD	Perf Meter	199.96	54039
601 494300	Water Distribution	HEATER RENTAL SERVICES	Jumping Jack	1,577.50	54040
602 494500	Sewer Maintenance	HEATER RENTAL SERVICES	Jumping Jack	1,577.50	54040
101 422100	Fire Administration	HERMANTOWN FIRE RELIEF ASSN	3rd Qtr Pension Pay	6,250.00	54041
101 421100	Police Administration	HERMANTOWN SERVICE CENTER INC	Vehicle Maintenance/13 Ford	1,101.76	54042
101 421100	Police Administration	HERMANTOWN SERVICE CENTER INC	Vehicle Maintenance/16 Ford	31.99	54042
101 431100	Street Department	HERMANTOWN SERVICE CENTER INC	Vehicle Repair/01 Chev	1,201.50	54042
101 421100	Police Administration	HERMANTOWN SERVICE CENTER INC	Vehicle Maintenance/ 15 Ford	31.99	54042
101 421100	Police Administration	HERMANTOWN SERVICE CENTER INC	Vehicle Maintenance/08 Chev	1,208.93	54042
101 431100	Street Department	HERMANTOWN SERVICE CENTER INC	Tire for Mower	197.80	54042
101 421100	Police Administration	HERMANTOWN STAR LLC	Police Officer Ad	57.75	54043
101 422100	Fire Administration	HERMANTOWN VOLUNTEER FIRE DEPT	City Fire Protection	93,750.00	54044
101 421100	Police Administration	HOLIDAY FLEET	Gasoline	2,380.85	54045
101 431100	Street Department	HOLIDAY FLEET	Gasoline	484.03	54045
101 431100	Street Department	HOLIDAY FLEET	Gasoline	199.31	54045
601 494300	Water Distribution	HOLIDAY FLEET	Gasoline	50.48	54045
101 419901	City Hall & Police Building Maintenance	HOLIDAY FLEET	Gasoline	68.94	54045
101 452100	Parks	HOLIDAY FLEET	Gasoline	132.87	54045
602 494500	Sewer Maintenance	HOLIDAY FLEET	Gasoline	155.00	54046
101 415300	Administration & Finance	IIMC	IIMC Membership/Lund	884.07	54047
101 431100	Street Department	INTER CITY OIL CO INC	Diesel Fuel	328.41	54047
101 431100	Street Department	INTER CITY OIL CO INC	Diesel Fuel	535.54	54047
101 431100	Street Department	INTER CITY OIL CO INC	Diesel Fuel	331.24	54047
101 431100	Street Department	INTER CITY OIL CO INC	Diesel Fuel	31.60	54048
605 431150	Street Improvements	LEGACY DISTRIBUTION CO LLC	Reface Sign	259.50	54049
101 424100	Building Inspection	M-R SIGN CO INC	911 Signs (14)	19.37	54050
101 431100	Street Department	MENARD INC	For H2O Cooler	36.99	54050
101 431100	Street Department	MENARD INC	Tallgate Chain/H1	300.00	54051
101 431100	Street Department	MIKE'S SIGNS	Lettering/3/4 Ton Truck		

52834 - #
52886

CITY OF HERMANTOWN, MN 07/16/16 - 07/31/16
 Check # is between 52834 and 54089

Fund Account	Department	Vendor Name	Description	Amount	Check #
602	Sewer Administration and General	MN POWER	4971 Lighting Dr. (Sewer)	80.20	54052
101	Parks	MN POWER	Parks	305.62	54052
602	Sewer Administration and General	MN POWER	Sewer	536.04	54052
601	Water Administration and General	MN POWER	Water	151.82	54052
101	Firehall #3 Midway Road	MN POWER	FH #3	111.53	54052
101	Community Building	MN POWER	Comm. Bldg.	496.10	54052
101	City Hall & Police Building Maintenance	MN POWER	City Hall/Police/Fire (CH)	2,652.13	54052
101	Parks	MN POWER	Little Leagues	17.99	54052
601	Water Administration and General	MN POWER	4971 Lighting Dr. (Water)	120.32	54052
605	Street Lighting	MN POWER	Overhead St. Lights	310.08	54052
101	Firehall #2 Morris Thomas Road	MN POWER	FH #2	325.61	54052
605	Street Lighting	MN POWER	Traffic Lights	613.32	54052
101	City Garage	MN POWER	5255 Maple Grove Rd.	13.61	54052
101	City Garage	MN POWER	4971 Lighting Dr. (Street)	200.53	54052
605	Street Lighting	MN POWER	Street Lights	347.73	54052
101	City Garage	MN POWER	Street Lights	481.80	54052
605	Street Lighting	MN POWER	City Hall/Police/Fire (FH#1)	1,695.61	54052
101	Firehall #1 Maple Grove Road	MN POWER	Street Lights	111.44	54052
605	Street Lighting	MN POWER	Street Lights	198.37	54052
101	Firehall #1 Maple Grove Road	MN POWER	Street Lights	131.04	54053
605	Street Lighting	MN POWER	Street Lights	524.16	54053
101	City Hall & Police Building Maintenance	MN TELECOMMUNICATIONS	July Internet	222.00	54054
251	Police Administration	MRS. MAC'S TOWING & TRANSPORT	DWI/04 Ford F-350	222.00	54054
101	Street Department	NAPA AUTO PARTS	Brake Parts/H6	15.36	54055
101	Street Department	NAPA AUTO PARTS	Brake Cleaner/Wiper Blades	72.66	54055
101	Street Department	NAPA AUTO PARTS	Light Bulbs/Glens Truck	12.64	54055
101	Street Department	NAPA AUTO PARTS	Windshield Wash	23.88	54055
101	Street Department	NAPA AUTO PARTS	Light/H4	10.38	54055
101	Street Department	NAPA AUTO PARTS	Brake Hose	12.99	54055
101	Street Department	NAPA AUTO PARTS	Brake Parts/H6	164.75	54055
101	Parks	NAPA AUTO PARTS	Socket Set/Playground Equip.	97.98	54055
101	Police Administration	NAPA AUTO PARTS	Cleaner/PD	2.99	54055
101	Police Administration	NAPA AUTO PARTS	Belt/Mower	99.99	54055
101	Street Department	NAPA AUTO PARTS	PZ Name Plate/Malwick	16.87	54056
101	Community Development	NORTHERN BUSINESS PRODUCTS	Office Furn./Sensit	1,827.23	54056
101	Street Department	NORTHERN BUSINESS PRODUCTS	Laminating Paper	17.85	54056
101	Police Administration	NORTHERN BUSINESS PRODUCTS	Laminating Paper	17.85	54056
101	Street Department	NORTHERN STATES SUPPLY INC	Nuts/Bolts	106.40	54057

CITY OF HERMANTOWN, MN 07/16/16 - 07/31/16
 Check # is between \$ and 54089

Fund Account	Department	Vendor Name	Description	Amount	Check #
101	Street Department	NORTHERN STATES SUPPLY INC	Nuts/Bolts	19.98	54057
101	Street Department	NORTHLAND CONSTRUCTORS OF DULUTH, LLC	Pothole Mix	588.49	54058
101	Street Department	NORTHLAND CONSTRUCTORS OF DULUTH, LLC	Pothole Mix	762.93	54058
101	Police Administration	ONSITE MEDICAL SERVICES, INC.	Audio Testing	400.00	54059
101	Police Administration	ONSITE MEDICAL SERVICES, INC.	Fit Testing	500.00	54059
601	Water Administration and General	PER MAR SECURITY SERVICES INC	Aug-Oct Bldg. Security	139.12	54060
101	Street Department	PER MAR SECURITY SERVICES INC	Aug-Oct Bldg. Security	160.08	54060
602	Sewer Administration and General	PER MAR SECURITY SERVICES INC	Aug-Oct Bldg. Security	92.75	54060
602	Sewer Administration and General	PITNEY BOWES PURCHASE POWER	Postage	65.42	54061
101	Police Administration	PITNEY BOWES PURCHASE POWER	Postage	112.59	54061
101	Parks	PITNEY BOWES PURCHASE POWER	Postage	23.03	54061
101	Community Development	PITNEY BOWES PURCHASE POWER	Postage/BAA	9.37	54061
101	Administration & Finance	PITNEY BOWES PURCHASE POWER	Postage	200.11	54061
101	Water Administration and General	PITNEY BOWES PURCHASE POWER	Postage	98.15	54061
601	494400	PITNEY BOWES PURCHASE POWER	Postage	30.48	54061
101	Building Inspection	PITNEY BOWES PURCHASE POWER	Postage	16.74	54061
101	Elections	PITNEY BOWES PURCHASE POWER	Postage/PZ	146.11	54061
101	Community Development	SATHERS, LLC	Class 5	546.00	54062
101	Street Department	ST LOUIS COUNTY AUDITOR	Rose Rod 2015 Paving	87,581.57	54063
402	Street Improvements	ST LOUIS COUNTY RECORDERS OFFICE	Resolution/Jackson 4th Additio	46.00	54064
101	Community Development	ST LOUIS COUNTY RECORDERS OFFICE	Deferral/Kreidler	46.00	54064
602	494500	ST LUKES HOSPITAL	Blood Draws	56.84	54065
101	Police Administration	SYMBOLARTS	Patches	412.00	54066
101	Police Administration	TELCOLOGIX	July Maintenance Agrmt	70.35	54067
101	Firehall #1 Maple Grove Road	TELCOLOGIX	July Maintenance Agrmt	16.75	54067
101	City Garage	TELCOLOGIX	July Maintenance Agrmt	237.85	54067
101	City Hall & Police Building Maintenance	TELCOLOGIX	July Maintenance Agrmt	10.05	54067
101	Community Building	TELCOLOGIX	July Maintenance Agrmt	11.75	54068
101	Street Department	TITAN MACHINERY INC	Filter	8,605.39	54069
101	Street Department	TURBO DIESEL & ELECTRIC	Repairs/H8	95.15	54070
101	Street Department	UNITED RENTALS (NORTH AMERICA) INC	Jumping Jack Rental	202.18	54071
101	Administration & Finance	UNITED STATES TREASURY	PCORI Annual	59.99	54072
101	City Hall & Police Building Maintenance	US BANK CORPORATE PAYMENT SYSTEM	Safety Can	39.39	54072
101	City Hall & Police Building Maintenance	US BANK CORPORATE PAYMENT SYSTEM	Trimmer	296.24	54073
101	Police Administration	VERIZON WIRELESS	Aircards	23,260.70	54074
602	494500	WIJKWAIBAAN ININI INC	Pump at Arrowhead III	1,000.00	54075
101	Fire Administration	WI/PFLI LLP	HVFD 2015 Returns		

CITY OF HERMANTOWN, MN 07/16/16 - 07/31/16
Check # is between # and 54089

Fund	Account	Department	Vendor Name	Description	Amount	Check #
						52834 - #
						52886
260	456101	Cable	WITTIKKO, NEIL	Cable Coordinator/July	625.00	54076
101	431100	Street Department	WISSD	Old Tire Disposal	30.00	54077
101	134000	Retiree Insurance/Telephone Reimb.	MN LIFE	Life Ins (Sharpe)	20.25	54084
101	134000	Retiree Insurance/Telephone Reimb.	MN LIFE	Life Ins (Tucker)	20.25	54084
101	134000	Retiree Insurance/Telephone Reimb.	NORTHEAST SERVICE COOPERATIVE	Hosp. (Inactives)	2,215.50	54085

Totals: 148 records printed

467,241.91

CITY OF HERMANTOWN
CITY COUNCIL MEETING
July 18, 2016
6:30 p.m.

Pledge of Allegiance

ROLL CALL: Councilors Geissler, Koski, Nelson, Peterson, Mayor Boucher; John Mulder, City Administrator; Debbie Lund, City Clerk; Jim Rich, Building Official; Jim Crace, Chief of Police; Paul Senst, Public Works Director; Steve Overom, City Attorney

VISITORS: 14

ANNOUNCEMENTS

Councilor Peterson – I would like to thank the Summerfest volunteers it was a great event.

Mayor Boucher - The recorder is not working this evening.

COMMUNICATIONS

Communications 2016-118 through and including 2016-165 were read and placed on file.

PRESENTATIONS

John Mulder, City Administrator – I am going to provide a brief overview the 2017 Capital Improvement Plan to date. The first handout is a list of the requested projects by department. These requests have not been reviewed at a staff level or by the various advisory boards i.e. Planning Commission or Park Board. If you look at the bottom line it is approximately 19,392,907, however 17,000,000 is the Essentia Health & Wellness Center. We are continuing to try to improve the process of reporting of the various capital items for the next five years. That includes upgrades to various buildings, equipment, and water & sewer improvements. We continue to work on the local road improvement plan and funding resources. As we move through the budget process these items may or may not be included in the budget.

The second handout is projects by funding source. We have \$1.6 million in scheduled bonds for the fire halls and in the general fund we have \$216,000 for 2017. There may be additional bonds scheduled for the 2017 budget depending on how we finance the costs of the Regional Wellness Center.

PUBLIC DISCUSSION

The recorder is not working so this will be a short summary of the public discussion regarding the placement of the gate at the Stebner Park Soccer Fields. The following residents spoke expressing that they were not in favor of moving the gate at the Stebner Road Soccer Fields:

Nathan Madill, 4819 Oakridge Drive, Hermantown Youth Soccer Association President
Jim Delmore, 4881 W. Arrowhead Rd
Barbara Harris, 4017 Stebner Rd
Denise Rejstad, 5530 Morris Thomas Rd
Ross Bjorlin, 5801 Arrowhead Rd
Jim Sonneson, 5649 W Arrowhead Rd

Jamie LePage, 4071 LaVague Road - The Fire Department is an independent contracted group, we are not city employees. Our budget has to be in by August 1, 2016 and I want to make sure the Council has a copy of the budget or that it is on file. The budget did go up due to the increase in cost of equipment and we want to start a duty crew with responsible people. Our primary goal is to give the City the best service we can.

CONSENT AGENDA

Motion made by Councilor Peterson, seconded by Councilor Koski to approve the Consent Agenda which includes the following agenda items:

- A. Approval of June 20, 2017 and June 27, 2017 City Council Continuation Minutes
- B. Approve general city warrants from June 16, 2016 through June 30, 2016 in the amount of \$469,956.92 and general city warrants from July 1, 2016 through July 15, 2016 in the amount of \$317,600.25

Roll Call: Councilors Geissler, Koski, Nelson, Peterson, Mayor Boucher, aye. Motion carried.

MOTIONS

Motion made by Councilor Geissler, seconded by Councilor Peterson to approve applications for new Tobacco Licenses for the following: Stokke's Liquor Store, 3710 Midway Rd; Fleet Wholesale Company, Mills Fleet Farm, 4165 Loberg Avenue and Fleet Wholesale Company, Mills Fleet Farm, 4181 Loberg Avenue. Roll Call: Councilors Geissler, Koski, Nelson, Peterson, Mayor Boucher, aye. Motion carried.

Motion made by Councilor Nelson, seconded by Councilor Koski to appoint Councilor Geissler to the Board of Adjustment of the Duluth Airport Joint Zoning Board. Motion carried.

Motion made by Councilor Peterson, seconded by Councilor Koski to approve the quotation of Traveler's Insurance for Worker's Compensation, Property, General Liability, Automobile Umbrella, Boiler Bonds, Public Officials Liability and Accident Plan for Volunteer Insurance effective July 1, 2016 through July 1, 2017 in the amount of \$184,692. Roll Call: Councilors Geissler, Koski, Nelson, Peterson, Mayor Boucher, aye. Motion carried.

Motion made by Councilor Nelson, seconded by Councilor Koski to approve the quotation of League of Minnesota Cities Insurance Trust for Worker's Compensation effective July 1, 2016 through July 1, 2017 for the Hermantown Volunteer Fire Department, Inc. in the amount of \$14,296. Roll Call: Councilors Geissler, Koski, Nelson, Peterson, Mayor Boucher, aye. Motion carried.

ORDINANCES

2016-50 An Ordinance Amending Hermantown Zoning Ordinance Section 1025 – Procedure And 1115 – Application Procedure

The Second Reading was held on Ordinance 2016-50, An Ordinance Amending The Hermantown Zoning Ordinance Section 1025 – Procedure And 1115 – Application Procedure.

Motion made by Councilor Peterson, seconded by Councilor Nelson to adopt Ordinance 2016-50, An Ordinance Amending Hermantown Zoning Ordinance Section 1025 – Procedure And 1115 – Application Procedure. Roll Call: Councilors Geissler, Koski, Nelson, Peterson, Mayor Boucher, aye. Motion carried.

2016-51 An Ordinance Amending Hermantown Code Of Ordinances Section 220 – City Administrator

The First Reading was held on Ordinance 2016-51, An Ordinance Amending Hermantown Code Of Ordinances Section 220 – City Administrator.

RESOLUTIONS

2016-80 Resolution Authorizing And Directing The Mayor And City Clerk To Execute And Deliver Development Agreement With JLG Enterprises Of Hermantown, LLC

Motion made by Councilor Peterson, seconded by Councilor Koski to table Resolution 2016-50, Resolution Authorizing And Directing The Mayor And City Clerk To Execute And Deliver Development Agreement With JLG Enterprises Of Hermantown, LLC. Motion carried.

2016-86 Resolution Approving Pay Request Number 2 And Minor Work Order No. 1 For Street Improvement District No. 524-N S.A.P. 202-103-009 Stebner Road To Ulland Brothers, Inc. In The Amount Of \$314,414.75

Motion made by Councilor Geissler, seconded by Councilor Nelson to adopt Resolution 2016-86, Resolution Approving Pay Request Number 2 And Minor Work Order No. 1 For Street Improvement District No. 524-N S.A.P. 202-103-099 Stebner Road To Ulland Brothers, Inc. In The Amount Of \$314,414.75. Roll Call: Councilors Geissler, Koski, Nelson, Peterson, Mayor Boucher, aye. Motion carried.

2016-87 Resolution Closing The Police School Relations Fund And Approving The Transfer Of Remaining Funds To The General Fund

Motion made by Councilor Nelson, seconded by Councilor Koski to adopt Resolution 2016-87, Resolution Closing The Police School Relations Fund And Approving The Transfer Of Remaining Funds To The General Fund. Roll Call: Councilors Geissler, Koski, Nelson, Peterson, Mayor Boucher, aye. Motion carried.

2016-88 Resolution Reauthorizing Membership In The 4M Fund

Motion made by Councilor Nelson, seconded by Councilor Peterson to adopt Resolution 2016-88, Resolution Reauthorizing Membership In The 4M Fund. Roll Call: Councilors Geissler, Koski, Nelson, Peterson, Mayor Boucher, aye. Motion carried.

2016-89 Resolution Approving The Re-Location Of The Gate At Stebner Park

Motion made by Councilor Geissler, seconded by Councilor Koski to table Resolution 2016-89, Resolution Approving The Re-Location Of The Gate At Stebner Park until August 15, 2016. Motion carried.

2016-90 Resolution Regarding Appeal By Great Lakes Alarm And Security Products, Inc. And Wayne Johnson Of The Directive Of The Building Official

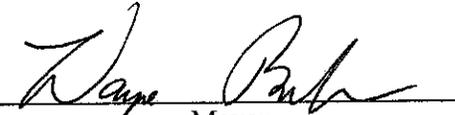
Motion made by Councilor Nelson, seconded by Councilor Koski to adopt Resolution 2016-90, Resolution Regarding Appeal By Great Lakes Alarm And Security Products, Inc. And Wayne Johnson Of The Directive Of The Building Official Alternative Number 1. Roll Call: Councilors Geissler, Koski, Nelson, Peterson, Mayor Boucher, aye. Motion carried.

2016-91 Resolution Approving The City Council Order Pursuant To Minnesota Statutes §463.17 Regarding The Canopy Located At 5105 Morris Thomas Road, Hermantown, Minnesota

Motion made by Councilor Geissler, seconded by Councilor Nelson to adopt Resolution 2016-91, Resolution Authorizing The City Council Order Pursuant To Minnesota Statutes §463.17 Regarding The Canopy Located At 5105 Morris Thomas Road, Hermantown, Minnesota. Roll Call: Councilors Geissler, Koski, Nelson, Peterson, Mayor Boucher, aye. Motion carried.

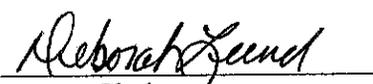
Mayor Boucher thanked Neil Witikko for running the video equipment.

Motion made by Councilor Peterson, seconded by Councilor Nelson to recess meeting at 7:31 p.m. to Monday, July 25, 2016 at 5:00 p.m. for City Council Meeting and 5:10 p.m. for Hermantown Economic Development Authority Meeting. Motion carried.



Mayor

ATTEST:



Clerk

CITY OF HERMANTOWN
CITY COUNCIL CONTINUATION MEETING
July 25, 2016
5:00 p.m.

ROLL CALL: Councilors Geissler, Nelson, Peterson, Mayor Boucher; John Mulder, City Administrator; Debbie Lund, City Clerk; Steve Overom, City Attorney

ABSENT: Councilor Koski

VISITORS: 5

RESOLUTIONS

2016-80 Resolution Authorizing And Directing The Mayor And City Clerk To Execute And Deliver Development Agreement With JLG Enterprises Of Hermantown, LLC

Motion made by Councilor Geissler, seconded by Councilor Nelson to adopt Resolution 2016-80, Resolution Authorizing And Directing The Mayor And City Clerk To Execute And Deliver Development Agreement With JLG Enterprises Of Hermantown, LLC. Roll Call: Councilors Geissler, Nelson, Peterson, Mayor Boucher, aye. Councilor Koski, absent. Motion carried.

Motion made by Councilor Nelson, seconded by Councilor Geissler to recess meeting at 5:12 p.m.. Motion carried.

Mayor

ATTEST:

Clerk

TO: Mayor & City Council
FROM: John Mulder, City Administrator



DATE: July 25, 2016 **Meeting Date:** **8/01/2016**
SUBJECT: **Employee Assistance Program** **Agenda Item: 9-C** **Resolution 2016-92**

REQUESTED ACTION

Approve contract with T.E.A.M. to provide an Employee Assistance Program (EAP)

BACKGROUND

The issue of providing an employee assistance program has been discussed off and on for several years. T.E.A.M. provides EAP services to several cities and has an office in Hermantown. They have a strong emphasis on working with Police Departments. They also provide EPA to members of the International Union of Operating Engineers Local 49 which is the union that represent the City's public work employees.

This is a very basic program and will give the City and the employee an opportunity to see the benefits of such a program at a very low cost.

SOURCE OF FUNDS (if applicable)

For 2016, the costs will be charged to the Administration budget. During the budget process for 2017, we will consider charging each department a pro-rated share of the costs based on the number of employees.

ATTACHMENTS

Contract

Resolution No. 2016-92

**RESOLUTION AUTHORIZING AND DIRECTING MAYOR AND
CITY CLERK TO EXECUTE AND DELIVER AN AGREEMENT FOR
PROFESSIONAL CONSULTING SERVICES BETWEEN T.E.A.M. CONSULTING,
LLC AND THE CITY OF HERMANTOWN**

WHEREAS, the City of Hermantown ("City") desires to obtain consulting services for employee assistance; and

WHEREAS, City and T.E.A.M. desire to enter into an Agreement for Professional Services for T.E.A.M. consulting services ("Agreement") as shown outlined in the attached agreement; and

WHEREAS, the City Council believes that it is in the best interests of the City of Hermantown to approve the Agreement of and authorize and direct the Mayor and City Clerk to execute and deliver it on behalf of the City of Hermantown.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Hermantown, Minnesota as follows:

1. The Mayor and City Clerk are hereby authorized and directed to execute and deliver to T.E.A.M. the Agreement for Professional Consulting Services for employee assistance substantially in the form attached hereto as Exhibit A.
2. The source of payment for the consultant services will be City Fund No. 101-415300-319.

Councilor Koski introduced the foregoing resolution and moved its adoption.

The motion for the adoption of such resolution was seconded by Councilor Geissler, and upon a vote being taken thereon, the following voted in favor thereof:

and the following voted in opposition thereto:

WHEREUPON, such resolution was declared duly passed and adopted.

**AGREEMENT FOR PROFESSIONAL CONSULTING SERVICES
BETWEEN T.E.A.M. CONSULTING LLC,
AND THE CITY OF HERMANTOWN, MINNESOTA**

Dated:

THIS AGREEMENT FOR CONSULTING SERVICES ("Agreement") is by and between THE CITY OF HERMANTOWN, MINNESOTA, ("the City"), and T.E.A.M LLC, d/b/a Total Employee Assistance Management, a professional consulting firm incorporated in the State of Minnesota, hereinafter referred to as "T.E.A.M.", in response to the following situation:

- A. The City desires to contract with T.E.A.M. to provide employee assistance services to all employees, and their eligible family members, of "the City" pursuant to the terms and conditions of this agreement
- B. T.E.A.M. is willing to provide consulting services with regard to the Project.

NOW, THEREFORE, T.E.A.M. and the City do mutually agree as follows:

- 1. Services to be performed.
 - 1.1. The contact person for the consulting services to be performed is Mary DesJarlais.
 - 1.2. T.E.A.M. shall provide consulting services to the City by providing an employee assistance program.
 - 1.3. The scope of services to be provided to the City by T.E.A.M. related to the Project is as set forth on Exhibit A attached hereto.
- 2. Personnel. T.E.A.M. will secure, at its own expense, all personnel required to perform the services under this contract, and such personnel shall not be the employees of, nor have a contractual relationship with, the City.
- 3. Assignability. T.E.A.M. shall not assign any interest in this contract and shall not transfer any interest in the same without the prior written approval of the City.
- 4. Agreement Period. This Agreement shall be effective May 1, 2016 until April 20, 2017 or until terminated as provided in paragraph 5 hereof.
- 5. Termination of Contract. Either T.E.A.M. or the City may, by giving written notice specifying the effective date which shall not be less than thirty (30) days from the date such notice is given, terminate this contract in whole or in part. In the event of termination, all property and finished or unfinished documents and other writings prepared by T.E.A.M. under this contract shall be delivered to the City and T.E.A.M. shall be entitled to compensation for time expended to the date of termination and expenses incurred.

6. Independent Contractor. The relationship between the T.E.A.M. and the City shall be that of an independent contractor. Nothing herein shall in any way make or create any employer- employee relationship between T.E.A.M. and the City.

7. Standard of Performance and Insurance; Indemnity. All services to be performed by T.E.A.M. hereunder shall be performed in a skilled, professional and non-negligent manner. T.E.A.M. shall obtain and maintain at its cost and expense:

7.1. Comprehensive general liability insurance that covers T.E.A.M. pursuant to this Agreement with a combined single limit of liability of at least One Million Dollars (\$1,000,000.00).

7.2. Professional liability insurance that covers the planning, engineering, and design services performed by T.E.A.M. for the City with a combined single limit of liability of at least One Million Dollars (\$1,000,000.00). Said policy need not name the City as an additional insured. It shall be T.E.A.M.'s responsibility to pay any retention or deductible for the professional liability insurance.

7.3. Worker's compensation insurance covering T.E.A.M. (if an individual) and all of T.E.A.M.'s employees with coverages and limits of coverage required by law.

T.E.A.M. shall indemnify and hold harmless the City from and against all errors, omissions and/or negligent acts causing claims, damages, liabilities and damages arising out of the performance of its services hereunder.

T.E.A.M. certifies that T.E.A.M. is in compliance with all applicable worker's compensation laws, rules and regulations. Neither T.E.A.M. (if an individual) nor T.E.A.M.'s employees and agents will be considered the City's employees. Any claims that may arise under any worker's compensation laws on behalf of any employee of T.E.A.M. and any claims made by any third party as a consequence of any act or omission on the part of T.E.A.M. or any employee of T.E.A.M. are in no way the City's obligation or responsibility. By signing this Agreement, T.E.A.M. certifies that T.E.A.M. is in compliance with these laws and regulations.

T.E.A.M. shall deliver to the City, concurrent with the execution of this Agreement, one or more certificate(s) of insurance evidencing that T.E.A.M. has the insurance required by this Agreement in full force and effect. The City shall be named as additional insured under T.E.A.M.'s comprehensive general liability policy. The insurer will provide at least thirty (30) days prior written notice to the City, without fail, of any cancellation, non-renewal, or modification of any of T.E.A.M.'s comprehensive general liability policy or coverage evidenced by said certificate(s) for any cause, except for nonpayment of premium. The insurer will provide at least ten (10) days prior written notice to the City, without fail, of any cancellation of any of T.E.A.M.'s comprehensive general liability policy or coverage evidenced by said certificate(s) for nonpayment of premium. T.E.A.M. shall provide the City with appropriate endorsements to T.E.A.M.'s comprehensive general liability policy reflecting the status of the City as an additional insured and requiring that the foregoing required notice of cancellation, material

alteration or non-renewal be provided to the City by the insurance company providing such insurance policy to T.E.A.M.

8. Other Projects. T.E.A.M. and the City may, by separate agreement, identify special projects for which the services of T.E.A.M. are desired and that are outside the scope of this Agreement. Such separate agreement shall specify the work to be performed on such separate projects and the fees to be paid to T.E.A.M. in connection with such special projects.

9. Compensation. T.E.A.M. shall be compensated for the services to be performed hereunder as set forth in Exhibit A. T.E.A.M. shall submit to the City itemized statements of services rendered during each month setting forth the date such services were rendered, a description of the services rendered, the person performing such services, and the amount of time expended in performing such services.

10. Recordkeeping. T.E.A.M. hereby agrees:

10.1. To maintain all books, documents, papers, accounting records and other evidence pertaining to the fees and expenses for which it seeks payment or reimbursement hereunder and appropriate records with respect to the services performed by it under this Agreement.

10.2. To make such materials available at its office at all reasonable times during the Agreement Term and for three (3) years from the date of final payment under this Agreement for inspection by the City and copies thereof shall be furnished to the City upon request by the City.

11. Data Practices Act. T.E.A.M. acknowledges that the City is subject to the provisions of the Minnesota Government Data Practices Act. T.E.A.M. must comply with the Minnesota Government Data Practices Act, Minnesota Statutes, Chapter 13, as it applies to all data provided by the City in accordance with this Agreement and as it applies to all data created, collected, received, stored, used, maintained, or disseminated by T.E.A.M. in accordance with this Agreement. The civil remedies of Minnesota Statutes § 13.08, apply to T.E.A.M. and the City. Minnesota Statutes, Chapter 13, provides that all government data are public unless otherwise classified. If T.E.A.M. receives a request to release the data referred to in this Section, T.E.A.M. must immediately notify the City and consult with the City as to how T.E.A.M. should respond to the request. T.E.A.M.'s response shall comply with applicable law, including that the response is timely and, if T.E.A.M. denies access to the data, that T.E.A.M.'s response references the statutory basis upon which T.E.A.M. relied. T.E.A.M. does not have a duty to provide public data to the public if the public data is available from the City.

12. Confidentiality. T.E.A.M. agrees that, at all times, both during the term of this Agreement and after the termination of this Agreement, it will be faithful to the City by not divulging, disclosing or communicating to any person, firm or corporation, in any manner whatsoever, except in furtherance of the business of the City or as required by any applicable law, rule, regulation or ordinance of the City or any other governmental authority, any information of any kind, nature or description concerning any matters affecting or relating to the business, employees, agents, customers of the City, or parties contracting with the City.

13. Intellectual Property Rights. For the purposes of this Agreement, Project Materials means copyrights and all works developed in the performance of this Agreement, including, but not limited to, the finished product and any deliverables, including any software or data.

Project Materials do not include any materials that T.E.A.M. developed, acquired or otherwise owned or had a license to use prior to the date of this Agreement.

All Project Materials are agreed by T.E.A.M. to be "works made for hire" as defined under 17 U.S.C. §101, for which the City has the sole and exclusive right, title and interest, including all rights to ownership and copyright and/or patent. In addition, T.E.A.M. hereby assigns all right, title and interest, including rights of ownership and copyright in the Project Materials to the City.

T.E.A.M. shall provide the City, at no additional cost to the City, with copies of all Project Materials.

Upon request by T.E.A.M., the City may authorize T.E.A.M. to use specified Project Materials to evidence T.E.A.M.'s professional capabilities. In all such uses of Project Materials by T.E.A.M., reference shall be made to the City and the Project and that the Project Materials are owned by the City.

T.E.A.M. also acknowledges and agrees that all names and logos provided to T.E.A.M. by the City for use in connection with the Project are and shall remain the sole and exclusive property of the City.

T.E.A.M. agrees not to use the name, logo, or any other marks owned by or associated with the City or the name of any representative of the City in any sales promotion work or advertising, without the prior written permission of the City in each instance. However, T.E.A.M. may use the name of the City in a document required to be filed with, or provided to, any governmental authority or regulatory agency to comply with applicable legal or regulatory requirements. T.E.A.M. agrees to provide the City with a copy of any such document.

15. Notices. Any notice required to be given under this Agreement shall be deemed sufficient if in writing, sent by mail to the last known office address of T.E.A.M., or to the City at 5105 Maple Grove Road, Hermantown, Minnesota 55811.

16. Miscellaneous. This Agreement constitutes the sole and complete agreement relating to the subject matter of this Agreement between the parties, superseding any and all other agreements between the parties and no verbal or other statements, inducements or representations have been made or relied upon by either party. No modifications hereof shall be binding upon either party unless in writing and properly executed.

17. No Contractual Authority. T.E.A.M. shall have no authority to enter into any contracts or agreements binding upon the City or to create any obligations on the part of the City.

IN WITNESS WHEREOF, T.E.A.M. Consulting Group, Inc., and the City of Hermantown, Minnesota, have executed this contract as of the date first above written.

T.E.A.M. aka
Total Employee Assistance Management

CITY OF HERMANTOWN, MINNESOTA

By _____

By _____

Its _____

Its _____

Date: _____

Date: _____

And

And

By _____

Its _____

Date: _____

ADDITIONAL SERVICES*

Service	Member Cost w/ Full EAP Services
Face to Face Assessment	Included
Short Term Solution Focused Counseling	Included
Workplace Reintegration	Included
Newsletter Articles	Included
On Line Work/Life Services	Included
Return to Duty Conference	Included
Conflict Resolution	Included
Management Consultation	Included
Substance Abuse Evaluations	Included
Employee Orientations/Supervisory Training	Included
Critical Event Stress Management & Onsite Response	\$150.00 per hour per clinician
Workplace Effectiveness & Compliance Trainings	\$150 per hour
Personal Effectiveness Seminars	\$150 per hour
Team Building Exercises	\$150 per hour
Meeting Facilitation	\$150 per hour
Organizational Development	\$150 per hour

**Travel time & expenses are additional*

TO: Mayor & City Council
FROM: John Mulder, City Administrator
DATE: July 1, 2016
SUBJECT: Ordinance – City
Administrator Authority



Meeting Date: 8/01/16
Agenda Item: Ordinance 2016-51
11A

REQUESTED ACTION

Hold the first reading of an ordinance related to the authority of the City Administrator for hiring and entering into contracts

BACKGROUND

The purpose of this ordinance amendment is to clarify the authority of the City Administrator related to hiring of subordinate employees and entering into contracts.

In recent months, the City has hired a number of new employees. The practice has been for the City Administrator to have the City Council involved in the hiring process of the Department Heads, but not for subordinate employees. It is important that the City Council be involved in the hiring process for the management team, but the Council should expect the City Administrator and Department Heads to make the hiring decision for subordinate employees. This ordinance clarifies and codifies the current practice.

It has always been unclear what authority the City Administrator has related to entering into contracts for services. There are instances, when the City needs to contract for services to deal with emergencies or accomplish a specific tasks for a very limited time. In those instances, waiting for Council action becomes problematic due to the timing of the need. The ordinance refers to an amount in the City Administrator's employment agreement, but there is no reference to that authority in the agreement. It is proposed to set this amount at \$10,000 and have it codified into an ordinance. Purchases would still need to be within the overall city budget, and would be included in the check run for the City Council.

MN Statutes 412.271 (Subd 8) allows the City Council to delegate authority to pay certain claims.

In the 7 years, I have served as the City Administrator I have never been bonded. Since this has not been the practice, it is recommended that this section be deleted.

SOURCE OF FUNDS (if applicable)

n/a

ATTACHMENTS

Ordinance 2016-51

Ordinance No. 2016-51

The City Council of the City of Hermantown does ordain:

**AN ORDINANCE AMENDING HERMANTOWN CODE OF ORDINANCES
SECTION 220 - CITY ADMINISTRATOR**

Section 1. Amendment of Section 220 - City Administrator Section 220 is hereby amended as follows:

220.03.1.2. Recommend to the City Council the appointment and removal on the basis of merit and performance, ~~all department heads and subordinate employees;~~

220.03.1.2.1 The City Administrator and/or his/her designee shall have the authority to appoint all subordinate employees including the Accountant, Chief Deputy, and the City Clerk.

220.03.2. The City Administrator shall have authority to sign purchase orders for routine services, equipment and supplies for which the cost does not exceed \$10,000. ~~an amount as may be determined from time to time by the employment contract of the City Administrator or resolution of the City Council.~~ All claims against the City resulting from orders placed by the City Administrator shall be audited for payment by the City Council. In all cases, the City Administrator shall comply with the 2001 Hermantown Code, applicable statutes and rules and regulations of the City Council.

~~**220.04 Bond Required.** Before entering upon the duties of this office, the City Administrator shall furnish a corporate surety bond to be approved by the City Council as to amount and by the City Attorney as to form. The bond shall be conditioned upon the faithful performance of his or her duties. The premium for the bond shall be paid by the city.~~

Dated: _____

Mayor

Attest:

City Clerk

Adopted: _____

Published: _____

Effective Date: _____

(in context)

Section 220 - City Administrator

220.01 Office Established. The office of City Administrator of the City of Hermantown shall be hereby continued. The City Administrator shall be the administrative head of the government of the city and responsible for the efficient administration of all departments of the city.

220.02 Appointment, Compensation and Tenure. The City Administrator shall be appointed by the City Council. The City Administrator shall be appointed for an indefinite term. The City Administrator's compensation shall be established by the City Council. The City Administrator may, at any time, be removed from office by a majority vote of the members of the City Council, subject to the terms of any applicable employment contract.

220.03 Duties and Responsibilities.

220.03.1. The specific duties and responsibilities of the City Administrator shall include:

220.03.1.1. Subject to City Council regulation and applicable laws, control and direct the administrative affairs of the City;

220.03.1.2. Recommend to the City Council the appointment and removal on the basis of merit and performance, all department heads and subordinate employees;

220.03.1.2.1 The City Administrator and/or his/her designee shall have the authority to appoint all subordinate employees including the Accountant, Chief Deputy, and the City Clerk.

220.03.1.3. Attend meetings of the City Council and participate in discussion;

220.03.1.4. Recommend to the City Council such measures as City Administrator shall deem necessary for the welfare of the citizens of the City and the efficient administration of the affairs of the City;

220.03.1.5. Maintain, if so directed by the City Council, an Administrative Code for adoption by the City Council;

220.03.1.6. Make periodic reports of the financial condition and needs of the City to the City Council when and as requested by the City Council;

220.03.1.7. Prepare an annual budget and capital improvement program for approval by the City Council;

220.03.1.8. Maintain financial guidelines for the City within the scope of the City Administrator's responsibilities;

220.03.1.9. Be responsible for all personnel matters for the City pursuant to policies established by the City Council and recommend to the City Council for its approval, employee salaries, benefits and working conditions; and

220.03.1.10. Represent the City at official functions as directed by the City Council and maintain good public relations with the citizens of the community;

220.03.2. The City Administrator shall have authority to sign purchase orders for routine services, equipment and supplies for which the cost does not exceed \$10,000. ~~an amount as may be determined from time to time by the employment contract of the City Administrator or resolution of the City Council.~~ All claims against the City resulting from orders placed by the City Administrator shall be audited for payment by the City Council. In all cases, the City Administrator shall comply with the 2004 Hermantown Code, applicable statutes and rules and regulations of the City Council.

220.03.3. The City Administrator shall monitor all consulting and contracted work performed for the city and cooperate with all consultants appointed by the City Council.

220.03.4. The City Administrator shall be informed regarding federal, state and county programs which affect the city and consult with officials of both public and private agencies as may be required.

220.03.5. The Administrator shall perform other duties as shall be assigned to the City Administrator by the City Council.

220.04 Bond Required. ~~Before entering upon the duties of this office, the City Administrator shall furnish a corporate surety bond to be approved by the City Council as to amount and by the City Attorney as to form. The bond shall be conditioned upon the faithful performance of his or her duties. The premium for the bond shall be paid by the city.~~

TO: Mayor & City Council
FROM: Josh Bergstad, Planner



DATE: July 22, 2016
SUBJECT: Ordinance Opting out of State
Temporary Family Healthcare
Dwellings Statute

Meeting Date: August 01, 2016
Agenda Item: Ordinance
11-B **2016-52**

REQUESTED ACTION

Council to hold the first reading to approve an Ordinance amending Section 145 of the Hermantown Zoning Ordinance opting out of Minn. Stat. Sec. 462.3593 which defines and regulates Temporary Family Healthcare Dwellings.

DESCRIPTION OF REQUEST

On May 12, 2016, Governor Dayton signed, into law, a bill creating a new process for landowners to place mobile residential dwellings on their property to serve as a temporary family health care dwelling. Community desire to provide transitional housing for those with mental or physical impairments and the increased need for short term care for aging family members served as the catalysts behind the legislature taking on this initiative. The resulting legislation sets forth a short term care alternative for a "mentally or physically impaired person", by allowing them to stay in a "temporary dwelling" on a relative's or caregiver's property.

The law allows cities to pass an ordinance opting out of the law. The effective date of the law is September 16, 2016 so an ordinance opting out needs to be passed by that date.

The new law overrides the city's zoning authority to allow temporary family health care dwellings. The City's setback requirements do apply, however. The City does have the ability to implement its own local rules regulating temporary family healthcare dwellings but first must opt out of the state ordinance as the language of the statute does not allow a partial opt out or alteration of the law.

The Planning and Zoning Commission held a public hearing on July 19, 2016 to consider the proposed amendment to the Zoning Ordinance. After receiving no public comments the Planning and Zoning Commission unanimously recommended the attached ordinance changes to the City Council.

SOURCE OF FUNDS (if applicable)

N/A

ATTACHMENTS

- Ordinance

Ordinance No. 2016-52

The City Council of the City of Hermantown does ordain:

**AN ORDINANCE OPTING-OUT OF THE REQUIREMENTS OF MINNESOTA
STATUTES, SECTION 462.3593**

Section 1. Addition of Section. Section 145 – Opting out of Minnesota Statutes, Section 462.3593 is added as follows:

145.01 Pursuant to authority granted by Minnesota Statutes, Section 462.3593, subdivision 9, the City of Hermantown opts-out of the requirements of Minnesota Statutes Sec. 462.3593, which defines and regulates Temporary Health Care Dwellings.

Section 3. Added to Code. The terms and provisions of this ordinance shall be added in the appropriate place in Title 1 of the Hermantown Zoning Ordinance after adoption and becoming effective.

Section 4. Effective Date. The provisions of this Ordinance shall be effective after adoption immediately upon publication once in the official newspaper of the City of Hermantown.

Dated: _____

Mayor

Attest:

City Clerk

Adopted: _____

Published: _____

Effective Date: _____

TO: Mayor & City Council

FROM: Josh Bergstad, Planner



DATE: July 20, 2016

Meeting Date: August 01, 2016

SUBJECT: C-1 & C-1A Zoning District Text
Amendment

Agenda Item:

REQUESTED ACTION

Council to hold the first reading to approve an Ordinance amending Section 525 – C-1, Office/Light industrial and Section 530- C-1A, Office/Light Industrial/Adult uses to allow auto or truck sales, repair, parts or supplies.

DESCRIPTION OF REQUEST

Currently, the City of Hermantown does not allow for auto or truck sales, repair, parts or supplies in the City's C-1, Office/Light Industrial zoning district but does allow it in the C-Commercial district. The City has received inquiries in the past regarding auto or truck sales in this district.

After discussion at a staff level as well as with the Planning and Zoning Commission in a work session, there appeared to be support for adding language to the C-1 and C-1A zoning districts to allow for auto or truck sales, repair, parts or supplies.

City staff views the Highway 53 corridor as a commercial/office related node and by allowing for auto or truck sales, repair, parts or supplies throughout the entirety of this corridor it provides for another potential use in the otherwise more restrictive C-1 and C-1A zoning districts. Currently, about 350 acres of land is zoned C-1 and C-1A all within a 1.5 mile stretch of Highway 53 between Ugstad and Vaux Road.

The C-1 and C-1A zoning districts are specifically intended for larger lot sizes and not slated for public utilities to achieve a lower density development than the C zoning district. The addition of the auto and trucks sales, services, repairs, parts, or supplies should not alter that general character. Auto or truck sales, repair, parts, or supplies is similar to equipment sales and services which is already allowed in the C-1 and C-1A zoning districts.

The Planning and Zoning Commission held a public hearing on July 19, 2016 to consider the changes. After receiving no comments the Planning and Zoning Commission unanimously recommended the zoning ordinance amendment.

FINDING OF FACTS

1. The proposed allowbale use is compatible with existing allowed uses and occurring uses in the C-1 and C-1A zoning districts specifically equipment sales and services.
2. The proposed change to the zoning ordinance is consistent with the Hermantown Comprehensive Plan Concept #5 to "Develop new commercial uses in areas with similar

uses, adequate public infrastrucutre, including fire, police and emergency services, highway and arterial road access and without adverse visual or environmental impacts on existing, established residential, public, recreational or commercial development”.

SOURCE OF FUNDS (if applicable)

N/A

ATTACHMENTS

- Ordinance

Ordinance No. 2016-53

The City Council of the City of Hermantown does ordain:

**AN ORDINANCE AMENDING HERMANTOWN ZONING ORDINANCE SECTION 525
- C-1, Office/Light Industrial AND 530 – C1A, Office/Light Industrial/Adult Uses**

Section 1. Amendment of Section 525 – C-1, Office/Light Industrial. Section 525.02.8 and Section 530 C1A, Office/Light Industrial/Adult Uses, Section 530.02.8 shall be added as follows:

525.02.8. Auto or truck sales, repair, parts or supplies.

530.02.8 . Auto or truck sales, repair, parts or supplies.

Section 2. Added to Code. The terms and provisions of this ordinance shall be added in the appropriate place in Title 5 of the Hermantown Zoning Ordinance after adoption and becoming effective.

Section 3. Effective Date. The provisions of this Ordinance shall be effective after adoption immediately upon publication once in the official newspaper of the City of Hermantown.

Dated: _____

Mayor

Attest:

City Clerk

Adopted: _____

Published: _____

Effective Date: _____

TO: Mayor & City Council
FROM: John Mulder, City Administrator
DATE: July 19, 2016
SUBJECT: Cable TV Studio Equipment



Meeting Date: 8/1/16
Agenda Item: 12-A
Resolution: 2016-93

REQUESTED ACTION

Approve purchase of Cable TV studio equipment from VSA in the amount \$13,825

BACKGROUND

Upgrades to the Cable TV studio were included in the 2016 budget. Quotes were solicited that would allow the playback of recorded programming from a computer hard drive as opposed to having to playback from a DVD deck.

Both quotes include a quote for two hard drives (a 1 terabyte hard drive , and 2 terabyte hard drive). The 1 terabyte hard drive would work, but it is recommended the larger hard drive (2 terabyte) because video takes up significant storage space. This would provide close to 500-600 hours of storage.

This would be a state-of-the-art playback system, which would allow us to forego any need for playback decks (which are becoming harder and harder to service and find interface units for). All student programming and programming received from the community/government would be copied into the hard drive and broadcast to the community from that hard drive (not from DVDs).

The lowest bid for this equipment comes in at \$13,825 (including the larger hard drive) from Video Service America. This company was recommended by the staff at PACT in Duluth.

This quote does not include wiring and studio set up in the school building. So, in addition, we will need to pay the wiring/studio set-up cost when the building opens. The head of the PACT system in Duluth indicated to expect to pay \$2000-\$3000 for that set-up (this is a very rough estimate but certainly within our budgeted amount). . They recommended Audio-Visual Resources in Duluth for that work. The have been contacted to request an August set-up time.

SOURCE OF FUNDS (if applicable)

Budgeted \$18,000 in the Cable TV Fund (Fund 260)

ATTACHMENTS

Quote from VSA - \$13,825 (not including the \$875)
Quote from EPA - \$14,975 (not including the \$940)

Resolution No. 2016-93

**RESOLUTION APPROVING QUOTATION FROM VIDEO SERVICE AMERICA
FOR CABLE TELEVISION EQUIPMENT IN THE AMOUNT OF \$13,825**

WHEREAS, the City is in need of new Cable Television Equipment; and

WHEREAS, a Proposal has been submitted by Video Service America respect to such equipment, which is attached hereto in response to a request from the City; and

WHEREAS, the City Council has duly considered the attached Proposal for Cable Television Equipment and believes that it is in the best interests of the City of Hermantown for it to approve the quotation of Video Service America.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hermantown that the quotation from Video Service America is approved and the quotation attached hereto between the City of Hermantown and Video Service America.

Councilor _____ introduced the foregoing resolution and moved its adoption.

The motion for the adoption of such resolution was seconded by Councilor _____ and, upon a vote being taken thereon, the following voted in favor thereof:

and the following voted in opposition thereto:

WHEREUPON, such resolution was declared duly passed and adopted.

TO: Mayor & City Council
FROM: John Mulder, City Administrator
DATE: July 25, 2016
SUBJECT: Availability Charges – Hwy 53



Meeting Date: August 1, 2016
Agenda Item: Resolution 2016-94
12- B

REQUESTED ACTION

Approve the establishment of availabilities at 5068 Miller Trunk Hwy and 5074 Miller Trunk Hwy.

BACKGROUND

In 2015, the City entered into an agreement with BDP Inc (Kolar) to have a sewer line constructed from the Kolar Auto Detailing Center at 5040 Miller Trunk Hwy to the west to connect near the Hermantown Square. The City agreed that if they built the sewer, the City would pay up to \$30,000. (Resolution 2015 54). The intent was that this would then make sanitary sewer available to parcels 395-0010-03035 (Dale Bures, 5068 Miller Trunk Hwy) and 395-0010-03030 (Colin Mahai 5074 Miller Trunk Hwy). During the construction of the sewer, Mr. Dale Bures requested that a lateral be installed to allow for a future connection to his property. That additional work was paid for by the city and totals \$2,863.

Per the City's policy on Utility Availability Charges (Resolution 2013-06) the City can "establish an availability charge for connecting to the infrastructure for all properties benefiting from the improvement"

Parcel Number	Name & Address	Sewer Availability Charge
395-0010-03035	Dale Bures 5068 Miller Trunk Hwy	\$17,863
395-0010-03030	Colin Mahai 5074 Miller Trunk Hwy	\$15,000

The amounts reflect the cost to the City split evenly and the cost of the additional work for Mr. Bures. Per the policy, the availability charges would increase by a certain percentage each year as determined by the City Council but be capped at 150% of the original availability charge. The property owners would not be required to pay the availability charge until they connect to the sewer.

SOURCE OF FUNDS (if applicable)

n/a

ATTACHMENTS

Map showing the affected properties
Resolution establishing a Sewer Availability Charge

Resolution No. 2016-94

**RESOLUTION ADOPTING AVAILABILITY CHARGES
FOR PROJECT 445 – HIGHWAY 53 SEWER**

WHEREAS, the City of Hermantown has caused the improvements identified as Project 445 Highway 53 Sewer to be constructed (“Project”); and

WHEREAS, the Project includes the construction of sewer (“Utility”); and

WHEREAS, the City constructed the Project pursuant to statutory powers granted to it including, without limitation, § 444.075 of the Minnesota Statutes; and

WHEREAS, the City desires to impose just and equitable charges for the availability of the Utility pursuant to Minnesota Statutes § 444.075, Subd. 3; and

WHEREAS, proposed availability charges for the Utility (“SAC”) have been prepared by the City Administrator with the assistance of the City Engineer and they are shown on Exhibit A attached hereto; and

WHEREAS, the City Council, having received and considered all of the evidence presented to it upon the entire City file in this matter, hereby makes the following:

FINDINGS OF FACT

A. The methodology followed by the City in determining the proposed SAC to be reserved against the affected properties was and is fair, equitable and reasonable.

B. The SAC against the affected properties are and were based upon benefits received by the various properties and the amount of the SAC against any particular parcel of property does not exceed the benefits received by such parcel of property.

C. On the basis of the foregoing Findings of Fact, which are hereby adopted, the City Council of the City of Hermantown is hereby resolved as follows:

1. The SAC shown on Exhibit A attached hereto are hereby adopted and shall constitute the SAC against each piece and parcel of property named therein.

2. The SAC shall be payable as follows:

2.1 The SAC listed on the Exhibit A attached hereto shall become payable upon the first connection being made to the Utility from the property affected by the SAC as the case may be.

2.2 The SAC shall be payable in cash or pursuant to a City Utility Contract.

3. The City Clerk shall mail a notice of the adoption of this Resolution to the owners of each piece and parcel of property affected by this Resolution. Such notice shall be in substantially the form of the one attached as Exhibit B

4. The City Clerk shall record a Certificate of Availability Charge in the form of the one attached hereto as Exhibit C with the appropriate land title recording office for each piece and parcel of property affected by this Resolution.

Councilor _____ introduced the foregoing resolution and moved its adoption.

The motion for the adoption of such resolution was seconded by Councilor _____ and, upon a vote being taken thereon, the following voted in favor thereof:

and the following voted in opposition thereto:

WHEREUPON, such resolution was declared duly passed and adopted.

EXHIBIT A

SAC Charges

<u>NAME & ADDRESS</u>	<u>AMOUNT OF SAC</u>
Parcel # 395-0010-03030 Colin Mahai 5962 Helm Rd Duluth MN 55811-9645	\$15,000
Parcel #395-0010-03035 Dale Burres 5068 Miller Trunk Highway Hermantown MN 55811	\$17,863

EXHIBIT B - 1

NOTICE OF AVAILABILITY CHARGE

Hermantown, Minnesota
_____, 20__

TO:

This is to notify you that Resolution No. 2016-XX established the final availability charges for the construction of Project 445 Highway 53 Sewer which was adopted by the City Council of the City Council of the City of Hermantown on August __, 2016 pursuant to Minnesota Statutes, § 444.075. Resolution 2016-XX is on file for inspection in the office of the City Clerk.

As a result of the adoption of the Resolution No. 2016-XX, a sewer availability charge of \$15,000 ("SAC") has been reserved against the property owned/occupied/leased by you which has been assigned CVT-Plat-Parcel Number 395-0010-03030. The SAC will be payable in cash or under a standard City Utility Contract with interest thereon at the rate then applicable to City Utility Contracts.

The SAC will become payable upon, and only upon, the first connection to the sewer main from your property.

CITY OF HERMANTOWN

By _____
Its City Clerk

EXHIBIT B - 2

NOTICE OF AVAILABILITY CHARGE

Hermantown, Minnesota
_____, 20__

TO:

This is to notify you that Resolution No. 2016-XX established the final availability charges for the construction of Project 445 Highway 53 Sewer which was adopted by the City Council of the City Council of the City of Hermantown on August __, 2016 pursuant to Minnesota Statutes, § 444.075. Resolution 2016-XX is on file for inspection in the office of the City Clerk.

As a result of the adoption of the Resolution No. 2016-XX, a sewer availability charge of \$17,863 ("SAC") has been reserved against the property owned/occupied/leased by you which has been assigned CVT-Plat-Parcel Number 395-0010-03035. The SAC will be payable in cash or under a standard City Utility Contract with interest thereon at the rate then applicable to City Utility Contracts.

The SAC will become payable upon, and only upon, the first connection to the sewer main from your property.

CITY OF HERMANTOWN

By _____
Its City Clerk

EXHIBIT C - 1
Certificate of Sewer Availability Charge

CERTIFICATE OF SEWER AVAILABILITY CHARGE

The City of Hermantown hereby certifies that a Sewer Availability Charge ("SAC") of \$15,000 has been reserved pursuant to the provisions of Hermantown Resolution No. 2016-XX against the parcel of property ("Property") legally described on Exhibit A attached hereto, which has been assigned CVT-Plat-Parcel Number 395-0010-03030 by the St. Louis County Auditor.

The SAC is not a lien on the Property, but is in the nature of a connection charge. This Certificate is being recorded against the Property to provide notice that a SAC may be imposed on the property when a hook up is made to the sewermain from your property. Unless a connection is made to the sewermain, the SAC will never become payable.

For further details with respect to such Sewer Availability Charge please contact the City Clerk of the City of Hermantown.

Dated the _____ day of _____, 2016.

CITY OF HERMANTOWN

By _____
Its Clerk

STATE OF MINNESOTA)
)ss.
COUNTY OF ST. LOUIS)

The foregoing instrument was acknowledged before me this _____ day of _____, 2016 by Deborah Lund, the City Clerk, of the City of Hermantown on behalf of the City of Hermantown.

NOTARIAL STAMP OR SEAL

Signature of Person Taking Acknowledgement

This Instrument was drafted by:

Steven C. Overom
31 W Superior Street, Suite 402
Duluth MN 55802
(218) 726-0805

EXHIBIT C - 1

Certificate of Sewer Availability Charge

CERTIFICATE OF SEWER AVAILABILITY CHARGE

The City of Hermantown hereby certifies that a Sewer Availability Charge ("SAC") of \$17,863 has been reserved pursuant to the provisions of Hermantown Resolution No. 2016-XX against the parcel of property ("Property") legally described on Exhibit A attached hereto, which has been assigned CVT-Plat-Parcel Number 395-0010-03035 by the St. Louis County Auditor.

The SAC is not a lien on the Property, but is in the nature of a connection charge. This Certificate is being recorded against the Property to provide notice that a SAC may be imposed on the property when a hook up is made to the sewermain from your property. Unless a connection is made to the sewermain, the SAC will never become payable.

For further details with respect to such Sewer Availability Charge please contact the City Clerk of the City of Hermantown.

Dated the _____ day of _____, 2016.

CITY OF HERMANTOWN

By _____
Its Clerk

STATE OF MINNESOTA)
)ss.
COUNTY OF ST. LOUIS)

The foregoing instrument was acknowledged before me this _____ day of _____, 2016 by Deborah Lund, the City Clerk, of the City of Hermantown on behalf of the City of Hermantown.

NOTARIAL STAMP OR SEAL

Signature of Person Taking Acknowledgement

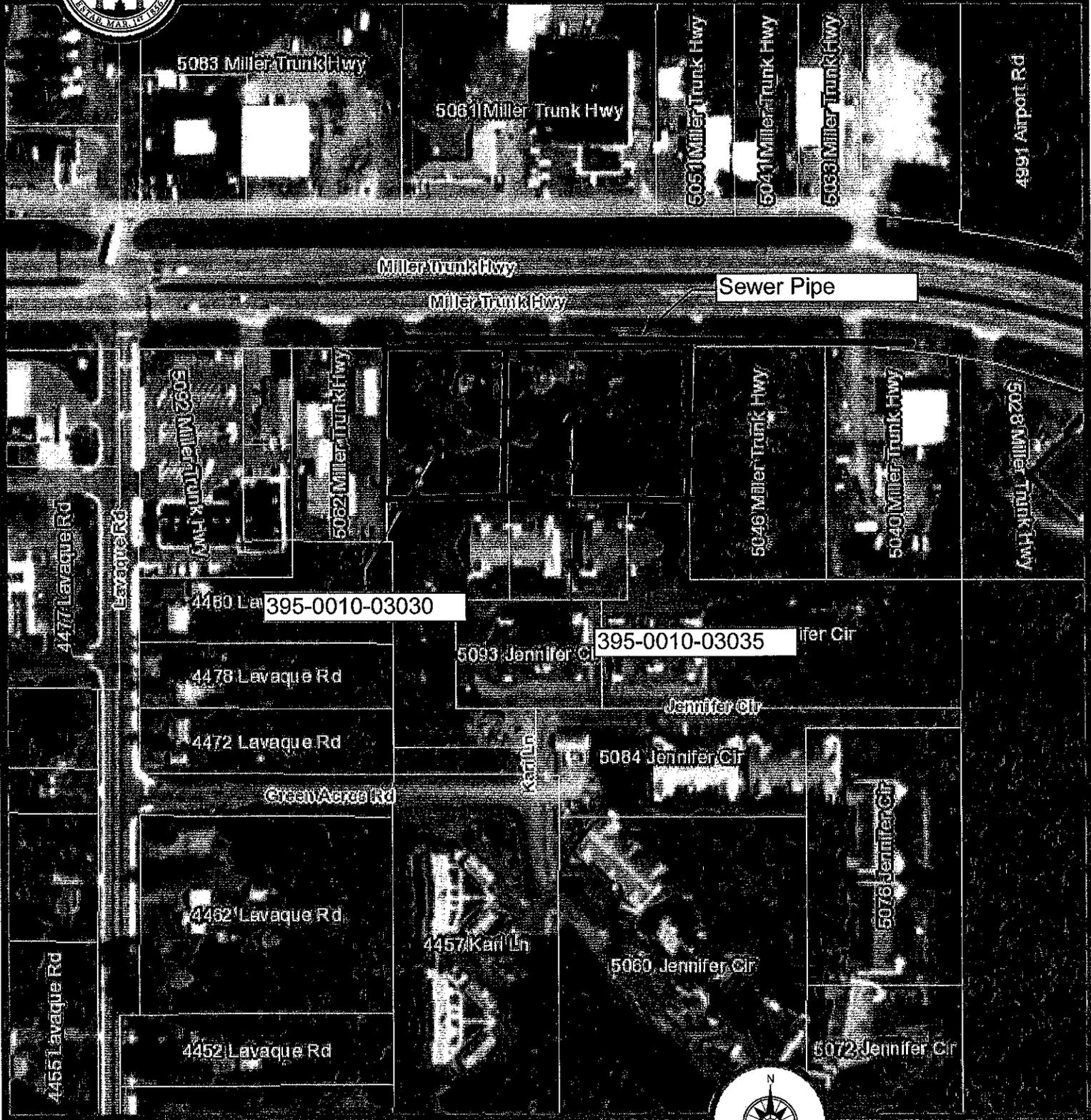
This Instrument was drafted by:

Steven C. Overom
31 W Superior Street, Suite 402
Duluth MN 55802
(218) 726-0805



County Land Explorer

St. Louis County, Minnesota



Hwy 53 Sewer

Availability Charges



County Land Explorer

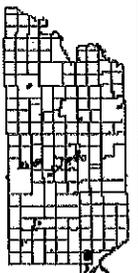
St. Louis County www.stlouiscountymn.gov/CourtyLandExplorer Minnesota

Disclaimer

This is a compilation of records as they appear in the Saint Louis County Offices affecting the area shown. This drawing is to be used only for reference purposes and the County is not responsible for any inaccuracies herein.

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gis.stlouiscountymn.gov/CountyLandExplorer

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TO: Mayor & City Council
FROM: Kevin Orme, Finance Director
DATE: July 20, 2016
SUBJECT: NBC Non-Exclusive Banking Services



Meeting Date: 8/1/2016
Agenda Item: 12-C
Resolution: 2016-95

REQUESTED ACTION

Approve using National Bank of Commerce as Non-Exclusive Banking Services

BACKGROUND

The City has used Wells Fargo as its main bank for several years now. On June 17th the City issued a RFP for banking services as it has been quite a few years since a banking RFP has been issued.

The City received four RFP proposals back by the July 11th deadline. The four banks responding were: Wells Fargo, U.S. Bank, National Bank of Commerce, and North Shore Bank of Commerce. After reviewing the four RFP's we are recommending National Bank of Commerce be approved as a City of Hermantown Non-Exclusive Banking Service. They have a Hermantown branch and the City would see a substantial savings in banking fees over our current bank. The target date for implementation is by October 1st.

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

Resolution No. 2016-95

**RESOLUTION AUTHORIZING AND DIRECTING THE MAYOR AND CITY CLERK
TO ENTER INTO A NON-EXCLUSIVE BANKING SERVICES AGREEMENT WITH
NATIONAL BANK OF COMMERCE**

WHEREAS, in June 2016 the City Finance Director sent out Request for Proposals for non-exclusive banking services; and

WHEREAS, the Hermantown City Council has recommended that the proposal of National Bank of Commerce be accepted.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hermantown, Minnesota that the Mayor and City Clerk are hereby authorized and directed to execute and deliver on behalf of the City of Hermantown the three-year banking services agreement with National Bank of Commerce.

Councilor _____ introduced the foregoing resolution and moved its adoption.

The motion for the adoption of such resolution was seconded by Councilor _____ and, upon a vote being taken thereon, the following voted in favor thereof:

and the following voted in opposition thereto:

WHEREUPON, such resolution was declared duly passed and adopted.

A.) Minimum Eligibility:

- a. National Bank of Commerce is Federally chartered and regulated by the OCC
- b. National Bank of Commerce is Federally Insured

B.) Business Organization:

a. Banking Services Available:

- i. National Bank of Commerce is a full service community bank offering all banking services at each location, including:

- 1. Checking
- 2. Savings
- 3. Signature Banking
- 4. Lending
- 5. eServices
 - a. Online Banking
 - b. Cash Management (ACH & Wire)
 - c. Bill Pay Internet Banking
 - d. Remote Deposit Capture
 - e. ePay
 - f. Merchant Services

b. Locations:

- i. Nearest Location: Hermantown: 4105 Richard Ave, Hermantown, MN 55811
 - 1. Office Hours: 8:30 a.m. – 5:00 p.m. M-F
 - 2. Drive thru: 7:30 a.m. – 6:00 p.m. M-F
 - 3. Drive thru: 9:00 a.m. – Noon Saturday
 - 4. Night Depository Services – no additional charge
- ii. Duluth: 1314 E Superior St., Duluth, MN 55805
- iii. Superior: 1127 Tower Ave., Superior, WI 54880
- iv. Midtown Superior: 2822 Tower Avenue, Superior, WI 54880
- v. Poplar: 4994 S. Memorial Dr., Poplar, WI 54864
- vi. Solon Springs: 9245 E Main St., Solon Springs, WI 54873

- c. National Bank of Commerce has extensive relationships with many Municipalities, Cities, Villages, Townships, School Districts, Large Non-profit organizations, government entities and large Private Sector entities throughout the region.

d. Officers assigned to City of Hermantown Accounts:

- i. Dean Bruss, Vice President Business Development
- ii. Kerstyn Hendricks, Senior Personal Banker

e. Bank Executive Officers:

- i. Steve Burgess, CEO
- ii. Bruce Thompson, President Community Banks
- iii. Jeremy Egnash, CFO

f. Attachments:

- i. Appendix A: Annual Audited Financial Statements
- ii. Appendix B: Consolidated Reports of Financial Condition
- iii. SEC 10-Q not applicable to this institution

- g. Specifically assigned to the City of Hermantown accounts would be Dean Bruss, VP Business Development and Kerstyn Hendricks, Senior Personal Banker. Our team prides itself on being available and agile for our customers needs. The city would have cell phone communication with both individuals for needs beyond normal working hours.

C.) References:

- a. The School District of Superior would like to provide a reference to both Dean Bruss and National Bank of Commerce for the banking transition of a large educational institution. The Superior School has approximately 4700+ students and 850+ staff. This was an excellent transition experience for all parties with continued successful results. Please find their contact information listed below.
 - i. Alayna Burger, Finance Director 715-394-8716
 - ii. Cheryl Downs, Administrative Accounting
 - iii. Janette McDonald, Administrative Accounting
- b. The City of Superior would like to provide a reference as well. A long term customer of the bank, the City of Superior supplies services to over 27,000 residents and has an annual budget of over 27 million dollars.
 - i. Jean Vito, Finance Director: 715-395-7291
 - ii. Chris Bronson, Assistant Finance Director: 715-395-7291
- c. Ram Mutual Insurance, Esko, MN, a large private sector organization would also like to provide a reference for Dean Bruss and National Bank of Commerce.
 - i. Angie Salmi – 218-655-0205

A.) General Information:

B.) Accounts:

a. Business Analysis Checking:

- i. \$12 monthly maintenance fee
- ii. 0.0015% earnings credit allowance
- iii. Free mobile and online banking
- iv. Sweep options
- v. Free Debit Cards

b. Public Money Market Account:

- i. Under 100M 0.046% 0.05% APY
- ii. 100M – 4MM 0.146% 0.015% – 0.05% APY
- iii. Over 4MM 0.096% 0.015% – 0.12% APY

1. This is a blended rate account. Actual APY varies based on account balance. APY above based on balance of 2MM and 5MM.

2. \$1000 minimum balance to open

iv. 6 withdrawals per month at no charge

1. Currently there is no additional charges for any additional withdrawals per month for institutional customers.

1.) Direct Deposit of Payroll Payments

a. Cash Management – ACH Services

i. ACH files for Direct Deposit can be uploaded to our system in NACHA format. There is also a template for easy to build ACH files manually as well.

ii. \$30 Monthly Cash Management Service Charge

1. \$5 Per ACH Batch

2. \$00.07c per item

a. There is no difference in pricing between one and two day items

b. Files can be uploaded until 4pm for next business day processing.

2.) Merchant Services

a. National Bank of Commerce partners with First Data Merchant Services, the largest merchant service provider in the nation. With that partnership we have access to their entire network of merchant services. The City would be put into a pass through pricing contract (interchange plus), the lowest possible pricing for any merchant service contract. Example of low contract pricing:

i. **Standard Swipe Terminal:**

1. FD-130 Terminal or Clover Mini

a. Terminals are approximately \$350 each.

b. One free terminal per agreement

2. MC/Visa/Discover:

a. 0.0005% Plus Interchange

b. 0.05c Authorization fee

3. American Express:

a. 0.0055% Plus Interchange

b. 0.05c Authorization fee

4. \$16.95/month PCI DSS compliance fee
- ii. **Online payment portal: Payeezy Gateway**
- iii. <https://developer.payeezy.com/>
- iv. Payeezy has a developer portal for creating your customized payment portal for accepting payments from customers. One of the largest payment processors in the world. Complete control of your payments page without ever having to be in contact with card holder data. 24/7 Payeezy Customer Support.
 1. The bank has a 3rd party developer that will contract directly with the city for the creation of a payments page if necessary.
 2. MC/Visa/Discover
 - a. 0.0005% Plus Interchange
 - b. 0.05c Authorization fee
 3. American Express
 - a. 0.0055% Plus Interchange
 - b. 0.05c Authorization fee
 4. \$16.95/month PCI DSS Compliance
 5. \$10.00/month Gateway fee

3.) Wire Services

- a. Wire Services:
 - i. Wires can be processed by the City electronically via the Cash Management System or via phone to your Account Representatives or the Wire Department.
 - ii. Domestic Wires:
 1. \$10 – Outgoing
 2. \$15 – Incoming
 - iii. International
 1. \$50 – Outgoing (must be processed directly through the bank)
 2. \$15 – Incoming

4.) ACH Transactions

- a. Cash Management is the ACH/Wire portal that is utilized by National Bank of Commerce. This platform is accessed directly through your online banking portal. The ACH files are uploaded to the system and date of file transmission selected.
 - i. Files can be uploaded and initiated up to ten business days in advance.
- b. The ACH system accepts NACHA file format for Direct Deposit. The City would be underwritten for an appropriate ACH limit and, within that limit, any number of transmissions are possible by the customer.
 - i. If customer needs to exceed limits, that can be handled and authorized directly with Account Manager on a same day basis typically, depending upon limit requested.
- c. ACH Transactions logs are accessible indefinitely in the Cash Management system.
- d. Files can be uploaded in NACHA format OR files can be manually created in an easy to use template.
 - i. The Bank will provide ongoing assistance with creating all new templates during the transition process.

5.) Stop Payments:

- a. Stop payments can be placed on ACH files as well as paper checks.
- b. Information necessary to place a Stop Payment:
 - i. Payee Name
 - ii. Amount of item
 - iii. Check number if applicable
 - a. If ACH: whether it is reoccurring
- c. Cost:
 - i. \$30 per stop payment
- d. How to place stop payments:
 - i. User can place directly through Online Banking
 - 1. Call Account Executive to place

6.) Returned Check Processing

- a. All returned items are automatically presented a second time
 - i. Cost \$10

7.) Website Access:

- a. www.nbcbanking.com
- b. Online functionality allows for all standard banking options:
 - i. Transfer of Funds
 - ii. Online Bill Pay
 - iii. ACH & Wire Features
 - iv. Individual User Viewing Rights & Privilege
 - 1. Each online banking user will have appropriate permissions (per the City) as to the accounts that they will be viewing/transfers/created ACH/etc.
 - 2. These rights and permissions are completely customizable can be changed at any time upon contact with your Account Representative

8.) Account Analysis

- a. Statements are closed on the last calendar day of the month.
- b. Statements are available for viewing online on the 1st business day of the month.
- c. Paper statements are shipped on the 1st business day of the month.

9.) Imaging:

- a. CD imaging will be provided to the City at no charge
- b. All images will be available with each online statement as well; 18 month historical statements available online at all times.

10.) Interest Revenue:

- a. Earnings Credit:
 - i. 0.015% earnings credit applied to all average collected balances on operating account; used to offset balances
 - 1. This earnings credit would have a 12 rolling month carry forward cycle, meaning, you would get credit for all high balance months carried forward through lower balanced months.
- b. Public Money Market Account:
 - i. Under 100M 0.046% 0.05% APY
 - ii. 100M – 4MM 0.146% 0.015% – 0.05% APY
 - iii. Over 4MM 0.096% 0.015% – 0.12% APY
 - 1. This is a blended rate account. Actual APY varies based on account balance. APY above based on balance of 2MM and 5MM.
 - 2. \$1000 minimum balance to open.

11.) ACH Filters:

- a. All City accounts would be provided with ACH filters, at no charge. Such filters will only allow debits from ACH originators that have been authorized by the City.
 - i. When an unauthorized debit is received, the City will be contacted in the morning of that day for authorization via telephone and email. If no authorization is received before 11 a.m., the debit will be returned.

12.) Business Credit Cards

- a. Business Edition Visa with Absolute Rewards
- b. No annual Fee / No Monthly Fee
 - i. 5 points per \$1 spent on qualifying business expenses (up to \$25,000 per 12 billing cycles.)
 - ii. 2 points per \$1 spent on qualifying gas and dining (up to \$25,000 per 12 billing cycles)
 - iii. 1 point per \$1 spent on all other purchases
- c. Rewards can be redeemed for travel, cash back as statement credit, gift cards, and merchandise.
- d. Automatic Discounts on qualifying purchases with Visa SavingsEdge
- e. Free 24/7 Online Access for managing the account.
- f. Free Management Reports
 - i. Track expenses, monitor spending, prepare tax filings, forecast expenses
- g. Fraud Protection
 - i. Visa Zero Liability Policy; extended warranties; travel accident insurance and identity theft protection

13.) Positive Pay

- a. Positive Pay is accessed similarly to the Cash Management system, through the online banking website. Excel, CSV, or tab delimited files are uploaded directly to this site. The Bank will work with the City to ensure that the files that your system is generating are in the current format to be accepted by the Positive Pay system.
- b. \$25 per month
 - i. No per item charges

14.) Conversion Plan

- a. The Bank has worked with the transition of several large municipal/public entities in this fashion, one of which, the School District of Superior, has agreed to provide a reference to in the recent transition of such accounts. The Account Representative and back up would be available throughout this process, and ongoing, to work with transition ACH templates, Positive Pay set up, Merchant Service set up, etc. As each entity will have different needs, we have a department that is willing to work at your location for whatever length of time is needed for this transition.

15.) Deposits beyond Insurance:

- a. National Bank of Commerce has two options for collateralization of Deposits:
 - i. Deposits can be collateralized by municipal bonds, owned by the bank, at 110% of the deposit balance. Depositor and Bank will enter into a Depository Pledge Agreement (Appendix C) with a Custodian of the pledged assets.
 - ii. Alternatively, the Bank may request from the Federal Home Loan Bank of Chicago to establish in favor of Depositor, an Irrevocable Letter of Credit. The Letter of Credit carries an Aaa and AA+ rating by Moody's and S&P, respectively. FHLBC can issue a PUD Letter of Credit to collateralize the deposits of municipal customers anywhere in the United States. (Appendix D)

16.) Information Reporting:

- a. Access to your online account would allow access to all banking services including ACH; Wire; Positive Pay and Account Management services.

17.) Service Enhancements/New Services:

- a. There are currently several new electronic services that are in various stages of approval at National Bank of Commerce. As it is typically not the policy of the bank to divulge information on products or processes that are not yet approved and finalized no further comment can be made at this time

18.) Additional Commentary:

a. Security

i. The bank utilizes the highest standards of industry security protocols which are regularly tested and reviewed by both Internal and External auditors. These practices are also regularly reviewed by OCC Regulators.

ii. Sweeps:

i. The bank could set up any type of account sweep that the City would like to move money between accounts automatically based on parameters provided to us by the City. There would be no charge for sweeps on this account.

b. Remote Deposit Capture:

i. Remote Deposit Capture would have to be implemented with this contract for the "desktop deposit" services as requested in the Appendix A of the RFP. This agreement typically has a \$500 implementation fee, however, that fee is being waived for this contract. The scanner would remain property of the bank, however, you would have no ongoing expense for the scanner equipment. If said equipment needed to be replaced in the future, there would be no additional charge for check scanning equipment for the term of this contract.

Terms:

This pricing will be considered valid for a three year period with the option to renew for two additional one year periods for a possible total of 5 years.

Any change in pricing would be provided to the City within sixty days of the end of the contract term or renewal period.

This contract may be terminated by either party by giving the other party written notice of such intent not less than one hundred twenty days to the effective date of termination.

Please sign below to indicate your acceptance of the above terms.

Sincerely,

Dean M. Bruss
VP Business Development
National Bank of Commerce

Date

City of Hermantown

Kevin Orme, Finance Director

Date

TO: Mayor & City Council
FROM: John Mulder, City Administrator



DATE: July 26, 2016

Meeting Date: August 1, 2016

SUBJECT: Sales Tax Referendum
Question

Agenda Item: Resolution 2016-96
12- D

REQUESTED ACTION

Approve the question to be posed to the voters regarding a propose expansion of the use of the Hermantown sales tax.

BACKGROUND

In April, the City Council approved a request to the MN Legislature to expand the use of sales tax to include the construction and equipping of a regional, multiuse wellness center. Both the Senate and House passed bills that would allow the city to do so, if approved by the local voters on November 8, 201 general election. The tax bill was ultimately vetoed by the Governor. There is now a possibility that a special session may be held by the legislature to make corrections to the tax bill that would be acceptable to the Governor.

Given the wording in the tax bill, it is recommended that the question be placed on the November ballot. To do so, it requires the City Council to approve the wording of the question prior to August 16th. If the Legislature and Governor are able to finalize the tax bill which includes the sales tax provisions, the City will be ready to pose the question to the voters. If approved by the voters, the City would then be able to use a portion of the existing sales tax to fund the Wellness Center. If approved, then per the legislation, the sunset provision of the current sales tax would be extended until December 31, 2036.

SOURCE OF FUNDS (if applicable)

n/a

ATTACHMENTS

Resolution

Resolution No. 2016-96

**RESOLUTION APPROVING QUESTION TO BE POSED TO VOTERS
REGARDING A PROPOSED HERMANTOWN SALES TAX**

WHEREAS, on April 25, 2016, the Hermantown City Council approved Resolution 2016-52 expanding its sales tax to provide funds for the construction and equipping of a regional, multi-use wellness center; and

WHEREAS, the Hermantown City Council has requested the Minnesota Legislature to expand the use of the Hermantown sales tax to construct and equip a regional multiuse wellness center; and

WHEREAS, a draft question to submit to the voters has been drafted and approved by the City Attorney and City Administrator; and

WHEREAS, the City Council has considered such draft question and believes such question to be appropriate to submit to the voters.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hermantown, Minnesota:

1. The question to be posed to the voters of the City of Hermantown shall be as follows:

Shall the present use of the City sales tax be expanded to include the construction and equipping of a regional, multiuse wellness center.

2. The above question shall be submitted to the voters at the general election to be held on November 8, 2016.
3. The City Clerk is hereby authorized and directed to take such actions as are necessary and appropriate to cause such question to be placed on the applicable ballot.

Councilor _____ introduced the foregoing resolution and moved its adoption.

The motion for the adoption of such resolution was seconded by Councilor _____ and, upon a vote being taken thereon, the following voted in favor thereof:

and the following voted in opposition thereto:

WHEREUPON, such resolution was declared duly passed and adopted on the ____ day of _____ 2016.

TO: Mayor & City Council

FROM: Chief Crace

DATE: July 2, 2014

SUBJECT: SRO Contract



Meeting Date: 8/15/16

Agenda Item: 12-E

REQUESTED ACTION: Approve the renewal contract with the Hermantown School District for SRO Services

BACKGROUND: This agreement has been in place for decades; it is an agreement for services rendered by the police department , to the school for law enforcement and security services.

SOURCE OF FUNDS (if applicable) N/A

ATTACHMENTS: Proposed agreement for the 2016-2017 and 2017-2018 school years.

Resolution No. 2016-97

**RESOLUTION AUTHORIZING AND DIRECTING MAYOR
AND CITY CLERK TO EXECUTE AND DELIVER AGREEMENT
BETWEEN THE HERMANTOWN POLICE DEPARTMENT AND
HERMANTOWN COMMUNITY SCHOOLS FOR POLICE/SCHOOL
LIAISON OFFICER**

WHEREAS, a cooperative effort by Independent School District No. 700 and the Hermantown Police Department to reduce delinquency and crime in the community, and to provide educational, prevention opportunities and security with our youth for a better understanding of law and law enforcement; and

WHEREAS, an Agreement for School Resource Officer ("SRO") between the City of Hermantown Police Department and Independent School District No. 700 with respect to such services is attached hereto; and

WHEREAS, the City Council has duly considered the attached Agreement for SRO services and believes that it is in the best interests of the City of Hermantown for it to enter into such Agreement with Independent School District No. 700.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hermantown that the Mayor and City Clerk are hereby authorized and directed to execute and deliver on behalf of the City of Hermantown the Agreement for SRO Services attached hereto between the City of Hermantown and Independent School District No. 700.

Councilor _____ introduced the foregoing resolution and moved its adoption.

The motion for the adoption of such resolution was seconded by Councilor _____ and, upon a vote being taken thereon, the following voted in favor thereof:

and the following voted in opposition thereto:

WHEREUPON, such resolution was declared duly passed and adopted.

**HERMANTOWN POLICE DEPARTMENT
HERMANTOWN COMMUNITY SCHOOLS
SCHOOL RESOURCE OFFICER**

I. PURPOSE

A cooperative effort by Independent School District No. 700 and the Hermantown Police Department to reduce delinquency and crime in the community, and to provide educational, prevention opportunities and security with our youth for a better understanding of law and law enforcement.

II. DEFINITION

The School Resource Officer (SRO) will be a Hermantown police officer with a minimum of two years of law enforcement experience. The SRO will assist in the coordination of a community approach involving the schools, parents, police and outside resources reaching the needs of both youth and the community.

III. ASSIGNMENT

Assignments to the SRO program are a temporary assignment and shall not be deemed a promotion. Reassignment may occur at any time, depending on the needs and priorities of the police department administration.

The officer's immediate supervisor will coordinate the duty schedule of the SRO. During school holidays and days off, the SRO is to resume patrol duties or as assigned otherwise.

IV. DUTIES OF THE SCHOOL RESOURCE OFFICER

1. Operate under the direct administration and supervision of the Hermantown Police Department and School Administration
2. Serve as a resource to staff, administration, parents and students regarding police and juvenile policies and procedures.
3. Coordinate with school administration for prevention and awareness educational subjects taught in the classroom.
Mentoring – Reading Program
Vocational – Drug & Tobacco Education
“Just say No” Programs – Bullying
4. Respond to teachers' requests to speak in classes on other appropriate subjects.
5. Perform public relations activities, as requested by department supervisor and the School District.
6. Meet as needed with the Student Council, School Improvement Team and staff at the schools.

7. Work in conjunction with the District's psychologist, social worker and counselors as a resource person.
8. Work closely with the department supervisor and officers within the department on incidents concerning juveniles.
9. Establish a schedule for participation/visitation at the middle and elementary schools.
10. Work in cooperation with other agencies that support children's need and issues.
 - a) Make referrals to appropriate agencies.
11. Perform necessary and appropriate law enforcement functions.
12. Provide police supervision and security at extracurricular activities, as needed.
There will be no overtime charged to the School District.

V. COMPENSATION

The School District will, in exchange for the School Resource Officer's service, pay the City of Hermantown a sum of Sixty-Eight Thousand- Five Hundred Dollars (\$68,500) on or before March 1, 2017 for the 2016-2017 school year ; and Seventy-One Thousand Dollars (\$71,000) on or before March 1, 2018 for the 2017-2018 school year.

VI. TERMINATION

Either party may terminate this agreement with thirty (30) days notice or based upon the elimination of the Safe School levy, which directly funds the SRO services and DARE Program. Payment to the City would then be based on a prorating of service days provided. Unless sooner terminated by either party hereto, this agreement shall terminate and be of no further force and effect on June 30, 2018.

HERMANTOWN I.S.D. #700

CITY OF HERMANTOWN

Date: _____

Mayor
Date: _____

ATTEST:

City Clerk
Date: _____

TO: Mayor & City Council
FROM: Kevin Orme, Finance Director
DATE: July 8, 2016
SUBJECT: Capital Asset Policy



Meeting Date: 8/1/16
Agenda Item: 12-F
Resolution: 2016-98

REQUESTED ACTION

Approve Change in Capital Asset Policy

BACKGROUND

The City currently has a comprehensive Capital Asset Policy adopted in 2004 and revised a few years ago. I took a look at this policy and decided to propose some revisions. The biggest revision is changing the capitalization threshold on assets from \$5,000 to \$20,000. This is basically an internal accounting matter. I consulted with other Cities and our auditor on this proposed change and found no issues with it. Other changes in this revised policy hopefully will simplify and streamline the process for our department heads.

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

Revised Capital Asset Policy

Resolution No. 2016-98

RESOLUTION ADOPTING REVISED CAPITAL ASSET POLICY

Handbook for the City of Hermantown		
Policy – X Resolution No. 2013-135		Procedure
Date Adopted 12/2004	Title: Capital Asset Policy	Section: Fin Reports and Records
Revision Dates: 6/ 2016		Page: 1 of 21



Capital Asset Policy

Original: December 2004

Revised July 27, 2016

Handbook for the City of Hermantown		
Policy – X Resolution No. 2013-135		Procedure
Date Adopted 12/2004	Title: Capital Asset Policy	Section: Fin Reports and Records
Revision Dates: 6/ 2016		Page: 2 of 21

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Handbook for the City of Hermantown		
Policy – X Resolution No. 2013-135		Procedure
Date Adopted 12/2004	Title: Capital Asset Policy	Section: Fin Reports and Records
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City of Hermantown Capital Asset Policy

INTRODUCTION

Purpose

It is the City's responsibility to maintain adequate control over all assets. This includes keeping an accurate, complete, and up-to-date record and a strategy to minimize the risk of loss or misuse. In addition, the record serves as the work papers used to prepare the City's Annual Financial Statements. Due to the requirements of GASB Statement #34 and for ease of administration, it is necessary to update our capital asset threshold and revise our asset policy periodically. A capital asset is to be reported and depreciated in government-wide financial statements. That same capital asset is not reported on the governmental statement.

Background

The Finance Department maintains a capital asset inventory list for both the General Fund and Enterprise Funds. This list records all assets with a value at or above the capitalization threshold and a useful life greater than two years. The General Fund capital assets are accounted for in the General Fixed Asset Account Group and these assets are not depreciated nor are they accounted for in the General Fund's *governmental* financial statement. However those same assets are recorded and depreciated on the *government-wide* financial statements. The capital assets of the Enterprise Funds are recorded similar to a private business in that the assets are capitalized on the *governmental* balance sheet and depreciation is expensed on the income statement.

Goal

The goal of the Capital Asset Policy is to define a capital asset and provide a guide to help maintain the capital asset and inventory accounting system. This system records the use and disposition of capital assets and inventory assets and provides asset data for use as a management tool.

Objectives

To maintain a proper system of internal accounting controls regarding the acquisition and disposition of capital assets and inventory assets.

To substantiate capital asset values in accordance with Generally Accepted Accounting Principles (GAAP) for financial reporting purposes.

To provide data to complete long range planning for asset maintenance and replacement and aid in budget preparation, analysis, and approval.

Handbook for the City of Hermantown		
Policy – X Resolution No. 2013-135		Procedure
Date Adopted 12/2004	Title: Capital Asset Policy	Section: Fin Reports and Records
Revision Dates: 6/ 2016		Page: 4 of 21

To provide depreciation calculations for those assets which depreciation has been determined to be an appropriate expense measure.

To assign responsibility for the custody and proper use of specific capital assets and inventory assets to the appropriate department officials.

To provide information for insurance purposes.

ASSETS: CAPITAL ASSET VS. CONTROLLABLE (INVENTORY) ASSET

Overview

For the purposes of this policy, each asset is further broken down into either a Capital asset or a Controllable (inventory) asset. The difference is explained below.

Capital Asset

The term “Capital Asset” is used to describe assets that are used in operations and that have initial lives extending beyond a single reporting period. The capitalization threshold for the City is an asset with a value equal to or greater than \$20,000 and has an estimated useful life of at least two years.

Controllable (Inventory) Asset

In general, inventory refers to those items below the capitalization threshold with a life of less than two years. Maintaining schedules and records of capital assets costing \$19,999 or less will be the respective departments’ responsibility. The Finance Department will provide a capital asset/inventory report to review at year-end. For internal control purposes, all assets valued between \$1,000 - \$19,999 for computer equipment and other assets with an estimated life of at least two years should be inventoried, but not capitalized. In addition these purchases will be expensed in the appropriate departments’ operating budget.

ACCOUNTING SYSTEM

Accounting Structure

The City maintains assets in various funds depending on their type and function. The list below describes the funds and the types of assets included.

Water Enterprise Fund – accounts for all of the capital assets needed in the operation of the water utility system.

Sewer Enterprise Fund - accounts for all of the capital assets needed in the operation of the sewer utility system.

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Street Light & Traffic Signalization Enterprise Fund – accounts for all of the capital assets utilized for lighting streets and signalizing intersections.

General Fixed Asset Account Group (GFAAG) – accounts for all capital assets used by general city departments that are not accounted for in enterprise funds.

DEFINITIONS

Buildings, Structures & Building Improvements

A building is a structure that is permanently attached to the land, has a roof, is particularly or completely enclosed by walls, and is not intended to be transportable or movable. Buildings should be recorded at either their acquisition cost or construction cost. The cost of new construction should be carefully evaluated. Usually projects consist of major components such as land, land improvements, building construction (including professional fees and permits), furniture, fixtures and equipment. In addition, buildings include components (e.g., roof, air conditioner system, heating, ventilating, plumbing, lighting, floor & ceiling cover such as carpeting or tile, etc.) that should be recorded separately when significant because these building improvement components have different useful lives. The value of each component needs to be determined and placed within its own category. Note: Building improvements that extend the useful life should be capitalized. Examples of building improvements include roofing projects, major energy conservation projects, installation of sprinkler system or central air conditioning, or remodeling and replacing major building components. Building improvements should not include maintenance and repairs done in the normal course of business.

Capital Asset

The term “Capital Asset” is used to describe assets that are used in operations and that have initial lives extending beyond a single reporting period. Capital Assets include: land held for resale, land, land improvements, easements, buildings, structures & building improvements, infrastructure, vehicles, machinery & equipment, office furniture & equipment, construction in progress and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. A capital asset is to be reported and, with certain exceptions, depreciated in government-wide statements.

Capitalization Threshold

The dollar value at which the city elects to capitalize tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Construction in Progress

Construction in progress is an accounting valuation of assets (typically buildings, infrastructure) currently being built or assembled, in terms of the cumulative costs incurred up to the balance sheet date. The construction accounts are typically supported by capital project funds and should

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be used to accumulate and record construction related transactions and costs until such time as the asset is complete and placed into service. Expenditures include construction cost, contractor payments, interest costs & other costs required to finish the project. Construction in progress should be capitalized and not depreciated. It should be reported with land and other non-depreciating assets at the government-wide level. Note: Unspent debt proceeds from capital assets related debt should be reported in the net position section of the statement of net position as “restricted for capital projects.”

Controllable (Inventory) Assets

Assets that do not meet the capitalization thresholds but are required to be recorded and tracked for internal control purposes. Controllable assets are to be recorded & tracked by department heads and reported to the Finance Department. The Finance Department will provide a capital asset/inventory asset report to review at year-end. Controllable assets are generally assets with a cost of \$1,000 or greater but below the capitalization threshold. See **Appendix B** for dollar value of controllable assets inclusion and exclusion.

Depreciation

The process of allocating the cost of assets over a period of time, rather than deducting the cost as an expense in the year of acquisition.

Depreciation Method

The method used to calculate the allocation (depreciation) of the cost of the capital asset over its estimated useful life (**Appendix D**). The most commonly used method is straight-line depreciation, which allocates the cost evenly over the life of the asset.

Full Month Convention

Under the full month convention, property placed in service at any time during a given month is treated as if it had been placed in service on the first day of that month. This allows depreciation to be taken for the entire month in which the asset is placed into service. If the property is disposed of before the end of the estimated useful life, no depreciation is allowed for the month of disposition.

Infrastructure

Assets that are long lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. Examples include water & sewer mains, drainages systems, curb, gutter, roads/streets, outdoor/street lighting, signage, sidewalks, bridges, tunnels, etc.

Infrastructure Improvements

Infrastructure improvements are capital costs that materially extend the useful life or increase the value of the infrastructure, or both. Road resurfacing will generally not be considered an infrastructure improvement, as this does not materially extend the useful life.

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Land

Land is to be capitalized but not depreciated. It is valued at historical cost and remains at that value until disposal. If there is a gain or loss on the sale of land, it is reported as a special item in the statement of activities.

Land Held For Resale

Land purchased with the intent of resale is to be recorded at its current market value.

Land Improvements

Land improvements include items such as excavation, non-infrastructure utility installation, athletic fields, trails, parking lots, flagpoles, retaining walls, fencing, and other non-building improvements intended to make the land ready for its intended purpose. Land improvements can be further categorized as non-exhaustible and exhaustible.

Exhaustible - Other improvements that are part of a site, such as parking lots, landscaping and fencing, are usually exhaustible and are therefore depreciable. Depreciation of site improvements is necessary if the improvement is exhaustible.

Non-Exhaustible - Expenditures for improvements that do not require maintenance or replacement, expenditures to bring land into condition to commence erection of structures, expenditures for improvements not identified with structures, and expenditures for land improvements that do not deteriorate with use or passage of time are additions to the cost of land and are generally not exhaustible and therefore not depreciable. These costs should be considered as land.

Leased Equipment

Equipment should be capitalized if the lease agreement meets any one of the following criteria:

- The lease transfers ownership of the property to the governmental unit by the end of the lease.
- The lease contains a bargain purchase option (an option extending to the lease the right to purchase the leased property at a price so favorable that the exercise of the option appears, at the inception of the lease, to be reasonably assured.).
- The lease term is equal to 75% or more of the estimated life of the leased property.
- The present value of the minimum lease payments at the inception of the lease equals at least 90% of the fair value of the leased asset.
- Leases that do not meet any of the above requirements should be recorded as an operating lease and reported in the notes to the financial statements.

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Capital leases are capitalized at the lesser of either the present value or the fair-market value. The present value is determined to be the amount that would be borrowed to purchase the asset at the inception of the lease.

Machinery & Equipment

Assets including motorized and non-motorized equipment that has a primary function or use for a city street, park, utility maintenance, police services, etc. It includes items such as tractors, mowers, snowplows, emergency radio systems, wells, lift stations, water storage systems (towers), etc.

Maintenance

Activities that ensure that the capital asset remains, as nearly as practical, in its original condition or its subsequent improved condition, subject to normal depreciation. Costs incurred to keep the capital asset in service of its original intended purpose over its normal expected useful life.

Office Furniture & Equipment

Assets such as furniture, computer & video equipment, copiers, fax machines, etc. Some assets, individually, may fall below the capitalization threshold but when purchased in large quantities are material or significant and should be grouped or capitalized at a lower threshold.

Salvage Value

The salvage value of an asset is the value it is expected to have when it is no longer useful for its intended purpose.

Vehicles

Motorized vehicles owned by the city such as trucks, police vehicles, 4-wheelers, etc.

POLICIES AND PROCEDURES

Capital Assets and Capitalization Thresholds

Assets may be acquired through direct purchase, construction, lease-purchase or installment purchase, eminent domain proceedings, foreclosure and donation. All acquisitions must be reported to the Finance Department in order to properly maintain the capital asset system. See **Appendix B & C** for the capital asset categories for financial reporting purposes and the capitalization thresholds under each category.

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Controllable (Inventory) Assets

Maintaining schedules and records of capital assets below the capitalization threshold will be the respective departments' responsibility. The Finance Department will provide a capital asset/inventory report to review at year-end. For internal control purposes, all items defined under "Controllable Assets" with a cost of \$1,000 or greater and an estimated life greater than two years should be inventoried and reported to the finance department, but not capitalized. In addition these purchases will be expensed in the appropriate departments' operating budget.

Cost Valuation

Capital assets should be recorded and reported at their historical cost, which includes costs necessary to placing a capital asset into its intended use or state of operation. Historical cost includes the vendors' invoice, the value of any trade-in allowance, sales tax, initial installation cost (excluding in-house labor), modifications, attachments, accessories or apparatus; and ancillary charges such as freight and transportation charges, site preparation costs, and professional fees.

Capital assets donated to the City shall be reported at fair value. Fair value is the amount at which an asset could be exchanged in a current transfer at arm's length between willing parties, other than a forced or liquidation sale. Donations are defined as voluntary contributions of resources to the City by a non-government entity. A voluntary contribution of resources between government entities is not a donation.

In the event the historical cost of a capital asset is not determinable, it will be necessary to record an estimated historical cost of the asset using alternative methods. Alternative methods include standard costing and normal costing. Standard costing estimates the historical cost of a capital asset by establishing the average cost of obtaining the same or a similar asset at the time of acquisition. Normal costing estimates historical cost based on the current cost to either reproduce or replace the capital asset, indexed by a reciprocal factor from the estimated acquisition date, i.e., taking the value of acquiring the asset new today and then discounting that amount by an appropriate inflation factor back to the date of acquisition.

Capital asset improvement costs should be capitalized if the costs exceed the capitalization threshold and either the value of the asset or estimated life is increased by 25% of the original cost, or the cost results in an increase in the capacity of the asset.

Disposal – Surplus Property

Assets are removed from use through sale, trade, obsolescence, scrap, theft, and donation. The Finance Department should be notified of any disposals so that the capital asset and/or controllable (inventory) records can be properly updated. In addition, any lost or stolen items should be reported so that the proper paper work can be submitted to our insurance provider.

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Disposal of assets that are capitalized and tracked requires City Council approval. The following procedure shall apply once approval has been granted to dispose of the asset.

City of Hermantown Ordinance Code - Surplus Property 250.03: Disposal of surplus property. City may sell its surplus property through public auction, public electronic auction and through competitive bidding according to applicable state laws. **Employees and related parties are prohibited from purchasing or receiving City surplus property.**

Assets that are sold will be disposed of in accordance with Minnesota State Statutes governing sales of surplus materials and will be retired from the capital asset system at original cost less any applicable accumulated depreciation. Any proceeds from the sales will be credited to a revenue account. Obsolete or scrapped assets will also be retired in the same manner. Public notice is required prior to the sale.

Disposal procedure:

City property / asset	Authorization	Procedure
Scrapped metal, iron, piping and other items that are delivered to a business that purchases scrapped items not capitalized according to this policy.	Department Head	Documentation including the receipt from the recycling or a similar disposal business with the City employee signature.
Less than \$1,000 for City property/asset. For example calculators, monitors, computers, cameras, tools etc.	Department Head	If in good operating condition, set aside for city auction/sale. If not in operating condition, proceed with the disposal method appropriate for the item.
City property capitalized according to the capital asset policy. (i.e. \$20,000 or more)	City Council	Per Ordinance code 250.0, details above.. Note that equipment with hard drives or other memory devises, the hard drives are to be removed and destroyed before disposal.

Other provisions, such as bond covenants or other agreements, may supersede these City procedures.

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Trade In's

An asset may be traded through a transaction involving the acquisition of a new asset. The traded assets will be retired from the capital asset system at its book value, which is original cost less any applicable depreciation.

Treatment of Subsequent Costs

Expenditures for maintenance or improvement may be made relating to an asset after its original acquisition. Costs that materially add to the value of the asset or substantially prolong its life will be capitalized. All other maintenance costs will be considered as operating expenditures or expenses in the year they were completed.

Transfers

A capital asset may be transferred between departments. The Finance Department must be notified of the change for proper allocation of costs and reporting purposes.

Depreciation

The City's depreciation method will be straight line depreciation with the full month convention.

Estimated Useful Lives

The table in **Appendix D** is to be used as a guide to determine the useful life of various assets. This is the basis for calculating depreciation and estimating replacement. This table is a guide and depending on managerial determination, can vary. Land is not depreciable and therefore, no estimated useful life is made.

Recording of Capital and Controllable (Inventory) Assets

The capital asset system maintains a complete database of all City assets that are subject to capitalization or meet the inventory requirements. Maintaining this system requires coordination and cooperation between departments that purchase, use, and dispose of assets and the Finance Department that record, maintain, and report on the capital asset system.

Exceptions

The capitalization policy should address any exceptions. For example:

Unique items that you want to track and inventory regardless of the cost (e.g. police weapons)

Groups/classes of assets where individual asset items are less than the capitalization limit, but when all assets of that group are added together the dollar amount far exceeds the capitalization limit. These groups/classes of assets should be capitalized and depreciated. An entity is more likely to capitalized groups/classes of capital assets if the assets are acquired at the same time.

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Disposition or Loss of an Asset

The Disposition or Loss of an Asset Form (**Appendix A**) must be used for all assets disposed or transferred to another department. The information required on these forms is necessary to update the capital asset database.

User Department Responsibilities

The user department is the department that purchases, controls, and uses an asset. This department is responsible for notifying the Finance Department, within two weeks, of purchases, transfers, trade-ins, retirements and improvements of an asset.

- 1) Acquisition – The user department is responsible for notifying the Finance Department along with providing copies of the invoice and/or resolution for payment. This will be used as documentation for recording the capital asset.
- 2) Disposal – The Disposition Form (Appendix A) provides a section where disposal information can be recorded. The City Administrator (or designee) must review all dispositions before they occur. The user department is responsible for notifying the Finance Department of the date, method, and any proceeds from disposal. See page 9 under Disposal – Surplus property.
- 3) Trade-ins – The Disposition Form provides a section where transfer information can be recorded. The department that transfers the asset is responsible for notifying the Finance Department of the asset transferred and the new and old locations
- 4) Transfers – The Disposition Form provides a section where trade in information can be recorded. The department that trades the asset is responsible for notifying the Finance Department of the asset traded and identify the new asset acquired.
- 5) Improvements – Finance should be notified of any costs that materially add to the value of an asset or potentially and substantially prolong its life.

Department heads are also responsible for keeping an inventory record of all controllable assets in their respective departments. This inventory record will be tracked on the fixed asset system. This will be reviewed annually in December. Periodic inventories may be required from department heads to ensure the accuracy of the inventory for controllable assets.

Finance Department Responsibility

The Finance Department is responsible for maintaining the capital asset system, preparing or helping the auditor prepare necessary financial statements and note disclosures, providing audit work papers and back-up documents, and conducting internal accounting procedures.

- 1) Capital Asset System Maintenance – All systems require maintenance in order to produce accurate and timely information. System maintenance for the capital asset system includes inputting information to the capital asset subsystem, reconciling the

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general ledger to capital asset additions reports and removing retired assets from the general and proprietary funds.

2) Annual Financial Reporting – The Finance Department is responsible for preparing or helping the auditor prepare the required statements and disclosures regarding capital assets which must be included in the City’s annual financial report.

3) Internal Accounting Controls – Proper internal accounting controls over capital assets require periodic counts and comparisons to existing subsystem records in order to determine if recorded assets still exist and if they are accounted for in the proper department. A comprehensive list will be distributed to all department heads, which will compare the list to the capital assets in use and will report any changes or discrepancies to the Finance Department.

Attachments

Appendix A – Disposition or Loss of an Asset Form

Appendix B – Capitalization Thresholds

Appendix C – Inventory versus Capital Asset Table

Appendix D – Type of Capital Assets and Estimated Useful Life

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APPENDIX A

DISPOSITION OR LOSS OF AN CAPITAL OR INVENTORY ASSET

Disposition of a capitalized asset requires City Council approval prior to disposing the asset.

This form should be completed and forwarded to Finance within 2 weeks of the disposition of any capital asset. If this trade in item is included in purchasing a new asset, please note it and complete an acquisition form for that item.

Employees and related parties are prohibited from purchasing or receiving City surplus property.

Asset No: _____

VIN/Serial #: _____

City ID/Vehicle #: _____

Description: _____

Department: _____

Date of Change: _____

Type of Change: _____

Sold (To Whom?): _____ Amount: _____

Transferred: _____ To Dept: _____

Trade In: _____ For new asset describe) _____

Destroyed: _____ How Disposed? _____

Entered on the Fixed Asset System: Yes or No

Department Head: _____

Finance Dept: _____

Insurance notified?: Yes No N/A Date of notification: _____

Notes: _____

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APPENDIX B

Capitalization Thresholds

Capital Asset Category	Capitalization Thresholds
Land & Land Improvements	\$1
Other Improvements	\$25,000
Buildings & Building Improvements	\$25,000
Equipment & Machinery	\$20,000
Vehicles	\$20,000
Infrastructure	\$50,000
Construction in Progress	Capitalize
Other Assets	\$20,000
Controllable Assets	Tracking for Inventory
Vehicles	\$1,000
Infrastructure	\$25,000
Other Assets	\$1,000
Computer Equipment	\$1,000

APPENDIX C

Inventory Versus Capital Asset Table

Capital Asset Type	Inventory	Capital Asset for Financial Reporting
Land	\$1	Capitalize only
Land Improvements	\$1	\$25,000
Building and Building Improvements	\$1	\$25,000
Construction in Progress	\$1	Capitalize only
Machinery, Equipment, and Vehicles	\$1,000	\$20,000
Infrastructure	\$25,000	\$50,000
Computer equipment	\$1,000	\$20,000

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APPENDIX D

Type of Capital Assets (and Examples) and Estimated Useful Life

Land is the surface or crust of the earth, which can be used to support structures, and may be used to grow crops, grass, shrubs, and trees; and is characterized as having an unlimited life, i.e. indefinite. Not depreciable.

Land Improvements consist of betterments, site preparation, and site improvements (other than buildings) that ready land for its intended use. The costs associated with improvements to land are added to the cost of the land. Land improvements can be further categorized as inexhaustible, not requiring maintenance or replacement; or exhaustible, e.g., parking lots, landscaping and fencing.

Include the following:

- Purchase price or fair market value at time of gift
- Commissions
- Professional fees (title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)
- Land excavation, fill, grading, drainage
- Demolition of existing buildings and improvements (less salvage)
- Removal, relocation, or reconstruction of property of others (railroad, telephone and power lines)
- Interest on mortgages accrued at date of purchase
- Accrued and unpaid taxes at date of purchase
- Other costs incurred in acquiring the land
- Water wells (includes initial cost for drilling, the pump and its casing)
- Right-of-way (permanent)

Other land improvements include land improvements that are exhaustible in nature and enhance the quality of facilitate the use of land for a specific purpose.

	<u>Estimated Useful Life</u>
• Fencing and gates	10 yrs
• Landscaping	20 yrs
• Parking lots/driveways/parking barriers	15 yrs
• Outside sprinkler systems	20 yrs
• Recreation areas & athletic fields (incl. bleachers)	15 yrs
• Paths and trails	15 yrs
• Tennis courts, basketball courts	20 yrs

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- Retaining walls 20 yrs
- Outdoor equipment 20 yrs
- Benches, Tables, Grills 5 yrs

Infrastructure assets are long-lived capital assets that are linear and stationary in nature and can be preserved for a significantly greater number of years than most capital assets.

Each infrastructure will have an individual asset inventory record by project numbers assigned to street improvements and other infrastructure projects. The infrastructure asset will be identified by the type of construction (concrete/bituminous/gravel) and the street/location description.

	<u>Estimated Useful Life</u>
• Highway	20-50 yrs
• Roads, streets, curbs, gutters	20-50 yrs
• Sidewalks	20 yrs
• Fire hydrants	25 yrs
• Dam, drainage facility	50 yrs
• Sewer Mains, lift stations	50 yrs
• Water (main lines and distribution lines, tunnels)	50 yrs
• Light system (traffic, outdoor, street, etc.)	15 yrs
• Signage	10 yrs

Buildings refer to a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. Certain buildings or structures that are ancillary parts of infrastructure networks, such as well houses and pumping stations will be reported as infrastructure rather than as buildings.

Purchased Buildings

Include the following:

- Original purchase price
- Expenses for remodeling, reconditioning or altering a purchased building to make it ready to use for the purpose for which it was acquired
- Environmental compliance (e.g., asbestos abatement)
- Professional fees (legal, architect, inspections, title searches, etc.)
- Payment of unpaid or accrued taxes on the building to date of purchase
- Cancellation or buyout of existing leases
- Other costs required to place or render the asset into operation

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Constructed Buildings

Include the following:

- Completed project costs;
- Interest accrued during construction;
- Cost of excavation or grading or filling of land for a specific building;
- Expenses incurred for the preparation of plans, specifications, blueprints, etc.
- Cost of building permits;
- Professional fees (architect, engineer, management fees for design and supervision, legal);
- Costs of temporary buildings used during construction;
- Unanticipated costs such as rock blasting, piling, or relocation of the channel of an underground stream;
- Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building; and
- Additions to buildings (expansions, extensions, or enlargements).

Improvements to Buildings

Include capitalized costs that materially extend the useful life of a building or increase the value of a building, or both, beyond two years. Building improvements should not include maintenance and repairs done in the normal course of business:

- Conversion of attics, basements, etc., to usable office, clinic, research or classroom Space;
- Structures attached to the building such as covered patios, sunrooms, garages, carports, enclosed stairwells, etc.
- Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents;
- Original installation/upgrade of wall or ceiling covering such as carpeting, tiles, paneling, or parquet;
- Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing;
- Installation or upgrade of window or door frame, upgrading of windows or doors, built-in closet and cabinets;
- Interior renovation associated with casings, baseboards, light fixtures, ceiling trim, etc.;
- Exterior renovation such as installation or replacement of siding, roofing, masonry, etc.;
- Installation or upgrade of plumbing and electrical wiring; and
- Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, wiring required in the installation of equipment (that will remain in the building).

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Other costs associated with the above improvements:

	<u>Estimated Useful Life:</u>
Buildings	40 yrs
Temporary and portable buildings	25 yrs
Roof	20 yrs
HVAC (heating, ventilation, air conditioning)	20 yrs
Electrical	20 yrs
Plumbing	20 yrs
Sprinkler System	20 yrs
Security and fire alarm system	10 yrs
Cabling	10 yrs
Floor covering other than carpet	15 yrs
Carpeting	7 yrs
Interior construction	15 yrs
Interior renovation	10 yrs
Elevators	20 yrs
Telephone	10 yrs

The following are examples of items considered repairs or maintenance in nature and **should not be capitalized** as improvements to buildings. Instead, these items should be recorded as repairs and maintenance expense:

- Adding, removing and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building;
- Improvement projects of minimal or no added life expectancy and/or value to the Building;
- Plumbing or electrical repairs;
- Cleaning, pest extermination, or other periodic maintenance;
- Interior decoration, such as draperies, blinds, curtain rods, wallpaper;
- Exterior decoration, such as detachable awnings, uncovered porches, decorative fences, etc.;
- Maintenance-type interior renovation, such as repainting, touch-up plastering, replacement of carpet, tile, or panel sections; sink and fixture refinishing, etc.;
- Maintenance-type exterior renovation such as repainting, replacement of deteriorated siding, roof, or masonry sections;
- Replacement of a part or component of a building with a new part of the same type and performance capabilities, such as replacement of an old boiler with a new one of the same type and performance capabilities; and
- Any other maintenance-related expenditure which does not increase the value of the Building.

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Equipment, machinery, vehicles, furniture refer to fixed or movable tangible assets used for operations, the benefits of which extend beyond two years from date of receipt. Include the following:

- Original contract or invoice price;
- Freight charges;
- Import duties;
- Handling and storage charges;
- In-transit insurance charges;
- Sales, use, and other taxes imposed on the acquisition;
- Installation charges;
- Charges for testing and preparation for use;
- Costs of reconditioning used items when purchased; and
- Parts and labor associated with the construction of equipment

Estimated Useful Life:

Water Meters	20 yrs
Athletic equipment	10 yrs
Bus/Office equip	7 yrs
Telecommunication equipment	10 yrs
Computer hardware	4 yrs
Furniture & fixtures, excluding structural components of a building.	10 yrs
Grounds equipment (mowers, tractors, bobcats, etc.)	10 yrs
Law enforcement equipment	10 yrs
Machinery, tools and other equipment	5 yrs
Outdoor equipment (playgrounds, scoreboards)	15 yrs
Custodial equipment	10 yrs
Photocopiers	5 yrs
Cars, light general purpose trucks (actual weight less than 13,000#)	7 yrs
Heavy general-purpose truck and equipment e.g., front loaders, graders (actual weight greater than 13,000 #)	9-50 yrs

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Policy – X Resolution No. 2013-135		Procedure
Date Adopted 12/2004	Title: Capital Asset Policy	Section: Fin Reports and Records
Revision Dates: 6/ 2016		Page: 21 of 21

Capitalized software includes software that is either purchased or developed for internal use. Internally developed or purchased software should be capitalized if the cost of the software exceeds the capitalization threshold. Include the following:

- External direct costs of materials and services (third party fees for services);
- Costs to obtain software from third parties;
- Travel costs incurred by employees in their duties directly associated with development;
- Payroll and payroll-related costs of employee's directly associated with or devoting time in coding, installing or testing; and
- Interest costs incurred during the application development.

The software should be depreciated over the software's estimated useful life. Capitalization of computer software includes software license fees, if the total dollar amount of the fee divided by the number of units or terminals exceeds the threshold.

Capital Leased Property equipment should be capitalized if the lease agreement meets any one of the following criteria:

- The lease transfers ownership of the property to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair value of the leased property.

Leases that do not meet any of the above requirements should be recorded as an operating lease and reported in the notes of the financial statements.

Capital-Related Debt is another criterion for recording capital assets. The City has carefully considered the merits of capitalizing assets purchased with debt proceeds. Capitalizing these assets would minimize the potential of negative net assets being reported in the statement of net assets. The City is required to record the debt and not recording the related asset would make it more likely that the City would have negative net position. In most cases it would be expected that these assets would normally meet the thresholds and guidelines for recording as a capital asset.

TO: Mayor & City Council
FROM: John Mulder, City Administrator



DATE: July 27, 2016 **Meeting Date:** 8/1/2016
SUBJECT: Square 37 Addition **Agenda Item:** **Resolution 2016-99**
Development Agreement **Item 12-G**

REQUESTED ACTION

Approve execution of the Development Agreement between Kevin Kuklis, Square 37 Development and City of Hermantown for Square 37 Development Addition

DESCRIPTION OF REQUEST

Requested is approval of the Development Agreement between Kevin Kuklis, Square 37 Development (Developer) and the City of Hermantown (City) for the completion of public improvements in Square 37 Development Addition, a residential subdivision approved by the City in June 2016 pending satisfaction of certain conditions.

The vast majority of the construction will be completed in the fall of 2016. However, the road, curb & gutter, & sidewalks will be constructed in 2017. The Development Agreement includes a irrevocable letter of credit in the amount of 125% of construction cost of the work that will be completed in 2017.

SOURCE OF FUNDS (if applicable)

N/A

ATTACHMENTS

Development Agreement

Resolution No. 2016-99

**RESOLUTION AUTHORIZING AND DIRECTING
THE MAYOR AND CITY CLERK TO EXECUTE AND DELIVER
DEVELOPMENT AGREEMENT WITH KEVIN KUKLIS, SQUARE 37 DEVELOPMENT**

WHEREAS, Kevin Kuklis, Square 37 Development (“Developer”) owns property located within the City of Hermantown; and

WHEREAS, Developer has requested the City to approve the Preliminary Subdivision Plat of Square 37 Development Addition (“Plat”) (“Project”); and

WHEREAS, the City of Hermantown desires to enter into a Development Agreement with Developer for the Project; and

WHEREAS, a Development Agreement has been prepared and is attached hereto; and

WHEREAS, the City Council has considered this matter and believes it is in the best interest of the City to approve the Development Agreement and to authorize and direct the Mayor and City Clerk to enter into such Agreement on behalf of the City of Hermantown.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Hermantown, Minnesota as follows:

1. The Development Agreement attached hereto is hereby approved.
2. The Mayor and City Clerk are hereby authorized and directed to execute and deliver such Agreement on behalf of the City of Hermantown.

Councilor _____ introduced the foregoing resolution and moved its adoption.

The motion for the adoption of such resolution was seconded by Councilor _____ and, upon a vote being taken thereon, the following voted in favor thereof:

and the following voted in opposition thereto:

WHEREUPON, such resolution was declared duly passed and adopted.