

Annual Budget

2020



Hermantown

Working together to serve
and build our community

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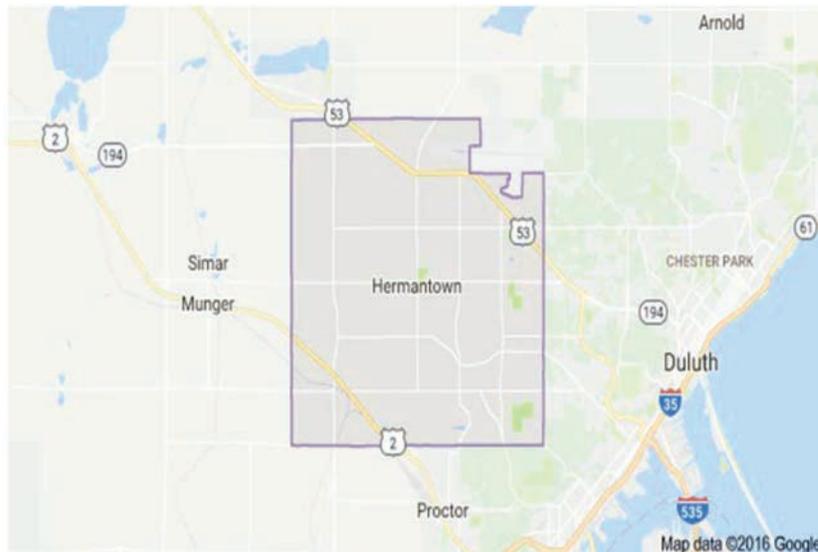
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City of Hermantown

Minnesota



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



City Statistics

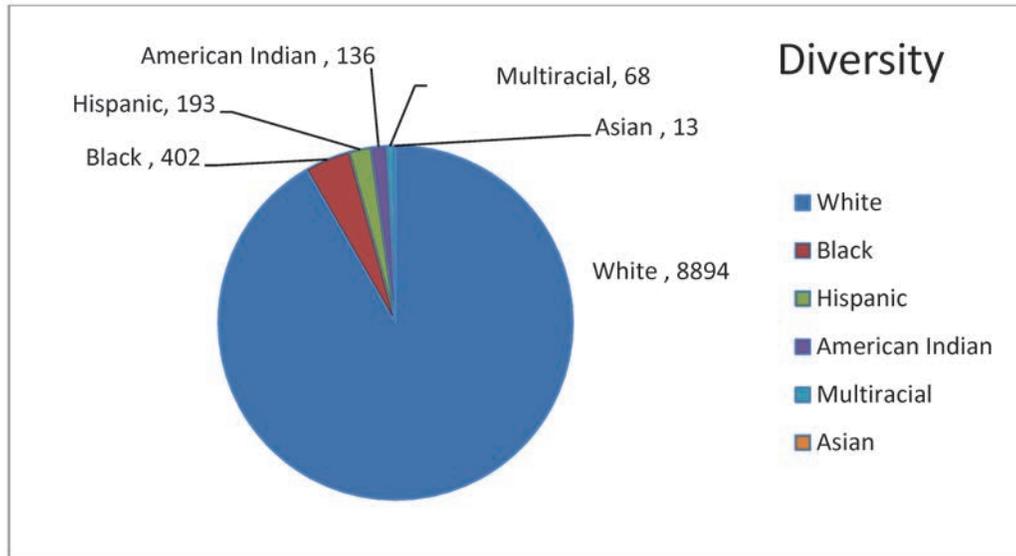
Area - 34.35 square miles
Persons per square mile – 283.3
FIPS Code – 2728682
County – St Louis
Population - 9,539 (2017 Demographer's Estimate)
Males - 5,295
Females – 4,308
Under 5 years – 4.6%
Under 18 years – 19.8%
65 years and older – 17.2%
Median resident age: 41.5

Estimated median household income in 2016:
Hermantown: \$66,386
Minnesota: \$63,217
Estimated median house or condo value in 2013:
Hermantown: \$221,800
Minnesota: \$199,700
Median gross rent: \$1,165

Households 2016 – 3,898
Persons per household – 2.48

*Data Source: US Census, American Fact Finder

Diversity in Hermantown, MN (2017)



Public Schools in Hermantown:

Hermantown Elementary K-4 (5365 W. Arrowhead Rd.)

Hermantown Middle 5-8 (4335 Hawk Circle Dr.)

Hermantown Senior High 9-12 (4335 Hawk Circle Dr.)

Educational Attainment – Age 25+

Total – 6,779

Less than 9th Grade – 2.0%

9th – 12th Grade, no diploma – 4.3%

High School Graduate – 25.8%

GED/Alternative Credential – 3.2%

Some College, No degree – 20.6%

Associate Degree – 9.6%

Bachelor's Degree – 25.1%

Graduate/Professional Degree – 9.5%

*Data Source: MN State Demographer

*Data Source: ESRI Community Profile, US Census Bureau

Total number of Businesses (2012) – 1,021

2018 Principal Employers:

Walmart, Fleet Farm, Independent School District No. 700 (Hermantown), Stepping Stones for Living, Menards, Sam's Club, Edgewood Vista and Natural Resources Research Institute (UMD).

2018 Principal Taxpayers:

ALLETE, Inc., American Transmission Co. LLC, Walmart Property Tax Department (includes Sam's Club), IRET Properties (Edgewood Vista), Steve R. Carlson, Deerfield Luxury Townhomes, BDP Enterprises and Duluth Clinic LTD.

Elections

2016 - General Elections - Registered Voters - 6,508

Early Voters - 1,159

Ballots Cast – 5,263

81% Voting

2018 - State Elections - Registered Voters – 5,864

New Registers – 449

Absentee Voters – 1,072

Ballots Cast – 4,763

76% Voting

Public Safety

Fire Protection – 3 Stations

23 Active members

ISO Class 6

Police Protection – 1 Station

15 Sworn Officers

Public Works

52.6 Miles of Asphalt Streets Maintained

19 Miles of Gravel Roads Maintained

36 Cul-de-sacs

Streets – 70.9 Miles

Recreation

325.95 Acres of City Parks, Playgrounds, Playfields and Trails

4 Parks, which encompass 2 playgrounds, 7 baseball/softball fields, 5 soccer fields, 1 skate park and 1 walking/skiing trail

Utilities Data

Municipal Water System – purchases all drinkable water from City of Duluth

2,109 Connections

63.647 Miles

435,616 Gallon Average Daily Usage

535 Hydrants for fire control

750,000 Gallons system capacity – 2 water storage tanks

Municipal Sewer System – Western Lake Superior Sanitary District

1,896 Connections

68.37 Miles of Sanitary Sewer Mains

432,876 Gallons Average Daily Usage

790 Manholes

15 Lift Stations

City Bond Ratings

AA Standard & Poor's - 2014A, 2016A, 2016B, 2018A, 2018B, and 2019A General Obligation Bonds

AA- Standard & Poor's - 2010A, 2012A and 2012B General Obligation Bonds

Community History

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

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

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

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

But the growth of the township was set back by the great forest fire of 1918, which swept through Herman and 36 other townships, including Cloquet and Moose Lake. Hardly a building in town was left standing. Among the few that did survive were the three two-room schools, the church at Maple Grove and Midway, the town hall and the Woodmen Hall (the center of all activity in the township at the time). With help from the Red Cross, the town was quickly rebuilt, but the 1920 population was down to 842.

Herman's population would soon get a boost from a new wave of homesteaders. During the hard times of the Depression the federal government built nearly a hundred "subsistence homestead" projects designed to move people trapped in poverty in the cities to new homes in rural or suburban locations. One of the two Minnesota projects was assigned to Herman.

The Jackson Project was completed in 1937. Each of the 84 homesteads had a brick veneer farmhouse; half also had a garage/barn combination. Each had five or ten acres of land. The family also received a pig, a cow, and 35 chickens. The idea was that the family would be able to raise its own food and use the profits from selling any surplus to work off its debt to the government. The units were sold to homesteaders on very liberal terms. The average price for the home and property was \$2,687.40 plus interest. Plumbing and electrical wiring were required. The project marked the start of a transition from rural to suburban for the Town of Herman.

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

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

Form of Government

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

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

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

Mission Statement

MISSION OF THE HERMANTOWN CITY COUNCIL

Working together to serve and build our
community.

SHARED VALUES AND GUIDING PRINCIPLES

The Hermantown City Council and Staff share the following core values and guiding principles as we fulfill our mission for the community.

Good Governance and Stewardship... We operate honestly, ethically, and with integrity, civility, and professionalism. We pride ourselves in listening and making informed decisions to set policy, manage limited resources, and provide a strong voice for the community as a whole.

Innovative, Creative, and Transformative... We fulfill our potential by embracing change that respects our community culture and heritage. We are open to new ideas, approaches, and best practices and will take risks that support continuous improvement.

Approachable Leadership... We are approachable leaders who are open minded, think independently and are future driven as we set a clear vision and strategy for the community.

Fiscal Responsibility... We build trust and confidence through accountable and transparent stewardship of the public funds and resources entrusted to us.

Inclusive and Respectful... We practice civility and share a mutual respect for the diversity of community interests as we make timely decisions based on broad engagement and communication.

Relationships and Alliances... We collaborate with our citizens, businesses, and other partners to build strong, sustainable alliances. We also communicate and demonstrate our values and strengths in order to achieve better outcomes together.

Quality Services... We are committed to delivering exceptional service to the community through our valued employees. Our team is empowered to act, find solutions, and respectfully serve our citizens and businesses in a timely, flexible, friendly, and professional manner.

Quality of Life... We are an intergenerational, safe, and caring community of choice that will protect our cultural and natural resources and celebrate our successes.



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Website: www.hermantownmn.com

Budget Message

2020 Budget
November 12, 2019

The 2020 City of Hermantown Budget:

The adoption of the annual budget is one of the most important actions taken by the City Council each year. At the base level it is a legal document that gives authority to incur obligations and pay expenditures. However, it is more than just numbers and financial data. It reflects the priorities, values, principles, goals, and the overarching mission of the Council in part by allocating limited resources among departments. In short, it is intended to further the mission of *“Working together to serve and build our community.”*

Council Priorities:

Since 2011, the City Council has met in the beginning of each odd numbered year to create a list of priorities for the next two to four years (the remainder of their current terms). Individual Council members have an opportunity to communicate their goals. The goals are then grouped by category and a “priority statement” is developed for each category. The statement was intended to identify why the items in that category are important to the City Council. The Council members rank their top six priorities; however, all items are included in the list.

Early in 2019 the City Council reviewed the priority statements from 2017-2018 and updated them for the next two years. The 2020 Budget attempts to plan for the next twelve months in the context of the mission statement and ongoing City Council Priorities.

Our mission, values, and guiding principles convey how budget decisions relate to the vision for the future of Hermantown. Resources are a limited commodity. Because of this fact, saying “no” to some issues, while not desirable, is imperative to narrowing our focus and accomplishing the current City Council Priorities and overall

mission. Tony Blair once said, "The art of leadership is saying no, not saying yes. It is very easy to say yes." Saying no will help us be focused and succeed in accomplishing our priorities.

We are looking forward finishing several priorities in our community in 2020 and identifying and tackling new priorities for the future.

Expenditures: At this time, expenditures in the 2020 General Fund Budget are increasing 8.66% or \$489,014. As a general rule in 2020 approximately \$60,000 in expenditures is the equivalent of 1% of tax levy. This increase is due in part to the following factors:

- Normal personnel expenditures increases (cost of living, step increases, health insurance)
- Travelers Insurance rate increase
- Additional police officer
- Additional police payroll expenses due to factors such as a PERA rate increase and pending retirement
- A Presidential election year causing increased election expenditures
- Increase in funding capital needs

Revenues: At this time, revenues in the 2020 General Fund Budget are \$6,133,120, an increase of \$489,014 from 2019.

The General Fund budget relies heavily on local property tax (levy) to fund the expenditures. The levy makes up 89% of the total revenue. The statutory formula eliminated Local Government Aid to the City of Hermantown and transferred that burden to the property tax base. Local Government Aid is again zero for 2020.

Levy: The total levy under this preliminary general fund budget is projected to increase 8.02%. The two main components of this increase are the general fund levy and the HEDA levy.

General Fund Levy: The general fund levy is increasing 8.27%. This is almost identical to the increase the previous year.

HEDA Levy: In 2020 the HEDA levy is increasing 110.53% to support increased economic development and to adhere to the City's Financial Management Plan.

For 2020, exclusive of the Fleet Farm and Holiday Inn developments, the Net Tax Capacity grew by 4.3%. With the total expenditures growing by more than this, it causes an increase in the tax rate, so that an individual homeowner will pay more for the same value of home. The rate increases from .4141 to .4289, a 3.6% increase.

Financial Management Plan:

The City is becoming increasingly proactive in planning farther in advance and planning in a comprehensive way. Towards that end, in January 2019, the City adopted a Financial Management Plan which integrates

existing debt, Capital Improvement Plan, future planned debt, tax base growth, future operating expenses, staff additions, actual financial results, current and proposed budgets, and financial policies. A long term Road Improvement Plan and how to finance road improvements is included in this plan. Some of the tangible benefits of this plan include: Implementing a Road Improvement Plan, additional staff, additional funding for parks, additional funding for municipal buildings, additional funding for HEDA, additional funding for capital improvements, and maintaining adequate Fund Balance reserves. During the 2020 budget process the City strove to adhere to the long term Financial Management Plan in all areas such as total expenditures, levy increase, and fund balance. The City was successful in that endeavor in the 2020 budget. The City's Financial Management Plan will help the City maintain fiscal responsibility while striving to achieve stated priorities.

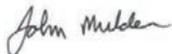
Departmental Goals and Performance Measures:

The City is in the beginning stages of communicating goals and creating performance measures for each department. As part of this budget book, this document for each department is included. These are fluid documents and will be tracked and revised as needed each succeeding year.

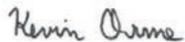
Conclusion:

This budget is a comprehensive and detailed document. Once again, the City received the Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning January 1, 2019. We look forward to the process and the results of focusing on our mission and Council Priorities in 2020. Ultimately it is through the combination of the leadership of the Mayor and City Council along with the work ethic and stewardship of the employees that we will together serve and build our community in 2020.

Sincerely,



John Mulder
City Administrator



Kevin Orme
Director of Finance & Administration

Council Priorities

On January 14, 2019, the City Council met to discuss what items they would like to see accomplished over the next 2 to 4 years (the remainder of their current terms). Individual Council members had an opportunity to communicate their goals. The goals were grouped by category. Prior to this the Department Heads were asked to identify issues separately, but their list was not shared with the Council until after the Council had created their own list.

A “priority statement” was then developed for each category as seen below. The statement was intended to identify why the items in that category are important to the City Council.

Substantial progress has been made on most of the below priorities.

Parks: Create new recreational and wellness opportunities for city residents	
Topic	Plan of Action/ Status
Essentia Wellness Center	<ul style="list-style-type: none"> • Construction finished in October 2019
Munger Trail Connection	<ul style="list-style-type: none"> • Received \$820,000 grant from GMRPTC – Construction beginning Winter 2019 • Stebner accessible path – Construction completed 2019 • Submitting grant application for Transportation Alternatives – 1st Qtr. 2020
Parks & Trails Expansion & Improvement	<ul style="list-style-type: none"> • Finalized our Parks Master Plan in Spring 2019 • Continue discussions with School District regarding future use of Fichtner Fields • Improvement to Rose Road Softball Complex completed in summer of 2019

Utilities: Strategically expand utilities in the city to meet needs of the community.	
Topic	Plan of Action/ Status
Expansion of Utilities <i>(Strategic extension of utilities (through use of sales tax) to promote & facilitate economic development)</i>	<ul style="list-style-type: none"> • Section 24 Sewer Trunk line • Ugstad Road Lift station – completed 2019 • Maple Grove Sewer extension – completed 2019
Internet service for southern part of Hermantown <i>(Strengthen broadband internet service – Wi-Fi)</i>	<ul style="list-style-type: none"> • We have a petition for internet expansion along Ugstad Road and will start discussions with Mediacom
Layout map of areas for economic development and utilities available and/or needed	<ul style="list-style-type: none"> • Presented Water & Sewer maps to Utility Commission • Continuing a 5-10 year plan

Communication: Create a new brand and promote the City.	
Topic	Plan of Action/ Status
Community branding - New mission and logo	<ul style="list-style-type: none"> • Hired new position: Communications and Community Engagement Manager • Will work with departments in the next year about how this mission is expressed in multiple areas of service. • Begin a branding process for 2020 • Create a stronger presence on social media, traditional media, and community outreach opportunities

Economic Development: Promote and improve identified areas in the City for economic development.	
Topic	Plan of Action/ Status
Continued Marketplace Development	<ul style="list-style-type: none"> • Platinum Properties Building 7 complete, Building 6 construction underway
Industrial Park Improvements	<ul style="list-style-type: none"> • Aluminum Cabinet Co. 17,500 square foot building complete, Dawe's Computerized Car Care 8,000 square foot building construction underway

Financial Management Plan: Implement a long term financial management plan to accomplish the long term objectives in our four service areas	
Topic	Plan of Action/ Status
Financial Management Plan	<ul style="list-style-type: none"> • Adopted January 2019. Used in conjunction with preparing 2020 annual budget
Road Improvement Plan	<ul style="list-style-type: none"> • Started implementing in 2019 with first road improvements scheduled for the summer of 2020

Administration: Develop a Legislative agenda and strategy	
Topic	Plan of Action/ Status
Hire a lobbyist	<ul style="list-style-type: none"> • Researching other communities' experience
Pursue changes in Local Government Aid	<ul style="list-style-type: none"> • Communicating with legislators regarding this issue

2019 Highlights:

1. **Essentia Wellness Center** – Construction of the new 72,000+ square foot Essentia Wellness Center began in 2018 and was substantially completed by Sept 23, 2019. An October 8th ribbon-cutting celebrated the efforts of the many partners responsible for seeing this project to fruition. The City reached agreements with Essentia Health to finalize the naming rights and the lease of the clinic space. The City also completed the agreement with the Duluth Area Family YMCA to operate the facility. The facility officially opened to the public on October 15 and had an additional community celebration on October 26.



2. **Hawk Circle Water Tower** – The City refurbished both the interior and exterior of the Hawk Circle water tower. The project included a new paint job, as well as new lettering connected to future city-wide branding, and was completed in September.



3. **Construction of two new Fire halls - #2 and #3** – After completing construction of the two new fire halls in late 2018, the City held a ribbon-cutting and dedication ceremony at each fire hall as part of the 2019 annual Hermantown Summer fest celebration.



4. **Road Improvement Plan:** In 2019, the City began the Road Improvement Plan by holding multiple public informational meetings with residents of neighborhoods who would be impacted by the road improvements planned for 2020. The City hired TKDA Engineers to prepare plans and specifications for improvements on Alexander, Johnson, Carlson, Portland, and a segment of Hermantown Road. This project is part of a long-term road improvement plan to address needed road improvements.
5. **Storm water Utility:** In January 2019, the City began billing residents and local businesses a storm water utility fee. This fee will fund long-term improvements in the storm water system. Residents who already received monthly utility bills for sewer and water saw a \$7 monthly increase. Hermantown residents who do not receive monthly utility bills received a \$42 storm water utility bill in July for January-June. They will receive their second bill for the second half of 2019 in January of 2020.
6. **Communications:** The City hired Joe Wicklund as the City's first Communications and Community Engagement Manager in 2019 to assist the City in a wide variety of efforts. The City also began the process of updating the City's website, began the process of rebranding, and launched efforts to be more connected to Hermantown citizens.

7. **Stebner Park Accessible Path** – The City of Hermantown received a \$50,000 grant from the St. Louis County Community Block Grant program for the purpose of constructing an accessible path and viewing areas within Stebner Park. The path was completed in late summer and trees, shrubs, benches, picnic tables, bike racks and trash receptacles were installed after that. This path along with the St. Louis County constructed ‘super sidewalk’ along Maple Grove Road connects the park to the southeast intersection of Stebner/Maple Grove Roads and the Deerfield development across the street.



8. **Section 24 Sewer Trunk Line** – This project will promote development and improve the current utilities system. The City is installing a new sewer trunk line in Section 24 that will service the Hermantown Marketplace area along Maple Grove Road, between Loberg Avenue and Stebner Road. Substantial planning for this project was done in 2018 and 2019. Construction is expected to begin during the winter of 2019 and be completed in the fall of 2020.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Hermantown
Minnesota**

For the Fiscal Year Beginning

January 1, 2019

Christopher P. Morrill

Executive Director

Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Hermantown, Minnesota for its annual budget for the fiscal year beginning January 1, 2019. In order to receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This award is valid for a period of one year only. The City believes our current budget continues to conform to program requirements, and are submitting it to GFOA to determine its eligibility for another award.

2020 Financial Summary Information

	2018 Actual		2019 Original Budget		2020 Budget	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
General Fund	\$5,667,994	\$5,451,607	\$5,644,106	\$5,644,106	\$6,133,120	\$6,133,120
Special Revenue Funds	\$3,369,597	\$2,066,905	\$3,191,492	\$3,581,874	\$7,268,498	\$8,913,875
Debt Service Funds	\$2,546,929	\$5,425,121	\$3,094,240	\$2,630,588	\$3,544,892	\$3,277,040
Capital Project Funds	\$10,874,333	\$11,061,499	\$335,000	\$335,000	\$461,121	\$269,500
Enterprise Funds	\$3,587,961	\$3,161,773	\$3,688,494	\$4,273,567	\$3,892,731	\$4,132,107
Total	\$26,046,814	\$27,166,905	\$15,953,332	\$16,465,135	\$21,300,362	\$22,725,642

Balanced Budget

Per the City Operating Budget Policy, appropriations shall not exceed the total of the estimated revenues and available fund balance. The City of Hermantown’s 2020 budget is a balanced budget.

General Fund:

2020 budgeted revenues are \$489,014 higher than 2019 budgeted revenues, while 2020 budgeted expenditures are \$489,014 higher than the 2019 budgeted expenditures.

Special Revenue Funds:

2020 budgeted revenues are \$4,077,006 more than 2019 budgeted revenues. This increase is mainly due to bonding for the Section 24 Sewer Trunk Line in the Sales Tax Fund.

Debt Service Funds:

Debt Service Funds are budgeting revenues of \$3,544,892 and expenditures of \$3,277,040 in 2020. This is \$450,652 more in revenue and \$646,452 more in expenditures than budgeted in 2019. In 2019 the City issued an additional bond to construct the Essentia Wellness Center. The debt service on this bond along with the 2018A and 2018B bonds are the reason for the increase in expenditures.

Capital Project Funds:

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets. The City does not budget for all Capital Projects Funds; however, the City does budget for the General Capital Projects Fund (Fund 401). Therefore, in the above financial summary information, the actual column includes all Capital Project Funds while the Budgeted columns only include the General Capital Projects Fund (Fund 401)

Enterprise Funds:

2020 budgeted revenues are \$204,237 more than 2019 budgeted revenues. This increase is primarily due to water rate and anticipated usage increases. 2020 budgeted expenditures are \$141,460 less than 2019 budgeted expenditures.

Financial Structure, Policy, and Process

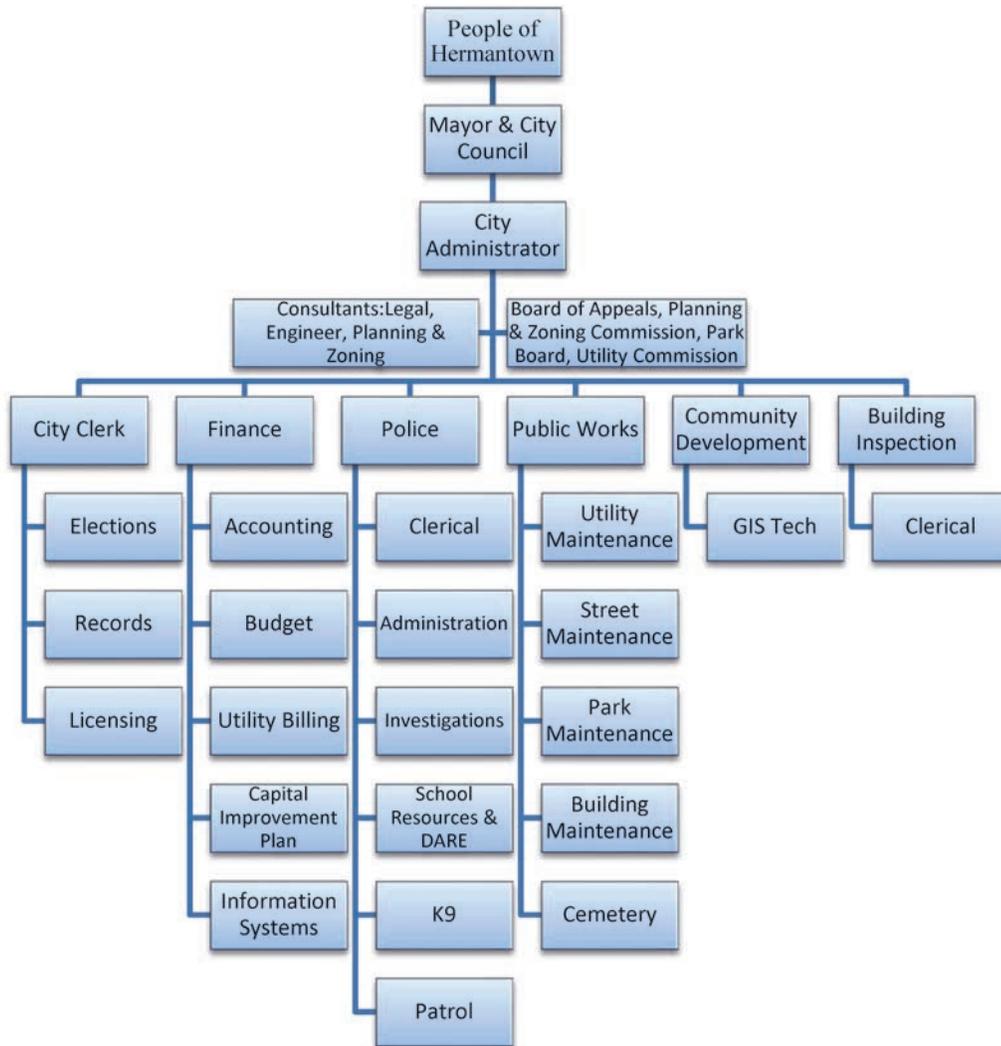
Organization Structure

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

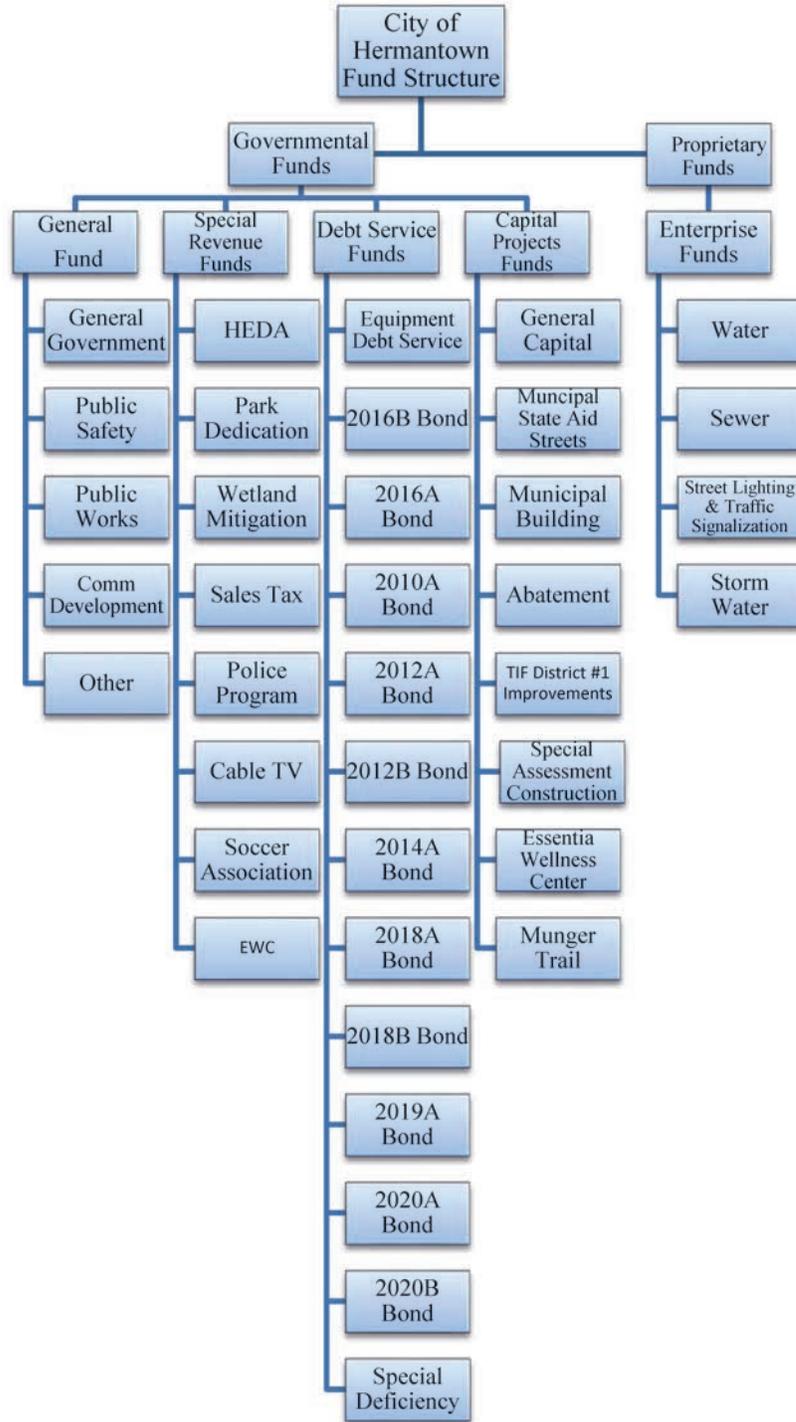
The City Administrator controls and directs the administration of the City's affairs and supervises all departments. Activities are managed through five departments (Police, Finance, Community Development, Building Inspection and Public Works), each with a Director appointed by City Council and reporting to the City Administrator. In addition, there are other employees hired by the City Administrator including the city clerk and general administration.

A description of the departments and their functions is included in this document.

City of Hermantown Org Chart



City of Hermantown Fund Structure



Fund Accounting

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

Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped, for budgeting purposes, into two broad fund categories: Governmental Funds and Enterprise (Proprietary) Funds.

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

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

Special Revenue Funds

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

Fund	Description	Major Budgeted	Non Major Budgeted
Sales Tax Fund	Accounts for the local sales tax collected that is authorized by the Minnesota State Legislature to fund: construction of a Wellness Center, extending a sewer interceptor line, construction of a booster pump station, reservoirs, and related improvements to the water system, and construction of a building containing a police, fire station and an administrative services facility.	X	
Hermantown Economic Development Authority	Created to preserve and create jobs, enhance tax base, and promote the general welfare of the people of the City. (Board comprises of entire City Council, Mayor, and two community representatives).		X
Park Dedication Fund	Accounts for the collection of revenues dedicated to the acquisition and capital improvement of City parks.		X
Wetland Mitigation Fund	Accounts for the collection of revenues from landowners who disturb wetlands in connection with the development of a parcel of land.		X
Police Program	Accounts for revenue and expenditures for special police programs.		X
Cable Television	Accounts for the revenues and expenditures associated with administering a franchise agreement to provide cable television to Hermantown residents.		X
Soccer Association	Accounts for the revenue from the Soccer Association for the development of the Hermantown Stebner Soccer Park		X
EWC Lease	Accounts for the revenue and expenditures from leasing space in the EWC to Essentia		X

Debt Service Funds

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

Fund	Description	Major Budgeted	Non Major Budgeted
Fund 301 Equipment Debt Service	Accounts for the accumulated resources to pay the interest and principal payments on any Certificate of Indebtedness		X
Fund 315 2016B (Was 2006A) General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2016B GO Bonds.	X	
Fund 318 2016A (Was 2003A and 2009A) General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2016A GO Bonds.	X	
Fund 319 2010A General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2010A GO Bonds.	X	
Fund 320 2012A General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2012A GO Bonds.		X
Fund 321 2012B General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2012B GO Bonds.	X	
Fund 322 2014A General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2014A GO Bonds.	X	
Fund 323 2018A General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2018A GO Bonds.	X	
Fund 324 2018B General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2018B GO Bonds.	X	
Fund 325 2019A General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2019A GO Bonds.	X	
Fund 350 Special Assessment Deficiency	Accounts for the accumulated resources to ensure debt service payments of bonds in cases where special assessments have been deferred or collections are not sufficient.		X
2020A (Pending)	Accounts for the accumulated resources to pay the interest and principal payments on the 2020A GO Bonds.	X	
2020B (Pending)	Accounts for the accumulated resources to pay the interest and principal payments on the 2020B GO Bonds.	X	

Capital Projects Funds

Capital projects funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays including the acquisition or construction of capital facilities and other capital assets. The City does not budget for all Capital Projects Funds; however, the City does budget for the General Capital Projects Fund (Fund 401). A summary of Projects and Funding sources can be found later in this document.

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

Fund	Description	Major Budgeted	Non Major Budgeted
Water Fund	The City provides water service to its citizens and commercial entities. This fund accounts for the activity of providing water services to the public.	X	
Sewer Fund	The City's sewers protect public health and preserve water quality. The City is connected to Western Lakes Sanitary Sewer District's sewer system. This fund provides sewer disposal services to the public.	X	
Street Lighting & Traffic Signalization Fund	The City maintains the street lighting and traffic signals owned by the City. This fund accounts for the activity of lighting and signalizing public streets.		X
Storm Water Fund	The City maintains the storm water infrastructure of the City. This fund maintains that infrastructure throughout the City.	X	

Expenditure Object Classifications

Personal Services

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

Supplies

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

Other Services & Charges

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

Capital Outlay

This object of expenditure classification includes outlays that result in the acquisition of or additions to capital assets.

Debt Service

This object of expenditure classification includes interest, principal payments and related charges of the city's bond payments and certificates of indebtedness.

Other Financing Uses

This object of expenditure classification includes transfers to other funds.

Operating Fund Crosswalk

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

Administration of Fund								
Operating Fund	General Government	Public Safety	Streets & Highways	Cemetery	Parks	Cable TV	Economic Development	Utilities
General Fund	x	x	x	x	x			
Special Revenue Funds								
HEDA							x	
Community Development							x	
Park Dedication					x			
Wetland Mitigation	x							
Sales Tax							x	
Police Program		x						
Cable TV						x		
Soccer Association					x			
Essentia Wellness Center Lease	x							
Enterprise Funds								
Water								x
Sewer								x
Street Lighting & Traffic Signals								x
Storm Water								x

Basis of Accounting and Basis of Budgeting

The Basis of Budgeting is identical to the Basis of Accounting used in the audited financial statements for all funds. The principles set forth as the Basis of Accounting are strictly observed in the budgeting process. All budgets are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). There are no budgets adopted for Capital Projects Funds other than the General Capital Projects Fund (Fund 401). Governmental funds are budgeted for and accounted for using the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period.

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

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

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

Financial Management Policies

Financial Management Policies Adoption

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

Financial Management Policies serve two main purposes: they draw together in a single document the City's major financial policies. Also, the plan establishes principles to guide both staff and City Council to make consistent and informed financial decisions.

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

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

The objectives of these Financial Policies are:

- To provide both short term and long term future financial stability by ensuring adequate funding for providing services needed by the community;
- To protect the City Council's policy-making ability by ensuring that important policy decisions are not dictated by financial problems or emergencies to prevent financial difficulties in the future;
- To provide sound principles to guide the decisions of the City Council and staff;
- To employ revenue policies which prevent undue or unbalanced reliance on certain revenues, distribute the cost of municipal services fairly, and provide adequate funding to operate desired programs;
- To provide essential public facilities and prevent deterioration of the City's public facilities and infrastructure;
- To protect and enhance the City's credit rating and prevent default on any municipal debt;
- To create a document that staff and Councilor's can refer to during financial planning, budget preparation and other financial management issues;
- To ensure the legal use and protection of all City funds through a good system of financial and accounting controls;

- To assist sound management of the City government by providing accurate and timely information on financial condition.

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

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

1. REVENUE MANAGEMENT

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

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

A. Property Taxes

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

Possible factors for considering an increase in property tax include:

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

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

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

B. Service Fees and Charges

The City may consider service fees and charges wherever appropriate for the dual purposes of keeping the property tax rate at a minimum and to fairly allocate the full cost of services to the users of those services. As an example of appropriate cost allocation, service fees and charges broaden the base to include tax exempt properties, which still have municipal costs associated with the property. Specifically, the City may:

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

C. Non-recurring Revenues

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

2. CASH AND INVESTMENTS

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

I. Investment Policy

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

The purpose of this Policy is to:

- a. Develop an overall program for cash investments, designed and managed with a high degree of professionalism, worthy of the public trust;
- b. Establish that elected and appointed officials and employees are custodians of a portfolio which shall be subject to public review;
- c. Establish cash investment objectives, delegation of authority, standards of prudence, internal controls, authorized investments, selection process for investments, and broker representations.

II. Scope

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

A. Pooling of Funds

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

III. Objective

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

A. Safety

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

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

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

Custodial Risk: The City will minimize deposit Custodial Risk, which is the risk of loss due to failure of the depository bank (or credit union), by obtaining collateral or bond for all uninsured amounts on deposit, and by obtaining necessary documentation to show compliance with state law and a perfected security interest under federal law.

B. Liquidity

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

C. Yield

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

IV. Delegation of Authority

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

V. Prudence

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

VI. Internal Controls

Internal controls are designed to prevent loss of public funds due to fraud, error, misrepresentation, unanticipated market changes, or imprudent actions. Before the City invests any surplus funds, competitive quotations shall be obtained. Written quotations from local financial institutions shall be obtained via fax, email, or other form of written documentation, with all of them receiving the exact same rate request. Verbal quotations shall be received from all other brokers, along with a subsequent confirmation. If a specific maturity date is required, either for cash flow purposes or for conformance to maturity guidelines, quotations will be requested for instruments that meet the maturity requirement. If no specific maturity is required, a yield analysis will be conducted to determine which maturities would be most advantageous. Quotations will be requested from financial institutions for various options with regard to term and investment type. The City will accept the quotation, which provides the highest rate of return within the maturity required and within the limits of this Policy.

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

VII. Authorized Investments and Collateralization

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

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

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

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

VIII. Diversification

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

IX. Conflict of Interest

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

X. Broker Representations

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

3. RESERVES

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

Policy Statement

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

shall be calculated based on the approved budget multiplied by 25-percent). The maximum amount of reserves in the Enterprise and Capital Funds shall be limited to the 3-months operating cash plus an amount of cash that is estimated to be needed to pay for future capital projects. Future capital projects must be identified and quantified in a written finance plan for the fund which shall be included in the City's annual budget document.

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

4. OPERATING BUDGET

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

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

5. CAPITAL IMPROVEMENTS PLAN (CIP)

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

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

CIP Development Process

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

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

- Project Prioritization
- Funding Source Acceptability
- Acceptable Financial Impact on Tax Levy, Total Debt, and Utility Rate Levels

6. HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY

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

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

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

Funding

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

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

Procedure for Using Funds

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

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

7. DEBT MANAGEMENT

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

Debt management is an integral part of the financial management of the City. Adequate resources must be provided for the repayment of debt, and the level of debt incurred by the City must be effectively controlled to amounts that are manageable and within levels that will maintain or enhance the City’s credit rating. A goal of debt management is to stabilize the overall debt burden and future tax levy requirements to ensure that issued debt can be repaid and prevent default on any municipal debt. A debt level which is too high places a financial burden on taxpayers and can create problems for the community’s economy as a whole.

Policy Statement

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

1. The City will weigh the benefits and costs of long-term borrowing for planned capital improvements (see CIP Policy) and short-term debt for capital outlay.
2. The City should strive to avoid using long-term debt for current operations.
3. When considering financing of capital expenditures, the City may consider paying cash for capital financing as well as debt financing.
4. The City will pay back debt within a period not to exceed the expected useful life of the projects, with at least 50% of the principal retired within 2/3 of the term of the bond issue.
5. The City will maintain good communications with bond rating agencies regarding its financial condition. The City will follow a policy of full disclosure in every financial report and bond prospectus.

6. The City (by itself or with a financial advisor) will track and identify opportunities for restructuring or refinancing debt.
7. When feasible, the City will use refunding mechanisms to reduce interest cost and evaluate the use of debt reserves to lower overall annual debt service where possible.
8. The City's goal is to:
 - a. Maintain the level of annual debt service at or below the current debt levy.
 - b. Maintain a debt service levy that is up to 7% of general fund operating expenditures.
 - c. Quantify the impact of potential future debt on the debt service levy, and on various categories of property taxpayers (or other revenue derived customers).

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

8. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

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

Policy Statement

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

9. RISK MANAGEMENT

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

Policy Statement

1. The City will maintain a risk management program that will minimize the impact of legal liabilities, natural disasters, or other emergencies through the following activities:
 - a) Loss prevention - prevent losses where possible
 - b) Loss control - reduce or mitigate losses
 - c) Loss financing - provide a means to finance losses
 - d) Loss information management - collect and analyze data to make prudent prevention, control, and financing decisions.
2. The City will review and analyze all areas of risk in order to, whenever possible, avoid and reduce risks or transfer risks to other entities. Of the risks that must be retained, it shall be the policy to fund the risks which the City can afford and transfer all other risks to insurers.
3. The City will maintain an active safety committee comprised of City employees.
4. The City will periodically conduct educational safety and risk avoidance programs within its various divisions.
5. The City will, on an ongoing basis, analyze the feasibility of self-funding and other cooperative funding options in lieu of purchasing outside insurance in order to provide the best coverage at the most economical cost.
6. Staff will report to the Council, annually on the results of the City's risk management program for the preceding year.

10. FUND BALANCE

I. Purpose

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

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

II. Classification of Fund Balance/Procedures

Fund Balance Reporting			
Classification	Definition	Examples	
Non-spendable	<p>“Amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.”³</p>	<ul style="list-style-type: none"> • Inventories, • Prepaid items, and • Long-term receivables • Land held for resale 	
Restricted	<p>“Fund balance should be reported as restricted when constraints placed on the use of resources are either:</p> <ol style="list-style-type: none"> a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b. Imposed by law through constitutional provisions or enabling legislation.”⁴ 	<ul style="list-style-type: none"> • Restricted by state statute, • Unspent bond proceeds, • Grants earned but not spent, • Debt covenants, • Taxes dedicated to a specific purpose, and • Revenues restricted by enabling legislation. 	
Unrestricted	<p>Committed</p>	<p>“Used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority”⁵ Cannot be a negative number. The City Council will annually or as deemed necessary commit specific revenue sources for specified purpose by resolution. This formal action must occur prior to the end of the reporting period, however, the amount to be subject to the constraint, may be determined in the subsequent period. To remove the constraint on specified use of committed resources, the City Council shall pass a resolution.</p>	<ul style="list-style-type: none"> • The City Council has decided to set aside \$x for a project. • Property tax levies set for a specific purpose by resolution. • Amounts transferred to Capital Project Fund for a specific purpose. • Internal Reserves for a specific purpose such as a large capital purchase.

	Assigned	<p>“Amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed”⁶</p> <p>Cannot be a negative number.</p> <p>The City Council has delegated the authority to assign and remove assignments of fund balance for specified purposes to the Finance Director.</p>	<ul style="list-style-type: none"> • City Council can set aside specific funds the City’s Finance Director may amend up to specified amount. • City Council delegates the authority to assign fund balance to the Finance Director. • City Council has appropriated fund balance usually titled “subsequent year’s expenditures” • Positive residual balances in government funds other than the general fund.
	Unassigned	<p>Unassigned fund balance in the residual classification for the General Fund. This is fund balance that has not been reported in any other classification. The General Fund is the only fund that can report a positive unassigned fund balance. Other government funds would report deficit fund balances as unassigned.⁷</p>	

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

³ GASB Statement No. 54, ¶ 6

⁴ GASB Statement No. 54, ¶ 8

⁵ GASB Statement No. 54, ¶ 10

⁶ GASB Statement No. 54, ¶ 13

⁷ GASB Statement No. 54, ¶ 17

III. Minimum Fund Balance

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

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

IV. Order of Resource Use

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

V. Stabilization Arrangements

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise. The City will set aside amounts by resolution as deemed necessary that can only be expended when certain specific circumstances exist. The resolution will identify and describe the specific circumstances under which a need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely.

VI. Committing Fund Balance

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

VII. Assigning Fund Balance

Upon passage of the Fund Balance Policy, authority is given to the City's Finance Director to assign funds for specific purposes. Any funds set aside as Assigned Fund Balance must be reported to the City Council and be recorded in the council minutes. The City Council has the authority to remove or change the assignment of the funds by motion or resolution.

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

VIII. Appropriate Fund Balance Levels

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

IX. Monitoring and Reporting

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

X. Responsibility and Authority

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

Budget Policy & Financial Control

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

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

Budget Process

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

Budgets are adopted on a basis consistent with generally accepted accounting principles. Formal budgets are not adopted for the Capital Project funds with the exception of the CIP plan which is included in the General Capital Projects Fund and funded primarily through transfers from other funds. Budgetary control is accomplished through the use of project controls.

The City follows the procedures below in establishing the budget. Budget forms are supplied to all City departments. The City Administrator conducts budget assistance meetings (if necessary) with each department. Budget requests and supplementary information from all city departments must be received by early July. The Finance Director prepares the budgeted personnel expenses and revenue portions of the budget. Per the City Operating Budget Policy, appropriations shall not exceed the total of the estimated revenues and available fund balance. The City Administrator meets with departments to discuss and review proposed budgets. The Finance Director presents to the City Council a consolidated budget for the general fund in early September for the fiscal year commencing the following January 1. The City sets the preliminary levy and the public hearing information, which is forwarded to the County Auditor by September 15th each year. The County mails parcel specific tax notices to property owners detailing taxes due the following year based on the preliminary levy. A budget and levy hearing is held in December in accordance with State law. The budget and tax levy are adopted through passage of resolutions.

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

Budget Calendar

2019 BUDGET CALENDAR (For 2020 Budget)

<u>Date</u>	<u>Task</u>
April 16th Four Square	Distribution of CIP Instructions and Forms
June 3rd	PERSONNEL COSTS COMPLETED by the Finance Dept.
June 4th Four Square	Budget forms supplied to all city departments and consultants Review CIP
June 24 th thru 28th	City Administrator to conduct budget assistance meetings (if necessary) with each department
July 1 st	CIP – Presented to the City Council
July 1 st	Staffing Report Presented to City Council on June 17th
July 2nd	FINAL DATE to receive budget requests & supplementary information from all city departments and consultants
3 rd Week of July	Finance Dept. prepares Special Revenue and Utility Budgets
July 31 st	Liability insurance allocated by Finance Dept.
August 1 st two weeks	Finance Dept. prepares Preliminary Revenue Estimates.
During August	Park Budget presented to Parks and Planning Utility Budget presented to Utility Commissions
September 2nd	PRELIMINARY GENERAL FUND BUDGET - Presented to the City Council
September 16th	City Council to pass a levy and city certifies the proposed property tax levy to the County Auditor due on September 30th and certify the Truth-In-Taxation hearing date (Special Meeting)
October 7th	PRELIMINARY DEBT SERVICE BUDGETS COMPLETED by Finance Dept. - Presented to the City Council
November 4th	PRELIMINARY SPECIAL REVENUE & UTILITY BUDGETS completed by Finance Dept. - Presented to the City Council
November 18th	Budget booklet presented to the City Council
December 2nd	Initial Hearing on budget & levy Adoption of Final Levy & budget

Financial Summary

2019 Statement of Accounts - All Funds

For January 1, 2019 through September 13, 2019

Fund		<u>Beginning</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending 9/13/19</u>
101	General	3,256,818	3,322,011	3,690,727	2,888,102
230	HEDA	86,180	45,032	34,224	96,988
231	Community Development	106,696	0	0	106,696
235	Park Dedication	331,871	20,755	146,181	206,445
236	Wetland Mitigation	74,790	0	0	74,790
240	City Sales Tax	7,754,134	1,298,764	1,194,764	7,858,134
251	Police Program	176,091	7,994	5,241	178,844
260	Cable	347,400	19,212	10,851	355,761
270	Soccer	51,246	0	0	51,246
301	Certificate of Indebtedness	(11,504)	27,546	0	16,042
315	2016B G.O. Bonds	89,443	0	626,164	(536,721)
318	2016A G.O. Bonds	300,356	123,438	413,114	10,680
319	2010A G.O. Bonds	360,286	66,085	394,251	32,120
320	2012A G.O. Bonds	(55,573)	30,160	182,093	(207,506)
321	2012B G.O. Bonds	1,303,174	56,998	197,408	1,162,764
322	2014A G.O. Bonds	46,157	71,328	258,114	(140,629)
323	2018A G.O. Bonds (Firehalls)	72,510	80,326	100,523	52,313
324	2018B G.O. Bond (EWC & Rose Rd)	0	29,460	262,445	(232,985)
325	2019A G.O. Bond (EWC)	0	0	178,202	(178,202)
350	Special Assessment Deficiency	328,329	32,982	919	360,392
401	General Capital Projects	234,250	0	158,867	75,383
402	Municipal State Aid Streets	19,078	-8,323	0	10,755
409	Municipal Building Reserve	166,575	0	0	166,575
411	Essentia Health and Wellness	(570,905)	9,248,274	11,687,809	(3,010,440)
412	Munger Trail	(23,953)	0	15,350	(39,303)
413	Fire Halls #2 & #3	82,523	-239	10,870	71,414
414	Rose Road Softball Fields	(54,390)	0	9,465	(63,855)
460	TIF District	(714,226)	71,012	42,852	(686,066)
461	HEDA Fleet Farm Project	(42,200)	173,741	173,376	(41,835)
475	Special Assessment Capital Projects	1,700	0	8,810	(7,110)
601	Water Enterprise	11,696,815	960,196	640,316	12,016,695
602	Sewer Enterprise	29,763,976	864,517	629,936	29,998,557
603	Storm Water Enterprise	(104,016)	263,637	158,357	1,264
605	Street Lighting Utility	939,752	66,238	79,979	926,011
	Total All Funds	56,013,383	16,871,144	21,311,208	51,573,319

City of Hermantown Budgeted Funds

Minnesota Statute 412.711 CONSIDERATION OF BUDGET; TAX LEVY.

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

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

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

Special Revenue Funds:

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

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

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

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

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

Police Program is for the accounting of alcohol and drug forfeitures, Hermantown High School District and the expenditures for furthering alcohol and drug investigations, the school liaison and DARE programs.

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

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

EWC Lease is for the accounting of revenue and expenditures from Essentia for leasing part of the EWC.

Debt Service Funds:

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

Enterprise Funds:

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

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

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

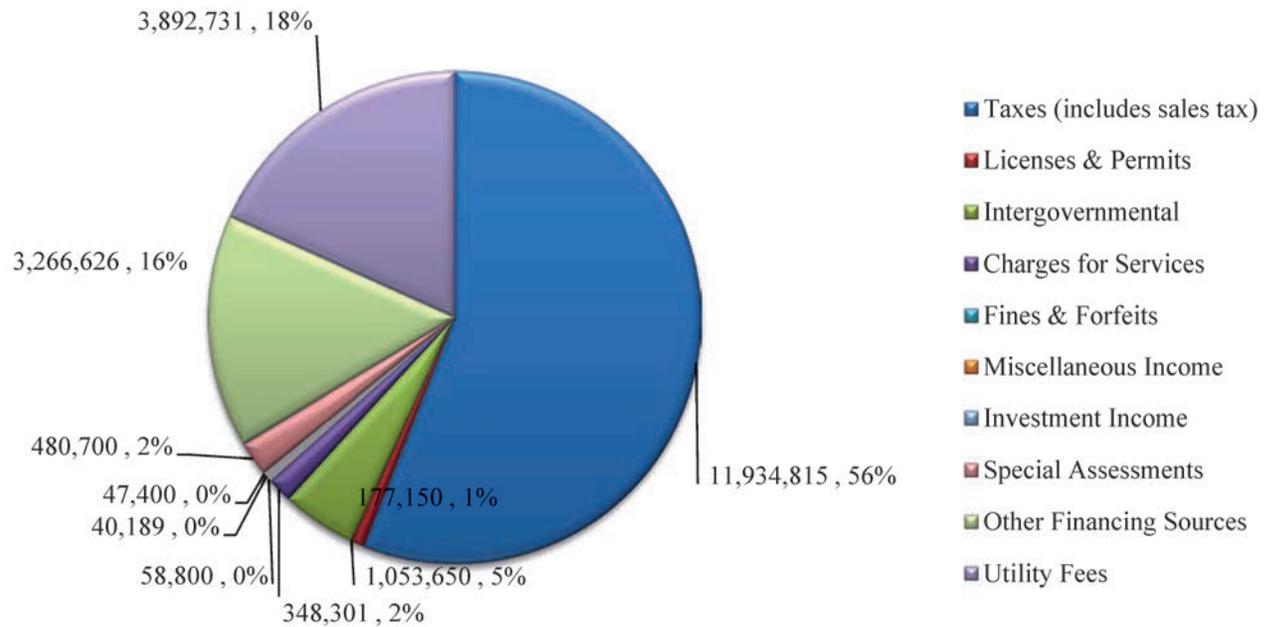
Storm Water is for accounting of revenue from storm water fees and expenditures to maintain storm water infrastructure.

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

Major Funds and Non-Major Funds by Fund Type

	2018 Actual		2019 Original Budget		2020 Budget	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
General Fund	5,667,991	5,451,607	5,644,106	5,644,106	6,133,120	6,133,120
Special Revenue Funds						
City Sales Tax	3,093,465	1,827,248	2,970,000	3,386,254	6,000,000	7,650,843
Non-Major Special Revenue Funds	276,133	239,657	221,492	195,620	1,268,498	1,263,032
Debt Service Funds						
Fund 315 2016B	698,807	626,108	698,807	626,194	698,807	621,485
Fund 318 2016A	442,365	3,693,861	425,207	413,144	426,257	421,435
Fund 319 2010A	385,225	397,758	347,000	394,282	347,000	396,223
Fund 321 2012B	248,890	200,402	158,119	197,438	156,119	200,029
Fund 322 2014A	340,168	267,758	296,700	258,144	301,500	273,985
Fund 323 2018A	72,510	0	137,625	100,554	135,375	137,885
Fund 324 2018B	0	0	545,268	262,475	566,133	415,860
Fund 325 2019A	0	0	168,428	168,428	647,462	600,016
Non-Major Debt Service Funds	358,964	239,234	317,086	209,929	266,239	210,122
Capital Project Funds	10,874,333	11,061,499	335,000	335,000	461,121	269,500
Enterprise Funds						
Water Enterprise	1,604,682	1,456,750	1,671,108	1,745,826	1,792,533	1,831,746
Sewer Enterprise	1,824,639	1,556,425	1,513,386	2,182,856	1,532,728	1,847,692
Storm Water	0	104,017	370,000	300,000	410,470	407,784
Street Lighting	158,640	44,581	134,000	44,885	157,000	44,885
Total	26,046,812	27,166,905	15,953,332	16,465,135	21,300,362	22,725,642

2020 Budgeted Revenues



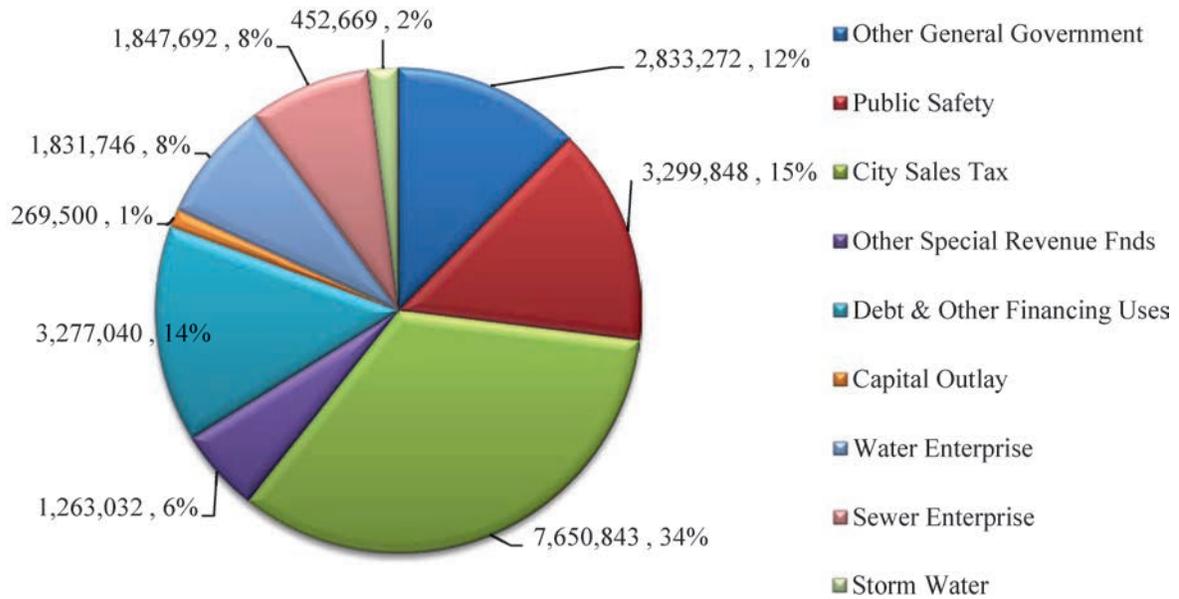
Total Budgeted revenues for all funds equal \$21,300,362.

The three largest components of the 2020 revenue budget, accounting for 90 percent of total revenues, in descending order based on dollars are as follows:

Taxes (includes sales tax fund)*	\$11,934,815	56%
Utility Fees	\$3,892,731	18%
Other Financing Sources	\$3,266,626	16%

*City Sales tax fund includes \$3,000,000 of bond proceeds for Section 24 Sewer Trunk line

2020 Budgeted Expenditures

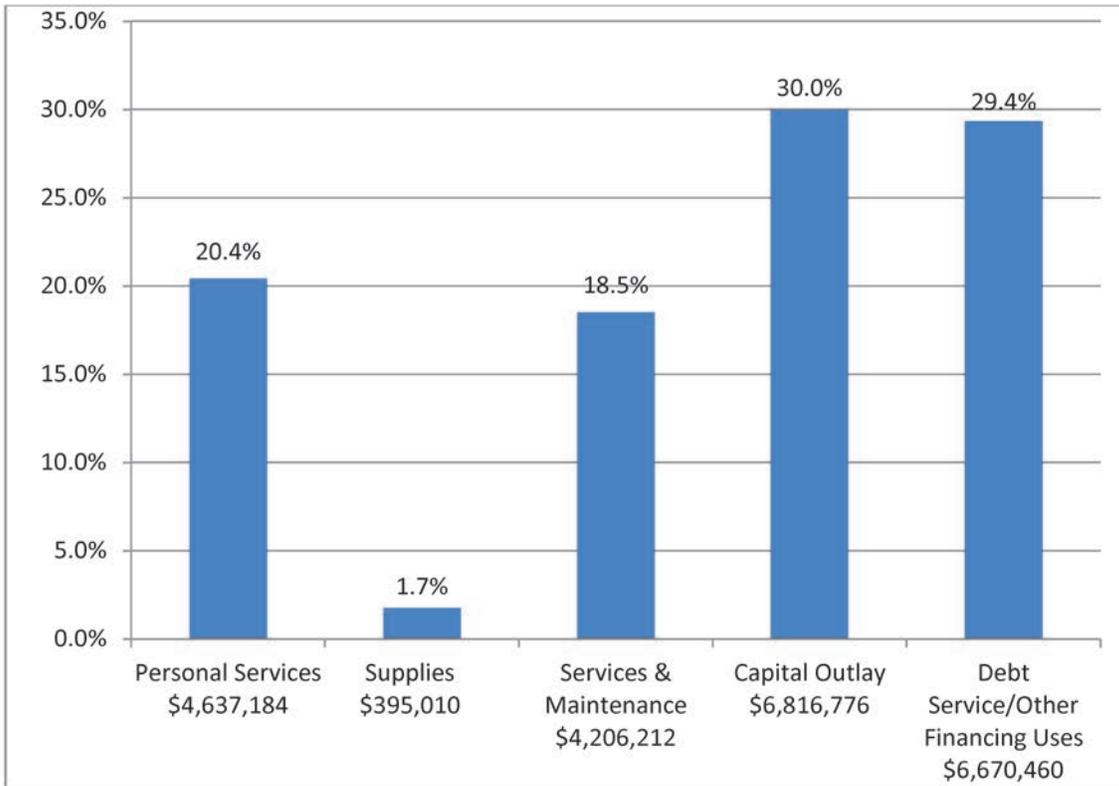


Total budgeted expenses for all funds are \$22,725,642

The four largest components of the 2020 expenditure budget, accounting for 75 percent of the appropriations, in descending order based on dollars are as follows:

Sales Tax Projects	\$7,650,843	34%
Public Safety	\$3,299,848	15%
Debt Service	\$3,277,040	14%
Other General Gov't	\$2,833,272	12%

All Funds – Expenses by Category



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

Changes in Budgeted Fund Balance

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

	Fund Name	*2020 Beg. Fund Balance	2020 Revenues	2020 Exp	2020 Ending Fund Balance	% Change Fund Balance	>10% Variance
101	General	2,888,102	6,133,120	6,133,120	2,888,102	0.00%	
230	HEDA	96,988	157,970	157,970	96,988	0.00%	
231	Community Development	106,696	0	0	106,696	0.00%	
235	Park Dedication	206,445	843,600	871,000	179,045	-15.30%	Construct Trail
236	Wetland Mitigation	74,790	1,000	3,500	72,290	-3.46%	
240	City Sales Tax	7,858,134	6,000,000	7,650,843	6,207,291	-26.60%	Construct Sewer Trunk line
251	Police Program	178,844	4,700	0	183,544	2.56%	
260	Cable	355,761	45,100	14,434	386,427	7.94%	
270	Soccer	51,246	0	0	51,246	0.00%	
275	Essentia Wellness Center Lease		216,128	216,128	0		
301	Certificate of Indebtedness	16,042	0	0	16,042	0.00%	
315	2016B G.O. Bonds	(536,721)	698,807	621,485	(459,399)	-16.83%	Revenue greater than bond pymts
318	2016A G.O. Bonds	10,680	426,257	421,435	15,502	31.11%	Revenue greater than bond pymts
319	2010A G.O. Bonds	32,120	347,000	396,223	(17,103)	287.80%	Fund balance went negative
320	2012A G.O. Bonds	(207,506)	242,539	180,316	(145,283)	-42.83%	Revenue greater than bond pymts
321	2012B G.O. Bonds	1,162,764	156,119	200,029	1,118,854	-3.92%	
322	2014A G.O. Bonds	(140,629)	301,500	273,985	(113,114)	-24.33%	Revenue greater than bond pymts
323	2018A G.O. Bonds	52,313	135,375	137,885	49,803	-5.04%	
324	2018B G.O. Bonds	0	566,133	415,860	150,273	100.00%	Revenue greater than bond pymts
325	2019A G.O. Bonds	0	647,462	600,016	47,446	0.00%	
350	Special Assessment Deficiency	360,392	23,700	29,806	354,286	-1.72%	
401	General Capital Projects	75,383	411,121	269,500	217,004	65.26%	Build up fund balance
402	Municipal State Aid Streets	10,755	0	0	10,755	0.00%	
409	Municipal Building Reserve	166,575	50,000	0	216,575	23.09%	Build up fund balance
411	Essentia Wellness Center	(3,010,440)	0	0	(3,010,440)	0.00%	
412	Munger Trail	(39,303)	0	0	(39,303)	0.00%	
413	Fire Halls #2 & #3	71,414	0	0	71,414	0.00%	
414	Rose Road Softball Fields	(63,855)	0	0	(63,855)	0.00%	
460	TIF District	(686,066)	0	0	(686,066)	0.00%	
461	HEDA Fleet Farm Project	(41,835)	0	0	(41,835)	0.00%	
475	Special Assessment Capital Projects	(7,110)	0	0	(7,110)	0.00%	
601	Water Enterprise	12,016,695	1,792,533	1,831,746	11,977,482	-0.33%	
602	Sewer Enterprise	29,998,557	1,532,728	1,847,692	29,683,593	-1.06%	
603	Storm water	(57,563)	410,470	407,784	(54,877)	-4.89%	
605	Street Lighting Utility	926,011	157,000	44,885	1,038,126	10.80%	Revenue greater than expenditures
		51,925,679	21,300,362	22,725,642	50,500,399		

* Beginning balance as of September 13, 2019

Long Range Financial Planning

(And its affect upon the budget and the budget process)

- The City of Hermantown residents passed the 1% local sales tax increase at the 2012 General Election, which became effective on April 1, 2013. Pursuant to Minnesota Statutes, the local sales tax expenditures are restricted to the following:

Extending a sewer interceptor line, construction of a booster pump station, reservoirs and related improvement to the water system; and construction of a building containing the administration services/police/fire services. This legislation authority for this sales tax now extends to 2036.

In addition, on November 8, 2016, the City received voter approval to fund its portion of the Essentia Wellness Center using current sales tax revenue. In 2017 the City received Legislative approval of this use for sales tax. The City can now also use sales tax to “meet the costs of debt service payments for construction of the Hermantown Wellness Center”. The Essentia Wellness Center will be owned by the City of Hermantown. However, the YMCA will run its operations. The overall construction will not impact the City’s General Fund, with only minimal administrative costs expected after the building opened in 2019.

- The City continues to review the interest rate and call dates of the bonds to monitor the possibility of reducing interest costs by refinancing. The City issued one new bond in 2019. The 2019A bonds were issued to partially fund the Essentia Wellness Center. The bond payments will be paid by sales tax.
- The City will continue to review, on an annual basis, the deferred special assessments, water and sewer availabilities and change in ownership of property that cancels the deferrals.
- The City annually reviews its fee structure and utility rates to keep up with costs. In 2017 the City engaged Ehlers to do a Utility Rate Study. As a result of this study the City changed to a tiered water conversation rate system for the water it charges its citizens.
- City Councilors have periodic work sessions to discuss their priorities. The last work session was on January 14, 2019
- In 2016, the City re-implemented its Capital Improvement Plan. Each year this is updated with the needs of the next five years, including the funding sources.
- The City is currently working on developing and maintaining a five year forecast. The City purchased software to help do this and engaged Ehlers to do a comprehensive Long Range Financial Management Plan in 2018. This Financial Management Plan was adopted by the Council in early 2019. Included in this plan is a Road Improvement Plan which the City is currently implementing. Also included in this Financial Management Plan is staffing additions needed in the next five years.

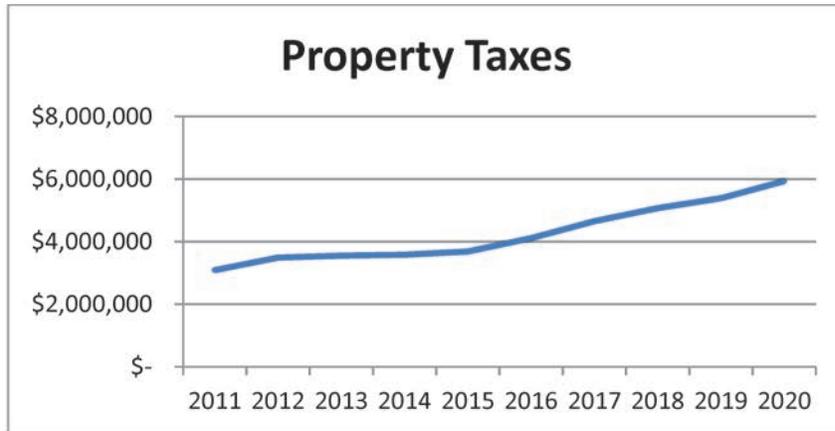
Revenue Categories & Trends

The three largest components of the 2020 revenue budget, accounting for 90 percent of total revenues, in descending order based on dollars are as follows:

Taxes (includes sales tax fund)*	\$11,934,815	56%
Utility Fees	\$3,892,731	18%
Other Financing Sources	\$3,266,626	16%

*Taxes includes \$3,000,000 of bond proceeds for Section 24 Sewer Trunk Line

Property Taxes –Property taxes of \$5,934,815 comprise 27.8 percent of total revenues. Property tax levies are set by the City Council in December of each year and certified to St. Louis County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Property taxes are levied for several different City purposes. The largest section of property tax is put into the General Fund to support general taxpayer services such as police and fire protection, administration, and street plowing and repair. The City also has special levies for the Hermantown Economic Development Authority and for debt service. The Debt Service levy is for the Public Works Facility/Salt Storage Facility, two fire halls and the Rose Road Softball complex improvements.

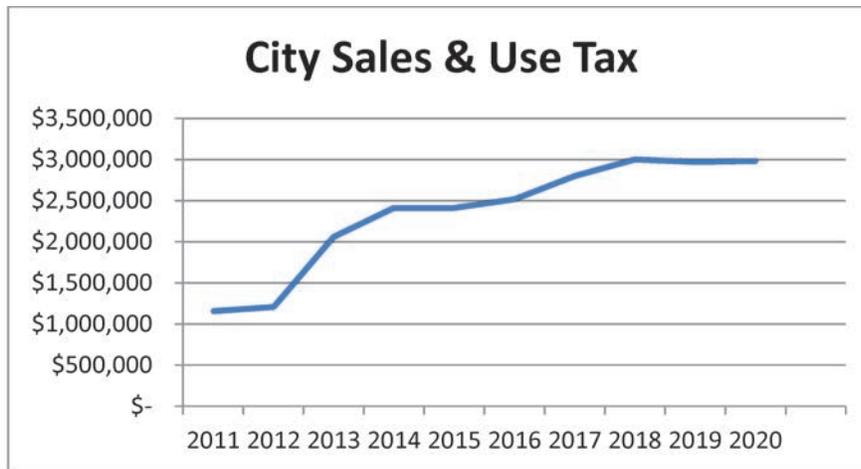


Trends: Property tax levies have been increasing in part due to cuts in state aid that began in 2001. This is shown in the graph above. For the year 2020 the City will be receiving zero LGA.

Local Government Aid – Comparison in order by Cities and population

City	2017	2018	2019	2020	2019-2020 Incr/(Dec)	% Change	Population 2015
Duluth	\$29,299,670	\$29,340,129	\$29,668,565	\$30,248,064	\$579,499	1.95%	86,597
Hibbing	\$8,101,987	\$8,106,845	\$8,145,651	\$8,229,324	\$83,673	1.03%	16,316
Hermantown	\$66,001	\$0	\$0	\$0	\$0	0.00%	9,720
Virginia	\$5,099,985	\$5,125,120	\$5,329,243	\$5,729,345	\$400,102	7.51%	8,591
Proctor	\$1,031,206	\$1,033,142	\$1,048,883	\$1,081,576	\$32,693	3.12%	3,089
Carlton County:							
Cloquet	\$2,363,635	\$2,377,013	\$2,485,096	\$2,673,626	\$108,083	4.35%	12,271

City Sales Tax – The Sales Tax Fund account for \$6,000,000 (28.17%) of city revenue, half of which will be bond proceeds for the Section 24 Sewer Trunk Line Extension. \$2,980,000 will be Sales Tax received. The remainder of the budgeted revenue in the Sales Tax Fund is investment income. Sales tax applies to retail sales made and taxable services provided within the local taxing area. The tax applies to the same items that are taxed by the Minnesota sales and use tax law. The Minnesota Department of Revenue currently administers this local sales tax. The City has an agreement with the Minnesota Department of Revenue which addresses the fees and procedures of the local sales tax collection and payment. Sales tax revenues less state administration fees are remitted to the City each month.



*2019 and 2020 are based on budgeted revenues.

Trends: Sales Tax Fund revenue will increase due to bond proceeds for the Section 24 Sewer Trunk Line Extension in 2020.

Franchise Fees –Total Franchise fees are anticipated to increase slightly to \$185,500.

Trends: The Franchise fees include the following and are expected to remain constant through 2020.

MN Energy Gas Resources is remaining at \$40,500, of which \$16,500 goes to General Fund 101 and \$24,000 to Street Lighting (Fund 605).

MN Power Electric is \$107,000; all goes to the Street Lighting (Fund 605).

Media Com Cable has remained constant at \$38,000. All of it goes to Cable TV (Fund 230).

Licenses and Permits – License and permit fees of \$177,150 account for 1 percent of total revenues. Permits are required for most construction projects and major remodeling projects. Examples of permits required are building permits, zoning permits, driveway permits, and handgun/bow permits. Licenses are required for certain businesses selling liquor, beer, or tobacco and for dogs in the City.

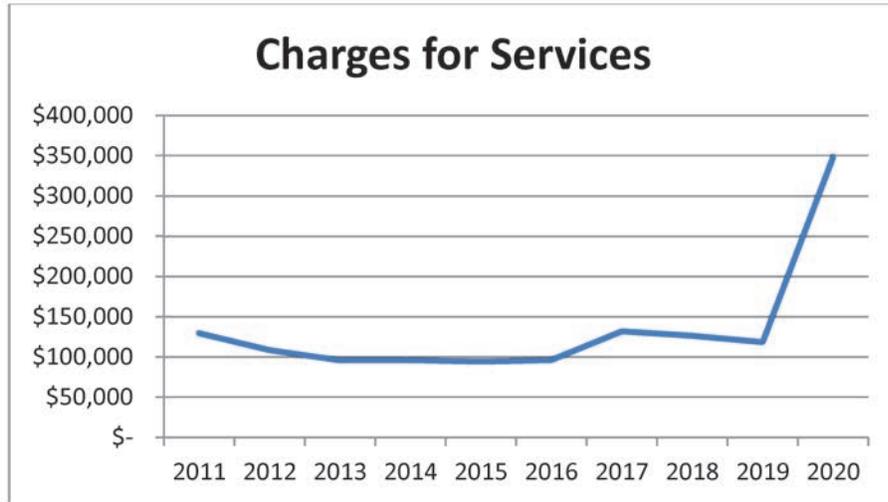
	2015	2016	2017	2018	2019
All Building Permits (includes additions, remodels)					
No. of Permits	201	201	211	190	136
Valuation	\$20,550,654	\$30,817,218	\$16,121,332	\$12,707,360	\$10,353,781
New Single Family Homes					
No. of Permits	39	36	34	33	22
Valuation	\$8,098,830	\$8,002,065	\$7,475,694	\$7,395,575	\$5,786,066
New Multiple Family Buildings					
No. of Permits	0	0	0	0	0
Valuation	\$0	\$0	\$0	\$0	\$0
New Commercial/Industrial					
No. of Permits	2	3	4	5	2
Valuation	\$1,010,808	\$15,904,392	\$2,711,130	\$3,051,925	\$2,407,895
* As of October 2019					

Trends: License and permit revenue is expected to remain level in 2019.

Intergovernmental Revenues – This revenue accounts for \$1,053,650 of City revenues or 4.9 percent. Intergovernmental revenue includes Police & Fire State Aid and grants for Police, Street Maintenance and PERA.

Trends: The revenue within this category includes Police & Fire State Aid and grants for Police. Local Government Aid (LGA) for the 2020 budget again is zero.

Charges for Services – Charges for services account for \$348,301 of City revenues or 1.6 percent. This category includes charges for assessment searches, police services, fingerprinting services and cemetery burial. This is greatly increasing in 2020 due to a lease with Essentia for the new Essentia Wellness Center.



*2019 and 2020 are based on budgeted revenues.

Trends: The school officer will be included as revenue received from Hermantown High School.

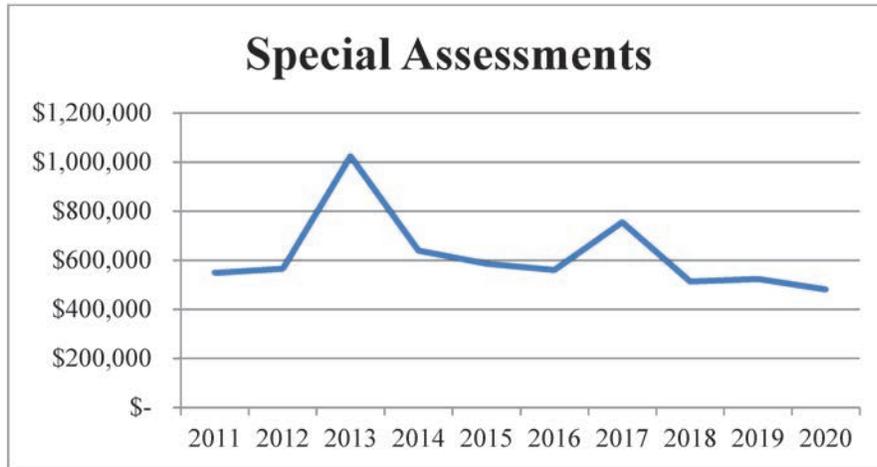
Fines & Forfeitures – Fines & forfeitures account for \$58,800 of City revenues or .3 percent. These funds are the City’s share of police patrol traffic citations, court fines, and DWI/Drug forfeiture proceeds.



*2019 and 2020 are based on budgeted revenues.

Trends: Hermantown is one of two communities in South St. Louis County that receives DARE court fines. The DARE court fines are allocated per school grade enrollment.

Special Assessments – Special assessments account for \$480,700 of City revenues or 2.2 percent. These funds are collections from specific projects that require a payment from the taxpayer, such as water and sewer line construction or street improvements. These assessments are collected by St. Louis County along with the property tax levy.



*2019 and 2020 are based on budgeted revenues.

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

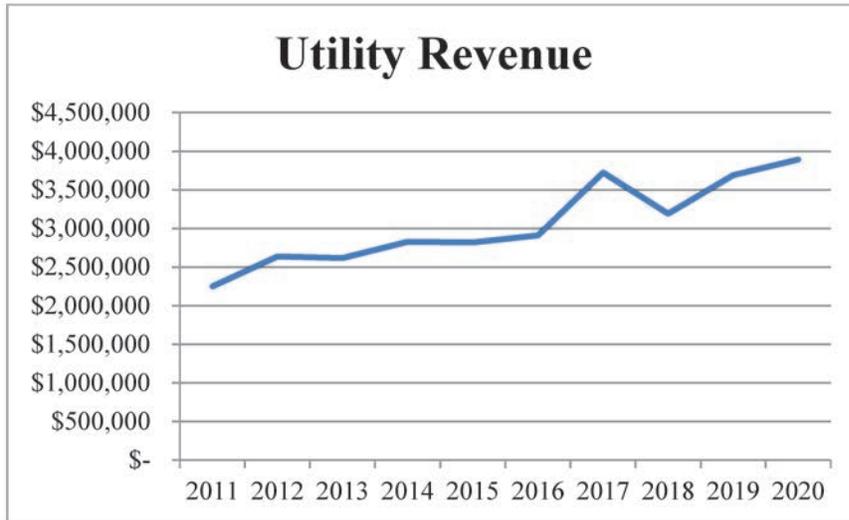
Investment Income – Investment income accounts for \$47,400 of City revenues or .2 percent.

Trends: Earnings are dependent on interest rates and the amount of funds available to invest. As always, investment earnings are subject to sudden shifts in the economy.

Miscellaneous Revenue – Miscellaneous revenue accounts for \$40,189 of City revenues. This category includes cell tower leases, park fields, donations, 911 signs, insurance reimbursements, and conduit financing payments.

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

Utility Revenue – Utility Revenue for water, sewer, street lighting and storm water account for \$3,892,732 of the City’s revenues or 18.2 percent. During 2017, the City contracted with Ehlers to complete a rate study. One outcome was to change the rate structure so that the cost per gallon of water is split into “tiers” with a higher cost per gallon for users that use more water. In 2019 the City added a Storm water fee which increased the utility revenue.



*2019 and 2020 are based on budgeted revenues.

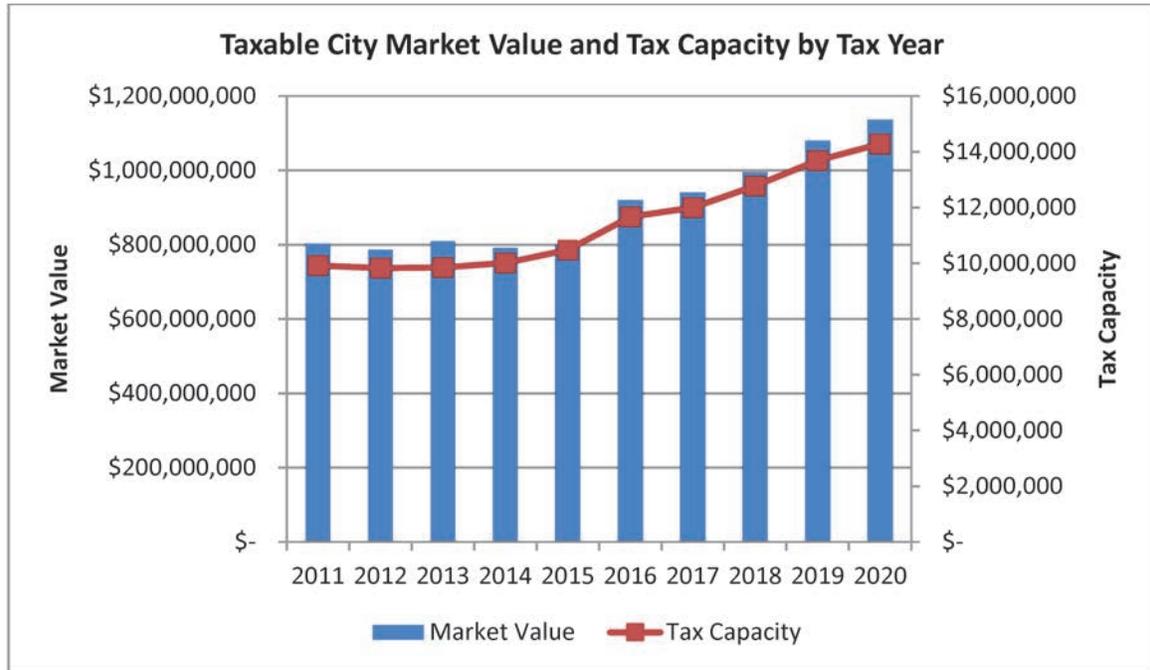
Other Financing Sources – Other Financing Sources for all budgeted funds is \$3,266,626 or 15.3 percent of revenue. This category accounts for transfers in from other funds, such as the Sales Tax Fund and Utility funds to the Debt Service funds to make bond payments.

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

Tax Information

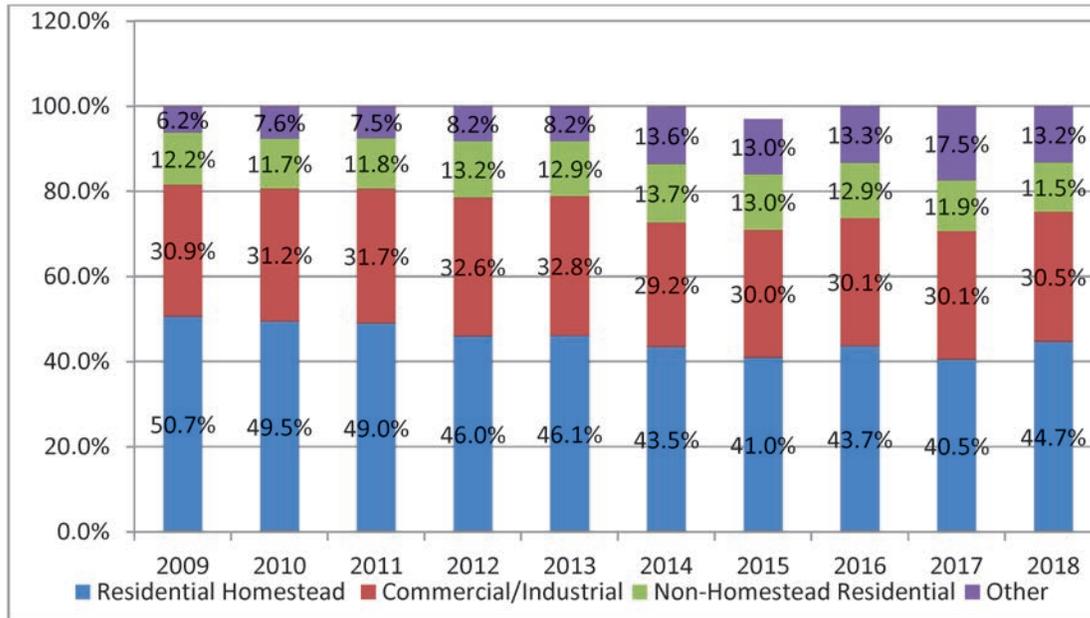
Tax Base

Residential and commercial market values used to calculate 2020 taxes increased. There was an estimated increase of 4% of taxable net tax capacity. Market values are not used directly to calculate tax. Market values and state mandated classification rates are used only to distribute the dollar amount of levy requested.

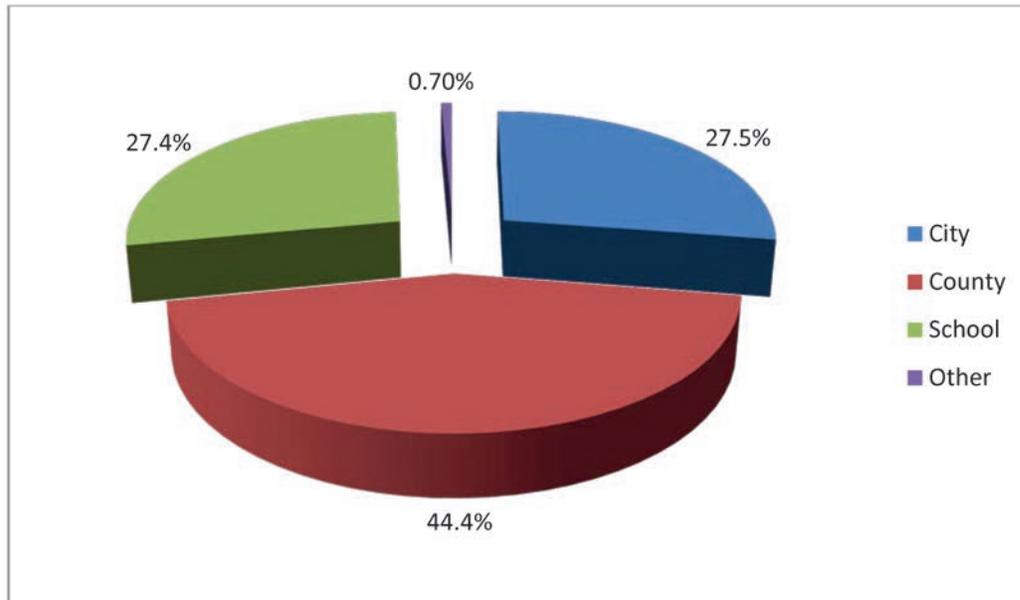


Total City Tax Capacity Comparison

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



Taxes (Payable 2019)



This graph illustrates the total tax as shared by the taxing jurisdictions. Only 27.5 percent of the total tax was levied for City activities in 2019.

Estimated City Taxes Payable in 2020

The following table lists the estimated city taxes payable in 2020 for various home values. These figures do not include a market value exclusion that the state utilizes to reduce residential property taxes.

Home Market Value	2019 Payable City Taxes	2020 Payable City Taxes
\$ 100,000	\$ 414.10	\$ 428.99
150,000	\$ 621.15	\$ 643.49
200,000	\$ 828.20	\$ 857.98
250,000	\$ 1,035.25	\$ 1,072.48
300,000	\$ 1,242.30	\$ 1,286.97
350,000	\$ 1,449.35	\$ 1,501.47
400,000	\$ 1,656.40	\$ 1,715.96
450,000	\$ 1,863.45	\$ 1,930.46
500,000	\$ 2,070.50	\$ 2,144.95

Where Do Our Property Tax Dollars Go?

A \$250,000 home generates \$1,072 in annual property taxes:

This comes to \$89 per month for 2020.

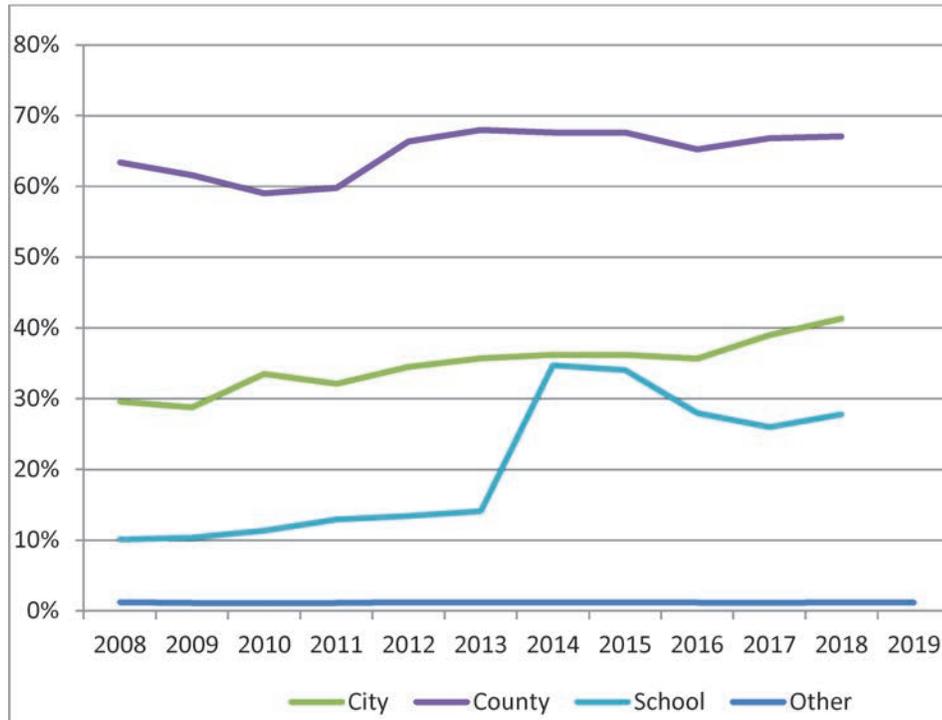


Estimated Cost of City Services - \$250,000 Home in 2020

Actual Cost of City Services Pay 2020 Property Tax Support for \$250,000				
City Service Category	2020 Budget	Percent of Levy	Amount of Levy	Monthly Cost
General Government Council, Ordinances, Mayor, Elections, Administration & Finance, City Attorney, Planning & Zoning, Health Insurance Consultant, City Hall Building Maintenance, Inspection, Cemetery	\$1,495,268	24.4%	\$262	\$22
Public Safety Police Administration, Fire Administration, Firehall #1, Firehall #2, Firehall #3,	\$3,345,157	54.5%	\$585	\$49
Public Works Street Department, City Engineer, City Garage, Environmental	\$777,119	12.7%	\$136	\$11
Park Parks, Community Building	\$138,455	2.3%	\$24	\$2
Debt Service Public Works Facility, Firehalls, Rose Rd Softball	\$377,121	6.1%	\$66	\$5
Totals		100%	\$1,073	\$89

Tax Rate Analysis

The graph illustrates the changes in the property tax rate of the City, County, School and Other. The below does not include the school's market referendum.



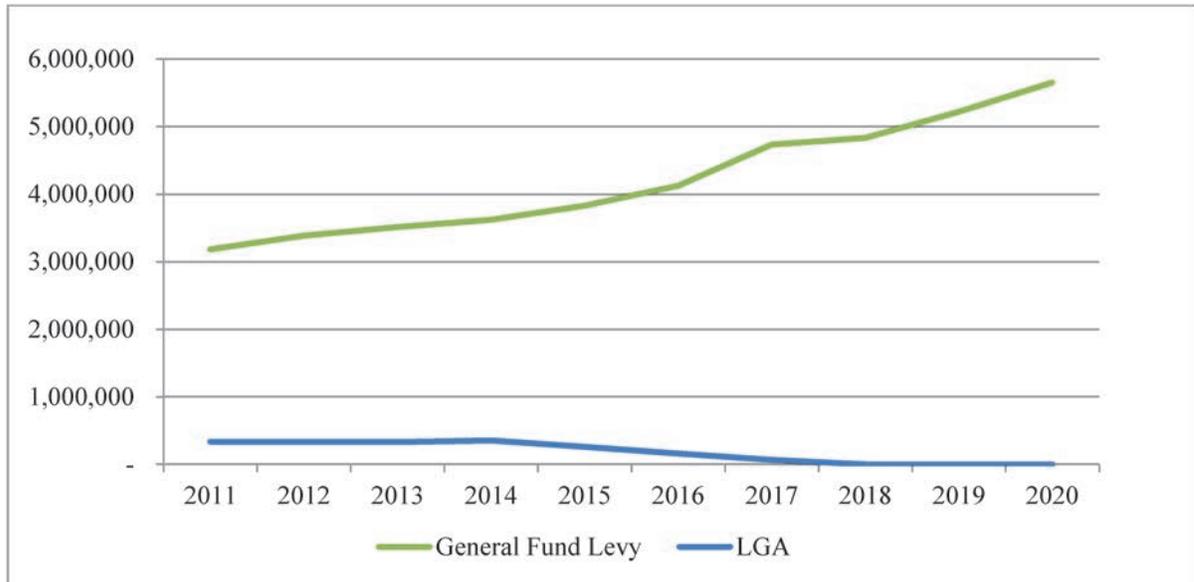
Levy Components

The overall property tax levy is comprised of different levies to pay for different activities of the city. The dollars levied in 2020 are illustrated in the following table:

General Fund Levy	\$	5,651,472
Debt Levy	\$	271,622
Abatement Fleet Farm	\$	136,000
Hermantown Economic Development Authority	\$	160,000

Tax Levy Changes

The City General Fund tax levy has fluctuated recently as a result of fast growth, multiple changes in state aid, and increasing service demands. The following graph illustrates the changes in general fund levy. The city is not receiving LGA in 2020.



2019 Property Tax Comparison of Cities within St Louis County and Cloquet

Total Tax (City, County, School, Other) based on a \$250,000 Value home in 2019 (most recent year of available data):

St. Louis County:

Hermantown	\$3,504
Proctor	\$3,821
Duluth	\$3,619
Virginia	\$4,550
Hibbing	\$3,949

Carlton County:

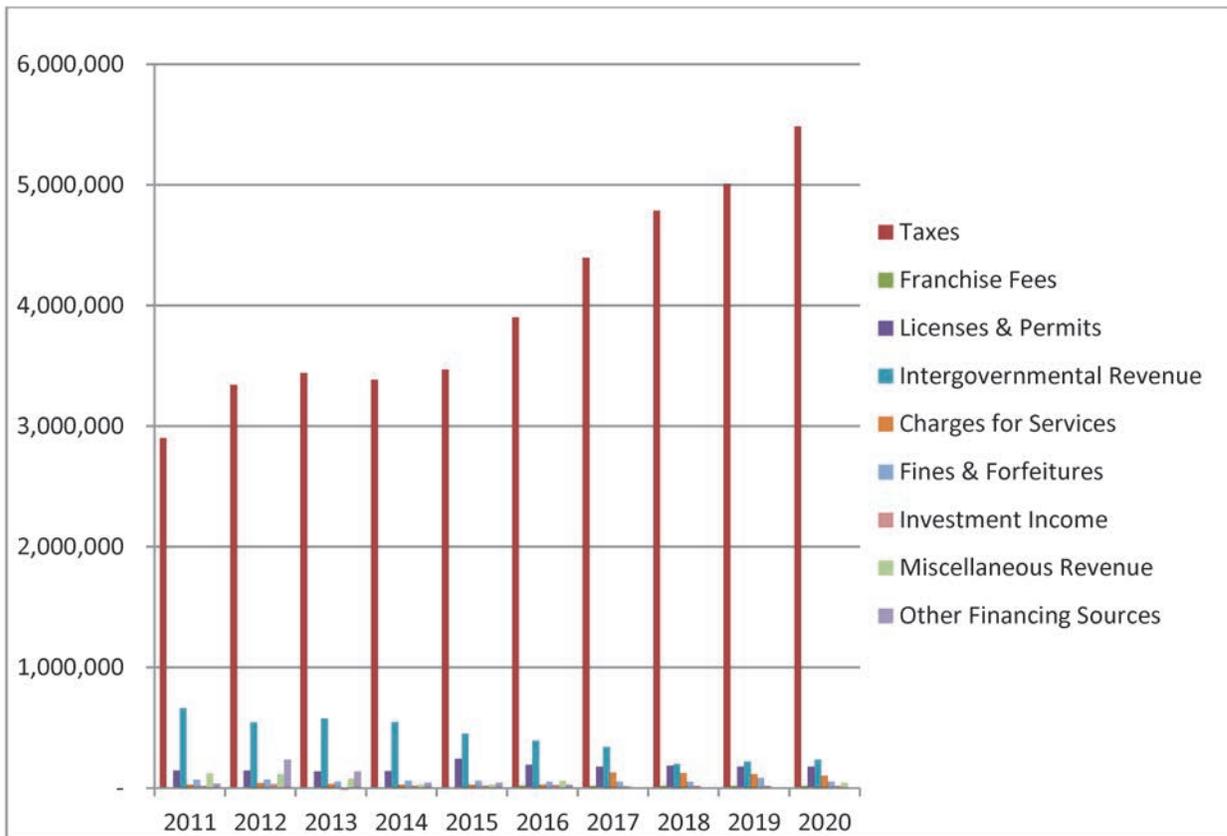
Cloquet	\$4,810
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General Fund Summary – Fund 101

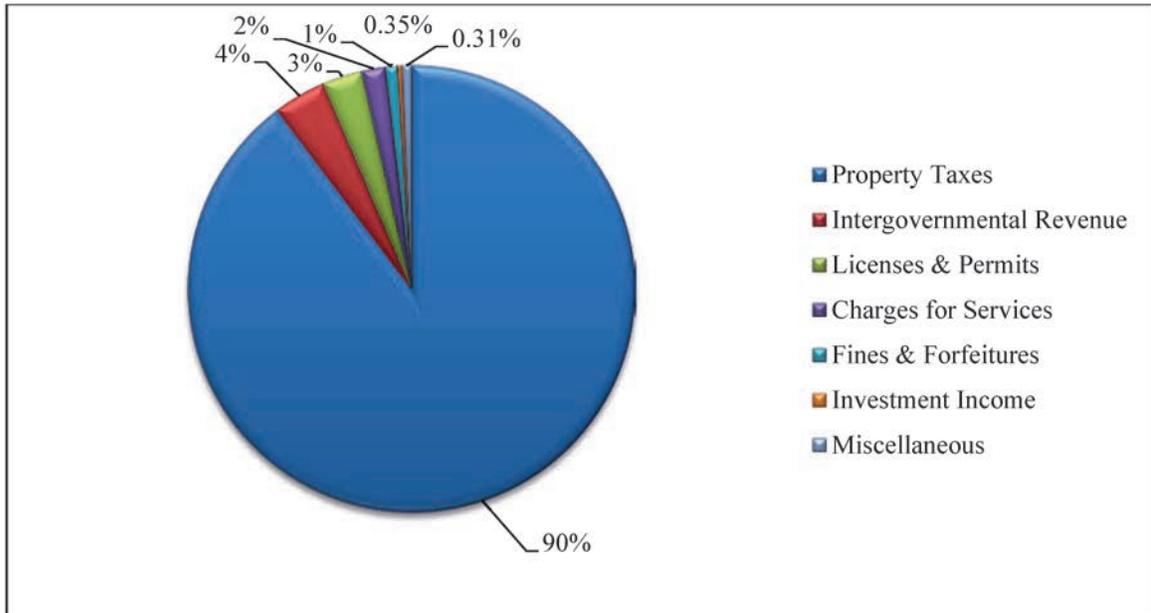
The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the City such as general government, public safety, public works, and parks and recreation. Revenue is recorded by source: i.e., general property taxes, licenses and permits,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

2020 General Fund Revenues

The general fund revenue sources have changed in recent years as a result of legislative actions. The following graph illustrates the change in general fund revenues (2019 & 2020 are based on budgeted revenues):



The following chart shows the 2020 general fund budgeted revenues by source:



2020 General Fund Revenue Summary

<u>Source</u>	<u>Amount</u>	
Property Tax & Franchise Fee	\$ 5,502,928	89.72%
Intergovernmental Revenue	233,650	3.81%
Licenses & Permits	177,150	2.89%
Charges for Services	104,903	1.71%
Fines & Forfeitures	54,100	0.88%
Investment Income	20,200	0.33%
Miscellaneous	40,189	0.66%
Total	\$ 6,133,120	

2020 General Fund Revenue Sources - Detail

Property Taxes/Franchise Fees - 310000

310100 Current Property Taxes	5,481,928	
310200 Delinquent Property Taxes	0	
318100 Franchise Fees	16,500	
319100 Penalty & Interest Property Taxes	3,000	
319200 Forfeited Property Taxes	1,500	
Subtotal – Property Taxes & Franchise Fee	5,502,928	

Licenses & Permits – 320000

321100 Beer Licenses	4,000	
321110 On-Sale Liquor Licenses	28,000	
321120 Off-Sale Liquor Licenses	600	
321140 Sunday Licenses	2,200	
321150 Dance Permits	1,250	
321800 Contractors Licenses/Permits	5,100	
321900 Tobacco Licenses	6,600	
321950 Fireworks Permits	500	
321990 Other Licenses & Permits	3,800	
322100 Building Permits	102,000	
322110 Zoning Fees	9,950	
322120 SWPP Fees	0	
322121 Erosion & Sediment Control	4,250	
322126 Wetland Permits	1,600	
322130 Property Split Fees	1,500	
322400 Dog Licenses	2,300	
322900 Handgun/Bow Permits	3,500	
Subtotal – Licenses & Permits	177,150	

Intergovernmental – 330000

331998 Police Overtime Reimbursement	28,000	
331999 Other Federal Grants/Aid	2,000	
334010 Local Government Aid	0	
334160 Police Training Reimbursement	14,000	
334180 MSAS Maintenance Allocation	65,000	
334200 State 2% Fire Insurance/Fire Relief	0	
334210 State Police Aid	122,000	
334999 Other State Grants & Aids	2,000	
336300 Other Grants & Aids	650	
Subtotal – Intergovernmental	233,650	

Charges for Services – 340000

341010 Building Rentals	7,700	
341015 Community Building	19,301	
341030 Zoning & Subdivision	750	
341110 Data Privacy	500	
342010 Police Services	75,300	
342030 Photocopies Police	152	
349400 Cemetery Burial	<u>1,200</u>	
Subtotal – Charges for Services		104,903

Fines & Forfeits – 350000

351000 Impound & Towing Charges	500	
351010 Court Fines	53,000	
351020 Parking Fines	<u>600</u>	
Subtotal – Fines & Forfeits		54,100

Investment Income – 362100 & 362160

362100 Investment Interest	<u>20,200</u>	
Subtotal – Investment Income		20,200

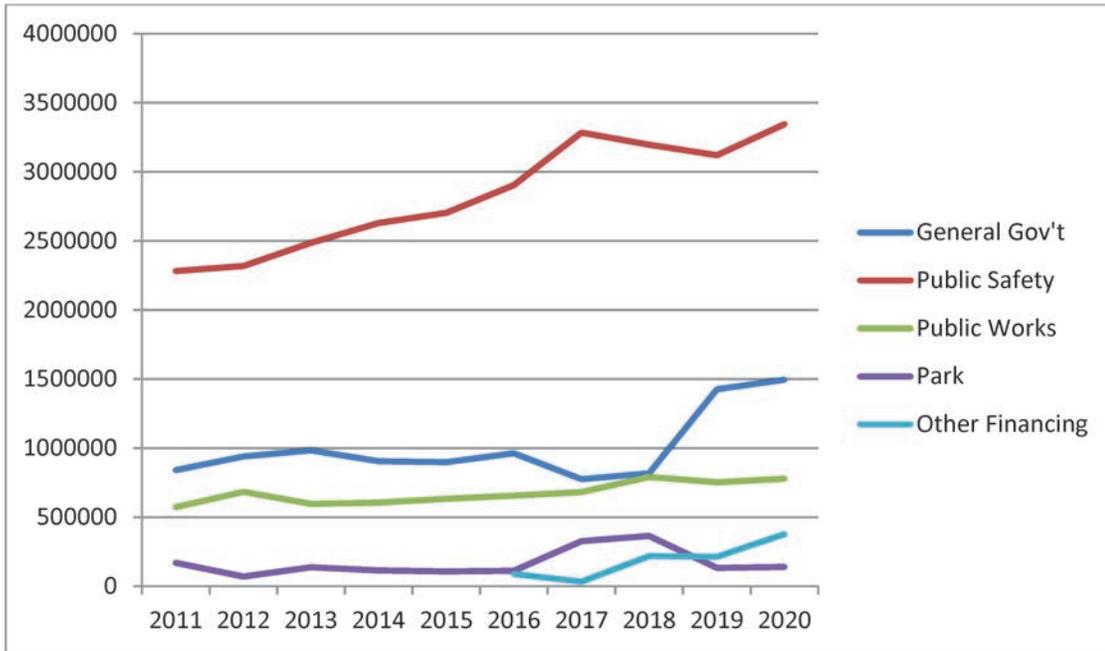
Miscellaneous – 360000

362200 Park Field Rental Fees	9,600	
362210 Park Rental Fees	210	
362250 City Property Lease	10,575	
362255 Lightning Drive Tower Lease	14,183	
362400 911 Signs	2,700	
362410 Insurance Recoveries	1,250	
362990 Miscellaneous Revenue	671	
391010 Sale of General Fixed	<u>1,000</u>	
Subtotal – Miscellaneous		40,189

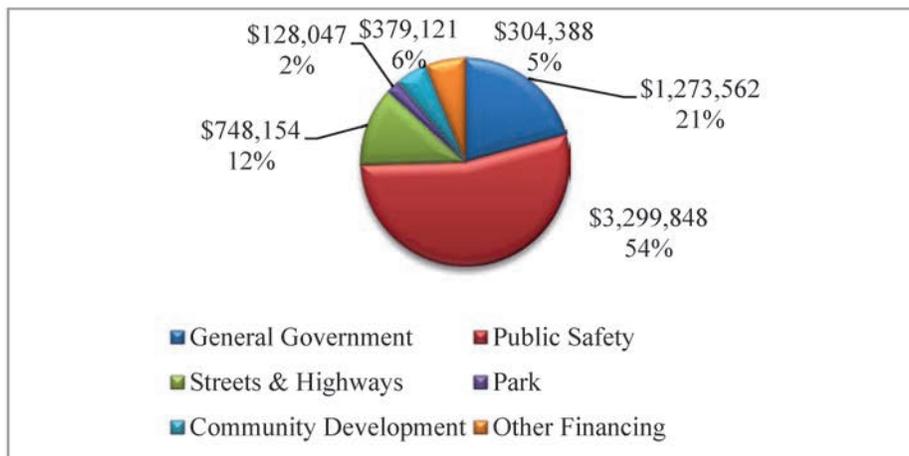
Total General Fund Revenues 6,133,120

2020 General Fund Expenditures

The city provides many services to its citizens. The following graphs show the general fund expenditures by function (2019 & 2020 are based on budgeted expenditures):



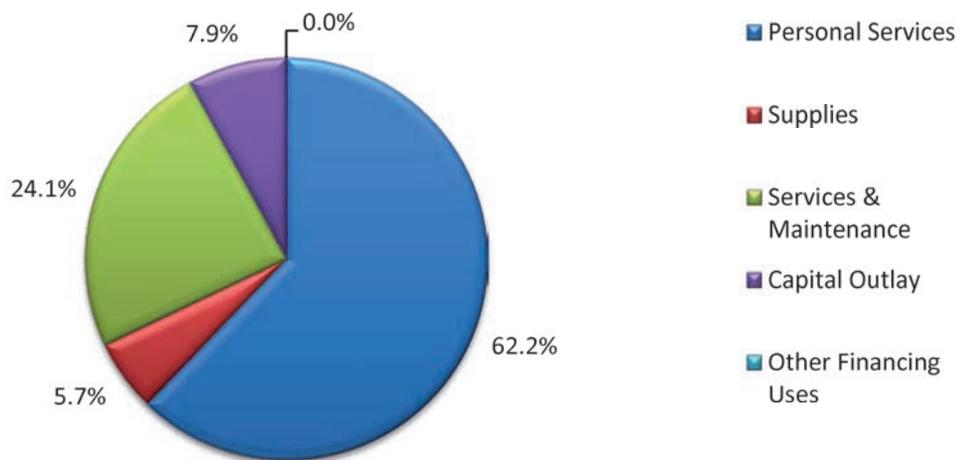
The following chart shows the 2020 General Fund Expenditures by Function:



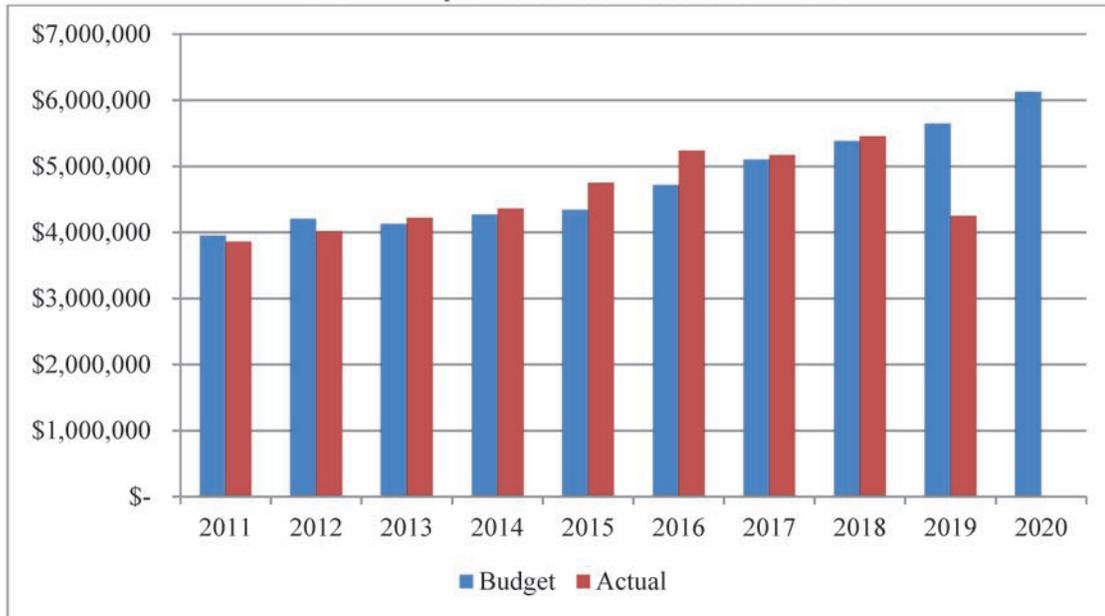
General Fund Expenditures – Detail by Category

Department	<u>Personal Services</u>	<u>Supplies</u>	<u>Services & Maintenance</u>	<u>Capital Outlay</u>	<u>Other Financing Uses</u>	<u>Total</u>
Council	33,832	235	13,345	-	-	47,412
Legal Notices	-	-	3,300	-	-	3,300
Mayor	11,077	-	2,869	-	-	13,946
Elections	20,917	500	5,500	-	-	26,917
Administration & Finance	520,602	6,500	89,775	-	-	616,877
Attorney	-	-	43,000	-	-	43,000
Comm. Dev./Planning & Zoning	222,474	1,000	80,914	-	-	304,388
City Hall & Police Bldg. Maint.	76,965	13,350	85,938	-	-	176,253
Police	2,346,832	74,000	237,789	107,150	-	2,765,771
Fire	-	-	516,000	-	-	516,000
Fire Hall 1	20,134	-	30,808	-	-	50,942
Fire Hall 2 & 3	-	100	12,344	-	-	12,444
Building Inspector	154,779	1,550	10,145	-	-	166,474
Poundmaster	-	-	4,100	-	-	4,100
Street	323,395	181,725	206,534	2,500	-	714,154
City Engineer	-	-	34,000	-	-	34,000
Garage Building Maintenance	20,045	30,500	12,420	-	-	62,965
Parks	48,546	41,000	36,501	-	2,000	128,047
Community Building	10,069	500	14,826	-	-	25,395
Cemetery	5,408	-	5,000	-	-	10,408
Insurance	-	-	33,206	-	-	33,206
Transfers for Capital Items	-	-	-	377,121	-	377,121
Totals	3,815,075	350,960	1,478,314	486,771	2,000	6,133,120
	62.2%	5.7%	24.1%	7.9%	0.0%	

The following chart shows the 2020 general fund expenditures by category:



Trend in Expenditures – General Fund



***2019 Expenses through 10/17/2019**

Capital Improvement Plan – (CIP)

Items Purchased and Impact of Capital Investments on Operating Budget

The City of Hermantown's Capital Improvement Plan includes projects to City infrastructure, such as facility enhancements, upgrades to parks and trails and improvements to streets and utilities. Also included in the Capital Budget are capital equipment such as public safety vehicles and public works equipment.

The City's Capital Improvement Plan addresses current and future improvements to the City's infrastructure, facilities, and properties by combining elements of both current year budgeting and the five year forecast. The purpose of the Capital Budget is to first prioritize and fund the most urgent needs in the coming year's budget. Second, to identify future capital needs with sufficient lead time to ensure proper planning and implementation. This section presents a summary of the Projects and Funding Sources by Department, which is also included in our full Capital Improvement Plan.

Capital Expenditures are defined as a project/asset with a minimum cost of \$20,000 and a life expectancy of over 2 years. Capital assets are depreciated using the straight-line method. The capital asset form has a section to indicate if there is ongoing maintenance expenses in the future as a result of the CIP request.

The Capital Expenditures in the 2020 Budget total \$9,327,726.

The following capital outlay items over \$20,000 have been budgeted in all funds for 2020.

Police

Purchase of two police squads: Budget \$99,000.

The fleet was re-evaluated and was determined that the cost and repairs of purchasing SUVs will be less expensive over the life of the vehicle.

This is a recurring expense to replace two vehicles.

These items are budgeted in the General Fund.

Operating effect: These are replacement vehicles and will not increase operational expenses.

Parks

Munger Trail City wide connection: Total Budget of \$870,000, of which \$50,000 will be from the Park Dedication Fund and the remaining \$820,000 will be paid for through a grant.

This will be an ongoing project.

Operating effect: After the trail is finished it will increase maintenance costs due to Public Works having to periodically maintain the new trail.

Storm Water

Hermantown Marketplace Runoff pond improvements is budgeted for \$25,000. This will be paid from the Storm Water Fund.

Operating effect: No operating expense impact is expected.

Public Works

Due to the increased cost of repairs of the existing $\frac{3}{4}$ ton truck, \$59,500 was budgeted for a 1 Ton Truck and Plow.

Operating effect: A slight decrease in operating expenses is anticipated, due to less maintenance and repairs.

A Hydraulic hammer was budgeted for \$37,500. This is split between Water and Sewer Funds.

Operating effect: No operating expense impact is expected.

The buildout for the 2019 Sewer Service Truck was budgeted for \$30,000. This is split between Water and Sewer Funds.

Operating effect: No operating expense impact is expected.

The purchase of a ROW Mower was budgeted for \$210,000. This will be split between Water, Sewer and Street Funds.

Operating effect: A slight increase in operating expenses is anticipated for maintenance.

The purchase of a new Steam Trailer was budgeted for \$52,500, due to constant repairs of existing one. This will be split between Water and Sewer.

Operating effect: A decrease in operating expenses is anticipated.

Retro Fit of two lift stations was budgeted for \$40,000. This will be a recurring expense through 2024.

This will come out of the Sewer Fund.

Operating effect: No operating expense impact is expected.

The purchase of a new Vacuum Jetter Trailer was budgeted for \$190,400, to help get rid of debris during water breaks. This will be split between Water and Sewer.

Operating effect: An increase in operating expenses is anticipated.

Total Budget for Public Works: \$619,900.

Community Development

A new Entry Column sign for directional information to the Essentia Wellness Center and Hermantown School Campus facilities is budgeted for \$40,000.

Total Budget: \$40,000.

This will come out of HEDA.

Operating effect: No operating expense impact is expected.

Section 24 Sewer Trunk line

Included in the Capital Budget is \$5,000,000 for the Section 24 Sewer Trunk line.

This will come from the Sales Tax Fund.

Operating effect: There might be a slight increase in maintenance costs due to an additional sewer trunk line.

Street Improvements

Several streets have been budgeted for upgrades over the next several years. Included in the Capital Budget for 2020 are:

Chip Sealing: \$177,000

Alexander, Johnson, Carlson, Portland: \$1,793,786

Hermantown Rd - Stebner to Okerstrom: \$703,040

Total Budget: \$2,673,826

These will be split between Assessments, Tax Levy bonding, MSA and Storm Water Fund.

Operating effect: No operating expense impact is expected.

2020 Budgeted Capital Expenditures over \$20,000

Funding Source	Purpose	Amount
<i>General Fund</i>		
Police	Two new squad cars	\$99,000
Public Works	2020 One Ton Truck	\$59,500
	ROW Mower	\$126,000
		<u>\$284,500</u>
<i>Special Revenue Funds</i>		
Park Dedication	Munger Trail Connector	\$50,000
		<u>\$50,000</u>
Sales Tax	Section 24 Sewer Trunk line	\$5,000,000
		<u>\$5,000,000</u>
<i>Enterprise Funds</i>		
Water	Hydraulic Hammer	\$18,750
	2019 One Ton Sewer Service Truck Chassis	\$15,000
	ROW Mower	\$42,000
	Steam Trailer	\$26,250
	Vacuum Jetter Trailer	\$95,200
		<u>\$197,200</u>
Sewer	Hydraulic Hammer	\$18,750
	2019 One Ton Sewer Service Truck Chassis	\$15,000
	ROW Mower	\$42,000
	Vacuum Jetter Trailer	\$95,200
	Lift Stations	\$40,000
	Steam Trailer	\$26,250
		<u>\$237,200</u>
Storm Water	Alexander, Johnson, Carlson, Portland	\$223,712
	Marketplace Runoff	\$25,000
		<u>\$248,712</u>

HEDA	Hermantown Entry Column	\$40,000
		<u>\$40,000</u>
<i>State Aid MSA</i>		
	Chip Seal	\$108,000
	Hermantown Rd-Stebner to Okerstrom	\$493,040
		<u>\$601,040</u>
<i>Assessments</i>		
	Alexander, Johnson, Carlson, Portland	\$950,000
	Hermantown Rd-Stebner to Okerstrom	\$210,000
		<u>\$1,160,000</u>
<i>General Levy Bonds-Street Fund</i>		
	Alexander, Johnson, Carlson, Portland	\$620,074
	Chip Seal	\$69,000
		<u>\$689,074</u>
<i>Grants</i>		
GMRPTC Grant	Munger Trail Connector	\$820,000
		<u>\$820,000</u>
	Total All Funds	<u><u>\$9,327,726</u></u>

City of Hermantown, Minnesota

Capital Improvement Plan

2020 thru 2024

PROJECTS & FUNDING SOURCES BY DEPARTMENT

Department	Project #	Priority	2020	2021	2022	2023	2024	Total
City Hall								
Audio Visual Upgrade	AV-21-001	3		60,000				60,000
Cable				60,000				60,000
Motorized Blinds	CH-19-002	3		30,000				30,000
Municipal Building Reserve				30,000				30,000
Seal Coat/Crack Fill	CH-22-001	3			20,000			20,000
General Fund					20,000			20,000
HTEX 16 Exchange 2016 - Computer Server	CH-22-003	2			20,000			20,000
General Fund					20,000			20,000
City Hall Total				90,000	40,000			130,000
Community Development								
Hermantown Marketplace Signs	CD-18-001	2		100,000	125,000			225,000
HEDA				100,000	125,000			225,000
Hermantown Entry Column	CD-19-002	1	40,000					40,000
HEDA			40,000					40,000
Munger Trail Connector	PK-18-002	3	870,000			550,000	660,000	2,080,000
GMRPTC Grant			820,000			500,000		1,320,000
Park Dedication Fund			50,000			50,000	60,000	160,000
TA Grant							600,000	600,000
Fichtner Fields Restructure	PK-19-001	3					450,000	450,000
Park Dedication Fund							450,000	450,000
Keene Creek Munger Trail Section	PK-20-2024	3		50,000			75,000	125,000
Park Dedication Fund				50,000			50,000	100,000
State Grants							25,000	25,000
Community Development Total			910,000	150,000	125,000	550,000	1,185,000	2,920,000
Police								
Squads	PD-20-001	1	99,000	115,000	115,000	115,000	115,000	559,000
General Fund			99,000	115,000	115,000	115,000	115,000	559,000
Police Total			99,000	115,000	115,000	115,000	115,000	559,000
Public Works								
Lawn Mower Replacement	CH-19-003	3		25,000				25,000
General Fund				25,000				25,000
2020 1 Ton Truck	PW-17-002	2	59,500					59,500
General Fund			59,500					59,500
Hydraulic Hammer	PW-18-004	1	37,500					37,500
Sewer Fund			18,750					18,750
Water Fund			18,750					18,750
Tracked Skidsteer	PW-19-002	2				66,500		66,500
General Fund						33,250		33,250

Department	Project #	Priority	2020	2021	2022	2023	2024	Total
Sewer Fund						16,625		16,625
Water Fund						16,625		16,625
Replacement of H20 Service Truck	PW-19-004	1			175,000	40,000		215,000
Sewer Fund						40,000		40,000
Water Fund					175,000			175,000
Pothole Trailer	PW-19-006	1			50,000			50,000
General Fund					50,000			50,000
2019 1 Ton Sewer Service Truck Chasis	PW-20-001	1	30,000					30,000
Sewer Fund			15,000					15,000
Water Fund			15,000					15,000
2023 1 Ton Truck	PW-20-002	2				59,500		59,500
General Fund						59,500		59,500
Recoat Water Tower by Hwy 53	PW-20-003	1		400,000				400,000
Sales Tax				400,000				400,000
Purchase of ROW Mower	PW-20-004	1	210,000					210,000
General Fund			126,000					126,000
Sewer Fund			42,000					42,000
Water Fund			42,000					42,000
Steam Trailer	PW-20-007	1	52,500					52,500
Sewer Fund			26,250					26,250
Water Fund			26,250					26,250
Vacuum Jetter Trailer	PW-20-008	1	190,400					190,400
Sewer Fund			95,200					95,200
Water Fund			95,200					95,200
2021 40-45,000 lb Wheel Loader	PW-21-001	2		225,000				225,000
General Fund				75,000				75,000
Sewer Fund				75,000				75,000
Water Fund				75,000				75,000
Motor Grader Lease	PW-21-004	1	45,000	45,000	45,000	45,000	45,000	180,000
General Fund			45,000	45,000	45,000	45,000	45,000	180,000
Replacement of H9 (Glen's old truck) 1 Ton Truck	PW-22-002	2			85,000			85,000
General Fund					28,334			28,334
Sewer Fund					28,333			28,333
Water Fund					28,333			28,333
Replacement Single Axle Plow Truck	PW-22-003	1			265,000			265,000
General Fund					265,000			265,000
2022 1 Ton Truck	PW-22-005	2			59,500			59,500
General Fund					59,500			59,500
Materials Building	PW-23-001	1				525,000	125,000	650,000
General Fund						157,500	37,500	195,000
Sewer Fund						183,750	43,750	227,500
Water Fund						183,750	43,750	227,500
2023 12' Big Mower	PW-23-003	2				75,000		75,000
General Fund						75,000		75,000
Water Truck	PW-24-001	2					165,000	165,000
Water Fund							165,000	165,000
2024 1 Ton Truck	PW-24-002	2					59,500	59,500
General Fund							59,500	59,500
Roof Replacement for PW	PW-24-003	2					225,000	225,000
General Fund							225,000	225,000
Lift Stations	SW-17-1	2	40,000	40,000	40,000	40,000	40,000	200,000
Sewer Fund			40,000	40,000	40,000	40,000	40,000	200,000
Public Works Total			619,900	735,000	719,500	851,000	659,500	3,584,900

Sewer Department

Department	Project #	Priority	2020	2021	2022	2023	2024	Total
Sewer Trunkline	19-015	2	5,000,000					5,000,000
Sales Tax			5,000,000					5,000,000
Sewer Department Total			5,000,000					5,000,000
Storm Water								
Marketplace Runoff	STW-20-2020	2	25,000					25,000
Storm Water			25,000					25,000
Lindahl Rd Bridge	STW-21-2021	2		250,000				250,000
General Fund				125,000				125,000
Storm Water				125,000				125,000
Swan Lk Rd Bridge	STW-22-2020	2		300,000				300,000
State Aid - MSA				300,000				300,000
Storm Water Total			25,000	550,000				575,000
Streets								
Chip Seal	ST-20-2020	2	177,000	44,995	76,345	125,029	152,976	576,345
Bonds General Fund			69,000	44,995	76,345	125,029	152,976	468,345
State Aid - MSA			108,000					108,000
Alexander, Johnson, Carlson, Portland	ST-21-2020	2	1,793,786					1,793,786
Assessment			950,000					950,000
Bonds General Fund			620,074					620,074
Storm Water			223,712					223,712
Old Hwy 2	ST-22-2020	2		232,636				232,636
Assessment				20,000				20,000
Bonds General Fund				189,372				189,372
Storm Water				23,264				23,264
Lindgren and Richard Ave	ST-23-2020	2		811,200				811,200
Assessment				202,800				202,800
Bonds General Fund				348,400				348,400
Sales Tax				200,000				200,000
Storm Water				60,000				60,000
Hermantown Rd-Stebner to Okerstrom	ST-24-2020	2	703,040					703,040
Assessment			210,000					210,000
State Aid - MSA			493,040					493,040
Lavaque Junction Rd	ST-25-2021	2		2,494,723				2,494,723
Assessment				430,000				430,000
Bonds General Fund				1,644,497				1,644,497
Sales Tax				200,000				200,000
Storm Water				220,226				220,226
Lightning Dr	ST-26-2021	2			1,096,742			1,096,742
Assessment					80,000			80,000
Bonds General Fund					797,394			797,394
Storm Water					219,348			219,348
Old Midway	ST-27-2021	2		722,388				722,388
Assessment				340,000				340,000
Bonds General Fund				310,149				310,149
Storm Water				72,239				72,239
Ugstad Rd-Arrowhead to Trunk Hwy 53	ST-28-2021	2		716,538				716,538
Assessment				280,000				280,000
State Aid - MSA				436,538				436,538
Hermantown Rd - Midway to Ugstad	ST-29-2022	2			1,520,816			1,520,816
Assessment					440,000			440,000
Bonds General Fund					928,735			928,735
Storm Water					152,081			152,081
Ugstad Rd - Maple Gove to Arrowhead	ST-30-2022	2			1,520,816			1,520,816

Department	Project #	Priority	2020	2021	2022	2023	2024	Total
Assessment					460,000			460,000
State Aid - MSA					1,060,816			1,060,816
Thompson Rd	ST-31-2022	2				467,377		467,377
Assessment						340,000		340,000
Bonds General Fund						80,639		80,639
Storm Water						46,738		46,738
Westwood Rd	ST-32-2022	2				197,706		197,706
Assessment						90,000		90,000
Bonds General Fund						87,935		87,935
Storm Water						19,771		19,771
Birch Valley Rd	ST-33-2022	2				395,412		395,412
Assessment						160,000		160,000
Bonds General Fund						195,871		195,871
Storm Water						39,541		39,541
Hermantown Rd - Hwy 2 Midway	ST-34-2024	2					871,805	871,805
Assessment							210,000	210,000
Bonds General Fund							574,625	574,625
Storm Water							87,180	87,180
Misty Morning Drive	ST-35-2024	2					205,614	205,614
Assessment							150,000	150,000
Bonds General Fund							35,053	35,053
Storm Water							20,561	20,561
Oak Ridge Dr	ST-36-2024	2					822,457	822,457
Assessment							340,000	340,000
Bonds General Fund							400,212	400,212
Storm Water							82,245	82,245
Swan Lake Rd	ST-37-2024	2					279,636	279,636
Assessment							30,000	30,000
Bonds General Fund							221,672	221,672
Storm Water							27,964	27,964
Streets Total			2,673,826	5,022,480	4,214,719	1,185,524	2,332,488	15,429,037
GRAND TOTAL			9,327,726	6,662,480	5,214,219	2,701,524	4,291,988	28,197,937

Five Year Plan for Municipal State Aid – MSA Roads

The City evaluates each Municipal State Aid (MSA) project to determine whether a utility infrastructure project could coincide with the road construction or reconstruction project. These do not affect operating budget other than savings in the street maintenance budgets.

City of Hermantown		Municipal State Aid Funding Program						
Updated by David Bolf, P.E.		MSA Program Accounting						
updated 9/24/2019								
Year	Project	Project Description	Total Cost	Federal Share	MSA Share	Local Share	MSA Allocation	Fund Balance
								\$ (505,717.53)
2019		allocation					\$596,458.00	\$ 90,740.47
	signal optimization		\$ 9,321.66		\$ 9,321.66			
	market signal		\$ 28,812.50		\$ 28,812.50			
	rose road final		\$ 8,323.56		\$ 8,323.56			
								\$ 44,282.75
2020		allocation					\$597,522.00	\$ 641,804.75
	Hermantown Rd	Reconditioning 0.5 Miles	\$ 500,000.00		\$ 500,000.00			
	Ugstad to SLC Signals		\$ 75,000		\$ 75,000			
								\$ 66,804.75
2021		allocation					\$597,522.00	\$ 664,326.75
								\$ 664,326.75
2022		allocation					\$597,522.00	\$ 1,261,848.75
	Ugstad Rd 53 to Maple Grove	Reconstruction Reconditioning	\$3,500,000.00		\$ 3,500,000.00			
								\$ (2,238,151.25)
2023		allocation					\$597,522.00	\$ (1,640,629.25)
	Swan Lake Rd & Bridge		\$ 300,000.00		\$ 300,000.00			
								\$ (1,940,629.25)
2024		allocation					\$597,522.00	\$ (1,343,107.25)
								\$ (1,343,107.25)
2025		allocation		\$1,340,000.00			\$597,522.00	\$ 594,414.75
								\$ 594,414.75

City Debt Overview

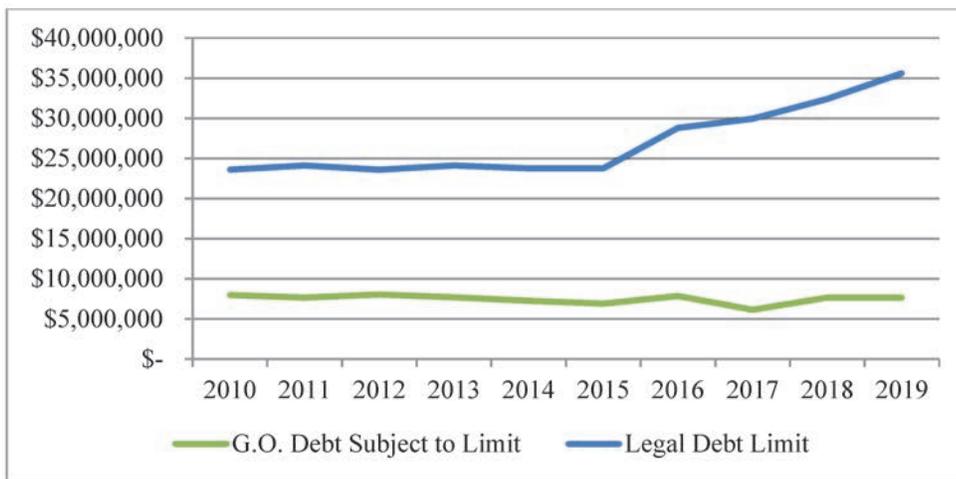
Debt Margin

All Minnesota municipalities (counties, cities, towns and school district) are subject to statutory “net debt” limitations under the provisions of Minnesota Statutes, Section 475.53. Under this provision, the legal debt limit is 3% of the assessor’s market value of the municipalities’ tax base. Hermantown’s taxable market value for tax year 2019/2020 is estimated to be \$1,136,860,858. The general obligation debt subject to the limitation may be offset by the amounts set aside for repaying general obligation bonds. This limitation provides reasonable assurance of the municipality’s ability to pay its obligations. The graph below shows ten years of general obligation debt subject to the limit compared to the legal debt limit. The City’s debt has increased over the last 10 years.

2019/20

Statutory Debt Limit	\$ 35,616,576
Hermantown's Debt Subject to the Limit (Estimate)	<u>7,660,000</u>
Unused Debt Limit	<u>\$ 27,956,576</u>

Total Debt Outstanding and Legal Debt Limit



Debt Issuance and Refinancing

The City of Hermantown maintains a bond rating of AA by Standard & Poor's for the City's 2014A, 2016A, 2016B, 2018A, 2018B, and 2019A bonds. In addition, a bond rating of AA- was assigned to the City's 2010A, 2012A, and 2012B General Obligation Bonds. Bond ratings are one indicator of municipalities' financial health and indicates the risk associated with the repaying of debt. The bond rating has a direct impact on the interest rates the city receives on the debt it issues.

Debt Service Direct Tax Levy (Next 5 Years)

	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>	<u>2024</u>
Equipment Debt - Certificate of Indebtedness	-	-	-	-	-
Firehalls/Rose Road Softball fields	192,871	194,709	191,139	198,069	194,132
Public Works Facility/Salt Storage Building (2010-2030)	78,750	78,750	78,750	78,750	78,750
Total Debt Tax Levy	271,621	273,459	269,889	276,819	272,882

Existing Debt Overview

G.O. Bonds	Fund	Date of Maturity	Interest Rate	Balance 12/31/2019	Principal Due 2020	Interest Due 2020	Balance 12/31/20
2016A G.O. Bond	318	2/1/2030	1.56%	2,935,000	365,000	55,050	2,570,000
2010A G.O. Bond	319	2/1/2031	2.74%	1,780,000	345,000	49,838	1,435,000
2012A G.O. Bond	320	2/1/2026	1.93%	1,205,000	155,000	23,931	1,050,000
2012B G.O. Bond	321	2/1/2034	2.24%	2,465,000	145,000	53,644	2,320,000
2014A G.O. Bond	322	2/1/2028	2.20%	1,325,000	240,000	32,600	1,085,000
2016B G.O. Bond	315	2/1/2027	1.35%	5,010,000	510,000	110,100	4,500,000
2018A G.O. Bond	323	2/1/2039	3.20%	2,015,000	75,000	61,500	1,940,000
2018B G.O. Bond	324	2/1/2039	3.14%	7,715,000	150,000	264,475	7,565,000
2019A G.O. Bond	325	2/1/2040	3.14%	8,845,000	280,000	318,632	8,565,000

Debt Issuance Details

General Obligation Bonds, Series 2016A (was 2009A) (Fund 318) – These bonds were issued in the original amount of \$5,515,000 for the following purposes: to refund the City's General Obligation Improvement Bonds, Series 2003A (Fund 312); to fund sewer improvements Midway Road (Seville to Hwy 194) and Hermantown Road (Haines Road to Arthur Lane); and to finance the acquisition of the Public Works Building and Salt/Storage Facility. Revenue sources: Special assessments, property tax, local sales tax, water and sewer transfers.

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

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

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

General Obligation Bonds, Series 2014A (Fund 322)- These bonds were issued in December 2014 in the amount of \$2,170,000, interest rate of 2.20% to refund Series 2007A and to crossover refund 2007B for an interest cost savings. Revenue sources: Special assessments, sales tax, water and sewer.

General Obligation Bonds, Series 2016B (was 2006A) (Fund 315)- These bonds were issued in December 2006 in the original amount of \$9,630,000, interest rate of 1.35% and mature in 2027 to finance new construction of an administrative services building. In addition the bond was used to refund the Bond Series 1998(Police/Fire Building). In 2016 a refunding was done. Revenue source: Sales tax

General Obligation Bonds, Series 2018A (Fund 323)- These bonds were issued in April of 2018 in the amount of \$2,035,000, true interest rate of 3.20%, and mature in 2039. The bonds were used to construct new Fire hall #2 and #3. Revenue source: Property Tax

General Obligation Bonds, Series 2018B (Fund 324)- These bonds were issued in August of 2018 in the amount of \$7,715,000, true interest rate of 3.14%, and mature in 2039. The bonds were used to construct the Essentia Wellness Center and redo the Rose Road Softball complex. Revenue sources: Rose Road – Property Tax, Essentia Wellness Center – Sales Tax

General Obligation Bonds, Series 2019A (Fund 325)- These bonds were issued in January of 2019 in the amount of \$8,845,000, true interest rate of 3.14% and mature in 2039. The bonds were used to construct the Essentia Wellness Center. Revenue source: Sales tax

Staffing

2020 Staffing

2020 Full-Time Equivalent (FTE) Summary by Position Count

	2018	2019	2020
	Budget	Budget	Budget
Administration & Finance			
City Administrator	1.00	1.00	1.00
Assistant City Administrator	0.50	-	-
Communications/Community Engagement	-	1.00	1.00
Finance Director	1.00	1.00	1.00
City Clerk	1.00	1.00	1.00
Accountant	1.00	1.00	1.00
Account Clerk	1.00	1.00	1.00
Utility Billing Clerk	1.00	1.00	1.00
Community Development Director	1.00	1.00	1.00
Community Development GIS	1.00	1.00	1.00
Building Official	1.00	1.00	1.00
Receptionist/Administrative Assistant	1.00	1.00	1.00
Total Administration & Finance	10.50	11.00	11.00
Public Safety			
Police Chief	1.00	1.00	1.00
Commander	2.00	2.00	2.00
Sergeant	2.00	2.00	2.00
Investigator	-	-	-
DARE Officer	1.00	1.00	1.00
K9 Officer	2.00	2.00	2.00
Police Officer	7.00	7.00	7.50
Senior Secretary	1.00	1.00	1.00
Secretary	2.00	2.00	2.00
Total Police	18.00	18.00	18.50
Public Works			
Public Works Director	1.00	1.00	1.00
Street/Utility Maintenance Workers	7.00	7.00	7.00
Part Time Cleaning Person	0.50	0.50	0.50
Building/Park Maintenance	1.00	1.50	1.50
Total Streets & Highways	9.50	10.00	10.00
Total FTE's	38.00	39.00	39.50
Note: A majority of employees provide services to various cost centers and are allocated accordingly.			

General Fund

City Council - 411100

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

Objectives

- Adopt policies and ordinances consistent with Council’s position on growth, zoning and financial strategy
- Approve all major decision
- Adopt the annual budget
- Conduct a planning session at the beginning of each odd numbered year

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
103-151	Salaries/Benefits	33,410	33,832	1.3%
201-499	Supplies/Services	11,101	13,580	22.3%
500-599	Capital Outlay			0.0%
	Total Expenditures	44,511	47,412	6.5%

Budgetary Commentary:

The 2020 City council operating budget is increasing by 6.5% from 2019.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
103	Part-Time Employees-Regular	30,480	30,480	30,480
123	PERA Contributions-DCP	1,082	1,050	1,113
126	Stipend			
128	Social Security	472	484	510
129	Medicare	442	418	442
133	Life Insurance	191	216	216
151	Workers Compensation	648	762	1,071
	Supplies & Services			
201	Office Supplies	235		235
315	School & Conference		400	800
321	Telephone			
331	Travel Expense		500	500
405	Computer Maintenance	233	651	2,495
434	Employee Recognition Program			
451	Dues & Subscriptions	15,390	9,500	9,500
499	Miscellaneous		50	50
	Capital Outlay			
599	Contingency			
	Total Expenditures	49,173	44,511	47,412

Ordinance, Public Notice, and Proceedings - 411300

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

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
310-355	Services	3,500	3,300	-5.7%
	Total Expenditures	3,500	3,300	-5.7%

Budgetary Commentary

The 2020 budget is reduced from 2019.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Services			
351	Legal Notices Publishing	1,658	3,500	3,300
	Total Expenditures	1,658	3,500	3,300

Mayor – 413100

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

Objectives

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

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
103-151	Salaries/Benefits	10,884	11,077	1.8%
201-499	Services/Maintenance	1,751	2,869	63.8%
	Total Expenditures	12,635	13,946	10.4%

Budgetary Commentary

The 2020 Mayor operating budget is increasing by 10.4 % from 2019.

Budget Detail

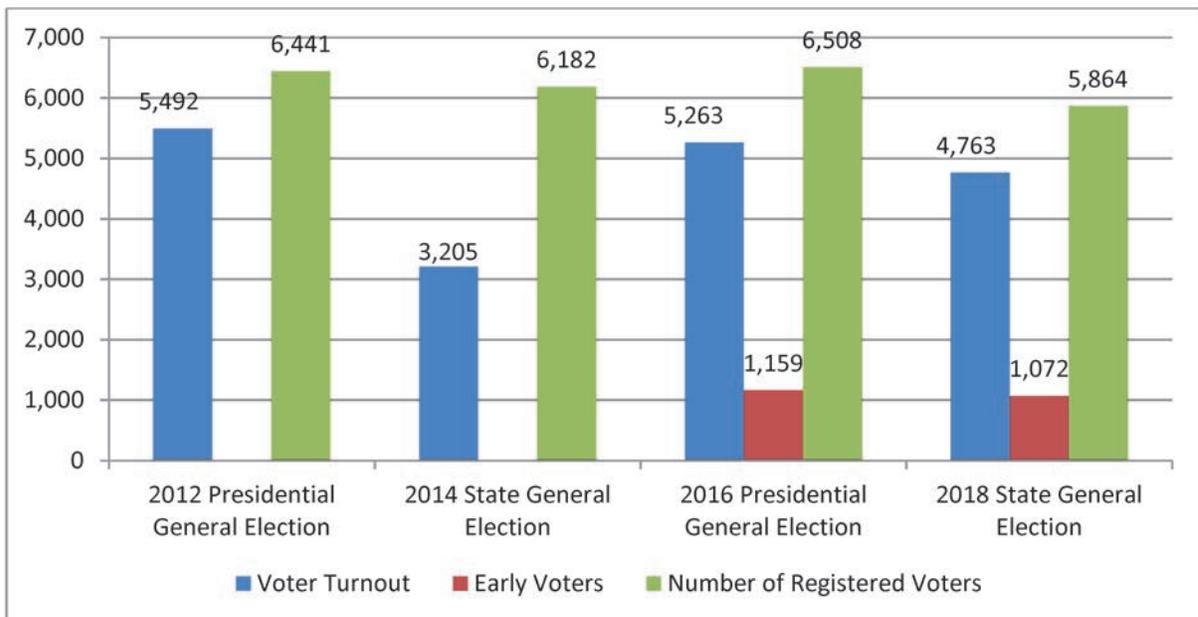
		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
103	Part-Time Employees-Regular	10,020	10,020	10,020
123	PERA Contributions - DCP	480	480	501
129	Medicare	145	139	145
133	Life Insurance	36	54	54
151	Workers Compensation	163	191	357
	Services & Maintenance			
201	Office Supplies			
315	School & Conference	140	140	420
331	Travel Expense		300	400
405	Computer Maintenance	1,889	1,181	1,919
451	Dues & Subscriptions	75	30	30
499	Miscellaneous	108	100	100
	Total Expenditures	13,057	12,635	13,946

Elections - 414100

2020 is a Presidential election year.

Objectives

- Provide absentee ballots and enforce appropriate restrictions
- Register voters on Election Day with proof of residence
- Enforce voter qualifications
- Publish requirements for Primary & General elections
- Set up and tear down polling places
- Create an election handbook – for future election administration
- Stay current with all State election rules/obligations/Secretary of State's Office
- Additional hands on training will be conducted with all judges, with special emphasis on closing polls and paperwork needed for the County to expedite the closing process
- Get information from current election judges on future improvements in the set up process



Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	3,150	20,917	564.03%
201-499	Supplies/Services/Maintenance	1,675	6,000	258.21%
	Total Expenditures	4,825	26,917	457.87%

Budgetary Commentary

2020 is a presidential election year. The 2020 operating budget increased significantly due to an increase in the election judges pay and 2020 being a presidential election year.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	1,981	2,017	4,240
102	Full-Time Employees-Overtime	1,808		190
105	Temporary Employees-Regular	7,380		15,000
121	PERA Contributions-Coordinated	284	151	318
128	Social Security	228	125	263
129	Medicare	54	29	61
131	Health Insurance	798	807	766
133	Life Insurance	11	8	19
134	Disability Insurance	20	11	18
136	MSRS			36
151	Workers Compensation	2	2	6
	Services & Maintenance			
201	Office Supplies	444	150	500
221	General Supplies	73		
325	Postage	1,021	50	1,500
331	Travel Expense	199	175	200
351	Legal Notices Publishing	1,260		1,800
404	Equipment Maintenance	435	1,300	1,400
499	Miscellaneous	463		600
580	Other Equipment	28,575		
	Total Expenditures	45,037	4,825	26,917

Administration & Finance - 415300

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

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

Administration Objectives

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

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

Financial Objectives

- To record and process all financial transactions in a timely manner
- Provide meaningful and accurate financial and budget reports to Council and staff
- Continue to produce the budget document in a format that will receive GFOA's Distinguished Budget Document Presentation Award

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

City of Hermantown – Administration

Our Goal: Lead and manage the overall organization to advance City Council priorities into concrete action plans with measurable milestones.

We value relationships and alliances so that we can practice good governance and stewardship so that we can advance City Council priorities.

How do we measure our goal?

The City Council takes specific action when they adopt a resolution or an ordinance on a particular and specific issue. Resolutions may adopt a policy, enter into a contract, or authorize the Mayor and Clerk to take a specific action.

	2017	2018	2019*
Resolutions Adopted	139	186	176
Ordinances Adopted	10	12	13

* 2019 numbers through October 21, 2019

What are we doing?

The City reached significant milestones on many of the City Council priority items. In 2019, the City completed the Essentia Wellness Center, a facility that will provide a place for the community to gather and improve their overall health and wellness.

The City also completed several other projects, including two new fire halls, the Rose Road Softball Fields, and the Stebner Park Accessible Path.

The City began implementation of the long-range Financial Management Plan, which will guide the City in being fiscally responsible but also enable the City to provide quality services.

H

Also to know ...

At the beginning of each odd year (2017 and 2019), the City Council meets to discuss priorities for the next 2-4 years. This coincides with their term in office, and Council members are asked the question: What would you like to accomplish during your term in office (or the remaining years of your term)?

After the City Council lists all the possible ideas, they are then asked to rank them in order to determine the level of interest by the other Council members and to determine which items are priorities.

Those individual items are then translated into priority statements, or broad policy goals. The individual items become a part of the City's work plan for the next 2-4 years and milestones for advancing the City Council priorities.

Working together to serve and build our community.

City of Hermantown – Administration

Our Goal: Lead and manage the overall organization to advance City Council priorities into concrete action plans with measureable milestones.

We value relationships and alliances so that we can practice good governance and stewardship so that we can advance City Council priorities.

How are we doing?

PRIORITY STATEMENT	CONCRETE ACTIONS/ MILESTONES
Create new recreational and wellness opportunities for Hermantown residents	<ul style="list-style-type: none"> • Essentia Wellness Center • Stebner Park Accessible Path • Completion of the Rose Road Softball Fields • Park Master Plan • Trail Plan through Section 24
Strategically expand utilities in the City to meet the needs of the community	<ul style="list-style-type: none"> • Section 24 Sewer Trunk Line • Ugstad Road Lift Station • Richard/Lindgren Road (water and sewer) • Road Projects – Maple Grove, Ugstad & 53, with St. Louis County
Enhance communications by creating a new brand and promoting Hermantown	<ul style="list-style-type: none"> • Communications and Community Engagement Manager started April 1 • Events Planned – Fire Hall openings, National Night Out, SummerFest and more • Website redevelopment • Greater social media and overall media presence
Promote and improve identified areas in the City for economic development	<ul style="list-style-type: none"> • Hermantown Marketplace additions • Multiple other in-progress possible private developments
Implement a long-term financial management plan to accomplish the long-term objectives in our four service areas	<ul style="list-style-type: none"> • Approval of Financial Management Plan
Develop a Legislative agenda and strategy	<ul style="list-style-type: none"> • 2019 Legislative Agenda • Participation in Duluth/St. Louis County Days

Working together to serve and build our community.

City of Hermantown – Finance Department

Our Goal: Provide a sustainable level of quality operational services funded from predictable revenue, while following a long-term financial management plan to fund non-operational priorities.

We utilize fiscal responsibility so that we can invest in community priorities so that we can provide quality services that meet our prioritized goals.

How do we measure our goal?

- Credit Rating
 - Goal is AA
- General Fund Reserve
 - Goal is 60% of next year's expenditures
- GFOA Distinguished Budget Award
- Audit
 - Financial Statement Findings
 - Legal Compliance Findings
 - Audit Adjustments

How are we doing?

Standard and Poor's (S&P) credit rating provides an external assessment of the City's financial stability, and this measure is used in partnership with revenue and expenditure forecasts to create a picture of the City's stability. The City has maintained its AA S&P rating which saves Hermantown residents money through lower interest rates when borrowing.

The City continually monitors available funding for reserves, which demonstrates the City's ability to respond to basic services through economic cycles and meet unforeseen needs. The City's general reserve climbed to 55.45% in 2018; the current goal is 60%.

The City once again received the GFOA Distinguished Budget award and continues to look for ways to enhance the Budget document.

In the most recent audit (2018) there were no financial statement findings, no legal compliance findings, and minimal audit adjustments.

H

Also to know ...

The City collaborated with Ehlers to develop a long term Financial Management Plan. The plan took over a year to create and was approved by the Council in January of 2019. This plan integrates existing debt, Capital improvements, future planned debt, tax base growth, future operating expenses, staff additions, actual financial results, current and proposed budgets, and financial policies into a 10 year comprehensive Financial Management Plan. The plan will help manage expectations, help manage appropriate fund balances, reduce stress during budget process, and be a positive factor in our bond ratings. Some of the benefits that came out of this plan include: address needed road improvements, additional staff, additional funding for parks, additional funding for municipal buildings, additional funding for HEDA, additional funding for capital improvements, and maintaining adequate fund balance reserves. All of the above was done while keeping any levy increases to a minimum and fairly consistent over the term of the plan. The City feels this will benefit all residents and help meet stated community priorities.

Working together to serve and build our community.

City of Hermantown – Finance Department

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We utilize fiscal responsibility so that we can invest in community priorities so that we can provide quality services that meet our prioritized goals.

What are we doing?

Financial stability is essential to the City of Hermantown. The City prioritizes maintaining a stable financial base from which to fund operational services, and ensures all major decisions are affordable. We establish and maintain strong financial management policies by:

- Realistically estimating revenues and expenditures.
- Consistently monitoring and amending the budget based on actual performance.
- Creating and implementing a long-term financial management plan.
- Ensuring long-term capital improvement funding for infrastructure and equipment
- Managing investments and debt.
- Maintaining reserves to offset economic downturns.

Performance Measures

	2016	2017	2018	2019
Credit Rating Reviews	AA	AA	AA	AA
Year End General Fund Reserves	57.14	54.27	55.45%	TBD
GFOA Budget Award	Yes	Yes	Yes	Yes
Audit - Fin Statement Findings	None	None	None	TBD
Audit – Legal Compliances	Two	None	None	TBD
Audit – Audit Adjustments	Ten	Four	Zero	TBD

Working together to serve and build our community.

City of Hermantown – City Clerk

Our Goal: Provide convenient and independent ways for citizens to participate in overall governance by voting and participating in public hearings in front of the City Council.

We practice leadership by being approachable, open minded, and looking toward the future as we set a clear vision and strategy so that our residents can participate in government conveniently so that they can exercise their strong and important voice in the community.

How do we measure our goal?

- Voter Turnout
 - 81% in 2016, 81% in 2018
- Percent of people voting early
 - 18% in 2016, 18% in 2018
- Number of people attending public hearings
- Number of people speaking at public hearings

How are we doing?

In the 2016 general election, Hermantown had 6,508 registered voters. When it came time to vote, 1,159 residents voted early, making up 18% of the registered voters.

When voting was completed in the 2016 general election, 5,263 total ballots were cast - meaning 81% of our registered voters had participated.

Traditionally, presidential elections, such as 2016 and upcoming in 2020, have higher turnout than any other elections.

Our 2018 state election featured 5,864 registered voters, with 1,072 participating in early voting - for another 18% mark.

In total, 4,763 votes were cast in Hermantown in the 2018 state elections. This is a mark of 81% voter participation.

For quick comparison, the 2019 special election drew 621 of 5,891 possible voters for a turnout of only 10.5% overall.

H

Also to know ...

Early voting comes in two basic forms; early in-person voting and absentee voting.

Both are cost-effective ways of voting. They shorten wait times for voting and reduce the burden on polling places and election officials. It is also popular among voters and election administrators as a means to protect and enhance the freedom to vote.

By spreading voting over a longer period of time, the burden and inconvenience of long wait times on Election Day can be avoided.

With the goal of engaging more residents in our government experiences, early voting can help expand the number of registered voters who cast a ballot in a particular election.

Minnesota allows for early voting 46 days before Election Day, during regularly scheduled business hours at election offices or locations designated by the county auditor. Our early voting takes place at City Hall.

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What are we doing?

Open democratic processes are essential to the City of Hermantown. The City prioritizes open government by:

- Having early voting and promoting that option to our residents.
- Publicizing and sending out notices to affected residents for public hearings that impact them or their neighborhood.
- Posting zoning changes on signs in neighborhoods in connection with our Community Development team.
- Working in concert with our Communications and Community Engagement Manager to post appropriate announcements on our website, social media sites, local newspaper, and more.

Hermantown Voter Turnout

	2016 General Election	2018 State Election	2020 General Election
Registered Voters	6,508	5,864	TBD
Early Voters	1,159	1,072	TBD
Total Ballots Cast	5,263	4,763	TBD
Percent Voting	80.9%	81.2%	TBD

Hermantown Public Hearings

	Number of Public Hearings	Number of Notices Mailed	Number of Participants Attending
2020*	TBD	TBD	TBD

* Consistent measurement of this metric will begin in 2020.

Working together to serve and build our community.

City of Hermantown – Communications & Community Engagement

Our Goal: Provide clear, consistent, and reliable information to residents and businesses on City issues that impact their lives and experiences in Hermantown

We practice transparency, open-mindedness, and inclusivity so that we are assisting in the flow of information and participation to and from residents and City officials so that both groups have a clear understanding of what is possible to accomplish together and for what each group is responsible.

How do we measure our goal?

- Increased social media presence
- Number of people attending public information meetings
- Resident feedback - survey program
- Brand development and recognition

How are we doing?

In terms of social media presence, we have added a Twitter page and increased our number of people “liking” our by 47.4% since the start of 2019 through October 1. This has included quarterly increases of 10.7% from January to April, 27.2% from April to July, and 4.6% from July to October. All of these likes have been organic and none of them have been paid. As important, the number of page views and followers trend in similar directions. There are an additional 82 followers on the City’s twitter account, which did not exist before April.

The Road Improvement Plan gives ample opportunity to engage with our residents. It also allows us to set a strong standard going forward for future years of the RIP. Thus far, we have held three public information meetings, which have had attendance ranging from 40-50 residents each meeting. We have also met with residents at their homes on the impacted roads. Feedback has been highly positive thus far.

H

Also to know ...

Media coverage, which will always be sought in regards to appropriate coverage of events in Hermantown, would be a fluid measurement with this new position.

The general feeling is that media coverage has been strong and positive in 2019, but a great deal of this hinges on the opening of the Essentia Wellness Center and the partnership behind that building.

Media coverage can be greater, but negative, when dealing with more controversial issues. Issues can occur that we prefer to deal with privately, or are simply negative in nature. The Communications and Community Engagement Manager has already worked with city staff and the Hermantown Police Department on handling these types of stories in the first year of the position.

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What are we doing?

Communications and community engagement has included a wide-range of efforts in its first year as a full position at Hermantown.

- Stormwater communication and education
- Road Improvement Plan in-person, in-meeting, and letter-specific communication and engagement
- Initial work on redesign of City brand, brand voice, look, feel, and website
- More regular updates on everything ranging from the Essentia Wellness Center to road construction
- Assisting in promotion of events such as SummerFest and the City's new approach to National Night Out
- Media relations, from event- and story-specific experiences to longer-term story development

City of Hermantown Social Media Statistics

	Jan. 1, 2019	April 1, 2019	July 1, 2019	Oct. 1, 2019
Facebook Likes	876	970	1,234	1,291
Facebook Followers	888	971	1,198	1,330
Twitter Impressions	0	0	4,700	7,900
Average Weekly Facebook Reach	1,741 Jan-April	4,834 April - July	3,531 July-Oct	TBD
Average Weekly FB Interactions	299 Jan-April	835 April-July	589 July-Oct	TBD

Working together to serve and build our community.

Authorized Personnel

The Administration & Finance Department is budgeting the following authorized personnel; City Administrator, Director of Finance & Administration, City Clerk, Accountant, Account Clerk, Receptionist/Administrative Assistant, and a Communications/Community Engagement staff member.

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	515,890	520,602	0.9%
201-499	Supplies/Services & Maintenance	94,896	96,275	1.5%
540	Capital Outlay	-	-	0.0%
	Total Expenditures	610,786	616,877	1.0%

Budgetary Commentary

The 2020 Budget for Administration and Finance is increasing by 1% due to scheduled raises and increase in prices for supplies and maintenance.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	264,725	357,049	371,976
102	Full-Time Employees-Overtime	64		
111	Severance Pay	4,743	-	
121	PERA Contributions-Coordinated	19,984	26,604	27,908
128	Social Security	16,104	22,137	23,071
129	Medicare	3,766	5,177	5,396
131	Health Insurance	68,370	101,606	87,032
132	Health Care Savings Plan	277	-	
133	Life Insurance	751	1,083	1,110
134	Disability Insurance	1,346	1,841	1,659
136	MSRS			1,966
151	Workers Compensation	531	393	484
	Supplies/Services & Maintenance			
201	Office Supplies	5,258	3,300	4,000
202	Printing Supplies	3,665	2,000	2,100
209	Computer Supplies		400	400
301	Audit/Account Services	19,743	22,617	23,617
302	Assessors Fees	654		
303	Banking Fees			
314	Computer/Software Fees	3,800	3,438	3,800
315	School & Conference	1,535	6,000	5,000
317	Personnel Testing, Physicals	375		
319	Contracted Services	16,161	4,700	4,700
321	Telephone	5,245	966	1,500
325	Postage	1,249	1,200	1,400
331	Travel Expense	4,912	7,500	6,500
343	Community Relations	4,200	3,700	4,200
351	Legal Notices Publishing	182	750	900
361	General Liability Insurance			
405	Computer Maintenance	27,916	30,705	30,038
413	Equipment Rental	4,565	3,995	3,995
434	Employee Recognition Program	52	325	325
451	Dues & Subscriptions	4,249	3,000	3,500
499	Miscellaneous	441	300	300
810	Refund/Reimbursement Expend	14,911		
	Capital Outlay			
540	Office Equip/Furnishings		-	-
580	Other Equipment		-	-
	Total Expenditures	499,773	610,786	616,877

City Attorney – 416100 - Contracted

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

Objectives

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

Output

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

			2018 Actual	2019 Original Budget	2020 Budget
308	Legal Fees		41,506	50,000	43,000
	Total Expenditures		41,506	50,000	43,000

Community Development – 419100

The Community Development Department administers wetland, floodplain, and zoning regulations in a uniform, fair, and consistent manner. It recommends policies and provides advice for the development of the City consistent with the adopted Comprehensive Plan. It manages development services to the private sector, seeking to build relationships with the development community which enhance the quality and level of development within the City. It also analyzes existing conditions and future trends in transportation, land use, housing, recreation and open space, natural resources, community services, and economic development. It manages the City's Municipal Separate Storm Sewer System (MS4) and all storm water matters regulated by the Minnesota Pollution Control Agency. The Community Development Department includes a full-time Director, full-time GIS Technician and a contracted City Planner through a partnership with the Arrowhead Regional Development Commission.

Community Development Department Objectives

- To recommend to the Planning Commission and City Council changes to the Hermantown Comprehensive Plan.
- To prepare and recommend to the City Council plans for specific improvements pursuant to the Comprehensive Plan and to aid the City Council in the development and completion of such projects.
- To hear and review applications and submit reports and offer recommendations to the City Council for special use permits, grading and filling permits, subdivision plats, planned unit developments, commercial-industrial development permits, and other matters as required by the Hermantown Zoning Ordinance.
- To update and recommend changes and amendments to the Hermantown Zoning Ordinance in collaboration with the Planning and Zoning Commission to ensure the city follows current planning and zoning best practices.
- To exercise all powers and perform all duties granted the Planning Commission by Minnesota Statutes Chapter 462.
- To create and make accessible applications, checklists, and procedures to assist Hermantown citizens and businesses in handling development and ordinance matters to be considered by the Planning and Zoning Commission and the City Council.
- To provide recommendations related to economic and community development issues to the Executive Director and Commissioners of the Hermantown Economic Development Authority.
- To administer the city's programs for its Municipal Separate Storm Sewer System (MS4), including ensuring conformity to the MPCA General Permit for small MS4 communities consistent with the requirements of Minnesota Rules Chapter 7900.
- To administer the City's wetlands program, consistent with the requirements of Minnesota Rules Chapter 8420, as amended from time to time, by serving as the Local Governmental Unit (LGU) responsible for administration of the Wetland Conservation Act within the city.
- To administer the city's program for environmental review, including review of environmental assessment worksheets and other environmental documents leading to submission of reports and recommendations to the Planning and Zoning Commission and City Council.
- To work with the City's Boards and Commissions to evaluate community needs for planning and development services, land use changes, recreation or transportation improvements, and environmental impacts.

- To stay updated on available grant opportunities and lead the grant application process on behalf of the City.
- To provide regular, consistent service to citizens of the City seeking over-the-counter information about various planning and zoning matters.
- To provide responsive, transparent, and effective development services to citizens and businesses interested in doing business in the City.
- To establish intergovernmental relationships with St. Louis County and neighboring cities to coordinate land use, transportation, and environmental planning efforts.
- To enforce zoning regulations.

Output	2016	2017	2018	2019
Zoning Certificates (including Building Permits)	99	87	73	109
Land Alteration Permits (Fill)	0	3	4	4
Special Use Permits	0	0	7	7
Sign Permits	14	12	6	7
Fence Permits	6	3	3	3
Planned Unit Development	2	2	1	1
Commercial Industrial Development Permit	3	1	1	0
Variance	0	0	2	1
Wetland Delineations	11	12	12	12
Wetland Fill Exemptions	8	4	4	4
Rezoning	0	0	0	1
Economic Development Districts (TIF/TA)	0	0	0	0
Zoning Amendments	0	0	2	3
Subdivision	0	0	1	1
Non-Conforming Use Permits	0	0	0	0
Property Splits	6	6	6	7
* As of October 2019				

City of Hermantown – Community Development

Our Goal: Enhance resources for positive individual, family, and community growth through supporting public and private improvement and development projects, as well as developing recreation opportunities and facilities for the community.

We provide these services and coordinate discussions so that we can facilitate development projects so that we can build our community and provide services to our residents.

How do we measure our goal?

- Growth in Residential Development
 - Facilitate administrative lot splits
 - Facilitate subdivision of property through platting
 - Facilitate Planned Unit Developments (PUDs)
 - Perform wetland review and administer the Technical Evaluation Panel (TEP)
- Commercial/office/industrial development growth
 - Facilitate projects with developers
 - Coordinate and oversee application process and permitting
- Streamline application and approval process
 - 45 to 60 day process from time of application to City Council approval
 - Less than one week turnaround for administrative-based permits
 - Ability to convene staff and TEP meetings within short notice to provide feedback to applicants
- Park Development and coordination
 - Monthly park board meetings to discuss projects and park maintenance and issues
 - Construction of new park facility at Rose Road Field
 - Planning and construction of park trail system
 - Pursue grants opportunities for new park and trail projects

H

Also to know ...

Hermantown plays a meaningful role in the Regional Stormwater Protection Team (RSPT) in our particular area. Composed of members from Duluth, UMD, Cloquet, Superior, and other cities and focused entities, the RSPT meets regularly to discuss the impact our work has on our watersheds and Lake Superior.

The addition of the Communications and Community Engagement position at Hermantown has allowed for greater connectivity and impact to the RSPT. This can be noted in the well-received “Poop Fairy” video regarding dog waste a soon-to-be-released educational series on understanding what watershed your home and workplace is actually located in as an effort to build a personal and professional connection to the negative impact stormwater can have on our watershed.

We will also be adding enhanced mapping abilities through the geographic information system (GIS) which will add in showing where development can best occur, along with greater support in our public works efforts.

Working together to serve and build our community.

City of Hermantown – Community Development

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We provide these services and coordinate discussions so that we can facilitate development projects so that we can build our community and provide services to our residents.

How are we doing?

The Community Development Department has seen a continued increase in the number of applications during the past three years, and is on pace to exceed the 2018 total applications for 2019.

The scale of the projects has continued to increase in the last three years, with the potential to approve hundreds of new housing units in 2020.

The Community Development Department continues to strive to answer inquiries within 24 hours and provide answers and guidance to all inquiries.

In addition to planning related items, the Community Development staff are the contact point/coordinators, or play a significant role in, parks and recreation, TEP wetland work, stormwater efforts, HEDA, and GIS work.

What are we doing?

	2016	2017	2018	2019*
Total Applications	38	42	65	41
Administrative Lot Splits	3	8	7	5
Subdivision Plats	1	1	1	3
PUDs	1	1	1	2
Commercial/Office/Ind. Developments	3	1	2	1
Rezoning	2	1	1	1
Special Use Permits	2	0	7	6
Wetland Delineations/Exemptions	11	13	16	5
Zoning Certificates	4	9	24	9

*Through July 15, 2019 and includes current applications.

Working together to serve and build our community.

Authorized Personnel

The Community Development Department has a full-time Director and a GIS Technician. A contract is in place with Arrowhead Regional Development Commission/Regional Planning Division for city planning services, with a City Planner active at Hermantown City offices each week.

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	207,844	222,474	7.0%
201-499	Supplies/Services & Maintenance	73,632	81,914	11.2%
540	Capital Outlay			
	Total Expenditures	281,476	304,388	8.1%

Budget Commentary

The 2020 Community Development operating budget is increasing by 8.1% due to payroll increases. The City contracts for City Planner services with the Arrowhead Regional Development Commission.

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

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	99,414	132,725	141,814
121	PERA Contributions-Coordinated	7,456	9,954	10,636
128	Social Security	6,009	8,229	8,792
129	Medicare	1,405	1,925	2,056
131	Health Insurance	30,007	53,852	57,907
133	Life Insurance	243	324	354
134	Disability Insurance	514	689	731
151	Workers Compensation	195	146	184
	Supplies/Services & Maintenance			
201	Office Supplies	441	500	500
202	Printing Supplies	280	500	500
304	Parcel Research Fees	650	1,000	1,500
305	Engineer Fees	2,343	2,500	2,500
308	Legal Fees	8,310	10,000	10,000
310	Recording/Filing Fees	692	1,000	1,000
314	Computer/Software Fees	1,056	7,500	7,500
315	School & Conference		2,000	1,000
317	Personnel Testing, Physicals		0	
319	Contracted Services	37,715	30,000	39,950
321	Telephone	300		300
325	Postage	248	500	500
331	Travel Expense	213	500	500
351	Legal Notices Publishing	674	750	1,000
361	General Liability Insurance	7,967	8,466	8,500
404	Equipment Maintenance		0	
405	Computer Maintenance	4,775	6,316	4,664
451	Dues & Subscriptions	663	2,100	2,000
499	Miscellaneous			
	Total Expenditures	211,569	281,476	304,388

City Hall/Police Building Maintenance - 419901

Maintenance is conducted to preserve City Hall and the Police side of the public safety portion of the building at 5105-5111 Maple Grove Road, Hermantown.

Objective

- Maintain a reputable facility to house staff and conduct meetings

Authorized Personnel

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

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	75,956	76,965	1.3%
211-460	Supplies/Services & Maintenance	99,859	99,288	-0.6%
	Total Expenditures	175,815	176,253	0.2%

Budget Commentary

The 2020 city hall/police building maintenance operating budget had an overall 0.2% increase from 2019.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	36,290	38,203	39,303
102	Full-Time Employees-Overtime	2,812	2,344	-
103	Part-Time Employees-Regular	6,109	9,789	10,315
121	PERA Contributions-Coordinated	3,383	2,865	2,948
128	Social Security	2,599	2,976	3,076
129	Medicare	608	696	719
131	Health Insurance	16,297	17,249	18,308
133	Life Insurance	44	45	45
134	Disability Insurance	211	200	207
151	Workers Compensation	1,785	1,589	2,044
	Supplies /Services & Maintenance			
212	Motor Fuels	1,269	1,500	1,600
216	Uniforms	(56)	250	250
221	General Supplies	4,508	7,500	7,500
224	Land Maintenance & Repair		3,200	4,000
319	Contracted Services	3,899	1,350	1,350
321	Telephone	9,493	8,298	8,298
322	Internet	6,770	6,760	6,760
361	General Liability Insurance	9,278	9,916	10,000
381	Electricity	31,904	28,000	27,500
383	Heating Gas	16,835	14,000	16,000
384	Garbage Removal	2,399	1,800	2,275
401	Building Maintenance	11,561	12,000	12,000
404	Equipment Maintenance	2,238		-
405	Computer Maintenance	1,217	5,220	1,605
417	Uniform Rental		-	-
451	Dues & Subscriptions	15	15	100
460	Permits & Licenses	56	50	50
	Capital Outlay			
520	Buildings & Structures		-	
540	Office Equip/Furnishings		-	
	Total Expenditures	171,523	175,815	176,253

Police – 421100

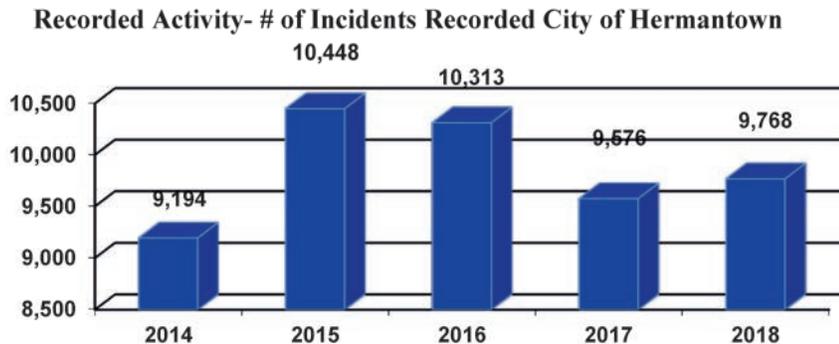
The Police Department is responsible for law enforcement within the City and cooperates with surrounding law enforcement agencies.

Objectives

- The Police Department will strive to lower the crime rate in the City of Hermantown.
- The Police Department will strive to lower the motor vehicle crash rate in the City of Hermantown.
- The Police Department will cooperate with businesses to reduce crime.
- The Police Department will cooperate with the Hermantown School District to improve safety and security for students and staff.

Authorized Personnel

The Police Department has 15 licensed officers as follows; (1) Chief of Police, (2) Commanders (2) Sergeants, (1) Detective, (1) School Police Liaison/Dare Officer, (8) Patrol Officers (2 of which are K-9 Officers). The department also has (3.00 FTE) Police Secretaries. The City is currently planning on adding one additional officer in July 2020.



Incidents are the total number of calls the Police Department handled. Recorded incidents in 2018 totaled 9,768 compared to 9,576 in 2017, a 1.96% increase.

Part I & II Serious Crime

	2012	2013	2014	2015	2016	2017	2018
Assault	43	41	43	43	60	61	55
Burglary	54	64	33	47	41	53	46
Forgery/Counterfeiting	25	6	22	16	26	20	17
Drugs/Narcotics	50	30	55	57	74	65	89
Arson/Fires	0	2	0	0	0	1	0
Gambling	0	0	0	0	0	0	0
Homicide	0	0	0	0	1	0	1
Crime Against Families	6	11	7	16	5	5	6
Traffic & Accident Offenses/DWI	107	85	102	102	89	68	75
Kidnap/Abduction	0	0	0	2	1	0	0
Criminal Sexual Conduct	12	6	11	11	3	17	9
Miscellaneous/Federal/Conservation/Juvenile/Liquor	24	27	25	20	15	14	9
Disturbing Peace/Privacy/Communcations	62	61	59	39	44	19	11
Trespass/Property Damage/Risk from Property Damage	79	110	72	74	107	87	115
Receiving or Concealing Stolen Property	8	8	2	1	5	8	9
Robbery	0	1	4	0	3	1	2
Theft	354	408	323	440	524	467	385
Vehicle Theft	53	72	29	48	43	14	18
Weapons	9	3	7	9	6	8	11
Other Offenses	21	25	26	24	31	115	135
Sex Related/Prostitution	0	2	0	0	1	1	2
Total	907	962	820	949	1079	1024	995

Part I & II Serious Crime decreased 3% in 2018 with a total of 995 offenses compared to 1024 in 2017.

Source of Data: Hermantown Police Department Annual Reports

City of Hermantown – Police Department

Our Goal: Protect public safety, which is crucial to building strong communities and creating an economy that works for all residents.

We provide public safety through experiences, ranging from emergency scenarios to relationship building so that our community needs for timely responses to calls and investigation into crimes are met so that our community stays a great place to live and work.

How do we measure our goal?

- Decrease response times to “Priority 1” calls for service
- Decrease motor vehicle crashes
 - Goal is a 5% decrease in 2020
- Increase “self-initiated” calls
 - Goal is a 10% increase in 2020
- Increase community engagement calls
 - Goal is a 10% increase in 2020
- Decrease investigative case backlog
 - Goal is a 50% decrease in 2020

How are we doing?

Response times to “Priority One” calls in our city in 2018 averaged 9 minutes, 4 seconds. Reducing response times will help in identifying suspects and witnesses, as well as enhance the potential for injury reduction and lifesaving efforts.

Motor vehicle crashes come with a cost in terms of property damage, as well as injuries and lives lost. Through enforcement of traffic laws and collaboration with our traffic engineering partners, we will work to reduce our crash rate.

Proactive policing is proven to be effective in decreasing overall crime and community engagement enhances collaboration between police and the community that they serve. Although we have made tremendous progress through adoption of community policing strategies for positive, proactive engagement with the public, more can be done.

Time has a negative effect on solvency rates in criminal investigations. Through the addition of a second Detective, we will work to decrease our case backlog through intensified investigation efforts.

H

Also to know ...

The plan to add an additional officer will be critically helpful in two key areas. The first is that it will give our Police Department the opportunity to eliminate some of the backlog in the investigative cases. Additionally, it will give us much-needed coverage across our scheduling continuum – which ranges from dealing with the inevitably unexpected to vacations, injuries, and more.

This will also free our department up to do some of the proactive policing and relationship building we know makes a significant positive difference in the community without being able to be measured directly.

This can range from neighborhood-specific efforts to connect with citizens to other community events and functions where a police presence – whether in a formal or informal capacity – makes a potential long-term impact.

We feel as though we have accomplished a bit of that this year with our city-wide National Night Out event we held at City Hall this year. Rather than quickly move through a variety of differing neighborhood events, we were able to host our community here and take the time to make meaningful connections.

Working together to serve and build our community.

City of Hermantown – Police Department

Our Goal: Protect public safety, which is crucial to building strong communities and creating an economy that works for all residents.

We provide public safety through experiences, ranging from emergency scenarios to relationship building so that our community needs for timely responses to calls and investigation into crimes are met so that our community stays a great place to live and work.

What are we doing?

The Police Department is tasked with a wide array of duties and responsibilities relating to public safety. To address these obligations, we are made up of two divisions.

The Patrol Division, the most visible to the public, is tasked with providing proactive patrol of the community as well as initial response to calls for service; both emergent and routine. Calls range widely from general service calls to the most critical of situations, such as domestic assaults, assaults, robberies, traffic crashes and other violent crimes.

The Investigative/ Administrative Division is less visible but equally critical. This division is tasked with investigation of serious crimes such as higher-level property crimes, person crimes, narcotics investigations and death investigations. Additionally, this division provides and tracks training for the department, is the responsible for our Evidence Room and Records Management System and the registration and tracking of Predatory Offenders in the community. The School resource Officer is in this division, and provides security and service to the Hermantown School District during the school year.

Police Department Statistics

	2015	2016	2017	2018	2019*
Response Time**	UNK	UNK	UNK	9 min, 4 sec	TBD
Motor Vehicle Accidents	352	364	356	338	172
Self-Initiated Calls	5,248	4,241	3,611	3,821	2,126
Community Engagement Calls***	UNK	UNK	47	79	29
Year-end Investigative Case Backlog	79	61	86	83	TBD

* January through June information available at this printing.

** Response time first able to be measured beginning in 2018.

*** Community Engagement Calls began to be tracked in 2017.

Working together to serve and build our community.

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	2,130,930	2,346,832	10.1%
201-499	Supplies/Services & Maintenance	313,842	311,789	-0.7%
540-580	Capital Outlay	92,950	107,150	15.3%
720	Other Financing Uses	-	-	0.0%
	Total Expenditures	2,537,722	2,765,771	9.0%

Budget Commentary

The 2020 Police Department operating budget increased by 9% from 2019 due in part to adding an additional officer midyear, a PERA rate increase, and more expensive replacement vehicles.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	1,241,237	1,317,786	1,392,213
102	Full-Time Employees-Overtime	168,517	133,505	120,800
111	Severance Pay-Vacation	33,257		11,425
121	PERA Contributions-Coordinated	11,032	11,714	11,393
122	PERA Contributions-Police/Fire	203,723	196,891	240,917
128	Social Security	8,367	9,684	10,126
129	Medicare	20,159	19,108	22,104
131	Health Insurance	359,370	407,418	483,582
132	Health Care Savings Plan	2,746		
133	Life Insurance	1,503	1,817	1,866
134	Disability Insurance	5,898	6,467	6,744
136	MSRS			1,560
151	Workers Compensation	26,754	26,540	44,102
	Supplies /Services & Maintenance			
201	Office Supplies	463	1,500	1,500
202	Printing Supplies	1,598	1,500	1,500
209	Computer Supplies	276	1,000	1,000
211	Cleaning Supplies			
212	Motor Fuels	37,934	36,000	36,000
216	Uniforms	17,179	15,000	16,000
218	Medical Supplies	507	1,000	1,000
219	Other Operating Supplies			
221	General Supplies	7,134	4,500	2,000
222	Tires	2,803	4,300	5,000
240	Gun Supplies/Ammo/Tasers	11,626	10,000	10,000
308	Legal Fees	92,153	90,000	87,000
314	Computer/Software Fees	17,551	20,000	21,500
315	School & Conference	7,289	10,500	11,500
317	Personnel Testing, Physicals, Recruitme	2,779	3,000	1,500
319	Contracted Services	5,484	3,000	5,000
320	Personnel Search Expenses		-	
321	Telephone	20,306	12,000	14,000
325	Postage	1,166	1,200	1,200
331	Travel Expense	4,245	8,500	7,500
343	Community Relations	947	1,500	1,500
351	Legal Notices Publishing		300	300
361	General Liability Insurance	24,649	23,720	24,000
404	Equipment Maintenance	2,196	4,300	3,000
405	Computer Maintenance	37,817	34,572	34,439
406	Vehicle Maintenance	11,035	10,000	12,500
413	Equipment Rental	4,410	4,800	4,800
434	Employee Recognition		400	250
436	Towing Charges	650	200	200
451	Dues & Subscriptions	1,327	1,750	1,750
460	Permits & Licenses	2,380	800	500
490	K-9 Expenses	2,516	2,000	
495	Property Damage Reimb. By Insurance	500	3,000	2,000
496	Insurance Deductible			
499	Miscellaneous	2,716	3,500	3,350
	Capital Outlay			
540	Office Equip/Furnishings	8,663	-	3,750
544	Motor Vehicles	81,673	84,000	99,000
580	Other Equipment	22,448	8,950	4,400
	Other Financing Uses			
720	Transfer Out			
	Total Expenditures	2,516,985	2,537,722	2,765,771

Fire Protection – 422100 - Contracted

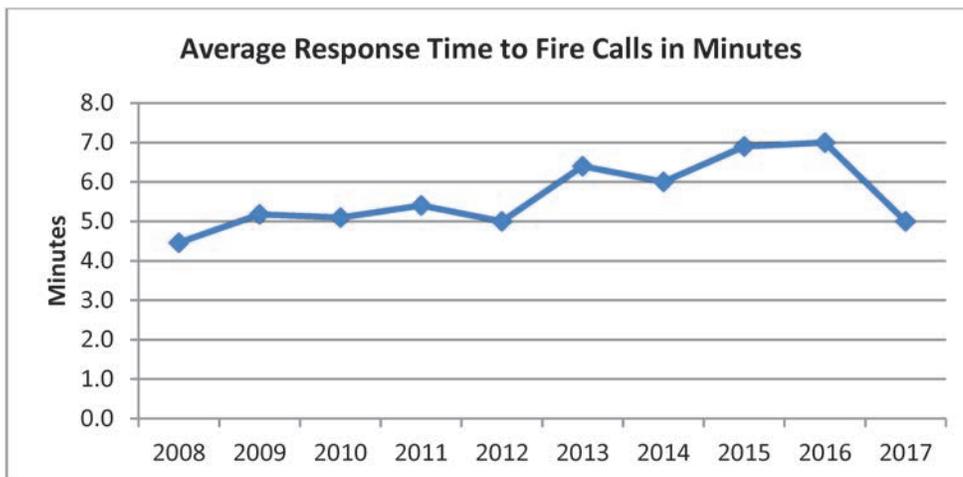
The City of Hermantown contracts yearly for fire protection with The Hermantown Volunteer Fire Department (HVFD) for all properties within the City. In addition, the department also provides first responder service within the City. The HVFD was incorporated in 1951. It functions independent of the City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

Objectives

- Provide fire protection
- First responder service

Output

- Averaged an overall response time excluding mutual aid of 5 minutes in 2017.



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

Fire Department Incident Type Summary	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Severe Weather & Natural Disaster				5				3		
Overpressure Rupture, Explosion, Overheat				3	3	2				1
Hazardous Condition (No Fire)	43	22	347	24	22	22	33	57	48	148
Good Intent Call	27	35	61	39	44	1	48	41	33	77
Controlled Burning						2				
Fire	28	42	25	36	25	33	36	22	46	35
False Alarm & False Call	13	32	38	32	38	57	30	44	29	28
Special Incident Type					1	1				3
Service Call	3	3	27	28	17	17	25	10	19	
Rescue & Emergency Medical Services	501	443	555	549	679	795	761	742	793	821
Total Incidents	615	577	1053	716	829	930	933	919	972	1109

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
125-151	Salaries/Benefits	-	-	0.0%
301-363	Supplies/Services	516,000	516,000	0.0%
540	Other Financing Uses	-		0.0%
	Total Expenditures	516,000	516,000	0.0%

Budget Commentary

The 2020 operating budget has not changed.

The City provides the space and pays for liability insurance premiums, utilities, telephone and internet. The Hermantown Volunteer Fire Department (HVFD) pays for equipment, supplies, duty crew, and any other operating costs.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
125	Firemen's Pension Contributions			-
151	Workers Compensation			-
	Supplies/Services & Maintenance			
301	Audit/Account Services			-
308	Legal Fees			-
317	Personnel Testing, Physicals, Recruitment			-
318	Fire Protection	516,000	516,000	516,000
351	Legal Notices Publishing			-
363	2% Fire Insurance			-
	Total Expenditures	516,000	516,000	516,000

Fire Hall #1 – 422901

Fire Hall maintenance is conducted to preserve the citizens' investment in City buildings and to track the costs associated with maintaining and preserving the fire hall portion of the public safety facility. There are three fire stations located in Hermantown.

Fire Hall #1 is located at:

5111 Maple Grove Road

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	20,028	20,134	0.5%
219-495	Supplies/Services & Maintenance	33,808	30,808	-8.9%
	Total Expenditures	53,836	50,942	-5.4%

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
101	Full-Time Employees - Regular	14,889	11,755	12,093
102	Full-Time Employees - Overtime	956	721	
103	Part-Time Employees - Regular	20		
121	PERA Contributions - Coordinated	1,188	882	907
128	Social Security	901	729	750
129	Medicare	211	170	175
131	Health Insurance	6,337	5,307	5,633
133	Life Insurance	17	14	14
134	Disability Insurance	83	61	64
151	Workers Compensation		389	498
	Supplies/Services & Maintenance			
223	Maintenance Supplies	1,652	-	
321	Telephone	5,477	2,209	2,209
322	Internet	1,680	1,690	1,690
361	General Liability Insurance	3,017	2,909	2,909
381	Electricity	20,909	17,500	14,000
383	Heating Gas	11,043	9,500	10,000
401	Building Maintenance	235		
404	Equipment Maintenance			
460	Permits and Licenses	10		
495	Property Damage Reimb. By Insurance			
540	Office Equip/Furnishings	589		
	Total Expenditures	69,215	53,836	50,942

Fire Halls #2 & #3 – 422902/422903

Fire Hall maintenance is conducted to preserve the citizens' investment in City buildings and to track the costs associated with maintaining the fire halls.

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

Fire Hall #3 is located at 4494 Midway Road.

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
223-460	Supplies/Services & Maintenance	12,194	12,444	2.1%
	Total Expenditures	12,194	12,444	2.1%

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Supplies/Services & Maintenance			
221	General Supplies	18		
223	Maintenance Supplies			100
322	Internet	1,103	1,868	1,868
361	General Liability Insurance	720	706	706
381	Electricity	3,210	2,720	2,720
383	Heating Gas	8,497	6,900	6,950
401	Building Maintenance			100
460	Permits & Licenses			
	Total Expenditures	13,548	12,194	12,444

Building Inspection – 424100

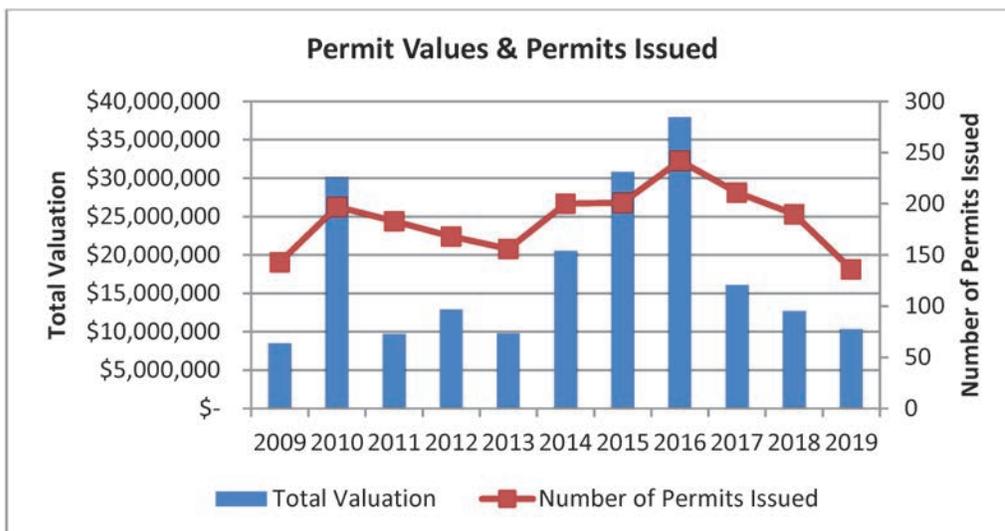
The Building Official is responsible for administration, interpretation and enforcement of the MN State Building Code. The primary goal of the department is to seek compliance with the minimum standards of the MN State Building Code in residential and commercial construction activities. Building inspection fees have covered the cost associated with this service.

Objectives

- Enforce uniform building code
- Review building plans
- Issue building permits & certificate of occupancy permits
- File state reports on construction activity
- Inform customers of code changes and new requirements
- Conduct site inspections
- Provide code interpretation
- Provide assistance to the customer with building code related questions or issues
- Issue 911 addresses
- Fire Inspections

Output

- Building Permits Issued 2019 (January through September) - 136 total for value of \$10,353,781
New Commercial - 2 valued at \$2,407,895, New Single Family - 33 valued at \$5,786,066, rest are other



Authorized Personnel

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

City of Hermantown – Building Official

Our Goal: Provide clear, consistent, reliable, and timely information and processes to developers, contractors, residents and businesses to meet their needs regarding development, building, and codes for the City.

We practice high-quality customer service experiences regarding our information and processes around the City's building code so that we are respectful of customer's time, money, and experience so that we maintain the reputation for Hermantown to be a simple, straightforward, positive place to build and maintain buildings.

How do we measure our goal?

- Number of residential building permits
- Number of commercial building permits
- Number of other, different types of permits
- Future measurement and surveying of the experiences of owners, contractors, and developers

How are we doing?

We have worked hard, focusing on the needs of residents, developers, and contractors to become a community where permitting is a positive process that promotes growth and development rather than creating barriers.

The word-of-mouth feedback we have long received has been resoundingly positive, especially in comparison with some of our neighboring communities.

As permitting has slowed in the last few years compared to the burst of growth Hermantown had experienced in previous years, it is all the more important for us to provide service that is regarded as smooth and seamless, while still upholding the building codes to which we are committed.

H

Also to know ...

The position of Building Official is uniquely tied to the history of our City. When the Township of Herman became a city, the state-mandated Minnesota building code was adopted. This is the same building code that is enforced today.

Interestingly, many of those codes we follow in Hermantown as required by our mandate with Minnesota, are truly international codes proven to provide safe, sustainable life for the structures we have built in our community.

While the building official is a sole individual, the experience of residents, contractors, developers is impacted greatly by the faces they meet at our front door and the voices who greet them on the phone when they have questions.

We have earned a reputation in Hermantown for being friendly, fast, and easy to work with over the last decades because of those faces and voices as well.

Working together to serve and build our community.

City of Hermantown – Building Official

Our Goal: Provide clear, consistent, reliable, and timely information and processes to developers, contractors, residents and businesses to meet their needs regarding development, building, and codes for the City.

We practice high-quality customer service experiences regarding our information and processes around the City's building code so that we are respectful of customer's time, money, and experience so that we maintain the reputation for Hermantown to be a simple, straightforward, positive place to build and maintain buildings.

What are we doing?

We want to provide a seamless and speedy process that meets the needs of our customers and City at the same time.

- Designing appropriate forms and processes to meet the building code
- Refining those forms and processes to best serve the time and money needs of customers seeking to build
- Providing support and guidance, sometimes on-site, for building projects both on the commercial and residential side
- Overseeing particular building projects related to the City, such as the two new Fire Halls and the Essentia Wellness Center
- We will be partnering with our Communications and Community Engagement Manager to develop and execute a survey process to get further qualitative feedback on our experiences

City of Hermantown Building Permit Information

	2000-2004	2005-2009	2010-2014	2015-2019
Residential Building Permits	1047	879	832	925
Commercial Building Permits	89	75	73	80

Recent Annual Statistics

	2015	2016	2017	2018	2019
Residential Building Permits	177	223	197	174	154 thru 10/28/19
Commercial Building Permits	24	18	14	16	8 thru 10/28/19

Working together to serve and build our community.

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Benefits	145,663	154,779	6.3%
201-451	Supplies/Services & Maintenance	12,681	11,695	-7.8%
	Total Expenditures	158,344	166,474	5.1%

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	91,692	99,647	105,409
121	PERA Contributions-Coordinated	6,877	7,474	7,906
128	Social Security	5,948	6,178	6,535
129	Medicare	1,391	1,445	1,528
131	Health Insurance	28,466	30,018	31,949
133	Life Insurance	277	301	301
134	Disability Insurance	493	490	494
136	MSRS			520
151	Workers Compensation	136	110	137
	Supplies/Services & Maintenance			
201	Office Supplies	109	350	450
227	Street Lights & Signs	926	800	1,100
315	School & Conference	170	380	400
321	Telephone			
325	Postage	233	-	220
331	Travel	5,430	7,200	7,200
405	Computer Maintenance	2,408	3,951	2,025
451	Dues & Subscriptions	240	-	300
	Capital Outlay			
510	Land Acquisition			
540	Office Equip/Furnishings			
	Total Expenditures	144,796	158,344	166,474

Poundmaster - 427100

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

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
319	Contracted Services	4,200	4,100	-2.4%
	Total Expenditures	4,200	4,100	-2.4%

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Supplies & Services			
319	Contracted Services	8,810	4,200	4,100
	Total Expenditures	8,810	4,200	4,100

Street – 431100/431150/441100

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

Objectives

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

2018-2019 Statistical Information	
Asphalt Streets Maintained	52.6 Miles
Gravel Roads Maintained	19 Miles
Cul-De-Sacs	36
Road Markings/Striping	10 Miles
Curb & Gutter Street Sweeping (Contracted Services)	15 Miles
Gravel Usage	3,900 Tons
Sand Usage	2,700 Tons
Salt Usage	400 Tons
Calcium Chloride Cost 2018-19	\$40,000

City of Hermantown – Public Works Dept.

Our Goal: Provide quality public works services, ranging from emergency needs to short- and long-term planning and priorities, which align with the needs of residents and the financial plans of the City.

We provide necessary services to residents so that they can experience quality living so that we are able to meet the expectations of our residents and attract others to our community.

How do we measure our goal?

- Right of Way Maintenance
 - Brush and Clear five miles of ROW per year
- Snow Removal
 - Plow all roads within six hours when snowfall amounts are less than six inches
- Gravel Road Maintenance
 - Upgrade 1.5 to two miles of gravel roads per year
- Pothole Maintenance
 - Apply 15 tons of asphalt to potholes by June 15 each year
 - Apply an additional 15 tons between June 15 and August 1 each year

How are we doing?

Because there are no past records on the following items, we do not have a clear, certain performance measurement today. Going forward, a key aspect of this process will be high-quality documentation of our efforts of our efforts in these areas.

Proudly, we are most likely hitting or getting close to these marks currently, with the lone exception of right of way brushing. New equipment next year will allow right of way brushing to be measured and our goals will likely be achieved.

H

Also to know ...

The City of Hermantown has been working since 2015 on a comprehensive road inventory and road improvement plan. The plan took approximately three years to come to a workable, shareable level.

While still a fluid document, the plan gives the City a road map forward regarding our roads in Hermantown.

Now, in 2019, we are implementing the first year of the 5-10 year process and plan.

This initial process is exciting in that we are able to fully repair, and replace when needed, neighborhood and city streets, not just Municipal State Aid (MSA) streets.

A similar process of vetting and grading our gravel roads is taking place to create a comprehensive inventory for those roads as well.

Working together to serve and build our community.

City of Hermantown – Public Works Dept.

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What are we doing?

As noted, we are already putting for efforts in snow removal, right of way maintenance, pothole maintenance, and assessment of our gravel roads. We feel confident we are hitting the aforementioned marks, without measurement at this point.

Going forward, we will assess the worst roads for overgrowth in their right of ways, similar to the way we ranked roads for the road improvement plan. We will also consider geographic location to maximize our efforts.

Our pre-June 15 potholes are on our main thoroughfares. Our post-June 15 work is more residential and rural.

We will finalize our 5-year plan for our gravel roads, which will determine the focus of our maintenance efforts there.

In regards to snow plowing, in 2016 it took us 8-10 hours to plow our entire city if we had less than six inches. We have already reduced that to roughly six hours now. We will continue to maintain this six-hour level, with the goal of reducing it each snow event.

Public Works Statistics

	2019	2020	2021
ROW Brush Clearing/Mowing	UNK	TBD	TBD
Tonnage of Potholes filled pre-June 15	UNK	TBD	TBD
Tonnage of potholes filled post-June 15	25 tons total by 8/14/19	TBD	TBD
Gravel Roads Upgrade Length	UNK	TBD	TBD
Snow Event Plowing Time	Roughly 6 hours, full city	TBD	TBD

Working together to serve and build our community.

Authorized Personnel

The Street Department has the following authorized personnel; Public Works Director, Street Maintenance Workers.

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Wages	310,008	323,395	4.3%
201-499	Supplies/Services & Maintenance	374,287	388,259	3.7%
540-580	Capital Outlay	5,500	2,500	-54.5%
	Total Expenditures	689,795	714,154	3.5%

Budget Commentary

The 2020 Street Department operating budget was increased by 3.5% from 2019. The increase is due mainly to payroll & benefits and an increase in equipment rental.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
101	Full-Time Employees - Regular	200,373	189,769	188,881
102	Full-Time Employees - Overtime	22,349	11,241	16,366
103	Part-time Employees - Regular	1,437	0	
121	PERA Contributions - Coordinated	16,704	13,119	15,394
128	Social Security	13,460	10,845	12,725
129	Medicare	3,148	2,536	2,976
131	Health Insurance	77,187	70,343	71,572
132	HCSP-Sick Leave/Uncollected			
133	Life Insurance	323	306	304
134	Disability Insurance	1,143	945	959
136	MSRS			260
151	Workers Compensation	6,682	10,904	13,958
	Supplies/Services & Maintenance			
209	Computer Equipment		500	1,000
211	Cleaning Supplies		0	
212	Motor Fuels	39,832	40,000	45,000
213	Lubricants/Additives	3,507	3,005	3,000
216	Uniforms	1,080	900	1,000
221	General Supplies	8,999	8,600	8,600
212	Tires	3,526	4,000	3,000
223	Bldg. Repair & Maint Supplies			
225	Street Maintenance Supplies	24,452	45,000	45,000
226	Sand, Salt, Chloride	76,363	69,300	72,500
227	Street Lights & Signs		2,625	2,625
305	Engineer Fees		0	
308	Legal Fees		0	
310	Recording/Filing Fees		0	
315	School & Conference	552	1,575	1,575
317	Personnel Testing, Physicals		500	500
319	Contracted Services	24,786	34,500	37,500
320	Personnel Search Expenses		0	
321	Telephone	3,225	2,283	2,283
322	Internet	280	293	293
325	Postage	37		
331	Travel Expense	436	300	300
351	Legal Notices Publishing		0	
361	General Liability Insurance	5,588	5,558	6,000
403	Road Maintenance	108,375	84,600	85,000
404	Equipment Maintenance	51,332	44,500	44,500
405	Computer Maintenance	5,270	9,698	9,083
406	Vehicle Maintenance	94	3,750	3,750
413	Equipment Rental	13,121	10,000	12,500
417	Uniform Rental	2,153	2,250	2,500
434	Employee Recognition Plan		300	300
451	Dues & Subscriptions		50	100
460	Permits & Licenses	148	200	350
496	Insurance Deductible		0	
499	Miscellaneous		0	
	Capital Outlay			
540	Office Equip/Furnishings	1,796		2,500
542	Light Equipment		500	
544	Motor Vehicles		5,000	
550	Street Improvements		0	
	Total Expenditures	717,758	689,795	714,154

City Engineer - 431130 - Contracted

In 2019, the City contracted with Northland Consulting Engineers. No change is anticipated in 2020.

Objectives

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

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
305	Engineer Fees	34,000	34,000	0.0%
	Total Expenditures	34,000	34,000	0.0%

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Services			
305	Engineer Fees	47,869	34,000	34,000
	Total Expenditures	47,869	34,000	34,000

City Garage Maintenance - 431901

Maintenance is conducted to preserve the citizens' investment in City buildings. The public works facility is located in the Hermantown Industrial Park. The facility allows more efficient operations and room to expand operations as additional demands for service are placed on the community.

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Wages	18,922	20,045	5.9%
219-460	Supplies/Services & Maintenance	43,730	42,920	-1.9%
	Total Expenditures	62,652	62,965	0.5%

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	12,122	11,283	11,595
102	Full-Time Employees-Overtime	877	830	989
103	Part-Time Employees-Regular	882		
121	PERA Contributions-Coordinated	975	846	944
128	Social Security	826	700	780
129	Medicare	193	164	182
131	Health Insurance	5,295	4,436	4,724
133	Life Insurance	15	13	13
134	Disability Insurance	66	57	60
151	Workers Compensation	555	593	758
	Supplies/Services & Maintenance			
221	General Supplies	3,127	5,500	5,500
223	Maintenance Supplies	14,422	25,000	25,000
321	Telephone	151	210	
361	General Liability Insurance	1,955	1,920	1,920
381	Electricity	3,818	4,000	4,000
383	Heating Gas	3,850	3,000	3,000
384	Garbage Removal	2,017	2,000	2,500
401	Building Maintenance	896	2,100	1,000
404	Equipment Maintenance	516		
417	Uniform Rental			
460	Permits			
	Total Expenditures	52,556	62,652	62,965

Parks - 452100

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

Objectives of the Park Board/Park Department

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

Hermantown Park Facilities

Rose Road Park (4494 Midway Road-Intersection of Midway & Rose Road) – Softball fields utilized by the Hermantown Softball Association during the summer season.

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

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

Skateboard Park, Basketball Court, Playground, Restrooms, Picnic Shelter

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

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

A Parks and Trails Master Plan was adopted by the Park Board and the City Council in Resolution 2019-38. The Master Plan Report is a product of an in-depth planning process for existing and future Hermantown parks and trails. The Master Plan will be reviewed annually during the internal budget process along with the Capital Improvement Plan (CIP). The parks and trail projects and the source of funds to construct them must be identified in the CIP approved by the City Council. The Park Board will continue to monitor the progress of the park and trail system.

Authorized Personnel

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

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Wages	47,222	48,546	2.80%
212-460	Supplies/Services & Maintenance	77,501	77,501	0.00%
720	Other Financing Uses	2,000	2,000	0.00%
	Total Expenditures	126,723	128,047	1.04%

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
101	Full-Time Employees-Regular	9,091	39,610	39,154
102	Full-Time Employees-Overtime	1,267	1,006	1,304
103	Part-Time Employees-Regular	10,825	-	
121	PERA Contributions-Coordinated	777	828	945
128	Social Security	1,289	2,456	2,508
129	Medicare	302	574	587
131	Health Insurance	3,476	1,821	1,997
133	Life Insurance	12	11	11
134	Disability Insurance	55	54	57
151	Workers Compensation	434	862	1,983
	Supplies/Services & Maintenance			
212	Motor Fuels	302	1,500	1,500
221	General Supplies	1,138	4,500	4,500
223	Bldg. Repair & Maint Supplies		-	
224	Land Maintenance & Repair	29,136	35,000	35,000
319	Contracted Services	375	20,000	20,000
325	Postage	29		
361	General Liability Insurance	993	976	976
381	Electricity	4,540	4,500	4,500
402	Grounds/Land Maintenance	5,400	5,500	5,500
404	Equipment Maintenance	1,072	3,025	3,025
413	Equipment Rental	4,410	2,500	2,500
460	Permits & Licenses			
	Other Financing Uses			
720	Transfer Out	2,000	2,000	2,000
	Total Expenditures	76,922	126,723	128,047

Community Building - 452200

The Community building is located at 5255 Maple Grove Road. Arrowhead Builders Association will be leasing part of the building for \$12,780.24 for budget year 2020 per Resolution 2010-62. The Hermantown Historical Society is also leasing a portion of this building for \$949.66 for budget year 2020 per Resolution 2011-18 to display historical items and information. The Minnesota Bureau of Criminal Apprehension is leasing a portion of the building for \$6,268.80 for budget year 2020 per Resolution 2018-42. The current budget accounts for the cost of maintenance personnel, telephone, insurance, electricity, and heating for the facility.

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries & Benefits	10,015	10,069	0.5%
219-405	Supplies/Services & Maintenance	13,874	15,326	10.5%
	Total Expenditures	23,889	25,395	6.3%

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
101	Full-Time Employees - Regular	2,380	5,877	6,047
102	Full-Time Employees - Overtime	432	361	
103	Part-Time Employees-Regular	554		
121	PERA Contributions - Coordinated	211	441	454
128	Social Security	194	364	375
129	Medicare	45	85	88
131	Health Insurance	1,413	2,654	2,817
133	Life Insurance	3	7	7
134	Disability Insurance	15	31	32
151	Workers Compensation	196	195	249
	Supplies/Services & Maintenance			
223	Maintenance Supplies	16	500	500
321	Telephone	312	121	121
322	Internet		-	
361	General Liability Insurance	2,531	2,483	2,500
381	Electricity	5,593	5,000	5,000
383	Heating Gas	4,155	3,100	4,000
401	Building Maintenance	260	1,200	1,000
405	Computer Maintenance	688	1,470	2,205
	Total Expenditures	18,999	23,889	25,395

Cemetery - 490100

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

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

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
102-151	Salaries/Wages	5,163	5,408	4.7%
219-405	Supplies/Services & Maintenance	-	5,000	
	Total Expenditures	5,163	10,408	101.6%

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
101	Full-Time Employees - Regular	751	4,295	4,244
102	Full-Time Employees - Overtime	97	93	133
103	Part-Time Employees - Regular	922	-	
121	PERA Contributions - Coordinated	64	84	96
128	Social Security	107	266	271
129	Medicare	25	62	63
131	Health Insurance	336	356	382
133	Life Insurance	1	1	1
134	Disability Insurance	5	6	6
151	Workers Compensation	57	-	212
319	Contracted Services			5,000
	Total Expenditures	2,365	5,163	10,408

Insurance General - 492200

During 2016, the City changed to Travelers Insurance due to a significant proposed increase in insurance premiums with the previous provider, League of Minnesota Cities Insurance Trust.

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
361	General Liability Insurance	22,206	33,206	49.5%
	Total Expenditures	22,206	33,206	49.5%

Budget Commentary

The City has insurance coverage for city volunteers when volunteering on City projects through Travelers Insurance.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Salaries & Benefits			
151	Workers Compensation		-	
	Supplies & Services			
361	General Liability Insurance	22,189	22,206	33,206
	Total Expenditures	22,189	22,206	33,206

Transfer Out - 495000

This account transfers money to Fund 401 for Capital Improvements.

		2018 Actual	2019 Original Budget	2020 Budget
720	Transfer Out	195,000	213,834	377,121
	Total Expenditures	195,000	213,834	377,121

Special Revenue Funds

Fund 230 – Hermantown Economic Development Authority

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

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Revenues			
310100	Current Year Taxes	75,474	72,200	155,200
310200	Delinquent Taxes	869	0	
319100	Penalty & Interest Property Taxes		0	
341010	Building Rentals	1	1	
362440	Conduit Financing Fees	2,770	2,770	2,770
392000	Transfers In			
	Total Revenues	79,114	74,971	157,970
	Expenditures			
101	Full-Time Employees - Regular	16,385	17,459	20,714
103	Part-Time Employees - Regular	1,500	4,200	4,200
121	PERA Contributions - Coordinated	1,282	1,253	1,554
123	PERA Contributions - DCP	38	210	210
128	Social Security	1,082	1,101	1,303
129	Medicare	265	314	361
131	Health Insurance	3,216	3,824	4,381
133	Life Insurance	43	38	48
134	Disability Insurance	66	66	73
136	MSRS			88
151	Workers Compensation	13	19	27
201	Office Supplies		-	100
202	Printing Supplies	368		500
221	General Supplies	217	-	100
305	Engineer Fees	455	3,000	3,000
308	Legal Fees	6,002	2,500	3,000
310	Recording/Filing Fees	46		
315	School & Conference	290	1,500	1,500
319	Contracted Services	5,830	34,287	66,111
325	Postage	1	100	500
331	Travel Expense	2,385	1,000	1,000
343	Community Relations		500	5,000
351	Legal Notices Publishing	307	100	200
451	Dues & Subscriptions	3,835	3,500	4,000
	Capital Expenditures			
530	Improvements Other Than Buildings	36,930		40,000
	Total Expenditures	80,556	74,971	157,970
	Revenues Over (Under) Expenditures	(1,442)	-	-

Fund 235 – Park Dedication Fund

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

Included in the 2020 Budget is an \$820,000 grant from the State of Minnesota to build sections of the Munger Trail Spur.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Revenues			
322460	Park Dedication Fee	16,650	18,000	18,000
322470	Park Dedication Fee in Lieu of Land	21,800	4,400	5,500
336300	Other Grants & Aids	8,000		
362100	Investment Interest	5,500	200	100
362160	Gain (Loss) on Sale of Investments	(1,879)		
362250	City Property Lease		-	
362310	Donations - Nongovernmental Grants		50,000	820,000
362350	Development Agreement Fees			
	Total Revenues	50,071	72,600	843,600
	Expenditures			
	Services			
305	Engineer Fees	10,718		1,000
308	Legal Fees	768		
351	Legal Notices Publishing	70		
493	Community Contributions	66,500		
	Capital Outlay			
510	Land Acquisition			
530	Improvements Other Than Bldgs	15,273	100,000	870,000
	Other Financing Uses			
720	Transfer Out	23,956		
	Total Expenditures	117,285	100,000	871,000
	Revenues Over (Under) Expenditures	(67,214)	(27,400)	(27,400)

Fund 236 - Wetland Mitigation Fund

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

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Revenues			
322125	Wetland Bank Fee	425	2,500	1,000
392010	Transfers In			
	Total Revenues	425	2,500	1,000
	Expenditures			
	Supplies & Services			
319	Contracted Services		2,500	3,500
465	Restorations (Wetland)	7,488		
510	Land Acquisition			
	Total Expenditures	7,488	2,500	3,500
	Revenues Over (Under) Expenditures	(7,063)	-	(2,500)

Fund 240 - City Sales Tax Fund

Accounts for the City sales tax collected that is authorized by the Minnesota State Legislature to fund the construction of a city administrative services/public safety facility, Hermantown sewer trunk line and water infrastructure improvements. The Hermantown City Sales Tax rate was increased from .5% to 1%. Voters approved the increase in the 2012 General Election. Collections at the 1% rate were effective April 1, 2013. In 2017 the State Legislature approved extending the sales tax through December 2036 and added the ability to use the sales tax for the construction of a Wellness Center.

Budget Commentary

Description of Transfers out to Debt Service Funds.

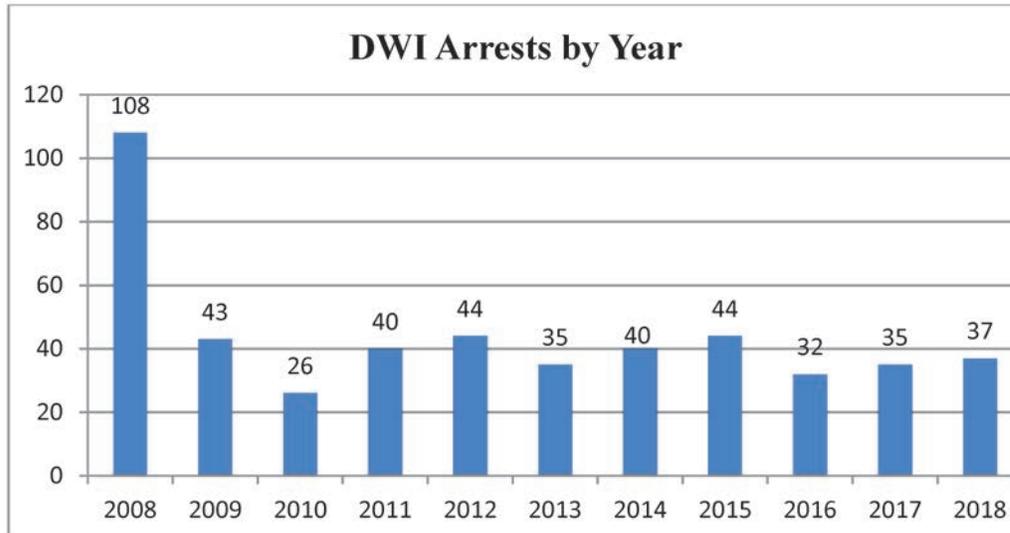
2016B GO Bonds	315	\$ 698,807
2016A GO Bonds	318	\$ 153,907
2010A GO Bonds	319	\$ 180,188
2012A GO Bonds	320	\$ 197,539
2012B GO Bonds	321	\$ 40,119
2014A GO Bonds	322	\$ 215,000
2018B GO Bonds	324	\$ 517,821
2019A GO Bonds	325	<u>\$ 647,462</u>
Total		<u>\$ 2,650,843</u>

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Revenues			
313100	City Sales Tax	3,007,853	2,950,000	2,980,000
362100	Investment Interest	130,743	20,000	20,000
362160	Gain (Loss) on Sale of Investments	(45,131)		-
393100	Bond issuance			3,000,000
	Total Revenues	3,093,465	2,970,000	6,000,000
	Expenditures			
	Salaries & Benefits			
101	Full-Time Employees-Regular	29,099		
121	PERA Contributions - Coordinated	2,276		
128	Social Security	1,844		
129	Medicare	431		
131	Health Insurance	6,493		
133	Life Insurance	65		
134	Disability Insurance	117		
151	Workers Compensation	18		
	Supplies /Services & Maintenance			
202	Printing Supplies			
221	General Supplies	1		
305	Engineer Fees	218,953	180,000	100,000
308	Legal Fees	9,679	12,000	
319	Contracted Services	70,788	80,000	
331	Travel Expense	1,689		
351	Legal Notices Publishing	235		
	Other Financing Uses			
530	Improvements Other Than Buildings		410,000	4,900,000
595	Transmission/Distribution		555,335	
720	Transfer Out	1,485,560	2,148,919	2,650,843
	Total Expenditures	1,827,248	3,386,254	7,650,843
	Revenues Over (Under) Expenditures	1,266,217	(416,254)	(1,650,843)

Fund 251 - Police Program Fund

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



Data Source: Hermantown Police Department Annual Reports

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
Revenues				
331999	Other Federal Grants & Aids	1,173		
351010	Court Fines	1,680	2,000	2,200
352010	Unclaimed Property	375		
352020	Forfeitures	28,157	2,500	2,500
362300	Donations	47,287	-	-
392010	Transfers In			
	Total Revenues	78,672	4,500	4,700
Expenditures				
219	Other Operating Expenses	1,970	-	-
308	Legal Fees	8,645	-	-
331	Travel Expense		-	-
343	Community Relations		-	-
405	Computer Maintenance		-	-
436	Towing Charges	715	-	-
460	Permits & Licenses	25	-	-
490	K-9 Expenses	152	-	-
499	Miscellaneous	393	-	-
580	Other Equipment		-	-
	Total Expenditures	11,900	-	-
	Revenues Over (Under) Expenditures	66,772	4,500	4,700

Fund 260 - Cable Television Fund

Accounts for the revenues and expenditures associated with administering a franchise agreement with Mediacom to provide cable television to Hermantown residents. The current franchise fee charge is 5% of a resident's Mediacom cable television bill. Hermantown High School is the site of the control room for the local cable channel.

Budget Commentary

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

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Revenues			
318100	Cable TV Franchise Fees	38,256	38,000	38,000
362100	Investment Interest	2,567	1,000	1,100
362120	Interest - Interfund	6,000	6,000	6,000
362160	Gain (Loss) on Sale of Investments	(894)		
	Total Revenues	45,929	45,000	45,100
	Expenditures			
	Salaries & Benefits			
101	Full-Time Employees - Regular	5,485	5,758	4,049
121	PERA Contributions - Coordinated	423	420	304
128	Social Security	340	357	251
129	Medicare	80	83	59
131	Health Insurance	1,544	1,626	869
133	Life Insurance	15	16	9
134	Disability Insurance	25	25	14
136	MSRS			16
151	Workers Compensation	6	6	5
	Supplies/Services & Maintenance			
219	Other Operating Expenses			
308	Legal Fees	125	300	300
319	Contracted Services	11,250	7,500	7,500
331	Travel Expense	219		
361	General Liability Insurance	58	58	58
404	Equipment Maintenance	2,858	2,000	1,000
	Capital Outlay			
540	Office Equip/Furnishings			
580	Other Equipment			
	Total Expenditures	22,428	18,149	14,434
	Revenues Over (Under) Expenditures	23,501	26,851	30,666

Fund 270 – Soccer Association Fund

Accounts for the revenues and expenditures associated with the development agreement of the Stebner Park soccer fields with the Hermantown Soccer Association. The final money owed from this agreement was remitted in 2019.

Budget Detail

			2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Revenues				
362100	Investment Interest				
362350	Development Agreement		\$ 21,922	\$ 21,921	\$ -
	Total Revenues		<u>\$ 21,922</u>	<u>\$ 21,921</u>	<u>\$ -</u>
	Expenditures				
303	Banking Fees				\$ -
	Total Expenditures		\$ -	\$ -	\$ -
	Revenues Over (Under) Expenditures		<u>\$ 21,922</u>	<u>\$ 21,921</u>	<u>\$ -</u>

Fund 275 – Essentia Wellness Center

Accounts for the revenues and expenditures associated with renting a portion of the Essentia Wellness Center to Essentia Health.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Revenues			
341015	Community Building Rentals	-	-	216,128
	Total Revenues	-	-	216,128
	Expenditures			
361	General Liability insurance			17,116
381	Electricity			130,925
382	Water Purchases			24,212
385	Sewer Charges			24,213
401	Building Maintenance			19,662
	Total Expenditures	-	-	216,128
	Revenues Over (Under) Expenditures	-	-	-

Debt Service Funds

Fund 301 – Equipment Debt Service

Accounts for the accumulated resources from tax levy to pay the interest and principal payments on a Certificate of Indebtedness. In the past, a Certificate of Indebtedness was issued to purchase selected capital equipment.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Revenues			
310100	Current Year Taxes	49,187	49,547	
310110	Current Year Taxes - Mobile Homes/SEV MIN			
310200	Delinquent Taxes	614		
	Total Revenues	49,801	49,547	-
	Expenditures			
	Debt Service			
603	Principal/Short Term Debt	24,533		
613	Interest/Short Term Debt	257		
720	Transfer Out			
	Total Expenditures & Other Financing Sources	24,789	-	-
	Revenues Over (Under) Expenditures	25,011	49,547	-

Fund 315 – 2016B GO Bonds

The Public Project Revenue Bonds, Series 2006A were issued in December of 2006 in the original amount of \$9,630,000, carry a net interest rate of 4.04% and mature in 2027. The bonds were used to refinance the Public Project Revenue Bonds, Series 1998 (Police/Fire Building) and to construct an administrative services addition to the public safety facility. In 2016, the bonds in were refunded. The first payment on the new 2016B GO Bonds was in February 2017. The new true interest rate is 1.353%. This will create for the City future value savings in the amount of \$999,957. The debt is being paid by City sales tax collections.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Revenues			
362100	Investment Interest			
362160	Gain (Loss) on Sale of Investments			
392010	Transfer In	698,807	698,807	698,807
393100	Bond Issuance			
	Total Revenues	698,807	698,807	698,807
	Expenditures			
	Debt Service			
601	Bond Principal	485,000	500,000	510,000
611	Bond Interest	140,025	125,250	110,100
620	Fiscal Agent Fees	1,083	944	1,385
601	Other Bond Principal			-
	Total Expenditures	626,108	626,194	621,485
	Revenues Over (Under) Expenditures	72,699	72,613	77,322

Fund 318 – 2016A GO Bonds

The General Obligation Improvement Bonds, Series 2009A, were issued in December of 2009 in the original amount of \$5,515,000, carry a net interest rate of 3.48% and mature in 2030. The bonds were used for acquisition of the existing public works facility, construction of a new salt storage building, sewer improvements, and to refund the General Obligation Improvement Bonds, Series 2003A (Fund 312), financing Public improvements, #305 Water project, #413,406,408,415,421 and 429 sewer projects. The debt is being repaid by special assessments, property tax levy, city sales taxes, water fund, and sewer fund. These bonds were refunded and are now Series 2016A.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Revenues			
310100	Current Year Taxes	76,786	75,000	75,000
310200	Delinquent Taxes	1,196	-	
361100	Principal - Current	83,032	85,000	85,000
361110	Principal - Delinquent	514	-	
361120	Principal-Prepaid	7,276	-	
361130	Principal-Deferred		-	
361200	Interest - Current	45,216	49,000	49,000
361210	Interest - Delinquent	550	-	
361300	Penalty/Interest	482	700	600
362100	Investment Interest	10,456	-	
392010	Transfers In	216,857	215,507	216,657
393100	Bond Issuance			
	Total Revenues	442,364	425,207	426,257
	Expenditures			
	Debt Service			
601	Bond Principal	315,000	350,000	365,000
611	Bond Interest	99,928	62,200	55,050
620	Fiscal Agent Fees	1,083	944	1,385
	Other Debt Principal			
601	Bond Principal	3,277,850		
	Total Expenditures	3,693,861	413,144	421,435
	Revenues Over (Under) Expenditures	(3,251,497)	12,063	4,822

Fund 319 – 2010A GO Bonds

The General Obligation Improvement Bonds, Series 2010A issued in November of 2010 in the original amount of \$3,955,000, carry a net interest rate of 2.74% and mature in 2031. The bonds were used to refund the General Obligation Utility Revenue Bonds, Series 2002- Fund 311, and to finance public improvements: water tower, #311,310 water projects, phase II sewer trunk line, #405,407,408,411,412,432 and 434 sewer projects. The debt is being repaid by special assessments and City sales taxes.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Revenues			
361100	Principal - Current	55,805	57,000	57,000
361110	Principal-Delinquent	570	-	
361120	Principal - Prepaid	39,114	-	
361200	Interest - Current	33,944	34,000	34,000
361210	Interest-Delinquent	302	-	
361300	Penalties & Interest	490	1,000	1,000
392010	Transfers in	255,000	255,000	255,000
	Total Revenues	385,224	347,000	347,000
	Expenditures			
	Debt Service			
601	Bond Principal	330,000	335,000	345,000
611	Bond Interest	66,650	58,338	49,838
620	Fiscal Agent Fees	1,108	944	1,385
720	Transfer Out			
	Total Expenditures	397,758	394,282	396,223
	Revenues Over (Under) Expenditures	(12,534)	(47,282)	(49,223)

Fund 320 – 2012A GO Bonds

The General Obligation Improvement Bonds, Series 2012A issued in July of 2012 in the amount of \$2,500,000, carry a net interest rate of 1.93% and mature in 2026. The bonds were used to refund the General Obligation Bonds, Series 2003B (Fund 313) on August 1, 2012 and the General Obligation Bonds, Series 2005A (Fund 314) on February 1, 2013. The debt is being repaid by special assessments and City sales taxes.

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Revenues			
361100	Principal - Current	30,568	27,000	27,000
361110	Principal-Delinquent	700	-	
361120	Principal - Prepaid	33,795		
361200	Interest - Current	17,639	18,000	18,000
361210	Interest - Delinquent	448		
361220	Interest - Prepaid	521		
361300	Penalties & Interest	235	-	
392010	Transfer In	197,539	197,539	197,539
	Total Revenues	281,444	242,539	242,539
	Expenditures			
	Debt Service			
601	Bond Principal	155,000	155,000	155,000
611	Bond Interest	28,155	26,179	23,931
620	Fiscal Agent Fees	1,083	944	1,385
750	Transfer Out			
	Total Expenditures	184,238	182,123	180,316
	Revenues Over (Under) Expenditures	97,205	60,416	62,223

Fund 321 – 2012B GO Bonds

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

Budget Detail

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Revenues			
361100	Principal - Current	59,555	62,000	60,000
361110	Principal - Delinquent	4,345	-	
361120	Principal - Prepaid	81,351	-	
361200	Interest - Current	55,698	56,000	56,000
361210	Interest - Delinquent	5,484	-	
361220	Interest - Prepaid	1		
361300	Penalties & Interest	2,337	-	
392010	Transfers In	40,119	40,119	40,119
	Total Revenues	248,889	158,119	156,119
	Expenditures			
	Debt Service			
601	Bond Principal	140,000	140,000	145,000
611	Bond Interest	59,294	56,494	53,644
620	Fiscal Agent Fees	1,108	944	1,385
	Total Expenditures	200,402	197,438	200,029
	Revenues Over (Under) Expenditures	48,487	(39,319)	(43,910)

Fund 322 – 2014A GO Bonds

These bonds were issued in December 2014 in the amount of \$2,170,000, carrying interest rate of 2.207% to refund Series 2007A and to crossover refund 2007B for an interest cost savings. The debt is being paid by special assessments, sales tax, and the water and sewer funds.

Budget Detail

		2018 Actual	2019 Original Budget	2020 Budget
	Revenues			
361100	Principal - Current	40,948	45,000	40,000
361110	Principal - Delinquent	1,871	0	
361120	Principal - Prepaid	39,081	0	
361200	Interest - Current	29,167	25,000	30,000
361210	Interest - Delinquent	1,196	0	
361300	Penalties & Interest	1,005	0	
392010	Transfers In	226,900	226,700	231,500
	Total Revenues	340,168	296,700	301,500
	Expenditures			
	Debt Service			
601	Bond Principal	225,000	220,000	240,000
611	Bond Interest	41,650	37,200	32,600
620	Fiscal Agent Fees	1,108	944	1,385
	Total Expenditures	267,758	258,144	273,985
	Revenues Over (Under) Expenditures	72,410	38,556	27,515

Fund 323 – 2018A GO Bonds – Fire Halls #2 & #3

The General Obligation Improvement Bonds, Series 2018A were issued in April of 2018 in the amount of \$2,035,000, true interest cost of 3.2% and mature in 2039. The bonds were used to construct new Fire hall #2 and #3. The bonds will be repaid with property taxes.

Budget Detail

		2018 Actual	2019 Original Budget	2020 Budget
	Revenues			
310100	Current Year Taxes	70,880	137,625	135,375
392010	Transfers In	1,630		
	Total Revenues	<u>72,510</u>	<u>137,625</u>	<u>135,375</u>
	Expenditures			
	Debt Service			
601	Bond Principal		20,000	75,000
611	Bond Interest		79,610	61,500
620	Fiscal Agent Fees		944	1,385
	Total Expenditures	<u>0</u>	<u>100,554</u>	<u>137,885</u>
	Revenues Over (Under) Expenditu	<u>72,510</u>	<u>37,071</u>	<u>-2,510</u>

Fund 324 – 2018B GO Bonds – Wellness Center & Rose Rd Softball Fields

The General Obligation Improvement Bonds, Series 2018B were issued in August of 2018 in the amount of \$7,715,000, true interest cost of 3.14% and mature in 2039. The bonds were used to construct the Essentia Wellness Center and redo the Rose Road Softball complex. The Rose Road Softball complex component of bonds will be repaid with property taxes. The Essentia Wellness Center portion of the bonds will be paid with sales tax.

Budget Detail

			2018 Actual	2019 Original Budget	2020 Budget
		Revenues			
310100		Current Year Taxes	0	50,337	48,312
392010		Transfers In	0	494,931	517,821
		Total Revenues	<u>0</u>	<u>545,268</u>	<u>566,133</u>
		Expenditures			
		Debt Service			
601		Bond Principal	0	0	150,000
611		Bond Interest	0	261,531	264,475
620		Fiscal Agent Fees	0	944	1,385
		Total Expenditures	<u>0</u>	<u>262,475</u>	<u>415,860</u>
		Revenues Over (Under) Expenditures	<u>0</u>	<u>282,793</u>	<u>150,273</u>

Fund 325 – 2019A GO Bonds – Wellness Center

The General Obligation Improvement Bonds, Series 2019A were issued in January of 2019. The bonds were used to construct the Essentia Wellness Center. The bonds will ultimately be paid with sales tax.

Budget Detail

			2018 Actual	2019 Original Budget	2020 Budget
	Revenues				
310100	Current Year Taxes		0	0	0
392010	Transfers In		0	168,428	647,462
Total Revenues			<u>0</u>	<u>168,428</u>	<u>647,462</u>
	Expenditures				
	Debt Service				
601	Bond Principal		0	0	280,000
611	Bond Interest		0	168,428	318,631
620	Fiscal Agent Fees		0	0	1,385
Total Expenditures			<u>0</u>	<u>168,428</u>	<u>600,016</u>
Revenues Over (Under) Expenditures			<u>0</u>	<u>0</u>	<u>47,446</u>

Fund 350 - Special Assessment Deficiency Fund

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

Transfers Out for 2020 are:

Fund 319 (2010A GO) - \$27,806

Budget Detail

		2018 Actual	2019 Original Budget	2020 Budget
	Revenues			
361100	Principal - Current	19,874	21,000	20,000
361200	Interest - Current	4,411	4,000	3,700
361300	Penalties & Interest	111		
362100	Investment Interest	5,103		
362160	Gain (Loss) on Sale of Investments	-1,781		
	Total Revenues	<u>27,718</u>	<u>25,000</u>	<u>23,700</u>
	Expenditures			
415300	Contracted Services	2,400		2,000
471000	Transfer Out	27,806	27,806	27,806
	Total Expenditures	<u>30,206</u>	<u>27,806</u>	<u>29,806</u>
	Revenues Over (Under) Expenditures	<u>(2,488)</u>	<u>(2,806)</u>	<u>(6,106)</u>

Capital Projects Funds

Fund 401 – General Capital Projects

The General Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditures for general capital outlays.

Budget Detail

			2018 Actual	2019 Original Budget	2020 Budget
		Revenues			
392010		Transfers In	275,000	335,000	411,121
		Total Revenues	<u>275,000</u>	<u>335,000</u>	<u>411,121</u>
		Expenditures			
	520	Building & Structures	124,062		
	530	Improvements Other Than Buildings	31,012	75,000	
	540	Office Equipment/Furnishings	18,750	20,000	
	543	Heavy Equipment		107,500	210,000
	544	Motor Vehicles	66,743	132,500	59,500
	585	Street Lights		0	
	590	Pumping Plant			
		Total Expenditures	<u>240,567</u>	<u>335,000</u>	<u>269,500</u>
		Revenues Over (Under) Expenditures	<u>34,433</u>	<u>0</u>	<u>141,621</u>

Enterprise Funds

In 2018, the City switched to a tiered system for billing water rates, broken down by Residential, Multi-Family, Commercial, and Irrigation.

For those residential sewer customers who do not have water service, they are charged a flat rate because the City does not measure the amount of sewage they use.

There is a slight increase in water and sewer rates in 2020.

Fund 601 - Water Enterprise Fund

This fund accounts for the activity of providing water services to the public. The Hermantown Utility Department is responsible for the distribution of treated water. The City purchases all drinkable water from the City of Duluth.

Objectives

- To consider and make recommendations to the City Council with respect to improvements to be constructed and financed pursuant to Chapter 429 of the Minnesota Statutes
- To administer the public utilities provided by the City of Hermantown
- To perform such other functions as made by resolution of the City Council delegated to it
- Provide an adequate supply of water. Current city water storage includes a 150,000 gallon elevated storage tank at Ugstad Road/Arrowhead Road and a 600,000 gallon elevated storage tank at Ugstad Road/Hwy 53. These two tanks have sufficient capacity to provide for two days of average daily demand if the city should lose its water supply
- The city's current water system also includes 63.647 miles of water mains and 535 hydrants for fire control
- The Public Works Director is responsible for leading the maintenance of city water mains

Water Rates – Per 1,000 Gallons

		2019	2020	Usage in Gallons - Tier Breaks
Residential	Tier 1	7.54	7.84	Up to 2500 Gallons
	Tier 2	8.67	9.02	Between 2500 – 4500 Gallons
	Tier 3	9.54	9.92	Over 4500 Gallons
Multi-Family	Tier 1	8.67	9.02	All Usage
	Tier 2	8.67	9.02	All Usage
	Tier 3	8.67	9.02	All Usage
Commercial	Tier 1	7.80	8.11	Up to 20,000 Gallons
	Tier 2	8.20	8.53	Between 20,000 – 50,000 Gallons
	Tier 3	9.01	9.37	Over 50,000 Gallons
Irrigation	Tier 1	9.54	9.92	All Usage
	Tier 2	9.54	9.92	All Usage
	Tier 3	9.54	9.92	All Usage

Meter Size	<u>Monthly Service Charge</u>	
	2019	2020
5/8"-1"	8.32	8.65
1 1/4"	12.48	12.98
1 1/2"	12.48	12.98
2"	31.20	32.45
3"	36.40	37.86
4"	46.80	48.67
6"	67.60	70.30

Authorized Personnel

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

The wages for these employees are split between the Water, Sewer, and Storm Water Funds

Budget Summary

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	PERCENT CHANGE
101-151	Salaries/Wages	426,565	384,798	-9.8%
201-499	Supplies/Services/Maintenance & Depreciation	1,040,731	998,145	-4.1%
540-598	Capital Outlay	112,500	337,400	199.9%
720	Transfer Out	166,030	111,403	-32.9%
	Total Expenditures	1,745,826	1,831,746	4.9%

Budget Commentary

As the City acquires more water infrastructure, the depreciation expense will increase. Transfers out are applied to debt payments in the debt service funds and some capital items. There is an increase in 2020 in total expenditures due to additional capital equipment needed.

Budget Detail

		2018 Actual	2019 Original Budget	2020 Budget
	Revenues			
331999	Other Federal Grants		0	0
341070	Assessment Search	4,793	4,500	4,000
361110	Principal - Delinquent		0	0
361300	Penalty/Interest	11	0	0
362100	Investment Interest	59,217	30,000	25,000
362150	Interest Income/City Contracts	399	0	0
362160	Gain (Loss) on Sale of Investments	(20,539)	0	0
362250	City Property Lease	44,083	40,858	44,000
362990	Miscellaneous Revenue	10,825	8,000	10,000
371400	Metered Water Sales	1,228,637	1,265,360	1,260,480
371450	Metered Truck Fill Station	2,732	2,800	4,000
371500	Water Hookups	21,300	25,000	25,000
371550	Water Service Line	773	0	0
371710	Service Charge	228,116	233,090	246,253
371720	Front Foot Water Cash	8,940	7,000	7,100
379999	Late Fee	12,756	10,000	9,500
392010	Transfers In	2,000	44,500	157,200
394000	Contributed Capital	639	0	
	Total Revenue	1,604,682	1,671,108	1,792,533

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Expenditures			
494300	Water Distribution			
	Salaries & Wages			
101	Full Time Employees - Regular	124,872	165,568	154,645
102	Full-Time Employees - Overtime	13,932	10,208	9,048
103	Part-Time Employees - Regular	1,137	-	-
121	PERA Contributions - Coordinated	16,236	11,749	12,277
128	Social Security	8,232	9,713	10,149
129	Medicare	1,925	2,272	2,374
131	Health Insurance	58,874	71,757	69,098
132	Health Care Savings Plan	444	-	-
133	Life Insurance	175	247	223
134	Disability Insurance	662	839	790
136	MSRS			130
151	Workers Compensation	3,252	5,217	5,593
	Supplies/Services & Maintenance			
212	Motor Fuels	4,210	3,000	3,000
216	Uniforms	297	300	500
221	General Supplies	4,185	5,000	5,000
228	Utility System Maint		4,000	4,000
315	School & Conference	1,451	3,500	3,500
317	Personnel Testing Physical	109	-	-
331	Travel Expense	564	750	750
361	General Liability Insurance	7,120	6,256	7,483
382	Water Purchases	619,063	715,748	648,960
404	Equipment Maintenance	1,188	4,500	5,000
406	Vehicle Maintenance	18	2,500	2,500
413	Equipment Rental	11,704	12,500	12,500
417	Uniform Rental	53	500	500
451	Dues & Subscriptions	648	700	700
460	Permits & Licenses	48	-	-
470	Booster Pump Repairs	407	825	825
471	Water Line Repairs	52,860	25,000	25,000
472	Hydrant Repairs	2,439	10,000	29,500
499	Miscellaneous	90	100	100
	Capital Outlay			
540	Office Equipment/Furnishings	1,796	25,500	1,000
542	Light Equipment			6,000
543	Heavy Equipment		-	
544	Motor Vehicles		85,000	30,000
580	Other Equipment	14,272	2,000	300,400
	Sub-total	952,261	1,185,249	1,351,545
	*continued			

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Expenditures			
494400	Water Administration & General			
	Salaries & Wages			
101	Full-Time Employees-Regular	91,420	101,623	80,412
102	Full-Time Employees-Overtime	477	377	490
121	PERA Contributions-Coordinated	6,722	7,541	6,070
128	Social Security	5,441	6,301	5,018
129	Medicare	1,272	1,474	1,173
131	Health Insurance	17,661	30,887	26,487
132	Health Care Savings Plan	71	-	-
133	Life Insurance	181	209	156
134	Disability Insurance	444	471	352
136	MSRS			208
151	Workers Compensation	85	112	105
	Supplies /Services/ Maintenance & Depreciation			
201	Office Supplies		-	
202	Printing Supplies	1,695	600	600
209	Computer Supplies		-	-
301	Audit/Account Services	4,016	4,097	4,300
302	Assessors Fees	4		-
303	Banking Fees		-	-
308	Legal Fees	10,662	5,000	5,000
310	Recording/Filing Fees		-	-
314	Computer/Software Fees	1,125	1,293	1,400
315	School & Conference		150	150
319	Contracted Services	3,181	5,532	5,532
321	Telephone	2,482	2,093	2,093
322	Internet	112	110	110
323	Gopher One Call Locates	1,442	1,600	1,600
325	Postage	3,162	3,600	3,600
331	Travel Expense	1,228	1,000	1,400
351	Legal Notices Publishing	326	420	420
361	General Liability Insurance	1,366	1,360	1,400
381	Electricity	7,183	7,000	6,900
383	Heating Gas	2,689	3,000	3,600
405	Computer Maintenance	9,117	11,900	10,222
420	Depreciation Expense	224,044	196,797	200,000
432	Bad Debts	285		-
720	Transfer Out			69,403
	Capital Outlay			
540	Office Equip/Furnishings			
580	Other Equipment			
495000	Other Financing Uses			
720	Transfer Out	106,594	166,030	42,000
	Total Expenditures	1,456,748	1,745,826	1,831,746
	Revenues Over (Under) Expenditures	147,934	(74,718)	(39,213)

Fund 602 - Sewer Enterprise Fund

Sewer fund accounts for the activity of providing sewer disposal services to the public. The Hermantown Utility Department is responsible for the collection of sanitary sewer waste. The Western Lake Superior Sanitary District purifies sanitary sewer waste.

Objectives

- Provide adequate sanitary sewer operations. The city's sewer system consists of 68.378 miles of sewer mains but continues to expand based upon neighborhood petitions requesting an extension of services.
- The Public Works Director is responsible for leading the maintenance of city sewer mains.

Sewer Rates – Per 1,000 Gallons

		2019	2020	Notes
Residential	Tier 1	9.66	9.90	
Multi-Family	Tier 1	9.66	9.90	
Commercial	Tier 1	9.66	9.90	
Flat Rate	Tier 1	24.15	24.75	Residential Average – 2,500 Gallons
Flat Rate	Tier 1	43.47	44.55	Commercial Average – 4,500 Gallons
Service Charge		3.08	3.16	Monthly

Authorized Personnel

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

Budget Summary –

		2019 ORIGINAL BUDGET	2020 APPROVED BUDGET	Percent Change
101-151	Salaries/Wages	295,875	302,268	2.2%
201-499	Supplies/Services/Maintenance & Depreciation	1,225,789	1,248,121	1.8%
540-590	Capital Outlay	543,250	43,250	-92.0%
720	Transfer Out	117,942	254,053	115.4%
	Total Expenditures	2,182,856	1,847,692	-15.4%

Budget Commentary

The 2020 Sewer expenditure budget decreased 15% compared to 2019. The decrease is due to fewer capital expenditures.

Sewer rates increased in 2019 from \$9.66 to \$9.90 per thousand gallons used.

Transfers out are applied to debt payments in the Debt Service Funds and some capital items. There will be an increase in Transfers Out in 2020 for needed equipment.

Budget Detail

		2018 Actual	2019 Original Budget	2020 Budget
	Revenues			
331999	Other Federal Grants		0	
341070	Assessment Search	4,793	0	3,000
361100	Principal - Current		0	
361300	Penalties & Interest		0	
362100	Investment Interest	63,501	30,000	25,000
362150	Interest Income/City Contracts	1,752	0	1,000
362160	Gain (Loss) on Sale of Investments	-21,948	0	
371710	Service Charge	74,471	74,686	78,178
372400	Sewer Usage	1,332,732	1,355,000	1,380,400
372500	Sewer Hookups	26,800	30,000	27,000
372710	Sewer Permits	2,885	3,200	2,950
372715	Sewer Capacity Availability Fee	3,459	1,500	1,100
372720	Front Foot Cash	25,169	9,000	9,000
379999	Late Fee	12,008	10,000	5,100
394000	Contributed Capital	299,017		
	Total Revenue	1,824,640	1,513,386	1,532,728

		2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
	Expenditures			
494500	Sewer Maintenance			
	Salaries & Wages			
101	Full-Time Employees - Regular	96,561	110,379	114,180
102	Full-Time Employees - Overtime	8,801	6,805	6,580
103	Part-Time Employees - Regular	392	-	
121	PERA Contributions - Coordinated	12,326	7,833	9,057
128	Social Security	6,228	6,475	7,487
129	Medicare	1,457	1,514	1,751
131	Health Insurance	44,092	47,838	50,772
132	Health Care Savings Plan	296	-	-
133	Life Insurance	135	165	168
134	Disability Insurance	492	559	582
136	MSRS			104
151	Workers Compensation	3,699	3,553	4,194
	Supplies/Services & Maintenance			
212	Motor Fuels	2,807	1,500	1,500
216	Uniforms	297	350	350
221	General Supplies	3,113	2,500	2,500
228	Utility System Maint		1,500	2,500
229	Lift Station Maintenance	7,420	15,000	18,000
315	School & Conference	1,048	1,500	1,500
317	Personnel Testing Physicals	439	450	450
319	Contracted Services	16,544	23,500	23,500
331	Travel Expense	122	500	500
361	General Liability Insurance	2,615	1,853	3,171
385	Sewer Charges	518,495	512,920	528,586
403	Road Maintenance	-	-	5,000
404	Equipment Maintenance	6,311	5,500	5,500
406	Vehicle Maintenance	223	2,500	2,500
413	Equipment Rental	11,390	6,500	6,500
417	Uniform Rental		250	350
451	Dues & Subscriptions	100	150	150
460	Permits & Licenses	94	250	250
475	Sewer line Repairs	13,481	22,000	15,000
476	Lift Station Repairs	23,065	15,000	15,000
477	I & I Maintenance	10,450	15,000	15,000
478	Sewer Cleaning	11,915	40,000	45,000
499	Miscellaneous		500	500
	Capital Outlay			
540	Office Equip/Furnishings	1,796	750	750
543	Heavy Equipment		-	
544	Motor Vehicles		-	
580	Other Equipment	304	2,500	2,500
590	Pumping Plant & Lift Stations		540,000	40,000
	Sub-total	806,505	1,397,594	931,432
	*continued			

	Expenditures		2019 ORIGINAL BUDGET	
494900	Sewer Administration & General	2018 ACTUAL		2020 BUDGET
	Salaries & Wages			
101	Full-Time Employees-Regular	61,017	76,062	70,748
102	Full-Time Employees-Overtime	318	251	490
121	PERA Contributions-Coordinated	4,487	5,624	5,345
128	Social Security	3,631	4,716	4,418
129	Medicare	849	1,103	1,033
131	Health Insurance	11,779	22,412	24,625
132	Health Care Savings Plan	47	-	-
133	Life Insurance	121	157	140
134	Disability Insurance	292	345	320
136	MSRS			182
151	Workers Compensation	66	84	92
	Supplies/Services/Maintenance & Depreciation			
201	Office Supplies		-	
202	Printing Supplies	1,104	500	400
301	Audit/Account Services	4,016	4,097	4,300
302	Assessors Fees	4	-	-
305	Engineer Fees		2,000	2,000
308	Legal Fees	60	1,300	1,000
314	Computer/Software Fees	1,125	1,293	1,400
315	School & Conference		50	50
319	Contracted Services	1,148	5,549	5,549
321	Telephone	2,005	1,723	1,740
322	Internet	168	165	165
323	Gopher One Call Locates	961	1,200	1,000
325	Postage	2,073	2,400	2,600
331	Travel Expense	817	881	881
351	Legal Notices Publishing	27	-	-
361	General Liability	1,366	1,360	1,360
381	Electricity	8,176	8,400	8,000
383	Heating Gas	1,680	2,000	2,400
405	Computer Maintenance	9,117	11,901	10,222
420	Depreciation Expense	529,103	511,747	511,747
432	Bad Debts	598		-
720	Transfer Out			56,853
	Capital Outlay			
580	Other Equipment			
495000	Other Financing Uses			
720	Transfer Out	103,762	117,942	197,200
	Total Expenditures	1,556,424	2,182,856	1,847,692
	Revenues Over (Under) Expenditures	268,217	(669,470)	(314,964)

Fund 603 – Storm Water Fund

This fund accounts for the activity of managing and maintaining our storm water system. This includes complying with current MS4 requirements, educating the public, and maintaining the bridges, culverts, and ditches throughout our City.

Budget Detail

			2018 Actual	2019 Original Budget	2020 Budget
		Revenues			
371710		Service Charge	-	370,000	409,470
379999		Late Fee			1,000
Total Revenues			<u>-</u>	<u>370,000</u>	<u>410,470</u>
		Expenditures			
	441100	Storm Water			
		Salaries & Wages			
101		Full-Time Employees-Regular	11,658		61592
102		Full-Time Employees-Overtime	189		2057
121		PERA Contributions-Coordinated	889		4774
128		Social Security	705		3946
129		Medicare	165		923
131		Health Insurance	3,926		22068
133		Life Insurance	15		112
134		Disability Insurance	66		288
136		MSRS			130
151		Workers Compensation			618
		Supplies/Services/Maintenance/Capital			
202		Printing Supplies	720		
221		General Supplies	236		
305		Engineer Fees	42,387		6000
308		Legal Fees	3,823		1000
310		Recording/Filing Fees			500
319		Contracted Services	6,196	124,660	30,000
325		Postage	816		500
331		Travel Expenses	4		300
351		Legal Notices Publishing	563		0
403		Road Maintenance	28,938		11,000
405		Computer Maintenance			3,000
413		Equipment Rental	1,001		10,000
451		Dues & Subscriptions	1,720	6,110	2,000
530		Improvements Other than Buildings	-	169,230	246,976
Total Expenditures			<u>104,017</u>	<u>300,000</u>	<u>407,784</u>
Revenues Over (Under) Expenditures			<u>(104,017)</u>	<u>70,000</u>	<u>2,686</u>

Fund 605 - Street Lighting & Traffic Signalization Fund

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

Other revenue includes a portion of the gas franchise fees paid by gas customers of MN Energy Resources. Forty percent of the gas franchise fee goes to the General Fund while the remaining sixty percent is budgeted in the Street Lighting & Traffic Signalization Fund.

Also include in the franchise fees is Minnesota Power.

Budget Detail

			2018 ACTUAL	2019 ORIGINAL BUDGET	2020 BUDGET
		Revenues			
318100		Franchise Fees	133,388	130,000	131,000
362100		Investment Interest	5,005	4,000	4,000
362120		Interest - Interfund	22,000	-	22,000
362160		Gain (Loss) on Sale of Investments	(1,753)		-
		Total Revenues	158,640	134,000	157,000
	431150	Expenditures - Street Improvements			
		Salaries & Wages			
101		Full-Time Employees - Regular			
121		PERA Contributions - Coordinated			
128		Social Security			
129		Medicare			
131		Health Insurance			
133		Life Insurance			
134		Disability Insurance			
151		Workers Compensation			
		Supplies & Services			
227		Street Lights & Signs	8,380		-
308		Legal Fees			-
413		Equipment Rental		7,800	7,800
420		Depreciation Expenses	1,049	3,210	3,210
	431160	Expenditures - Street Lighting			
227		Street Lights & Signs	5,569	5,000	5,000
381		Electricity	29,583	28,875	28,875
		Other Financing Uses			
720		Transfer Out		-	-
		Total Expenditures	44,581	44,885	44,885
		Revenues Over (Under) Expenditures	114,059	89,115	112,115

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

Budget Message – A general discussion of the proposed budget presented in writing as a part of or supplement to the budget document. The budget message explains principal budget issues against the background of financial experience in recent years and presents recommendations made by the City Administrator.

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

Capital Outlay – Purchases of fixed assets that have a value of \$20,000 or more and a useful life of more than two years.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Typical objects of expenditure include:

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

- Other financing uses

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

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

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

Policy – A set of guidelines used for making decisions.

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

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

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

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

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

Revenue – What is taken in from tax and other sources, to help finance expenditures.

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

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

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

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

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

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

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

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

Acronyms

CAFR	Comprehensive Annual Financial Report
CD	Certificate of Deposit
CIP	Capital Improvement Plan
CPI	Consumer Price Index
DCA	Dollar Cost Averaging
DARE	Drug Abuse Resistance Education
EFT	Electronic Fund Transfer
FDIC	Federal Deposit Insurance Corporation
FMP	Financial Management Plan
FNLB	Federal Home Loan Bank
FNMA	Federal National Mortgage Association
FTE	Full Time Equivalent
GAAP	Generally Accepted Accounting Principles
GASB	Governmental Accounting Standards Board
GFOA	Government Finance Officers Association
GL	General Ledger
GO	General Obligation
HEDA	Hermantown Economic Development Authority
I & I	Inflow & Infiltration
LGA	Local Government Aid
MSAS	Municipal State Aid Street System
MSI	Multiple Streams of Income
PERA	Public Employee Retirement Association
SAC	Sewer Availability Charge
SIPC	Securities Investor Protection Corporation
SWPP	Storm Water Protection Prevention
TIF	Tax Increment Financing
UA	Unitary Authority
WAC	Water Availability Charge



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