



Hermantown City Council Meeting – May 18, 2020

Because attendance at the regular meeting location is not feasible due to the health pandemic, Hermantown’s May 18, 2020 City Council Meeting, as well as Pre-Agenda Meeting, will be conducted remotely.

Both meetings will utilize the platform “Zoom” - which allows the public to view and/or hear the meeting from their phone or computer.

The 6:30 p.m. City Council Meeting will be available at:

<https://us02web.zoom.us/j/87403043558?pwd=eW9RcFJhU3BERFhtN2dkV09KV21UQT09>

and/or by calling the number (312) 626-6799 and utilizing the meeting ID number of 874-0304-3558 and the password 137188.

Public comment may be possible, but difficult, during the meeting, but any public comments, questions, or concerns can be e-mailed to Community Engagement Manager, Joe Wicklund, at jwicklund@hermantownmn.com up to 3:30 p.m. the day of the meeting with the e-mail title “May 18, 2020 Meeting.” It is important to note that all comments regarding the May 18, 2020 meeting are public data.

A few important tips regarding the Zoom platform:

- If your computer does not support audio, you can still watch the meeting on your computer and call in on your phone to hear the meeting
- It is a challenging situation for all of us, so grace and understanding are appreciated

The 4:30 p.m. Pre-Agenda Meeting will be available at:

<https://us02web.zoom.us/j/86067726141?pwd=L2thTGplekpQTINyejNlcXljc0ZVZz09>

and/or by calling the number (312) 626-6799 and utilizing the meeting ID number 860-6772-6141 and the password 547098. Public comment is not a factor in the pre-agenda meeting, even in the traditional meeting setting, but the public is invited to listen to this meeting.



AGENDA

Pre-Agenda Meeting Monday, May 18, 2020 at 4:30 p.m. Large Conference Room City Hall - Hermantown Governmental Services Building

Pre-agenda: The Pre-agenda meeting is a work session between the City Council and City staff to review the upcoming City Council meeting and future meetings. The agenda is the same document as the upcoming City Council meeting, but does not follow the same format as the City Council meeting. It is a time for the City Council and City staff to have discussions about the agenda items, and asking and answering questions. Traditionally it is not a time for public comment on the agenda items, as the public can listen to the conversation and ask questions or provide input at the upcoming City Council meeting.

City Council Continuation Meeting May 18, 2020 at 6:30 p.m. Council Chambers City Hall - Hermantown Governmental Services Building

Invitation to participate:

The Hermantown City Council welcomes your thoughts, input and opinions to this meeting. The agenda for this meeting contains a brief description of each item to be considered, and the City Council encourages your participation. If you wish to speak on an item contained in the agenda, you will be allowed to address the Council when a motion is on the floor. If you wish to speak on a matter that does not appear on the agenda, you may do so during the public comment period regularly scheduled and set for the beginning of the meeting.

When addressing the City Council, please state your name and address for the record. Please address the City Council as a whole through the Mayor. Comments to individual Council Members or staff are not permitted. Speakers will be limited to three (3) minutes.

Order of discussion

- 1. Reading of the resolution title by Mayor**
- 2. Motion/Second**
- 3. Staff Explanation**
- 4. Initial Discussion by City Council**
- 5. Mayor invites public to speak to the motion (3 minute rule)**
- 6. Follow up staff explanation and/or discussion by City Council**
- 7. Call of the vote**

**CITY OF HERMANTOWN
AGENDA**

**Pre-Agenda Meeting Monday, May 18, 2020 at 4:30 p.m.
Large Conference Room
Hermantown Governmental Services Building**

**City Council Continuation Meeting May 18, 2020 at 6:30 p.m.
Council Chambers
Hermantown Governmental Services Building**

1. **CALL TO ORDER**
2. **PLEDGE OF ALLEGIANCE**
3. **ROLL CALL**
4. **ANNOUNCEMENTS** *(Council Members may make announcements as needed.)*
5. **PUBLIC HEARING** – *(Only when necessary. The rule adopted three minutes per person if necessary. Any action required after the public hearing will be taken immediately following the closing of the public hearing.)*
6. **COMMUNICATIONS**
 - A. **2020-87** Eric Johnson, Community Development Director
TO: Hermantown Park Board & User Groups
RE: 2020 Spring Walk Through
 - B. **2020-90** Chad Jorgenson, SEH
TO: David Bolf, City Engineer
RE: Arrowhead Road at Ugstad Road Corridor Study
 - C. **2020-91** Jerrid & Danielle Anderson, 4383 Grouse Ridge Dr.
TO: Mayor Wayne Boucher
RE: Constitutional & Business Friendly Resolution
7. **PRESENTATIONS** *(Department Heads may give reports if necessary.)*
 - A. Christopher Knopik, Clifton Larson Allen, LLP *(Pre-Agenda Only)*
RE: [2019 Audit](#)
 - B. Kevin Orme, Director of Finance & Administration *(Pre-Agenda Only)*
RE: [2020 Budget Cuts](#)
 - C. Eric Johnson, Community Development Director *(Pre-Agenda Only)*
RE: GIS Presentation

8. **PUBLIC DISCUSSION** *(This is the time for individuals to address the Council about any item not on the agenda. The time limit is three minutes per person.)*
9. **CONSENT AGENDA** *(All items on the Consent Agenda are items which are considered routine by the City Council and will be approved by one motion via voice vote. There will be no discussion of these items unless a Council Member or citizen so requests, in which event the item will be removed from the Consent Agenda and considered at the end of the Consent Agenda.)*

- A. **Minutes** - Approval or correction of [May 4, 2020 City Council Minutes](#)
- B. **Accounts Payable** – Approve general city warrants from May 1, 2020 through May 15, 2020 in the amount of \$346,401.37

(motion, roll call)

10. **MOTIONS**

11. **ORDINANCES**

- A. **2020-05** [An Ordinance Amending Chapter 5, Alcoholic Beverages, Of The Hermantown City Code By Amending Section 520, License Fees](#)

First Reading

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

- A. **2020-67** [Resolution Approving An Easement With St. Louis County Regarding Right-Of-Way For The Morris Thomas Improvement Project And Authorizing And Directing Mayor And City Clerk To Execute And Deliver The Easement Agreement On Behalf Of The City Of Hermantown](#)

(motion, roll call)

- B. **2020-68** [Resolution Authorizing And Directing Mayor And City Clerk To Execute And Deliver An Agreement Of Assessment And Waiver Of Irregularity And Appeal Between Patriot Properties Of Hermantown 2 LLC And City Of Hermantown](#)

(motion, roll call)

- C. **2020-69** [Resolution Approving A Consent To That Certain Assignment And Assumption Of Lease Agreement Between Northwest Angle Leasing I, LLC And American Towers LLC And Authorizing And Directing Mayor And City Clerk To Execute And Deliver The Consent On Behalf Of The City of Hermantown](#)

(motion, roll call)

D. **2020-70** Resolution Approving Preliminary And Final Planned Unit Development For Clear Vision Builders LLC

(motion, roll call)

E. **2020-71** Resolution Approving A Special Use Permit For The Grading And Filling Within A Shoreland Overlay Zoning District

(motion, roll call)

F. **2020-72** Resolution Approving Wetland Replacement Plan For Clear Vision Builders LLC

(motion, roll call)

G. **2020-73** Resolution Authorizing The Acceptance Of A Temporary Easement With Donald E. Kallos And Olivia S. Kallos For The Construction Of Trail And Sewer Line

(motion, roll call)

H. **2020-74** Resolution Directing Preparation Of Preliminary Engineering Feasibility Report For 2021 Road Improvement Plan (Lavaque Junction Road)

(motion, roll call)

13. RECESS

DATE: 2020

TO: City Council Members

FROM: John Mulder, City Administrator

RE: Correspondence

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

JM

5/1/2020	20-87	Eric Johnson, Community Development Director	Park Board & Hermantown User Groups	2020 Spring Walk Through in Lieu of Meeting	4/30/2020
5/5/2020	20-88	John Bruner, Northern Clearing	City of Hermantown	Routine Vegetation Management for MN Power's 57 Line	5/5/2020
5/12/2020	20-89	Marianne Bohren, WLSSD	Minnesota Pollution Control Agency	Discharge Monitoring Report	5/11/2020
5/13/2020	20-90	Chad Jorgenson, SEH	David Bolf, City Engineer	Arrowhead Rd. at Ugstad Rd. Corridor Study	5/11/2020
5/13/2020	20-91	Jerrid & Danelle Anderson, 4383 Grouse Ridge Dr.	Wayne Boucher, Mayor	Constitutional & Business Friendly Resolution	5/12/2020



Date: April 30, 2020
To: Hermantown Park Board and Hermantown User Groups
From: Eric Johnson, Community Development Director
RE: 2020 Spring Walk Through

Thank you everyone for taking the time to visit our parks and provide comments on our City's park system. The following comments have been received by the Park Board members and user groups and will serve as a basis for park projects and further discussion by the Park Board.

I look forward to seeing everyone in person in the future.

2020 Park Tour Comments – Fichtner Field Park

Field #1 Comments:

- Top rail of fence near Ugstad and Maple Grove Road needs to be repaired
- Helmet cabinets on both dugouts are broken and in need of repair
- Bullpen pitcher's mound and home plate need repair and upkeep.
- Right field has large uneven sink holes (may be a result of frost, but need to monitor).
- Dugouts need repair to concrete.
- Drinking fountain on back of scores booth has crack/busted drain.
- Fence along third base line by home dugout needs straightening (Tips in towards field of play).

Field #2 Comments:

- East side dugout blocks are broken in the middle.
- Dugouts need to be replaced with fence dugouts. The crack is getting bigger on the 3rd baseline dugout and now developing on the 1st baseline dugout.
- This field does not have foul poles installed.

Field #3 Comments:

- Infield dirt placed in the middle of the spectators walking/sitting area. Needs to be moved.
- In the warmup areas new Ag Lime should be put down. Baseball has extra so it would just be a matter of skid steer or plenty of hands to bring the Ag Lime over and spread it out. See picture.

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Field #4 Comments:

- Concrete blocks are broken by the door of the south dugout.
- Infield work done last fall looks good.
- Currently on Field 4 the new infield looks great. Thank you again to Paul Senst for his help on that. We will have to install bases but there is a plan for a small group of baseball board members to install the new bases on 5/9
- The 3rd baseline dugout has a hole that looks to have been broken out. See picture.



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- Because of the extension to the infield, we will have to bring in some topsoil to make the first base infield edge even with the outfield. This can be done by the baseball board.
- In the warmup areas new Ag Lime should be put down. We do have extra so it would just be a matter of skid steer or plenty of hands to bring the Ag Lime over and spread it out. See picture.



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Basketball Court Comments:

- Crack sealing in blacktop is needed.

Skate Park Comments:

- Plywood is rotting, the rubber surfaces are broken and lifting off ramps, general repairs needed

General Park Comments:

- The concession stand protective shield needs to be replaced. There was an attempt to fix it but you still cannot lock it and the tabs are jagged and can cut your hands. See pictures.



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Future Plans, Thoughts:

- Baseball looking to start season on June 1. Covid protocol is being discussed by the board and Quad City Northland Big League.

Staff Notes:

- New fabric basketball nets have been ordered.
- One new batting cage and net has been ordered and will be installed in 2020.

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2020 Park Tour Comments – Rose Road

Field #1 Comments:

- Bottom of fence by 3rd base line is high. Frost has lifted posts.

Field #2 Comments:

- The bottom of the bleachers – structure is bent
- Replace nails with hooks for players to hand bags and coats.

Field #3 Comments: NONE RECIEVED

General Park Comments:

- New electronic locks at the storage buildings – HSSA willing to partner
- Timeline of scoreboard installation
- Timeline of flagpole installation
- Timeline of batting cage installation
- Pitching area in back of fields – fence is curled and needs repair
- Very nice softball complex.
- Need to continue to work on upgrading the bullpen pitching area, especially the fence behind home plate.

Future Plans, Thoughts:

- HSSA is waiting on decision from Arrowhead Fastpitch League as to the status of play for this season.

Staff Notes:

- One new batting cage and net has been ordered and will be installed in 2020.
- A new scoreboard for Field 2 is being provided by the school district.
- The City will provide the concrete and uprights for the scoreboard.
- Softball Association will provide electric to the scoreboard. Staff will coordinate with school and softball on the installation.
- A flagpole for Field 2 has been requested by the school district. Staff is looking into this.
- City staff will continue to monitor Field 3 to determine playability for the 2020 season.

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2020 Park Tour Comments – Stebner Park

Field #1 Comments:

Field #2 Comments:

Field #3 Comments:

Field #4 Comments:

Field 5 Comments:

General Park Comments:

- Concrete blocks are separating in corner of concession building.
- Picnic tables along trail should be bolted down to prevent people from dragging them along of stealing them.
- Metal post in the middle of paved trail instead of concrete barrier. Metal post needed at paved entrance to concessions too (car could enter the field here)
- Swings all need to be lowered 3-4 inches (kid height)
- Boulders are in place, lined up along the parking lot. After the city trunk sanitary sewer project is finished, can the gate be left open during the day from day 8am-8pm? And what about the weekends too?
- Whoever did the blacktop walkway needs to repair the drainage issue to the walkway close the parking lot right behind the concession stand. The water sits on the walkway and does not have adequate drainage. When you look at the walkway you can see the brown stains where water sits.
- Like the direction this park is taking. Very nice soccer complex.

HYSA Comments:

- HYSA has not walked the fields yet to determine if anything there needs attention.
- We will have Ross schedule time with Paul and his crew to test out the irrigation system once the water is turned on.
- HYSA is in the process of getting quotes/bids for installing lights on the rear two fields which would allow play later into the fall season when we generally lose light by 7:00pm> We are working with MN Power to obtain and install the poles, the electrical work would need to be done by a qualified electrical contractor. We have started talks with Northland Constructors who installed the path as they work closely with Hunt Electric. We would propose installing parking lot lights at the same time to reduce the installation costs.

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- If the stay at home ordinance lasts much longer the Spring Soccer Season may need to be cancelled. If this happens HYSA is planning to do some major turf maintenance on all fields (aeration and overseeding)

HYSA Thoughts:

- Fixing the masonry cracks in the two front buildings would prolong the use of these two buildings (this has been on the to do list for a couple of years now)
- Fixing the drainage issues in the two locations noted on the new paved trail
- Installing a seasonal drinking fountain or water fill station
- Install general parking lot lights in rear lot and along driveway for evening use
- Upgrade No Parking signs on driveway, do we have signs stating that dogs must be on a leash? Also, signs stating No Smoking/Vaping at both ends of the trail would be helpful

Staff Notes:

- HYSA has contacted City staff to start the discussion of installing lights at the 2 back fields (4 and 5).
- The general contractor for the City's trunk sanitary sewer has located their field office trailer in the SE corner of the rear parking lot. The location of this trailer means that the park gate will be open during the daytime hours during the week. It is my understanding that the gate will be closed and locked at the end of each day and on weekends, assuming there is no weekend work occurring. The HYSA is still able to unlock and open the gate if it is locked but the gate will need to remain open if it's already been opened for the day. This information has been shared with HYSA who have provided their concurrence.
- The drainage issues adjacent to the trail are proposed to be done late spring. The adjacent sod will be cut, excess soil will be removed and the sod relayed. The current grade is acting as a dam and holding water on the trail.
- Staff to install handicap signage at ADA marked spaces.
- The roof at the building near fields 4 and 5 was replaced this spring.

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2020 Park Tour Comments – Keene Creek Park

Field Comments:

- Lower 20” of backstop is missing
- Frost has lifted up fence posts
- Fence along 1st and 3rd base line should be higher

General Park Comments:

- The crushed black top should be removed. Pieces are too large and are a trip hazard.
- More gravel in the parking lot, muddy
- The “you are here” sticker on the trail head sign by the baseball field is completely faded away
- Fallen tree across trail by baseball field
- Bags of dog poop sitting beneath the pick up your dog waste sign next to the road coming in
- Both sides of road eroding at the big culvert, needs fill or vegetation to anchor it.
- First(big) bridge to the south of the parking lot has a lot of bounce and is sagging significantly
- Trail that goes straight towards Getchell after the second bridge by the fork needs to have brush cleared to widen the path
- A map/sign is needed at 5pt crossing
- Another garbage can is needed by the boulders at the entrance to the parking lot
- Small culverts are needed in many places across the trails to divert water instead of carving out a muddy stream to go over it. Or laying a series of logs across the muddy patches.
- There are a lot of existing open straight aways, I think a disk golf course would be a really neat addition there.
- The need for drainage management on the trails was painfully obvious. It was extremely challenging to traverse the trails with little kids as well as a jogging stroller. And this has been a relatively dry spring. It should be relatively easy for someone with a mini excavator to drag some small culvert in there dig down, and cover the up again.

Future Plans, Thoughts:

- Hermantown Youth baseball has expressed desire to use field for their league. Staff to continue discussions with group.

Staff Notes:

- Councilor Geissler received a letter on 4/6 regarding pet owners not picking up the pet waste. Paul Senst has verified that waste bags are available and the City is looking into providing additional signage.
- Eric Johnson has contacted the snowmobile club about working with them to provide pet waste signage as well.

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- City staff is continuing discussions with the MN Trout Unlimited organization regarding their proposed streambank restoration project along Keene Creek. There has not been a formal request to date, however staff will keep the Board apprised as information becomes available.

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for All of Us®

MEMORANDUM

TO: David Bolf, PE
City of Hermantown

FROM: Chad Jorgenson, PE, PTOE (Lic. IA, MN)

DATE: May 11, 2020

RE: Project Schedule Update - Arrowhead Road at Ugstad Road Corridor Study
SEH No. HERMT 155050 14.00

The City of Hermantown and SEH conducted a kick off meeting on April 17th, 2020 to discuss the Arrowhead Road and Ugstad Road Corridor Study. During this meeting it was requested that a project schedule update be provided to the City. The following memorandum provides a brief schedule update for the completion of the Corridor Study.

Based upon recent impacts due to COVID-19, accurate traffic count information along with school site circulation was unable to be collected during the spring of 2020. With schools throughout Minnesota closed until further notice, project data collection will be delayed until school resumes, which is expected in the Fall of 2020.

Hermantown Schools are set to resume for grades 1-12 on the 8th of September with Kindergarten classes starting on the 10th of September. Given this information, SEH is proposing scheduling data collection efforts during the week of September 21st, 2020. This will give time for motorists to develop routines and for traffic patterns to develop both internally on the school site as well as the surrounding roadway network.

Once traffic data is collected and traffic counts are completed (approximately two weeks), SEH anticipates completing the corridor study within 6 weeks with target completion by approximately November 13th, 2020.

In the interim, SEH is proposing to conduct an in person stakeholder engagement meeting with the City of Hermantown and appropriate project stakeholders. This meeting would take place sometime this summer as federal and state guidelines concerning COVID-19 allow. Conducting this meeting before initiating the corridor study will allow us to complete the study by the proposed November 13th, 2020 date. If a preliminary layout is required before meeting with the project stakeholders the project schedule could be delayed.

CMJ
cc: Matt Bolf, SEH

x:\fjh\hermt\155050\8-planning\87-rpt-stud\ugstad road_arrowhead road corridor study schedule update 05112020.docx

CH-Bonnie Engseth

From: CH-Wayne Boucher
Sent: Tuesday, May 12, 2020 8:00 PM
To: CH-John Geissler; CH-Natalie Peterson; CH-Gloria Nelson; Kristi Schmidt; CH-Bonnie Engseth
Subject: FW: Constitutional and Business Friendly Resolution - Final.docx
Attachments: Constitutional and Business Friendly Resolution - Final.docx

Bonnie

Please log this as correspondence on the agenda for the 18th.

Wayne Boucher

----- Original message -----

From: Danielle Anderson <danielle4383@msn.com>
Date: 5/12/20 7:56 PM (GMT-06:00)
To: CH-Wayne Boucher <mayorboucher@hermantownmn.com>
Subject: Constitutional and Business Friendly Resolution - Final.docx

Caution: This email originated from outside the organization. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Dear Mayor Boucher,

Thank you for the messages today. Please share this with your team and please put it on the agenda for Monday.

This is Danielle and Jerrid Anderson of 4383 Grouse Ridge Drive. We have been watching some towns in MN decide to reopen recently in a community-friendly manner to support their local businesses and I am wondering if you would be interested in helping our community do the same?

Lakefield, MN last week and now Oak Grove, MN just voted on a resolution to reopen at their city council meeting on Monday, May 11th. The business owners and residents were thrilled the resolution passed 5-0 in Oak Grove. I have the finalized version of the resolution that passed. It is based on the constitution if you feel this would be a good starting point.

The current stay at home order is based on a recently released model that predicts a higher mortality if extended. This is not making sense. Our small businesses need to feel supported.

I feel it's worth a try.

Thank you!
Jerrid and Danielle Anderson

Sent from my iPhone

Resolution 20-047
Constitutional and Business Friendly
Community Resolution

WHEREAS, the Fourteenth Amendment of the United States Constitution reads, "No state shall make or enforce any law which shall abridge the privileges or immunities of citizens of the United States, nor shall any state deprive any person of life, liberty, or property, without due process of law, nor deny to any person within its jurisdiction the equal protection of the laws", and

WHEREAS, the City Council of Oak Grove, Minnesota wishes to express opposition to any Executive Order that would restrict the constitutional rights of the residents of Oak Grove to life, liberty, or property, without due process of law, and

WHEREAS, Governor Walz's Emergency Executive Order 20-33 Extending Stay at Home Order and Temporary Closure of Bars, Restaurants, and Other Places of Public Accommodation states, "Nothing in this Executive Order is intended to encourage or allow law enforcement to transgress individual constitutional rights",

NOW THEREFORE, BE IT RESOLVED by the City Council of the City of Oak Grove, Minnesota

That the City Council of Oak Grove hereby expresses its intent to uphold and protect the Constitutional rights of the citizens of Oak Grove, and

That the City Council of Oak Grove hereby declares Oak Grove as a "Constitutional and Business Friendly Community", and

That the City Council of Oak Grove hereby declares its intent to oppose any infringement by Executive Order or any other directive on the rights of law-abiding citizens to keep their businesses open, and

That the City Council of Oak Grove hereby requests relief from Governor Walz's Executive Orders and urges that emergency orders and implementation of a response to the COVID -19 pandemic be balanced between the Governor, state legislature, and individual municipalities and local government agencies, and

That the City Council of Oak Grove will not direct any City of Oak Grove resources to enforce any Executive Order, or any other directive which infringes on the right of law-abiding citizens to keep their businesses open, as per the Constitution, and

That the City Council of Oak Grove will use any legal means that is prudent to protect the Constitutional rights of the citizens of Oak Grove.

NOW, THEREFORE, BE IT ALSO RESOLVED by the City Council of Oak Grove, MN,

That the Oak Grove City Council supports the choice of all residents to continue to stay at home, or to move about freely within the city and to support the economy of Oak Grove, while conducting themselves in a way that preserves the health and safety of all residents, and

That the City Council of Oak Grove advises that long-term care facilities restrict visitors, and limit activities within the facility to keep residents safe.



Honorable Mayor and Members of the City Council
City of Hermantown
Minnetrista, Minnesota

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermantown (the City) as of and for the year ended December 31, 2019, and have issued our report thereon dated May 8, 2020. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements.

No new accounting policies were adopted and the application of existing policies was not changed during 2019.

We noted no transactions entered into by the entity during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimate(s) affecting the financial statements were:

- Management's estimate of the valuation of investments is based on published market values as of December 31, 2019. We evaluated the key factors and assumptions used to develop the value of investments in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the depreciation expense on capital assets is based on management's estimated useful lives of those assets. We evaluated the key factors and assumptions used to develop the allowance in determining that it is reasonable in relation to the financial statements taken as a whole.

- Management's estimate of the City's liability for other postemployment benefits is based on an actuarial determined liability which is based on various assumptions, including investment rates of return, health care trend rates, mortality rates, etc. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the City's liability for compensated absences is based on employee wage information and the City's policies of earning vacation and sick pay. We evaluated the key factors and assumptions used to develop the liability in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the City's proportionate share of PERA's GERS and PEPFF net pension liabilities as well as the related deferred inflows and outflows is based on guidance from GASB Statement No. 68, GASB Statement No. 71, and the plans' allocation tables. The plans' allocation tables allocate a portion of the plans' net pension liabilities based on the City's contributions during the plans' fiscal years as a percentage of total contributions received for the related fiscal year by the plans.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

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

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with management

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

Management representations

We have requested certain representations from management that are included in the management representation letter dated May 8, 2020.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the entity’s financial statements or a determination of the type of auditors’ opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

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

Other audit findings or issues

We have provided a separate communication, communicating internal control related matters identified during the audit.

Other information in documents containing audited financial statements

With respect to the required supplementary information (RSI) accompanying the financial statements, we made certain inquiries of management about the methods of preparing the RSI, including whether the RSI has been measured and presented in accordance with prescribed guidelines, whether the methods of measurement and preparation have been changed from the prior period and the reasons for any such changes, and whether there were any significant assumptions or interpretations underlying the measurement or presentation of the RSI. We compared the RSI for consistency with management’s responses to the foregoing inquiries, the basic financial statements, and other knowledge obtained during the audit of the basic financial statements. Because these limited procedures do not provide sufficient evidence, we did not express an opinion or provide any assurance on the RSI.

With respect to the individual fund statements and schedules (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated May 8, 2020.

Our auditors’ opinion, the audited financial statements, and the notes to financial statements should only be used in their entirety. Inclusion of the audited financial statements in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

Honorable Mayor and Members of the City Council
City of Hermantown
Page 4

This communication is intended solely for the information and use of the City council, and management of the City of Hermantown and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 8, 2020

**CITY OF HERMANTOWN
HERMANTOWN, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2019

**CITY OF HERMANTOWN
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INTRODUCTORY SECTION

**CITY OF HERMANTOWN
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2019**

ELECTED

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Wayne Boucher	Mayor	December 31, 2020
John Geissler	Councilor	December 31, 2020
Kristi Schmidt	Councilor	December 31, 2020
Gloria Nelson	Councilor	December 31, 2022
Natalie Peterson	Councilor	December 31, 2022

APPOINTED

John Mulder	City Administrator	Appointed
Kevin Orme	Director of Finance & Administration	Appointed
James M. Crace	Police Chief	Appointed
Bonnie Engseth	City Clerk	Appointed
Paul Senst	Public Works Director	Appointed



INDEPENDENT AUDITORS' REPORT

Honorable City Council
City of Hermantown
Hermantown, Minnesota

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermantown, Minnesota (the City) as of and for the year ended December 31, 2019, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermantown, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparison for the General Fund and City Sales Tax Fund for the year then ended, in accordance with accounting principles generally accepted in the United States.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 5 through 10, information about the City's other postemployment benefits plan, page 59, and information about the City's net pension liability, pages 60 through 63, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's financial statements as a whole. The combining nonmajor governmental fund financial statements, pages 64 through 73, and combining nonmajor enterprise fund financial statements, pages 74 through 77, are presented for purposes of additional analysis and are not a required part of the financial statements. The combining nonmajor governmental fund financial statements and combining nonmajor enterprise fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Honorable City Council
City of Hermantown

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 8, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 8, 2020

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HERMANTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Our discussion and analysis of the City of Hermantown's financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2019. Please read it in conjunction with the City's financial statements, which begin on page 11.

FINANCIAL HIGHLIGHTS

- The City's net position increased \$2,234,458 or 3.46% as a result of this year's operations. The net position of the governmental activities decreased \$2,469, or 0.01%. The net position of the business-type activities increased \$2,236,927, or 5.29%.
- The General Fund unassigned fund balance was \$3,340,938 or 60.36% of the total General Fund expenditures for 2019.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the City of Hermantown's basic financial statements, which consists of three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. The report also contains other supplementary information in addition to the basic financial statements.

- The first two statements are government-wide financial statements that provide information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements. The governmental funds statements explain how general government services were financed, as well as, how grant proceeds were utilized for the short-term and what remains for future spending.
- The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required and other supplementary information that further explains and supports the information in the financial statements.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The government-wide financial statements are designed to give users a broad overview of the City's finances, in a manner similar to that of a private-sector business. The statement of position presents information on all of the City's assets and deferred outflows of resources, and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Increases and decreases in net position over time may serve as a useful indicator of whether the City's financial position is improving or deteriorating. The statement of activities shows how the City's net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event that caused the change occurs, regardless of the timing of the related cash flows. There are revenues and expenses reported in this statement for some items that will only result in cash flows in future fiscal years; examples include uncollected grants and vacation days that are earned, but not used.

**CITY OF HERMANTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Both government-wide financial statements distinguish between functions that are governmental and business-type activities. The City's governmental activities include public safety, streets and highways, community and economic development, culture and recreation, and general administration. Property taxes and state grants and aids finance most of these activities.

The City charges fees to customers to help cover all or most of the cost of certain services it provides. The City's business-type activities include the Water Utility, Sewage Disposal, Storm Water Utility and Street Lighting funds.

The two government-wide financial statements are presented immediately after this discussion and analysis.

FUND FINANCIAL STATEMENTS

A fund is a set of related accounts that is used to control resources that have been segregated to carry on specific activities or to attain certain objectives in accordance with special regulations, restrictions, or limitations. The City of Hermantown, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All City funds are either governmental funds or proprietary funds.

- Governmental funds – Because the focus of governmental fund financial statements is narrower than government-wide financial statements, it is useful to compare information presented for governmental funds with similar information presented for governmental activities in order to gain a better understanding of the long-term impact of the City's near-term financing decisions. The Governmental Fund Balance Sheet and the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances (Deficits) provide a reconciliation to aid in the comparison of governmental funds with governmental activities.

The City maintains a number of individual governmental funds. Information is presented separately in the governmental fund financial statements for the General, City Sales Tax, Essentia Wellness Capital Projects and Essentia Wellness Special Revenue funds, which are considered to be major funds. Data from the remaining governmental funds is combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is included in the combining fund statements in the supplementary information section of this report.

- Proprietary funds – The City maintains four enterprise funds which are included in these financial statements. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for operation of the Water Utility and Sewage Disposal funds, which are considered to be major funds. Data from the remaining enterprise funds is combined into a single, aggregated presentation.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

**CITY OF HERMANTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

OTHER INFORMATION

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information and the combining statements referred to earlier in connection with nonmajor governmental funds. The required supplementary information and combining statements follow the notes to the financial statements.

Government-wide Financial Analysis

As noted earlier, over time net position may serve as a useful indicator of the City's financial position. A portion of the City's net position is invested in capital assets. The City uses these assets to provide services to its constituents; therefore, these assets are not available for future spending. The following table presents a summary of the City's net position at December 31:

	2019			2018		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets:						
Current and Other Assets	\$ 15,199,780	\$ 11,066,141	\$ 26,265,921	\$ 21,700,996	\$ 9,719,605	\$ 31,420,601
Capital Assets	48,104,710	34,311,717	82,416,427	32,996,170	33,195,643	66,191,813
Total Assets	<u>63,304,490</u>	<u>45,377,858</u>	<u>108,682,348</u>	<u>54,697,166</u>	<u>42,915,248</u>	<u>97,612,414</u>
Deferred Outflows of Resources	1,440,035	68,618	1,508,653	1,991,323	75,916	2,067,239
Liabilities:						
Long-Term Liabilities	36,635,200	649,636	37,284,836	28,737,248	484,659	29,221,907
Other Liabilities	3,685,422	192,079	3,877,501	2,878,344	129,761	3,008,105
Total Liabilities	<u>40,320,622</u>	<u>841,715</u>	<u>41,162,337</u>	<u>31,615,592</u>	<u>614,420</u>	<u>32,230,012</u>
Deferred Inflows of Resources	<u>2,106,941</u>	<u>71,308</u>	<u>2,178,249</u>	<u>2,753,466</u>	<u>80,218</u>	<u>2,833,684</u>
Net position:						
Net Investment in Capital Assets	14,097,610	34,311,717	48,409,327	7,311,407	33,195,643	40,507,050
Restricted	14,188,650	2,432,877	16,621,527	14,948,298	2,211,742	17,160,040
Unrestricted	<u>(5,969,298)</u>	<u>7,788,859</u>	<u>1,819,561</u>	<u>59,726</u>	<u>6,889,141</u>	<u>6,948,867</u>
Total Net Position	<u>\$ 22,316,962</u>	<u>\$ 44,533,453</u>	<u>\$ 66,850,415</u>	<u>\$ 22,319,431</u>	<u>\$ 42,296,526</u>	<u>\$ 64,615,957</u>

**CITY OF HERMANTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

To give users a better understanding of the sources and uses of the City's net position, the table that follows presents a summary of revenues, expenses, and changes in net position for the years ended December 31:

	2019			2018		
	Governmental Activities	Business- type Activities	Total	Governmental Activities	Business- type Activities	Total
REVENUES						
Program Revenues:						
Charges for Service	\$ 547,377	\$ 3,529,165	\$ 4,076,542	\$ 588,616	\$ 2,997,343	\$ 3,585,959
Operating Grants and Contributions	750,622	-	750,622	328,251	-	328,251
Capital Grants and Contributions	179,876	1,683,807	1,863,683	731,596	299,656	1,031,252
General Revenues:						
Property Taxes	6,054,613	-	6,054,613	4,993,198	-	4,993,198
Sales Tax	3,125,755	-	3,125,755	3,007,853	-	3,007,853
State Aids	-	-	-	932	-	932
Interest	402,300	269,316	671,616	168,426	105,483	273,909
Other	24,720	173,215	197,935	64,033	183,479	247,512
Transfers	239,472	(239,472)	-	208,356	(208,356)	-
Total Revenues	11,324,735	5,416,031	16,740,766	10,091,261	3,377,605	13,468,866
EXPENSES						
General Government	1,081,450	-	1,081,450	1,174,593	-	1,174,593
Public Safety	3,780,029	-	3,780,029	3,310,936	-	3,310,936
Streets and Highways	2,027,881	-	2,027,881	1,912,992	-	1,912,992
Community and Economic Development	2,317,163	-	2,317,163	1,081,786	-	1,081,786
Culture and Recreation	1,046,882	-	1,046,882	214,956	-	214,956
Interest and Fiscal Charges	1,073,799	-	1,073,799	703,498	-	703,498
Water Utility	-	1,351,374	1,351,374	-	1,350,154	1,350,154
Sewage Disposal	-	1,482,649	1,482,649	-	1,452,661	1,452,661
Street Lighting	-	99,281	99,281	-	44,580	44,580
Storm Water Utility	-	245,800	245,800	-	104,016	104,016
Total Expenses	11,327,204	3,179,104	14,506,308	8,398,761	2,951,411	11,350,172
Change in Net Position	(2,469)	2,236,927	2,234,458	1,692,500	426,194	2,118,694
Net Position - Beginning of Year	22,319,431	42,296,526	64,615,957	20,626,931	41,870,332	62,497,263
Net Position - End of Year	\$ 22,316,962	\$ 44,533,453	\$ 66,850,415	\$ 22,319,431	\$ 42,296,526	\$ 64,615,957

**CITY OF HERMANTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is helpful in assessing the City's financing requirements; unassigned fund balance may be an especially useful measure of the net resources available for spending at the end of the fiscal year. As of December 31, 2019, the City's governmental funds reported a combined fund balance of \$6,965,256, a decrease of \$6,751,603 from the 2018 balance of \$13,716,859.

The General Fund is the main operating fund of the City of Hermantown. At December 31, 2019, fund balance of the General Fund was \$3,525,619 with 94.76% reported as unassigned. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance represents 60.36% of total General Fund expenditures. During 2019, the fund balance of the General Fund increased by \$186,056.

Proprietary Funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, only in more detail. The proprietary funds net position increased \$2,236,927 in 2019. Net operating income for 2019 was \$344,637.

General Fund Budgetary Highlights

The City adopted an original General Fund revenue and other financing sources budget of \$5,644,106 which was not revised during the year. The City adopted an original General Fund expenditure and other financing uses budget of \$5,644,106 which was revised to \$5,863,106.

The City's final budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$219,000. The actual results for the year showed revenues and other financing sources exceeding expenditures and other financing uses by \$186,056. Actual revenues and other financing sources were \$399,226 more than anticipated.

Actual expenditures were \$112,526 less than anticipated.

Capital Assets

The City of Hermantown's investment in capital assets as of December 31, 2019 was \$82,416,427, net of accumulated depreciation. This investment includes land, permanent easements, buildings, infrastructure, equipment, and construction in progress. Additional information related to the City's capital assets can be found in Note 4 of the notes to the financial statements.

**CITY OF HERMANTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2019**

Debt

The City had \$32,210,000 in general obligation bonds outstanding at the end of 2019.

The City continues to stay below the debt limits established by the State.

Other liabilities for obligations such as vacation, sick leave, net pension liability, and severance are discussed further in the Note 5 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following key indicators provide highlights on the City's economic outlook and future budget impact:

- A comprehensive Finance Management Plan study was conducted by Ehlers Inc. and the City. Based on that study, that plan was implemented in 2019 and is continuing in 2020 and addresses future staffing increases, additional funding for parks, additional funding for municipal buildings, additional funding for HEDA, additional funding for capital improvements, and a long term Road Improvement Plan.
- Construction on The Essentia Wellness Center was completed in the fall of 2019.
- 2020 General Fund budgeted expenditures increased 8.66% or \$489,014. Some of the increase was due to normal personnel increases, a workman's comp rate increase, an additional police officer, and capital funding needs.
- The City increased the total tax levy by 8.02% while net tax capacity increased 4.3%. At the December 2019 Truth and Taxation meeting, the City Council approved a local tax rate increase from 41.41% in 2018 to 42.89% in 2020.

REQUESTS FOR INFORMATION

This financial report is meant to provide a general overview of the City of Hermantown's finances for all those with an interest in the City's finances. Questions concerning information provided in the report, or requests for additional financial information, should be addressed to the City of Hermantown, 5105 Maple Grove Road, Hermantown, Minnesota 55811, or visit the City's website at www.hermantownmn.com.

BASIC FINANCIAL STATEMENTS

**CITY OF HERMANTOWN
STATEMENT OF NET POSITION
DECEMBER 31, 2019**

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and Investments	\$ 10,058,462	\$ 9,513,415	\$ 19,571,877
Accounts Receivable, Net of Allowance	584,460	641,897	1,226,357
Interest Receivable	10,925	9,193	20,118
Delinquent Taxes Receivable	86,917	2,672	89,589
Special Assessments Receivable	4,924,979	186,573	5,111,552
Contracts Receivable	-	62,144	62,144
Internal Balances	(550,000)	550,000	-
Inventories	-	87,521	87,521
Prepaid Items	84,037	12,726	96,763
Capital Assets, Net of Depreciation:			
Assets Not Being Depreciated	26,918,104	1,432,756	28,350,860
Assets Being Depreciated, Net	21,186,606	32,878,961	54,065,567
Total Assets	<u>63,304,490</u>	<u>45,377,858</u>	<u>108,682,348</u>
DEFERRED OUTFLOWS OF RESOURCES			
Other Postemployment Benefits	41,091	8,410	49,501
Pensions	1,398,944	60,208	1,459,152
Total Deferred Outflows of Resources	<u>1,440,035</u>	<u>68,618</u>	<u>1,508,653</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 64,744,525</u>	<u>\$ 45,446,476</u>	<u>\$ 110,191,001</u>
LIABILITIES			
Accounts Payable	\$ 1,153,717	\$ 153,745	\$ 1,307,462
Accrued Wages and Related Liabilities	151,243	27,782	179,025
Accrued Interest	417,316	-	417,316
Customer Deposits	44,008	10,552	54,560
Unearned Revenue	1,919,138	-	1,919,138
Long-Term Liabilities			
Total Other Postemployment Benefits Liability	1,136,825	232,675	1,369,500
Net Pension Liability	2,051,183	329,758	2,380,941
Amount Due within One Year	2,343,259	-	2,343,259
Amounts Due in More than One Year	31,103,933	87,203	31,191,136
Total Liabilities	<u>40,320,622</u>	<u>841,715</u>	<u>41,162,337</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions	2,106,941	71,308	2,178,249
NET POSITION			
Net Investment in Capital Assets	14,097,610	34,311,717	48,409,327
Restricted	14,188,650	2,432,877	16,621,527
Unrestricted	(5,969,298)	7,788,859	1,819,561
Total Net Position	<u>22,316,962</u>	<u>44,533,453</u>	<u>66,850,415</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 64,744,525</u>	<u>\$ 45,446,476</u>	<u>\$ 110,191,001</u>

See accompanying Notes to Financial Statements.

**CITY OF HERMANTOWN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position			
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- type Activities	Total
GOVERNMENTAL ACTIVITIES							
General Government	\$ 1,081,450	\$ 103,458	\$ -	\$ -	\$ (977,992)	\$ -	\$ (977,992)
Public Safety	3,780,029	247,620	239,319	-	(3,293,090)	-	(3,293,090)
Streets and Highways	2,027,881	-	147,417	179,876	(1,700,588)	-	(1,700,588)
Community and Economic Development	2,317,163	60,189	-	-	(2,256,974)	-	(2,256,974)
Culture and Recreation	1,046,882	136,110	363,886	-	(546,886)	-	(546,886)
Interest and Fiscal Charges	1,073,799	-	-	-	(1,073,799)	-	(1,073,799)
Total Governmental Activities	<u>\$ 11,327,204</u>	<u>\$ 547,377</u>	<u>\$ 750,622</u>	<u>\$ 179,876</u>	(9,849,329)	-	(9,849,329)
BUSINESS-TYPE ACTIVITIES							
Water Utility	\$ 1,351,374	\$ 1,505,763	\$ -	\$ 559,139	-	713,528	713,528
Sewage Disposal	1,482,649	1,448,272	-	1,124,668	-	1,090,291	1,090,291
Street Lighting	99,281	135,326	-	-	-	36,045	36,045
Storm Water Utility	245,800	439,804	-	-	-	194,004	194,004
Total Business-Type Activities	<u>\$ 3,179,104</u>	<u>\$ 3,529,165</u>	<u>\$ -</u>	<u>\$ 1,683,807</u>	-	2,033,868	2,033,868
GENERAL REVENUES							
Property Taxes					6,054,613	-	6,054,613
Sales Tax					3,125,755	-	3,125,755
Investment Income					402,300	269,316	671,616
Other					24,720	173,215	197,935
TRANSFERS					<u>239,472</u>	<u>(239,472)</u>	<u>-</u>
Total General Revenues and Transfers					<u>9,846,860</u>	<u>203,059</u>	<u>10,049,919</u>
CHANGE IN NET POSITION							
					(2,469)	2,236,927	2,234,458
Net Position - Beginning of Year					<u>22,319,431</u>	<u>42,296,526</u>	<u>64,615,957</u>
NET POSITION - END OF YEAR					<u>\$ 22,316,962</u>	<u>\$ 44,533,453</u>	<u>\$ 66,850,415</u>

See accompanying Notes to Financial Statements.

**CITY OF HERMANTOWN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	City Sales Tax Fund	Essentia Wellness Capital Projects Fund	Essentia Wellness Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and Investments	\$ 1,669,608	\$ 1,858,809	\$ -	\$ 2,027,488	\$ 4,502,557	\$ 10,058,462
Accounts Receivable	40,900	441,287	-	-	102,273	584,460
Interest Receivable	1,837	8,431	-	-	657	10,925
Delinquent Taxes Receivable	79,582	-	-	-	7,335	86,917
Special Assessments Receivable	-	-	-	-	4,924,979	4,924,979
Prepaid Items	77,985	-	-	6,007	45	84,037
Due from Other Funds	2,000,000	4,709,756	-	-	-	6,709,756
Advance to Other Funds	-	-	-	-	150,000	150,000
Total Assets	<u>3,869,912</u>	<u>7,018,283</u>	<u>-</u>	<u>2,033,495</u>	<u>9,687,846</u>	<u>22,609,536</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,869,912</u>	<u>\$ 7,018,283</u>	<u>\$ -</u>	<u>\$ 2,033,495</u>	<u>\$ 9,687,846</u>	<u>\$ 22,609,536</u>
LIABILITIES						
Accounts Payable	\$ 90,814	\$ 6,440	\$ 881,254	\$ 14,357	\$ 160,852	\$ 1,153,717
Accrued Wages Payable	149,746	-	-	-	1,497	151,243
Due to Other Funds	14,175	-	6,627,180	-	68,401	6,709,756
Deposits Payable	38,360	-	-	-	5,648	44,008
Advance from Other Funds	-	-	-	-	700,000	700,000
Unearned Revenue	-	-	-	1,919,138	-	1,919,138
Total Liabilities	<u>293,095</u>	<u>6,440</u>	<u>7,508,434</u>	<u>1,933,495</u>	<u>936,398</u>	<u>10,677,862</u>
DEFERRED INFLOWS OF RESOURCES						
Delinquent Property Taxes	51,198	-	-	-	1,954	53,152
Deferred Special Assessments	-	-	-	-	4,913,266	4,913,266
Total Deferred Inflows of Resources	<u>51,198</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,915,220</u>	<u>4,966,418</u>
FUND BALANCES						
Nonspendable	77,985	-	-	6,007	45	84,037
Restricted	-	7,011,843	-	93,993	3,052,699	10,158,535
Committed	106,696	-	-	-	1,065,371	1,172,067
Assigned	-	-	-	-	534,609	534,609
Unassigned	3,340,938	-	(7,508,434)	-	(816,496)	(4,983,992)
Total Fund Balances	<u>3,525,619</u>	<u>7,011,843</u>	<u>(7,508,434)</u>	<u>100,000</u>	<u>3,836,228</u>	<u>6,965,256</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,869,912</u>	<u>\$ 7,018,283</u>	<u>\$ -</u>	<u>\$ 2,033,495</u>	<u>\$ 9,687,846</u>	<u>\$ 22,609,536</u>

See accompanying Notes to Financial Statements.

**CITY OF HERMANTOWN
RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

Total Fund Balances - Governmental Funds		\$ 6,965,256
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
Cost of Capital Assets		80,481,691
Less Accumulated Depreciation		(32,376,981)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
		(33,447,192)
The net pension liability and total OPEB liability and the related deferred outflows and deferred inflows of resources are only reported in the statement of net position.		
Net Pension Liability		(2,051,183)
Total OPEB Liability		(1,136,825)
Deferred Outflows of Resources - Pension related		1,398,944
Deferred Outflows of Resources - OPEB		41,091
Deferred Inflows of Resources - Pension related		(2,106,941)
Long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds.		
		4,966,418
Governmental funds do not report a liability for accrued interest until due and payable		
		<u>(417,316)</u>
Total Net Position - Governmental Activities		<u><u>\$ 22,316,962</u></u>

See accompanying Notes to Financial Statements.

**CITY OF HERMANTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS)
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	General	City Sales Tax Fund	Essentia Wellness Capital Projects Fund	Essentia Wellness Special Revenue Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 5,216,932	\$ 3,125,755	\$ -	\$ -	\$ 857,643	\$ 9,200,330
Franchise Fees	16,000	-	-	-	38,688	54,688
Special Assessments	-	-	-	-	643,135	643,135
Licenses and Permits	164,796	-	-	-	34,100	198,896
Intergovernmental	293,430	-	-	-	124,417	417,847
Charges for Services	108,206	-	-	157,413	-	265,619
Fines and Forfeitures	64,417	-	-	-	12,222	76,639
Investment Income	51,147	225,888	102,127	-	23,138	402,300
Miscellaneous	89,964	-	221,886	-	36,558	348,408
Total Revenues	<u>6,004,892</u>	<u>3,351,643</u>	<u>324,013</u>	<u>157,413</u>	<u>1,769,901</u>	<u>11,607,862</u>
EXPENDITURES						
Current:						
General Government	878,071	-	-	-	919	878,990
Public Safety	3,256,740	-	-	-	11,732	3,268,472
Streets and Highways	954,037	-	-	-	-	954,037
Community and Economic Development	210,435	527,597	-	-	398,315	1,136,347
Culture and Recreation	121,854	-	237,152	57,413	15,402	431,821
Capital Outlay	113,609	1,417,418	16,028,548	-	740,770	18,300,345
Debt Service:						
Principal	-	-	-	-	1,720,000	1,720,000
Interest and Fiscal Charges	-	-	152,661	-	920,313	1,072,974
Total Expenditures	<u>5,534,746</u>	<u>1,945,015</u>	<u>16,418,361</u>	<u>57,413</u>	<u>3,807,451</u>	<u>27,762,986</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	470,146	1,406,628	(16,094,348)	100,000	(2,037,550)	(16,155,124)
OTHER FINANCING SOURCES (USES)						
Bonds Issued	-	-	8,845,000	-	-	8,845,000
Premium on Issuance of Bonds	-	-	311,819	-	-	311,819
Transfer in	31,210	-	-	-	2,892,737	2,923,947
Transfer out	(322,530)	(2,148,919)	-	-	(213,026)	(2,684,475)
Sales of Capital Assets	7,230	-	-	-	-	7,230
Net Other Financing Sources (Uses)	<u>(284,090)</u>	<u>(2,148,919)</u>	<u>9,156,819</u>	<u>-</u>	<u>2,679,711</u>	<u>9,403,521</u>
NET CHANGE IN FUND BALANCE	186,056	(742,291)	(6,937,529)	100,000	642,161	(6,751,603)
Fund Balance (Deficit) - Beginning	<u>3,339,563</u>	<u>7,754,134</u>	<u>(570,905)</u>	<u>-</u>	<u>3,194,067</u>	<u>13,716,859</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 3,525,619</u>	<u>\$ 7,011,843</u>	<u>\$ (7,508,434)</u>	<u>\$ 100,000</u>	<u>\$ 3,836,228</u>	<u>\$ 6,965,256</u>

See accompanying Notes to Financial Statements.

**CITY OF HERMANTOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES (DEFICITS) TO THE
STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

Total Net Changes in Fund Balances - Governmental Funds \$ (6,751,603)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However in the statement of activities, the costs of those assets is allocated over the estimated useful lives as depreciated expense.

Capital Outlays	16,570,830
Loss on Disposal of Capital Assets	(29,640)
Depreciation Expense	(1,432,650)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (465,223)

The issuance of long-term debt provides current financial resources to governmental funds, but increases long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences. (9,078,559)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 1,720,000

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due. However, in the statement of activities, interest expense is recognized as it accrues, regardless of when due. (91,468)

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the statement of activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources. (2,359)

Other postemployment benefit (OPEB) expenditures in the governmental funds are measured by current year employer contributions. OPEB expenses on the statement of activities are measured by the change in the total OPEB liability and the related deferred inflows and outflows of resources. (413,965)

Compensated absences are an expense in the governmental funds, but increase long-term liabilities in the statement of net position. (27,832)

Change in Net Position - Governmental Activities \$ (2,469)

CITY OF HERMANTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUES				
Taxes	\$ 5,024,236	\$ 5,024,236	\$ 5,232,932	\$ 208,696
Licenses and Permits	174,530	174,530	164,796	(9,734)
Intergovernmental	220,340	220,340	293,430	73,090
Charges for Services	104,271	104,271	108,206	3,935
Fines and Forfeitures	53,085	53,085	64,417	11,332
Investment Income	20,000	20,000	51,147	31,147
Miscellaneous	42,644	42,644	89,964	47,320
Total Revenues	5,639,106	5,639,106	6,004,892	365,786
EXPENDITURES				
Current:				
General Government	924,278	924,278	878,071	(46,207)
Public Safety	3,189,346	3,221,346	3,256,740	35,394
Streets and Highways	780,947	955,947	954,037	(1,910)
Community and Economic Development	281,476	281,476	210,435	(71,041)
Culture and Recreation	153,775	165,775	121,854	(43,921)
Capital Outlay	98,450	98,450	113,609	15,159
Total Expenditures	5,428,272	5,647,272	5,534,746	(112,526)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	210,834	(8,166)	470,146	478,312
OTHER FINANCING SOURCES (USES)				
Transfer in	-	-	31,210	31,210
Transfer out	(215,834)	(215,834)	(322,530)	(106,696)
Sales of Capital Assets	5,000	5,000	7,230	2,230
Net Other Financing Sources (Uses)	(210,834)	(210,834)	(284,090)	(73,256)
NET CHANGE IN FUND BALANCE	\$ -	\$ (219,000)	186,056	\$ 405,056
Fund Balance - Beginning			3,339,563	
FUND BALANCE - ENDING			\$ 3,525,619	

See accompanying Notes to Financial Statements.

**CITY OF HERMANTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
CITY SALES TAX FUND
YEAR ENDED DECEMBER 31, 2019**

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Sales Taxes	\$ 2,950,000	\$ 2,950,000	\$ 3,125,755	\$ 175,755
Investment Income	20,000	20,000	225,888	205,888
Total Revenues	<u>2,970,000</u>	<u>2,970,000</u>	<u>3,351,643</u>	<u>381,643</u>
EXPENDITURES				
Current:				
Economic Development	272,000	704,000	527,597	(176,403)
Capital Outlay	965,335	1,270,335	1,417,418	147,083
Total Expenditures	<u>1,237,335</u>	<u>1,974,335</u>	<u>1,945,015</u>	<u>(29,320)</u>
EXCESS REVENUES OVER EXPENDITURES	1,732,665	995,665	1,406,628	410,963
OTHER FINANCING USES				
Transfer out	<u>(2,148,919)</u>	<u>(2,148,919)</u>	<u>(2,148,919)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (416,254)</u>	<u>\$ (1,153,254)</u>	(742,291)	<u>\$ 410,963</u>
Fund Balance - Beginning			<u>7,754,134</u>	
FUND BALANCE - ENDING			<u>\$ 7,011,843</u>	

See accompanying Notes to Financial Statements.

**CITY OF HERMANTOWN
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2019**

	Business-Type Activities Enterprise Fund			Total Enterprise Funds
	Water Utility Funds	Sewage Disposal Fund	Nonmajor Enterprise Funds	
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 4,402,821	\$ 4,662,644	\$ 447,950	\$ 9,513,415
Interest Receivable	4,255	4,540	398	9,193
Accounts Receivable, Net of Allowance	235,964	280,548	128,212	644,724
Advance from Other Funds	-	-	550,000	550,000
Inventories	77,432	10,089	-	87,521
Prepaid Items	7,541	4,876	309	12,726
Total Current Assets	<u>4,728,013</u>	<u>4,962,697</u>	<u>1,126,869</u>	<u>10,817,579</u>
Noncurrent Assets:				
Capital Assets, Net of Depreciation:				
Assets Not Being Depreciated	221,869	1,165,691	45,196	1,432,756
Assets Being Depreciated, Net	7,974,080	24,904,881	-	32,878,961
Total Capital Assets, Net of Depreciation	<u>8,195,949</u>	<u>26,070,572</u>	<u>45,196</u>	<u>34,311,717</u>
Long-Term Portion of Contracts Receivable	30,872	31,117	-	61,989
Special Assessments Receivable	4,813	181,760	-	186,573
Total Noncurrent Assets	<u>8,231,634</u>	<u>26,283,449</u>	<u>45,196</u>	<u>34,560,279</u>
DEFERRED OUTFLOWS OF RESOURCES				
Other Postemployment Benefits	4,194	2,891	1,325	8,410
Pensions	33,736	26,472	-	60,208
Total Deferred Outflows of Resources	<u>37,930</u>	<u>29,363</u>	<u>1,325</u>	<u>68,618</u>
Total Assets and Deferred Outflows of Resources				
	<u>\$ 12,997,577</u>	<u>\$ 31,275,509</u>	<u>\$ 1,173,390</u>	<u>\$ 45,446,476</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 73,298	\$ 68,531	\$ 11,916	\$ 153,745
Accrued Wages and Related Liabilities	12,662	9,183	5,937	27,782
Deposits	10,552	-	-	10,552
Total Current Liabilities	<u>96,512</u>	<u>77,714</u>	<u>17,853</u>	<u>192,079</u>
Noncurrent Liabilities:				
Compensated Absences	41,617	25,235	20,351	87,203
Net Pension Liability	186,869	142,889	-	329,758
Total OPEB Liability	116,042	79,977	36,656	232,675
Total Noncurrent Liabilities	<u>344,528</u>	<u>248,101</u>	<u>57,007</u>	<u>649,636</u>
Total Liabilities	441,040	325,815	74,860	841,715
DEFERRED INFLOWS OF RESOURCES				
Pensions	40,221	31,087	-	71,308
NET POSITION				
Net Investment in Capital Assets	8,195,949	26,070,572	45,196	34,311,717
Restricted for Replacement, Depreciation, and Development	1,114,039	1,318,838	-	2,432,877
Unrestricted	3,206,328	3,529,197	1,053,334	7,788,859
Total Net Position	<u>12,516,316</u>	<u>30,918,607</u>	<u>1,098,530</u>	<u>44,533,453</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position				
	<u>\$ 12,997,577</u>	<u>\$ 31,275,509</u>	<u>\$ 1,173,390</u>	<u>\$ 45,446,476</u>

See accompanying Notes to Financial Statements.

CITY OF HERMANTOWN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities Enterprise Fund			Total Enterprise Funds
	Water Utility Funds	Sewage Disposal Fund	Nonmajor Enterprise Funds	
OPERATING REVENUES				
User Fees	\$ 1,262,773	\$ 1,370,864	\$ 569,668	\$ 3,203,305
Service Charges	242,990	77,408	-	320,398
Total Operating Revenues	<u>1,505,763</u>	<u>1,448,272</u>	<u>569,668</u>	<u>3,523,703</u>
OPERATING EXPENSES				
Personal Services	394,759	275,056	174,868	844,683
Water Purchases	615,631	-	-	615,631
WLSSD Charges	-	539,350	-	539,350
Maintenance and Supplies	124,722	143,805	123,799	392,326
Utilities	9,380	9,609	25,500	44,489
Professional Services	5,057	18,288	20,914	44,259
Insurance	9,371	5,108	-	14,479
Depreciation Expense	192,416	491,433	-	683,849
Total Operating Expenses	<u>1,351,336</u>	<u>1,482,649</u>	<u>345,081</u>	<u>3,179,066</u>
NET OPERATING INCOME (LOSS)	154,427	(34,377)	224,587	344,637
NONOPERATING REVENUES				
Hookups and Miscellaneous Income	113,059	60,156	5,462	178,677
Loss on Disposal of Capital Assets	(38)	-	-	(38)
Capital Contributions	559,139	1,124,668	-	1,683,807
Investment Income	114,443	122,127	32,746	269,316
Total Nonoperating Revenues	<u>786,603</u>	<u>1,306,951</u>	<u>38,208</u>	<u>2,131,762</u>
INCOME BEFORE TRANSFERS	941,030	1,272,574	262,795	2,476,399
OTHER FINANCING SOURCES (USES)				
Transfer in	44,500	-	-	44,500
Transfer out	(166,030)	(117,942)	-	(283,972)
CHANGE IN NET POSITION	819,500	1,154,632	262,795	2,236,927
Net Position - Beginning	<u>11,696,816</u>	<u>29,763,975</u>	<u>835,735</u>	<u>42,296,526</u>
NET POSITION - ENDING	<u>\$ 12,516,316</u>	<u>\$ 30,918,607</u>	<u>\$ 1,098,530</u>	<u>\$ 44,533,453</u>

See accompanying Notes to Financial Statements.

**CITY OF HERMANTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019**

	Business-type Activities Enterprise Fund			Total Enterprise Funds
	Water Utility Funds	Sewage Disposal Fund	Nonmajor Enterprise Funds	
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Users	\$ 1,497,421	\$ 1,449,345	\$ 475,077	\$ 3,421,843
Payments to Employees	(330,716)	(232,658)	(217,219)	(780,593)
Payments to Suppliers	(771,316)	(675,067)	(166,276)	(1,612,659)
Net Cash Provided by Operating Activities	<u>395,389</u>	<u>541,620</u>	<u>91,582</u>	<u>1,028,591</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfers in	44,500	-	-	44,500
Transfers out	(166,030)	(117,942)	-	(283,972)
Cash Received from Hookups and Miscellaneous Income	<u>113,059</u>	<u>60,156</u>	<u>5,462</u>	<u>178,677</u>
Net Cash Provided (Used) by Noncapital Financing Activities	(8,471)	(57,786)	5,462	(60,795)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and Construction of Capital Assets	-	(70,958)	(45,197)	(116,155)
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment Income	<u>114,637</u>	<u>122,310</u>	<u>32,736</u>	<u>269,683</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	501,555	535,186	84,583	1,121,324
Cash and Cash Equivalents - Beginning of Year	<u>3,901,266</u>	<u>4,127,458</u>	<u>363,367</u>	<u>8,392,091</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 4,402,821</u></u>	<u><u>\$ 4,662,644</u></u>	<u><u>\$ 447,950</u></u>	<u><u>\$ 9,513,415</u></u>

See accompanying Notes to Financial Statements.

**CITY OF HERMANTOWN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2019**

	Business-type Activities Enterprise Fund			Total Enterprise Funds
	Water Utility Funds	Sewage Disposal Fund	Nonmajor Enterprise Funds	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES				
Operating Income (Loss)	\$ 154,427	\$ (34,377)	\$ 224,587	\$ 344,637
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	192,416	491,433	-	683,849
(Increase) Decrease in Assets:				
Accounts Receivable	(10,191)	(3,981)	(94,591)	(108,763)
Prepaid Expenses	(198)	(683)	(309)	(1,190)
Inventories	(16,668)	194	-	(16,474)
Deferred Outflows	5,089	3,536	(1,325)	7,300
Increase (Decrease) in Liabilities:				
Accounts Payable	9,711	41,582	4,246	55,539
Wages and Related Liabilities	(496)	(746)	5,471	4,229
Due to Other Funds	(703)	5,054	(103,504)	(99,153)
Deposits	2,552	-	-	2,552
Compensated Absences Payable	(1,008)	(3,182)	20,351	16,161
Net Pension Liability	137	94	-	231
Total OPEB Liability	65,587	46,340	36,656	148,583
Deferred Inflows	(5,266)	(3,644)	-	(8,910)
Total Adjustments	240,962	575,997	(133,005)	683,954
Net Cash Provided (Used) by Operating Activities	\$ 395,389	\$ 541,620	\$ 91,582	\$ 1,028,591
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:				
Capital contributions	\$ 559,139	\$ 1,124,668	\$ -	\$ 1,683,807

See accompanying Notes to Financial Statements.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City complies with accounting principles generally accepted (GAAP) in the United States. GAAP includes all relevant Governmental Accounting Standards Board (GASB) pronouncements. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. Financial Reporting Entity

The City of Hermantown, Minnesota, was incorporated under the laws of the state of Minnesota and operates under an elected Mayor-Council form of government. In determining the financial reporting entity, the City complies with GAAP and includes all component units of which the City appointed a voting majority of the units' board, the City is able to impose its will on the unit, or a financial benefit or burden relationship exists. As a result of applying these component unit criteria, the Hermantown Economic Development Authority is considered a component unit and is presented in the City's financial statements as a blended component unit, meaning it is reported as if it were a part of the City. The Hermantown Economic Development Authority does not issue separate financial statements.

Blended Component Unit

The Hermantown Economic Development Authority (HEDA) provides services almost entirely to the City and is governed by a board of seven commissioners, which is substantially the same as the City Council. In 1998, HEDA passed a resolution for the issuance and sale of sales tax revenue bonds to build a new public safety facility. The City was given authority to impose a local sales tax in 1996 that allowed the City to utilize the proceeds to meet the principal and interest payments of the bond. In 2006, this bond was refunded with a new bond that included the construction of the new city hall. The City is financially accountable for HEDA. The City approves the budget, levies taxes (if necessary), and must approve debt issuances. HEDA has had limited activity and has monthly meetings. For these reasons, HEDA is recognized as a blended component unit of the City.

Related Organization

The Hermantown Volunteer Fire Department is a legally separate organization from the City. Related party transactions are limited to payments by the City on a contract for service entered into with the Hermantown Volunteer Fire Department. The City made payments totaling \$516,000 during 2019.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide Financial Statements

The government-wide financial statements (statement of net position and statement of activities) report information on all activities of the primary government. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or business-type activity is offset by program revenues. Direct expenses are those which are clearly identifiable with a specific function or business-type activity. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or business-type activity, 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or business-type activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

C. Fund Financial Statements

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. The fund financial statements are provided for governmental funds and proprietary funds. The emphasis of fund financial statements is on the major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as other funds (nonmajor).

The funds of the financial reporting entity are described below:

Governmental Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those reported in another fund.

Special Revenue Funds – These 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.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Financial Statements (Continued)

Debt Service Funds – These funds are used to account for the accumulation of resources for and the payment of general long-term obligation principal, interest, and related costs other than those financed by the city sales tax and proprietary funds.

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

Proprietary Funds

Enterprise Funds – The Enterprise Funds are used to account for those operations which are financed and operated in a manner similar to private business or for which the board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability.

Major Governmental Funds

General Fund – Accounts for all financial resources except those reported in another fund. It is the general operating fund of the City.

City Sales Tax Fund – Accounts for the restricted sales tax revenues collected that are authorized by the Minnesota State Legislature to fund the construction of a public safety facility, city administrative services facility, Hermantown sewer trunk line and water infrastructure improvements, and the construction and equipping of a regional, multiuse wellness center.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Financial Statements (Continued)

Essentia Wellness Center Capital Projects Fund – Accounts for the proceeds of bonds issued as well as capital contributions received which are restricted for the construction of the Essentia Wellness Center.

Essentia Wellness Center Special Revenue Fund – Accounts for lease revenue from Essentia Wellness Center, which are restricted for use covering costs related to the facility costs of the Essentia Wellness Center.

Major Proprietary Funds

Water Utility Fund – Accounts for the activity of providing water services to the public.

Sewage Disposal Fund – Accounts for the activity of providing sewer disposal services to the public.

D. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund statements. Revenues are recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are generally recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities for the current period. For this purpose, the City considers all revenues, except reimbursement grants, to be available if they are collected within 60 days of the end of the current fiscal year. Reimbursement grants are considered available if they are collected within one year of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, sales taxes, franchise fees, special assessments, intergovernmental revenues, charges for service, and interest associated with the current fiscal period are all considered susceptible to accrual and therefore have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Equity

Cash and Cash Equivalents

Cash balances from all funds are combined and invested to the extent available in certificates of deposit and other short-term securities. Earnings from such investments are allocated to the respective funds on the basis of average cash balance participation by each fund.

Investments are stated at fair value, based on quoted market prices, except for investments in 2a7-like external investment pools, which are stated at amortized cost. Investment income is accrued at the balance sheet date.

For purposes of the proprietary fund-type statements of cash flows, the City considers all legal investments authorized by Minnesota Statutes with a maturity of three months or less to be cash equivalents.

Interfund Transactions

Activities between funds that are representative of lending/borrowing arrangements are reported as “due to/from other funds” and “advances to/from other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Receivables

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received. Allowances for uncollectible receivables are based on historical trends and the periodic aging of accounts.

Accounts receivable for utility receivables are shown at a gross amount, since utility receivables are assessable to the associated property and are collectible upon sale of the assessed property.

Property Taxes

Property tax levies are set by the City Council in December of each year and are certified to St. Louis County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. The County spreads all levies over taxable property. Such taxes become a lien on January 1 and are recorded as receivables by the City on that date. Revenues are accrued and recognized in the year collectible, net of delinquencies. Real property taxes may be paid by taxpayers in two equal installments on May 15 and October 15. Personal property taxes may be paid on February 28 and June 30. The County provides tax settlements to cities and other taxing districts in January, June or July, and November or December. Delinquent taxes have been offset by a deferred inflow of resources for delinquent taxes not received within 60 days after year-end in the governmental fund financial statements.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Equity (Continued)

Property Taxes (Continued)

No allowance for uncollectible taxes has been provided because such amounts are not expected to be material.

Special Assessments

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with state statutes. These assessments are collectible by the City over a term of years as approved through City Council Resolution. Collection of annual installments (including interest) is handled by the county auditor in the same manner as property taxes. Property owners are allowed to prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien on that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to become delinquent, the property is subject to tax forfeit sale, and the first proceeds of that sale (after costs, penalties, and expenses of sale) are remitted to the City in payment of delinquent special assessments. Generally, the City will collect the full amount of its special assessments not adjusted by the City Council or court action. Pursuant to state statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural, or seasonal recreational land, in which event the property is subject to such sale after five years.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2019, are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

Inventories

All inventories are valued at cost using the first-in, first-out (FIFO) method. Inventories are recorded as expenditures when consumed rather than when purchased.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets such as easements, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, including infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$20,000 and an estimated useful life in excess of two years. In the case of donations, the government values these capital assets at the estimated acquisition value on the date of its donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Equity (Continued)

Capital Assets

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Land Improvements	10 – 50
Buildings	10 – 40
Equipment	3 – 25
Infrastructure	15 – 25
Transmission System, Source of Supply, and Pumping Plant	50 – 99

F. Unearned Revenue

In the financial statements, certain revenue transactions have been reported as unearned revenue. Revenue cannot be recognized until it has been earned.

Unearned revenues for the City include a \$2,000,000 naming rights agreement for the Essentia Wellness Center that is to be recognized as revenue over the 20 year term of the agreement.

G. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation leave and sick pay benefits. Vested employees may receive a lump sum payment to a health care savings plan or a lump sum cash payment if they retire. The liability for these compensated absences is recorded as a long-term liability in the government-wide financial statements. In the fund financial statements, governmental funds report only the compensated absences liability payable if they have matured, for example, as a result of employee resignations and retirements. The proprietary funds report the liability as it is incurred.

H. Long-Term Liabilities

In the government-wide financial statements and for the proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statement of net position. The recognition of bond premiums and discounts is amortized over the life of the bonds. Bonds payable are reported net of the applicable premium or discount. Bond issuance costs are reported as an expense in the period they occurred.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Long-Term Liabilities (Continued)

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as issuance costs, during the current period. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

I. Pensions

For the purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Other Postemployment Benefits (OPEB)

The City provides other postemployment benefits (OPEB) to some retired employees based on eligibility established by contracts with bargaining units or other employment contracts. Retirees are required to pay 100% of their premium cost for the City-sponsored group health insurance plan in which they participate.

K. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City has reported deferred outflows related to pensions for its proportionate shares of collective deferred outflows of resources related to pensions and the City's contributions to pension plans subsequent to the measurement date of the collective net pension liability.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has reported unavailable revenue from delinquent property taxes and deferred special assessments, which arises only under a modified accrual basis of accounting, in the governmental funds balance sheet. The City has also reported deferred inflows of resources for its proportionate share of the collective deferred inflows of resources related to pensions.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Fund Balance Classifications

In the fund financial statements, governmental funds report their fund balance in classifications that disclose constraints for which amounts in those funds can be spent. These classifications are as follows:

Nonspendable – Consists of amounts that are not in spendable form, such as prepaid items.

Restricted – Consists of amounts related to externally imposed constraints established by creditors, grantors, or contributors or constraints imposed by state statutory provisions.

Committed – Consists of internally imposed constraints. 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.

Assigned – Consists of internally imposed constraints. These constraints reflect the specific purpose for which it is the City's intended use. These constraints are established by the City Council and/or management. Pursuant to City Council resolution, the City's Finance Director is authorized to establish assignments of fund balance.

Unassigned – Is the residual classification for the General Fund and also reflects negative residual amounts in other funds.

When restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources and then use unrestricted resources as they are needed.

When committed, assigned, or unassigned resources are available for use, it is the City's policy to use resources in the following order: 1) committed, 2) assigned, and 3) unassigned.

The City Council has formally adopted a policy regarding the minimum unrestricted fund balance for the General Fund. The policy establishes a year-end targeted unrestricted fund balance of 35%-50%, no less than five months of the next year's budgeted expenditures. 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 governmental aids, are received in the second half of the City's fiscal year. At December 31, 2019, the unassigned fund balance for the General Fund was 54.47% of the subsequent year's budgeted expenditures, or \$3,340,938.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources in the government-wide and proprietary financial statements. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any long-term debt used to construct or acquire the capital assets (adjusted for unspent debt proceeds). Restricted net position consists of net position with constraints on their use by external restrictions imposed by creditors, grantors, and laws or regulations of other governments. Unrestricted net position is all other net position that does not meet the definition of *restricted or investment in capital assets*.

N. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

O. Stewardship, Compliance, and Accountability

Budgetary Information

The City followed these procedures in establishing the budgetary data reflected in the financial statements:

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Stewardship, Compliance, and Accountability (Continued)

Budgetary Information (Continued)

1. Annual budgets are adopted for the General Fund, Special Revenue Fund, and Debt Service Funds. The budget is adopted on a basis consistent with GAAP. Budgetary comparisons presented in this report are on a budgetary basis. Budgeted expenditure appropriations lapse at year-end. Budgeted amounts are as originally adopted or as amended by the City Council.
2. The budget is legally enacted through passage of a resolution.
3. The government's department heads may make transfers of appropriations within a department. The City Council may authorize transfer of budgeted amounts between departments.
4. Formal budgetary integration is employed as a management control device during the year.
5. No budgetary comparison schedule is presented for the Essentia Wellness Center Special Revenue Fund for the year ended December 31, 2019, as the City was not sure the Center would open in 2019, back in 2018 when the 2019 budget was adopted. The City has adopted a budget for this fund for 2020 and a budgetary comparison schedule for this fund will be presented going forward.

Budgetary control for capital project funds is accomplished through the use of project controls.

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

In accordance with Minnesota Statutes, the City maintains deposits at those financial institutions authorized by the City Council. All such depositories are members of the Federal Reserve System.

Minnesota Statute requires that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged must equal 110% of the deposits not covered by insurance or bonds. Authorized collateral includes treasury bills, notes and bonds; issues of U.S. government agencies; general obligations rated "A" or better, revenue obligations rated "AA" or better; irrevocable standard letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota Statutes require that securities pledged as collateral be held in safekeeping by the City Treasurer or in a financial institution other than that furnishing the collateral.

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City requires collateral for deposits over Federal Deposit Insurance Company (FDIC) insurance amounts. At December 31, 2019, the City's bank balance was fully insured or collateralized.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

Minnesota Statutes 118A.04 and 118A.05 generally authorize the types of investments available to the City as; securities which are direct obligations or are guaranteed or insured issues of the United States, its agencies, its instrumentalities, or organizations created by an act of Congress, except mortgage-backed securities defined as “high risk” by Minnesota statute 118A.04 subd. 6; mutual funds through share of registered investment companies provided the mutual fund receives certain ratings depending on its investments; general obligations of the state of Minnesota and its municipalities, and in certain state agency and local obligations of Minnesota and other states provided such obligations have certain specified bond ratings by a national bond rating service; bankers’ acceptances of United States banks; commercial paper issued by United States corporations or their Canadian subsidiaries that is rated in the highest quality category by two nationally recognized rating agencies and matures in 270 days or less; and with certain restrictions, in repurchase agreements, securities lending agreements, joint powers investment trusts, and guaranteed investment contracts.

The City is invested in the Minnesota Municipal Money Market Fund (4M Fund). The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC). The City’s investment in the 4M Fund is measured at the net asset value per share provided by the pool, which is based on amortized cost method that approximates fair value. At December 31, 2019, the City had an investment in the 4M Fund in the amount of \$5,888,327.

Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2019, none of the City’s investments were subject to custodial credit risk.

Concentration of Credit Risk – The concentration of credit risk is the risk of loss that may be caused by the City’s investment in a single issuer. The City has no policy that would limit its investment in a single issuer.

Interest Rate Risk – Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. The City does not have a formal policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

State law limits investments as discussed above. The City has no investment policy that would further limit its investment choices.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

At December 31, 2019, the City had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>		
		<u>Less Than 1 Year</u>	<u>1-5 Years</u>	<u>Over 5 Years</u>
Federal Home Loan Mortgage Corporation	\$ 4,537	\$ -	\$ -	\$ 4,537
Negotiable CDs	9,181,835	3,728,292	5,453,543	-
External Investment Pool	5,888,327	5,888,327	-	-
Total Investments	<u>\$ 15,074,699</u>	<u>\$ 9,616,619</u>	<u>\$ 5,453,543</u>	<u>\$ 4,537</u>

Credit risk – Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. It is the City’s policy to invest only in securities that meet the ratings requirements set by state statute.

The following chart summarizes the ratings for the City’s investments as rated by Standard and Poor’s as of December 31, 2019:

<u>Credit Rating</u>	<u>Fair Value</u>
AA	\$ 4,537
Not rated	15,070,162
Total	<u>\$ 15,074,699</u>

The City categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States. The hierarchy is based on the valuation inputs used to measure the fair value of the assets. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 are significant unobservable inputs.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

The City has the following investments valued at recurring fair value measurements at December 31, 2019:

	Total	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by Fair Value Level				
Federal Home Loan Mortgage Corporation	\$ 4,537	\$ -	\$ 4,537	\$ -
Negotiable CDs	9,181,835	-	9,181,835	-
Total	9,186,372	-	9,186,372	-
Investments Measured at the Net Asset Value (NAV)				
External Investment Pools	5,888,327			
Total Investments	\$ 15,074,699			

The following table sets forth additional disclosures about the City's investments whose value are estimated using net asset value (NAV) as of December 31, 2019:

		Unfunded Commitments	Redemption Frequency	Redemption Notice Period
External Investment Pool - 4M	\$ 5,888,327	\$ -	None	14 Days

The City's total deposits and investments are as follows:

Cash on Hand	\$ 700
Deposits	4,496,478
Investments	15,074,699
Total Deposits and Investments	\$ 19,571,877

Presented in the financial statements as follows:

Primary Government:	
Cash and Cash Equivalents	\$ 19,571,877

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 3 RECEIVABLES

Significant receivable balances not expected to be collected within one year of December 31, 2019 are as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Taxes Receivable	\$ 53,152	\$ -
Special Assessments	4,913,266	186,573
Contracts Receivable		61,989
Total	<u>\$ 4,966,418</u>	<u>\$ 248,562</u>

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2019 was as follows:

	<u>Balance 12/31/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 12/31/2019</u>
Governmental activities				
Capital Assets Not Being Depreciated:				
Land	\$ 2,297,408	\$ 644,356	\$ (6,752)	\$ 2,935,012
Construction in Progress	11,518,701	15,171,847	(2,707,456)	23,983,092
Total Capital Assets Not Being Depreciated	13,816,109	15,816,203	(2,714,208)	26,918,104
Capital Assets Being Depreciated:				
Land Improvements	1,399,446	553,602	-	1,953,048
Buildings	11,638,338	1,917,678	-	13,556,016
Equipment and Vehicles	2,506,300	374,798	(64,751)	2,816,347
Infrastructure	34,622,100	616,076	-	35,238,176
Total Capital Assets Being Depreciated	50,166,184	3,462,154	(64,751)	53,563,587
Less Accumulated Depreciation:				
Land Improvements	761,476	79,054	-	840,530
Buildings	5,053,274	340,192	-	5,393,466
Equipment and Vehicles	1,456,318	146,820	41,792	1,561,346
Infrastructure	23,715,055	866,584	-	24,581,639
Total Accumulated Depreciation	30,986,123	1,432,650	41,792	32,376,981
Total Capital Assets Being Depreciated, Net	19,180,061	2,029,504	(22,959)	21,186,606
Governmental Activities Capital Assets, Net	<u>\$ 32,996,170</u>	<u>\$ 17,845,707</u>	<u>\$ (2,737,167)</u>	<u>\$ 48,104,710</u>

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance 12/31/2018	Additions	Deletions	Balance 12/31/2019
Business-Type Activities				
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 299,656	\$ 526,225	\$ (639)	\$ 825,242
Land and Permanent Easements	607,514	-	-	607,514
Total Capital Assets not Being Depreciated	907,170	526,225	(639)	1,432,756
Capital Assets Being Depreciated:				
Buildings and Infrastructure	41,406,069	1,274,374	-	42,680,443
Equipment	1,054,388	-	(6,902)	1,047,486
Total Capital Assets Being Depreciated	42,460,457	1,274,374	(6,902)	43,727,929
Less Accumulated Depreciation:				
Buildings and Infrastructure	9,572,213	638,308	-	10,210,521
Equipment	599,771	45,541	(6,865)	638,447
Total Accumulated Depreciation	10,171,984	683,849	(6,865)	10,848,968
Total Capital Assets Being Depreciated, Net	32,288,473	590,525	(37)	32,878,961
Business-Type Activities Capital Assets, Net	<u>\$ 33,195,643</u>	<u>\$ 1,116,750</u>	<u>\$ (676)</u>	<u>\$ 34,311,717</u>

Depreciation expense was charged to functions/programs of the City as follows at December 31, 2019:

Governmental Activities

General Government	\$ 153,245	
Public Safety	217,677	
Public Works	960,201	
Community and Economic Development	5,295	
Culture and Recreation	96,232	
Total Governmental Activities Depreciation Expense	<u>\$ 1,432,650</u>	-

Business-Type Activities

Water Utility	\$ 192,416	
Sewage Disposal	491,433	
Total Depreciation Expense - Business Type Activities	<u>\$ 683,849</u>	-

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS

The City had the following long-term obligations at December 31, 2019:

<u>General Obligation Bonds</u>	<u>Amount</u>
General Obligation Improvement Bonds, Series 2010A were issued at a par value of \$3,955,000, have an interest rate of 2.0 - 3.75%, and mature in 2031.	\$ 1,780,000
General Obligation Improvement Refunding Bonds, Series 2012A were issued at a par value of \$2,500,000, have an interest rate of 0.5 - 2.4%, and mature in 2026.	1,205,000
General Obligation Improvement Bonds, Series 2012B were issued at a par value of \$3,155,000, have an interest rate of 2.0 - 2.2625%, and mature in 2034.	2,465,000
General Obligation Improvement Bonds, Series 2014A were issued at a par value of \$2,170,000, have an interest rate of 2.0 - 3.0%, and mature in 2028.	1,325,000
General Obligation Refunding Bonds, Series 2016A were issued at a par value of \$3,285,000, have an interest rate of 2.0%, and mature in 2030.	2,935,000
General Obligation Capital Improvement Plan Bonds, Series 2016B were issued at a par value of \$5,055,000, have an interest rate of 3.0%, and mature in 2026.	3,925,000
General Obligation Capital Improvement Plan Bonds, Series 2018A were issued at a par value of \$2,305,000, have an interest rate of 3.0 - 3.375%, and mature in 2038.	2,015,000
General Obligation Tax Abatement Bonds, Series 2018B were issued at a par value of \$7,715,000, have an interest rate of 3.0 - 4.0%, and mature in 2038.	7,715,000
General Obligation Tax Abatement Bonds, Series 2019A were issued at a par value of \$8,845,000, have an interest rate of 3.0 - 5.0%, and mature in 2039.	<u>8,845,000</u>
Total General Obligation Bonds	<u><u>\$ 32,210,000</u></u>

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 5 LONG-TERM OBLIGATIONS (CONTINUED)

The following is a summary of change in long-term obligations:

	Balance 12/31/2018	Additions	Reductions	Balance 12/31/2019	Amount Due Within One Year
Governmental Activities					
Bonds Payable:					
General Obligation Bonds	\$ 25,085,000	\$ 8,845,000	\$ 1,720,000	\$ 32,210,000	\$ 2,265,000
Less:					
Unamortized Bond Discount	(76,982)	-	(8,396)	(68,586)	(8,397)
Unamortized Bond Premium	759,269	311,819	86,656	984,432	86,656
Subtotal	<u>25,767,287</u>	<u>9,156,819</u>	<u>1,798,260</u>	<u>33,125,846</u>	<u>2,343,259</u>
Compensated Absences	<u>293,514</u>	<u>190,242</u>	<u>162,410</u>	<u>321,346</u>	<u>-</u>
Total Long-Term Liabilities	<u>\$ 26,060,801</u>	<u>\$ 9,347,061</u>	<u>\$ 1,960,670</u>	<u>\$ 33,447,192</u>	<u>\$ 2,343,259</u>
Business-Type Activities					
Compensated Absences	<u>\$ 71,040</u>	<u>\$ 73,940</u>	<u>\$ 57,777</u>	<u>\$ 87,203</u>	<u>\$ -</u>
Total Long-Term Liabilities	<u>\$ 71,040</u>	<u>\$ 73,940</u>	<u>\$ 57,777</u>	<u>\$ 87,203</u>	<u>\$ -</u>

Annual requirements to amortize all outstanding obligations at December 31, 2019 are as follows:

<u>Year Ending December 31,</u>	<u>General Obligation Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 2,265,000	\$ 969,769	\$ 3,234,769
2021	2,470,000	901,204	3,371,204
2022	2,420,000	826,910	3,246,910
2023	2,495,000	752,161	3,247,161
2024	2,200,000	680,148	2,880,148
2025-2029	8,305,000	2,456,770	10,761,770
2030-2034	6,150,000	1,431,125	7,581,125
2035-2039	5,905,000	504,716	6,409,716
Total	<u>\$ 32,210,000</u>	<u>\$ 8,522,803</u>	<u>\$ 40,732,803</u>

General Obligation bonds are paid from Debt Service Funds.

Compensated absences, total OPEB liability, and net pension liability are paid from the General Fund, Water Utility Fund, and Sewage Disposal Fund.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 6 CONDUIT DEBT OBLIGATIONS

The Hermantown Economic Development Authority (HEDA) has issued revenue bonds for the purpose of providing capital financing to various entities. Even though the debt bears HEDA's name, HEDA is not responsible for the payment of the original debt. The debt is secured by the payments agreed to be paid by these entities under the terms of the agreement between HEDA and the entity. The general description of the transactions and the outstanding balance as of December 31, 2019 are as follows:

<u>Enterprise</u>	<u>Year of Issue</u>	<u>Outstanding Balance 12/31/19</u>
Marshall School 2004B	2004	\$ 246,974
Saints-Hilltoppers Arena Project 2010	2010	339,317
Marshall School 2011	2011	247,646
Total		<u>\$ 833,937</u>

NOTE 7 INTERFUND TRANSACTIONS

The composition of interfund balances as of December 31, 2019 is as follows:

Due to/from balances are caused by either timing differences or the elimination of negative cash balances within the various funds. All interfund balances are expected to be repaid within one year.

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
General Fund	\$ 2,000,000	\$ 14,175
City Sales Tax Fund	4,709,756	-
Essentia Wellness Capital Projects Fund	-	6,627,180
G.O. Tax Abatement Bonds, Series 2019A Fund	-	9,774
Special Assessment/Road Improvement Fund	-	18,292
Municipal State Aid Streets Fund	-	40,335
Total	<u>\$ 6,709,756</u>	<u>\$ 6,709,756</u>

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 INTERFUND TRANSACTIONS (CONTINUED)

Advances to/from other funds:

	<u>Advance To</u>	<u>Advance From</u>
Governmental Funds:		
Cable Television Fund	\$ -	\$ 150,000
TIF District #1 Improvements Fund	700,000	-
Total Governmental Funds	700,000	150,000
Proprietary Funds:		
Street Lighting Fund	-	550,000
Total	\$ 700,000	\$ 700,000

Advances were made to fund various projects. The advances bear interest at 4%. There is no due date for repayment.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 7 INTERFUND TRANSACTIONS (CONTINUED)

Interfund transfers

Transfers are indicative of funding for capital projects, lease payments or debt service, subsidies of various City operations and re-allocations of special revenues. The following schedule briefly summarizes the City's transfer activity:

In the year ended December 31, 2019, the City made the following one-time transfers, which are included in the amounts presented above:

	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$ 31,210	\$ 322,530
City Sales Tax Fund	-	2,148,919
HEDA Fund	106,696	-
Park Dedication Fund	-	95,065
G.O. Refunding Bonds, Series 2016A Refunding	215,507	-
G.O. Improvement Bonds, Series 2010A Fund	255,000	-
G.O. Improvement Bonds, Series 2012B Fund	40,119	-
G.O. Improvement Bonds, Series 2014A Fund	226,700	-
G.O. Improvement Bonds, Series 2012A Fund	197,539	-
G.O. Improvement Bonds, Series 2016B Fund	698,807	-
G.O. Improvement Bonds, Series 2018A Fund	71,415	-
G.O. Tax Abatement Bonds, Series 2018B Fund	494,931	-
G.O. Tax Abatement Bonds, Series 2019A Fund	168,428	-
Special Assessment Deficiency Fund	-	27,806
General Capital Projects Fund	335,000	-
Special Assessment/Road Improvement Fund	18,740	-
Municipal State Aid Streets Fund	-	18,740
Firehalls 2 & 3	-	71,415
Rose Road Softball Fields	63,855	-
Total Governmental Funds	2,923,947	2,684,475
Proprietary Funds:		
Water Utility Fund	44,500	166,030
Sewage Disposal Fund	-	117,942
Total Proprietary Funds	44,500	283,972
Total	\$ 2,968,447	\$ 2,968,447

The City budgets transfers to various Debt Service Funds from the Sales Tax Fund, Special Assessment Deficiency Fund, Water Utility Fund, and Sewage Disposal in order to pay required principle and interest. Transfers to the General Capital Projects Fund from the General Fund, Water Utility Fund, and Sewage Disposal Fund were for various capital purchases.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 FUND BALANCES/NET POSITION

Fund balance was nonspendable for the following purposes at December 31, 2019:

Prepaid Items

Governmental Funds:	
General Fund	77,985
Essentia Wellness Special Revenue Fund	6,007
Hermantown Economic Development Authority Fund	14
Cable Television Fund	31
Total Nonspendable	<u>\$ 84,037</u>

Governmental net position and fund balances were restricted for the following purposes at December 31, 2019:

	<u>Net Position</u>	<u>Fund Balance</u>
Debt Service Funds	\$ 13,821,159	\$ 9,791,044
Essentia Wellness Special Revenue Fund	93,993	93,993
Police Program Fund	188,446	188,446
Park Dedication Fund	<u>85,052</u>	<u>85,052</u>
Total Restricted	<u>\$ 14,188,650</u>	<u>\$ 10,158,535</u>

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 8 FUND BALANCE/NET POSITION (CONTINUED)

Fund balances were committed for the following purposes at December 31, 2019:

Community Development - General Fund	\$ 106,696
Other Governmental Funds:	
Economic Development	206,651
Park Improvements	76,209
Wetland Restoration	67,790
Cable TV	381,363
Debt Service	333,358
Total Committed	<u><u>\$ 1,172,067</u></u>

Fund balances were assigned for the following purposes at December 31, 2019:

General Capital Projects	\$ 228,341
Municipal Building Reserve	166,575
HEDA Fleet Projects	66,525
Soccer Fields	73,168
Total Assigned	<u><u>\$ 534,609</u></u>

The following funds had an unassigned fund balance (deficit) at December 31, 2019:

General Fund	\$ 3,340,938
Essentia Wellness Capital Projects Fund	(7,508,434)
G.O. Tax Abatement Bonds, Series 2019A Fund	(9,774)
TIF District 1 Improvement Fund	(685,151)
Special Assessment Projects Fund	(72,731)
Municipal State Aid Streets Fund	(48,840)
Total	<u><u>\$ (4,983,992)</u></u>

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax-qualified plans under Section 401 (a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Employees Plan (accounted for in the General Employees Fund)). All full-time and certain part-time employees of the City are covered by the General Employees Retirement Plan. General Employees Plan members belong to either the Coordinated Plan. Coordinated Plan members are covered by Social Security.
2. Public Employees Police and Fire Plan (Police and Fire Plan (accounted for in the Police and Fire Fund)). The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to a local fire relief association that elected to merge with and transfer assets and administration to PERA.

Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested Terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% for each of the first 10 years of service and 1.7% for each additional year. The rates are 2.2% and 2.7%, respectively, for Basic members. Under Method 2, the accrual rate for Coordinated members is 1.7% for all years of service, and 2.7% for Basic members. The accrual rates for former MERF members are 2.0% for each of the first 10 years of service and 2.5% for each additional year. For members hired prior to July 1, 1989 a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989 normal retirement age is the age for unreduced Social Security benefits capped at 66.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

A. Plan Description (Continued)

1. General Employees Plan Benefits (Continued)

Beginning January 1, 2019, benefit recipients will receive a future annual increase equal to 50% of the Social Security Cost of Living Adjustment, not less than 1.0% and not more than 1.5%. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches Normal Retirement Age (not applicable to Rule of 90 retirees, disability benefit recipients, or survivors). A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase.

2. Police and Fire Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010 but before July 1, 2014 vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014 vest on a prorated basis from 50% after ten years up to 100% after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989 a full annuity is available when age plus years of service equal at least 90.

Annuities, disability benefits, and survivor benefits are increased effective every January 1. Beginning January 1, 2019, the postretirement increase will be fixed at 1 percent. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. For recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a reduced prorated increase.

B. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.5% of their annual covered salary in calendar year 2019. The City was required to contribute 7.5% for Coordinated Plan members in calendar year 2019. The City's contributions to the General Employees Fund for the year ended December 31, 2019 were \$110,136. The City's contribution was equal to the contractually required contribution as set by state statute.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Contributions (Continued)

2. Police and Fire Fund Contributions

Police and Fire member's contribution rates increased from 10.80% of pay to 11.30% and employer rates increased from 16.20% to 16.95% on January 1, 2019. The City's contributions to the Police and Fire Fund for the year ended December 31, 2019 were \$223,205. The City's contributions were equal to the required contributions as set by state statute.

C. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,100,226 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million to the fund in 2019. The state of Minnesota is considered a nonemployer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$34,165. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018, through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.0199%, which was an increase of .0001% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the City recognized pension expense of \$162,170 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$2,559 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2019, the City reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Economic Experience	\$ 30,491	\$ -
Net Difference Between Projected and Actual Investment Earnings on Plan Investments	-	111,521
Changes in Proportion	44,930	-
Effect of Changes in Assumptions	-	86,479
Contributions Subsequent to Measurement Period	54,992	-
Total	\$ 130,413	\$ 198,000

\$54,992 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31,	Pension Expense Amount
2020	\$ (30,652)
2021	(73,229)
2022	(20,470)
2023	1,772
Total	\$ (122,579)

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs

At December 31, 2019, the City reported a liability of \$1,280,715 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2018 through June 30, 2019, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2019, the City's proportion was 0.1203% which was an increase of 0.0053% from its proportion measured as of June 30, 2018. The City also recognized \$16,240 for the year ended December 31, 2019 as revenue and an offsetting reduction of the net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year until the plan is 90 percent funded or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later. In addition, the state will pay \$4.5 million on October 1, 2018 and October 1, 2019 in direct state aid. Thereafter, by October 1 of each year, the state will pay \$9 million until full funding is reached or July 1, 2048, whichever is earlier.

For the year ended December 31, 2019, the City recognized pension expense of \$194,997 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2019, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 54,378	\$ 194,939
Changes in Proportion	95,365	80,717
Net Difference Between Projected and Actual		
Investment Earnings on Plan Investments	-	266,743
Effect of Changes in Assumptions	1,062,790	1,437,850
Contributions Paid to PERA Subsequent to the Measurement Date	116,206	-
Total	\$ 1,328,739	\$ 1,980,249

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

C. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

\$116,206 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2020	\$ (74,907)
2021	(188,111)
2022	(515,358)
2023	(3,728)
2024	14,388
Total	<u>\$ (767,716)</u>

3. Aggregate Pension Costs

	<u>General Employees Plan</u>	<u>Police and Fire Plan</u>	<u>Total</u>
Net Pension Liability	\$ 1,100,226	\$ 1,280,715	\$ 2,380,941
Deferred Outflows of Resources	130,413	1,328,739	1,459,152
Deferred Inflows of Resources	198,000	1,980,249	2,178,249
Pension Expense	164,729	211,237	375,966

D. Actuarial Assumptions

The total pension liability in the June 30, 2019, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% Per Year
Active Member Payroll Growth	3.25% Per Year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25 percent per year for the General Employees Plan and 1.0 percent per year for the Police and Fire Plan.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Actuarial Assumptions (Continued)

Actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2018 based on a review of inflation and investment return assumptions

The following changes in actuarial assumptions and plan provisions occurred in 2019:

General Employees Fund

- The morality projection scale was changed from MP-2017 to MP-2018.
- The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The State's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

Police and Fire Fund

- The morality projection scale was changed from MP-2017 to MP-2018.

The State Board of Investment, which manages the investments of PERA, prepares an analysis of the reasonableness of the long-term expected rate of return on a regular basis using a building-block method in which best estimates ranges of expected future rates of return are developed for each major asset class. These ranges are combined to produce an expected long-term rate of return by weighting the expected future rates of return by the target asset allocation percentages. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35.5 %	5.10%
Private Markets	25.0	5.90%
Fixed Income	20.0	0.75%
International Equity	17.5	5.90%
Cash Equivalents	2.0	0.00%
Total	<u>100 %</u>	

E. Discount Rate

The discount rate used to measure the total pension liability in 2019 was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLANS (CONTINUED)

E. Discount Rate (Continued)

Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

F. Pension Liability Sensitivity

The following presents the City's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

Discount Rate	1% Decrease in Discount Rate <u>6.50%</u>	<u>Discount Rate</u> 7.50%	1% Increase in Discount Rate <u>8.50%</u>
City's Proportionate Share of the GERF Net Pension Liability	\$ 1,808,713	\$ 1,100,226	\$ 515,230
City's Proportionate Share of the PEPFF Net Pension Liability	\$ 2,799,405	\$ 1,280,715	\$ 25

G. Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in a separately issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the internet at www.mnpera.org.

NOTE 10 PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN

Two City Council members are covered by the Defined Contribution Plan, a multiemployer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are deferred until time of withdrawal. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 10 PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN (CONTINUED)

An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase share in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually

Total contributions made by the City during 2019 were:

Contribution Amount		Percentage of Covered Payroll		Required
Employee	Employer	Employee	Employer	Rates
\$ 1,610	\$ 1,610	5%	5%	5%

NOTE 11 POSTEMPLOYMENT HEALTH CARE PLAN

Plan Description

The City administers a single-employer defined benefit plan OPEB plan which allows retired employees to remain on the City's health insurance plan after severing employment from the City at the retiree's expense (implicit rate subsidy). The plan does not issue a standalone financial report. There are 35 active plan members and 4 inactive plan members currently receiving benefits.

Funding

Employer contribution requirements are established and may be amended as set forth in the applicable employment and bargaining unit agreements. The plan is financed on a pay-as-you-go basis.

OPEB Liability

The City's total OPEB liability at December 31, 2019 was \$1,369,500. The total OPEB liability was measured as of December 31, 2018 and was determined by an actuarial valuation as of December 31, 2018. The total OPEB liability was determined using the following assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Inflation	2.50% per year
Salary Increases	3.50% average, including inflation.
Healthcare Cost Trend Rate	Beginning at 6.40% with an ultimate rate of 4.00%
Investment Rate of Return	3.71%
Mortality Rate	RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 11 POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

The 3.71% discount rate used to measure the total OPEB liability was determined by the actuary using the Fidelity 20-year Municipal GO AA Index.

Changes in the total OPEB liability for the year ended December 31, 2019 are as follows:

Beginning Balance	\$ 765,861
Changes for the Year:	
Service Cost	84,347
Interest	27,530
Differences between expected and actual experience	435,708
Changes of Assumptions	93,012
Benefit Payments	<u>(36,958)</u>
Net Changes	<u>603,639</u>
Ending Balance	<u>\$ 1,369,500</u>

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

Sensitivity of Total OPEB Liability at Current Single

Discount Rate		
1% Higher	4.71%	\$ 1,195,997
Current Discount Rate	3.71%	1,369,500
1% Lower	2.71%	1,581,730

The following presents the City's total OPEB liability calculated using the current healthcare cost trend rate, as well as what the City's total OPEB liability would be if it were calculated using trend rates that are 1 percentage point lower or 1 percentage point higher than the current trend rates.

Sensitivity of Total OPEB Liability at Current Healthcare

Trend Rate		
1% Higher	7.40%	\$ 1,595,017
Current Discount Rate	6.40%	1,369,500
1% Lower	5.40%	1,184,495

For the year ended December 31, 2019, the City recognized OPEB expense of \$640,597. The City's contributions subsequent to the measurement date of \$49,501, reported as deferred outflows of resources, will be recognized as a reduction of the total OPEB liability in the City's fiscal year ended December, 31, 2020.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 12 COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Upon retirement, in accordance with various employment and union contracts, the value of the qualifying banked sick hours will be submitted as a Health Care Savings Plan (HCSP) contribution to the Minnesota State Retirement System (MSRS) to be used to pay the employee's health insurance premiums. The year-end accrued sick leave and accrued vacation balance increased by \$16,163 in the proprietary funds and increased by \$27,832 in the governmental funds. As of December 31, 2019, seven employees were vested for sick leave. The current value of future benefits is recorded as compensated absences in the statement of net position at December 31, 2019, in the amount of \$408,549. Any manager who is at the maximum accumulation of sick leave and who is credited for sick leave during a year in excess of the maximum sick leave shall, as of December 31 of the year in question, have 20 percent of such excess credit towards sick leave deposited in the State of Minnesota Health Care Savings Plan at the employees December 31 wage rate of the year in question, all other employees shall have 25% deposited in the plan. The City paid \$3,037 to the MSRS for this employee benefit in 2019.

NOTE 13 LEASES

In February 1996, the City entered into a lease between HEDA and Independent School District No. 700 for land owned by the City. This lease was extended through June 30, 2025, with Independent School District No. 700 paying \$1 in rent. The Lease term shall automatically be renewed for additional one-year term(s) (Extension Term) unless either party advises the other party six months prior to the end of any term of such party's determination to terminate the term of the lease at the end of their term. This is a noncancelable lease, and the School District is using the building for its Early Childhood Education Program.

The School District is leaving the building June 1, 2020. The building is for sale by the City as of the date of this report.

In March of 2019, the Council entered into a 10 year lease agreement with Essentia Health whereby the City is renting space to Essentia Health at the Essentia Wellness Center. The lease calls for annual rent of \$216,128, payable in monthly installments. After the first five years, rent will begin to increase annually by 2.25%. The lease provides the tenant with two 5 year renewal options. Future minimum rent payments are as follows:

<u>Year Ending December 31,</u>		
2020	\$	216,128
2021		216,128
2022		216,128
2023		216,128
2024		216,128
2025-2029		930,740
Total	\$	<u>2,011,380</u>

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 14 TAX ABATEMENT COMMITMENTS

The City has entered into property tax abatement agreement with St. Louis County (County) and the Hermantown Economic Development Authority (HEDA), a component unit of the City, has entered into a tax abatement agreement with a local business in accordance with Minnesota Statute 469.1813. The purpose of the property tax abatement agreements is to reimburse the local business for infrastructure it initially paid for.

In the property tax abatement agreement with the County, the County has agreed to provide funding to the City through the abatement of County taxes on the parcel of property owned by the local business in an amount not to exceed \$500,000. During 2019, the County paid \$182,401 related to this agreement. As of December 31, 2019, the County's remaining commitment is \$0 from the above agreement.

On February 5, 2019, the County board extended the tax abatement for an additional \$860,000 for the purpose of assistance on funding the Section 24 Sewer trunk line. During 2019 the County paid \$32,254 towards the note, leaving a balance as of December 31, 2019 of \$827,746.

In HEDA's tax abatement agreement with the local business, HEDA has agreed to provide funding to the local business through the abatement of the total City taxes collected each year on the parcel of property owned by the local business as well as the amount the City is to receive from the County as described in the preceding paragraph. HEDA has agreed to provide tax abatement funding in the amounts of \$1,151,696 and \$400,000 plus interest at 4%. During 2019, the City paid the local business \$239,720 related to this agreement. Of the \$239,720, \$106,892 was related to payments received from the County tax abatement and \$132,828 was the City's tax abatement. As of December 31, 2019, the City's remaining commitment to the local business is \$956,650.

HEDA and the City have issued a tax increment revenue note (pay-as-you-go) to a local business. This note requires the City to make payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs. The note is not a debt of the City and the City is not liable on the note, except for the City's obligation to make payments from pledged tax increment from the applicable tax increment-financing district. The note shall not be payable out of any funds or properties other than the pledged increment. Under this agreement, up to \$500,000 of development costs plus interest will be reimbursed through tax increments. During the year ended December 31, 2019, the City generated tax increment revenue of \$142,537 and made payments of \$83,084, on the note. The note's balance at year-end was \$350,588.

NOTE 15 COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

The City has several active construction projects as of December 31, 2019. The remaining commitment on these projects totaled \$964,691.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2019**

NOTE 16 RISK MANAGEMENT

The City purchases commercial insurance coverage through Travelers Insurance Company. The City pays an annual premium to Travelers Insurance Company for its insurance coverage. There were no significant reductions in insurance coverage from coverage in the prior year, and there were no insurance claims or settlements exceeding insurance coverage in the past three years.

NOTE 17 SUBSEQUENT EVENTS

At the April 20, 2020 Council Meeting, the City Council approved the issuance of General Obligation Improvement and Refunding Bonds, Series 2020A, in the amount of \$3,585,000, with a closing date of May 6, 2020. Proceeds from this issuance will be used to finance 2020 road improvements, and refund, in advance of their stated maturities, outstanding issuances of the 2010A General Obligation Improvement Bonds.

At the April 20, 2020 Council Meeting, the City Council approved the issuance of General Obligation Sewage Disposal System Bonds, Series 2020B, in the amount of \$3,915,000, with a closing date of May 6, 2020. Proceeds from this issuance will be used to help finance the Section 24 Sewer Trunkline project.

Subsequent to year-end, the World Health Organization declared the spread of Coronavirus Disease (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the City of Hermantown, COVID-19 may impact various parts of its 2020 operations and financial results including, but not limited to, costs for emergency preparedness and closure of Recreational Facilities. Management believes the City is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events occurred subsequent to year-end and are still developing.

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HERMANTOWN
SCHEDULE OF CHANGES IN THE CITY'S TOTAL OPEB LIABILITY AND RELATED RATIOS
LAST TWO MEASUREMENT DATES**

Measurement Date	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Total OPEB Liability:		
Service Cost	\$ 84,347	\$ 74,039
Interest	27,530	27,316
Difference between expected and actual experience	435,708	-
Changes in Assumptions	93,012	34,433
Benefit Payments	<u>(36,958)</u>	<u>(25,701)</u>
Total Changes	603,639	110,087
Total OPEB Liability - Beginning	<u>765,861</u>	<u>655,774</u>
Total OPEB Liability - Ending	<u><u>\$ 1,369,500</u></u>	<u><u>\$ 765,861</u></u>
Covered Employee Payroll	\$ 2,729,652	\$ 2,661,675
Districts Total Pension Liability as a Percentage of Covered Employee Payroll	50.2%	28.8%

Notes to Schedule:

Funding: There are no assets accumulated in a trust that meet the criterial of GASB No. 73, paragraph 4, to pay related benefits.

This schedule is intended to present information for the last 10 years. Additional information will be presented as it becomes available

Assumption Changes

Measurement Date: December 31, 2018

- The discount rate was changed from 3.31% to 3.71% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including an adjustment to reflect the impact of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience.
- Mortality rates were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale to RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale.
- Inflation assumption was changed from 2.75% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

**CITY OF HERMANTOWN
 INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
 YEAR ENDED DECEMBER 31, 2019**

GENERAL EMPLOYEES FUND

Schedule of Employer's Proportionate Share of the Net Pension Liability

Measurement Date	City's Proportionate Share (Percentage) of the Net Pension Liability	City's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability (b)	City's and State's Proportionate Share of the Net Pension Liability (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2019	0.0199%	\$ 1,100,226	\$ 34,165	\$ 1,134,391	\$ 1,405,853	80.7%	80.0%
June 30, 2018	0.0198%	\$ 1,098,423	\$ 36,119	\$ 1,134,542	\$ 1,331,650	85.2%	79.5%
June 30, 2017	0.0189%	\$ 1,206,564	\$ 15,199	\$ 1,221,763	\$ 1,219,758	100.2%	75.9%
June 30, 2016	0.0180%	\$ 1,461,511	\$ 19,156	\$ 1,480,667	\$ 1,119,203	132.3%	68.9%
June 30, 2015	0.0181%	\$ 938,036	\$ -	\$ 938,036	\$ 1,062,157	88.3%	78.2%

Schedule of Employer's Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2019	\$ 110,136	\$ 110,136	\$ -	\$ 1,468,480	7.50%
December 31, 2018	\$ 101,958	\$ 101,958	\$ -	\$ 1,359,438	7.50%
December 31, 2017	\$ 94,783	\$ 94,783	\$ -	\$ 1,263,774	7.50%
December 31, 2016	\$ 88,405	\$ 88,405	\$ -	\$ 1,178,729	7.50%
December 31, 2015	\$ 81,908	\$ 81,908	\$ -	\$ 1,092,079	7.50%

**CITY OF HERMANTOWN
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2019**

2019 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

Changes in Plan Provisions:

- The Employer supplemental contribution was changed prospectively decreasing from \$31 million to \$21 million per year. The State's special funding contribution was changed prospectively, requiring \$16 million due per year through 2031.

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2015 to MP-2017.
- The assumed benefit increase was changed from 1.00% per year through 2044 and 2.50% per year thereafter to 1.25% per year.

2017 Changes

Changes in Plan Provisions:

- The State's special funding contribution increased from \$6 million to \$16 million.

Changes in Actuarial Assumptions:

- The Combined Service Annuity (CSA) loads were changed from 0.8% for active members and 60% for vested and nonvested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.00% for vested deferred member liability, and 3.00% for nonvested deferred member liability.
- The assumed postretirement benefit increase rate was changed from 1.00% per year for all years to 1.00% per year through 2044 and 2.50% per year thereafter.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2035 and 2.50% per year thereafter to 1.00% per year for all years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate was changed from 7.90% to 7.50%.
- Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions:

- On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised; the State's contribution of \$6 million, which meets the special funding situation definition, is due September 2015.

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2035 and 2.50% per year thereafter.

**CITY OF HERMANTOWN
 INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
 YEAR ENDED DECEMBER 31, 2019**

POLICE AND FIRE FUND

Schedule of Employer's Proportionate Share of the Net Pension Liability

Measurement Date	City's Proportion (Percentage) of the Net Pension Liability	City's Proportionate Share (Amount) of the Net Pension Liability (a)	City's Covered Payroll (b)	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll (a/b)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2019	0.1203%	\$ 1,280,715	\$ 1,298,494	98.6%	89.3%
June 30, 2018	0.1150%	\$ 1,225,782	\$ 1,211,962	101.1%	88.8%
June 30, 2017	0.1210%	\$ 1,633,644	\$ 1,243,764	131.3%	85.4%
June 30, 2016	0.1220%	\$ 4,896,072	\$ 1,151,242	425.3%	63.9%
June 30, 2015	0.1220%	\$ 1,386,205	\$ 1,111,297	124.7%	86.6%

Schedule of Employer's Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2019	\$ 223,205	\$ 223,205	\$ -	\$ 1,316,844	16.95%
December 31, 2018	\$ 202,107	\$ 202,107	\$ -	\$ 1,247,571	16.20%
December 31, 2017	\$ 195,547	\$ 195,547	\$ -	\$ 1,207,079	16.20%
December 31, 2016	\$ 196,959	\$ 196,959	\$ -	\$ 1,215,798	16.20%
December 31, 2015	\$ 185,428	\$ 185,428	\$ -	\$ 1,144,614	16.20%

**CITY OF HERMANTOWN
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2019**

2019 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2017 to MP-2018.

2018 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2016 to MP-2017.

2017 Changes

Changes in Actuarial Assumptions:

- Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates.
- Assumed rates of retirement were changed, resulting in fewer retirements.
- The Combined Service Annuity (CSA) load was 30% for vested and nonvested deferred members. The CSA has been changed to 33% for vested members and 2% for nonvested members.
- The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees.
- Assumed termination rates were decreased to 3.0% for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall.
- Assumed percentage of married female members was decreased from 65% to 60%.
- Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females.
- The assumed percentage of female members electing Joint and Survivor annuities was increased.
- The assumed postretirement benefit increase rate was changed from 1.00% for all years to 1.00% per year through 2064 and 2.50% thereafter.
- The Single Discount Rate was changed from 5.60% per annum to 7.50% per annum.

2016 Changes

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2037 and 2.50% thereafter to 1.00% per year for all future years.
- The assumed investment return was changed from 7.90% to 7.50%. The single discount rate changed from 7.90% to 5.60%.
- The assumed future salary increases, payroll growth, and inflation were decreased by 0.25% to 3.25% for payroll growth and 2.50% for inflation.

2015 Changes

Changes in Plan Provisions:

- The postretirement benefit increase to be paid after attainment of the 90% funding threshold was changed, from inflation up to 2.50%, to a fixed rate of 2.50%.

Changes in Actuarial Assumptions:

- The assumed postretirement benefit increase rate was changed from 1.00% per year through 2030 and 2.50% per year thereafter to 1.00% per year through 2037 and 2.50% per year thereafter.

SUPPLEMENTARY INFORMATION

**CITY OF HERMANTOWN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	Special Revenue Funds					
	Hermantown Economic Development Authority Fund	Park Dedication Fund	Hermantown Wetland Mitigation Fund	Police Program Fund	Cable Television Fund	Soccer Fund
ASSETS						
Cash and Cash Equivalents	\$ 208,325	\$ 166,119	\$ 67,790	\$ 188,786	\$ 212,167	\$ 73,168
Accounts Receivable	-	-	-	3,055	19,281	-
Interest Receivable	-	142	-	-	162	-
Delinquent Taxes Receivable	858	-	-	-	-	-
Special Assessments Receivable	-	-	-	-	-	-
Prepaid Items	14	-	-	-	31	-
Advance to Other Funds	-	-	-	-	150,000	-
Total Assets	<u>\$ 209,197</u>	<u>\$ 166,261</u>	<u>\$ 67,790</u>	<u>\$ 191,841</u>	<u>\$ 381,641</u>	<u>\$ 73,168</u>
LIABILITIES						
Accrued Wages and Related Liabilities	\$ 1,250	\$ -	\$ -	\$ -	\$ 247	\$ -
Accounts Payable	154	-	-	3,395	-	-
Due to Other Funds	-	-	-	-	-	-
Deposits Payable	648	5,000	-	-	-	-
Advance from Other Funds	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Total Liabilities	<u>2,052</u>	<u>5,000</u>	<u>-</u>	<u>3,395</u>	<u>247</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Delinquent Property Tax	480	-	-	-	-	-
Unavailable Special Assessments	-	-	-	-	-	-
Total Deferred Inflow of Resources	<u>480</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT)						
Nonspendable	14	-	-	-	31	-
Restricted	-	85,052	-	188,446	-	-
Committed	206,651	76,209	67,790	-	381,363	-
Assigned	-	-	-	-	-	73,168
Unassigned (Deficit)	-	-	-	-	-	-
Total Fund Balance (Deficit)	<u>206,665</u>	<u>161,261</u>	<u>67,790</u>	<u>188,446</u>	<u>381,394</u>	<u>73,168</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)	<u>\$ 209,197</u>	<u>\$ 166,261</u>	<u>\$ 67,790</u>	<u>\$ 191,841</u>	<u>\$ 381,641</u>	<u>\$ 73,168</u>

**CITY OF HERMANTOWN
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

Debt Service Funds						
	Certificate of Indebtedness Fund	G.O. Improvement Bonds Series 2010A Fund	G.O. Improvement Bonds Series 2012A Fund	G.O. Improvement Bonds Series 2012B Fund	G.O. Improvement Bonds Series 2014A Fund	G.O. Refunding Bonds Series 2016A Fund
ASSETS						
Cash and Cash Equivalents	\$ 37,680	\$ 332,566	\$ 11,018	\$ 1,288,910	\$ 123,597	\$ 335,092
Accounts Receivable	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-
Delinquent Taxes Receivable	648	-	-	-	-	4,353
Special Assessments Receivable	-	685,896	361,799	1,473,916	1,133,005	803,053
Prepaid Items	-	-	-	-	-	-
Advance to Other Funds	-	-	-	-	-	-
Total Assets	<u>\$ 38,328</u>	<u>\$ 1,018,462</u>	<u>\$ 372,817</u>	<u>\$ 2,762,826</u>	<u>\$ 1,256,602</u>	<u>\$ 1,142,498</u>
LIABILITIES						
Accrued Wages and Related Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	-	-	-	-	-	-
Due to Other Funds	-	-	-	-	-	-
Deposits Payable	-	-	-	-	-	-
Advance from Other Funds	-	-	-	-	-	-
Unearned Revenue	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Delinquent Property Tax	394	-	220	-	-	245
Unavailable Special Assessments	-	684,416	361,327	1,466,180	1,130,981	803,053
Total Deferred Inflow of Resources	<u>394</u>	<u>684,416</u>	<u>361,547</u>	<u>1,466,180</u>	<u>1,130,981</u>	<u>803,298</u>
FUND BALANCE (DEFICIT)						
Nonspendable	-	-	-	-	-	-
Restricted	37,934	334,046	11,270	1,296,646	125,621	339,200
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned (Deficit)	-	-	-	-	-	-
Total Fund Balance (Deficit)	<u>37,934</u>	<u>334,046</u>	<u>11,270</u>	<u>1,296,646</u>	<u>125,621</u>	<u>339,200</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)	<u>\$ 38,328</u>	<u>\$ 1,018,462</u>	<u>\$ 372,817</u>	<u>\$ 2,762,826</u>	<u>\$ 1,256,602</u>	<u>\$ 1,142,498</u>

**CITY OF HERMANTOWN
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

Debt Service Funds				
G.O. Improvement Bonds Series 2016B Fund	G.O. Improvement Bonds Series 2018A Fund	G.O. Tax Abatement Bonds Series 2018B Fund	G.O. Tax Abatement Bonds Series 2019A Fund	Special Assessment Deficiency Fund
\$ 162,086	\$ 186,568	\$ 284,969	\$ -	\$ 333,004
-	-	-	-	-
-	-	-	-	353
-	1,083	393	-	-
-	-	-	-	467,310
-	-	-	-	-
-	-	-	-	-
<u>\$ 162,086</u>	<u>\$ 187,651</u>	<u>\$ 285,362</u>	<u>\$ -</u>	<u>\$ 800,667</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	9,774	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	9,774	-
-	-	-	-	-
-	450	165	-	-
-	-	-	-	467,309
-	<u>450</u>	<u>165</u>	-	<u>467,309</u>
-	-	-	-	-
162,086	187,201	285,197	-	-
-	-	-	-	333,358
-	-	-	-	-
-	-	-	(9,774)	-
<u>162,086</u>	<u>187,201</u>	<u>285,197</u>	<u>(9,774)</u>	<u>333,358</u>
<u>\$ 162,086</u>	<u>\$ 187,651</u>	<u>\$ 285,362</u>	<u>\$ -</u>	<u>\$ 800,667</u>

**CITY OF HERMANTOWN
COMBINING BALANCE SHEET (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	Capital Project Funds					
	General Capital Projects Fund	Municipal Building Reserve Fund	TIF District 1 Improvement Fund	HEDA Fleet Projects Fund	Special Assessment/ Road Improvement Fund	Municipal State Aid Streets Fund
ASSETS						
Cash and Cash Equivalents	\$ 242,269	\$ 166,575	\$ 15,343	\$ 66,525	\$ -	\$ -
Accounts Receivable	-	-	-	-	-	79,937
Interest Receivable	-	-	-	-	-	-
Delinquent Taxes Receivable	-	-	-	-	-	-
Special Assessments Receivable	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-
Advance to Other Funds	-	-	-	-	-	-
Total Assets	<u>\$ 242,269</u>	<u>\$ 166,575</u>	<u>\$ 15,343</u>	<u>\$ 66,525</u>	<u>\$ -</u>	<u>\$ 79,937</u>
LIABILITIES						
Accrued Wages and Related Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accounts Payable	13,928	-	494	-	54,439	88,442
Due to Other Funds	-	-	-	-	18,292	40,335
Deposits Payable	-	-	-	-	-	-
Advance from Other Funds	-	-	700,000	-	-	-
Total Liabilities	<u>13,928</u>	<u>-</u>	<u>700,494</u>	<u>-</u>	<u>72,731</u>	<u>128,777</u>
DEFERRED INFLOWS OF RESOURCES						
Delinquent Property Tax	-	-	-	-	-	-
Unavailable Special Assessments	-	-	-	-	-	-
Total Deferred Inflow of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE (DEFICIT)						
Nonspendable	-	-	-	-	-	-
Restricted	-	-	-	-	-	-
Committed	-	-	-	-	-	-
Assigned	228,341	166,575	-	66,525	-	-
Unassigned (Deficit)	-	-	(685,151)	-	(72,731)	(48,840)
Total Fund Balance (Deficit)	<u>228,341</u>	<u>166,575</u>	<u>(685,151)</u>	<u>66,525</u>	<u>(72,731)</u>	<u>(48,840)</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)	<u>\$ 242,269</u>	<u>\$ 166,575</u>	<u>\$ 15,343</u>	<u>\$ 66,525</u>	<u>\$ -</u>	<u>\$ 79,937</u>

**CITY OF HERMANTOWN
 COMBINING BALANCE SHEET (CONTINUED)
 NONMAJOR GOVERNMENTAL FUNDS
 DECEMBER 31, 2019**

<u>Capital Projects Funds</u>		
Firehalls 2 & 3	Rose Road Softball Fields Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 4,502,557
-	-	102,273
-	-	657
-	-	7,335
-	-	4,924,979
-	-	45
-	-	150,000
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,687,846</u>
-	-	1,497
-	-	160,852
-	-	68,401
-	-	5,648
-	-	700,000
-	-	936,398
-	-	1,954
-	-	4,913,266
-	-	4,915,220
-	-	45
-	-	3,052,699
-	-	1,065,371
-	-	534,609
-	-	(816,496)
-	-	3,836,228
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,687,846</u>

**CITY OF HERMANTOWN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES (DEFICITS)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	Special Revenue Funds					
	Hermantown Economic Development Authority Fund	Park Dedication Fund	Hermantown Wetland Mitigation Fund	Police Program Fund	Cable Television Fund	Soccer Fund
REVENUES						
Taxes	\$ 75,820	\$ -	\$ -	\$ -	\$ -	\$ -
Franchise Fees	-	-	-	-	38,688	-
Special Assessments	-	-	-	-	-	-
Licenses and Permits	-	34,100	-	-	-	-
Intergovernmental	-	42,000	-	-	-	-
Charges for Services	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	12,222	-	-
Investment Income	-	3,575	-	-	10,333	-
Miscellaneous	2,771	-	-	11,865	-	21,922
Total Revenues	<u>78,591</u>	<u>79,675</u>	<u>-</u>	<u>24,087</u>	<u>49,021</u>	<u>21,922</u>
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	11,732	-	-
Community and Economic Development	64,802	-	7,001	-	-	-
Culture and Recreation	-	376	-	-	15,026	-
Capital Outlay	-	154,844	-	-	-	-
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	-	-
Total Expenditures	<u>64,802</u>	<u>155,220</u>	<u>7,001</u>	<u>11,732</u>	<u>15,026</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	13,789	(75,545)	(7,001)	12,355	33,995	21,922
OTHER FINANCING SOURCES (USES)						
Transfer in	106,696	-	-	-	-	-
Transfer out	-	(95,065)	-	-	-	-
Net Other Financing Sources (Uses)	<u>106,696</u>	<u>(95,065)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	120,485	(170,610)	(7,001)	12,355	33,995	21,922
Fund Balance (Deficit) - Beginning	<u>86,180</u>	<u>331,871</u>	<u>74,791</u>	<u>176,091</u>	<u>347,399</u>	<u>51,246</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 206,665</u>	<u>\$ 161,261</u>	<u>\$ 67,790</u>	<u>\$ 188,446</u>	<u>\$ 381,394</u>	<u>\$ 73,168</u>

**CITY OF HERMANTOWN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES (DEFICITS) (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

Debt Service Funds						
	Certificate of Indebtedness Fund	G.O. Improvement Bonds Series 2010A Fund	G.O. Improvement Bonds Series 2012A Fund	G.O. Improvement Bonds Series 2012B Fund	G.O. Improvement Bonds Series 2014A Fund	G.O. Refunding Bonds Series 2016A Fund
REVENUES						
Taxes	\$ 49,438	\$ -	\$ -	\$ -	\$ -	\$ 78,615
Franchise Fees	-	-	-	-	-	-
Special Assessments	-	113,012	51,396	150,760	110,879	157,835
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	-
Charges for Services	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	<u>49,438</u>	<u>113,012</u>	<u>51,396</u>	<u>150,760</u>	<u>110,879</u>	<u>236,450</u>
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Community and Economic Development	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-
Debt Service:						
Principal	-	335,000	155,000	140,000	220,000	350,000
Interest and Fiscal Charges	-	59,251	27,091	57,408	38,116	63,114
Total Expenditures	<u>-</u>	<u>394,251</u>	<u>182,091</u>	<u>197,408</u>	<u>258,116</u>	<u>413,114</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	49,438	(281,239)	(130,695)	(46,648)	(147,237)	(176,664)
OTHER FINANCING SOURCES (USES)						
Transfer in	-	255,000	197,539	40,119	226,700	215,507
Transfer out	-	-	-	-	-	-
Net Other Financing Sources (Uses)	<u>-</u>	<u>255,000</u>	<u>197,539</u>	<u>40,119</u>	<u>226,700</u>	<u>215,507</u>
NET CHANGE IN FUND BALANCE	49,438	(26,239)	66,844	(6,529)	79,463	38,843
Fund Balance (Deficit) - Beginning	<u>(11,504)</u>	<u>360,285</u>	<u>(55,574)</u>	<u>1,303,175</u>	<u>46,158</u>	<u>300,357</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 37,934</u>	<u>\$ 334,046</u>	<u>\$ 11,270</u>	<u>\$ 1,296,646</u>	<u>\$ 125,621</u>	<u>\$ 339,200</u>

**CITY OF HERMANTOWN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES (DEFICITS) (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

Debt Service Funds				
G.O. Improvement Bonds Series 2016B Fund	G.O. Improvement Bonds Series 2018A Fund	G.O. Tax Abatement Bonds Series 2018B Fund	G.O. Tax Abatement Bonds Series 2019A Fund	Special Assessment Deficiency Fund
\$ -	\$ 143,801	\$ 52,711	\$ -	\$ -
-	-	-	-	-
-	-	-	-	24,284
-	-	-	-	-
-	-	-	-	-
-	-	-	-	9,469
-	-	-	-	-
-	143,801	52,711	-	33,753
-	-	-	-	919
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
500,000	20,000	-	-	-
126,162	80,525	262,445	178,202	-
<u>626,162</u>	<u>100,525</u>	<u>262,445</u>	<u>178,202</u>	<u>919</u>
(626,162)	43,276	(209,734)	(178,202)	32,834
698,807	71,415	494,931	168,428	-
-	-	-	-	(27,806)
<u>698,807</u>	<u>71,415</u>	<u>494,931</u>	<u>168,428</u>	<u>(27,806)</u>
72,645	114,691	285,197	(9,774)	5,028
89,441	72,510	-	-	328,330
<u>\$ 162,086</u>	<u>\$ 187,201</u>	<u>\$ 285,197</u>	<u>\$ (9,774)</u>	<u>\$ 333,358</u>

**CITY OF HERMANTOWN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES (DEFICITS) (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	Capital Project Funds					
	General Capital Projects Fund	Municipal Building Reserve Fund	TIF District 1 Improvement Fund	HEDA Fleet Projects Fund	Special Assessment/ Road Improvement Fund	Municipal State Aid Streets Fund
REVENUES						
Taxes	\$ -	\$ -	\$ 142,024	\$ 315,234	\$ -	\$ -
Franchise Fees	-	-	-	-	-	-
Special Assessments	-	-	-	34,969	-	-
Licenses and Permits	-	-	-	-	-	-
Intergovernmental	-	-	-	-	-	82,417
Fines and Forfeitures	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-
Total Revenues	<u>-</u>	<u>-</u>	<u>142,024</u>	<u>350,203</u>	<u>-</u>	<u>82,417</u>
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Public Safety	-	-	-	-	-	-
Community and Economic Development	-	-	84,949	241,478	-	-
Culture and Recreation	-	-	-	-	-	-
Capital Outlay	340,909	-	-	-	93,171	131,595
Debt Service:						
Principal	-	-	-	-	-	-
Interest and Fiscal Charges	-	-	28,000	-	-	-
Total Expenditures	<u>340,909</u>	<u>-</u>	<u>112,949</u>	<u>241,478</u>	<u>93,171</u>	<u>131,595</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(340,909)	-	29,075	108,725	(93,171)	(49,178)
OTHER FINANCING SOURCES (USES)						
Transfer In	335,000	-	-	-	18,740	-
Transfer out	-	-	-	-	-	(18,740)
Net Other Financing Sources (Uses)	<u>335,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,740</u>	<u>(18,740)</u>
NET CHANGE IN FUND BALANCE	(5,909)	-	29,075	108,725	(74,431)	(67,918)
Fund Balance (Deficit) - Beginning	<u>234,250</u>	<u>166,575</u>	<u>(714,226)</u>	<u>(42,200)</u>	<u>1,700</u>	<u>19,078</u>
FUND BALANCE (DEFICIT) - ENDING	<u>\$ 228,341</u>	<u>\$ 166,575</u>	<u>\$ (685,151)</u>	<u>\$ 66,525</u>	<u>\$ (72,731)</u>	<u>\$ (48,840)</u>

**CITY OF HERMANTOWN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES (DEFICITS) (CONTINUED)
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

Capital Project Funds		
Firehalls 2 & 3	Rose Road Softball Fields Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 857,643
-	-	38,688
-	-	643,135
-	-	34,100
-	-	124,417
-	-	12,222
(239)	-	23,138
-	-	36,558
<u>(239)</u>	<u>-</u>	<u>1,769,901</u>
-	-	919
-	-	11,732
85	-	398,315
-	-	15,402
10,786	9,465	740,770
-	-	1,720,000
(1)	-	920,313
<u>10,870</u>	<u>9,465</u>	<u>3,807,451</u>
(11,109)	(9,465)	(2,037,550)
-	63,855	2,892,737
<u>(71,415)</u>	<u>-</u>	<u>(213,026)</u>
<u>(71,415)</u>	<u>63,855</u>	<u>2,679,711</u>
(82,524)	54,390	642,161
<u>82,524</u>	<u>(54,390)</u>	<u>3,194,067</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,836,228</u>

**CITY OF HERMANTOWN
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2019**

	Storm Water Funds	Street Lighting Fund	Total Nonmajor Enterprise Funds
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 10,526	\$ 437,424	\$ 447,950
Interest Receivable	-	398	398
Accounts Receivable, Net of Allowance	97,221	30,991	128,212
Advance to Other Funds	-	550,000	550,000
Prepaid Items	309	-	309
Total Current Assets	<u>108,056</u>	<u>1,018,813</u>	<u>1,126,869</u>
Noncurrent Assets:			
Capital Assets, Net of Depreciation:			
Assets Not Being Depreciated	45,196	-	45,196
DEFERRED OUTFLOWS OF RESOURCES			
Other Postemployment Benefits	<u>1,325</u>	<u>-</u>	<u>1,325</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 154,577</u>	<u>\$ 1,018,813</u>	<u>\$ 1,173,390</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	\$ 1,646	\$ 10,270	\$ 11,916
Accrued Wages and Related Liabilities	5,937	-	5,937
Total Current Liabilities	<u>7,583</u>	<u>10,270</u>	<u>17,853</u>
Noncurrent Liabilities:			
Compensated Absences	20,351	-	20,351
Total OPEB Liability	<u>36,656</u>	<u>-</u>	<u>36,656</u>
Total Noncurrent Liabilities	<u>57,007</u>	<u>-</u>	<u>57,007</u>
Total Liabilities	64,590	10,270	74,860
NET POSITION			
Net Investment in Capital Assets	45,196	-	45,196
Unrestricted	<u>44,791</u>	<u>1,008,543</u>	<u>1,053,334</u>
Total Net Position	<u>89,987</u>	<u>1,008,543</u>	<u>1,098,530</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 154,577</u>	<u>\$ 1,018,813</u>	<u>\$ 1,173,390</u>

CITY OF HERMANTOWN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2019

	Storm Water Funds	Street Lighting Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES			
User Fees	\$ 434,342	\$ 135,326	\$ 569,668
Total Operating Revenues	434,342	135,326	569,668
OPERATING EXPENSES			
Personal Services	174,868	-	174,868
Maintenance and Supplies	50,018	73,781	123,799
Utilities	-	25,500	25,500
Professional Services	20,914	-	20,914
Total Operating Expenses	245,800	99,281	345,081
NET OPERATING INCOME	188,542	36,045	224,587
NONOPERATING REVENUES			
Hookups and Miscellaneous Income	5,462	-	5,462
Investment Income	-	32,746	32,746
Total Nonoperating Revenues	5,462	32,746	38,208
CHANGE IN NET POSITION	194,004	68,791	262,795
Net Position - Beginning	(104,017)	939,752	835,735
NET POSITION - ENDING	\$ 89,987	\$ 1,008,543	\$ 1,098,530

**CITY OF HERMANTOWN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2019**

	Nonmajor Enterprise Fund		Total Nonmajor Enterprise Funds
	Storm Water Funds	Street Lighting Fund	
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Users	\$ 337,121	\$ 137,956	\$ 475,077
Payments to Employees	(217,219)	-	(217,219)
Payments to Suppliers	(69,641)	(96,635)	(166,276)
Net Cash Provided (Used) by Operating Activities	<u>50,261</u>	<u>41,321</u>	<u>91,582</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Miscellaneous Income	5,462	-	5,462
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Acquisition and Construction of Capital Assets	(45,197)	-	(45,197)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income	<u>-</u>	<u>32,736</u>	<u>32,736</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	10,526	74,057	84,583
Cash and Cash Equivalents - Beginning of Year	<u>-</u>	<u>363,367</u>	<u>363,367</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 10,526</u></u>	<u><u>\$ 437,424</u></u>	<u><u>\$ 447,950</u></u>

**CITY OF HERMANTOWN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2019**

	Nonmajor Enterprise Funds		Total Nonmajor Enterprise Funds
	Storm Water Funds	Street Lighting Fund	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Operating Income (Loss)	\$ 188,542	\$ 36,045	\$ 224,587
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
(Increase) Decrease in Assets:			
Accounts Receivable	(97,221)	2,630	(94,591)
Prepaid Expenses	(309)	-	(309)
Deferred Outflows	(1,325)	-	(1,325)
Increase (Decrease) in Liabilities:			
Accounts Payable	1,600	2,646	4,246
Wages and Related Liabilities	5,471	-	5,471
Due to Other Funds	(103,504)	-	(103,504)
Compensated Absences Payable	20,351	-	20,351
Total OPEB Liability	36,656	-	36,656
Total Adjustments	(138,281)	5,276	(133,005)
Net Cash Provided (Used) by Operating Activities	\$ 50,261	\$ 41,321	\$ 91,582

OTHER REPORTS



INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS

Honorable City Council
City of Hermantown
Hermantown, Minnesota

We have audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermantown, Minnesota (City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated May 8, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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


Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 8, 2020



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable City Council
City of Hermantown
Hermantown, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermantown, Minnesota (City), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated, May 8, 2020.

The *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minnesota Statutes Sec. 6.65, contains seven categories of compliance to be tested: contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing. Our audit considered all of the listed categories.

In connection with our audit, nothing came to our attention that caused us to believe that the City, failed to comply with the provisions of the *Minnesota Legal Compliance Audit Guide for Cities*. However, our audit was not directed primarily towards obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance relating to the provisions of the *Minnesota Legal Compliance Audit Guide for Cities* and the results of that testing and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 8, 2020

TO: Mayor & City Council
FROM: Kevin Orme, Director of
Finance & Administration



DATE: May 8, 2020 **Meeting Date:** 5/18/20
SUBJECT: Budget Cuts **Agenda Item: 7-B** **Presentation**

REQUESTED ACTION
No action required – update only

BACKGROUND

Due to the current economic recession and COVID-19, immediate General Fund budget cuts are recommended. We have been in communication with the County Auditor and other Cities to try and assess the impact on property taxes due to the economic shutdown. This endeavor is guesswork at best due to the unprecedented nature of the pandemic and shutdown.

We are recommending the attached immediate cuts to our 2020 General Fund budget. These cuts would offset a 9-10% reduction in the amount of property taxes received. Our first half property tax payment is scheduled to be received in early July. That will give us a better indication of the impact to our General Fund. As we more fully understand the impact we can reduce or increase the attached cuts during the rest of 2020.

As you can see in the attached, we took a comprehensive look at our General Fund budget. The largest amounts we are saving are due to reducing contracted services, postponing all capital purchases, eliminating new planned hires, less overtime, greatly reducing summer temporary help, and less gravel and chloride on roads.

We are looking at these cuts as short term cuts with our long term future in mind. Once we have a better handle of the impact of COVID-19 we may formalize some form of these cuts as a 2020 Budget Amendment.

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

Budget Cuts

City of Hermantown 2020 Budget Cuts

Item Description	Amount	Department
Community Relations	740	Admin/Finance
Contracted Services	3,200	Admin/Finance
Dues	1,000	Admin/Finance
Legal Notices	900	Admin/Finance
Miscellaneous	100	Admin/Finance
Office	500	Admin/Finance
Postage	200	Admin/Finance
Printing Supplies	800	Admin/Finance
School/ Conference	2,000	Admin/Finance
Travel	3,500	Admin/Finance
Attorney	5,000	City Attorney
ARDC Contract	22,450	Community Development
Computer Software	6,500	Community Development
Dues	1,500	Community Development
GIS employee	70,000	Community Development
Office Supplies	350	Community Development
Printing Supplies	400	Community Development
School/ Conference	750	Community Development
Travel	250	Community Development
Fire Department Contract	12,900	Fire Department
General Supplies City Hall	1,000	Inspection
Maintenance Community Building	500	Inspection
Uniforms	250	Inspection
Community Relations	1,500	Police Department
Training	4,500	Police Department
Travel	5,000	Police Department
Equipment Maintenance	1,000	Police Department
Fuel	11,000	Police Department
Gun Supplies	2,500	Police Department
Legal	12,000	Police Department
Overtime	50,000	Police Department
Miscellaneous	1,500	Police Department
Additional Police officer	53,688	Police Department
Maternity Leave - Employee	6,000	Police Department
Office Equipment	3,750	Police Department
Office Supplies	350	Police Department
Personnel Testing	1,485	Police Department
Vehicles	99,000	Police Department

Uniforms	3,000	Police Department
Truck	59,500	Public Works
Cemetery Contracted Services	5,000	Public Works
Chloride on Gravel Roads	20,000	Public Works
Engineering	7,000	Public Works
Gravel	30,000	Public Works
Loberg Bumps	(22,000)	Public Works
Contracted Services	8,000	Public Works
Land Repairs at Parks	8,000	Public Works
Air Handler for Shop	10,000	Public Works
Building Maintenance (Garage)	1,000	Public Works
Office Equipment	1,000	Public Works
Personnel Testing	500	Public Works
School/ Conference	500	Public Works
Summer Temporary Help	25,311	Public Works
Total	544,874	
10% of Property Tax Revenue	548,193	

CITY OF HERMANTOWN
CITY COUNCIL MEETING
May 4, 2020
6:30 p.m.

MEETING CONDUCTED VIA ZOOM

Pledge of Allegiance

ROLL CALL: Councilors Geissler, Nelson, Peterson, Schmidt, Mayor Boucher

CITY STAFF: John Mulder, City Administrator; Bonnie Engseth, City Clerk; Eric Johnson, Community Development Director; Joe Wicklund, Communications Manager; Kevin Orme, Director of Finance & Administration; Jim Crace, Chief of Police; Paul Senst, Public Works Director; Steve Overom, City Attorney

ABSENT:

VISITORS: 8

ANNOUNCEMENTS

PUBLIC HEARING

COMMUNICATIONS

Communications 2020-70 through and including 2020-86 were read and placed on file.

Communication 2020-70 from Steve Overom, Overom Law to Roger Behrens, MN Management & Budget regarding Essentia Wellness Center - Hermantown

Communication 2020-78 from Lance Johnson, 4060 Ugstad Rd. to Eric Johnson, Community Development Director regarding Clear Vision Builders, 4063 Ugstad Rd.

Communication 2020-79 from Becky Urbanski, 4560 Norway Pines Place to Eric Johnson, Community Development Director regarding ATK Enterprises, 45xx Norway Pines Place

Communication 2020-80 from Jim Petruaga, 4054 Ugstad Rd. to Eric Johnson, Community Development Director regarding Clear Vision Builders, 4063 Ugstad Rd.

Communication 2020-81 from Eric Johnson, Community Development Director to Dave Mesojedec, 3721 Lavaque Rd. regarding Zoning Violation

Communication 2020-82 from John Mulder, City Administrator to Andy Hubley, Arrowhead Regional Development Commission regarding Termination of Contract

Communication 2020-83 from John Mulder, City Administrator to Mayor & City Council regarding Liquor License Update

Communication 2020-84 from John Mulder, City Administrator to Mayor & City Council regarding Delinquent Utility Accounts

PRESENTATIONS

PUBLIC DISCUSSION

CONSENT AGENDA

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

- A. Approve April 20, 2020 City Council Continuation Minutes
- B. Approve general city warrants from April 16, 2020 through April 30, 2020 in the amount of \$819,976.15

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

MOTIONS

ORDINANCES

RESOLUTIONS

2020-54 Resolution Approving Pay Request Number 22 & Number 23 For The Essentia Wellness Center To McGough Construction Co. LLC In The Amount Of \$39,700

Motion made by Councilor Geissler, seconded by Councilor Peterson to adopt Resolution 2020-54, Resolution Approving Pay Request Number 22 & Number 23 For The Essentia Wellness Center To McGough Construction Co. LLC In The Amount Of \$39,700. Roll Call: Councilors Geissler, Nelson, Peterson, Schmidt, Mayor Boucher. Motion carried.

2020-55 Resolution Approving An Amendment To The City Handbook Regarding Information Security Policy

Motion made by Councilor Nelson, seconded by Councilor Schmidt to adopt Resolution 2020-55, Resolution Approving An Amendment To The City Handbook Regarding Information Security Policy. Roll Call: Councilors Geissler, Nelson, Peterson, Schmidt, Mayor Boucher. Motion carried.

2020-56 Resolution Amending And Restating Resolution 2020-52 Resolution Providing For The Issuance, Sale And Delivery Of \$3,915,000 General Obligation Sewage Disposal System Bonds, Series 2020B, And Awarding The Sale Thereof

Motion made by Councilor Peterson, seconded by Councilor Schmidt to adopt Resolution 2020-56, Resolution Amending And Restating Resolution 2020-52 Resolution Providing For The Issuance, Sale And Delivery Of \$3,915,000 General Obligation Sewage Disposal System Bonds, Series 2020B, And Awarding The Sale Thereof. Roll Call: Councilors Geissler, Nelson, Peterson, Schmidt, Mayor Boucher. Motion carried.

2020-57 Resolution Authorizing And Directing The Mayor And City Clerk To Execute And Deliver A Use And Operating Agreement Between The City Of Hermantown And Duluth Area Family Y.M.C.A. ("YMCA") For The Essentia Wellness Center

Motion made by Councilor Geissler, seconded by Councilor Peterson to adopt Resolution 2020-57, Resolution Authorizing And Directing The Mayor And City Clerk To Execute And Deliver A Use And Operating Agreement Between The City Of Hermantown And Duluth Area Family Y.M.C.A. ("YMCA") For The Essentia Wellness Center. Roll Call: Councilors Geissler, Nelson, Peterson, Schmidt, Mayor Boucher. Motion carried.

2020-58 Resolution Authorizing And Directing The Mayor And City Clerk To Execute And Deliver A Memorandum Of Understanding Between The City Of Hermantown And Independent School District #700 For The Essentia Wellness Center

Motion made by Councilor Schmidt, seconded by Councilor Nelson to adopt Resolution 2020-58, Resolution Authorizing And Directing The Mayor And City Clerk To Execute And Deliver A Memorandum Of Understanding Between The City Of Hermantown And Independent School District #700 For The Essentia Wellness Center. Roll Call: Councilors Geissler, Nelson, Peterson, Schmidt, Mayor Boucher. Motion carried.

2020-59 Resolution Approving Cooperative Agreement With St. Louis County To Perform Improvements On Airbase Road (CSAH 17) CP 0017-369575/SAP 069-617-005, Swan Lake Road CP 0000-533596/SAP 202-111-001 And Sundby Road CP 0000-533597/SAP 202-112-001 Within The City Of Hermantown Corporate Limits

Motion made by Councilor Geissler, seconded by Councilor Schmidt to adopt Resolution 2020-59, Resolution Approving Cooperative Agreement With St. Louis County To Perform Improvements On Airbase Road (CSAH 17) CP 0017-369575/SAP 069-617-005, Swan Lake Road CP 0000-533596/SAP 202-111-001 And Sundby Road CP 0000-533597/SAP 202-112-001 Within The City Of Hermantown Corporate Limits. Roll Call: Councilors Geissler, Nelson, Peterson, Schmidt, Mayor Boucher. Motion carried.

2020-60 Resolution Directing Preparation Of Preliminary Engineering Feasibility Report For 2021 Road Improvement Plan (Sundby Road & Swan Lake Road)

Motion made by Councilor Peterson, seconded by Councilor Schmidt to adopt Resolution 2020-60, Resolution Directing Preparation Of Preliminary Engineering Feasibility Report For 2021 Road Improvement Plan (Sundby Road & Swan Lake Road). Roll Call: Councilors Geissler, Nelson, Peterson, Schmidt, Mayor Boucher. Motion carried.

2020-61 Resolution Approving Pay Request Number 2 For Sewer Improvement District No. 448 To Utility Systems Of America, Inc. In The Amount Of \$30,045.81

Motion made by Councilor Nelson, seconded by Councilor Geissler to adopt Resolution 2020-61, Resolution Approving Pay Request Number 2 For Sewer Improvement District No. 448 To Utility Systems Of America, Inc. In The Amount Of \$30,045.81.

Don Kallos, 4775 Anderson Rd – He stated his concerns regarding the contractor encroaching on his property.

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

2020-62 Resolution Approving Change Order No. 2 For Okerstrom Road Culverts Improvement Project No. 533 To Dirt, Inc.

Motion made by Councilor Schmidt, seconded by Councilor Peterson to adopt Resolution 2020-62, Resolution Approving Change Order No. 2 For Okerstrom Road Culverts Improvement Project No. 533 To Dirt, Inc.. Roll Call: Councilors Geissler, Nelson, Peterson, Schmidt, Mayor Boucher. Motion carried.

2020-63 Resolution Approving Preliminary And Final Planned Unit Development For ATK Storage

Motion made by Councilor Geissler, seconded by Councilor Schmidt to adopt Resolution 2020-63, Resolution Approving Preliminary And Final Planned Unit Development For ATK Storage.

Brad Edstrom, 5225 Miller Trunk Hwy – He stated his concerns regarding drainage, stormwater and security on the project.

Morgan Anderson, 5219 Miller Trunk Hwy – He stated his concerns regarding paving, drainage, wetlands and grading on the project.

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

2020-64 Resolution Authorizing And Directing The Mayor And City Clerk To Execute And Deliver An Amended And Restated Naming Rights Agreement Between SMDC D/B/A Essentia Wellness Center And The City Of Hermantown

Motion made by Councilor Peterson, seconded by Councilor Schmidt to adopt Resolution 2020-64, Resolution Authorizing And Directing The Mayor And City Clerk To Execute And Deliver An Amended And Restated Naming Rights Agreement Between SMDC D/B/A Essentia Wellness Center And The City Of Hermantown. Roll Call: Councilors Geissler, Nelson, Peterson, Schmidt, Mayor Boucher. Motion carried.

2020-65 Resolution Authorizing And Directing The Mayor And City Clerk To Execute And Deliver An Amended And Restated Lease Agreement Between The City Of Hermantown And Essentia Health

Motion made by Councilor Schmidt, seconded by Councilor Geissler to adopt Resolution 2020-65, Resolution Authorizing And Directing The Mayor And City Clerk To Execute And Deliver An Amended And Restated Lease Agreement Between The City Of Hermantown And Essentia Health. Roll Call: Councilors Geissler, Nelson, Peterson, Schmidt, Mayor Boucher. Motion carried.

2020-66 Resolution Approving General Obligation Bond Proceeds Grant Agreement-End Grant For The Essentia Wellness Center Between The City Of Hermantown And Minnesota Department Of Employment And Economic Development

Motion made by Councilor Nelson, seconded by Councilor Peterson to adopt Resolution 2020-66, Resolution Approving General Obligation Bond Proceeds Grant Agreement-End Grant For The Essentia Wellness Center Between The City Of Hermantown And Minnesota Department Of Employment And Economic Development. Roll Call: Councilors Geissler, Nelson, Peterson, Schmidt, Mayor Boucher. Motion carried.

Motion made by Councilor Geissler, seconded by Councilor Peterson to suspend the rules to allow for public discussion to those who were late for the meeting.

City Council Continuation Meeting

May 4, 2020

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Joe Peterson, 4240 Washington Dr. – He asked if his memo regarding Richard Avenue was received by the City Council.

Motion made by Councilor Schmidt, seconded by Councilor Peterson to recess the meeting at 7:18 p.m.
Motion carried.

Mayor

ATTEST:

Clerk

CITY OF HERMANTOWN

CHECKS #65809-#65858
05/01/2020 -05/15/2020

PAYROLL CHECKS

Electronic Checks - #72284-72321 \$63,790.04

LIABILITY CHECKS

Electronic Checks - #72279-72283 \$49,885.96

Printed Checks- #65858 \$948.40

PAYROLL EXPENSE TOTAL \$114,624.40

ACCOUNTS PAYABLE

Checks - #65809-65857 \$229,192.66

Electronic Payments - #99942-#99944 \$2,584.31

ACCOUNTS PAYABLE TOTAL \$231,776.97

TOTAL \$346,401.37

CITY OF HERMANTOWN, MN 05/01/2020-05/15/2020
Check # is between 65809 and 65858 or Check # is between -99944 and -99942

5/12/2020

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Fund	Account	Department	Vendor Name	Description	Amount	Check #
101	421100	Police Administration	FURTHER ELECTRONIC PAYMENTS	VEBA - Knapp Qtr 2 May & June	833.34	-99944
101	217450	Employee Flexplan	FURTHER ELECTRONIC PAYMENTS	Claim Reimbursement	26.82	-99943
101	217450	Employee Flexplan	FURTHER ELECTRONIC PAYMENTS	Claim Reimbursement	1,724.15	-99942
101	431100	Street Department	A & S TRUCK AND TRAILER REPAIR	Block Heater H2	347.75	65809
101	431100	Street Department	A & S TRUCK AND TRAILER REPAIR	Block Heater/grease box rep H3	466.61	65809
101	419100	Community Development	ARROWHEAD ABSTRACT & TITLE CO.	O&E TwinPortsProp O-308132	75.00	65810
101	419901	City Hall & Police Building Maintenance	ASDCO CONSTRUCTION SUPPLY	Hand Sanitize/Surface Clean CH	560.00	65811
101	421100	Police Administration	ASDCO CONSTRUCTION SUPPLY	Hand Sanitizer PD	280.00	65811
101	431901	City Garage	ASDCO CONSTRUCTION SUPPLY	Hand Sanitizer PW	280.00	65811
101	431100	Street Department	BLUE TARP FINANCIAL	Bar for Pole Chain saw	32.95	65812
101	431100	Street Department	BW DISTRIBUTING	Starting Fluid,carb clean, sol	384.36	65813
601	494300	Water Distribution	CENTRAL PENSION FUND	Training Per Contract	31.65	65814
101	431100	Street Department	CENTRAL PENSION FUND	Training Per Contract	31.65	65814
602	494500	Sewer Maintenance	CENTRAL PENSION FUND	Training Per Contract	31.64	65814
101	422903	Firehall #3 Midway Road	CENTURYLINK	Internet FH #3	70.82	65815
101	431100	Street Department	CINTAS CORPORATION	Uniforms	10.80	65816
101	431100	Street Department	CINTAS CORPORATION	Uniforms	10.80	65816
101	431100	Street Department	CINTAS CORPORATION	Uniforms	25.77	65816
101	431100	Street Department	CINTAS CORPORATION	Uniforms	25.77	65816
101	431901	City Garage	CINTAS CORPORATION	Mats at PW	2.10	65816
101	431901	City Garage	CINTAS CORPORATION	Supplies	3.05	65816
101	431901	City Garage	CINTAS CORPORATION	Mats at PW	20.58	65816
101	431901	City Garage	CINTAS CORPORATION	Supplies	32.00	65816
601	494400	Water Administration and General	CLIFTONLARSONALLEN LLP	2019 Audit	375.00	65817
101	415300	Administration & Finance	CLIFTONLARSONALLEN LLP	2019 Audit	1,750.00	65817
602	494900	Sewer Administration and General	CLIFTONLARSONALLEN LLP	2019 Audit	375.00	65817
230	465100	HEDA	CREATIVE ARCADE	Website Maintenance	150.00	65818
602	494900	Sewer Administration and General	CUSTOMER ELATION INC	April Answering	30.81	65819
601	494400	Water Administration and General	CUSTOMER ELATION INC	April Answering	46.22	65819
101	413100	Mayor	CW TECHNOLOGY GROUP INC	CW Care -May	89.22	65820
601	494400	Water Administration and General	CW TECHNOLOGY GROUP INC	CW Care -May	267.26	65820
101	421100	Police Administration	CW TECHNOLOGY GROUP INC	CW Care -May	1,958.53	65820
101	424100	Building Inspection	CW TECHNOLOGY GROUP INC	CW Care -May	89.22	65820
101	431100	Street Department	CW TECHNOLOGY GROUP INC	CW Care -May	356.10	65820
101	415300	Administration & Finance	CW TECHNOLOGY GROUP INC	CW Care -May	534.15	65820
101	419100	Community Development	CW TECHNOLOGY GROUP INC	CW Care -May	267.26	65820
275	452200	Community Building	CW TECHNOLOGY GROUP INC	EWC-CW Care- May	855.00	65820

CITY OF HERMANTOWN, MN 05/01/2020-05/15/2020
Check # is between 65809 and 65858 or Check # is between -99944 and -99942

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Fund	Account	Department	Vendor Name	Description	Amount	Check #
602	494900	Sewer Administration and General	CW TECHNOLOGY GROUP INC	CW Care -May	267.26	65820
101	415300	Administration & Finance	CW TECHNOLOGY GROUP INC	Backup Protect Cloud May	558.00	65820
101	419901	City Hall & Police Building Maintenance	DALCO	Gloves	22.89	65821
101	422901	Firehall #1 Maple Grove Road	DOORCO, INC.	Door Repair FH#1	255.00	65822
101	421100	Police Administration	DSC COMMUNICATIONS	Face Shields	80.00	65823
411	452200	Community Building	DULUTH AREA FAMILY YMCA	Bartley Sales- Bench top	493.00	65824
101	421100	Police Administration	DULUTH NEWS-TRIBUNE	Newspaper PD 52 wks	295.88	65825
101	421100	Police Administration	DVS RENEWAL	109NTN 2014 Dodge Tabs	14.25	65826
101	422902	Firehall #2 Morris Thomas Road	GOODIN COMPANY INC	Replacement Toilet Asbly FH2	90.70	65827
101	421100	Police Administration	GREAT LAKES MOBIL LUBE EXPRESS	Oil CHange 991MKE	38.67	65828
101	421100	Police Administration	GREAT LAKES MOBIL LUBE EXPRESS	Oil CHange Squad14	38.67	65828
101	421100	Police Administration	GREAT LAKES MOBIL LUBE EXPRESS	Oil Change Squad19	51.84	65828
101	421100	Police Administration	GREAT LAKES MOBIL LUBE EXPRESS	Oil Change Squad12	38.67	65828
101	415300	Administration & Finance	GREATAMERICA FINANCIAL SERVICES	Copier Lease/Konica	124.59	65829
601	494300	Water Distribution	HERMANTOWN RADIATOR REPAIR	Brakes on Blue H-21	512.60	65830
101	411300	Ordinance, Public Notice and Proceedings	HERMANTOWN STAR LLC	RFP Insurance	33.00	65831
101	411300	Ordinance, Public Notice and Proceedings	HERMANTOWN STAR LLC	Property Assessments	132.00	65831
101	419100	Community Development	HERMANTOWN STAR LLC	PZ Clear Vision Builders	61.88	65831
101	414100	Elections	HERMANTOWN STAR LLC	Election Judges	49.50	65831
602	494500	Sewer Maintenance	HERMANTOWN TRANSMISSION & EXHAUST	Repair Ujoint & axle H22	399.95	65832
101	421100	Police Administration	HOLIDAY COMPANIES	April Car Washes	15.00	65833
101	415300	Administration & Finance	INTEGRATED OFFICE SOLUTIONS	Copy Overage Toshiba	263.95	65834
101	415300	Administration & Finance	INTEGRATED OFFICE SOLUTIONS	Copy Overage Konica	423.73	65834
101	424100	Building Inspection	M-R SIGN CO INC	911 Signs (14)	322.93	65835
603	441100	Storm Water	MACQUEEN EQUIPMENT, LLC	Street Sweeper Brushes	413.03	65836
101	431100	Street Department	MACQUEEN EQUIPMENT, LLC	Street Sweeper Brushes	413.03	65836
101	421100	Police Administration	MARSOLEK, WILLIAM A	Headlights for Squad	27.92	65837
101	452100	Parks	MCCOY CONSTRUCTION & FORESTRY, INC	Repairs to big mower	3,953.98	65838
101	431100	Street Department	MCCOY CONSTRUCTION & FORESTRY, INC	Loader Rental	2,250.00	65838
275	452200	Community Building	MEDIACOM	EWC -dedicated internet	490.00	65839
602	494900	Sewer Administration and General	MEDIACOM	Phone PW	13.07	65839
101	419901	City Hall & Police Building Maintenance	MEDIACOM	Internet CH	372.50	65839
275	452200	Community Building	MEDIACOM	EWC -line for elevator	191.56	65839
101	431100	Street Department	MEDIACOM	Phone PW	21.79	65839
101	431100	Street Department	MEDIACOM	Internet PW	103.45	65839
101	419901	City Hall & Police Building Maintenance	MEDIACOM	Phone -CH	163.92	65839
601	494400	Water Administration and General	MEDIACOM	Phone PW	8.71	65839

CITY OF HERMANTOWN, MN 05/01/2020-05/15/2020
Check # is between 65809 and 65858 or Check # is between -99944 and -99942

5/12/2020

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Fund	Account	Department	Vendor Name	Description	Amount	Check #
602	494900	Sewer Administration and General	MEDIACOM	Internet PW	62.07	65839
601	494400	Water Administration and General	MEDIACOM	Internet PW	41.38	65839
101	422901	Firehall #1 Maple Grove Road	MEDIACOM	Phone FD	40.98	65839
101	422901	Firehall #1 Maple Grove Road	MEDIACOM	Internet FD	93.13	65839
101	452100	Parks	MENARD INC	Ice/water barrier roof at socc	145.67	65840
101	452100	Parks	MENARD INC	Roof Supplies soccer	380.39	65840
101	452100	Parks	MENARD INC	Roofing	28.55	65840
101	452100	Parks	MENARD INC	Shingles -back soccer bldg	401.85	65840
101	452100	Parks	MENARD INC	Roof Cap - soccer	46.97	65840
101	452100	Parks	MENARD INC	Roof Supplies-back soccer bldg	59.21	65840
101	419901	City Hall & Police Building Maintenance	MENARD INC	Bldg Repair PD	6.94	65840
101	421100	Police Administration	METRO SALES INC	Copier Lease	309.16	65841
101	431100	Street Department	MIKE'S SIGNS	Lettering vac Trailer	100.00	65842
601	494400	Water Administration and General	MN ENERGY RESOURCES CORP	Natural Gas	676.17	65843
101	452200	Community Building	MN ENERGY RESOURCES CORP	Natural Gas	304.21	65843
101	431901	City Garage	MN ENERGY RESOURCES CORP	Natural Gas	33.80	65843
602	494900	Sewer Administration and General	MN ENERGY RESOURCES CORP	Natural Gas	422.60	65843
101	431901	City Garage	MN ENERGY RESOURCES CORP	Natural Gas	591.65	65843
275	452200	Community Building	MN POWER	EWC Garage Electricity	218.59	65844
602	494500	Sewer Maintenance	MN PUMP WORKS	EOne Grinder Pumps (3)	17,000.00	65845
101	431130	City Engineer	NORTHLAND CONSULTING ENGINEERS L.L.P.	MnDOT Rd Map	340.00	65846
101	431130	City Engineer	NORTHLAND CONSULTING ENGINEERS L.L.P.	Preagenda/4square	720.00	65846
101	431130	City Engineer	NORTHLAND CONSULTING ENGINEERS L.L.P.	Ugstad Sanitary Sewer Ext	1,095.00	65846
101	431130	City Engineer	NORTHLAND CONSULTING ENGINEERS L.L.P.	A+ Warranty letter	160.00	65846
101	419100	Community Development	NORTHLAND CONSULTING ENGINEERS L.L.P.	Kuklis- 3755 Lavaque Rd	160.00	65846
101	419100	Community Development	NORTHLAND CONSULTING ENGINEERS L.L.P.	Stokke Prelim PUD	80.00	65846
101	419100	Community Development	NORTHLAND CONSULTING ENGINEERS L.L.P.	Peyton Property	340.00	65846
101	419100	Community Development	NORTHLAND CONSULTING ENGINEERS L.L.P.	P&R Properties	325.00	65846
402	431150	Street Improvements	NORTHLAND CONSULTING ENGINEERS L.L.P.	Swan Lake Rd and Bridge	470.00	65846
101	419100	Community Development	NORTHLAND CONSULTING ENGINEERS L.L.P.	Platinum Propert Review	80.00	65846
101	419100	Community Development	NORTHLAND CONSULTING ENGINEERS L.L.P.	ATK Storage	455.00	65846
101	431130	City Engineer	NORTHLAND CONSULTING ENGINEERS L.L.P.	WLSSD Detour mtg	160.00	65846
402	431150	Street Improvements	NORTHLAND CONSULTING ENGINEERS L.L.P.	Ugstad rd intersection improve	370.00	65846
603	441100	Storm Water	NORTHLAND CONSULTING ENGINEERS L.L.P.	Culvert Policy	80.00	65846
605	431150	Street Improvements	NORTHLAND CONSULTING ENGINEERS L.L.P.	EVP and Reflective Border	160.00	65846
240	432510	Trunk Sewer Construction	NORTHLAND CONSULTING ENGINEERS L.L.P.	Hermantown Trunk Sewer Spur	10,065.00	65846
603	441100	Storm Water	NORTHLAND CONSULTING ENGINEERS L.L.P.	SWU Culvert Ord	195.00	65846

CITY OF HERMANTOWN, MN 05/01/2020-05/15/2020
Check # is between 65809 and 65858 or Check # is between -99944 and -99942

5/12/2020

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Fund	Account	Department	Vendor Name	Description	Amount	Check #
101	431130	City Engineer	NORTHLAND CONSULTING ENGINEERS L.L.P.	Rs Rd Warranty Claim	370.00	65846
101	416100	City Attorney	OVEROM LAW, PLLC	Geotech Master Contract	35.00	65847
101	421100	Police Administration	OVEROM LAW, PLLC	Gun Permits	80.00	65847
101	416100	City Attorney	OVEROM LAW, PLLC	Peyton Acres Development	225.00	65847
230	465100	HEDA	OVEROM LAW, PLLC	HEDA Sale Ethan Allen Bldg	831.50	65847
101	416100	City Attorney	OVEROM LAW, PLLC	JAZB Board of Appeals	49.00	65847
602	494500	Sewer Maintenance	OVEROM LAW, PLLC	Sewer Lateral I&I pt of sale	56.00	65847
230	465100	HEDA	OVEROM LAW, PLLC	HEDA Agenda Matters	56.00	65847
101	419100	Community Development	OVEROM LAW, PLLC	ATK Matters	119.00	65847
101	416100	City Attorney	OVEROM LAW, PLLC	Electronic Data Storage Retent	42.00	65847
240	432510	Trunk Sewer Construction	OVEROM LAW, PLLC	Sect 24 Eminent Domain/Condemn	301.00	65847
411	419100	Community Development	OVEROM LAW, PLLC	EWC	1,610.00	65847
602	432550	Sewer Lift Stations	OVEROM LAW, PLLC	Ugstad Rd Lift Station	14.00	65847
101	419100	Community Development	OVEROM LAW, PLLC	Rose Rd Payment Dispute	56.00	65847
101	416100	City Attorney	OVEROM LAW, PLLC	COVID 19 issues	1,334.00	65847
603	441100	Storm Water	OVEROM LAW, PLLC	Culver Policy	217.00	65847
101	416100	City Attorney	OVEROM LAW, PLLC	General Matters/Retainer	1,250.00	65847
230	465100	HEDA	OVEROM LAW, PLLC	Costco Development matters	260.00	65847
101	416100	City Attorney	OVEROM LAW, PLLC	Keene Creek Stream Bed Restore	28.00	65847
101	419100	Community Development	OVEROM LAW, PLLC	Hoff/Sydow Devel (Engwalls)	28.00	65847
475	431150	Street Improvements	OVEROM LAW, PLLC	2020 Street Project	175.00	65847
101	416100	City Attorney	OVEROM LAW, PLLC	Data Practices Requests	84.00	65847
101	419100	Community Development	OVEROM LAW, PLLC	Richard ave and Lindgren Rd	21.00	65847
260	456101	Cable	OVEROM LAW, PLLC	Mediacom Cable Franchise agree	28.00	65847
101	419100	Community Development	OVEROM LAW, PLLC	P&R Apartments Project	537.50	65847
240	432510	Trunk Sewer Construction	OVEROM LAW, PLLC	2017 Sewer Trunkline	280.00	65847
101	419100	Community Development	OVEROM LAW, PLLC	Oppidan Development	1,852.50	65847
101	419100	Community Development	OVEROM LAW, PLLC	Maple Grove Rd Matters	49.00	65847
475	431150	Street Improvements	OVEROM LAW, PLLC	Ugstad Rd Traffic Study	126.00	65847
101	419100	Community Development	OVEROM LAW, PLLC	Airport Zoning Amendment	14.00	65847
101	416100	City Attorney	OVEROM LAW, PLLC	Sales Tax Agreement Update	56.00	65847
101	419100	Community Development	OVEROM LAW, PLLC	Zierden Builders PUD	21.00	65847
101	421100	Police Administration	SAM'S CLUB DIRECT	Misc Supplies - PD	65.44	65848
101	431100	Street Department	SAM'S CLUB DIRECT	Misc Supplies - PW	43.44	65848
101	415300	Administration & Finance	SAM'S CLUB DIRECT	Misc Supplies - CH	146.36	65848
603	441100	Storm Water	SATHERS, LLC	Dump Fee for Sand Sweepings	98.00	65849
475	431150	Street Improvements	ST LOUIS COUNTY RECORDERS OFFICE	2020 RIP Easement Murray	46.00	65850

CITY OF HERMANTOWN, MN 05/01/2020-05/15/2020
Check # is between 65809 and 65858 or Check # is between -99944 and -99942

5/12/2020

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Fund	Account	Department	Vendor Name	Description	Amount	Check #
475	431150	Street Improvements	ST LOUIS COUNTY RECORDERS OFFICE	2020 RIP Easement Nguyen	46.00	65850
101	452200	Community Building	TELCOLOGIX	May Maintenance	10.05	65851
101	431901	City Garage	TELCOLOGIX	May Maintenance	16.75	65851
101	422901	Firehall #1 Maple Grove Road	TELCOLOGIX	May Maintenance	70.35	65851
101	419901	City Hall & Police Building Maintenance	TELCOLOGIX	May Maintenance	237.85	65851
601	220100	Refund Payable	THOMPSON, CHRIS W	Refund-Overpayment Utility Bil	1,800.00	65852
601	494300	Water Distribution	TRENCHERS PLUS, INC	Vac Trailer	114,098.00	65853
101	421100	Police Administration	TROY'S BP AMOCO INC	Veh Maint S21	20.00	65854
101	431901	City Garage	UHL COMPANY INC	Boiler Maint PW bldg	943.50	65855
602	494500	Sewer Maintenance	WLSSD	2019 Adjustment	2,202.00	65856
602	494500	Sewer Maintenance	WLSSD	Wastewater Charges 8420	39,826.00	65856
101	431100	Street Department	YOUNGREN, ALEX W	Mileage/Meal Vehicle Delivery	225.11	65857

Totals: 160 records printed

231,776.97

TO: Mayor & City Council
FROM: John Mulder, City Administrator
DATE: May 13, 2020
SUBJECT: Ordinance Amending Chapter 5, Alcoholic Beverages



Meeting Date: 5/18/20

Agenda Item: 11-A **Ordinance 2020-05**

REQUESTED ACTION

First Reading of Ordinance Amending Chapter 5, Alcoholic Beverages by allowing liquor license fees to be paid in three installments instead of in full at the time of renewal for on-sale license holders

BACKGROUND

The current ordinance requires liquor licenses to be paid in full as part of the license process, given that many of the license holders have been impacted by the coronavirus and the stay at home order, we are recommending that license applicants be allowed to make payment installments instead of in full. All license fees would be payable within the first six months (2020) for the annual license which runs from July 1, 2020 to June 30, 2021.

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

List of on sale license holders and their fees.

<u>On Sale Liquor Licensees</u>	<u>2020/2021 Fee</u>	
AAD Temple	\$4,155.00	Incl. Sunday/Dance
Beacon Sports Bar	\$4,155.00	Incl. Sunday/Dance
Chalet Lounge	\$3,655.00	Incl. Sunday
Fosters Sports Bar & Grill	\$3,655.00	Incl. Sunday
Maya Authentic Mexican Restaurant	\$3,655.00	Incl. Sunday
McKenzies Bar & Grill	\$3,655.00	Incl. Sunday
Outback Steakhouse	\$3,655.00	Incl. Sunday
Skyline Lounge	\$3,655.00	Incl. Sunday
The Social House *New 11-2019*	\$3,655.00	Incl. Sunday

<u>Wine/Strong Beer Licensees</u>	<u>2020/2021 Fee</u>	
China Star	\$1,150.00	
Do North Pizzeria	\$1,355.00	Incl. Sunday
Sammys Pizza of Hermantown	\$1,355.00	Incl. Sunday
The King of Creams *New 1/2020*	\$1,355.00	Incl. Sunday
Valentini's *New 2/2020*	\$1,150.00	

Ordinance No. 2020-05

The City Council of the City of Hermantown does ordain:

AN ORDINANCE AMENDING CHAPTER 5, ALCOHOLIC BEVERAGES, OF THE HERMANTOWN CITY CODE BY AMENDING SECTION 520, LICENSE FEES

Section 1. Purpose and Intent. The purpose and intent of this amendment to Chapter 5, Alcoholic Beverages, of the Hermantown City Code (“Alcoholic Beverage Code”) is to update the provisions of the Alcoholic Beverage Code in response to the COVID-19 pandemic to provide a temporary payment solution for holders of existing licenses and new applicants for licenses issued under the Alcoholic Beverage Code.

Section 2. Amendment to Section 520. The Alcoholic Beverage Code is hereby amended by adding Section 520.03, COVID-19 Pandemic Payment Plan, to read as follows:

“520.03 COVID-19 Pandemic Payment Plan. The license fees otherwise payable pursuant to Section 520 may be payable to the City Clerk in the amount listed in the Fee Schedule in three (3) equal installments on June 30, 2020, September 30, 2020 and December 31, 2020. Failure to remit such amounts may result in a suspension of the license issued under this Chapter 5. Any suspension for failure to make payment required by this Section 520.03 shall be effective five (5) days after the date of a letter from the City Clerk to the license holder advising the license holder that his/her/its license will be suspended unless the payment required to be paid is made. The provisions of this Section 520.03 shall expire and be of no further force and effective on December 31, 2020.”

Section 3. Amendment to be Inserted in Code. After this ordinance becomes effective, the changes made by this ordinance shall be made in the appropriate place in the Hermantown City Code. This ordinance shall be published in the official newspaper of the City.

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

Dated: _____

Mayor

Attest:

City Clerk

Adopted: _____

Published: _____

Effective Date: _____

TO: Mayor & City Council

FROM: Eric Johnson, Community
Development Director

DATE: May 11, 2020

Meeting Date: 5/18/20

SUBJECT: Easement Agreement – St.
Louis County

Agenda Item: 12-A

Resolution 2020-67



REQUESTED ACTION

Approve an easement agreement with St. Louis County for permanent and temporary easements for the installation of a culvert for Keene Creek.

BACKGROUND

St. Louis County is requesting permanent and temporary easements from the City of Hermantown over portions of land owned by the City in the southeast quadrant of the intersection of Morris Thomas and Okerstrom Road for the purpose of installing a culvert for Keene Creek.

The Permanent Easement entails the northerly 33 feet of Lots 1 and 2 of the Collingswood Park First Addition and contains 6,848.18 square feet of new right of way and the southerly 37 feet of the northerly 70 feet of Lot 2 of the Collingswood Park First Addition and contains 3,839.10 square feet of new right of way.

The Temporary Easement is for construction purposes over Lots 1 and 2 and contains 8,774.71 square feet. The Temporary Easement would terminate on December 31, 2022.

SOURCE OF FUNDS (if applicable)

N/A

ATTACHMENTS

Easement Agreement

Resolution No. 2020-67

**RESOLUTION APPROVING AN EASEMENT WITH
ST. LOUIS COUNTY REGARDING RIGHT-OF-WAY FOR THE
MORRIS THOMAS ROAD IMPROVEMENT PROJECT AND AUTHORIZING
AND DIRECTING MAYOR AND CITY CLERK TO EXECUTE AND DELIVER THE
EASEMENT AGREEMENT ON BEHALF OF THE CITY OF HERMANTOWN**

WHEREAS, the County of St. Louis, Minnesota (“County”) desires to construct road improvements to CSAH 56 (Morris Thomas) - TH 2 to CSAH 54 (Piedmont Ave.) (“Project”); and

WHEREAS, in order to construct the Project, the County needs to obtain a permanent and temporary easements (“Easement”) from the City of Hermantown (“City”) over portions of land owned by the City in the southeast quadrant of the intersection of Morris Thomas and Okerstrom Road; and

WHEREAS, such Temporary Easement would terminate on December 31, 2022 and be of no further force and effect; and

WHEREAS, the County desires to enter into an Easement with the City (“City”) in the form of the one attached hereto as Exhibit A; and

WHEREAS, the City Council has duly considered the request made by County of St. Louis for the approval of such Easement and believes it is in the best interest of the City of Hermantown to approve the Easement with St. Louis County.

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

1. The Easement substantially in the form of the one attached hereto as Exhibit A is hereby approved.
2. The Mayor and City Clerk are hereby authorized and directed to execute and deliver whatever documents are necessary to consummate the transactions contemplated by the Easement.

Councilor ___ introduced the foregoing resolution and moved its adoption.

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

Councilors

And the following voted in opposition thereto:

WHEREUPON, such resolution was declared duly passed and adopted May 18, 2020.

EXHIBIT A

EASEMENT

THIS INDENTURE is made and entered into this ___ day of _____, 2020, between the City of Hermantown, a Municipal Corporation, hereinafter referred to as “Grantor”, and the COUNTY OF SAINT LOUIS, Minnesota, a municipal corporation, hereinafter referred to as “Grantee”.

WITNESS ETH:

WHEREAS, said Grantor is the owner of real property situated in St. Louis County, Minnesota, described as follows, to-wit:

PARCEL I

SW1/4 of SW1/4 Section 15 Township 50 North of Range 15 West
EXCEPT all minerals and mineral rights.

SUBJECT to regulations governing the heights of structures and trees and the use of property in the vicinity of the Duluth Municipal Airport as such regulations are created by resolution dated June 1, 1946, and certified copy of which is recorded in the office of the Register of Deeds in Book 129 of Miscellaneous page 255, which said regulations were created by authority of the Board of County Commissioners and by the City Council of the City of Duluth, Minnesota.

PARCEL II

N1/2 of N1/2 of NW1/4 of NW1/4 Section 8 Township 50 North Range 15 West of the Fourth Principal Meridian EXCEPT that part described as follows:

Beginning at the Northwest corner of said N1/2 of N1/2 of NW1/4 of NW1/4, run East along the North line of said N1/2 of N1/2 of NW1/4 of NW1/4 for a distance of 110 feet to a point; thence run South for a distance of 33 feet to a point; thence run Southwesterly to a point 83 feet South and 60 feet East of the Northwest corner of said N1/2 of N1/2 of NW1/4 of NW1/4; thence run South 60 feet East of and parallel to the West line of said N1/2 of N1/2

of NW1/4 of NW1/4 for a distance of approximately 248 feet to the South line of said N1/2 of N1/2 of NW1/4 of NW1/4; thence run West along the South line of said N1/2 of N1/2 of NW1/4 of NW1/4 for a distance of 60 feet to the West line of said N1/2 of N1/2 of NW1/4 of NW1/4; thence run North along the West line of said N1/2 of N1/2 of NW1/4 of NW1/4 for a distance of approximately 331 feet to the point of beginning; containing approximately 0.52 of an acre. Also conveying all rights of access from the Midway Road County-State Aid Highway No. 13 to said N1/2 of N1/2 of NW1/4 of NW1/4 Except that the abutting owner shall retain the right of access between points distant 30 feet and 90 feet Northerly of the South line of said N1/2 of N1/2 of NW1/4 of NW1/4 and between points distant 160 feet and 220 feet Northerly from the South line of said N1/2 of N1/2 of NW1/4 of NW1/4 Section 8 Township 50 North Range 15 West of the Fourth Principal Meridian. RESERVING unto Carl E. Bloom and Clara R. Bloom an easement for driveway purposes over the Easterly 40 feet on the property here and before described.

PARCEL III

That part of the NW1/4 of NW1/4 Section 8 Township 50 Range 15 West of the Fourth Principal Meridian described as follows:

Beginning at the Southwest corner of said NW1/4 of NW1/4, run East along the South line of said NW1/4 of NW1/4 for a distance of 65 feet to a point; thence North parallel to the West line of said NW1/4 of NW1/4 for a distance of 483.63 feet to a point; thence due West for a distance of 10 feet to a point; thence North parallel to the West line of said NW1/4 of NW1/4 for a distance of 250 feet to a point; thence due East for a distance of 5 feet to a point; thence North Parallel to the West line of said NW1/4 of NW1/4 for a distance of 259.18 feet to a point which is the point of beginning, thence South along the last described line a distance of 165 feet to a point; thence East parallel to the South line of said NW1/4 of NW1/4 to a point which is 40 feet West of the East line of said NW1/4 of NW1/4; thence North parallel to the East line of said NW1/4 of NW1/4 a distance of 165 feet to a point; thence West parallel to the South line of said NW1/4 of NW1/4 to the point of beginning.

EXCEPT all minerals and mineral rights to that part of the above described real property described as follows, to-wit:

Beginning at the Northwest corner of Section 8 Township 50 Range 15; thence South 17 rods to the point of beginning, thence East 10 rods, thence South 8 rods, thence West 10 rods, thence North 8 rods to the point of beginning.

PARCEL IV

SE1/4 of NW1/4;
NE1/4 of SW1/4;

All in Section 36 Township 50 North of Range 15 West of the Fourth Principal Meridian
EXCEPT all minerals.

PARCEL V

Lots 49, 50, 51 and 52 and Lots 1 and 2 Block 4 COLLINGWOOD PARK FIRST
ADDITION EXCEPT all minerals and mineral rights.

WHEREAS, Grantor has agreed to grant Grantee an easement for highway purposes across said property.

NOW, THEREFORE, said Grantor, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, does hereby grant and convey unto the COUNTY OF SAINT LOUIS, as Grantee, its successors and assigns, an easement more particularly described as follows, to-wit:

A PERMANENT EASEMENT for highway purposes over, under and across that part of the above described property described as follows:

The northerly 33.00 feet of Lots 1 and 2 Block 4 COLLINGWOOD PARK FIRST ADDITION

Said permanent easement contains 6,848.18 Sq. ft. of new right of way.

AND

A PERMANENT EASEMENT for highway purposes over, under and across that part of the above described property described as follows:

The southerly 37.00 feet of the northerly 70.00 feet of Lot 2 Block 4 COLLINGWOOD PARK FIRST ADDITION.

Said permanent easement contains 3,839.10 Sq. ft. of new right of way.

AND

A TEMPORARY EASEMENT for highway construction purposes over, under and across the herein before described premises described as follows:

The easterly 57.90 feet of the southerly 87.00 feet of the northerly 120.00 feet of Lot 1 Block 4 COLLINGWOOD PARK FIRST ADDITION

Said temporary easement contains 5,018.29 Sq. ft., and expires on December 31, 2022.

AND

A TEMPORARY EASEMENT for highway construction purposes over, under and across the herein before described premises described as follows:

The westerly 75.00 feet of the southerly 50.00 feet of the northerly 120.00 feet of Lot 2 Block 4 COLLINGWOOD PARK FIRST ADDITION Said temporary easement contains 3,756.42 Sq. ft., and expires on December 31, 2022.

INCLUDING the rights of the COUNTY OF SAINT LOUIS, its contractors, agents, servants, and assigns, to enter upon the easement premises at all reasonable times to install, reinstall, inspect, repair, and maintain said public highway system over, across, on, under, and through the easement premises, together with the right to grade, level, fill, drain, pave, and excavate the easement premises, and the further right to remove trees, bushes, undergrowth, and other obstructions interfering with the location, construction and maintenance of the public

highway system. Election by the grantee to not exercise all or any part of its rights at any time shall not constitute forfeiture of any such rights.

It is understood that the right, privilege and easement herein granted and the provisions hereof shall extend to and bind the heirs, personal representatives, successors and assigns of the respective parties hereto.

IN WITNESS WHEREOF, said Granter has caused this instrument to be executed on the day and year first above written.

Dated: _____

CITY OF HERMANTOWN

By _____
Its Mayor

And By _____
Its City Clerk

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

This instrument was acknowledged before me on the ____ day of _____, 20__,
by _____ and _____, the Mayor and City Clerk, respectively,
of the City of Hermantown, Minnesota, on behalf of the City of Hermantown.

Notary Public

This Instrument was drafted by:
Andy Plesha
Right of Way Agent
St. Louis County Public Works Department

This conveyance is entitled to recording
without payment of fee, pursuant to Minnesota
Statutes Section 386.77, it being for the benefit
of the County of St. Louis.

EXHIBIT A

Parcel 2 Road Number - 56 County Project -
State Project Number -

Property Legal Description:

PARCEL I

SW1/4 of SW1/4 Section 15 Township 50 North of Range 15 West

EXCEPT all minerals and mineral rights.

SUBJECT to regulations governing the heights of structures and trees and the use of property in the vicinity of the Duluth Municipal Airport as such regulations are created by resolution dated June 1, 1946, and certified copy of which is recorded in the office of the Register of Deeds in Book 129 of Miscellaneous page 255, which said regulations were created by authority of the Board of County Commissioners and by the City Council of the City of Duluth, Minnesota.

PARCEL II

N1/2 of N1/2 of NW1/4 of NW1/4 Section 8 Township 50 North Range 15 West of the Fourth Principal Meridian EXCEPT that part described as follows:

Beginning at the Northwest corner of said N1/2 of N1/2 of NW1/4 of NW1/4, run East along the North line of said N1/2 of N1/2 of NW1/4 of NW1/4 for a distance of 110 feet to a point; thence run South for a distance of 33 feet to a point; thence run Southwesterly to a point 83 feet South and 60 feet East of the Northwest corner of said N1/2 of N1/2 of NW1/4 of NW1/4; thence run South 60 feet East of and parallel to the West line of said N1/2 of N1/2 of NW1/4 of NW1/4 for a distance of approximately 248 feet to the South line of said N1/2 of N1/2 of NW1/4 of NW1/4; thence run West along the South line of said N1/2 of N1/2 of NW1/4 of NW1/4 for a distance of 60 feet to the West line of said N1/2 of N1/2 of NW1/4 of NW1/4; thence run North along the West line of said N1/2 of N1/2 of NW1/4 of NW1/4 for a distance of approximately 331 feet to the point of beginning; containing approximately 0.52 of an acre.

Also conveying all rights of access from the Midway Road County-State Aid Highway No. 13 to said N1/2 of N1/2 of NW1/4 of NW1/4 Except that the abutting owner shall retain the right of access between points distant 30 feet and 90 feet Northerly of the South line of said N1/2 of N1/2 of NW1/4 of NW1/4 and between points distant 160 feet and 220 feet Northerly from the South line of said N1/2 of N1/2 of NW1/4 of NW1/4 Section 8 Township 50 North Range 15 West of the Fourth Principal Meridian.

RESERVING unto Carl E. Bloom and Clara R. Bloom an easement for driveway purposes over the Easterly 40 feet on the property here and before described.

PARCEL III

That part of the NW1/4 of NW1/4 Section 8 Township 50 Range 15 West of the Fourth Principal Meridian described as follows:

Beginning at the Southwest corner of said NW1/4 of NW1/4, run East along the South line of said NW1/4 of NW1/4 for a distance of 65 feet to a point; thence North parallel to the West line of said NW1/4 of NW1/4 for a distance of 483.63 feet to a point; thence due West for a distance of 10 feet to a point; thence North parallel to the West line of said NW1/4 of NW1/4 for a

distance of 250 feet to a point; thence due East for a distance of 5 feet to a point; thence North Parallel to the West line of said NW1/4 of NW1/4 for a distance of 259.18 feet to a point which is the point of beginning, thence South along the last described line a distance of 165 feet to a point; thence East parallel to the South line of said NW1/4 of NW1/4 to a point which is 40 feet West of the East line of said NW1/4 of NW1/4; thence North parallel to the East line of said NW1/4 of NW1/4 a distance of 165 feet to a point; thence West parallel to the South line of said NW1/4 of NW1/4 to the point of beginning.

EXCEPT all minerals and mineral rights to that part of the above described real property described as follows, to-wit:

Beginning at the Northwest corner of Section 8 Township 50 Range 15; thence South 17 rods to the point of beginning, thence East 10 rods, thence South 8 rods, thence West 10 rods, thence North 8 rods to the point of beginning.

PARCEL IV

SE1/4 of NW1/4;

NE1/4 of SW1/4;

All in Section 36 Township 50 North of Range 15 West of the Fourth Principal Meridian

EXCEPT all minerals.

PARCEL V

Lots 49, 50, 51 and 52 and Lots 1 and 2 Block 4 COLLINGWOOD PARK FIRST ADDITION

EXCEPT all minerals and mineral rights.

Rights to be acquired:

A PERMENANT EASEMENT for highway purposes over, under and across that part of the above described property described as follows:

The northerly 33.00 feet of Lots 1 and 2 Block 4 COLLINGWOOD PARK FIRST ADDITION

Said permanent easement contains 6,848.18 Sq. ft. of new right of way.

AND

A PERMENANT EASEMENT for highway purposes over, under and across that part of the above described property described as follows:

The southerly 37.00 feet of the northerly 70.00 feet of Lot 2 Block 4 COLLINGWOOD PARK FIRST ADDITION.

Said permanent easement contains 3,839.10 Sq. ft. of new right of way.

AND

A TEMPORARY EASEMENT for highway construction purposes over, under and across the herein before described premises described as follows:

The easterly 57.90 feet of the southerly 87.00 feet of the northerly 120.00 feet of Lot 1 Block 4 COLLINGWOOD PARK FIRST ADDITION

Said temporary easement contains 5,018.29 Sq. ft., and expires on December 31, 2022

AND

A TEMPORARY EASEMENT for highway construction purposes over, under and across the herein before described premises described as follows:

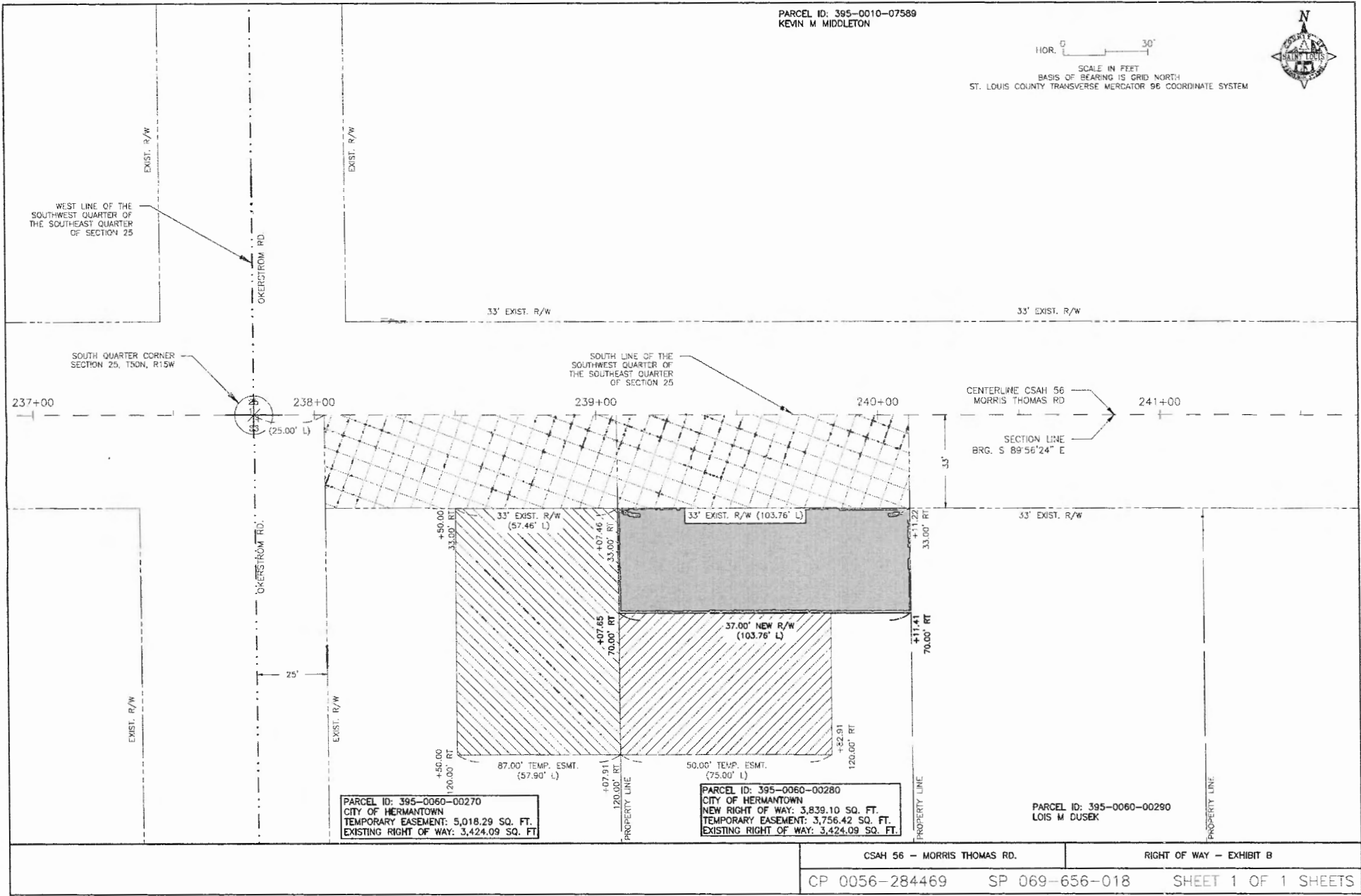
The westerly 75.00 feet of the southerly 50.00 feet of the northerly 120.00 feet of Lot 2 Block 4
COLLINGWOOD PARK FIRST ADDITION

Said temporary easement contains 3,756.42 Sq. ft., and expires on December 31, 2022

C:\Users\japortno\Desktop\morris_thomas\CP 0056-284469\600 Design\410 Drawings\410 BMAA\STREAM_A_REGULATORY_PRELIM\DWG 4/22/2020 7:49 PM

PARCEL ID: 395-0010-07589
KEVIN M MIDDLETON

HOR. 0 30'
SCALE IN FEET
BASIS OF BEARING IS GRID NORTH
ST. LOUIS COUNTY TRANSVERSE MERCATOR 96 COORDINATE SYSTEM



PARCEL ID: 395-0060-00270
CITY OF HERMANTOWN
TEMPORARY EASEMENT: 5,018.29 SQ. FT.
EXISTING RIGHT OF WAY: 3,424.09 SQ. FT.

PARCEL ID: 395-0060-00280
CITY OF HERMANTOWN
NEW RIGHT OF WAY: 3,839.10 SQ. FT.
TEMPORARY EASEMENT: 3,756.42 SQ. FT.
EXISTING RIGHT OF WAY: 3,424.09 SQ. FT.

PARCEL ID: 395-0060-00290
LOIS M DUSEK

CSAH 56 - MORRIS THOMAS RD.

RIGHT OF WAY - EXHIBIT B

CP 0056-284469

SP 069-656-018

SHEET 1 OF 1 SHEETS

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



DATE: May 13, 2020

Meeting Date: 5/18/20

SUBJECT: Agreement of Assessment–
Patriot Properties

Agenda Item: 12-B

Resolution 2020-68

REQUESTED ACTION

Direct Mayor and City Clerk to execute and deliver an agreement of assessment and waiver of irregularity and appeal between Patriot Properties of Hermantown 2 LLC and the City of Hermantown

BACKGROUND

In 2017, the Hermantown Economic Development Authority approved the preparation and then accepted a feasibility report for road improvements on Richard Avenue and Lindgren Road in the Hermantown Marketplace.

The HEDA Board accepted the report on May 11, 2017, but took no further action in part because the staff memo at the time said, “There is no plan to proceed at this time without further commitment from a developer in this area.”

Within the last several months, the Developer, Patriot Properties, (aka Joe Peterson) has been pursuing development on Parcel 395-0093-0090, which has access on Richard Avenue. While there is a right of way for Richard Avenue, the street does not extend across the entire frontage.

The proposed agreement would allow Patriot Properties to build on the parcel while committing to pay a portion of the road when it is built at a later time, perhaps in 2021 or 2022. This agreement allows the development to continue, and provides some funding for the future road.

This is the same process used when constructing Prospect Blvd and Frontier Way in the Hermantown Marketplace with the existing property owners (Subway, Dairy Queen, et.al.)

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

Agreement of Assessment and Waiver of Irregularity and Appeal

Resolution No 2020-68

**RESOLUTION AUTHORIZING AND DIRECTING
MAYOR AND CITY CLERK TO EXECUTE AND DELIVER AN AGREEMENT OF
ASSESSMENT AND WAIVER OF IRREGULARITY AND APPEAL BETWEEN PATRIOT
PROPERTIES OF HERMANTOWN 2 LLC AND CITY OF HERMANTOWN**

WHEREAS, the City of Hermantown (“City”) has proposed to construct improvements to a public road (“Project”) adjacent to property (“Property”) owned by Patriot Properties of Hermantown 2 LLC. and located in the City of Hermantown, St. Louis County, Minnesota; and

WHEREAS, Owner has agreed to pay \$48,000.00 as an assessment with regard to the Project; and

WHEREAS, City agrees that the amount assessed against Owner’s Property for the Project will be \$48,000.00; and

WHEREAS, a copy of the Agreement of Assessment and Waiver of Irregularity and Appeal is attached hereto; and

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

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

1. The Mayor and City Clerk are hereby authorized and directed to execute and deliver the Agreement of Assessment and Waiver of Irregularity and Appeal attached hereto as Exhibit “A” on behalf of the City of Hermantown.

Councilor _____ introduced the foregoing resolution and moved its adoption.

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

and the following voted in opposition thereto:

WHEREUPON, such resolution was declared duly passed and adopted May 18, 2020.

**AGREEMENT OF ASSESSMENT AND WAIVER OF IRREGULARITY AND APPEAL
AND SECTION 462.3531 DEVELOPMENT AGREEMENT**

THIS AGREEMENT, is made this ____ day of _____, 2020, between the **City of Hermantown**, State of Minnesota, hereinafter referred to as the “City,” and _____ of St. Louis County, State of Minnesota, hereinafter referred to as “Owner,” whether one or more, in response to the following situation:

A. City requires that a public road (“Road”) and City sewer and water main (“Utilities”) be located along the entire easterly frontage of the property owned by Owner and located in the City of Hermantown, St. Louis County, Minnesota legally described on Exhibit A attached hereto (“Owner’s Property”) before any development may occur on Owner’s Property.

B. Extensions of the Road and Utilities are not slated for construction and Owner desires to build a building (“Project”) on Owner’s Property now.

C. Owner is willing to commit to paying an assessment for the Road and Utilities in order to allow the development of the Project to proceed.

NOW THEREFORE, in consideration of the City granting approval for the development of the Project before a Road and Utilities are constructed along the entire easterly frontage of Owner’s Property, Owner hereby agrees as follows:

1. Owner agrees to pay Forty-eight Thousand and No/100 Dollars (\$48,000.00) as an assessment (“Owner’s Assessment”) against Owner’s Property with regard to the construction of the Road and Utilities, subject to Section 3.

2. City agrees that the amount assessed against Owner’s Property for the Road and Utilities will be Forty-eight Thousand and No/100 Dollars (\$48,000.00), subject to Section 3.

3. The assessment amount specified in Section 1 and 2 may be increased as provided in Minnesota Statutes § 462.3531 if the increases are a result of requirements made by Owner or the increases are approved by Owner in a separate document.

4. Pursuant to Minnesota Statutes Section 429.081 and 462.3531, Owner hereby waives any objection to any irregularity with regard to the assessments for the Road and Utilities, any claim that the amount levied against Owner’s Property is excessive and all rights to appeal the assessment levied granted Owner by Minnesota Statute Section 429.081. Owner acknowledges that the appeal rights granted by Minnesota Statute Section 429.081 are Owner’s exclusive method of appeal of the special assessment that will be granted to Owner’s Property for the Road and Utilities and by executing this Agreement, Owner will be forever and irrevocably waiving Owner’s rights to appeal Owner’s Assessment.

5. Owner hereby further waives the requirement of hearings and notices of any hearings and objections to any assessment proceedings, the bidding and letting of contracts for Road and Utilities and the calculation of Owner's Assessment for the Road and Utilities.

6. Owner's Assessment shall be payable in equal annual installments, including principal and interest, extending over a period of ten (10) years, with interest at the rate of four percent (4%) per annum, from and after December 31, 2022 in an amount annually required to pay the principal over such period at such interest rate. The first of such installments is to be paid with the general taxes for the year 2022, collectible with such taxes during the year 2023.

7. Owner may at any time prior to December 31, 2022, pay the entire Owner's Assessment without interest, to the Hermantown City Clerk. No interest shall be charged if the entire assessment is paid by December 31, 2022. Owner may at any time thereafter pay to the Hermantown City Clerk the entire amount of Owner's Assessment remaining unpaid, with interest accrued to December 31 of the year in which such payment is made. Any such payment must be made before November 15 or interest will be charged through December 31 of the succeeding year.

8. This Agreement will be filed for record with the appropriate St. Louis County land title recording office to reflect the fact that this Agreement is binding upon Owner and Owner's Property and the heirs, successors and assigns of Owner and "runs with the Land."

9. This Agreement shall be governed by the Laws of the State of Minnesota.

10. Owner understands and agrees not to apply for deferral of Owner's Assessment.

11. Owner shall pay to City's utility department all applicable water and sewer hook-up charges prior to obtaining a building permit for Owner's Project.

12. Owner agrees that an extension of the Road and Utilities will benefit Owner's Property even through Owner may already have access to a public road and utilities because the approval of Owner's Project now was conditioned upon the Owner executing this Agreement.

13. This Agreement shall constitute a Development Agreement as that term is used in Minnesota Statutes § 462.3531.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, Owner have/has set their hands on the first date above written.

OWNER(S)

Print Name

Print Name

STATE OF MINNESOTA)

) ss.

COUNTY OF ST. LOUIS)

On this ____ day of _____, 20__, before me, a notary public within and for said County, personally appeared _____ and _____ to me known to be the person described in and who executed the foregoing instrument and acknowledged that they executed the same as their free and voluntary act.

Notary Public

IN WITNESS WHEREOF, City has executed this Agreement the date and year first above written.

CITY OF HERMANTOWN

By _____
Its Mayor

And By _____
Its Clerk

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

The foregoing instrument was acknowledged before me this ____ day of _____, 20__, by _____ and _____, the Mayor and City Clerk, respectively, of the City of Hermantown on behalf of the City of Hermantown.

Notary Public

THIS INSTRUMENT WAS DRAFTED BY:
Steven C. Overom
Overom Law, PLLC
11 E. Superior Street
Suite 543
Duluth, MN 55802
218-625-8460

EXHIBIT A
[Legal Description]

Parcel ID 395-0093-0090

Rearrangement of Maple Grove Acres

Lot: 0002, Block 003

TO: Mayor & City Council
FROM: John Mulder, City Administrator
DATE: May 13, 2020
SUBJECT: Lease Agreement – NW Angle
Leasing & American Towers



Meeting Date: 5/18/20

Agenda Item: 12-C **Resolution 2020-69**

REQUESTED ACTION

Approve a consent to assignment and assumption of lease agreement between NW Angle Leasing & American Towers for a cell tower on City Property

BACKGROUND

The City has had a lease agreement with Northwest Angle Leasing dating back to 2007 for a cell tower on Cameron Road (off Ugstad south of Hermantown Road). Northwest Angle wishes to sell the lease to American Tower, and this requires the City's consent since the lease is with the City.

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

Agreement

Resolution No. 2020-69

RESOLUTION APPROVING A CONSENT TO THAT CERTAIN ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT BETWEEN NORTHWEST ANGLE LEASING I, LLC AND AMERICAN TOWERS LLC AND AUTHORIZING AND DIRECTING MAYOR AND CITY CLERK TO EXECUTE AND DELIVER THE CONSENT ON BEHALF OF THE CITY OF HERMANTOWN

WHEREAS, the City of Hermantown (“City”) and Performance Development Group, Limited and Northwest Angle Leasing I, LLC (collectively “Tenant”) on November 1, 2007 entered into an Amended and Restated Ground Lease Agreement which was extended by Notice of Extension of Lease Term dated February 14, 2018 (“Ground Lease”) for use by Tenant for the location of its communications tower, building, and related equipment on the Property legally described on attached Exhibit A; and

WHEREAS, Tenant desires to assign its right, title and interest in and to the Ground Lease to American Towers LLC (“Assignee”) and Assignee desires to acquire and assume Tenant's rights and obligations under the Ground Lease pursuant to an Assignment and Assumption of Lease Agreement (“Assignment”) attached hereto as Exhibit B; and

WHEREAS, the City is willing to consent to the Assignment subject to Tenant paying City \$250 to cover some of the costs associated with Tenant’s request; and

WHEREAS, the City Council has duly considered the request made by Tenant for the consent to such Assignment and believes it is in the best interest of the City of Hermantown to consent to such Assignment.

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

1. The City hereby consents to that certain Assignment in the form of the one attached hereto as Exhibit B upon payment by Tenant to City of \$250.
2. The Mayor and City Clerk are hereby authorized and directed to execute and deliver the Consent attached to the Assignment.

Councilor _____ introduced the foregoing resolution and moved its adoption.

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

And the following voted in opposition thereto:

WHEREUPON, such resolution was declared duly passed and adopted May 18, 2020.

EXHIBIT A

That part of the West Half of the Southeast Quarter of Northwest Quarter (W1/2 of SE1/4 of NW1/4), Section Twenty-Seven (27), Township Fifty (50) North, Range Fifteen (15) West of the Fourth Principal Meridian, described as follows:

Commencing at the Southwest corner of said West Half of Southeast Quarter of Northwest Quarter (W1/2 of SE1/4 of NW1/4) thence North 89°-49'-10" East, along the South line of said West Half of Southeast Quarter of Northwest Quarter (W1/2 of SE1/4 of NW1/4), a distance of 134.42 feet; thence North 00°-10'-50" West a distance of 33.00 feet to the point of beginning of the parcel of land to be described; thence continue North 00°-10'-50" West a distance of 400.00 feet; thence North 89°-49'-10" East a distance of 400.00 feet; thence South 00°-10'-50" East a distance of 400.00 feet; thence South 89°-49'-10" West, along a line 33.00 feet distance and parallel with the South line of said West Half of Southeast Quarter of Northwest Quarter (W1/2 of SE1/4 of NW1/4) a distance of 400.00 feet to the point of beginning.

Containing 3.67 acres more or less within a 20 acre parcel owned by the City of Hermantown, MN.

Parcel ID 395-0010-08260

EXHIBIT B

Prepared by and return to:
Richard P. Palermo, Esq.
American Towers LLC
10 Presidential Way
Woburn, MA 01801
ATC Site Name: Hermantown St. Louis, MN
ATC Site Number: 206377

Prior Recording Reference: None
Parcel ID: 395-0010-08260

ASSIGNMENT AND ASSUMPTION OF LEASE AGREEMENT

This Assignment and Assumption of Lease Agreement (this "Agreement") is made and entered into effective as of April 28, 2020, (the "Effective Date"), by and between Northwest Angle Leasing I, LLC, a South Dakota limited liability company ("Assignor"), and American Towers LLC, a Delaware limited liability company ("Assignee").

Recitals

A. Assignor, as Seller, and Assignee, as purchaser, are parties to that certain Asset Purchase Agreement dated April 28, 2020 (the "APA"), pursuant to which Assignor is transferring the Assets (as defined in the APA) to Assignee.

B. Assignor is the current tenant under that certain unrecorded Amended and Restated Ground Lease Agreement dated November 1, 2007 (as amended and assigned, the "Ground Lease") between Assignor, as tenant, and City of Hermantown ("Landlord"), demising a parcel of real property in St. Louis County, Minnesota as more particularly described in Exhibit A.

C. In accordance with the terms of the APA, Assignor desires to assign its right, title and interest in and to the Ground Lease to Assignee, and Assignee desires to acquire and assume Assignor's rights and obligations under the Ground Lease (the "Assignment").

NOW, THEREFORE, in consideration of the agreements contained herein and other good and valuable consideration, the receipt and adequacy of which are acknowledged, the parties hereto agree as follows:

(03756109.1)ATC Site: 206377 / Hermantown St. Louis, MN

1. Assignment of Ground Lease. As of the Effective Date, Assignor does assign, transfer, and set over unto Assignee all of the right, title and interest of Assignor in, to and under the Ground Lease, subject to the terms, covenants and conditions contained in or with respect to the Ground Lease and all terms and conditions of all related easements and ancillary agreements.

2. Assumption of Lease. Effective as of the Effective Date, Assignee assumes and accepts the foregoing assignments on the terms and conditions set forth in this Assignment, and Assignee assumes and agrees to keep, observe and perform all of the terms, covenants, agreements, conditions and obligations of the Ground Lease on the part of the Assignor to be kept, observed and performed which accrue after the Effective Date (collectively, the "Assumed Liabilities"), with the same force and effect as if the Assignee instead of Assignor (or its predecessor) had originally signed the Ground Lease.

3. Consent. As required by Section 17 of the Ground Lease, the consent of the Landlord has been obtained in the form of the Landlord Consent attached as Exhibit B.

4. Terms of APA Control. Nothing contained in this Agreement shall in any way supersede, modify, replace, amend, change, rescind, waive, exceed, expand, enlarge, or in any way affect the provisions of the APA, including the warranties, covenants, agreements, indemnification, conditions and representations contained in the APA and, in general, any of the rights and remedies, of Assignor or Assignee set forth in the APA.

5. Amendments. This Agreement may not be amended, modified or terminated except by an instrument in writing executed by the parties to this Agreement.

6. Headings. The headings of the various sections of this Agreement have been inserted only for the purpose of convenience and are not part of this Agreement and shall not be deemed in any manner to modify, expand, explain or restrict any of the provisions of this Agreement. Words of any gender used in this Agreement shall include any other gender and words in the singular shall include the plural, and vice versa, unless the context requires otherwise.

7. Successors and Assigns. This Agreement shall bind and inure to the benefit of Assignor, Assignee, and their respective successors and assigns.

8. Governing Law. The laws of the State of Minnesota govern the validity, construction, enforcement and interpretation of this Agreement.

9. Counterpart Signatures. This Agreement may be executed in any number of counterparts, any one of which shall constitute an original of this Agreement and all of which together shall constitute one and the same instrument. When counterparts have been executed by all parties, they shall have the same effect as if the signatures to each counterpart or copy were upon the same documents and copies of such documents shall be deemed valid as originals.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed this Assignment and Assumption of Lease Agreement as of the date first above written.

Northwest Angle Leasing I, LLC
a South Dakota limited liability company

Witnesses:

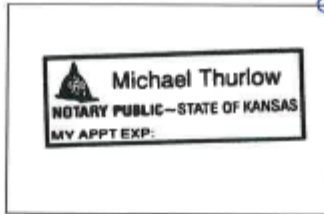
By: 
Name: Kevin J. Hayden
Title: Manager


Name: Robert Prellwitz

Name: Monica Bruna

STATE OF KANSAS }
COUNTY OF SHAWNEE } ss.
}

On this 28th day of April, 2020, before me, the undersigned notary public, personally appeared Kevin J. Hayden, Manager of Northwest Angle Leasing I, LLC, proved to me through satisfactory evidence of identification, which was a driver's license, to be the person whose name is signed on the preceding or attached document, and acknowledged to me that he/she signed it voluntarily for its stated purpose.



(Use this space for notary stamp/seal)


Notary Public
Print Name Michael Thurlow
My commission expires 11/27/2023

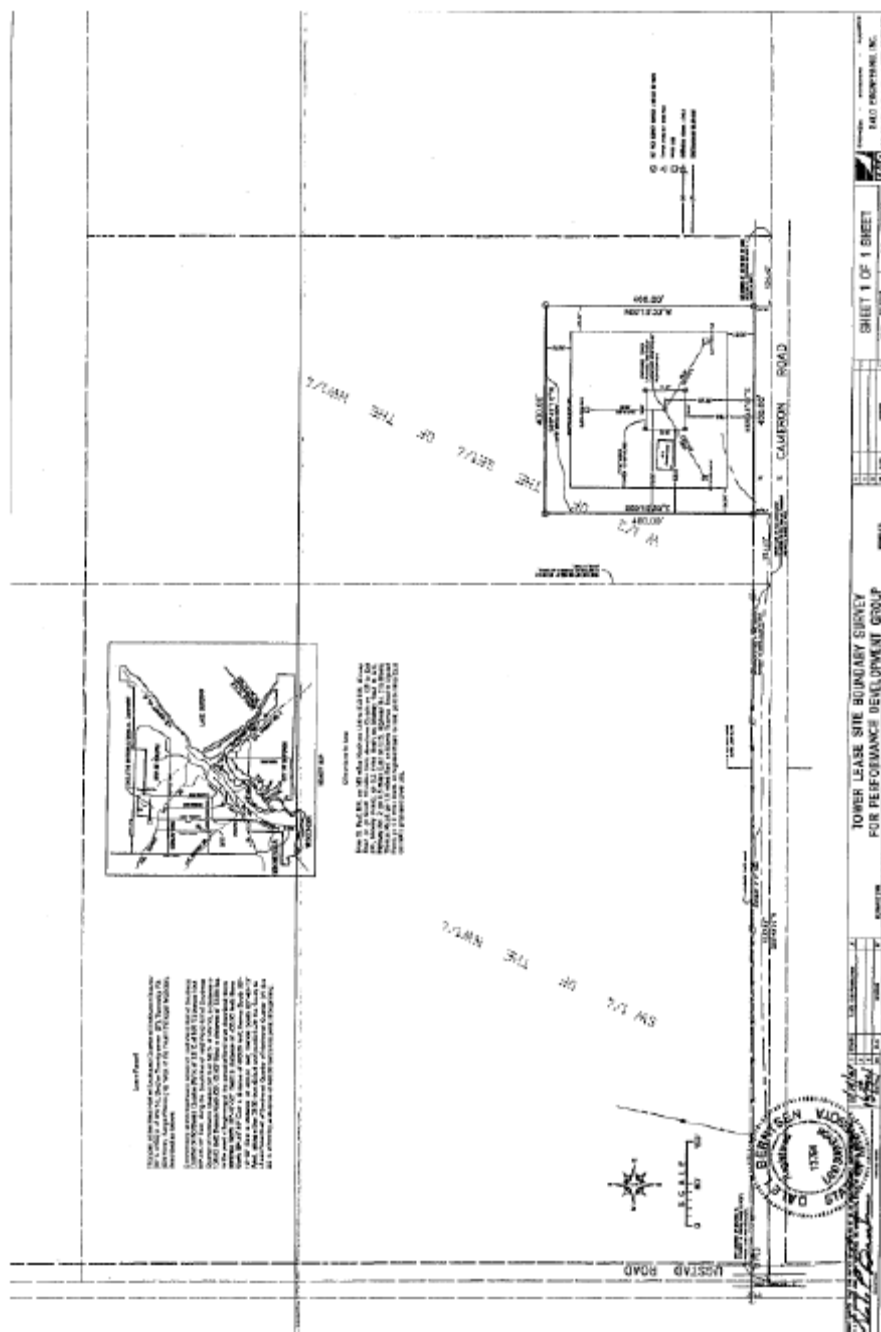
EXHIBIT A

Description of the Premises

That part of the West Half of the Southeast Quarter of Northwest Quarter (W1/2 of SE1/4 of NW1/4), Section Twenty-Seven (27), Township Fifty (50) North, Range Fifteen (15) West of the Fourth Principal Meridian, described as follows:

Commencing at the Southwest corner of said West Half of Southeast Quarter of Northwest Quarter (W1/2 of SE1/4 of NW1/4) thence North 89°-49'-10" East, along the South line of said West Half of Southeast Quarter of Northwest Quarter (W1/2 of SE1/4 of NW1/4), a distance of 134.42 feet; thence North 00°-10'-50" West a distance of 33.00 feet to the point of beginning of the parcel of land to be described; thence continue North 00°-10'-50" West a distance of 400.00 feet; thence North 89°-49'-10" East a distance of 400.00 feet; thence South 00°-10'-50" East a distance of 400.00 feet; thence South 89°-49'-10" West, along a line 33.00 feet distance and parallel with the South line of said West Half of Southeast Quarter of Northwest Quarter (W1/2 of SE1/4 of NW1/4) a distance of 400.00 feet to the point of beginning. Containing 3.67 acres more or less within a 20 acre parcel owned by the City of Hermantown, MN.

Parcel ID 395-0010-08260



(03756109.1)ATC Site: 206377 / Hermantown St. Louis, MN

EXHIBIT B
Landlord Consent

CONSENT TO ASSIGNMENT

MN501

The City of Hermantown ("Landlord"), being the Landlord under that certain Amended and Restated Ground Lease Agreement dated as of November 1, 2007, with Performance Development Group, Limited and Northwest Angle Leasing I, LLC (collectively "Tenant"), which Term was extended, as memorialized by the Notice of Extension of Lease Term dated February 14, 2018, for use by Lessee for the location of its communications tower, building, and related equipment on the Property legally described on attached Exhibit A (as amended from time to time, collectively, the "Lease"), does hereby consent to the assignment of the Lease by Lessee to American Towers LLC, its subsidiaries, affiliates, successors, and/or assigns, (hereinafter "Purchaser"). Such assignment is to be effective on such date as Lessee assigns its interest under the Lease to Purchaser. Unless otherwise defined herein, all terms used in this document shall have the meaning ascribed to them in the Lease.

Dated: _____, 2020

CITY:

City of Hermantown

By _____
Its Mayor

And By _____
Its City Clerk

EXHIBIT A

That part of the W1/2 of the SE1/4 of the NW1/4, Section Twenty-Seven (27), Township Fifty (50) North, Range Fifteen (15) West of the Fourth Principal Meridian, St. Louis County, Minnesota described as follows:

Commencing at the Southwest corner of said W1/2 of SE1/4 of NW1/4 thence North 89°-49'-10" East, along the South line of said W1/2 of SE1/4 of NW1/4, a distance of 134.42 feet; thence North 00°-10'-50" West a distance of 33.00 feet to the point of beginning of the parcel of land to be described; thence continue North 00°-10'-50" West a distance of 400.00 feet; thence North 89°-49'-10" East a distance of 400.00 feet; thence South 00°-10'-50" East a distance of 400.00 feet; thence South 89°-49'-10" West, along a line 33.00 feet distant and parallel with the South line of said W1/2 of SE1/4 of NW1/4, a distance of 400.00 feet to the point of beginning.

TO: Mayor & City Council
FROM: Eric Johnson, Community
Development Director



DATE: May 6, 2020 **Meeting Date:** 5/18/20
SUBJECT: Preliminary and Final PUD **Agenda Item: 12-D** **Resolution 2020-70**
for a Two-Townhome
Development

REQUESTED ACTION

Approve a Preliminary and Final Planned Unit Development (PUD) for construction of a two townhome (4 total units) development at 4063 Ugstad Road.

DESCRIPTION OF REQUEST

Applicant is requesting approval of a Preliminary and Final Planned Unit Development (PUD) for construction of a two townhome (4 total units) development at 4063 Ugstad Road. The property is located in an R-3 zoning district.

SITE INFORMATION:

Parcel Size: 5.0 acres
Legal Access: 4063 Ugstad Road
Wetlands: Yes, delineation approved in 2016; Impacts approved in 2018
Existing Zoning: R-3, Residential
Airport Overlay: None
Shoreland Overlay: Natural Environment
Comprehensive Plan: Suburban

Development Details

The applicant is proposing to construct two townhomes (4 units total) on an existing 5.0 acre lot with the homes being centrally located on the property. The Planning and Zoning Commission held a public hearing on April 21, 2020. One member of the public spoke and expressed concerns about stormwater runoff, this type of development in a residential neighborhood and the preservation of the existing wetlands. This member of the public also submitted a letter to the Planning and Zoning Commission reiterating these concerns. Staff also received a written comment from a resident directly across from the proposed project who expressed concerns for this type of development in a single family neighborhood as well as environmental concerns.

The proposed building location is situated as to utilize an existing upland portion of the property on which to build. The proposed homes are located in order to minimize wetland impacts and to avoid the unmapped tributary of the Midway River that crosses the property approximately 450' south from Sunnyview Road. There are wetland impacts associated with the construction of the homes in this location and the application for such has been reviewed and approved by the Hermantown Technical Evaluation Panel (TEP) in November 2018.

PUD Process:

The City's zoning regulations governing PUD's require that each PUD obtain preliminary and final approval. At the City's discretion, the preliminary and final PUD approvals may be processed concurrently. The City determined that preliminary and final review is appropriate in this case as the project scale and density is less than that which is allowed in an R-3 zoning district.

The proposed project is an example of a cluster/conservation subdivision which allows for the protection of open space or environmentally-sensitive lands, or in this case existing wetlands. By clustering the proposed buildings and locating them to utilize the available upland on the property, the applicant is able to preserve approximately 3.85 acres of wetland by clustering the two proposed buildings.

The PUD review and approval process include a public hearing by the Planning Commission and a recommendation to the City Council. A PUD order will be issued by the City setting project specific development standards. Following completion of the development contract the applicant will be granted final Zoning approval and can begin construction, pending approval of the associated building permits.

A PUD may be allowed in any zoning district in the City of Hermantown. In addition, all permitted and conditional uses listed in the underlying specific district are allowed in a PUD.

Per Section 1105 of the Planned Unit Development section of the Zoning Ordinance, it requires that a PUD must provide public benefits to the surrounding neighborhood and to the city above and beyond what can be reasonably achieved by application of the zoning provisions applicable to the underlying zoning district. The nature and scale of public benefit shall be determined by the City and include, but not be limited to:

- 1.1 Preservation and enhancement of natural systems and resources, topography, vegetation, and other natural features. – This project creates a conservation neighborhood. By clustering the two townhomes and utilizing the upland portion of the property, it allows for the preservation of 4+ acres of wetland and shoreland area.
- 1.2 Provision of a variety of housing and community types. – The project proposes to add needed affordably priced housing to the community.

Zoning Analysis:

The property is zoned R-3, Residential. The applicant has applied for a Planned Unit Development (PUD) for the property. A PUD is a permitted use in an R-3 zone district. Section 11 of the zoning ordinance explains that: 'A PUD is intended to encourage a more efficient and creative use of land and development, more efficient and effective use of streets, utilities and public services; protection of natural resources; and more efficient and effective provision of recreational, public and open space than can be achieved through conventional development procedures.

The underlying R-3, Residential zoning district allows for condominiums, townhomes and duplexes assuming they meet greater lot width, lot area and side yard setbacks than a standard single family home. In addition, the ordinance requires that these structures are a minimum of 200 feet from the nearest condominiums, townhomes or duplex. Approval of these type of structures is handled as a Special Use Permit. The dimensional make-up of this property could allow for 3 townhome units (6 units total) and still meet the required setbacks, lot size and required 200 foot distance requirement.

Under current R-3, Residential zoning, the applicant could file for an administrative lot split to subdivide the property into three parcels. Then through a Special Use Permit the applicant could pursue three individual condominiums, townhomes or duplexes (6 total units). The applicant has instead requested a PUD for 2 townhomes (4 units total) in order to cluster the buildings in order to preserve on-site wetlands. The applicant is requesting less development with this PUD than could be accomplished with an administrative lot split and Special Use Permit.

Setbacks

City Code allows a PUD to have standards that meet the City's goals for each proposed development. These standards include building height, density, roadway widths and setbacks. The proposed project is for two townhome units (4 units total) and the design meets the underlying setback requirements of the R-3 zoning district.

Plat

The developer is planning on marketing these units as rental properties at this time and thus will not be platting the property. Should the developer endeavor to sell individual units in the future, then the property will need to be platted as individual lots or as a Common Interest Community (CIC) in order to market and sell individual lots/units.

Utilities

The applicant will connect each residential unit to City sewer and water systems. By providing individual utility services to each unit this allows for the potential sale of the unit should the land be subdivided at a future date. The applicant will provide engineered plans for utility connections prior to beginning such work on the site. Detailed plans for the utility connections will be reviewed and approved by the City Engineer prior to issuance of the building permits.

Wetlands

The property was originally delineated in 2016, which the Hermantown TEP reviewed and approved at that time. The applicant is seeking approval of a Wetland Replacement Plan to impact 8,780 square feet of wetlands on the property. The Hermantown TEP reviewed and approved these impacts in November 2018. Approval was subject to the applicant purchasing wetland credits for the impacts, which he did in March 2020.

The proposed wetland impacts are 8.780 square feet. The proposed structures have been located to create the minimum amount of wetland impacts on the property.

The applicant shall describe best management methods that will be used to demarcate and protect wetlands that are located on site, including physically signing boundaries and providing electronic and GIS information to City documenting the wetland boundaries.

Park Dedication Fees

The developer will be required to pay park dedication fees consistent with the requirements of the City Zoning Ordinance. A park dedication fee of \$1,100 per lot/unit will be paid at the time of PUD approval.

Summary

Staff recommends approval of the Preliminary and Final PUD based on the findings of this report and the following conditions

1. The proposed development plan meets the intent of the R-3, Residential Zoning District and the overall goals and policies of the Zoning Ordinance.
2. The proposed development meets the Comprehensive Plan for residential development and standards of a Planned Unit Development by providing public benefit through clustering of development to protect shorelands and wetlands.
3. A PUD may be allowed in any zoning district in the City of Hermantown. In addition, all permitted and conditional uses listed in the underlying specific district are allowed in a PUD.
4. If applicant chooses to sell an individual townhome unit, the property will need to be subdivided by way of a plat or CIC plat.
5. Prior to issuance of a building permit:
 - a. All necessary permits shall be obtained
 - b. Developer shall obtain a Stormwater Certificate and submit the required cash escrow or letter of credit.
6. Erosion control measures shall be utilized and remain in place throughout the construction period, and shall not be removed until vegetation is established on the site. The Applicant shall agree to comply with the stricter requirements of either the Hermantown Shoreland Overlay Ordinance or a Hermantown Land Alteration Permit, if one is required. The Shoreland Overlay requirements are:
 - a. The smallest amount of bare ground is exposed for as short a time as feasible;
 - b. Temporary groundcover, such as mulch, is used, and permanent groundcover, such as sod, is planted;
 - c. Adequate methods to prevent erosion and trap sediment are employed;
 - d. Fill is stabilized to accepted engineering standards;
 - e. Adequate methods are employed to reduce the runoff and/or flow of water on or over the affected shoreland so that the grading, filling or alteration of the natural topography does not contribute to downstream flooding;
 - f. Adequate methods are employed to preserve water quality so that the grading, filling or alteration of the natural topography will not detrimentally affect the quality of the public waters of the City of Hermantown;
 - g. Adequate methods are employed for the preservation or establishment of local vegetation that provides wildlife habitat and screening; and
 - h. Fill used will consist of suitable material free from toxic pollutants in other than trace quantities.
7. Prior to issuance of a building permit, all necessary permits shall be obtained, including, without limitation, any stormwater permits required by the Minnesota Pollution Control Agency.
8. Finalization of all construction documents (water, storm sanitary sewer, etc.) according to City standards and coordinated with the City Engineer.
9. The applicant shall describe best management methods that will be used to demarcate and protect wetlands that are located on site, including physically signing boundaries and providing electronic and GIS information to City documenting the wetland boundaries.
10. The developer shall comply with the following conditions during construction:

- a. Development activity shall comply with all City noise ordinances. There shall be no construction activity between the hours of 10 p.m. and 7 a.m.
 - b. Loud equipment shall be kept as far as possible from adjacent residences.
 - c. The site shall be kept free of dust and debris that could blow onto neighboring properties.
 - d. Public streets shall be maintained free of dirt and shall be cleaned as necessary.
 - e. The City shall be contacted a minimum of 72 hours prior to any work in a public street or right-of-way. Work in a public street shall take place only upon the determination by the Public Works Director that appropriate safety measures have been taken to ensure motorist and pedestrian safety.
 - f. The Zoning Administrator may impose additional conditions if it becomes necessary in order to mitigate the impact of construction on surrounding properties.
11. Prior to the issuance of any temporary or permanent occupancy permit the following shall be completed:
- a. All exterior building improvements shall be completed.
 - b. All disturbed areas on the site shall be seeded or sodded.
12. The developer shall pay a park dedication fee of \$1,100 per lot/unit in lieu of dedicated park land. This fee will be paid at the time of PUD approval. Bedroom fees of \$150/bedroom shall be paid at time of building permit application.
13. The applicant shall sign a consent form assenting to all conditions of this approval.
14. The applicant shall pay an administrative fine of \$750 per violation of any condition of this approval.

ATTACHMENTS:

- Location Map
- Preliminary Site Plan
- Building Elevations Examples

Resolution No. 2020-70

**RESOLUTION APPROVING PRELIMINARY AND FINAL PLANNED UNIT DEVELOPMENT
FOR CLEAR VISION BUILDERS LLC**

WHEREAS, Clear Vision Builders LLC (Applicant) has submitted a complete application (Application) for a preliminary and final Planned Unit Development (PUD) to allow construction of two townhome buildings on the property located at 4063 Ugstad Road; and

WHEREAS, the Hermantown Planning and Zoning Commission held a public hearing on the preliminary and final PUD on March 21, 2020 following notice as required by the City's Zoning Code; and

WHEREAS, following the public hearing on the preliminary and final PUD, the Hermantown Planning Commission recommend on a 5-1 vote that the City Council approve the preliminary and final PUD; and

WHEREAS, the City Council has duly considered this matter and believes that it is in the best interests of the City of Hermantown that the preliminary and final PUD be approved, subject to certain conditions being met.

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

1. The proposed development plan meets the intent of the R-3, Residential Zoning District and the overall goals and policies of the Zoning Ordinance.
2. The proposed development meets the Comprehensive Plan for residential development and standards of a Planned Unit Development by providing public benefit through clustering of development to protect shorelands and wetlands.
3. A PUD may be allowed in any zoning district in the City of Hermantown. In addition, all permitted and conditional uses listed in the underlying specific district are allowed in a PUD.
4. If applicant chooses to sell an individual townhome unit, the property will need to be subdivided by way of a plat or CIC plat.
5. Prior to issuance of a building permit:
 - a. All necessary permits shall be obtained
 - b. Developer shall obtain a Stormwater Certificate and submit the required cash escrow or letter of credit.
6. Erosion control measures shall be utilized and remain in place throughout the construction period, and shall not be removed until vegetation is established on the site. The Applicant shall agree to comply with the stricter requirements of either the Hermantown Shoreland Overlay Ordinance or a Hermantown Land Alteration Permit, if one is required. The Shoreland Overlay requirements are:
 - a. The smallest amount of bare ground is exposed for as short a time as feasible;
 - b. Temporary groundcover, such as mulch, is used, and permanent groundcover, such as sod, is planted;
 - c. Adequate methods to prevent erosion and trap sediment are employed;

- d. Fill is stabilized to accepted engineering standards;
 - e. Adequate methods are employed to reduce the runoff and/or flow of water on or over the affected shoreland so that the grading, filling or alteration of the natural topography does not contribute to downstream flooding;
 - f. Adequate methods are employed to preserve water quality so that the grading, filling or alteration of the natural topography will not detrimentally affect the quality of the public waters of the City of Hermantown;
 - g. Adequate methods are employed for the preservation or establishment of local vegetation that provides wildlife habitat and screening; and
 - h. Fill used will consist of suitable material free from toxic pollutants in other than trace quantities.
7. Prior to issuance of a building permit, all necessary permits shall be obtained, including, without limitation, any stormwater permits required by the Minnesota Pollution Control Agency.
 8. Finalization of all construction documents (water, storm sanitary sewer, etc.) according to City standards and coordinated with the City Engineer.
 9. The applicant shall utilize best management methods that will be used to demarcate and protect wetlands that are located on site, including physically signing boundaries and providing electronic and GIS information to City documenting the wetland boundaries.
 10. The developer shall comply with the following conditions during construction:
 - a. Development activity shall comply with all City noise ordinances. There shall be no construction activity between the hours of 10 p.m. and 7 a.m.
 - b. Loud equipment shall be kept as far as possible from adjacent residences.
 - c. The site shall be kept free of dust and debris that could blow onto neighboring properties.
 - d. Public streets shall be maintained free of dirt and shall be cleaned as necessary.
 - e. The City shall be contacted a minimum of 72 hours prior to any work in a public street or right-of-way. Work in a public street shall take place only upon the determination by the Public Works Director that appropriate safety measures have been taken to ensure motorist and pedestrian safety.
 - f. The Zoning Administrator may impose additional conditions if it becomes necessary in order to mitigate the impact of construction on surrounding properties.
 11. Prior to the issuance of any temporary or permanent occupancy permit the following shall be completed:
 - a. All exterior building improvements shall be completed.
 - b. All disturbed areas on the site shall be seeded or sodded.
 12. The developer shall pay a park dedication fee of \$1,100 per lot/unit in lieu of dedicated park land. This fee will be paid at the time of PUD approval. Bedroom fees of \$150/bedroom shall be paid at time of building permit application.
 13. The applicant shall sign a consent form assenting to all conditions of this approval.
 14. The applicant shall pay an administrative fine of \$750 per violation of any condition of this approval.

Councilor _____ introduced the foregoing resolution and moved its adoption.

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

Councilors

and the following voted in opposition thereto:

WHEREUPON, such resolution was declared duly passed and adopted May 18, 2020.

LEGAL DESCRIPTION

Lot One (1), Block two (2), Sunnyview Acres

ACCEPTANCE OF RESOLUTION

Clear Vision Builders LLC (“Applicant”) hereby acknowledges and accepts the conditions specified on the foregoing Resolution and covenants and agrees to comply with each and every such condition.

Applicant acknowledges that the failure to comply with all of the modifications and conditions shall constitute a violation of the Hermantown Zoning Ordinance and that the City of Hermantown may, in such event, exercise and enforce its rights against the undersigned by instituting any appropriate action or proceeding to prevent, restrain, correct or abate the violation including, without limitation, exercising and enforcing its rights against any security that the undersigned may provide to the City to insure its compliance with the conditions contained in the foregoing Resolution.

Applicant acknowledges that this Resolution shall be recorded with the title to the property described in the text of the Resolution.

IN WITNESS WHEREAS, Clear Vision Builders has executed this acceptance this ____ day of _____, 2020.

Clear Vision Builders

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

The foregoing instrument was acknowledged before me this ____ day of _____, 2020, by Clear Vision Builders.

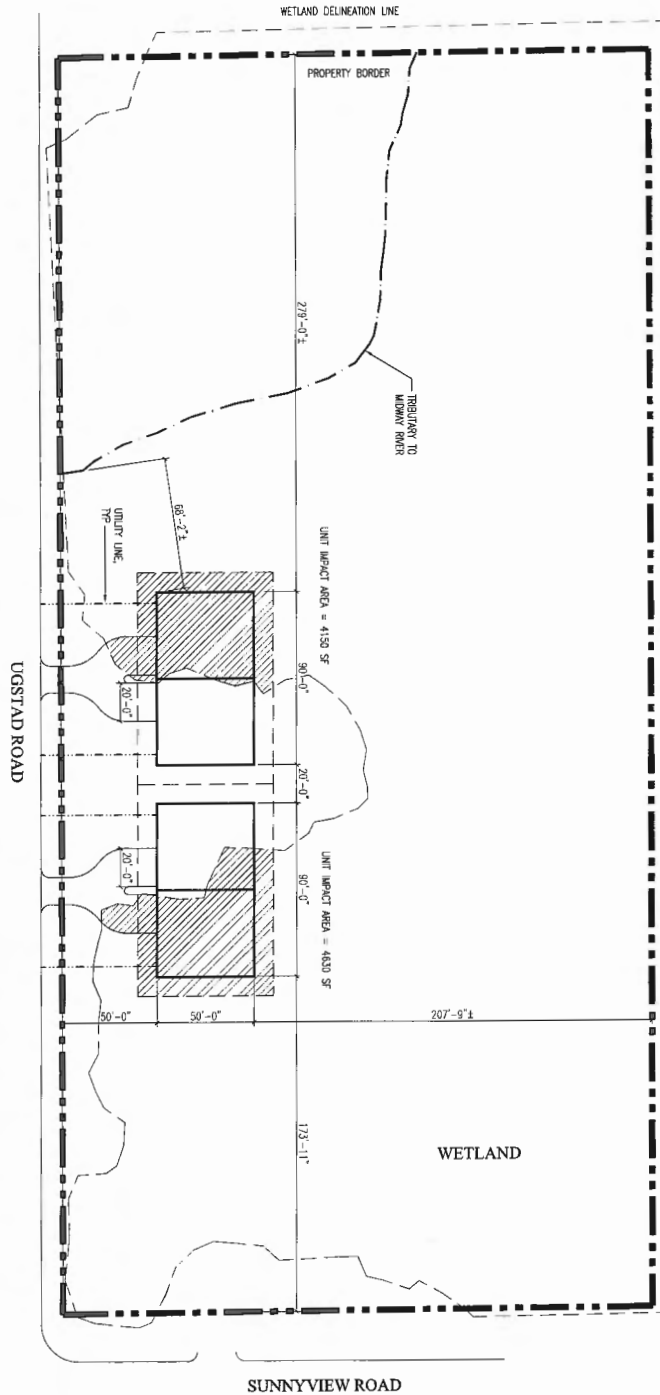
Notary Public

Location Map



C1.0 SITE PLAN
 1/8" = 1'-0"

TOTAL LOT WETLAND AREA = 177,250 SF
 TOTAL IMPACT AREA = 8780 SF
 TYPICAL UNIT 45' WIDE X 50' DEEP



C1.0

CLEAR VISION BUILDERS LLC
 TWIN HOME DEVELOPMENT
 4063 UGSTAD ROAD
 HERMANTOWN, MINNESOTA

DATE	REV.	DESCRIPTION	REV. BY:

AMI
 Consulting Engineers P.A.
 91 Main Street SUPERIOR, WI
 715.718.2193 - amiconsulting.com
 TWIN CITIES - IRON RANGE





TO: Mayor & City Council
FROM: Eric Johnson, Community
Development Director



DATE: May 8, 2020 **Meeting Date:** 5/18/20
SUBJECT: Special Use Permit for **Agenda Item: 12-E** **Resolution 2020-71**
Grading and Filling in a
Shoreland Area

REQUESTED ACTION

Approve a Special Use Permit for filling and grading within a Natural Environment Shoreland Overlay Zone for two townhomes (4 units total) at 4063 Ugstad Road.

DESCRIPTION OF REQUEST

The applicant is requesting to build two townhomes (4 units total) in a Natural Environment Shoreland Area which will require filling and grading within an approximately 8,520 square feet area of disturbance.

SITE INFORMATION:

Parcel Size: 5.0 acres
Legal Access: 4063 Ugstad Road
Wetlands: Yes, delineation approved in 2016; Impacts approved in 2018
Existing Zoning: R-3, Residential
Airport Overlay: None
Shoreland Overlay: Natural Environment
Comprehensive Plan: Suburban

Development Details

The applicant is proposing to construct two townhomes (4 units total) on an existing 5.0 acre lot with the homes being centrally located on the property.

The Planning and Zoning Commission held a public hearing on April 21, 2020. One member of the public spoke and expressed concerns about stormwater runoff, this type of development in a residential neighborhood and the preservation of the existing wetlands. This member of the public also submitted a letter to the Planning and Zoning Commission reiterating these concerns. Staff also received a written comment from a resident directly across from the proposed project who expressed concerns for this type of development in a single family neighborhood as well as environmental concerns.

The proposed building location is situated as to utilize an existing upland portion of the property on which to build. The proposed homes are located in order to minimize wetland impacts and to avoid the unmapped tributary of the Midway River that crosses the property approximately 450' south from Sunnyview Road.

Special Use Permit

The Special Use Permit is for filling and grading within a Shoreland zone. The applicant is looking to grade and fill within an 8,520 square foot area. There are general conditions for all SUPs. Staff finds the following in regard to the criteria for Special Use Permits in the Zoning Ordinance:

No special use permit shall be approved unless positive findings are made with respect to each and every one of the following criteria:

- 1. The proposed development is likely to be compatible with development permitted under the general provisions of this chapter on substantially all land in the vicinity of the proposed development;**

The development of two townhomes (4 units total) as a Planned Unit Development is an allowed use within a R-3 zoning district. The overall density of the development is 1.25 units/acre which is less than the density of all surrounding R-3 developed land. Conditions placed on the SUP restricting future wetland impacts and

- 2. The proposed use will not be injurious to the use and enjoyment of the environment, or detrimental to the rightful use and enjoyment of other property in the immediate vicinity of the proposed development;**

Conditions placed on the SUP restricting future wetland impacts and clearing and grading within 50 feet of the unnamed tributary meet the intent of the zoning ordinance to protect natural resources. The development of two townhomes (4 units total) as a Planned Unit Development is an allowed use within a R-3 zoning district. The overall density of the development is 1.25 units/acre which is less than the density of all surrounding R-3 developed land.

- 3. The proposed use is consistent with the overall Hermantown Comprehensive Plan and with the spirit and intent of the provisions of this chapter;**

The property is within an area marked for residential development on the Hermantown Comprehensive Plan. The purpose of the Shoreland Overlay Zone is to protect public waterways. Impervious surface caps are included to prevent excessive runoff from constructed surfaces. The proposed impervious surface is below maximum limits and the required 50 feet buffer zone will protect the unnamed tributary.

- 4. The proposed use will not result in a random pattern of development with little contiguity to existing programmed development and will not cause negative fiscal and environmental effects upon the community.**

The existing development surrounding this site is single family residential; the proposed use continues this character. The proposed impervious surface is below maximum limits and the required 50 feet buffer zone will protect the unnamed tributary.

- 5. Other criteria required to be considered under the provisions of this code for any special use permit.**

The applicant will follow the rules for grading and filling in a Shoreland Overlay Zone established in Section 725.02 and Section 555.07.1 and 555.07.2. Additional details of note include:

- A. No impervious surface or clearing, grubbing and grading will be allowed within 50 feet of the Ordinary High Water Level of the unnamed tributary.
- B. The elevation of the lowest floor level shall be at least three feet above the Ordinary High Water Level of the unnamed tributary.

RECOMMENDATIONS:

Staff recommends approval of the Special Use Permit based on the findings set forth in the Staff report, subject to the following conditions:

1. The approval is for a Special Use Permit for filling and grading an 8,520 square foot area within a Natural Environment Shoreland of an unnamed tributary to the Midway River for construction of two townhomes (4 units total). The Community Development Director may approve minor variations to structures and filling and grading indicated on the attached preliminary site plan as long as the variations do not result in greater wetland impacts.
2. The applicant will follow the rules for grading and filling in a Shoreland Overlay Zone established in Section 725.02 and Section 555.07.1 and 555.07.2 including, but not limited to:
 - A. No impervious surface or clearing, grubbing and grading will be allowed within 50 feet of the Ordinary High Water Level of the unnamed tributary.
 - B. The elevation of the lowest floor level shall be at least three feet above the Ordinary High Water Level of the unnamed tributary.
 - C. The smallest amount of bare ground is exposed for as short a time as feasible;
 - D. Temporary groundcover, such as mulch, is used, and permanent groundcover, such as sod, is planted;
 - E. Adequate methods to prevent erosion and trap sediment are employed;
 - F. Fill is stabilized to accepted engineering standards;
 - G. Adequate methods are employed to reduce the runoff and/or flow of water on or over the affected shoreland so that the grading, filling or alteration of the natural topography does not contribute to downstream flooding;
 - H. Adequate methods are employed to preserve water quality so that the grading, filling or alteration of the natural topography will not detrimentally affect the quality of the public waters of the City of Hermantown;
 - I. Adequate methods are employed for the preservation or establishment of local vegetation that provides wildlife habitat and screening; and
 - J. Fill used will consist of suitable material free from toxic pollutants in other than trace quantities.
3. Describe best management methods that will be used to demarcate and protect wetlands that are located on site, including physically signing boundaries and providing electronic and GIS information to City documenting the wetland boundaries.
4. The applicant shall sign a consent form assenting to all conditions of this approval.

5. The applicant shall pay an administrative fine of \$750 per violation of any condition of this approval.

ATTACHMENTS:

- Site Location Map
- Proposed site plan

Resolution No. 2020-71

**RESOLUTION APPROVING A SPECIAL USE PERMIT FOR THE GRADING AND FILLING
WITHIN A SHORELAND OVERLAY ZONING DISTRICT**

WHEREAS, Clear Vision Builders LLC (“Applicant”), owner of the property at 4063 Ugstad Road Road, submitted an application for a Special Use Permit (SUP) for the grading and filling within a Shoreland Overlay Zoning District for construction of two townhome buildings on the property located at 4063 Ugstad Road; and

WHEREAS, the Hermantown Planning and Zoning Commission held a public hearing on the Special Use Permit on March 21, 2020 following notice as required by the City’s Zoning Code; and

WHEREAS, following the public hearing on the SUP, the Hermantown Planning Commission recommend on a 5-1 vote that the City Council approve the Special Use Permit; and

WHEREAS, after due consideration of the entire City file, the testimony at the public hearing and all other relevant matters the City Council hereby makes the following findings related to the Special Use Permit;

FINDINGS OF FACT

- 1. The proposed development is likely to be compatible with development permitted under the general provisions of this chapter on substantially all land in the vicinity of the proposed development;**

The development of two townhomes (4 units total) as a Planned Unit Development is an allowed use within a R-3 zoning district. The overall density of the development is 1.25 units/acre which is less than the density of all surrounding R-3 developed land. Conditions placed on the SUP restricting future wetland impacts and

- 2. The proposed use will not be injurious to the use and enjoyment of the environment, or detrimental to the rightful use and enjoyment of other property in the immediate vicinity of the proposed development;**

Conditions placed on the SUP restricting future wetland impacts and clearing and grading within 50 feet of the unnamed tributary meet the intent of the zoning ordinance to protect natural resources. The development of two townhomes (4 units total) as a Planned Unit Development is an allowed use within a R-3 zoning district. The overall density of the development is 1.25 units/acre which is less than the density of all surrounding R-3 developed land.

- 3. The proposed use is consistent with the overall Hermantown Comprehensive Plan and with the spirit and intent of the provisions of this chapter;**

The property is within an area marked for residential development ion the Hermantown Comprehensive Plan. The purpose of the Shoreland Overlay Zone is to protect public waterways. Impervious surface caps are included to prevent excessive runoff from constructed surfaces. The proposed impervious surface is below maximum limits and the required 50 feet buffer zone will protect the unnamed tributary.

4. **The proposed use will not result in a random pattern of development with little contiguity to existing programmed development and will not cause negative fiscal and environmental effects upon the community.**

The existing development surrounding this site is single family residential; the proposed use continues this character. The proposed impervious surface is below maximum limits and the required 50 feet buffer zone will protect the unnamed tributary.

5. **Other criteria required to be considered under the provisions of this code for any special use permit.**

The applicant will follow the rules for grading and filling in a Shoreland Overlay Zone established in Section 725.02 and Section 555.07.1 and 555.07.2. Additional details of note include:

- A. No impervious surface or clearing, grubbing and grading will be allowed within 50 feet of the Ordinary High Water Level of the unnamed tributary.
- B. The elevation of the lowest floor level shall be at least three feet above the Ordinary High Water Level of the unnamed tributary.

CONCLUSION

On the basis of the foregoing Findings of Fact, the City Council of the City of Hermantown is hereby resolved as follows:

1. The approval is for a Special Use Permit for filling and grading an 8,520 square foot area within a Natural Environment Shoreland of an unnamed tributary to the Midway River for construction of two townhomes (4 units total). The Community Development Director may approve minor variations to structures and filling and grading indicated on the attached preliminary site plan as long as the variations do not result in greater wetland impacts.
2. The applicant will follow the rules for grading and filling in a Shoreland Overlay Zone established in Section 725.02 and Section 555.07.1 and 555.07.2 including, but not limited to:
 - A. No impervious surface or clearing, grubbing and grading will be allowed within 50 feet of the Ordinary High Water Level of the unnamed tributary.
 - B. The elevation of the lowest floor level shall be at least three feet above the Ordinary High Water Level of the unnamed tributary.
 - C. The smallest amount of bare ground is exposed for as short a time as feasible;
 - D. Temporary groundcover, such as mulch, is used, and permanent groundcover, such as sod, is planted;
 - E. Adequate methods to prevent erosion and trap sediment are employed;
 - F. Fill is stabilized to accepted engineering standards;
 - G. Adequate methods are employed to reduce the runoff and/or flow of water on or over the affected shoreland so that the grading, filling or alteration of the natural topography does not contribute to downstream flooding;
 - H. Adequate methods are employed to preserve water quality so that the grading, filling or alteration of the natural topography will not detrimentally affect the quality of the public waters of the City of Hermantown;
 - I. Adequate methods are employed for the preservation or establishment of local vegetation that provides wildlife habitat and screening; and

- J. Fill used will consist of suitable material free from toxic pollutants in other than trace quantities.
3. The applicant shall utilize best management methods to demarcate and protect wetlands that are located on site, including physically signing boundaries and providing electronic and GIS information to City documenting the wetland boundaries.
 4. The applicant shall sign a consent form assenting to all conditions of this approval.
 5. The applicant shall pay an administrative fine of \$750 per violation of any condition of this approval.

Councilor _____ introduced the foregoing resolution and moved its adoption.

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

Councilors

and the following voted in opposition thereto:

WHEREUPON, such resolution was declared duly passed and adopted May 18, 2020.

LEGAL DESCRIPTION

Lot One (1), Block two (2), Sunnyview Acres

ACCEPTANCE OF RESOLUTION

Clear Vision Builders LLC (“Applicant”) hereby acknowledges and accepts the conditions specified on the foregoing Resolution and covenants and agrees to comply with each and every such condition.

Applicant acknowledges that the failure to comply with all of the modifications and conditions shall constitute a violation of the Hermantown Zoning Ordinance and that the City of Hermantown may, in such event, exercise and enforce its rights against the undersigned by instituting any appropriate action or proceeding to prevent, restrain, correct or abate the violation including, without limitation, exercising and enforcing its rights against any security that the undersigned may provide to the City to insure its compliance with the conditions contained in the foregoing Resolution.

Applicant acknowledges that this Resolution shall be recorded with the title to the property described in the text of the Resolution.

IN WITNESS WHEREAS, Clear Vision Builders has executed this acceptance this ____ day of _____, 2020.

Clear Vision Builders

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

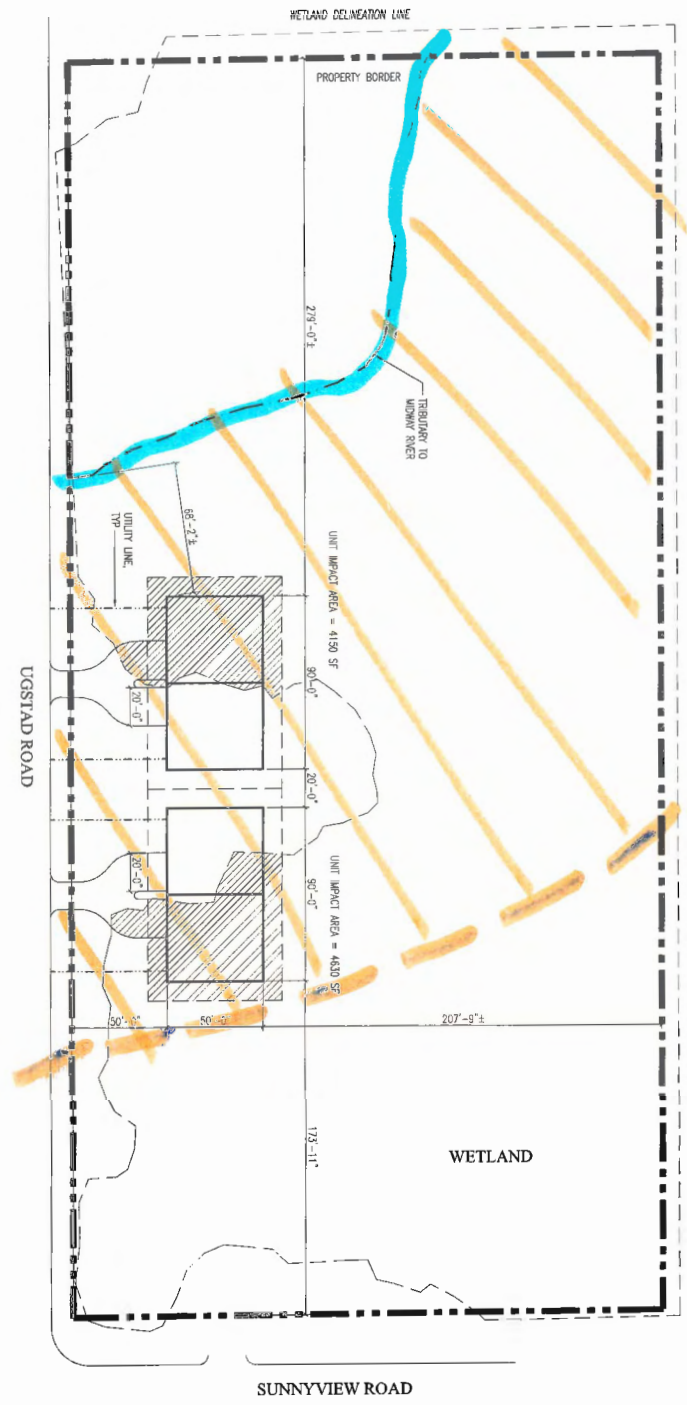
The foregoing instrument was acknowledged before me this ____ day of _____, 2020, by Clear Vision Builders.

Notary Public

Location Map



UNWAPPED TRIBUTARY
300' SHORELAND AREA



1.0 SITE PLAN
 1/8" = 1'-0"



C1.0 SHEET	JCB: 18/04 DATE: 3/14/18 DESIGNER: JSB	CLEAR VISION BUILDERS LLC TWIN HOME DEVELOPMENT 4063 UGSTAD ROAD HERMANTOWN, MINNESOTA		DATE:	REV:	DESCRIPTION:	REV. BY:
		DATE:	REV:	DESCRIPTION:	REV. BY:		

AMI
 Consulting Engineers P.A.
 91 Main Street SUPERIOR, WI
 715.718.2193 - amiengineers.com
 TWIN CITIES - IRON RANGE

TO: Mayor & City Council
FROM: Eric Johnson, Community
Development Director



DATE: May 8, 2020 **Meeting Date:** 5/18/20
SUBJECT: **Wetland Replacement Plan for a Two-Townhome Development** **Agenda Item: 12-F** **Resolution 2020-72**

REQUESTED ACTION

Approve a Wetland Replacement Plan for two townhomes (4 units total) at 4063 Ugstad Road.

DESCRIPTION OF REQUEST

The applicant is requesting to build two townhomes (4 units total) which will entail 8,780 square feet of permanent wetland impacts.

SITE INFORMATION:

Parcel Size: 5.0 acres
Legal Access: 4063 Ugstad Road
Wetlands: Yes, delineation approved in 2016; Impacts approved in 2018
Existing Zoning: R-3, Residential
Airport Overlay: None
Shoreland Overlay: Natural Environment
Comprehensive Plan: Suburban

Development Details

The applicant is proposing to construct two townhomes (4 units total) on an existing 5.0 acre lot with the homes being centrally located on the property.

The Planning and Zoning Commission held a public hearing on April 21, 2020. One member of the public spoke and expressed concerns about stormwater runoff, this type of development in a residential neighborhood and the preservation of the existing wetlands. This member of the public also submitted a letter to the Planning and Zoning Commission reiterating these concerns. Staff also received a written comment from a resident directly across from the proposed project who expressed concerns for this type of development in a single family neighborhood as well as environmental concerns.

The proposed building location is situated as to utilize an existing upland portion of the property on which to build. The proposed homes are located in order to minimize wetland impacts and to avoid the unmapped tributary of the Midway River that crosses the property approximately 450' south from Sunnyview Road.

Wetlands

The property was originally delineated in 2016, which the Hermantown TEP reviewed and approved at that time. The applicant is seeking approval of a Wetland Replacement Plan to impact 8,780 square feet of wetlands on the property. The Hermantown TEP reviewed and approved these impacts in November 2018. Approval was subject to the applicant purchasing wetland credits for the impacts, which he did in March 2020.

The proposed wetland impacts are 8.780 square feet. The proposed structures have been located to create the minimum amount of wetland impacts and meet the setback standards and the proposed setback from the unnamed tributary.

The wetlands occur in a shoreland area of an unmapped tributary of the Midway River. When wetland impacts are proposed in a shoreland area, the allowed de minimus exemption is reduced from 10,000 square feet to 400 square feet. Any wetland impacts greater than 400 square feet require the purchase of wetland credits and a wetland replacement plan.

RECOMMENDATIONS:

Staff recommends approval of the Wetland Replacement Plan based on the findings set forth in the Staff report, subject to the following conditions:

1. Finalization of the purchase of wetland credits in Bank Service Area One.
2. Describing best management methods that will be used to demarcate and protect the remaining wetlands within the development.
3. Erosion control measures shall be utilized and remain in place throughout the construction period, and shall not be removed until vegetation is established on the site.
4. All necessary permits shall be obtained, including, without limitation, any stormwater permits required by the Minnesota Pollution Control Agency.
5. The developer shall comply with the following conditions during construction:
 - a. Development/construction activity shall comply with all City noise ordinances. There shall be no construction activity between the hours of 10 p.m. and 7 a.m.
 - b. Loud equipment shall be kept as far as possible from adjacent residences.
 - c. The site shall be kept free of dust and debris that could blow onto neighboring properties.
 - d. Public streets shall be maintained free of dirt and shall be cleaned as necessary.
 - e. The City shall be contacted a minimum of 72 hours prior to any work in a public street or right-of-way. Work in a public street shall take place only upon the determination by the Public Works Director that appropriate safety measures have been taken to ensure motorist and pedestrian safety.
 - f. The Zoning Administrator may impose additional conditions if it becomes necessary in order to mitigate the impact of construction on surrounding properties.
6. The applicant shall sign a consent form assenting to all conditions of this approval.

7. The applicant shall pay an administrative fine of \$750 per violation of any condition of this approval.
8. Developer to provide GIS boundary location of remaining wetlands to the City.

ATTACHMENTS:

- Site Location Map
- Proposed site plan
- Transaction to Withdraw Credits

Resolution No. 2020-72

RESOLUTION APPROVING WETLAND REPLACEMENT PLAN FOR CLEAR VISION BUILDERS LLC

WHEREAS, The Minnesota legislature initially enacted the Wetland Conservation Act (“WCA”) in 1991, amended from time to time by the Minnesota Legislature, and

WHEREAS, Minnesota Rules Chapter 8420 (“WCA Rules”) were adopted to implement the WCA, and whenever any capitalized term is used in this Resolution it shall have the meaning given that term in the WCA Rules unless the context clearly requires otherwise, and

WHEREAS, Under the WCA Rules, the Hermantown City Council is the Local Government Unit (“LGU”) for purposes of administering the WCA in Hermantown, and

WHEREAS, Clear Vision Builders LLC (Applicant) applied to the City of Hermantown (“Application”) for approval of a Wetland Replacement Plan for an activity affecting 8,780 square feet of Wetlands (“Project”), for property with a legal description attached hereto as Exhibit A (“Land”), and

WHEREAS, The LGU mailed a copy of the Application and an invitation to submit comments on the Application to the members of the Hermantown Technical Evaluation Panel (“TEP”), and

WHEREAS, The TEP duly considered the Application at a meeting (“TEP Meeting”) held on August 12, 2016 and October 22, 2018, such meeting having included an on-site inspection, completion of technical findings and recommendations on questions of Wetland functions, and the resulting public values, location, size, and type with respect to the Application, described in the TEP Meeting minutes, and

WHEREAS, The TEP recommended approval of the Replacement Plan, and

WHEREAS, Pursuant to the LGU’s WCA Resolution, the Planning Commission of the LGU held a public hearing (“Hearing”) and recommended approval of the Application at its meeting of April 21, 2020 and

WHEREAS, The City Council has duly considered the Application, the record of the Hearing, the entire file of the LGU with respect to the Application, the recommendation of the TEP and Planning Commission and such other matters as it deems relevant, and

WHEREAS, Based on such review and consideration the City Council of the City of Hermantown hereby makes the following:

CONCLUSION

On the basis of the foregoing Findings of Fact, the City Council of the City of Hermantown is hereby resolved as follows:

1. Finalization of the purchase of wetland credits in Bank Service Area One.
2. The applicant shall utilize best management methods to demarcate and protect the remaining wetlands within the development.

3. Erosion control measures shall be utilized and remain in place throughout the construction period, and shall not be removed until vegetation is established on the site.
4. All necessary permits shall be obtained, including, without limitation, any stormwater permits required by the Minnesota Pollution Control Agency.
5. The developer shall comply with the following conditions during construction:
 - a. Development/construction activity shall comply with all City noise ordinances. There shall be no construction activity between the hours of 10 p.m. and 7 a.m.
 - b. Loud equipment shall be kept as far as possible from adjacent residences.
 - c. The site shall be kept free of dust and debris that could blow onto neighboring properties.
 - d. Public streets shall be maintained free of dirt and shall be cleaned as necessary.
 - e. The City shall be contacted a minimum of 72 hours prior to any work in a public street or right-of-way. Work in a public street shall take place only upon the determination by the Public Works Director that appropriate safety measures have been taken to ensure motorist and pedestrian safety.
 - f. The Zoning Administrator may impose additional conditions if it becomes necessary in order to mitigate the impact of construction on surrounding properties.
6. The applicant shall sign a consent form assenting to all conditions of this approval.
7. The applicant shall pay an administrative fine of \$750 per violation of any condition of this approval.
8. Developer to provide GIS boundary location of remaining wetlands to the City.

Councilor ____ introduced the foregoing resolution and moved its adoption.

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

Councilors

and the following voted in opposition thereto:

WHEREUPON, such resolution was declared duly passed and adopted May 18, 2020.

LEGAL DESCRIPTION

Lot One (1), Block two (2), Sunnyview Acres

ACCEPTANCE OF RESOLUTION

Clear Vision Builders LLC (“Applicant”) hereby acknowledges and accepts the conditions specified on the foregoing Resolution and covenants and agrees to comply with each and every such condition.

Applicant acknowledges that the failure to comply with all of the modifications and conditions shall constitute a violation of the Hermantown Zoning Ordinance and that the City of Hermantown may, in such event, exercise and enforce its rights against the undersigned by instituting any appropriate action or proceeding to prevent, restrain, correct or abate the violation including, without limitation, exercising and enforcing its rights against any security that the undersigned may provide to the City to insure its compliance with the conditions contained in the foregoing Resolution.

Applicant acknowledges that this Resolution shall be recorded with the title to the property described in the text of the Resolution.

IN WITNESS WHEREAS, Clear Vision Builders has executed this acceptance this ____ day of _____, 2020.

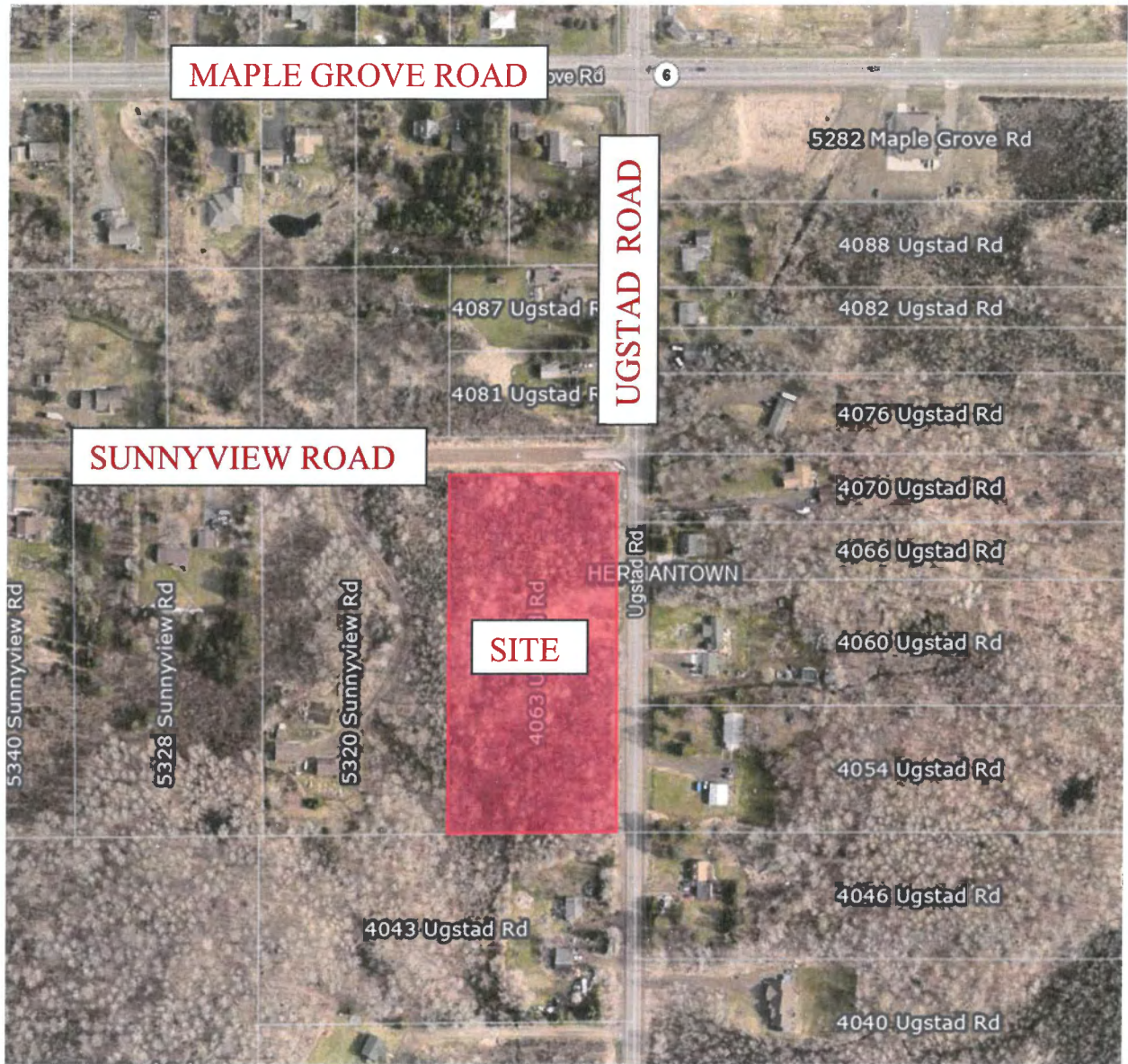
Clear Vision Builders

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

The foregoing instrument was acknowledged before me this ____ day of _____, 2020, by Clear Vision Builders.

Notary Public

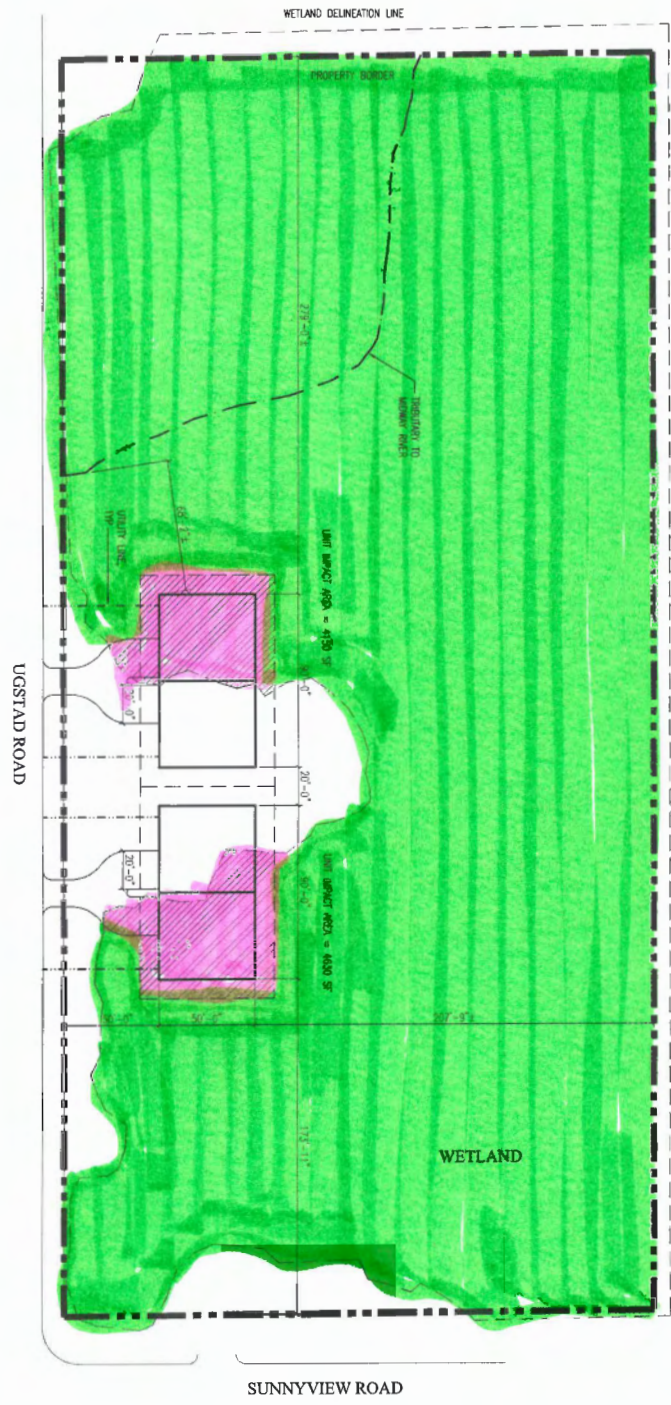
Location Map



EXISTING WETLANDS
WETLAND FILL IMPACT

TOTAL LOT WETLAND AREA = 177,250 SF
 TOTAL IMPACT AREA = 8,780 SF
 TYPICAL UNIT 45' WIDE X 50' DEEP

C1.0 SITE PLAN
 1/8" = 1'-0"



JOB No: 181094 DATE: 3/14/18 DRAWN BY: JJB CHECKED BY:	CLEAR VISION BUILDERS LLC TWIN HOME DEVELOPMENT 4063 UGSTAD ROAD HERMANTOWN, MINNESOTA		DATE	REV.	DESCRIPTION	REV. BY:
SHEET: C1.0			Consulting Engineers P.A. 91 Main Street SUPERIOR, WI 715.718.2193 - amiengineers.com TWIN CITIES - IRON RANGE			



Transaction Form to Withdraw Credits

Minnesota Wetland Bank Program

If the layout of this form looks incorrect, click on *View, Edit Document*, then save it to your computer.

1. Credit User		<i>This space for BWSR use only.</i>
Name: Doug Olsen	Organization: Clear Vision Builders	
Address: 5326 Splitrail Drive Hermantown, MN 55811	Email: Do.duluth@gmail.com	
Phone: 218-391-1438	LGU File #: 18-58-WL-E	
Consultant: Boreal Wetland Services		

2. Wetland Impact Information	
To be completed for the project impacting wetlands and with which this withdrawal is intended to replace.	
Project Name: Parcel 395-0140-00090	Impact Size (acres): 0.20
Impact County: Saint Louis	Impact Wetland type: Hardwood Swamp
Impact Major Watershed/BSA: 3 / 1	Replacement Ratio: 1:1
Sec/Twp/Range: 21/50/15	
*Projects with multiple locations should use the most central location in relation to the project as a whole.	
Are Federally authorized credits required for this impact? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	
Corps Regulatory File Number:	MVP-2016-03923-KAL
Comments:	

3. Credits to be Withdrawn To be completed by the seller of the credits (account holder)				
Account Information				
Account: 1505		County: Koochiching		Bank Service Area: 2
Credit Subgroup	Wetland Type/Plant Community Type	Federally Approved?	Cost per Credit	Credit Amounts
A	Fresh (Wet)Meadow	Yes	34,848.00	0.20
Per Credit Withdrawal Fee by BSA			Total Credits:	6,969.60
BSA 1 \$520	BSA 6 \$1,083	Enter the Withdrawal Fee for the BSA of the account:	<i>(Withdrawal Fee x total credits)</i>	
BSA 2 \$371	BSA 7 \$1,992		Withdrawal Fee:	74.20
BSA 3 \$725	BSA 8 \$2,577	Easement Stewardship Fee:	<i>(Easement Stewardship fee x total credits)</i>	
BSA 4 \$1,412	BSA 9 \$2,628		Stewardship Fee:	60.40
BSA 5 \$685	BSA 10 \$3,099	Total Fees:	134.60	

Please make checks payable to the Minnesota Board of Water and Soil Resources. BWSR does not accept cash.
 BWSR fee policy: http://www.bwsr.state.mn.us/wetlands/wetlandbanking/fee_and_sales_data/Wetland_Banking_Fee_Policy_Effective_June1_2017.pdf

Project Name: Parcel 395-0140-00090

Confirmation email will be emailed to the user, seller, and regulatory representative when the transaction is complete. If anyone else should be notified please indicated their emails below:

borealgeo@gmail.com

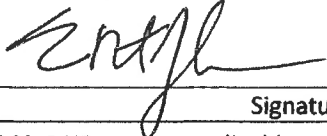
4. Regulatory Authorization

By signing below, the identified agency and authorized representative hereby certifies that they have: a) verified that the subject wetland credits are deposited in the account of the owner/seller, b) approved a wetland replacement plan or similar agreement under their jurisdiction, and c) approve the proposed use of the wetland bank credit described above.

WCA LGU/Agency: City of Hermantown

LGU Representative: Eric Johnson

Email Address: eric.johnson@hermantownr



Signature

3-2-2020

Date

For NRCS, DNR, etc. as applicable

Agency Name and Location:

Representative:

Email Address:

Signature

Date

5. Credit User Signature

By signing below the proposed credit user attests that he/she owns or has purchased the credits identified in this form and has received approval from the regulatory authority(ies).

Signature

Date

6. Account Holder Signature

By signing below I, the seller and holder of the aforementioned account in the State of Minnesota Wetland Mitigation Bank, certify that:

- 1) The credits described in this transaction form have been sold to the credit user or will be used for my own project;
- 2) I have received payment in full from the buyer (if applicable);
- 3) The credits described in this transaction form have not been sold or used in any way to mitigate wetland losses other than for the project and location identified in the wetland impact information block on the previous page;
- 4) The credits described in this application should be withdrawn from my account; and
- 5) I will not have a negative balance of credits after the subject credits are debited from my account.

Name/Representative:

Email Address:

Signature

Date

Send complete forms and fee payments to:

Wetland Bank Administration
Minnesota Board of Water and Soil Resources
520 Lafayette Road North
Saint Paul, MN 55155

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



DATE: May 13, 2020 **Meeting Date:** 5/18/20
SUBJECT: Temporary Easement - Kallos **Agenda Item: 12-G** **Resolution 2020-73**

REQUESTED ACTION

Approve a temporary easement with Don & Olivia Kallos

BACKGROUND

The City owns property adjacent to the Kallos' property and has an easement on their property for the Section 24 Sewer Trunkline and trail. It is recommended to acquire a temporary easement of 20 feet during the construction phase for engineering staking and construction..

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

Temporary Easement

Resolution No. 2020-73

**RESOLUTION AUTHORIZING THE ACCEPTANCE OF
A TEMPORARY EASEMENT WITH DONALD E. KALLOS AND OLIVIA S. KALLOS FOR
THE CONSTRUCTION OF TRAIL AND SEWER LINE**

WHEREAS, Donald E. Kallos and Olivia S. Kallos (collectively “Kallos”) are the owners of property within the City of Hermantown (“Property”); and

WHEREAS, the City of Hermantown (“City”) desires to construct a trail and sewer line around the Property; and

WHEREAS, in order to construct the trail and sewer line it is necessary for the City to obtain Temporary Easement from Kallos to enter upon the Property to complete the construction; and

WHEREAS, such Temporary Easement would terminate on December 31, 2021 and be of no further force and effect; and

WHEREAS, the City Attorney has prepared a Temporary Easement with respect to the matters set forth above; and

WHEREAS, the City Council has reviewed the Temporary Easement and believes that it is in the best interests of the City of Hermantown to approve the Temporary Easement and authorize the Mayor and City Clerk to accept the Temporary Easement.

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

1. The Temporary Easement substantially in the form of the one attached hereto as Exhibit A is hereby approved.

2. The Mayor and City Clerk are hereby authorized and directed to accept the Temporary Easement and to execute and deliver whatever documents are necessary to consummate the transactions contemplated by the Temporary Easement.

Councilor _____ introduced the foregoing resolution and moved its adoption.

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

And the following voted in opposition thereto:

WHEREUPON, such resolution was declared duly passed and adopted May 18, 2020.

EXHIBIT A

TEMPORARY EASEMENT

THIS INDENTURE, made and entered into this ____ day of _____, 2020, by and between **Donald E. Kallos** and **Olivia S. Kallos**, husband and wife, hereinafter called "Grantor," and the **City of Hermantown**, a Minnesota statutory city, hereinafter called the "Grantee."

WHEREAS, Grantor is the owner of land ("Grantor's Property") situated in the City of Hermantown, St. Louis County, Minnesota; and

WHEREAS, Grantor has agreed to grant Grantee a temporary easement for public purposes across a portion of Grantor's Property.

NOW, THEREFORE, Grantor, for valuable consideration, the receipt and sufficiency of which is hereby acknowledged, hereby grants and conveys unto the City of Hermantown, St. Louis County, Minnesota, as Grantee, its successors and assigns until December 31, 2021:

A temporary easement ("Temporary Easement") for public utility purposes, including, but not limited to, the construction and maintenance of a trail and sewer line, over, under, and across the property owned by Grantor, with the Temporary Easement of twenty (20) feet generally shown in cross hatching on the drawing attached hereto as Exhibit A together with the right to enter upon and occupy so much of such property as may be necessary in constructing, repairing or otherwise maintaining the culvert.

It is understood that the right, privilege and Temporary Easement herein granted and the provisions hereof shall extend to and bind the heirs, personal representatives, successors and assigns of the respective parties hereto.

This Temporary Easement shall expire and be of no force and effect after December 31, 2021.

IN WITNESS WHEREOF, the said Grantor has caused this instrument to be executed on the day and year first above written.

Donald E. Kallos

Olivia S. Kallos

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

This instrument was acknowledged before me on this ____ day of _____, 2020, by Donald E. Kallos and Olivia S. Kallos, husband and wife.

Notary Public

[ACCEPTANCE APPEARS ON NEXT PAGE]

ACCEPTANCE

The City of Hermantown hereby accepts the foregoing Temporary Easement.

Dated: _____

CITY OF HERMANTOWN

By _____
Its Mayor

And By _____
Its City Clerk

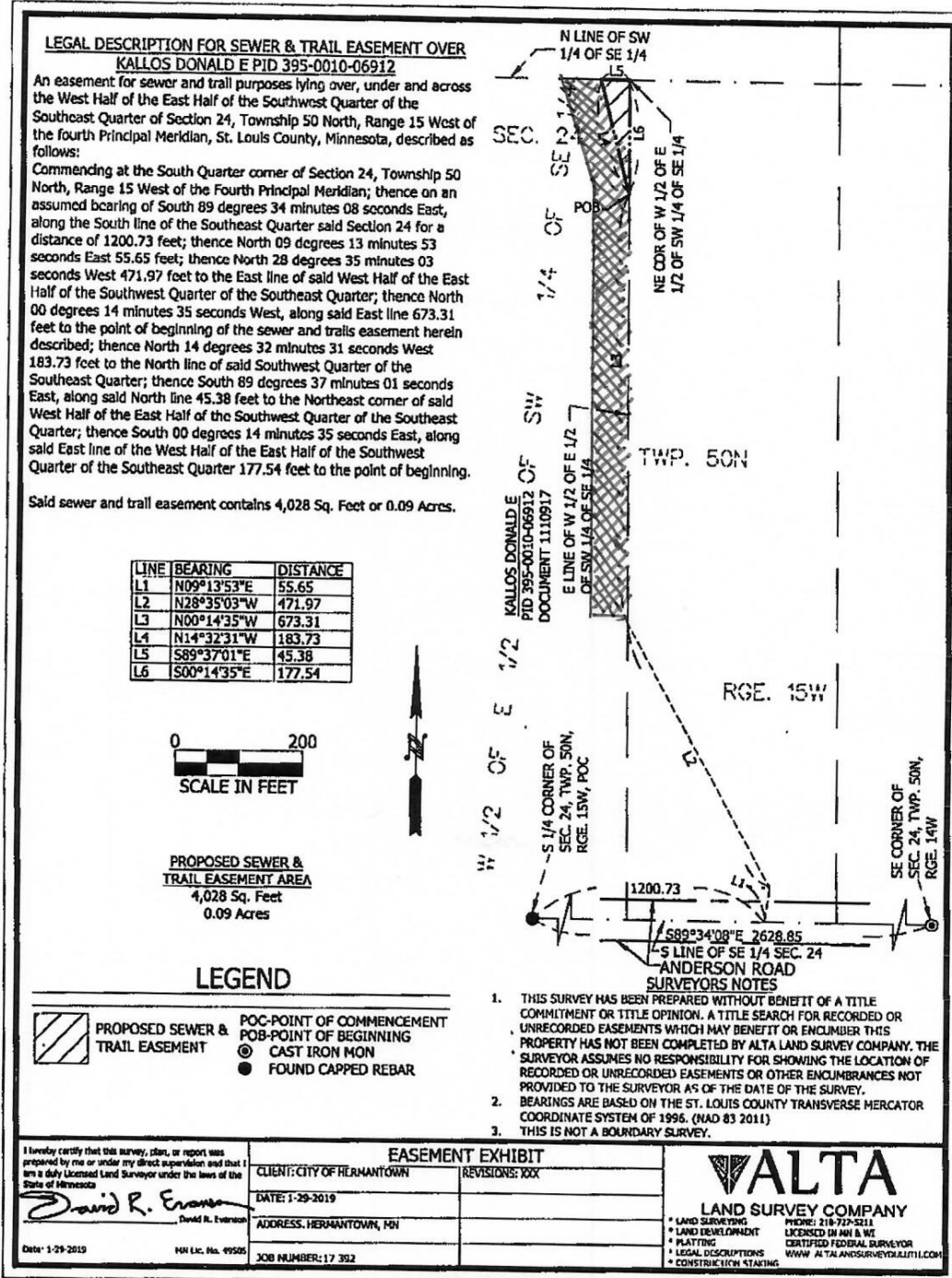
STATE OF MINNESOTA)
) ss.
COUNTY OF ST. LOUIS)

This instrument was acknowledged before me on the ____ day of _____, 20__, by _____ and _____, the Mayor and City Clerk, respectively, of the City of Hermantown, Minnesota, on behalf of the City of Hermantown.

Notary Public

THIS INSTRUMENT WAS DRAFTED BY:
Steven C. Overom
Overom Law, PLLC
11 E. Superior Street
Suite 543
Duluth, MN 55802
218-625-8460

EXHIBIT A Depiction of Temporary Easement



I hereby certify that this survey, plan, or report was prepared by me or under my direct supervision and that I am a duly Licensed Land Surveyor under the laws of the State of Minnesota.

David R. Everson
David R. Everson
Date: 1-29-2019
Mn Lic. No. 95529

EASEMENT EXHIBIT

CLIENT: CITY OF HERMANTOWN REVISIONS: 000
DATE: 1-29-2019
ADDRESS: HERMANTOWN, MN
JOB NUMBER: 17 392

ALTA
LAND SURVEY COMPANY

MEMO: 218-717-3311
* LAND SURVEYING
* LAND DEVELOPMENT
* PLATTING
* LEGAL DESCRIPTIONS
* CONSTRUCTION STAKING
LICENSED IN MN & WI
CERTIFIED FEDERAL SURVEYOR
WWW.ALTAANDSURVEY.COM

TO: Mayor & City Council

FROM: Paul Senst, Public Works
Director

DATE: May 12, 2020

Meeting Date: 5/18/20

SUBJECT: Feasibility Study – 2021 Road Improvement Program –
Lavaque Jct. Rd. **Agenda Item: 12-H** **Resolution 2020-74**



REQUESTED ACTION

Approve the preparation of a Preliminary Feasibility report for the 2021 Road Improvements – Lavaque Jct. Rd.

BACKGROUND

As part of our 2021 Road Improvement plan we will be rebuilding Lavaque Jct. Road. As part of this process and the 429 assessment process, we need to have a feasibility study performed by the City Engineer. This action would release the City Engineer to compile a feasibility report for this job that will be designed and constructed by engineers and a contractor upon their bidding process.

SOURCE OF FUNDS (if applicable)

402-431150-550

ATTACHMENTS

Resolution No. 2020-74

**RESOLUTION DIRECTING PREPARATION OF PRELIMINARY ENGINEERING
FEASIBILITY REPORT FOR 2021 ROAD
IMPROVEMENT PLAN (LAVAQUE JUNCTION ROAD)**

WHEREAS, the City Council of the City of Hermantown desires a Feasibility Report for the 2021 Road Improvement Plan; and

WHEREAS, Section 429.031 of the Minnesota Statutes requires that the City Council obtain a preliminary report from the City's consulting engineer before it establishes a date for a public hearing on such improvements.

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

1. The proposed improvement is hereby referred to Northland Consulting Engineers ("City Engineer") for study and the City Engineer is instructed to report to the Council with all convenient speed advising the Council in a preliminary way as to whether the proposed 2021 Road Improvement Plan is necessary, cost-effective and feasible and as to whether it should best be made as proposed or in connection with some other improvement and the estimated cost of the improvement as recommended.
2. The City reasonably expects to finance the Project from an issue of tax-exempt bonds. In advance of issuance of the bonds it will be necessary for the City to temporarily finance certain costs of the Project by using either working capital or cash reserves, which are needed for other purposes. The City reasonably expects to reimburse itself from the proceeds of the bonds within eighteen (18) months after the date the Project is paid from such working capital or cash reserves.
3. The cost of the preparation of the Feasibility Report will not exceed \$7,560.00 charged to 401-431130-550.

Councilor ____ introduced the foregoing resolution and moved its adoption.

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

Councilors

and the following voted in opposition thereto:

WHEREUPON, such resolution was declared duly passed and adopted May 18, 2020.

NCE CIVIL DESIGN FEE ESTIMATE WORKSHEET

Proposal No.:	20-8000	Title:	Lavaque Junction Road Feasibility Study
Date:	4/15/2020	Client:	City of Hermantown - John Mulder, City Administrator

Activity	Estimated Hours					Extended Cost
	Principal	PE	Tech.	Clerical	Other	
Feasibility Study						
Meetings with City Staff	2	4				\$ 840.00
Site Visits & Utility Investigations		2				\$ 260.00
Public Meeting Presentation	2	2				\$ 580.00
Present Project to City Council	2	2				\$ 580.00
Preliminary Roadway Design		16	24			\$ 4,000.00
Cost Estimates for varying Improvement Methods		2				\$ 260.00
Feasibility Report on Roadway Improvement Analysis		8				\$ 1,040.00
Feasibility Study Subtotal:	6	36	24	0	0	\$ 7,560.00

NCE RATES/HOUR	
Principal	\$ 160.00
PE	\$ 130.00
Technician	\$ 80.00
Clerical	\$ 50.00
Other	\$ -

NCE REIMBURSABLE EXPENSES	QTY.	EXTENDED COST
Mileage (per mile)	\$0.62	\$0.00
Bond Plan Copies (each)	\$3.00	\$0.00
Photocopies	\$0.15	\$0.00
Photographs (each)	\$3.00	\$0.00
TOTAL REIMBURSABLE EXPENSES:		\$0.00

Feasibility Study Fee:	\$ 7,560.00
Contingency: 0%	\$ -
Total NCE Fee:	\$ 7,560.00
Sub-Consultant Fees:	\$ -
Reimbursable Expenses:	\$0.00
Total Estimate:	\$ 7,560.00

Assumptions:

- 1.) There is no formal boundary or topographic survey included as part of this proposal.
- 2.) There is no soil investigations as part of this proposal.
- 3.) There is no wetland work as part of this proposal.