

Annual Budget

2023



Hermantown

Working together to serve
and build our community

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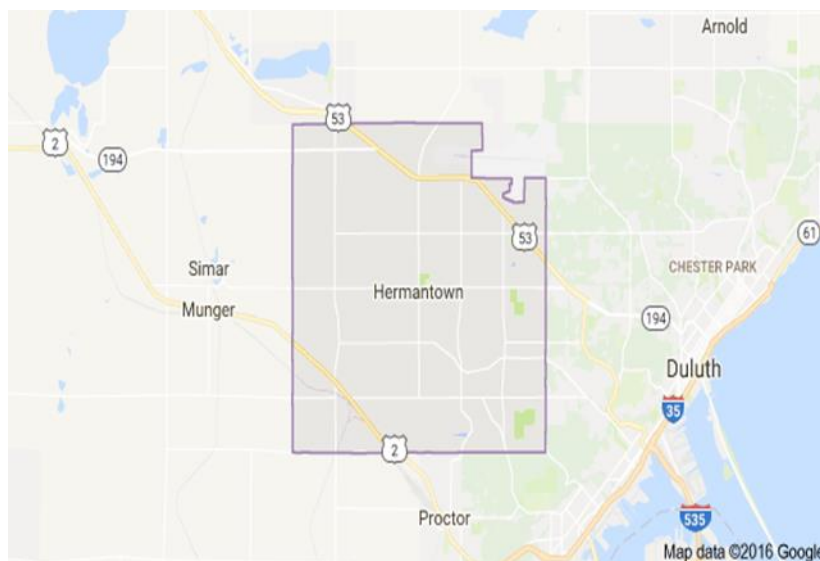
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City of Hermantown



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



City Statistics

Area - 34.35 square miles*

Persons per square mile – 297.5*

FIPS Code – 2728682*

County – St Louis*

Population – 10,221*

Males - 5,407*

Females – 4,814*

Under 5 years – 5.2%*

Under 18 years – 22.3%*

65 years and older – 18.7%*

Estimated median household income (2015-2019):

Hermantown: \$73,865*

US: \$62,843*

Estimated median house owner occupied (2022):

Hermantown: \$288,100**

US (2015-2019): \$217,500*

Median gross rent: \$1,095*

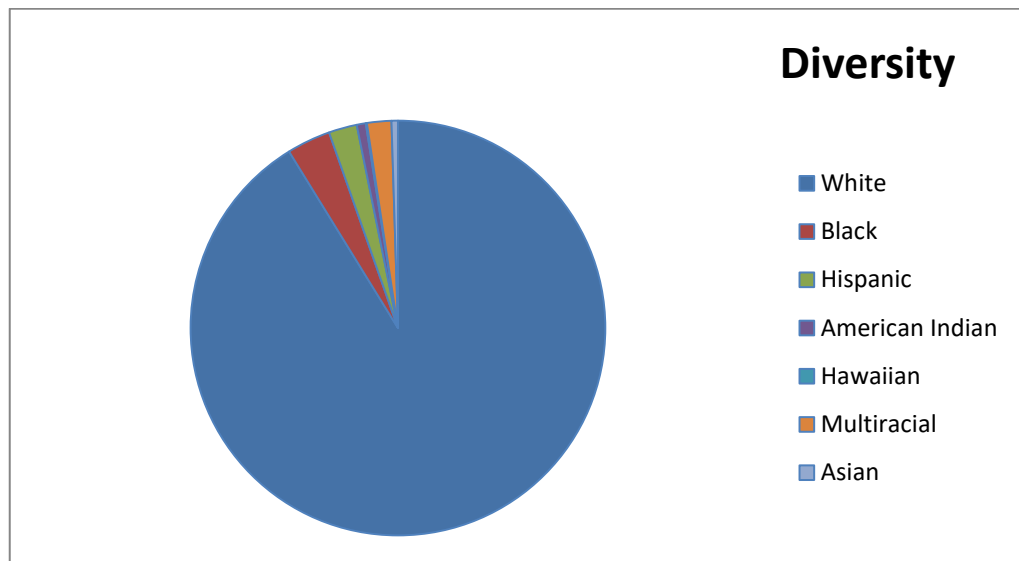
Households 2015-2019 – 3,660*

Persons per household – 2.42*

*Data Source: 2020 US Census

**Data Source: St. Louis County Deputy Assessor

Diversity in Hermantown, MN (2020 US Census)



Public Schools in Hermantown:

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

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

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

Educational Attainment – Age 25+

High School Graduate or higher – 97.6%

Bachelor's degree or higher – 34.4%

2023 Principal Employers

FIRM	TYPE OF BUSINESS/PRODUCT	EST. # OF EMPLOYEES
I.S.D. 700 (HERMANTOWN PUBLIC SCHOOLS)	ELEMENTARY & SECONDARY EDUCATION	444
WAL-MART	DISCOUNT RETAIL STORE	400
SAM'S CLUB	WAREHOUSE MEMBERSHIP STORE	220
STEPPING STONES FOR LIVING	SERVICES & HOUSING FOR ADULTS WITH DISABILITIES	200
MENARDS	HOME IMPROVEMENT STORE	185
EDGEWOOD VISTA	ASSISTED LIVING FACILITY	130
NRRI-UMD	ENVIRONMENTAL PRODUCTS RESEARCH & DEVELOPMENT	70
MILLER HILL SUBARU JEEP	AUTO DEALERSHIP	60

2023 Larger Taxpayers

TAXPAYER	TYPE OF PROPERTY	2020/21 NET TAX CAPACITY	% OF CITY'S TOTAL NET TAX CAPACITY
AMERICAN TRANSMISSION CO., LLC	UTILITY	756,242	4.60%
ALLETE / MINNESOTA POWER	COMMERCIAL/UTILITY	553,006	3.37%
WAL-MART	COMMERCIAL	287,346	1.75%
HERMANTOWN APARTMENTS LLC	APARTMENT	282,325	1.72%
FLEET FARM PROPERTIES, LLC	COMMERCIAL	274,008	1.67%
CS DULUTH OWNER, LLC	APARTMENT	249,762	1.52%
INDIVIDUAL	APARTMENT	211,356	1.29%
MENARDS	COMMERCIAL	171,520	1.04%
BDP ENTERPRISES, LLC	COMMERCIAL	170,142	1.04%
PATRIOT PROPERTIES OF HERMANTOWN	COMMERCIAL	153,992	.937%
TOTAL		3,109,699	18.93%

Elections

2016 - General Elections - Registered Voters - 6,508
Early Voters - 1,159
Ballots Cast – 5,263
81% Voting

2018 - State Elections - Registered Voters – 5,864
New Registers – 449
Absentee Voters – 1,072
Ballots Cast – 4,763
76% Voting

2020 - General Elections –
Registered Voters – 6,326
New Registers (In person) – 312
Absentee Voters – 3,575
Ballots Cast – 5,974
94% Voting

Public Safety

Fire Protection – 3 Stations
25 Active members
ISO Class 5/10

Police Protection – 1 Station
16 Sworn Officers

Public Works

53 Miles of Asphalt Streets Maintained
19 Miles of Gravel Roads Maintained
37 Cul-de-sacs
Streets – 72 Miles

Recreation

325.95 Acres of City Parks, Playgrounds, Playfields
3 miles of paved trails
4 Parks, which encompass 3 playgrounds, 8 baseball/softball fields, 5 soccer fields, 1 skate park and 2 soft surface walking/skiing trails

Utilities Data

Municipal Water System – purchases all drinkable water from City of Duluth
2,385 Connections
64.75 Miles
435,616 Gallon Average Daily Usage

545 Hydrants for fire control
750,000 Gallons system capacity – 2 water storage tanks

Municipal Sewer System – Western Lake Superior Sanitary District

2,195 Connections
70.85 Miles of Sanitary Sewer Mains
432,876 Gallons Average Daily Usage
805 Manholes
14 Lift Stations

City Bond Ratings

AA Standard & Poor's - 2014A, 2016A, 2016B, 2018A, 2018B, 2019A, 2020A, 2020B, and 2021A G.O. Bonds
AA- Standard & Poor's - 2012A General Obligation Bonds

Community History

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

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

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

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

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

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

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

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

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

Form of Government

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

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

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

The Organization

Elected Officials

Mayor – Wayne Boucher	January 2021	to	December 2024
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City Councilors

John Geissler	January 2021	to	December 2024
Brian LeBlanc	January 2023	to	December 2026
Andy Hjelle	January 2023	to	December 2026
TBD	January 2021	to	December 2024

Appointed Officials

City Administrator

John Mulder

City Attorney

Overom Law, PLLC

City Auditor

CliftonLarsonAllen LLP

City Department Heads

Dir. Finance & Admin.	Kevin Orme
Building Official	Adam Schminski
Public Works Director	Paul Senst
Police Chief	Jim Crace
Comm. Dev. Director	Eric Johnson

City Clerk

Jackie Dolentz

Mission Statement

MISSION OF THE HERMANTOWN CITY COUNCIL

Working together to serve and build our
community.

SHARED VALUES AND GUIDING PRINCIPLES

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

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

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

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

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

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

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

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

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



Budget Message

2023 Budget

November 15, 2022

The 2023 City of Hermantown Budget:

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

Council Priorities:

Since 2011, the City Council has met in the beginning of each odd numbered year to create a list of priorities for the next two to four years (the remainder of their current terms). Individual Council members have an opportunity to communicate their goals.

On January 25, 2021, the City Council reviewed the results from the planning discussion in January 2019 and the progress made on the issues that had been identified. Council members were then asked what they would like to see accomplished over the next 2-4 years.

Community Recreation Initiative. bonding and sales tax

3 components (Ice Arena, Trails, Fichtner Park)

Trails as part of the Community Recreation

Hermantown Dog Park

Broadband

Zip code – as it relates to Sales Tax

LGA dollars – change formula

Comp community strategic plan (heavy community involvement)

Re-start Advance Hermantown – create new destiny drivers

Blandin Leadership Program

Recruit business proactively

Housing – PUD, different options/standards for developers

Exempt seasonal agriculture watering from sewer charges (swimming pool)

Public safety resources

Water/Sewer extensions

Affordable housing

Following the creation of the list, each member was asked to vote on their top 4 priorities with 4 being the most important of their top priority and 1-0 being the least important priority. The individual results follow the item on the list below.

City Council Priority Planning

January 25, 2021

	Total Votes Cast	Total Vote Value	Average Score
Community Rec int. bonding and sales tax	4	16	3.2
Broadband	4	11	2.2
Zip code – as it relates to Sales Tax	3	6	1.2
Comp community strategic plan (heavy community involvement)	2	6	1.2
Trails as part of the Community Recreation	1	4	0.8
LGA dollars – change formula	3	3	0.6
Recruit business proactively	2	3	0.6
RE-start Advance Hermantown – create new destiny drivers	1	1	0.2

(The average score is based on the total vote value divided by the number of members on the City Council.)

Our mission, values, and guiding principles convey how budget decisions relate to the vision for the future of Hermantown. Resources are a limited commodity. Because of this fact, saying “no” to some issues, while not desirable, is imperative to narrowing our focus and accomplishing the current City Council Priorities and overall mission. Tony Blair once said, “The art of leadership is saying no, not saying yes. It is very easy to say yes.” Saying no will help us be focused and succeed in accomplishing our priorities.

Expenditures: At this time, expenditures in the 2023 General Fund Budget are increasing 7.92% or \$533,233. As a measure of comparison, the expenditures increased 7% last year. As a general rule in 2023 approximately \$72,000 in expenditures is the equivalent of 1% of tax levy. This increase is due in part to the following factors:

- Normal personnel expenditure increases (cost of living, step increases, health insurance)
- Travelers Insurance rate increase
- Funding for City communications department
- Inflationary expenditure increases such as the price of gasoline
- Funding for park dedication fund
- Increase in funding for capital equipment

Revenues: Revenues in the 2023 General Fund Budget are \$7,266,219 an increase of \$533,233 from 2022. The General Fund budget relies heavily on local property tax (levy) to fund the expenditures. The levy makes up 92% of the total revenue. The statutory formula eliminated Local Government Aid to the City of Hermantown and transferred that burden to the property tax base. Local Government Aid is again zero for 2023.

Levy: The total levy under this preliminary general fund budget is projected to increase 6.91%. The main components of this increase are the general fund levy, debt levy, and the HEDA levy.

General Fund Levy: The general fund levy is increasing 8.83%. This is an increase from the previous year.

HEDA Levy: The HEDA levy is staying the same. This is consistent with our Financial Management Plan.

Debt Levy: The debt levy is decreasing 17.25% due to no new debt in 2022 and a levy supported piece of an old bond issue no longer needed.

For 2022, exclusive of the Fleet Farm and Holiday Inn developments, the Net Tax Capacity grew by approximately 11%. With the total levy growing less than this, it causes an decrease in the tax rate, so that an individual homeowner will pay less for the same value of home. The rate decreases from .4666 to .4544, a 2.62% decrease.

Financial Management Plan:

The City is becoming increasingly proactive in planning farther in advance and planning in a comprehensive way. Towards that end, in January 2019, the City adopted a Financial Management Plan which integrates existing debt, Capital Improvement Plan, future planned debt, tax base growth, future operating expenses, staff additions, actual financial results, current and proposed budgets, and financial policies. A long-term Road Improvement Plan and how to finance road improvements is included in this plan. Some of the tangible benefits of this plan include: Implementing a Road Improvement Plan, additional staff, additional funding for parks, additional funding for municipal buildings, additional funding for HEDA, additional funding for capital improvements, and maintaining adequate Fund Balance reserves. During the 2021 budget process the City

made a conscious decision to materially deviate from the Financial Management Plan due to the COVID-19 pandemic. The City accomplished this with delaying and/or changing planned new hires, reducing capital equipment, reducing the HEDA levy, and reducing saving for long term building repairs. This has changed the Financial Management Plan. This City is currently in the process of redoing the Financial Management Plan in 2022 which should be adopted in early 2023. This will continue to help the City maintain fiscal responsibility while striving to achieve stated priorities.

Departmental Goals and Performance Measures:

In 2020, the Budget Book included goals and performance measures for each department. These are included in each year's budget book now. These goals and performance measures are reviewed and updated each year to ensure continued relevance, accuracy and improvement.

Conclusion:

This budget is a comprehensive and detailed document. Once again, the City received the Distinguished Budget Presentation Award for its annual budget for the fiscal year beginning January 1, 2022. We look forward to the process and the results of focusing on our mission and Council Priorities in 2023. Ultimately it is through the combination of the leadership of the Mayor and City Council along with the work ethic and stewardship of the employees that we will together serve and build our community in 2023.

Sincerely,



John Mulder
City Administrator



Kevin Orme
Director of Finance & Administration

Council Priorities

Since 2011, the City Council has met in the beginning of each odd numbered year to create a list of priorities for the next two to four years (the remainder of their current terms). Individual Council members have an opportunity to communicate their goals.

On January 25, 2021, the City Council reviewed the results from the planning discussion in January 2019 and the progress made on the issues that had been identified. Council members were then asked what they would like to see accomplished over the next 2-4 years.

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

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

Parks: Create new recreational and wellness opportunities for city residents	
Topic	Plan of Action/ Status
Community Rec initiative. Bonding and sales tax (3 components: Ice Arena, Trails, Fichtner Park)	<ul style="list-style-type: none">• Legislative approval was granted pending the outcome of referendum on the issue in November of 2022. The referendum passed for all 3 projects on November 8, 2022.• In 2022, hired Kraus Anderson as the construction manager and DSGW as the architect for the ice arena expansion• Hired Northland Consulting Engineers and SAS Architect to create plan for Fichtner Park.
Trails as part of the Community Recreation	<ul style="list-style-type: none">• Two segments of the trail were opened in 2021. Boulder Trail from Stebner Park to Hermantown Road; and part of North Keene Creek Trail from Morris Thomas to the parking lot of Keene Creek Park.• City Staff created an informational video of the City’s Master Trail Plan as part of the educational process for the referendum.

Utilities: Strategically expand utilities in the city to meet needs of the community.	
Topic	Plan of Action/ Status
Broadband	<p>The City Council took the following actions:</p> <ol style="list-style-type: none"> 1. Saw Fiber to the Home project by Mediacom completed providing up to 1 gig service to over 200 homes. 2. Creation of a Broadband Taskforce in 2021. 3. Set aside \$200,000 of American Rescue Funds money toward this project 4. Approved and received a planning grant application to St. Louis County 5. Hired Hometown Fiber as a planning consultant for Broadband 6. Provided a letter of support to Mediacom for a second State Broadband Grant

Financial Management Plan: Ensure the City is receiving revenue allowed for under law	
Topic	Plan of Action/ Status
Zip code – as it relates to Sales Tax	City made a request for a separate zip code; 1998; 2012; and 2016. Each time it was denied, stating in part that that separate zip code would be inefficient and that zip codes were never intended to be the basis for a tax collection system.
LGA dollars – change formula	In 2022, there are 110 cities out of 854 that do not receive local government aid based on the State's formula for distributing Local Government Aid.

Planning for Growth: Take active steps to ensure community growth	
Topic	Plan of Action/ Status
Comprehensive community strategic plan (heavy community involvement)	Hired HKGI to conduct lead the comprehensive planning process. Project was funded using one-time American Rescue Plan funding.
Recruit business proactively	<p>The Hermantown Economic Development Authority (HEDA) approved</p> <ul style="list-style-type: none"> • Contract with Braun to conduct an Alternative Urban Area Review for a potential Hwy 53 Business Park • Contract with Mammoth Sports for a development of conceptual plan in the Hermantown Marketplace • Contract with Northspan to conduct a business retention and expansion survey of local businesses.
Re-start Advance Hermantown – create new destiny drivers	Further discussion is needed on how this might fit into the comprehensive planning process.

2022 Highlights:

Local Option Sales Tax Referendum Passes

By a substantial margin, Hermantown voters decided to leverage local option sales tax to fund a trio of projects focused on community, recreation, and improved health outcomes. The overall referendum – dubbed the Community Recreation Initiative – included three component projects; a reimagining of Fichtner Park, the completion of the city-wide trail system, and the addition of a second indoor sheet of ice.

The process for reaching the ballot was lengthy, as city officials originally made the first request for consideration at the state level in 2019 before the COVID-19 pandemic halted the process. The Minnesota legislature deemed the three projects of regional significance, which allowed Hermantown voters to make the final decision on the November ballot.

With more than 4,700 voters weighing in on the three individual questions, the trails project passed with more than 3,300 supporting votes. The park and the indoor sheet of ice were a bit closer, as Fichtner Park garnered more than 3,100 positive tallies, and the potential new ice arena passed with more than 2,700 votes.

New Duo Joins City Council*

Another critical outcome from Hermantown's 2022 ballot was the election of a pair of new city councilors. With incumbent Gloria Nelson choosing not to run and Natalie Peterson's move out of Hermantown, four candidates were vying for two open positions.

Hermantown voters elected Brian LeBlanc and Andy Hjelle, who will join the council in January.

The asterisk above represents a third council member that will likely be appointed in the initial days of 2023. Grant Hauschild, who has served on Hermantown's city council since his election in 2020, was victorious in his efforts to secure the region's state senate seat.

ARPA Helps Fund Continued Pandemic Efforts

While the impact of the COVID-19 global health pandemic was undoubtedly more manageable in 2022 than in the previous two years, additional support was still crucial in Hermantown's successful navigation of the challenging circumstances. Hermantown received approximately \$1,000,000 in funding through the American Rescue Plan Act (ARPA).

This additional funding helped the City fund significant one-time projects, such as improved video technology in the Hermantown Police Department for body cameras and updating the City's comprehensive plan.

Development Success Continues

Several vital developments broke ground or came online within Hermantown in 2022. The most noticeable project to begin is the addition of The Pillars, a senior-living community located in the heart of Hermantown that will house several hundred residents when it opens in the coming years. The developer – Oppidan – worked with city officials to help create the much-needed housing stock addition to Hermantown.

Along with the future senior-living complex, a vibrant new apartment complex continued growing and filling along the Highway 53 corridor of Hermantown. The Aery – a P&R Properties project – has added additionally-needed housing stock to the community in the form of high-quality apartment living. The 100+ unit apartment complex reached capacity quickly and continued to thrive in 2022.

Growth continued on the commercial front in the Hermantown Marketplace in 2022, with several more businesses joining a series of multi-use buildings opened by Patriot Properties.

Additional housing permits – single and twin-style homes – showed that growth in Hermantown has not slowed despite the challenges presented by the pandemic over the last several years.

Water Tower Update

After rejuvenating its brand over the last few years, another Hermantown landmark was updated in 2022. Hermantown's second water tower, located just off Highway 53, received updated branding and necessary functional refinishing and updates to continue serving the community. Although the project included taking the water tower offline for several months in 2022, the efforts of Hermantown's Public Works team allowed for no water service interruptions in the community.

Safety Continues to Be a Hallmark

Long recognized as a safe, family-friendly community, Hermantown has set a high bar for safety marks over the last several years of the community survey. Following three years of feedback where 96%, 95%, and 97% of responding residents felt Hermantown was a safe city, estimates were that the rate inevitably had to dip in this year's survey. Led by the Hermantown Police Department, the percentage of respondents ticked up to 98% this past year.

Areas of focus remained the condition of streets and the quality of parks and trails, which have been a fitting focus of both the Community Recreation Initiative for 2022 and the multi-year Road Improvement Plan.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Hermantown
Minnesota**

For the Fiscal Year Beginning

January 01, 2022

Christopher P. Morill

Executive Director

Distinguished Budget Presentation Award

The Government Finance Officers Association of the United States and Canada (GFOA) presented a Distinguished Budget Presentation Award to the City of Hermantown, Minnesota for its annual budget for the fiscal year beginning January 1, 2022. To receive this award, a governmental unit must publish a budget document that meets program criteria as a policy document, as an operations guide, as a financial plan, and as a communications device. This award is valid for a period of one year only. The City believes our current budget continues to conform to program requirements, and are submitting it to GFOA to determine its eligibility for another award.

2023 Financial Summary Information

	2021 Actual		2022 Original Budget		2023 Budget	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
General Fund	6,954,560	6,301,722	6,732,986	6,732,986	7,266,219	7,266,219
Special Revenue Funds	5,322,498	5,097,611	4,100,318	4,741,121	4,091,272	4,310,330
Debt Service Funds	8,076,914	7,215,437	3,875,317	3,786,350	3,709,992	3,845,126
Capital Project Funds	3,913,899	4,153,018	510,000	308,470	773,500	502,720
Enterprise Funds	5,571,210	4,395,444	4,070,733	4,389,230	4,481,241	4,857,632
Total	29,839,081	27,163,232	19,289,354	19,958,157	20,322,224	20,782,027

Balanced Budget

Per the City Operating Budget Policy, appropriations shall not exceed the total of the estimated revenues and available fund balance. The City of Hermantown's 2023 budget is a balanced budget.

General Fund:

2023 budgeted revenues are \$533,233 higher than 2022 budgeted revenues, while 2023 budgeted expenditures are \$533,233 higher than the 2022 budgeted expenditures.

Special Revenue Funds:

2023 budgeted revenues are \$9,046 less than 2022 budgeted revenues and expenditures are \$430,791 less than last year. This decrease is mainly due to less budgeted capital improvements in the Sales Tax Fund.

Debt Service Funds:

Debt Service Funds are budgeting revenues of \$3,709,992 and expenditures of \$3,845,126 in 2023. This is \$165,325 less in revenue and \$58,776 more in expenditures than budgeted in 2022. In 2022 we did not issue any additional bonds or incur additional debt.

Capital Project Funds:

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

Enterprise Funds:

2023 budgeted revenues are \$410,508 more than 2022 budgeted revenues. 2023 budgeted expenditures are \$468,402 more than 2022 budgeted expenditures due to a budgeted increase in utility usage and water cost and a slight increase in capital equipment.

Financial Structure, Policy, and Process

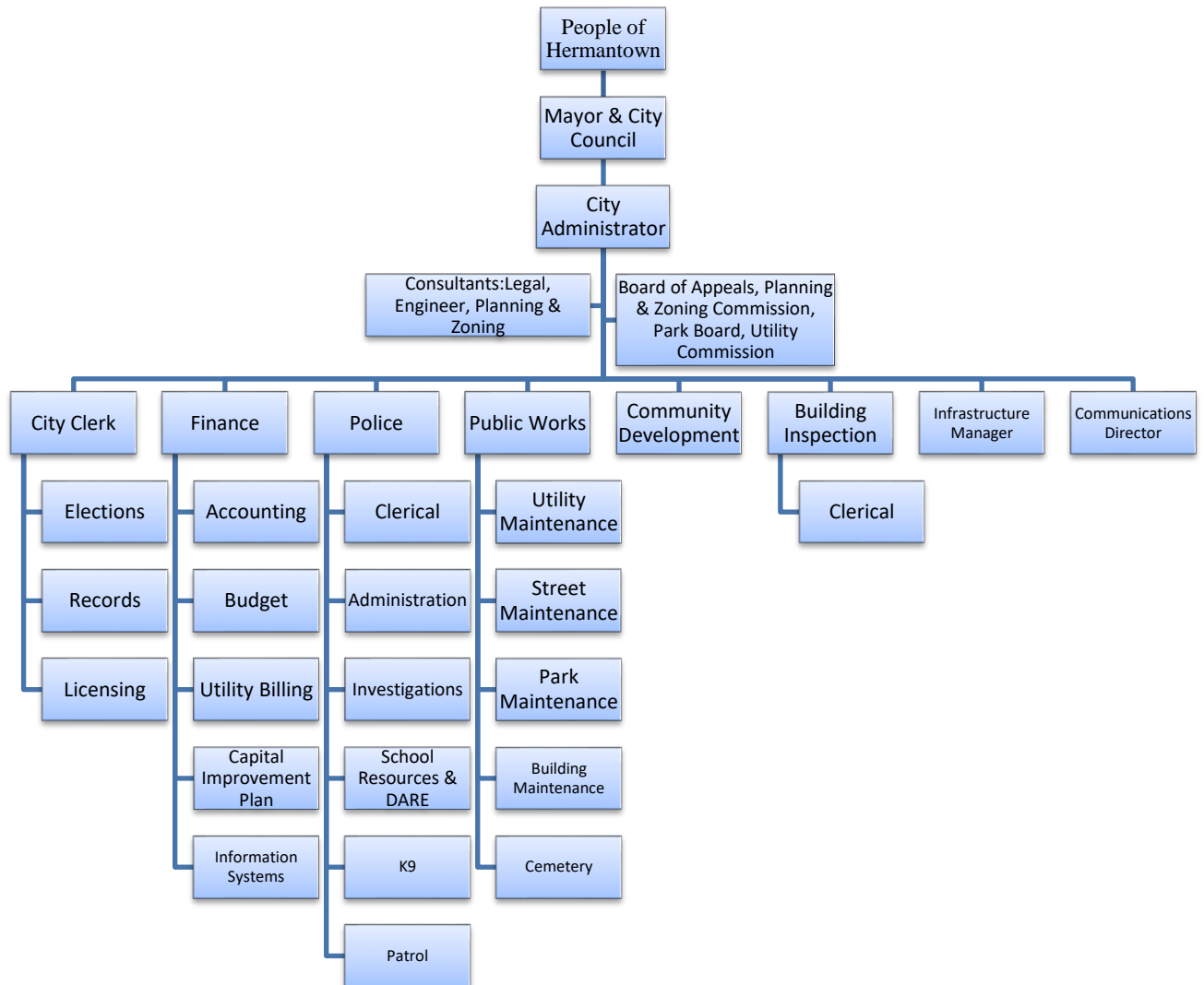
Organization Structure

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

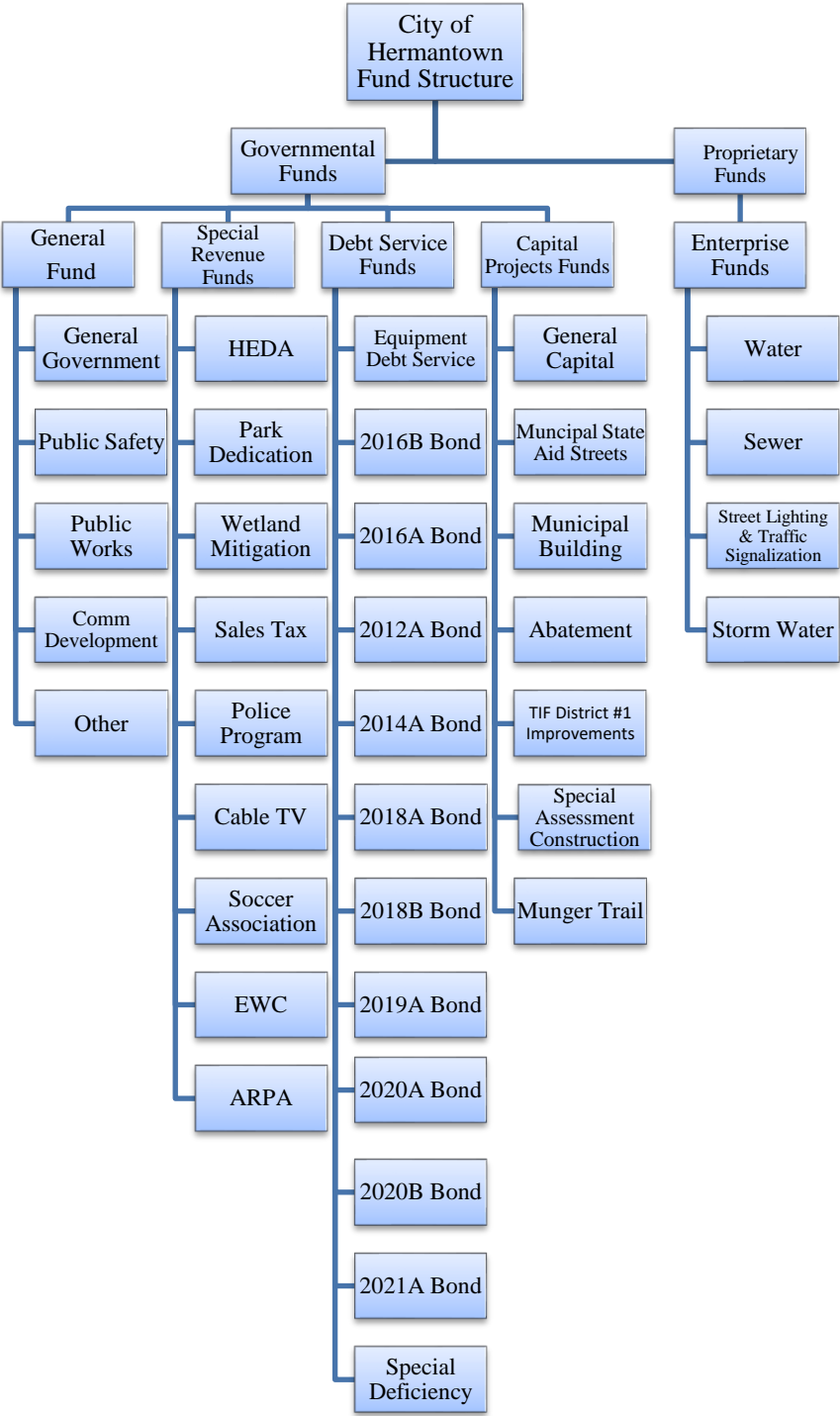
The City Administrator controls and directs the administration of the City's affairs and supervises all departments. Activities are managed through five departments (Police, Finance, Community Development, Building Inspection and Public Works), each with a Director appointed by City Council and reporting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

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

City of Hermantown Org Chart



City of Hermantown Fund Structure



Fund Accounting

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

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

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

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

Special Revenue Funds

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

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

Debt Service Funds

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

Fund	Description	Major Budgeted	Non-Major Budgeted
Fund 301 Equipment Debt Service	Accounts for the accumulated resources to pay the interest and principal payments on any Certificate of Indebtedness		X
Fund 315 2016B (Was 2006A) General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2016B GO Bonds.	X	
Fund 318 2016A (Was 2003A and 2009A) General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2016A GO Bonds.	X	
Fund 320 2012A General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2012A GO Bonds.		X
Fund 322 2014A General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2014A GO Bonds.	X	
Fund 323 2018A General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2018A GO Bonds.	X	
Fund 324 2018B General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2018B GO Bonds.	X	
Fund 325 2019A General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2019A GO Bonds.	X	
Fund 350 Special Assessment Deficiency	Accounts for the accumulated resources to ensure debt service payments of bonds in cases where special assessments have been deferred or collections are not sufficient.		X
Fund 326 2020A General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2020A GO Bonds.	X	
Fund 327 2020B General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2020B GO Bonds.	X	
Fund 328 2021A General Obligation Bonds	Accounts for the accumulated resources to pay the interest and principal payments on the 2021A GO Bonds.	X	

Capital Projects Funds

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

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

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

Expenditure Object Classifications

Personnel Services

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

Supplies

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

Other Services & Charges

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

Capital Outlay

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

Debt Service

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

Other Financing Uses

This object of expenditure classification includes transfers to other funds.

Departmental/Fund Relationship - Governmental Funds

The following matrix illustrates the relationship between the City of Hermantown's functional units, major funds, and non-major funds in the aggregate. For example, the Police function has some authorized operations in the General Fund and in the Police Program Fund.

	Governmental Funds										Debt Service Funds	Capital Project Fund
	Special Revenue Funds											
	GENERAL FUND	HEDA FUND	PARK DEDICATION FUND	WETLAND MITIGATION FUND	CITY SALES TAX FUND	POLICE PROGRAM FUND	CABLE TV FUND	ESSENTIA WELLVES FUND	DEBT SERVICE FUNDS	GENERAL CAPITAL PROJECTS FUND		
Elected Officials	x											
City Clerk	x											
City Administrator	x	x										
Elections	x											
Finance	x											
Legal	x	x			x			x	x	x		
Community Development	x	x	x	x								
Communitications	x											
General Government Buildings	x						x					
Customer Service	x											
Debt Service									x			
Police	x					x						
Building Inspection	x											
Public Works	x											
Parks	x		x									
Public Works Buildings	x											
Economic Incentives		x									x	
Interfund Transfers	x		x		x				x	x		

Departmental/Fund Relationship – Enterprise Funds

The following matrix illustrates the relationship between the City of Hermantown's functional units, major funds, and non-major funds in the aggregate. For example, the City Administrator has some authorized operations in the water fund, sewer fund, and stormwater fund.

	Enterprise Funds			
	WATER FUND	SEWER FUND	STORM WATER FUND	STREET LIGHTING & TRAFFIC SIGNALIZATION FUND
Elected Officials				
City Clerk				
City Administrator	x	x	x	
Elections				
Finance	x	x	x	
Legal	x	x	x	x
Community Development				
Communications				
General Government Buildings				
Customer Service	x	x	x	
Debt Service				
Police				
Building Inspection				
Public Works	x	x	x	x
Parks				
Public Works Buildings	x	x		
Economic Incentives				
Interfund Transfers	x	x	x	

Basis of Accounting and Basis of Budgeting

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

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

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

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

Financial Management Policies

Financial Management Policies Adoption

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

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

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

The Financial Policies establishes City policy in the following areas:

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

The objectives of these Financial Policies are:

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

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

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

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

1. REVENUE MANAGEMENT

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

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

A. Property Taxes

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

Possible factors for considering an increase in property tax include:

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

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

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

B. Service Fees and Charges

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

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

C. Non-recurring Revenues

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

2. CASH AND INVESTMENTS

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

I. Investment Policy

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

The purpose of this Policy is to:

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

II. Scope

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

A. Pooling of Funds

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

III. Objective

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

A. Safety

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

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

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

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

B. Liquidity

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

C. Yield

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

IV. Delegation of Authority

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

V. Prudence

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

VI. Internal Controls

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

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

VII. Authorized Investments and Collateralization

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

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

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

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

VIII. Diversification

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

IX. Conflict of Interest

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

X. Broker Representations

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

3. RESERVES

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

Policy Statement

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

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

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

4. OPERATING BUDGET

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

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

5. CAPITAL IMPROVEMENTS PLAN (CIP)

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

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

CIP Development Process

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

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

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

6. HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY

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

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

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

Funding

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

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

Procedure for Using Funds

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

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

7. DEBT MANAGEMENT

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

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

Policy Statement

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

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

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

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

8. ACCOUNTING, AUDITING, AND FINANCIAL REPORTING

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

Policy Statement

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

9. RISK MANAGEMENT

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

Policy Statement

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

10. FUND BALANCE

I. Purpose

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

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

II. Classification of Fund Balance/Procedures

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

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

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

³ GASB Statement No. 54, ¶ 6

⁴ GASB Statement No. 54, ¶ 8

⁵ GASB Statement No. 54, ¶ 10

⁶ GASB Statement No. 54, ¶ 13

⁷ GASB Statement No. 54, ¶ 17

III. Minimum Fund Balance

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

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

IV. Order of Resource Use

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

V. Stabilization Arrangements

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

VI. Committing Fund Balance

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

VII. Assigning Fund Balance

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

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

VIII. Appropriate Fund Balance Levels

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

IX. Monitoring and Reporting

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

X. Responsibility and Authority

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

Budget Policy & Financial Control

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

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

Budget Process

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

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

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

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

Budget Calendar

2022 BUDGET CALENDAR (for 2023 Budget)

<u>Date</u>	<u>Task</u>
April 19 th	Recap of distributed CIP Instructions and Forms – DUE MAY 2 nd
May 13 th	PERSONNEL COSTS COMPLETED by the Finance Department
June 1 st	Budget forms supplied to all city departments & consultants Review CIP
June 13 th -17 th	Budget assistance meetings (if necessary) with each department
June 20 th	Staffing Report Presented to City Council
June 27 th	FINAL DATE to receive budget requests & supplementary information from all city departments & consultants
July 5 th	CIP – Presented to City Council
3 rd Week of July	Finance Department prepares Special Revenue and Utility Budgets
July 29 th	Liability insurance allocated by Finance Department
August 1 st two weeks	Finance prepares Preliminary Revenue Estimates.
During August	Park Budget presented to Parks and Planning
August 15 th	PRELIMINARY GENERAL FUND BUDGET - Presented to the City Council
September 19 th	City Council to pass a levy and city certifies the proposed property tax levy to the County Auditor due on September 30 th and certify the Truth-In-Taxation hearing date (Special Meeting)
October 3 rd	PRELIMINARY DEBT SERVICE BUDGETS COMPLETED by Finance Department– Presented to the City Council
During October	Utility Budget presented to Utility Commission
November 7 th	PRELIMINARY SPECIAL REVENUE & UTILITY BUDGETS Presented to the City Council
November 21 st	Budget booklet presented to the City Council
December 5 th	Initial Hearing on budget & levy
December 5 th or 19 th	Adoption of Final Levy and Budget

Financial Summary

2022 Statement of Accounts (All Funds January 1, 2022 through October 14, 2022)

Fund	Description	Beginning	Receipts	Disbursements	End
101	General	4,748,463	4,697,359	5,013,755	4,432,068
230	HEDA	756,160	87,025	138,205	704,980
235	Park Dedication	(5,000)	94,350	45,730	43,620
236	Wetland Mitigation	39,464	-	11,000	28,464
240	City Sales Tax	8,579,077	2,828,670	524,194	10,883,552
245	COVID-ARPA	-	526,576	166,406	360,170
251	Police Program	214,110	12,233	32,945	193,399
260	Cable	432,984	21,507	9,313	445,178
270	Soccer	73,168	-	-	73,168
275	Essentia Wellness Center	295,858	198,581	223,384	271,055
301	Equipment Debt Service	38,425	4	-	38,428
315	2016B G.O. Bonds	312,390	-	624,245	(311,855)
318	2016A G.O. Bonds	363,523	108,612	420,970	51,164
320	2012A G.O. Bonds	143,811	23,609	188,805	(21,385)
321	2012B G.O. Bonds	-	-	-	-
322	2014A G.O. Bonds	225,143	32,200	144,570	112,774
323	2018A G.O. Bonds	199,738	80,841	137,795	142,784
324	2018B G.O. Bonds	469,228	27,585	535,345	(38,533)
325	2019A G.O. Bonds	75,540	-	609,251	(533,711)
326	2020A G.O. Bonds	685,451	116,440	578,220	223,671
327	2020B G.O. Bonds	61,636	-	278,970	(217,334)
328	2021A G.O. Bonds	1,893,833	126,148	232,872	1,787,109
350	Special Assessment Deficiency	301,097	17,999	390	318,706
401	General Capital Projects	596,337	-	60,970	535,367
402	MSA	(344,819)	-	33,947	(378,766)
409	Municipal Building Reserve	275,296	-	-	275,296
411	EWC	277,871	-	-	277,871
412	Munger Trail	(292,050)	179,998	86	(112,138)
460	TIF District	630,258	66,197	40,684	655,772
461	HEDA Fleet Farm Project	100,759	72,355	72,630	100,484
475	Sp Assess Constr./Roads	(21,853)	16,288	63,598	(69,162)
601	Water Enterprise	13,975,716	1,407,481	1,003,003	14,380,194
602	Sewer Enterprise	34,722,266	1,326,657	817,192	35,231,730
603	Storm Water Enterprise	555,825	296,118	155,063	696,880
605	Street Lighting Utility	1,232,304	70,963	29,219	1,274,049
	Total All Funds	71,612,011	12,435,796	12,192,757	71,855,049

City of Hermantown

Budgeted Funds

Minnesota Statute 412.711 CONSIDERATION OF BUDGET; TAX LEVY.

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

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

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

Special Revenue Funds:

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

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

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

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

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

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

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

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

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

COVID-ARPA is for the accounting of revenue and expenditures from the Federal government for COVID related purposes.

Debt Service Funds:

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

Enterprise Funds:

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

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

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

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

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

Major Funds and Non-Major Funds by Fund Type

	2021 Actual		2022 Original Budget		2023 Budget	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
General Fund	6,954,560	6,301,722	6,732,986	6,732,986	7,266,219	7,266,219
Special Revenue Funds						
City Sales Tax	4,003,522	4,128,034	3,010,000	3,975,879	3,495,000	3,347,402
Non-Major Special Revenue Funds	1,318,976	969,577	1,090,318	765,242	596,272	962,928
Debt Service Funds						
Fund 315 2016B	698,807	626,355	698,807	624,775	698,807	623,200
Fund 318 2016A	418,709	425,505	379,794	421,500	395,638	418,850
Fund 320 2012A	241,289	187,059	232,539	189,335	232,539	190,711
Fund 321 2012B	2,290,915	3,621,116	-	-	-	-
Fund 322 2014A	301,110	263,705	276,900	145,100	126,450	146,425
Fund 323 2018A	144,527	135,105	135,725	138,325	138,325	135,925
Fund 324 2018B	567,111	536,730	568,543	535,875	571,283	538,975
Fund 325 2019A	647,200	609,861	651,400	609,781	647,620	614,981
Fund 326 2020A	561,082	478,809	414,638	578,750	415,842	558,825
Fund 327 2020B	294,997	299,880	294,263	279,500	293,370	278,725
Fund 328 2021A	1,893,833	-	207,708	233,403	176,118	308,503
Non-Major Debt Service Funds	17,334	31,312	15,000	30,006	14,000	30,006
Capital Project Funds	3,913,899	4,153,018	510,000	308,470	773,500	502,720
Enterprise Funds						
Water Enterprise	2,769,730	2,130,249	1,832,778	1,777,991	2,029,820	2,030,957
Sewer Enterprise	2,221,046	1,866,554	1,665,785	2,015,613	1,834,921	2,107,577
Storm Water	421,029	363,395	412,170	466,626	454,500	676,098
Street Lighting	159,405	35,246	160,000	129,000	162,000	43,000
Total	29,839,081	27,163,232	19,289,354	19,958,157	20,322,224	20,782,027

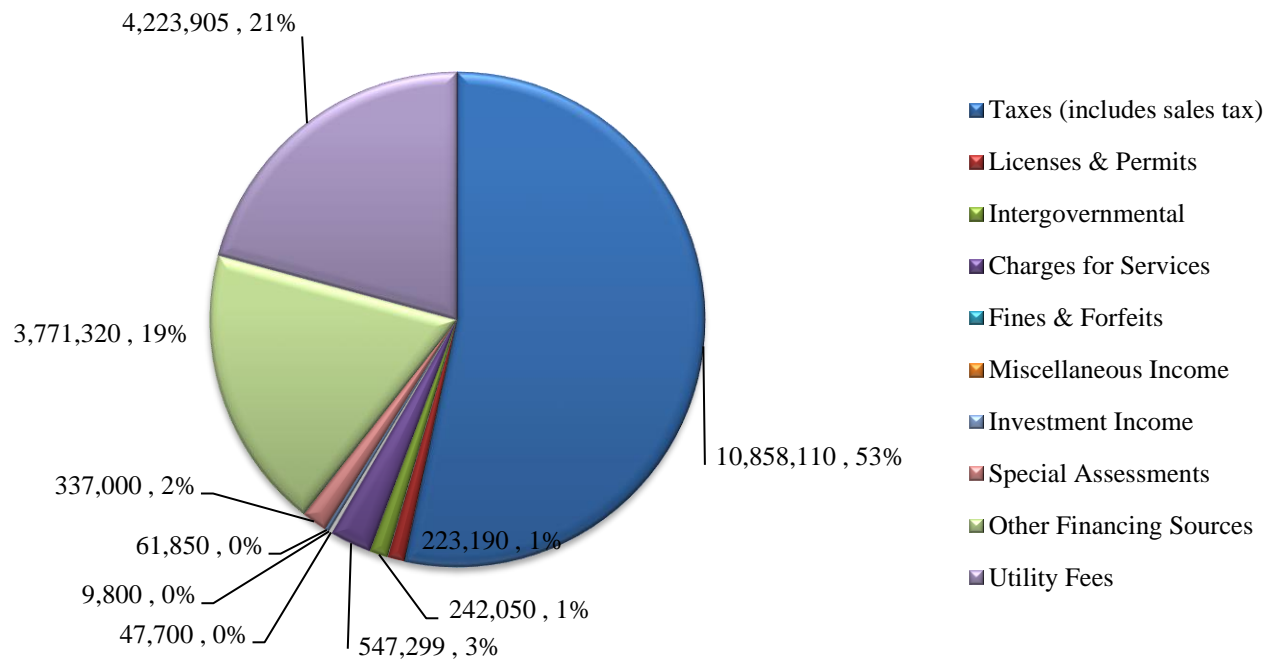
2023 Budget Summary – All Funds Budgeted Revenues

	Actual 2021	Budget 2022	Budget 2023
GENERAL FUND			
Taxes	\$6,023,078	\$6,109,256	\$6,645,338
Licenses & Permits	288,624	183,050	179,090
Intergovernmental	279,683	249,150	242,050
Charges for Services	109,886	101,132	107,258
Fines & Forfeits	61,402	42,600	43,700
Miscellaneous Income	58,369	41,798	42,783
Investment Income	-14,955	6,000	6,000
Other Financing	148,473		
	<u>\$6,954,560</u>	<u>\$6,732,986</u>	<u>\$7,266,219</u>
SPECIAL REVENUE FUNDS			
Taxes	\$4,000,217	\$3,181,000	\$3,667,500
Special Assessments			
Licenses and permits	155,250		
Charges for Services	335,882	394,598	373,252
Intergovernmental		500,000	0
Fines & Forfeits	6,121	3,250	4,000
Investment Income	-13,414	16,700	16,250
Miscellaneous	185,754	4,770	5,270
Other Financing	652,689		25,000
	<u>\$5,322,499</u>	<u>\$4,100,318</u>	<u>\$4,091,272</u>
DEBT SERVICE FUNDS			
Taxes	\$332,408	\$395,079	\$406,272
Special Assessments	726,357	371,230	337,000
Investment Income	-1,061		
Other Financing	7,019,215	3,109,008	2,966,720
	<u>\$8,076,919</u>	<u>\$3,875,317</u>	<u>\$3,709,992</u>
CAPITAL PROJECT FUNDS			
Taxes	\$266,510		
Miscellaneous Income			
Investment Income	\$321		
Special Assessments	40,207		
Intergovernmental	783,968		
Other Financing sources	2,822,893	510,000	773,500
	<u>\$3,913,899</u>	<u>\$510,000</u>	<u>\$773,500</u>
TOTAL GOVERNMENTAL FUNDS	<u>\$24,267,877</u>	<u>\$15,218,621</u>	<u>\$15,840,983</u>
ENTERPRISE FUNDS			
<i>Water Utility</i>			
Operating revenues	\$1,973,148	\$1,709,760	\$1,913,184
Non-operating revenues	\$796,582	\$123,018	\$116,636
<i>Sewer Disposal</i>			
Operating revenues	\$1,695,395	\$1,613,485	\$1,779,621
Non-operating revenues	\$525,651	\$52,300	\$55,300
<i>Storm Water</i>			
Operating revenues	\$417,038	\$410,670	\$451,000
Non-operating revenues	\$3,991	\$1,500	\$3,500
<i>Street Lighting & Traffic Signalization</i>			
Operating revenues	\$139,542	\$137,000	\$139,000
Non-operating revenues	\$19,863	\$23,000	\$23,000
TOTAL ENTERPRISE FUNDS	<u>\$5,571,210</u>	<u>\$4,070,733</u>	<u>\$4,481,241</u>
TOTAL REVENUES	<u>\$29,839,087</u>	<u>\$19,289,354</u>	<u>\$20,322,224</u>

2023 Budget Summary – All Funds Budgeted Expenditures

	Actual 2021	Budget 2022	Budget 2023
GENERAL FUND			
General Government	\$1,009,421	\$1,371,232	\$1,393,252
Public Safety	3,535,779	3,565,750	3,762,062
Streets and Highways	764,046	778,668	800,462
Community Development	198,653	288,164	331,831
Culture and Recreation	175,748	139,172	128,612
Capital Outlay	133,099	115,000	115,000
Other Financing Uses	485,000	475,000	735,000
	\$6,301,746	\$6,732,986	\$7,266,219
SPECIAL REVENUE FUNDS			
General Government	\$57,237		
Public Safety	7,484		101,000
Community Development	271,369	760,242	1,121,928
Culture and Recreation	423,943	5,000	5,000
Capital Outlay	709,936	3,975,879	3,082,402
Interest & Fiscal Charges	1,771		
Other Financing Uses	3,625,864		
	\$5,097,604	\$4,741,121	\$4,310,330
DEBT SERVICE FUNDS			
General Government	\$3,505		
Principal	2,680,000	2,745,000	2,905,000
Interest & Fiscal Charges	1,119,804	1,011,344	910,120
Other Financing Uses	3,412,127	30,006	30,006
	\$7,215,436	\$3,786,350	\$3,845,126
CAPITAL PROJECT FUNDS			
Community Development	213,977		
Culture and Recreation	1,913		
Capital Outlay	3,571,966	308,470	502,720
Principal	60,253		
Interest & Fiscal Charges	67,093		
Other Financing Uses	237,814		
	\$4,153,016	\$308,470	\$502,720
TOTAL GOVERNMENTAL FUNDS	\$22,767,802	\$15,568,927	\$15,924,395
ENTERPRISE FUNDS			
<i>Water Utility</i>			
-Operating	\$1,801,847	\$1,448,742	\$1,660,219
-Depreciation	236,554	220,000	236,000
-Other Financing Uses	91,838	109,249	134,738
<i>Sewage Disposal</i>			
-Operating	1,169,435	1,385,106	1,493,303
-Depreciation	515,626	556,747	525,000
-Other Financing Uses	181,489	73,760	89,274
<i>Storm Water</i>			
-Operating	241,296	443,657	655,098
-Depreciation	10,835		
-Other Financing Uses	111,265	22,969	21,000
<i>Street Light & Traffic Signalization</i>			
-Operating	35,245	129,000	43,000
-Depreciation			
-Other Financing Uses			
TOTAL ENTERPRISE FUNDS	\$4,395,430	\$4,389,230	\$4,857,632
TOTAL EXPENSES	\$27,163,232	\$19,958,157	\$20,782,027

2023 Budgeted Revenues

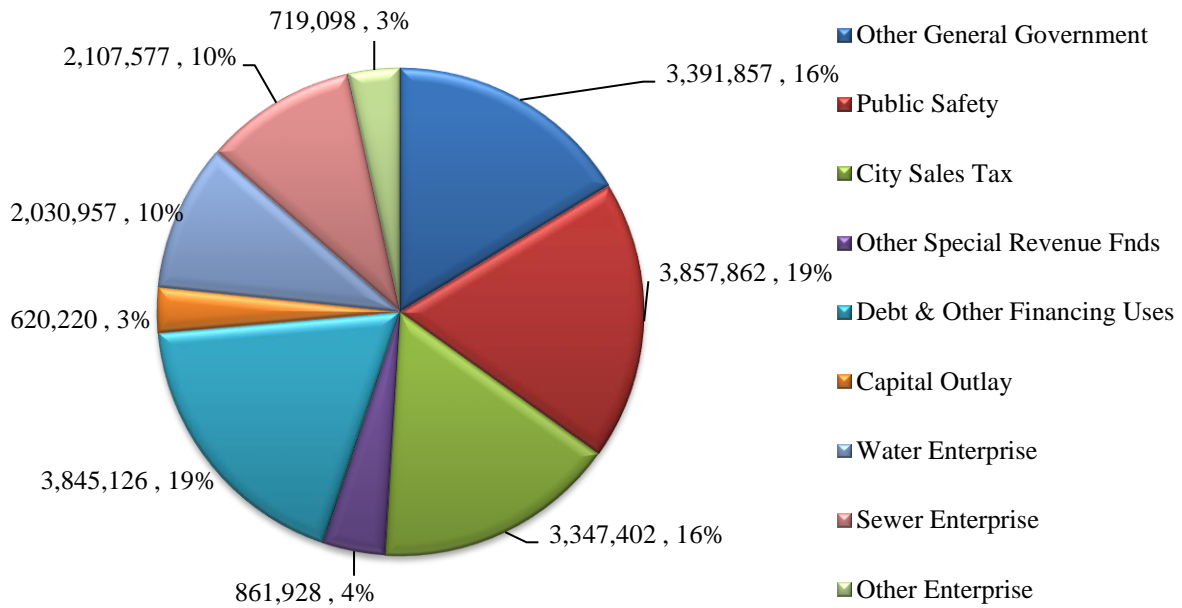


Total Budgeted revenues for all funds equal \$20,322,224.

The three largest components of the 2023 revenue budget, accounting for 93 percent of total revenues, in descending order based on dollars are as follows:

Taxes (includes Sales Tax Fund)	\$10,858,110	53%
Utility Fees	\$4,223,905	21%
Other Financing Sources	\$3,771,320	19%

2023 Budgeted Expenditures

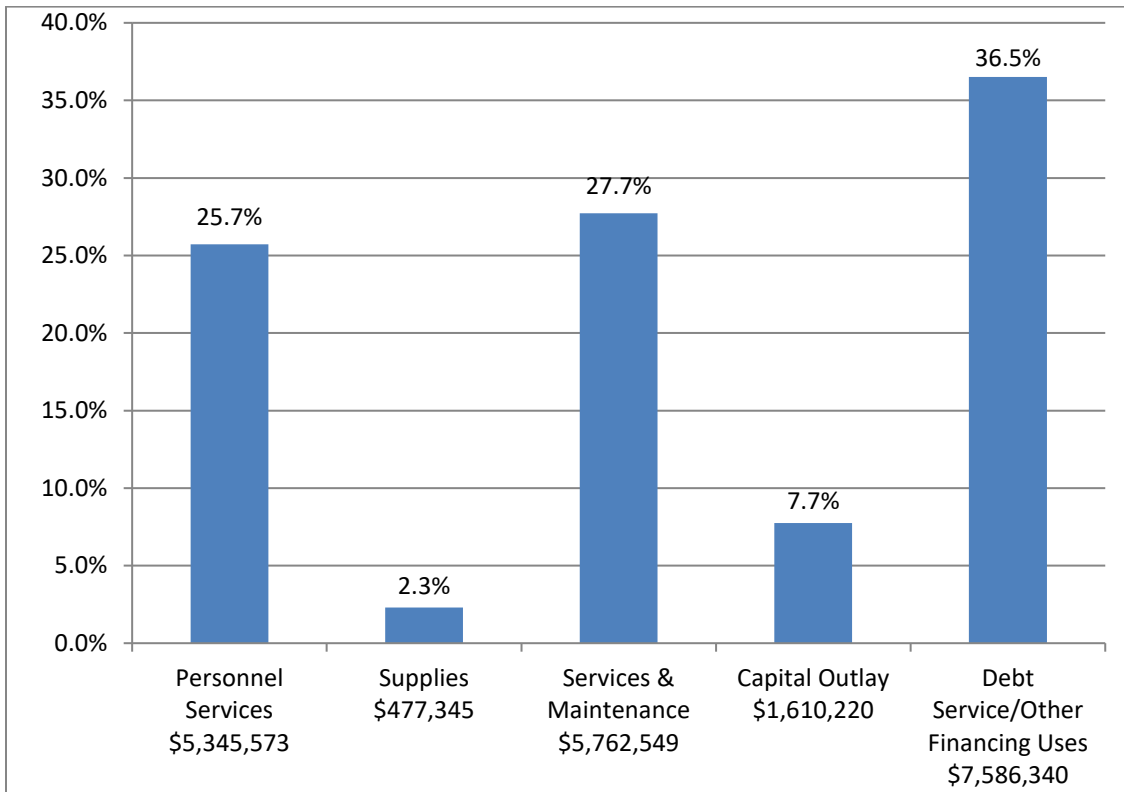


Total budgeted expenses for all funds are \$20,782,027

The four largest components of the 2023 expenditure budget, accounting for 70 percent of the appropriations, are as follows:

Other General Gov't	\$3,391,857	16%
Public Safety	\$3,857,862	19%
Debt Service	\$3,845,126	19%
Sales Tax Projects	\$3,347,402	16%

All Funds – Expenses by Category



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

Changes in Budgeted Fund Balance

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

		*2023 Beg.	2023		2023 Ending	% Change	
Fund Name		Fund Balance	Revenues	2023 Exp	Fund Balance	Fund Balance	>10% Variance
101	General	4,432,068	7,266,219	7,266,219	4,432,068	0.00%	
230	HEDA	704,980	145,270	145,270	704,980	0.00%	
235	Park Dedication	43,620	68,500	10,000	102,120	57.29%	Increased Rev Budget
236	Wetland Mitigation	28,464	100	5,000	23,564	-20.79%	Increased Exp Budget
240	City Sales Tax	10,883,552	3,495,000	3,347,402	11,031,150	1.34%	
245	COVID-ARPA	360,170	-	544,000	(183,830)	0.00%	
251	Police Program	193,399	6,500	1,000	198,899	2.77%	
260	Cable	445,178	46,250	28,006	463,422	3.94%	
270	Soccer	73,168	-	-	73,168	0.00%	
275	Essentia Wellness Center Lease	271,055	329,652	229,652	371,055	26.95%	Added naming rights revenue
301	Certificate of Indebtedness	38,428	-	-	38,428	0.00%	
315	2016B G.O. Bonds	(311,855)	698,807	623,200	(236,248)	-32.00%	Revenue greater than bond pymts
318	2016A G.O. Bonds	51,164	395,638	418,850	27,952	-83.04%	Revenue less than bond pymts
320	2012A G.O. Bonds	(21,385)	232,539	190,711	20,443	204.61%	Revenue greater than bond pymts
322	2014A G.O. Bonds	112,774	126,450	146,425	92,799	-21.53%	Revenue less than bond pymts
323	2018A G.O. Bonds	142,784	138,325	135,925	145,184	1.65%	
324	2018B G.O. Bonds	(38,533)	571,283	538,975	(6,225)	-519.03%	Revenue greater than bond pymts
325	2019A G.O. Bonds	(533,711)	647,620	614,981	(501,072)	-6.51%	
326	2020A G.O. Bonds	223,671	415,842	558,825	80,688	-177.20%	Revenue less than bond pymts
327	2020B G.O. Bonds	(217,334)	293,370	278,725	(202,689)	-7.23%	
328	2021A G.O. Bonds	1,787,109	176,118	308,503	1,654,724	0.00%	
350	Special Assessment Deficiency	318,706	14,000	30,006	302,700	-5.29%	
401	General Capital Projects	535,367	648,500	502,720	681,147	21.40%	Build up fund balance
402	Municipal State Aid Streets	(378,766)	-	-	(378,766)	0.00%	
409	Municipal Building Reserve	275,296	125,000	-	400,296	31.23%	Build up fund balance
411	Essentia Wellness Center	277,871	-	-	277,871	0.00%	
412	Munger Trail	(112,138)	-	-	(112,138)	0.00%	
460	TIF District	655,772	-	-	655,772	0.00%	
461	HEDA Fleet Farm Project	100,484	-	-	100,484	0.00%	
475	Special Assessment Capital Projects	(69,162)	-	-	(69,162)	0.00%	
601	Water Enterprise	14,380,194	2,029,820	2,030,957	14,379,057	-0.01%	
602	Sewer Enterprise	35,231,730	1,834,921	2,107,577	34,959,074	-0.78%	
603	Storm water	696,880	454,500	676,098	475,282	-46.62%	Includes capital delayed in 2022
605	Street Lighting Utility	1,274,049	162,000	43,000	1,393,049	8.54%	

* Beginning balance as of August 30, 2022

Long Range Financial Planning

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

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

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

In addition, on November 8, 2016, the City received voter approval to fund its portion of the Essentia Wellness Center using current sales tax revenue. In 2017 the City received Legislative approval of this use for sales tax. The City can now also use sales tax to “meet the costs of debt service payments for construction of the Hermantown Wellness Center”. The Essentia Wellness Center will be owned by the City of Hermantown. However, the YMCA will run its operations. The overall construction did not impact the City’s General Fund. Any building costs the City incurs are covered by the rent Essentia pays for leasing a portion of the building or covered by the YMCA.

The current 1% sales tax will be increased to 1.5% in 2023 as approved by the voters on November 8, 2022. The citizens voted to fund a trio of wellness projects named the Community Recreation Initiative with a .5% sales tax increase. The projects are: Fichtner Field, Trails, and a 2nd sheet of ice. There are specific capped project costs that can be used with the .5% increase as follows:

Ice Arena - \$10,840,000
Trails - \$4,750,000
Fichtner Field - \$3,900,000

- The City continues to review the interest rate and call dates of the bonds to monitor the possibility of reducing interest costs by refinancing. The City did not issue new bonds in 2022 but does plan on issuing debt in 2023 as part of the Road Management Plan.
- The City will continue to review, on an annual basis, the deferred special assessments, water and sewer availabilities and change in ownership of property that cancels the deferrals.
- The City annually reviews its fee structure and utility rates to keep up with costs. In 2017 the City engaged Ehlers to do a Utility Rate Study. As a result, the City changed to a tiered water conversation rate system for the water it charges its citizens. In 2022 the City once again engaged Ehlers to update the 2017 rate study and provide feedback on usage and rates. The result of this will be shared in late 2022/early 2023.
- City Councilors have periodic work sessions to discuss their priorities which are included in this budget book. The last work session was on January 25, 2021. It is anticipated this will be updated in January, 2023.
- In 2016, the City re-implemented its Capital Improvement Plan. Each year this is updated with the needs of the next five years, including the funding sources.
- The City engaged Ehlers to do a comprehensive Long-Range Financial Management Plan in 2018. This Financial Management Plan was adopted by the Council in early 2019. Included in this plan is a Road Improvement Plan which the City implanted in 2020. Also included in this Financial Management Plan is staffing additions needed in the next five years. The City engaged Ehlers and started the process of refreshing the Financial Management in 2022 as the pandemic and other evolving needs necessitated changes. This process should be completed in early 2023 and a refreshed plan adopted by the City Council.

Long Range Financial Management Plan – General Fund –

Revenues	Actual 2021	Budget 2021	Budget 2022	Budget 2023	FMP 2024	FMP 2025	FMP 2026	FMP 2027
Taxes	6,006,578	5,661,571	6,092,756	6,628,838	7,018,250	7,268,031	7,488,644	7,465,265
Franchise Fees	16,500	16,500	16,500	16,500	17,000	17,000	17,000	17,000
Special Assessments	-	-	-	-	-	-	-	-
Licenses & Permits	288,624	182,265	183,050	179,090	192,695	196,549	200,480	204,490
Intergovernmental	279,683	233,950	249,150	242,050	243,273	248,139	253,102	258,164
Charges for Services	109,886	102,330	101,532	107,758	99,486	102,340	105,250	108,219
Fines & Forfeitures	61,402	42,575	42,200	43,200	43,200	43,200	43,200	43,200
Investment Income	(14,955)	8,000	6,000	6,000	24,778	25,149	25,526	25,909
Miscellaneous	58,369	41,010	41,798	42,783	82,546	84,197	85,881	87,599
Other Financing Sources	148,473							
Total Revenues	6,954,560	6,288,201	6,732,986	7,266,219	7,721,228	7,984,605	8,219,083	8,209,846
Expenditures								
General Government	1,009,398	1,189,413	1,360,553	1,393,252	1,202,877	1,238,963	1,310,296	1,314,415
Public Safety	3,535,779	3,504,582	3,563,140	3,762,062	3,920,015	4,036,216	4,126,888	4,064,636
Streets & Highways	764,046	753,286	791,957	800,462	1,031,393	1,062,335	1,094,205	1,127,031
Community & Economic Development	198,653	253,708	288,164	331,831	326,308	336,097	346,180	356,565
Culture & Recreation	175,748	127,212	139,172	128,612	178,635	183,994	189,514	195,199
Capital Outlay	133,099	115,000	115,000	115,000	120,000	125,000	125,000	125,000
Debt Service	-	-	-	-	-	-	-	-
Other Financing Uses	485,000	345,000	475,000	735,000	942,000	1,002,000	1,027,000	1,027,000
Total Expenditures	6,301,723	6,288,201	6,732,986	7,266,219	7,721,228	7,984,605	8,219,083	8,209,846
Excess (Deficiency) of Revenues over Expenditures	652,837	-	-	-	-	-	-	-

Revenue Categories & Trends

The three largest components of the 2023 revenue budget, accounting for 93 percent of total revenues, in descending order based on dollars are as follows:

Taxes (includes Sales Tax Fund)	\$10,858,110	53%
Utility Fees	\$4,223,905	21%
Other Financing Sources	\$3,771,230	19%

Property Taxes –Property taxes of \$7,174,610 comprise 35 percent of total revenues. Property tax levies are set by the City Council in December of each year and certified to St. Louis County for collection in the following year. In Minnesota, counties act as collection agents for all property taxes. Property taxes are levied for several different City purposes. The largest section of property tax is put into the General Fund to support general taxpayer services such as police and fire protection, administration, and street plowing and repair. The City also has special levies for the Hermantown Economic Development Authority and for debt service. The Debt Service levy is for the Public Works Facility/Salt Storage Facility, two fire halls, Rose Road Softball complex improvements, and road improvements.

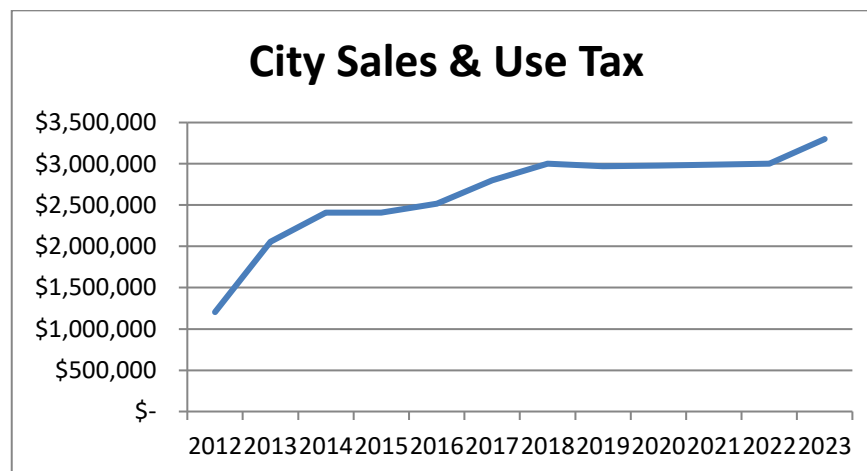


Trends: Property tax levies have been increasing in part due to cuts in state aid that began in 2001. This is shown in the graph above. For the year 2023 the City will be receiving zero Local Government Aid.

Local Government Aid – Comparison in order by Cities and population

City	2018	2019	2020	2021	2022	2023	2022-2023 Incr/(Decr)	% Change	Population 2020
<u>St. Louis County:</u>									
Duluth	\$29,340,129	\$29,668,565	\$30,248,064	\$30,543,564	\$30,671,679	\$30,807,820	\$136,141	0.44%	86,697
Hibbing	8,106,845	8,145,651	8,229,324	8,278,325	8,308,919	8,360,051	\$51,132	0.62%	16,214
Hermantown	-	-	-	-	-	-	-		10,221
Virginia	5,125,120	5,329,243	5,729,345	5,927,850	6,049,573	6,207,006	\$157,433	2.60%	8,421
Proctor	1,033,142	1,048,883	1,081,576	1,096,797	1,101,073	1,106,996	\$5,923	0.54%	3,040
<u>Carlton County:</u>									
Cloquet	2,377,013	2,485,096	2,673,626	2,769,892	2,822,834	2,895,411	\$72,577	2.57%	12,568

City Sales Tax — The Sales Tax Fund account for \$3,495,000 (17%) of city revenue. \$3,300,000 of the \$3,495,000 will be sales tax received. Sales tax applies to retail sales made and taxable services provided within the local taxing area. The tax applies to the same items that are taxed by the Minnesota sales and use tax law. The Minnesota Department of Revenue currently administers this local sales tax. The City has an agreement with the Minnesota Department of Revenue which addresses the fees and procedures of the local sales tax collection and payment. Sales tax revenues less state administration fees are remitted to the City each month.



*These are based on budgeted revenues.

Trends: Sales Tax revenues have increased a little during the COVID-19 pandemic. We anticipate sales tax increasing in part due to inflation.

Franchise Fees –Total Franchise fees are anticipated to increase slightly to \$195,000.

Trends: The Franchise fees include the following and are expected to remain constant through 2023.

MN Energy Gas Resources is split between the General Fund (Fund 101) and the Street Lighting Fund (Fund 605).

MN Power Electric goes to the Street Lighting Fund (Fund 605).

Media Com Cable goes to Cable TV Fund (Fund 260).

Licenses and Permits – License and permit fees of \$223,190 account for 1 percent of total revenues. Permits are required for most construction projects and major remodeling projects. Examples of permits required are building permits, zoning permits, driveway permits, and handgun/bow permits. Licenses are required for certain businesses selling liquor, beer, or tobacco and for dogs in the City.

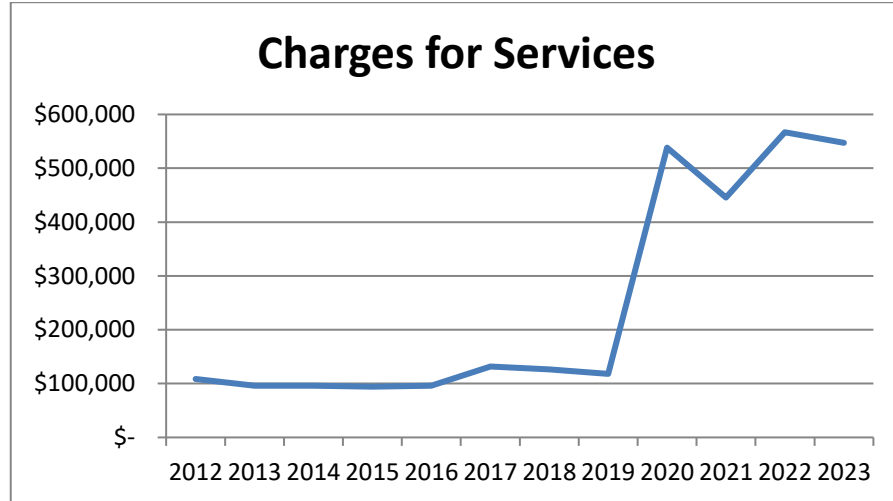
	2017	2018	2019	2020	2021	2022
All Building Permits (includes additions, remodels)						
No. of Permits	211	190	136	153	166	147
Valuation	\$16,121,332	\$12,707,360	\$10,353,781	\$8,810,887	\$33,656,400	\$32,480,292
New Single Family Homes						
No. of Permits	34	33	22	23	25	19
Valuation	\$7,475,694	\$7,395,575	\$5,786,066	\$5,749,158	\$5,794,935	\$8,098,745
New Multiple Family Buildings						
No. of Permits	0	0	0	0	0	1
Valuation	\$0	\$0	\$0	\$0	\$0	\$17,715,703
New Commercial/Industrial						
No. of Permits	4	5	2	10	4	4
Valuation	\$2,711,130	\$3,051,925	\$2,407,895	\$3,887,611	\$24,886,466	\$2,110,200
* As of September 2022						

Trends: License and permit revenue is expected to increase slightly over 2022.

Intergovernmental Revenues – This revenue accounts for \$242,050 of City revenues or 1.19 percent. Intergovernmental revenue includes Police State Aid and grants for Police, MSA Street Maintenance and PERA Aid.

Trends: This revenue has been stable. Local Government Aid (LGA) for the 2023 budget again is zero.

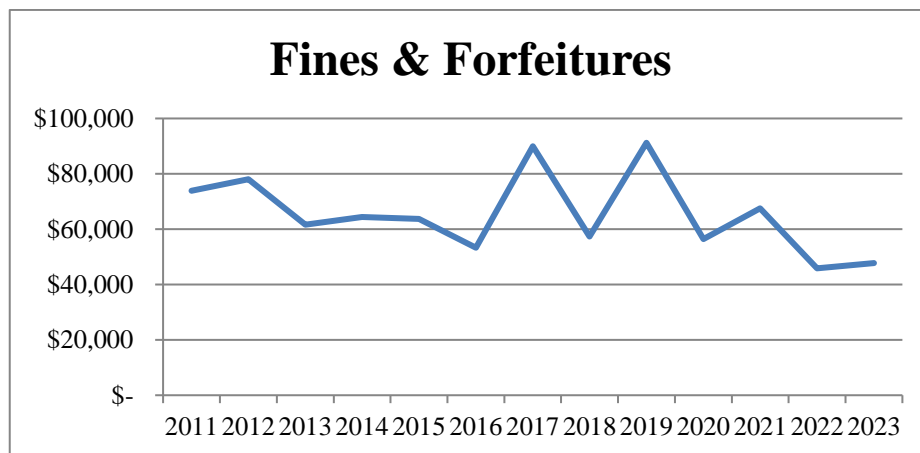
Charges for Services – Charges for services account for \$547,299 of City revenues or 2.7 percent. This category includes charges for assessment searches, police services, fingerprinting services and cemetery burial. This increased in 2020 due to a lease with Essentia for space in the Essentia Wellness Center.



*2022 through 2023 are based on budgeted revenues.

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

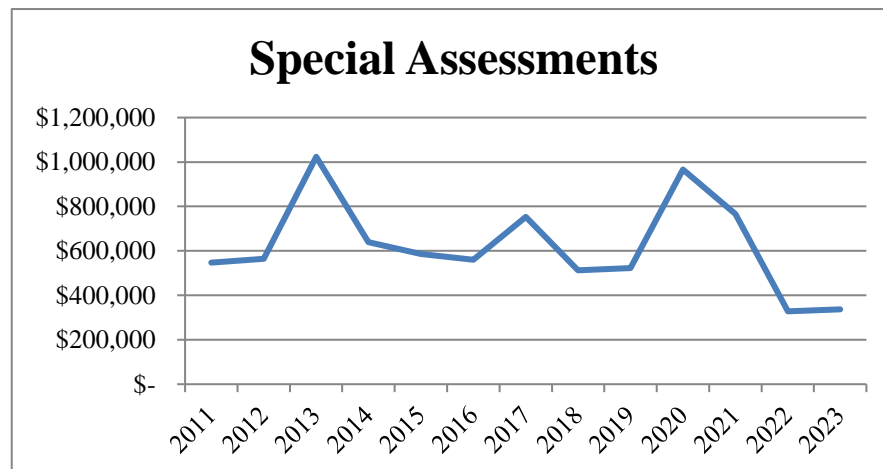
Fines & Forfeitures – Fines & forfeitures account for \$47,700 of City revenues or .23 percent. These funds are the City's share of police patrol traffic citations, court fines, and DWI/Drug forfeiture proceeds.



*2022 through 2023 are based on budgeted revenues.

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

Special Assessments – Special assessments account for \$337,000 of City revenues or 1.7 percent. These funds are collections from specific projects that require a payment from the taxpayer, such as water and sewer line construction or street improvements. These assessments are collected by St. Louis County along with the property tax levy.



*2022 through 2023 are based on budgeted revenues.

Trends: Special Assessment revenues fluctuate due to the timing of water, sewer, and street infrastructure projects. As citizens pay in full their assessments the revenue decreases.

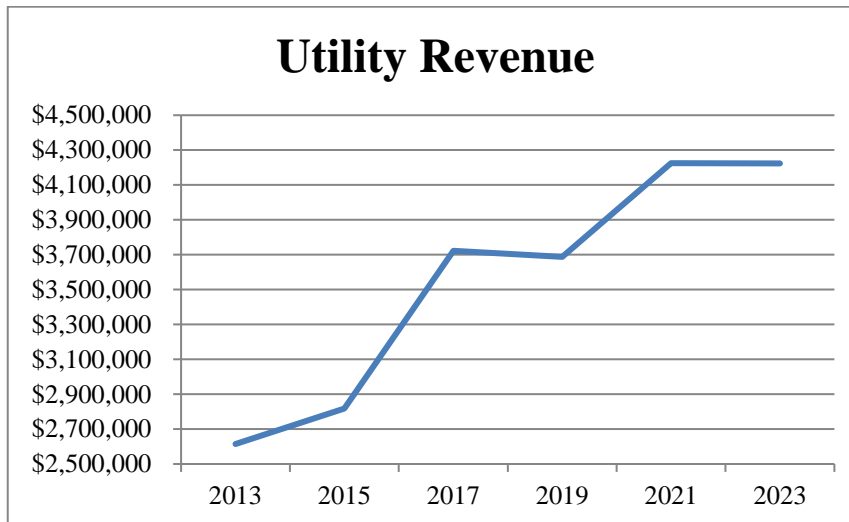
Investment Income – Investment income accounts for \$61,850 of City revenues or .3 percent.

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

Miscellaneous Revenue – Miscellaneous revenue accounts for \$9,800 of City revenues. This category includes cell tower leases, park fields, donations, 911 signs, insurance reimbursements, and conduit financing payments.

Trends: These revenues have decreased slightly the past few years.

- **Utility Revenue** – Utility Revenue for water, sewer, street lighting and storm water account for \$4,223,905 of the City’s revenues or 20.8 percent. During 2017, the City contracted with Ehlers to complete a rate study. One outcome was to change the rate structure so that the cost per gallon of water is split into “tiers” with a higher cost per gallon for users that use more water. In 2019 the City added a Storm water fee which increased the utility revenue. In 2022 the City once again engaged Ehlers to update the 2017 rate study and provide feedback on usage, rates, and reserves. The study concluded that the Hermantown Utility funds are well managed and on a sustainable track.



*2022 through 2023 are based on budgeted revenues.

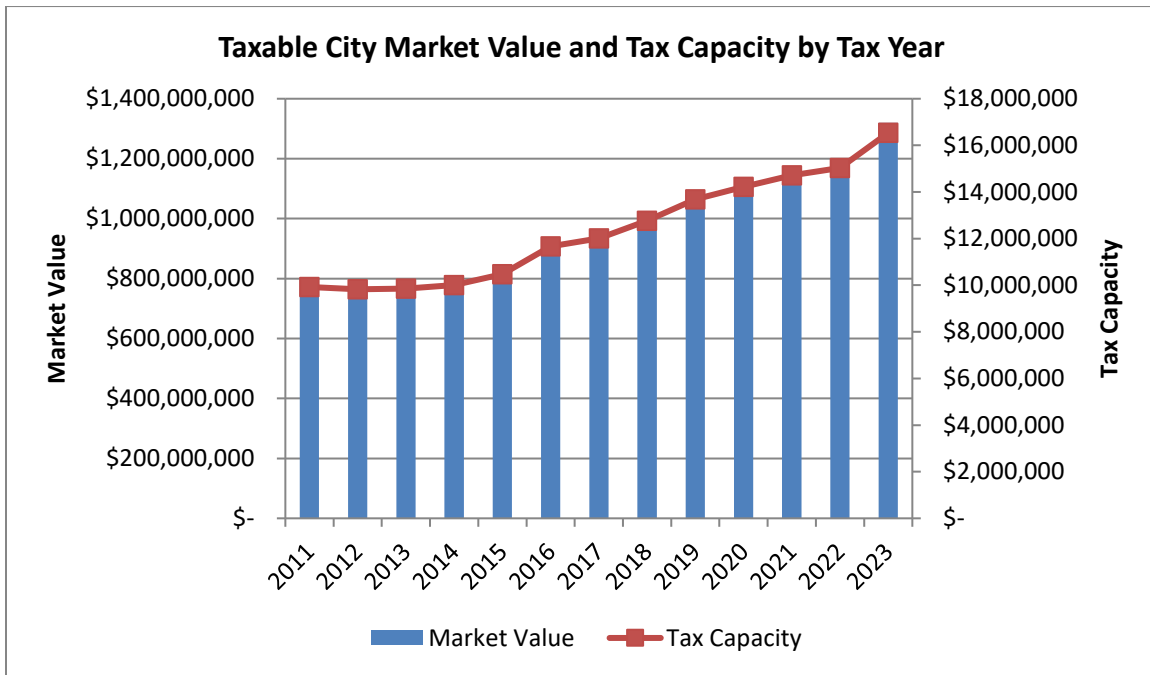
Other Financing Sources – Other Financing Sources for all budgeted funds is \$3,771,320 or 18.6 percent of revenue. This category accounts for transfers in from other funds, such as the Sales Tax Fund and Utility funds to the Debt Service funds to make bond payments.

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

Tax Information

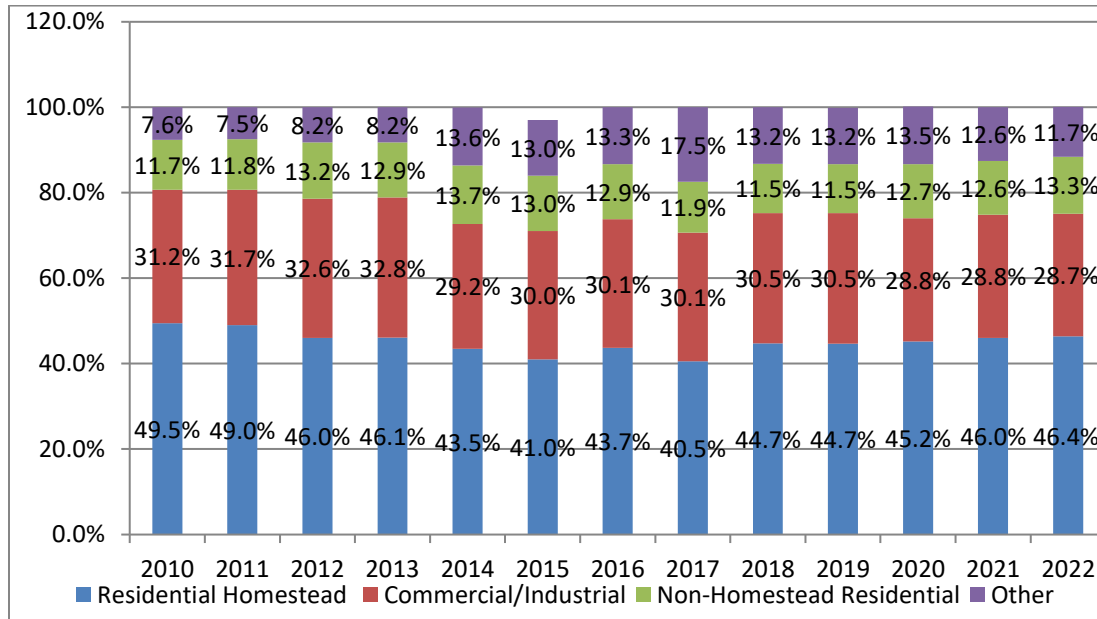
Tax Base

Residential and commercial market values used to calculate 2023 taxes increased. There was an estimated increase of 11% of taxable net tax capacity. Market values are not used directly to calculate tax. Market values and state mandated classification rates are used only to distribute the dollar amount of levy requested.

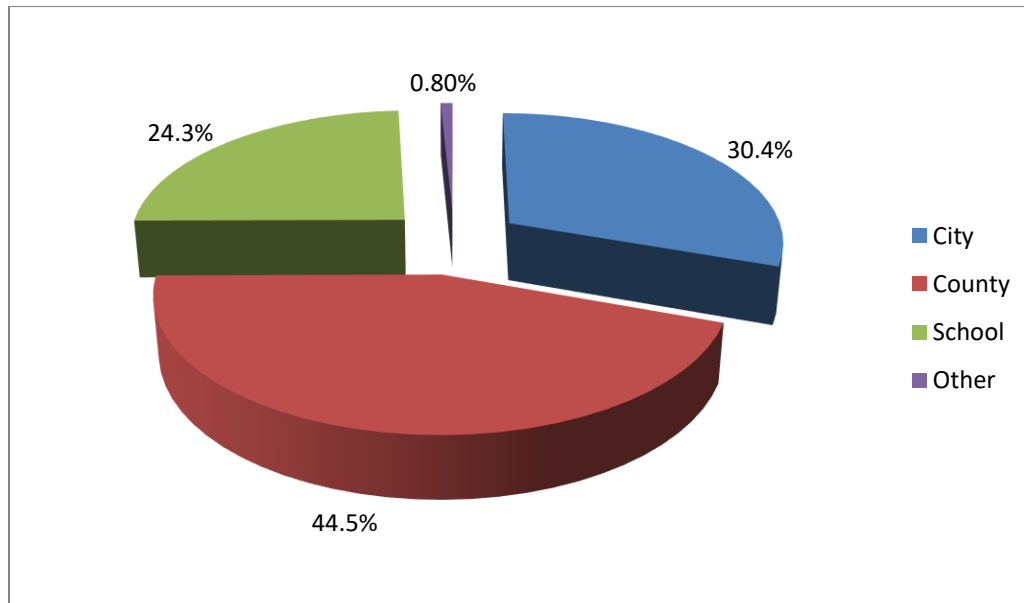


Total City Tax Capacity Comparison

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



Taxes (Payable 2022)



This graph illustrates the total tax as shared by the taxing jurisdictions. Only 30.4 percent of the total tax was levied for City activities in 2022.

Estimated City Taxes Payable in 2023

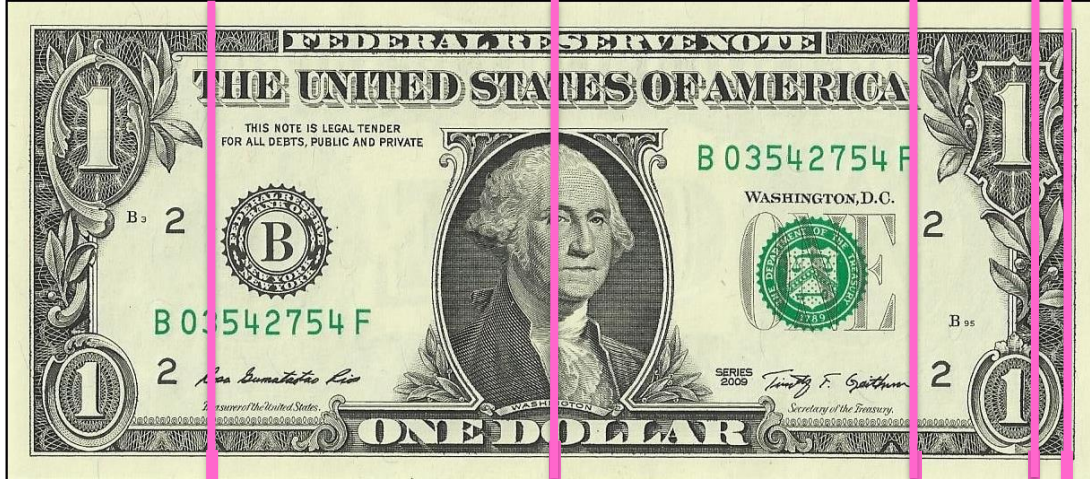
The following table lists the estimated city taxes payable in 2023 for various home values. These figures do not include a market value exclusion that the state utilizes to reduce residential property taxes.

Home Market Value	2022 Payable City Taxes	2023 Payable City Taxes
150,000	700	682
200,000	933	909
250,000	1,169	1,136
300,000	1,400	1,363
400,000	1,866	1,817
500,000	2,333	2,272
600,000	2,800	2,726

Where Do Our Property Tax Dollars Go in the General Fund?

A \$250,000 home generates \$1,136 in annual property taxes:

This comes to \$95 per month for 2023.



25 Cents General Government

52 Cents Public Safety

11 Cents Public Works

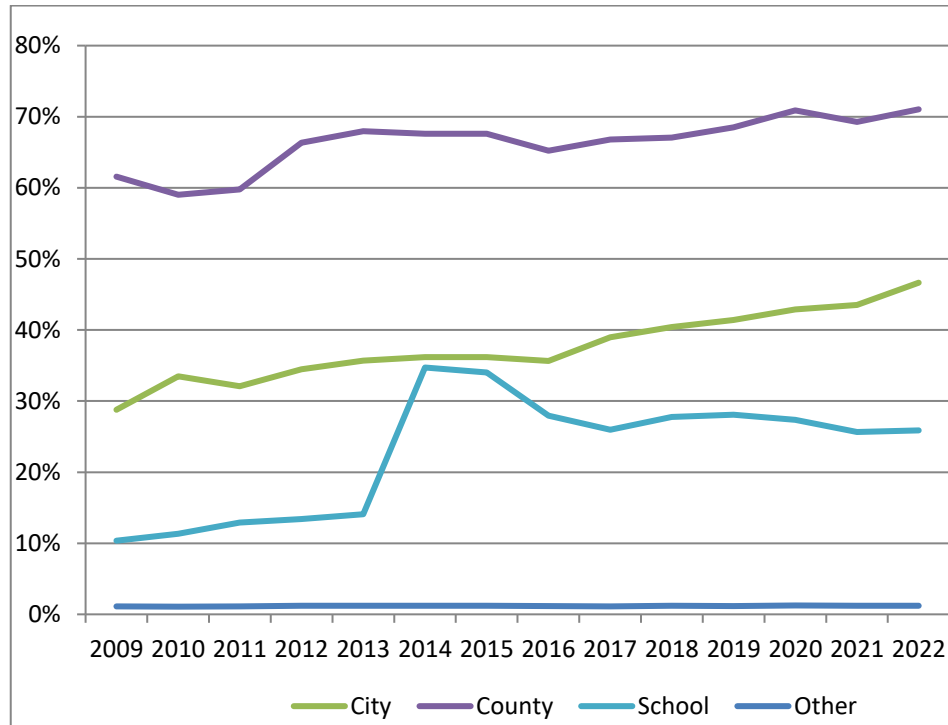
2 Cents Park
10 Cents Other Financing

Estimated Cost of City Services - \$250,000 Home in 2023

Actual Cost of City Services Pay 2023 Property Tax For \$250,000 Home				
City Service Category	2023 Budget	Percent of Levy	Amount of Levy	Monthly Cost
General Government Council, Ordinances, Mayor, Elections, Administration & Finance, City Attorney, Planning & Zoning, Health Insurance Consultant, City Buildings Maint., Inspection, Comm Dev	\$1,840,083	25.3%	\$288	\$24
Public Safety Police Administration, Fire Administration	\$3,762,062	51.8%	\$588	\$49
Public Works Street Department, City Engineer	\$800,462	11.0%	\$125	\$10
Park Parks	\$128,612	1.8%	\$20	\$2
Other Financing Transfers for Capital Items, Park Improvements, Buildings, Etc.	\$735,000	10.1%	\$115	\$10
Totals		100%	\$1,136	\$95

Tax Rate Analysis

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



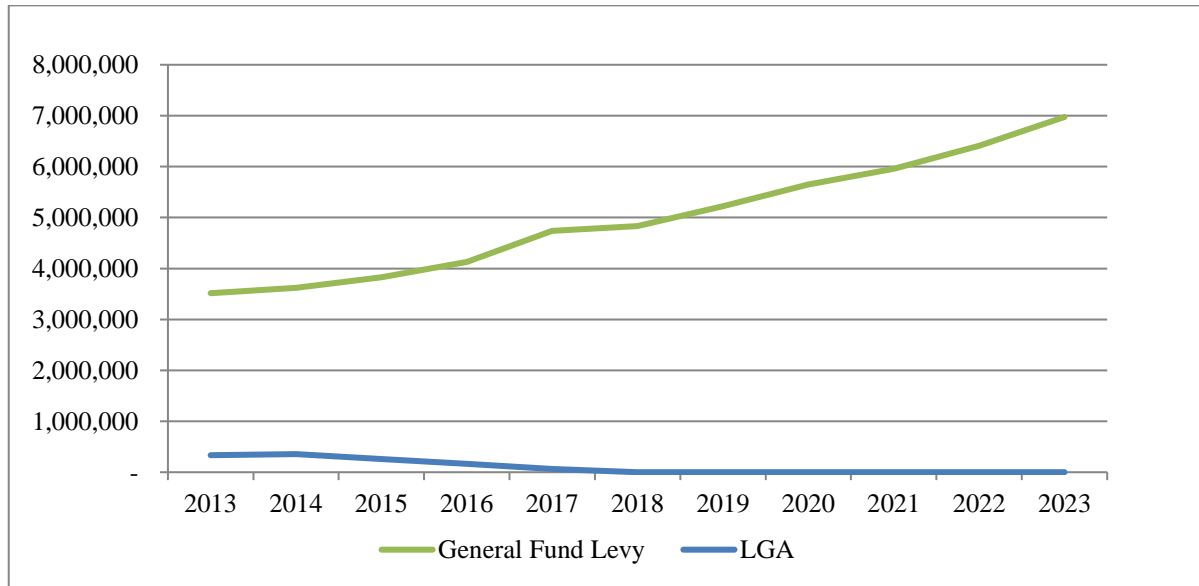
Levy Components

The overall property tax levy is comprised of different levies to pay for different activities of the city. The dollars levied in 2023 are illustrated in the following table:

General Fund Levy	\$ 6,974,566
Debt Levy	\$ 343,621
Abatement Fleet Farm	\$ 138,146
Hermantown Economic Development Authority	\$ 150,000
Total	<u>\$ 7,606,333</u>

Tax Levy Changes – General Fund

The City General Fund tax levy has fluctuated recently due to growth, multiple changes in state aid, and increasing service demands. The following graph illustrates the changes in general fund levy. The city is not receiving LGA in 2023.



Property Tax Comparison of Cities within St Louis County and Cloquet

Total Tax (City, County, School, Other) based on a \$250,000 Value home in 2021 (most recent year of available data):

St. Louis County:

Hermantown	\$3,636
Proctor	\$3,936
Duluth	\$3,809
Virginia	\$5,182
Hibbing	\$4,271

Carlton County:

Cloquet	\$4,720
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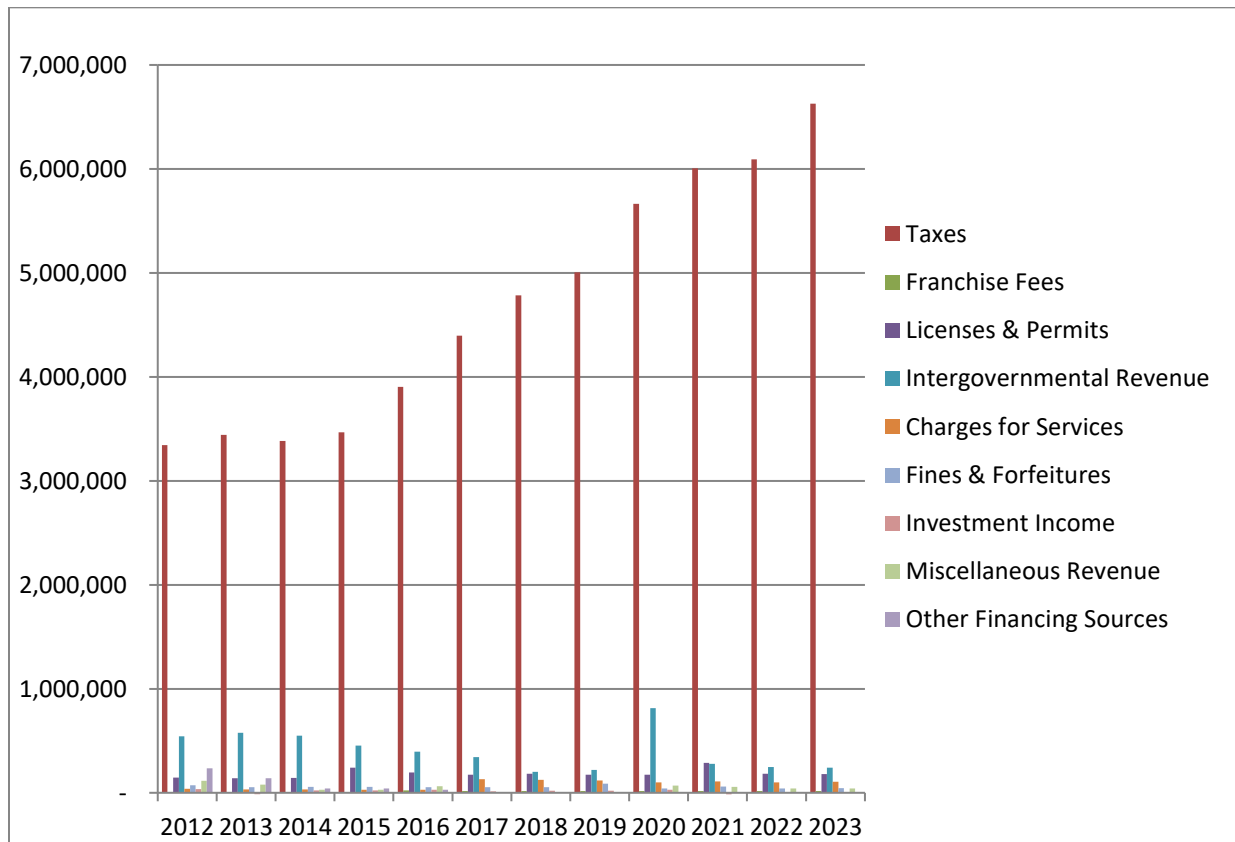
Source of information found at: <http://www.lmc.org/page/1/property-tax-calc-iframe.jsp>

General Fund Summary – Fund 101

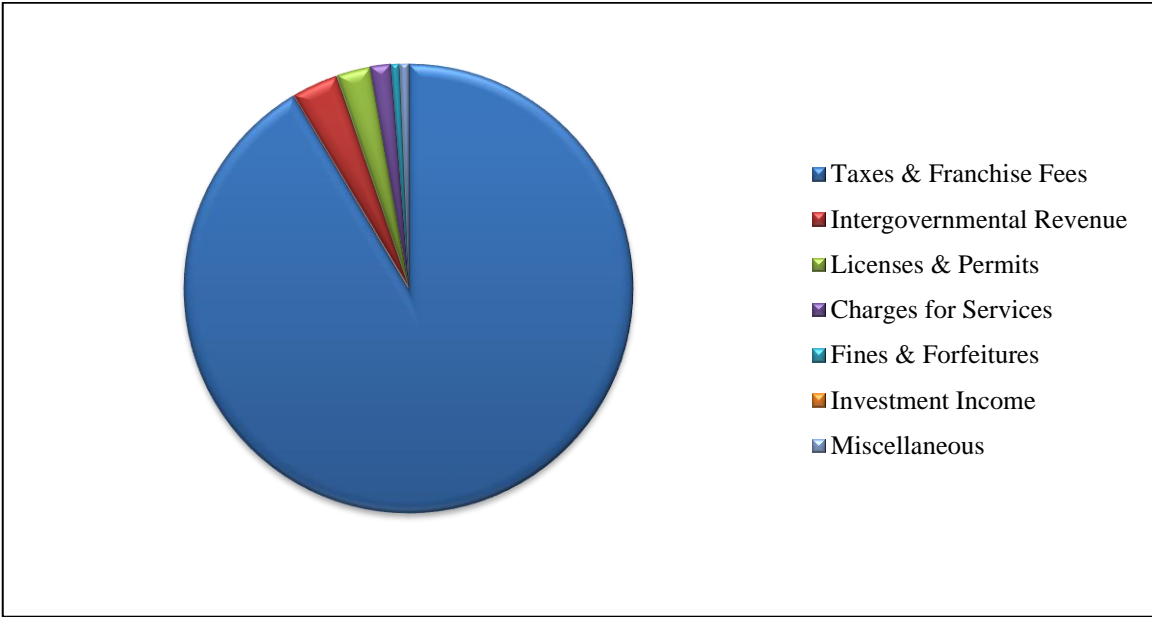
The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the City such as general government, public safety, public works, and parks and recreation. Revenue is recorded by source: i.e., general property taxes, licenses and permits,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

2023 General Fund Revenues

The general fund revenue sources have changed in recent years. The following graph illustrates the change in general fund revenues (2022-2023 are based on budgeted revenues):



The following chart shows the 2023 general fund budgeted revenues by source:



2023 General Fund Revenue Summary

<u>Source</u>	<u>Amount</u>	
Property Tax & Franchise Fee	\$ 6,645,338	91.46%
Intergovernmental Revenue	242,050	3.33%
Licenses & Permits	179,090	2.46%
Charges for Services	107,258	1.48%
Fines & Forfeitures	43,700	0.60%
Investment Income	6,000	0.08%
Miscellaneous	42,783	0.59%
Total	\$ 7,266,219	

2023 General Fund Revenue Sources – Detail

Property Taxes/Franchise Fees - 310000

310100 Current Property Taxes	6,625,838	
310200 Delinquent Property Taxes	-	
318100 Franchise Fees	16,500	
319100 Penalty & Interest Property Taxes	2,000	
319200 Forfeited Property Taxes	1,000	
Subtotal – Property Taxes & Franchise Fee		6,645,338

Licenses & Permits – 320000

321100 Beer Licenses	-	
321110 On-Sale Liquor Licenses	39,000	
321120 Off-Sale Liquor Licenses	790	
321140 Sunday Licenses	2,400	
321150 Dance Permits	1,200	
321800 Contractors Licenses/Permits	7,000	
321900 Tobacco Licenses	6,000	
321950 Fireworks Permits	300	
321990 Other Licenses & Permits	3,000	
322100 Building Permits	100,000	
322110 Zoning Fees	9,000	
322120 SWPP Fees	-	
322121 Erosion & Sediment Control	3,500	
322126 Wetland Permits	1,400	
322130 Property Split Fees	2,000	
322400 Dog Licenses	1,600	
322900 Handgun/Bow Permits	1,900	
Subtotal – Licenses & Permits		179,090

Intergovernmental – 330000

331998 Police Overtime Reimbursement	25,000	
331999 Other Federal Grants/Aid	1,200	
334010 Local Government Aid	-	
334160 Police Training Reimbursement	14,000	
334180 MSAS Maintenance Allocation	65,000	
334200 State 2% Fire Insurance/Fire Relief	-	
334210 State Police Aid	135,000	
334999 Other State Grants & Aids	1,200	
336300 Other Grants & Aids	650	
Subtotal – Intergovernmental		242,050

Charges for Services – 340000

341010 Building Rentals	3,000	
341015 Community Building	22,059	
341030 Zoning & Subdivision	1,000	
342010 Police Services	80,400	
342030 Photocopies Police	99	
349400 Cemetery Burial	700	
Subtotal – Charges for Services		107,258

Fines & Forfeits – 350000

351000 Impound & Towing Charges	500	
351010 Court Fines	43,000	
351020 Parking Fines	200	
Subtotal – Fines & Forfeits		43,700

Investment Income – 362100 & 362160

362100 Investment Interest	6,000	
Subtotal – Investment Income		6,000

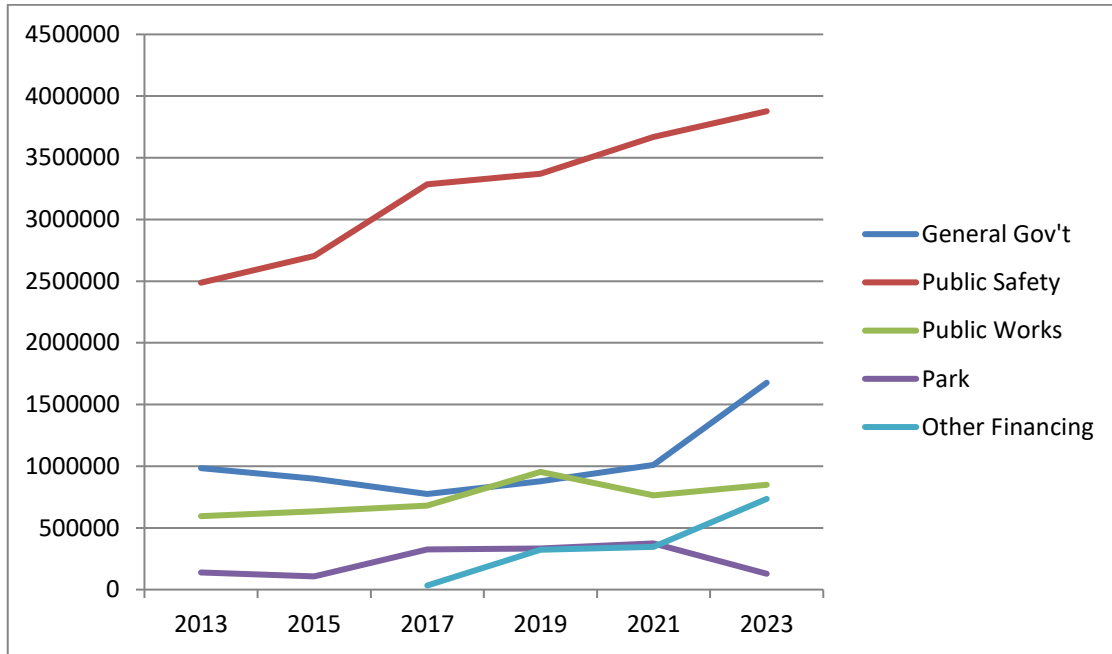
Miscellaneous – 360000

362200 Park Field Rental Fees	9,600	
362210 Park Rental Fees	50	
362250 City Property Lease	12,293	
362255 Lightning Drive Tower Lease	17,240	
362400 911 Signs	2,200	
362410 Insurance Recoveries	100	
362430 Refund & Reimbursement	1,000	
362990 Miscellaneous Revenue	200	
391010 Sale of General Fixed	100	
Subtotal – Miscellaneous		42,783

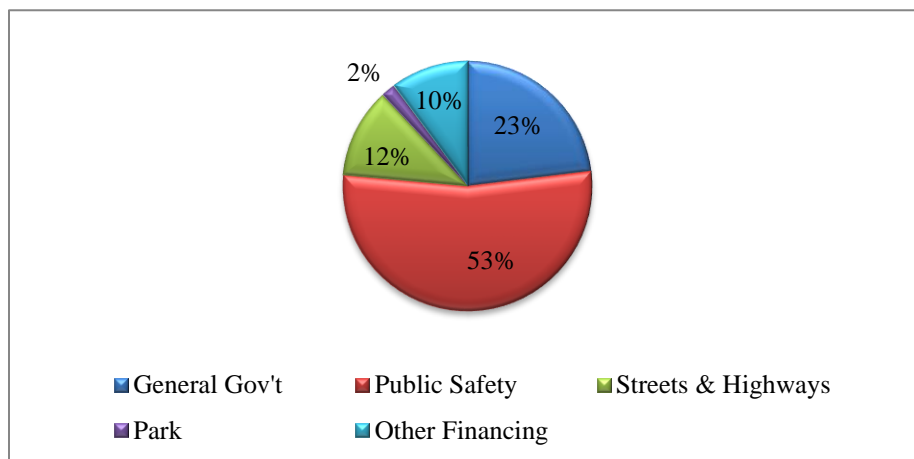
Total General Fund Revenues	7,266,219
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2023 General Fund Expenditures

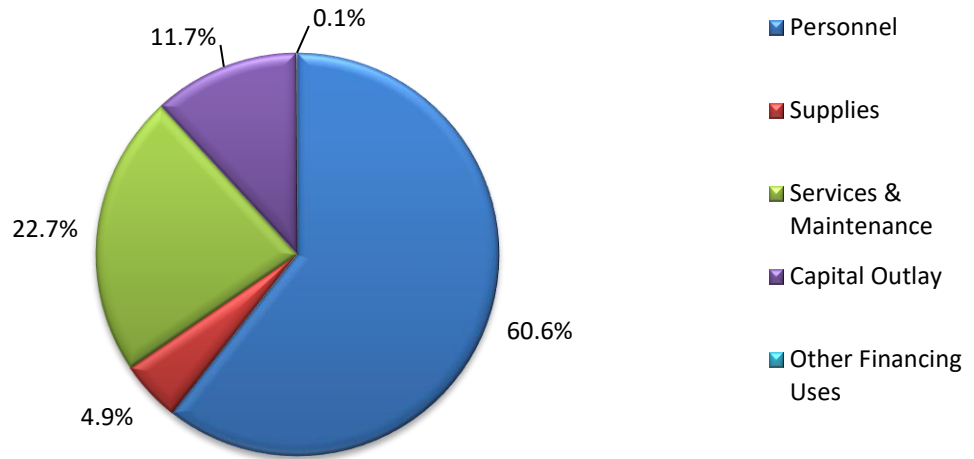
The city provides many services to its citizens. The following graphs show the general fund expenditures by function (2022-2023 are based on budgeted expenditures):



The following chart shows the 2023 General Fund Expenditures by Function:

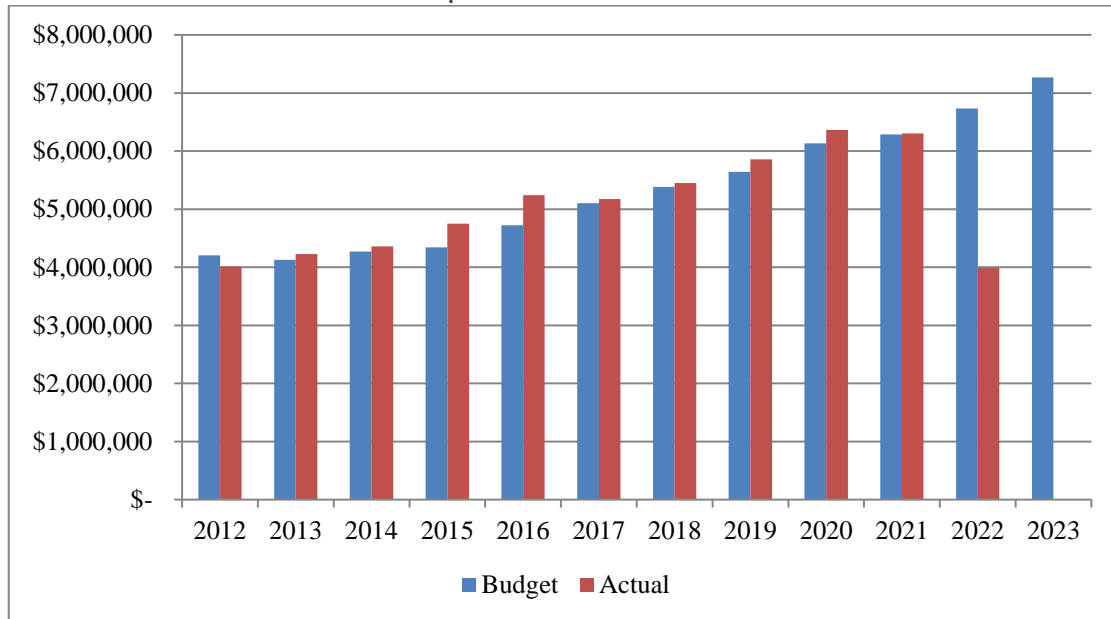


2023 General Fund Expenditures – Detail by Category



<u>Department</u>	<u>Personnel</u>	<u>Supplies</u>	<u>Srvcs & Maint</u>	<u>Cap Outlay</u>	<u>Other</u>	<u>Total</u>
Council	35,730	60	14,772	-	-	50,562
Legal Notices	-	-	1,800	-	-	1,800
Mayor	11,534	-	3,346	-	-	14,880
Elections			5,200	-	-	5,200
Administration & Finance	640,844	7,400	111,409			759,653
Attorney	-	-	50,000	-	-	50,000
Comm. Dev./Planning & Zoning	273,730	600	57,501	-	-	331,831
Communications	-	-	25,000	-	-	25,000
City Hall & Police Bldg. Maint.	82,051	11,000	90,046	-	-	183,097
Police	2,722,790	108,150	289,634	117,500	-	3,238,074
Fire	-	-	563,634	-	-	563,634
Fire Hall 1	20,483	-	36,711	-	-	57,194
Fire Hall 2 & 3	-	50	15,410	-	-	15,460
Building Inspector	158,194	2,350	11,846	-	-	172,390
Poundmaster	-	-	2,700	-	-	2,700
Street	365,609	189,445	223,408	-	-	778,462
City Engineer	-	-	22,000	-	-	22,000
Garage Building Maintenance	21,861	11,440	14,878	-	-	48,179
Parks	56,317	23,750	42,545	-	6,000	128,612
Community Building	10,241	700	15,026	-	-	25,967
Cemetery	6,346	-	-	-	-	6,346
Insurance			50,178			50,178
Transfers for Capital Items				735,000		735,000
Totals	4,405,730	354,945	1,647,044	852,500	6,000	7,266,219

Trend in Expenditures – General Fund



***2022 Expenses through 08/24/2022**

Capital Improvement Plan

Items Purchased and Impact of Capital Investments on Operating Budget

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

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

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

The Capital Expenditures in the 2023 Budget total \$8,527,720 which will be shown in later pages of this budget.

Impact of Capital Investments on Operating Budget

Operating Budget Impact 2023 Capital Improvement Program Net Operating and Maintenance Costs or Savings (Estimated)

A major component of preparing a fiscally sound Capital Improvement Program is to determine the amount and manner in which projects will be managed, maintained, and operated on an on-going basis. Each of the below projects listed within the proposed Five Year CIP Program will impact the City's operating budget to varying degrees. The chart below summarizes the impact that the proposed 2023 below projects will have on the operating budget:

Note: Positive figures indicate Operating Budget additional costs; negative figures indicate savings.

Note: The three capital items detailed below are considered "significant" based on the following criteria: Non-recurring Capital expenditure that would require a raise in tax rate, would result in reduced spending in other parts of the budget, & would require additional staff. All other expenditures greater than \$20,000 will be described in a later section of the budget document.

Capital Project: Water Meter Radio Conversion 2023-2027 CIP Project Funding \$325,000	Estimated Impact on Operating Budget Per Year				
	2023	2024	2025	2026	2027
		(21,000)	(22,000)	(23,000)	(23,000)
Description of Operating Impact:					
This will save in employee time to gather monthly water meter data					
Description of Non-Financial Impact:					
This will eliminate the need to drive around with a handheld device to read water meters and will provide real time data					

Capital Project: Lindgren & Richard Ave 2023-2027 CIP Project Funding \$2,400,000	Estimated Impact on Operating Budget Per Year				
	2023	2024	2025	2026	2027
		(5,000)	(5,000)	(5,000)	(5,000)
Description of Operating Impact					
This will help facilitate new development and will annually decrease gravel road maintenance costs					
Description of Non-Financial Impact					
This will extend the life of a road and add a new section of paved road					

Capital Project: Ugstad Rd Super Project 2023-2027 CIP Project Funding \$3,800,000	Estimated Impact on Operating Budget Per Year				
	2023	2024	2025	2026	2027
		(7,500)	(7,500)	(7,500)	(7,500)
Description of Operating Impact:					
This will reduce future road maintenance costs such as crack seal and pot hole filling					
Description of Non-Financial Impact:					
This will extend the life of a major road					

City of Hermantown, Minnesota

Capital Improvement Plan

2023 thru 2027

PROJECTS & FUNDING SOURCES BY DEPARTMENT

Department	Project #	Priority	2023	2024	2025	2026	2027	Total
Administration								
Voting Machines	2027-02	1					35,000	35,000
General Fund							35,000	35,000
Administration Total							35,000	35,000
City Hall								
Server	2022-01	2	25,000					25,000
General Fund			25,000					25,000
Mower	2023-18	1	30,000					30,000
General Fund			30,000					30,000
Roof on PD Side	2024-10	1		180,000				180,000
Municipal Building Reserve				180,000				180,000
Boilers	2025-05	1			300,000			300,000
General Fund					150,000			150,000
Municipal Building Reserve					150,000			150,000
HVAC Upgrades	2026-01	1				50,000		50,000
General Fund						50,000		50,000
City Hall Total			55,000	180,000	300,000	50,000		585,000
Community Development								
Hermantown Marketplace Sign	2023-01	2		125,000				125,000
HEDA				125,000				125,000
Keene Creek Park Improvements	2023-03	1	150,000					150,000
ARPA			150,000					150,000
Section 24 Trail Equipment	2023-17	1		75,000				75,000
Park Dedication Fund				75,000				75,000
Munger Trail- Lightning Drive Segment	2025-06	1			600,000			600,000
Park Dedication Fund					600,000			600,000
Fichtner Fields Restructure Improvements	2026-02	2				500,000	500,000	1,000,000
Park Dedication Fund						500,000	500,000	1,000,000
Munger Trail- Hermantown Rd to Morris Thomas Rd	2026-12	n/a				1,000,000		1,000,000
Park Dedication Fund						1,000,000		1,000,000
Munger Trail- Getchell to Lavaque/City Hall	2027-03	1					1,000,000	1,000,000
Park Dedication Fund							1,000,000	1,000,000
Community Development Total			150,000	200,000	600,000	1,500,000	1,500,000	3,950,000
Police								
ARMER Radio Replacement	2023-02	1	70,000	70,000				140,000
General Fund			70,000	70,000				140,000
Squad Cameras, Tasers, Body Cameras	2023-16	1	50,000	50,000	50,000	50,000	50,000	250,000
General Fund			50,000	50,000	50,000	50,000	50,000	250,000
Squad Tablets	2025-04	1			90,000			90,000

Department	Project #	Priority	2023	2024	2025	2026	2027	Total
<i>General Fund</i>					90,000			90,000
Police Flooring	2026-11	1				40,000		40,000
<i>General Fund</i>						40,000		40,000
Squads	Squads	1	115,000	115,000	115,000	115,000	120,000	580,000
<i>General Fund</i>			115,000	115,000	115,000	115,000	120,000	580,000
Police Total			235,000	235,000	255,000	205,000	170,000	1,100,000

Public Works

Motor Grader LEASE	2021-01	1	60,970	60,970	60,970	60,970		243,880
<i>General Fund</i>			60,970	60,970	60,970	60,970		243,880
Tandem Plow Truck	2022-02	1	190,000					190,000
<i>General Fund</i>			190,000					190,000
Water Meter Radio Conversion to AMI	2022-05	1	325,000					325,000
<i>Sales Tax</i>			325,000					325,000
1 Ton Dirt Service Truck	2023-04	1	127,000					127,000
<i>General Fund</i>			63,500					63,500
<i>Sewer Fund</i>			31,750					31,750
<i>Water Fund</i>			31,750					31,750
1 Ton Ext Cab Truck	2023-06	1		63,000				63,000
<i>General Fund</i>				31,500				31,500
<i>Sewer Fund</i>				15,750				15,750
<i>Water Fund</i>				15,750				15,750
Lightning Drive Sewer Spur	2023-07	1	265,000	1,650,000				1,915,000
<i>Sales Tax</i>			265,000	1,650,000				1,915,000
Hotmix/Pothole Trailer	2023-14	1	69,750					69,750
<i>General Fund</i>			69,750					69,750
Bobcat Toolcat w/Tracks	2023-15	1		86,250				86,250
<i>General Fund</i>				86,250				86,250
Birch Valley Sanitary Sewer Spur	2024-03	1		150,000	150,000	150,000	2,500,000	2,950,000
<i>Sales Tax</i>				150,000	150,000	150,000	2,500,000	2,950,000
Tracked Skidsteer	2024-05	2		97,500				97,500
<i>General Fund</i>				48,750				48,750
<i>Sewer Fund</i>				24,375				24,375
<i>Storm Water</i>				24,375				24,375
12' Mower	2024-06	2		80,000				80,000
<i>General Fund</i>				80,000				80,000
Steamer Tralier	2024-11	1		65,625				65,625
<i>General Fund</i>				32,813				32,813
<i>Storm Water</i>				32,812				32,812
Tandem Plow Truck	2025-01	1			302,500			302,500
<i>General Fund</i>					302,500			302,500
624 Loader	2025-02	1			302,500			302,500
<i>General Fund</i>					192,500			192,500
<i>Sewer Fund</i>					55,000			55,000
<i>Water Fund</i>					55,000			55,000
Rubber Tire Loader	2026-05	1				187,000		187,000
<i>General Fund</i>						110,000		110,000
<i>Water Fund</i>						77,000		77,000
Getchell Waterline Replacement	2026-06	1				150,000	1,400,000	1,550,000
<i>Sales Tax</i>						150,000	1,400,000	1,550,000
Tandem Plow Truck	2027-01	1					330,000	330,000
<i>General Fund</i>							110,000	110,000
<i>Sewer Fund</i>							110,000	110,000
<i>Water Fund</i>							110,000	110,000
Lift Stations	Lift Station	2	40,000	40,000	40,000			120,000

Department	Project #	Priority	2023	2024	2025	2026	2027	Total
Sewer Fund			40,000	40,000	40,000			120,000
Public Works Total			1,077,720	2,293,345	855,970	547,970	4,230,000	9,005,005
Streets								
Lindahl Road Bridge	2021-02	2	175,000					175,000
Storm Water			175,000					175,000
Lindgren and Richard Ave	2022-06	2	2,400,000					2,400,000
Assessment			320,000					320,000
Bonds General Fund			984,000					984,000
Sewer Fund			165,000					165,000
State Aid - MSA			750,000					750,000
Storm Water			181,000					181,000
Ugstad Super Project	2022-07	2	3,800,000					3,800,000
State Aid - MSA			3,800,000					3,800,000
Lightning Dr and Thunder Chief and Getchell	2023-08	1			1,352,000			1,352,000
Assessment					338,000			338,000
Bonds General Fund					814,000			814,000
Storm Water					200,000			200,000
Old Midway	2023-09	2		936,000				936,000
Assessment				187,200				187,200
Bonds General Fund				748,800				748,800
Hermantown Rd - Midway to Ugstad	2023-10	2		1,872,000				1,872,000
Bonds General Fund				1,872,000				1,872,000
Hermantown Rd - Hwy 2 Midway	2023-11	2		936,000				936,000
Assessment				187,200				187,200
Bonds General Fund				748,800				748,800
Hermantown Road Bridge	2023-12	2	520,000					520,000
Bonds General Fund			416,000					416,000
Storm Water			104,000					104,000
Stebner- Morris Thomas to Hermantown Rd	2024-08	1				1,500,000		1,500,000
State Aid - MSA						1,500,000		1,500,000
Lindahl Rd	2024-09	1			421,824			421,824
Assessment					105,456			105,456
Bonds General Fund					16,368			16,368
State Aid - MSA					300,000			300,000
Getchell Road- Maple Grove to Anderson	2025-03	2				1,687,296		1,687,296
Assessment						421,824		421,824
Bonds General Fund						1,165,472		1,165,472
Storm Water						100,000		100,000
Getchell Rd- Maple Grove to Lightning Dr	2025-07	2			676,000			676,000
Assessment					169,000			169,000
Bonds General Fund					507,000			507,000
Thundercheif Lane- Lignthing Drive	2025-08	2			676,000			676,000
Assessment					169,000			169,000
Bonds General Fund					507,000			507,000
Getchell Rd Steb-Morris Thomas	2026-10	2					912,490	912,490
Assessment							228,122	228,122
Bonds General Fund							684,368	684,368
Getchell Rd- Hermantown Rd to Anderson Rd	2026-13	2				421,824		421,824
Assessment						105,456		105,456
Bonds General Fund						216,368		216,368
Storm Water						100,000		100,000
Ugstad Rd- St. Louis River Rd to Morris Thomas Rd	2027-05	2					2,924,646	2,924,646
Bonds General Fund							2,874,646	2,874,646
Storm Water							50,000	50,000

Department	Project #	Priority	2023	2024	2025	2026	2027	Total
Chip Seal Projects	Chip Sealing	1	115,000	108,160		53,375		276,535
Bonds General Fund						53,375		53,375
State Aid - MSA			115,000	108,160				223,160
Streets Total			7,010,000	3,852,160	3,125,824	3,662,495	3,837,136	21,487,615
GRAND TOTAL			8,527,720	6,760,505	5,136,794	5,965,465	9,772,136	36,162,620

Five Year Plan for Municipal State Aid – MSA Roads

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

Municipal State Aid Funding Program MSA Program Accounting Updated by David Bolf, P.E.

Date	Project	Allocation	Request	Balance w/Advance
2023		597,522.00		1,414,608.51
	Ugstad Super Project		3,800,000.00	
	Chip Seal Stebner Road - TH 53 to MG Road		115,000.00	(2,500,391.49)
2024		597,522.00		(1,902,869.49)
2024	Federal Aid	1,480,000.00		(422,869.49)
	Crack Seal Arrowhead - Ugstad to TH 53		108,160.00	(531,029.49)
2025		597,522.00		66,492.51
	Lindahl Road Reclaim & Overlay		300,000.00	(233,507.49)
2026		597,522.00		364,014.51
	Stebner Mill & Overlay		1,500,000.00	(1,135,985.49)
2027		597,522.00		(538,463.49)

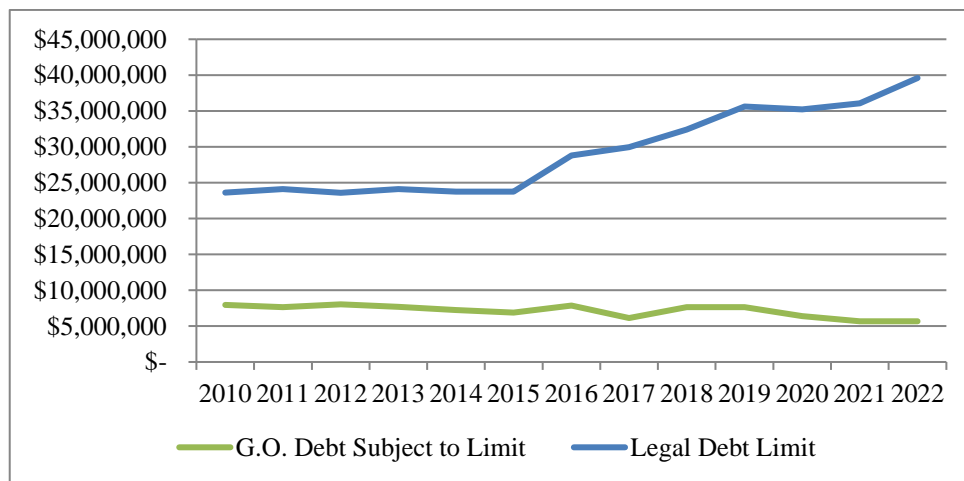
City Debt Overview

Debt Margin

All Minnesota municipalities (counties, cities, towns and school district) are subject to statutory “net debt” limitations under the provisions of Minnesota Statutes, Section 475.53. Under this provision, the legal debt limit is 3% of the assessor’s market value of the municipalities’ tax base. Hermantown’s taxable market value for tax year 2022/2023 is estimated to be \$1,319,935,110. The general obligation debt subject to the limitation may be offset by the amounts set aside for repaying general obligation bonds. This limitation provides reasonable assurance of the municipality’s ability to pay its obligations. The graph below shows ten years of general obligation debt subject to the limit compared to the legal debt limit. The City’s debt has increased over the last 10 years.

Statutory Debt Limit	\$ 39,598,053
Hermantown's Debt Subject to the Limit (Estimate)	<u>(5,675,000)</u>
Unused Debt Limit	<u><u>\$ 33,923,053</u></u>

Total Debt Outstanding and Legal Debt Limit



Debt Issuance and Refinancing

The City of Hermantown maintains a bond rating of AA by Standard & Poor's for the City's 2014A, 2016A, 2016B, 2018A, 2018B, 2019A, 2020A, 2020B, and 2021A bonds. In addition, a bond rating of AA- was assigned to the City's 2012A General Obligation Bonds. Bond ratings are one indicator of municipalities' financial health and indicates the risk associated with the repaying of debt. The bond rating has a direct impact on the interest rates the city receives on the debt it issues.

Debt Service Direct Tax Levy (Next 5 Years)

	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>	<u>2027</u>
Road Improvement Plan	145,552	145,867	146,077	140,880	146,182
Firehalls/Rose Road Softball fields	198,069	194,132	195,444	191,349	197,754
Total Debt Tax Levy	343,621	339,999	341,521	332,229	343,936

Existing Debt Overview

G.O. Bonds	Fund	Date of Maturity	Interest Rate	Balance 12/31/22	Principal Due 2023	Interest Due 2023	Balance 12/31/23
2016A G.O. Bond	318	2/1/2030	1.56%	1,815,000	385,000	32,450	1,430,000
2012A G.O. Bond	320	2/1/2026	1.93%	715,000	175,000	14,311	540,000
2014A G.O. Bond	322	2/1/2028	2.20%	730,000	125,000	20,025	605,000
2016B G.O. Bond	315	2/1/2027	1.35%	2,340,000	560,000	61,800	1,780,000
2018A G.O. Bond	323	2/1/2039	3.20%	1,785,000	80,000	54,525	1,705,000
2018B G.O. Bond	324	2/1/2039	3.14%	6,995,000	305,000	232,575	6,690,000
2019A G.O. Bond	325	2/1/2040	3.14%	7,940,000	340,000	273,581	7,600,000
2020A G.O. Bond	326	2/1/2036	1.74%	2,720,000	495,000	62,425	2,225,000
2020B G.O. Bond	327	2/1/2037	1.82%	3,520,000	195,000	82,325	3,325,000
2021A G.O. Bond	328	2/1/2037	1.21%	3,710,000	245,000	62,103	3,465,000

Debt Issuance Details

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

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

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

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

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

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

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

General Obligation Bonds, Series 2020A (Fund 326)- These bonds were issued in April of 2020 in the amount of \$3,585,000, true interest rate of 1.74% and mature in 2036. The bonds were used to refinance the 2010A bonds and to make 2020 Road Improvements. Revenue sources: Property tax, Special assessments, sales tax and transfers from water, sewer, and special deficiency funds

General Obligation Bonds, Series 2020B (Fund 327)- These bonds were issued in April of 2020 in the amount of \$3,915,000, true interest rate of 1.82% and mature in 2037. The bonds were used to construct the Section 24 Sewer Trunkline. Revenue source: Sales tax

General Obligation Bonds, Series 2021A (Fund 328)- These bonds were issued in April of 2021 in the amount of \$3,860,000, carry a true interest cost of 1.21% and mature in 2037. The bonds will be used to finance the 2021 Road Improvement Plan and to current refund the City's outstanding General Obligation Bonds, Series 2012B for an interest cost saving. (The General Obligation Improvement Bonds, Series 2012B were issued in September of 2012 in the amount of \$3,155,000.) Revenue sources: Property Tax, Special Assessments, Sales Tax, and transfers from Water, Sewer, and special deficiency funds.

Staffing

2023 Staffing

2023 Full-Time Equivalent (FTE) Summary by Position Count

	2020 Budget	2021 Budget	2022 Budget	2023 Budget
Admin & Finance				
City Administrator	1.00	1.00	1.00	1.00
Communications Director	1.00	1.00	1.00	1.00
Director of Finance & Admin	1.00	1.00	1.00	1.00
City Clerk	1.00	1.00	1.00	1.00
Accountant	1.00	1.00	1.00	1.00
Account Clerk	1.00	1.00	1.00	1.00
Utility Billing Clerk	1.00	1.00	1.00	1.00
Community Dev. Director	1.00	1.00	1.00	1.00
Building Official	1.00	1.00	1.00	1.00
Receptionist/ Admin Assistant	1.00	1.00	1.00	1.00
Communications Intern	-	-	-	0.50
Total Admin & Finance	10.00	10.00	10.00	10.50
Public Safety				
Police Chief	1.00	1.00	1.00	1.00
Commander	2.00	2.00	2.00	2.00
Sergeant	2.00	2.00	-	-
Investigator		1.00	1.00	1.00
DARE Officer	1.00	1.00	1.00	1.00
K9 Officer	2.00	2.00	-	-
Police Officer	7.50	7.00	9.00	9.00
Senior Secretary	1.00	1.00	1.00	1.00
Secretary	2.00	2.00	2.00	2.00
K9 Officer/Sergeant	-	-	2.00	2.00
Total Public Safety	18.50	19.00	19.00	19.00
Public Works				
Public Works Director	1.00	1.00	1.00	1.00
Utility & Infrastructure Manager	1.00	0.50	1.00	1.00
Street/Utility Maint Workers	7.00	7.00	7.00	7.00
Part Time Cleaning	0.50	0.50	0.50	0.50
Building/Park Maint	1.50	1.50	2.00	2.00
Total Public Works	11.00	10.50	11.50	11.50
Total FTEs	39.50	39.50	40.50	41.00

General Fund

City Council - 411100

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

Objectives

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

Budget Summary

	2022	2023	
	ORIGINAL	APPROVED	PERCENT
	BUDGET	BUDGET	CHANGE
103-151 Salaries/Benefits	33,695	35,730	6.0%
201-499 Supplies/Services	13,180	14,832	12.5%
Total Expenditures	46,875	50,562	7.9%

Budgetary Commentary:

The 2023 City council operating budget is increasing by 7.9% from 2022 due, in part, to increase in League of Minnesota Cities dues.

Ordinance, Public Notice, and Proceedings - 411300

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

Budget Summary

		2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
310-355	Services	1,900	1,800	-5.3%
	Total Expenditures	1,900	1,800	-5.3%

Budgetary Commentary

The 2023 budget is reduced from 2022.

Budget Detail

		2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
	Services			
351	Legal Notices Publishi	1,196	1,900	1,800
	Total Expenditures	1,196	1,900	1,800

Budget Detail

		2022	
		ORIGINAL	
	2021 ACTUAL	BUDGET	2023 BUDGET
Salaries & Benefits			
103 Part-Time Employees-Regular	30,480	30,480	32,400
123 PERA Contributions-DCP	1,083	1,113	1,185
128 Social Security	472	510	539
129 Medicare	442	442	470
133 Life Insurance	195	194	194
151 Workers Compensation	1,002	956	942
Supplies & Services			
201 Office Supplies	-	50	60
315 School & Conference	175	200	400
331 Travel Expense	-	500	1,000
405 Computer Maintenance	169	2,580	1,885
451 Dues & Subscriptions	12,372	9,800	11,432
499 Miscellaneous	30	50	55
Total Expenditures	46,420	46,875	50,562

Mayor – 413100

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

Objectives

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

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
103-151 Salaries/Benefits	11,028	11,534	4.6%
201-499 Services/Maintenance	2,789	3,346	20.0%
Total Expenditures	13,817	14,880	7.7%

Budgetary Commentary

The 2023 Mayor operating budget is slightly increasing.

Budget Detail

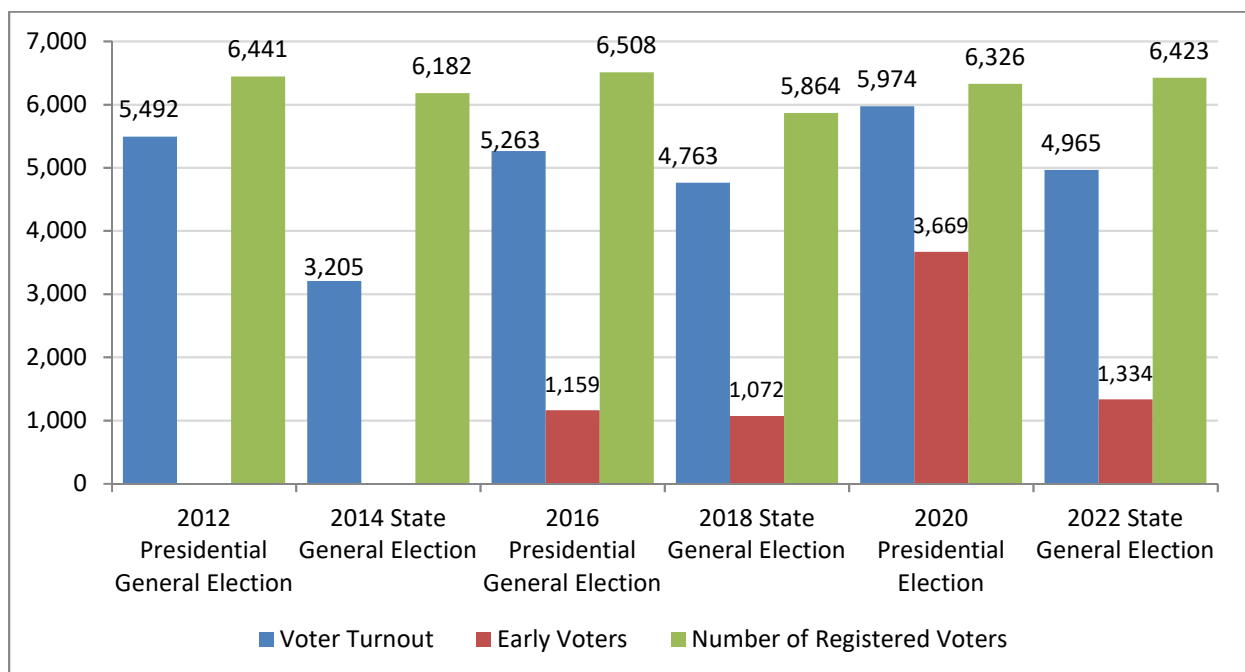
	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Salaries & Benefits			
103 Part-Time Employees-Regular	10,020	10,020	10,500
123 PERA Contributions - DCP	481	501	525
129 Medicare	145	145	152
133 Life Insurance	47	49	49
151 Workers Compensation	328	313	308
Services & Maintenance			
209 Computer Equipment	-	-	-
315 School & Conference	-	420	440
331 Travel Expense	-	300	330
405 Computer Maintenance	1,278	1,939	2,446
451 Dues & Subscriptions	30	30	30
499 Miscellaneous	175	100	100
Total Expenditures	12,504	13,817	14,880

Elections - 414100

2023 is not an election year unless a special election is called.

Objectives

- Maintain an election handbook – for future election administration
- Stay current with all State election rules/obligations/Secretary of State's Office
- Meet posting and publishing requirements for all elections
- Provide timely and secure absentee an in person early voting
- Recruit and train election officials for all aspects of elections
- Register voters on Election Day following all requirements
- Set up and tear down polling places



Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Benefits	15,784	-	-100%
201-499 Supplies/Services/Maintenance	8,500	5,200	-39%
Total Expenditures	24,284	5,200	-79%

Budgetary Commentary

2023 is not an election year. The 2023 operating budget decreased because there are no elections.

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees-Regular	1,696	2,065	-
102 Full-Time Employees-Overtime	-	-	-
105 Temporary Employees-Regular	163	11,760	-
111 Severance Pay	1,175		
121 PERA Contributions-Coordinated	127	155	-
128 Social Security	131	857	-
129 Medicare	31	200	-
131 Health Insurance	282	345	-
133 Life Insurance	6	8	-
134 Disability Insurance	11	11	-
136 MSRS	14	20	-
151 Workers Compensation	182	363	-
Services & Maintenance			
201 Office Supplies	-	1,500	-
221 General Supplies	-	50	-
315 School & Conference	-	400	-
325 Postage	-	1,200	50
331 Travel Expense	-	450	-
351 Legal Notices Publishing	-	2,600	150
404 Equipment Maintenance	1,888	1,700	1,700
405 Computer Maintenance	-	-	3,100
499 Miscellaneous	-	600	200
Total Expenditures	5,706	24,284	5,200

Administration & Finance - 415300

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

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

Administration Objectives

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

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

Financial Objectives

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

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

ADMINISTRATION

Working together to serve and build the community



Leading and managing the overall organization

Creating a better place to live, work, and play

Maintaining and improving the City infrastructure

Protecting life and property



To lead and manage the overall organization to advance the City Council priorities into concrete plans with measurable milestones



- A.) Improve recreational opportunities
- B.) Strategically maintain and expand infrastructure and utilities
- C.) Promote economic and community growth
- D.) Be fiscally responsible in all operations
- E.) Actively promote city and engage citizens



- 1.) Community Recreation Initiative ----- Goal Alignment; A
- 2.) Economic Development Strategic Plan ----- Goal Alignment; B, C, & E
- 3.) Road Improvement Plan ----- Goal Alignment; B, D, & E
- 4.) Comprehensive Plan Development ----- Goal Alignment; B, C, & E
- 5.) City's Financial Management Plan ----- Goal Alignment; D
- 6.) Broadband Taskforce ----- Goal Alignment; B



	Benchmark	2020 Actual	2021 Actual	2022 Target	2023 Target
Resolutions Adopted	120	183	169	150	150
Ordinances Adopted	12	8	10	13	10

FINANCE DEPARTMENT

Working together to serve and build the community

FOCUS

Leading and managing the overall organization

Creating a better place to live, work, and play

Maintaining and improving the City infrastructure

Protecting life and property

MISSION

To provide a sustainable level of quality operational services funded from predictable revenue, while following a long-term financial plan to fund non-operational priorities.

GOALS

- A.) Preserve public trust
- B.) Provide financial services
- C.) Protect resources

PROGRAMS

- 1.) Finance Administration ----- Goal Alignment; A & B
- 2.) Procurement ----- Goal Alignment; B
- 3.) Investments ----- Goal Alignment; B & C
- 4.) Debt Management ----- Goal Alignment; B & C
- 5.) Budgeting ----- Goal Alignment; A & B
- 6.) Utility Billing ----- Goal Alignment; B

OUTCOMES

	Benchmark	2020 Actual	2021 Actual	2022 Target	2023 Target
Credit Rating	AA	AA	AA	AA	AA
Fund Reserve	60.00%	70.09%	73.90%	60.00%	60.00%
Budget Award	Yes	Yes	Yes	Yes	Yes
Statement Findings	None	None	None	None	None
Legal Compliances	None	None	None	None	None
Audit Adjustments	None	One	None	None	None

FOCUS

Leading and managing the overall organization

Creating a better place to live, work, and play

Maintaining and improving the City infrastructure

Protecting life and property

MISSION

To provide convenient and independent ways for citizens to participate in overall governance by voting, serving as election officials, and participating in public hearings in front of the City Council.

GOALS

- A.) Providing key public information
- B.) Execute election needs
- C.) Maintain and grow public trust

PROGRAMS

- 1.) Early Voting ----- Goal Alignment; B & C
- 2.) Election Day and Results ----- Goal Alignment; A, B, & C
- 3.) Notices ----- Goal Alignment; A, B, & C
- 4.) Zoning Changes ----- Goal Alignment; A & C
- 5.) Communications ----- Goal Alignment; A, B, & C

OUTCOMES

	Benchmark	2020 Actual	2021 Actual	2022 Target	2023 Target
Registered Voters	5,000	6,326	NA	6,250	NA
Early Voters	500	3,669	NA	2,000	NA
Total Ballots Cast	4.500	5,974	NA	5,000	NA
Public Hearings	5	4	9	5	5
Notices Mailed	100	130	145	100	100
Participating Attendees	50	51	37	50	50

Authorized Personnel

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

Budget Summary

	2022	2023	
	ORIGINAL	APPROVED	PERCENT
	BUDGET	BUDGET	CHANGE
101-151 Salaries/Benefits	587,677	640,844	9.0%
201-499 Supplies/Services & Maintenance	123,542	118,809	-3.8%
Total Expenditures	711,219	759,653	6.8%

Budgetary Commentary

The 2023 Budget for Administration and Finance is increasing by 6.8% due to personnel increases and increased computer maintenance.

Budget Detail

		2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees-Regular	366,766	422,474	443,891
102 Full-Time Employees-Overtime	-	184	108
111 Severance	38,027		
121 PERA Contributions-Coordinated	27,804	31,685	33,292
128 Social Security	23,314	26,193	27,520
129 Medicare	5,452	6,126	6,437
131 Health Insurance	71,521	94,331	119,700
132 Health Care Savings Plan	736	-	-
133 Life Insurance	936	1,044	1,057
134 Disability Insurance	1,598	1,855	2,019
136 MSRS	1,877	3,198	6,162
151 Workers Compensation	575	587	658
Supplies/Services & Maintenance			
201 Office Supplies	4,419	4,100	5,000
202 Printing Supplies	1,284	2,200	1,500
209 Computer Supplies	(581)	350	400
221 General Supplies	4,303		500
301 Audit/Account Services	22,204	31,500	31,500
302 Assessors Fees	649	670	670
314 Computer/Software Fees	3,830	3,000	500
315 School & Conference	1,131	3,950	4,000
319 Contracted Services	2,515	23,000	5,000
320 Personnel Search Expense	315		1,000
321 Telephone	1,761	1,500	1,550
325 Postage	1,115	1,200	1,200
331 Travel Expense	3,263	5,400	7,000
343 Community Relations	77	4,200	4,400
351 Legal Notices Publishing	1,739	850	1,000
380 Property Taxes	-	-	50
405 Computer Maintenance	33,995	33,822	43,939
413 Equipment Rental	3,975	3,800	4,000
434 Employee Recognition Program	791	650	800
451 Dues & Subscriptions	3,035	3,050	4,300
499 Miscellaneous	663	300	500
Total Expenditures	629,089	711,219	759,653

City Attorney – 416100 - Contracted

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

Objectives

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

Output

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

Budget Detail

	2021	2022	2023
	ACTUAL	ORIGINAL BUDGET	APPROVED BUDGET
308 Legal Fees	57,952	60,000	50,000
Total Expenditures	57,952	60,000	50,000

Budget Commentary

The 2023 City Attorney budget is decreasing slightly due to less general attorney work in 2022 than anticipated.

Communications - 417200

Communications meets the necessary requirements for the sharing of public information. Additionally, this department oversees community engagement, public and media relations, marketing, branding, and other external and internal communication functions.

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
200-499 Supplies/Services & Maintenance	-	25,000	
Total Expenditures	-	25,000	

Budgetary Commentary

2023 is the first year Communications is budgeted separately from Administration. At this time the salary for the Director of Communications & Community Engagement is still budgeted in the Administration & Finance section of the budget.

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
319 Contracted Services	-	-	25,000
Total Expenditures	-	-	25,000

COMMUNICATIONS

Working together to serve and build the community

FOCUS

Leading and managing the overall organization

Creating a better place to live, work, and play

Maintaining and improving the City infrastructure

Protecting life and property

MISSION

To provide clear, consistent, reliable information to residents and businesses on City issues that impact their lives and experiences in Hermantown.

GOALS

- A.) Preserve and build public trust
- B.) Increase community engagement
- C.) Continue brand development and increase recognition

PROGRAMS

- 1.) Social Media Efforts ----- Goal Alignment; B & C
- 2.) Website Maintenance----- Goal Alignment; A, B, & C
- 3.) Road Improvement Plan ----- Goal Alignment; A & B
- 4.) Marketing & Branding----- Goal Alignment; B & C
- 5.) Media Relations ----- Goal Alignment; B & C
- 6.) Remote Meeting Execution----- Goal Alignment; A & B

OUTCOMES

	Benchmark	2020 Actual	2021 Actual	2022 Target	2023 Target
Facebook Visits	2,000	1,600	2,004	2,000	2,000
Facebook Reach	18,000	20,440	32,385	24,000	35,000
Twitter Impressions	36,000	52,932	31,924	36,000	36,000
Top Individual Post Reach	5,000	4,700	4,496	5,000	5,000
Top Individual Post Link Clicks	250	700	102	300	300
Top Individual Reaction Post	500	227	509	500	500

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

Community Development Department Objectives

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

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

Output	2017	2018	2019	2020	2021	2022*
Zoning Certificates	87	73	111	21	21	2
Land Alteration Permits (Fill)	3	4	4	8	8	8
Special Use Permits	0	7	8	2	10	6
Sign Permits	12	6	7	5	20	11
Fence Permits	3	3	5	7	11	6
Planned Unit Development	2	1	2	3	3	1
Commercial Industrial Development Permit	1	1	2	4	0	3
Variance	0	2	1	1	1	1
Wetland Delineations	12	12	12	15	15	8
Wetland Fill Exemptions	4	4	4	5	2	3
Rezoning	0	0	1	0	0	3
Economic Development Districts (TIF/TA)	0	0	0	0	0	0
Zoning Amendments	0	2	3	1	1	1
Subdivision	0	1	2	1	3	2
Non-Conforming Use Permits	0	0	0	0	0	0
Property Splits	6	6	7	9	15	8
Road Name Petition	0	0	0	0	0	1
PUD Amendment	0	0	0	0	0	1

* As of August 2022

COMMUNITY DEVELOPMENT

Working together to serve and build the community

FOCUS

Leading and managing the overall organization

Creating a better place to live, work, and play

Maintaining and improving the City infrastructure

Protecting life and property

MISSION

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

GOALS

- A.) Preserve and foster constituent trust
- B.) Maintain community resources
- C.) Grow community resources

PROGRAMS

- 1.) Residential Development ----- Goal Alignment; A & C
- 2.) Commercial Development ----- Goal Alignment; A & C
- 3.) Application & Approval Processes ----- Goal Alignment; A, B, & C
- 4.) Park Development & Coordination ----- Goal Alignment; A, B, & C
- 5.) Environmental Efforts ----- Goal Alignment; A, B, & C

OUTCOMES

	Benchmark	2020 Actual	2021 Actual	2022 Target	2023 Target
Total Applications	50	68	83	70	85
Admin. Lot Splits	10	8	14	10	10
Commercial Developments	1	4	1	1	3
PUDs	1	3	4	1	1
Zoning Certificates	15	21	22	20	15
Special Use Permits	1	3	11	11	7
Wetland Deliniations	15	19	18	15	20

Authorized Personnel

The Community Development Department has a full-time Director.

Budget Summary

		2022	2023	
		ORIGINAL	APPROVED	PERCENT
		BUDGET	BUDGET	CHANGE
101-151	Salaries/Benefits	244,134	273,730	12.1%
201-499	Supplies/Services & Maintenance	44,030	58,101	32.0%
	Total Expenditures	288,164	331,831	15.2%

Budget Commentary

The 2023 Community Development operating budget is increasing by 15.2% due to an additional position working part time in this department.

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

Budget Detail

		2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
	Salaries & Benefits		
101	Full-Time Employees-Regular	96,763	186,420
121	PERA Contributions-Coordinated	7,500	13,982
128	Social Security	6,024	11,558
129	Medicare	1,409	2,703
131	Health Insurance	27,041	56,349
133	Life Insurance	259	452
134	Disability Insurance	448	820
136	MSRS	-	1,170
151	Workers Compensation	215	276
	Supplies/Services & Maintenance		
201	Office Supplies	31	300
202	Printing Supplies	-	300
209	Computer Equipment	-	-
304	Parcel Research Fees	1,240	2,500
305	Engineer Fees	4,415	10,000
308	Legal Fees	28,849	17,500
310	Recording/Filing Fees	980	1,500
314	Computer/Software Fees	397	1,500
315	School & Conference	-	1,500
319	Contracted Services	7,582	1,250
321	Telephone	300	300
325	Postage	531	1,000
331	Travel Expense	30	1,000
351	Legal Notices Publishing	2,446	2,000
361	General Liability Insurance	8,212	8,212
405	Computer Maintenance	3,831	7,739
451	Dues & Subscriptions	150	1,500
	Total Expenditures	198,653	331,831

City Hall/Police Building Maintenance - 419901

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

Objective

- Maintain a reputable facility to house staff and conduct meetings

Authorized Personnel

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

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Benefits	75,149	82,051	9.2%
211-460 Supplies/Services & Maintenance	92,630	101,046	9.1%
Total Expenditures	167,779	183,097	9.1%

Budget Commentary

The 2023 city hall/police building maintenance operating budget had an overall 9.1% increase from 2022 due increase in wage for part time employee, increased utilities, and increased insurance cost.

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees-Regular	45,891	35,195	37,870
102 Full-Time Employees-Overtime	2,845	-	273
103 Part-Time Employees-Regular	7,805	10,943	13,884
111 Severance Pay	2,457	-	-
121 PERA Contributions-Coordinated	4,239	2,639	2,861
128 Social Security	3,479	2,860	3,226
129 Medicare	814	669	754
131 Health Insurance	17,981	20,391	20,930
132 HCSP	10,898		-
133 Life Insurance	22	41	41
134 Disability Insurance	131	180	206
136 MSRS	-	338	-
151 Workers Compensation	2,046	1,893	2,006
Supplies /Services & Maintenance			
211 Cleaning Supplies	109	-	-
212 Motor Fuels	2,166	1,550	2,000
216 Uniforms	377	350	500
221 General Supplies	5,475	6,000	6,500
223 Maintenance Supplies	17		0
224 Land Maintenance & Repair	501	2,000	2,000
319 Contracted Services	1,438	2,000	2,000
321 Telephone	7,343	7,572	7,572
322 Internet	6,354	8,200	8,200
361 General Liability Insurance	9,381	10,208	12,874
381 Electricity	26,071	24,500	25,000
383 Heating Gas	13,497	16,000	17,500
384 Garbage Removal	4,575	2,600	2,750
401 Building Maintenance	27,722	7,500	10,000
404 Equipment Maintenance	19,262	4,000	4,000
405 Computer Maintenance	-	-	-
406 Vehicle Maintenance	108	-	-
451 Dues & Subscriptions	130	50	50
460 Permits & Licenses	70	100	100
Total Expenditures	223,204	167,779	183,097

Police 421100

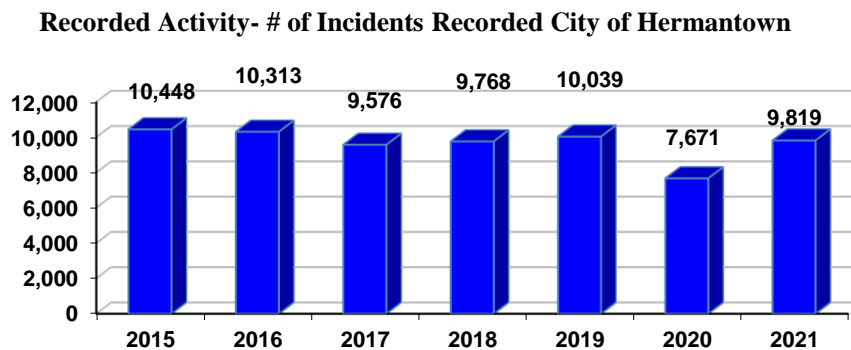
The Police Department is responsible for law enforcement within the City and cooperates with surrounding law enforcement agencies.

Objectives

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

Authorized Personnel

The Police Department has 16 licensed officers as follows; (1) Chief of Police, (2) Commanders (2) Sergeants (2 of which are K-9 Officers), (2) Detectives, (1) School Police Liaison/Dare Officer, (8) Patrol Officers The department also has (3.00 FTE) Police Secretaries.



Incidents are the total number of calls the Police Department handled. Recorded incidents in 2021 totaled 9,819 compared to 7,671 in 2020, a 28% increase.

Part I & II Serious Crime

PART I & II SERIOUS CRIME	2013	2014	2015	2016	2017	2018	2019	2020	2021
Assault	41	43	43	60	61	55	50	64	48
Burglary	64	33	47	41	53	46	28	28	34
Forgery/Counterfeiting	6	22	16	26	20	17	29	44	35
Drugs/Narcotics	30	55	57	74	65	89	85	57	50
Arson/Fires	2	0	0	0	1	0	1	1	0
Gambling	0	0	0	0	0	0	1	0	0
Homicide	0	0	0	1	0	1	0	0	0
Crime Against Families	11	7	16	5	5	6	5	4	4
Traffic & Accident Offenses/DWI	85	102	102	89	68	75	100	53	130
Kidnap/Abduction	0	0	2	1	0	0	0	0	0
Criminal Sexual Conduct	6	11	11	3	17	9	16	12	0
Misc./Federal/Conservation/Juvenile/Liquor	27	25	20	15	14	9	9	1	7
Disturbing Peace/Privacy/Communications	61	59	39	44	19	11	15	12	11
Trespass/Property Damage/Risk from Property Damage	110	72	74	107	87	115	67	102	105
Receiving or Concealing Stolen Property	8	2	1	5	8	9	18	26	20
Robbery	1	4	0	3	1	2	0	0	0
Theft	408	323	440	524	467	442	756	492	576
Vehicle Theft	72	29	48	43	14	18	14	15	27
Weapons	3	7	9	6	8	11	9	5	8
Other Offenses	25	26	24	31	115	135	191	107	125
Sex Related/Prostitution	2	0	0	1	1	2	1	0	0
Total	962	820	949	1079	1024	1052	1395	1023	1180

Source of Data: Hermantown Police Department Annual Reports

POLICE DEPARTMENT

Working together to serve and build the community

FOCUS

Leading and managing the overall organization

Creating a better place to live, work, and play

Maintaining and improving the City infrastructure

Protecting life and property

MISSION

To protect public safety, which is crucial to building strong communities and creating an economy that works for all residents.

GOALS

- A.) Protect public safety
- B.) Build community trust
- C.) Respond to community needs

PROGRAMS

- 1.) Decrease Priority 1 Response Times ----- Goal Alignment; A, B, & C
- 2.) Decrease Accidents ----- Goal Alignment; A & C
- 3.) Increase Self-Initiated Calls ----- Goal Alignment; A & C
- 4.) Increase Community Engagement ----- Goal Alignment; B & C
- 5.) Decrease Investigative Backlog ----- Goal Alignment; A, B, & C

OUTCOMES

	Benchmark	2020 Actual	2021 Actual	2022 Target	2023 Target
Response Time	8:00	6:12	6:13	6:30	6:30
Motor Vehicle Accidents	400	379	340	350	350
Self-Initiated Calls	3,500	2,511	4,221	3,500	3,500
Community Engagement	60	33	19	70	60
Investigative Case Backlog	60	62	62	60	60

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Benefits	2,606,364	2,722,790	4.5%
201-499 Supplies/Services & Maintenance	341,985	397,784	16.3%
540-580 Capital Outlay	128,000	117,500	-8.2%
Total Expenditures	3,076,349	3,238,074	5.3%

Budget Commentary

The 2023 Police Department operating budget increased by 5.3% from 2022 due in part to wages increases, but also due to rising fuel costs.

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees-Regular	1,458,064	1,542,357	1,619,008
102 Full-Time Employees-Overtime	154,152	147,410	160,113
111 Severance Pay-Vacation	23,901	-	-
121 PERA Contributions-Coordinated	11,605	12,443	13,038
122 PERA Contributions-Police/Fire	257,974	269,724	284,134
128 Social Security	9,867	10,286	10,778
129 Medicare	22,582	24,502	25,797
131 Health Insurance	443,980	533,572	546,693
132 Health Care Savings Plan	7,010	-	-
133 Life Insurance	1,611	1,733	1,733
134 Disability Insurance	6,700	7,763	8,389
136 MSRS	1,564	10,270	4,680
151 Workers Compensation	46,378	46,304	48,427

Budget Detail continued

		2022	2023
		ORIGINAL	APPROVED
	2021 ACTUAL	BUDGET	BUDGET
Supplies /Services & Maintenance			
201 Office Supplies	1,669	1,500	1,500
202 Printing Supplies	1,003	1,500	1,500
209 Computer Supplies	1,811	1,000	1,500
212 Motor Fuels	39,042	38,000	63,250
216 Uniforms	17,724	13,800	17,000
218 Medical Supplies	1,179	800	1,200
219 Other Equipment	146	-	-
221 General Supplies	6,414	4,000	5,700
222 Tires	6,572	4,500	6,000
240 Gun Supplies/Ammo/Tasers	5,890	10,500	10,500
303 Banking Fees	39	-	-
308 Legal Fees	59,170	83,000	83,000
314 Computer/Software Fees	28,249	25,000	25,000
315 School & Conference	10,070	11,000	11,000
317 Personnel Testing, Physicals, Recruitm	3,245	-	-
319 Contracted Services	3,589	5,000	5,000
321 Telephone	15,687	16,000	16,500
325 Postage	1,385	1,300	1,400
331 Travel Expense	5,949	7,500	7,500
343 Community Relations	1,163	1,500	1,500
351 Legal Notices Publishing	470	300	300
361 General Liability Insurance	34,218	42,387	45,706
404 Equipment Maintenance	3,862	3,000	3,000
405 Computer Maintenance	30,689	40,248	58,328
406 Vehicle Maintenance	19,070	13,500	15,000
413 Equipment Rental	4,030	5,000	5,000
434 Employee Recognition	42	250	250
436 Towing Charges	905	250	250
451 Dues & Subscriptions	3,298	2,000	2,000
460 Permits & Licenses	87	650	400
490 K-9 Expenses	2,189	3,000	3,000
495 Property Damage Reimb. By Insurance	21,124	2,000	2,000
499 Miscellaneous	3,164	3,500	3,500
Capital Outlay			
540 Office Equip/Furnishings	-	2,500	2,500
544 Motor Vehicles	126,374	115,000	115,000
580 Other Equipment	6,725	10,500	-
Total Expenditures	2,911,631	3,076,349	3,238,074

Fire Protection – 422100 - Contracted

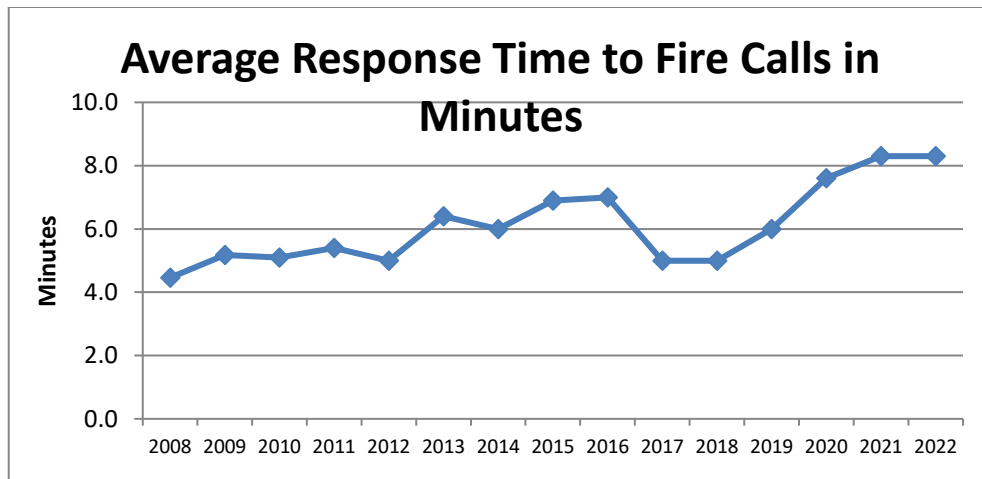
The City of Hermantown contracts yearly for fire protection with The Hermantown Volunteer Fire Department (HVFD) for all properties within the City. In addition, the department also provides first responder service within the City. The HVFD was incorporated in 1951. It functions independent of the City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

Objectives

- Provide fire protection
- First responder service

Output

- Averaged an overall response time excluding mutual aid of 8.3 minutes in 2021.



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

Fire Department Incident Type Summary	2014	2015	2016	2017	2018	2019	2020	2021
Severe Weather & Natural Disaster			3					
Overpressure Rupture, Explosion, Overheat	2			1		3		
Hazardous Condition (No Fire)	22	33	57	48	148	45	42	37
Good Intent Call	1	48	41	33	77	55	54	69
Controlled Burning	2							
Fire	33	36	22	46	35	30	41	30
False Alarm & False Call	57	30	44	29	28	37	44	43
Special Incident Type	1			3			2	
Service Call	17	25	10	19		9	13	24
Rescue & Emergency Medical Services	795	761	742	793	821	822	878	900
Total Incidents	930	933	919	972	1109	1001	1074	1103

Budget Summary

	2022	2023	
	ORIGINAL	APPROVED	PERCENT
	BUDGET	BUDGET	CHANGE
301-363 Supplies/Services	536,795	563,634	5.0%
Total Expenditures	536,795	563,634	5.0%

Budget Commentary

The 2023 budget increased 5% from 2022.

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

Budget Detail

		2022	2023
	2021	ORIGINAL	APPROVED
	ACTUAL	BUDGET	BUDGET
318 Fire Protection	521,160	536,795	563,634
Total Expenditures	521,160	536,795	563,634

Fire Hall #1 – 422901

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

Fire Hall #1 is located at:

5111 Maple Grove Road

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Benefits	19,359	20,483	5.8%
219-495 Supplies/Services & Maintenance	32,029	36,711	14.6%
Total Expenditures	51,388	57,194	11.3%

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees - Regular	9,412	10,829	11,652
102 Full-Time Employees - Overtime	875	-	84
103 Part-Time Employees - Regular	456	-	-
111 Severance Pay	756	-	-
121 PERA Contributions - Coordinated	771	812	880
128 Social Security	666	671	728
129 Medicare	156	157	170
131 Health Insurance	4,217	6,274	6,440
132 HCSP	3,353	-	-
133 Life Insurance	8	13	13
134 Disability Insurance	39	55	63
136 MSRS	-	104	-
151 Workers Compensation	490	444	453
Supplies/Services & Maintenance			
221 General Supplies	615	-	-
321 Telephone	1,824	2,050	2,100
322 Internet	1,673	1,690	1,700
361 General Liability Insurance	2,575	2,789	3,411
381 Electricity	16,668	15,000	17,000
383 Heating Gas	8,523	10,000	12,000
401 Building Maintenance	8,008	500	500
460 Permits and Licenses	10	-	-
Total Expenditures	61,095	51,388	57,194

Fire Halls #2 & #3 – 422902/422903

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

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

Fire Hall #3 is located at 4494 Midway Road.

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
200-499 Supplies/Services & Maintenance	13,608	15,460	13.6%
Total Expenditures	13,608	15,460	13.6%

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Supplies/Services & Maintenance			
221 General Supplies	110	70	-
223 Maintenance Supplies	285	600	100
319 Contracted Services	176	176	200
322 Internet	1,740	1,868	1,911
361 General Liability Insurance	2,386	2,584	3,099
381 Electricity	1,888	2,400	2,550
383 Heating Gas	4,076	4,910	6,600
401 Building Maintenance	5,014	1,000	1,000
Total Expenditures	15,675	13,608	15,460

Building Inspection – 424100

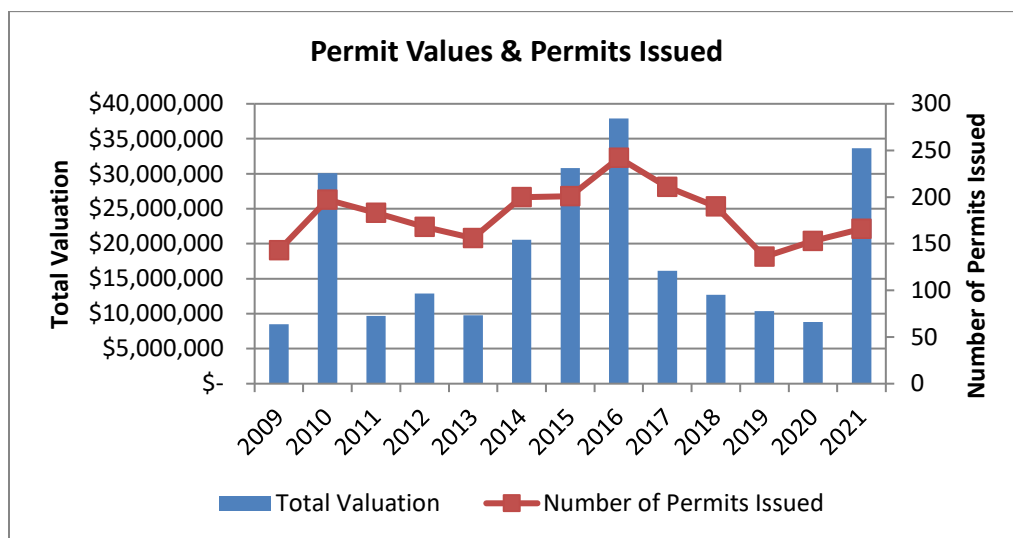
The Building Official is responsible for administration, interpretation and enforcement of the MN State Building Code. The primary goal of the department is to seek compliance with the minimum standards of the MN State Building Code in residential and commercial construction activities.

Objectives

- Enforce 2020 MN Building code
- Review building plans
- Issue building permits & certificate of occupancy permits
- File state reports on construction activity
- Inform customers of code changes and new requirements
- Conduct site inspections
- Provide code interpretation
- Aid the customer with building code related questions or issues
- Issue 911 addresses
- Fire Inspections

Output

- Building Permits Issued 2022 (January through September) – 147 total for value of \$32,480,292



Authorized Personnel

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



Leading and managing the overall organization

Creating a better place to live, work, and play

Maintaining and improving the City infrastructure

Protecting life and property



To provide clear, consistent, reliable, and timely information and processes to developers, contractors, residents, and businesses to meet their needs regarding development, building, and codes for the City



- A.) Providing accurate, timely information
- B.) Maintain constituent trust
- C.) Aid in development of community



- 1.) Residential Building Permits ----- Goal Alignment; A, B & C
- 2.) Commercial Building Permits ----- Goal Alignment; A, B, & C
- 3.) Process Assessment ----- Goal Alignment; A & B
- 4.) Developer Support ----- Goal Alignment; A, B, & C
- 5.) Communications ----- Goal Alignment; A & B



	Benchmark	2020 Actual	2021 Actual	2022 Target	2023 Target
Res. Building Permits	125	180	216	175	190
Com. Build. Permits	25	21	27	50	50

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Benefits	230,979	158,194	-31.5%
201-451 Supplies/Services & Maintenance	12,089	14,196	17.4%
Total Expenditures	243,068	172,390	-29.1%

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees-Regular	102,008	112,828	104,207
111 Severance Pay	-	60,013	-
121 PERA Contributions-Coordinated	7,627	8,462	7,816
128 Social Security	6,614	10,716	6,461
129 Medicare	1,547	2,506	1,511
131 Health Insurance	29,948	34,699	35,660
133 Life Insurance	274	273	273
134 Disability Insurance	520	519	551
136 MSRS	521	806	1,560
151 Workers Compensation	155	157	155
Supplies/Services & Maintenance			
201 Office Supplies	682	400	400
216 Uniforms	-	-	750
221 General Supplies	33	-	-
227 Street Lights & Signs	1,070	1,150	1,200
308 Legal Fees	763	-	-
315 School & Conference	50	100	1,500
320 Personnel Search Expenses	-	800	-
325 Postage	232	200	200
331 Travel	7,220	7,200	7,200
351 Legal Notices Publishing	74	-	-
405 Computer Maintenance	1,278	1,939	2,446
451 Dues & Subscriptions	-	300	500
	160,616	243,068	172,390

Budget Commentary

The 2023 Budget decreased by 29.1% from 2022 due to personnel change.

Poundmaster - 427100

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

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
319 Contracted Services	2,610	2,700	3.4%
Total Expenditures	2,610	2,700	3.4%

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Supplies & Services			
319 Contracted Services	3,680	2,610	2,700
Total Expenditures	3,680	2,610	2,700

Street – 431100

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

Objectives

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

2022-2023 Statistical Information

Asphalt Streets Maintained	53 Miles
Gravel Roads Maintained	19 Miles
Cul-De-Sacs	37
Road Marking/Striping	35 Miles
Gravel Usage	5800 Tons
Salt Usage	325 Tons
Sand Usage	2380 Tons

PUBLIC WORKS

Working together to serve and build the community

FOCUS

Leading and managing the overall organization

Creating a better place to live, work, and play

Maintaining and improving the City infrastructure

Protecting life and property

MISSION

To provide quality public works services, ranging from emergency to short- and long-term planning and priorities; which align with the needs of the residents and the financial plans of the City

GOALS

- A.) Preserve infrastructure
- B.) Preserve and grow public trust
- C.) Develop new infrastructure
- D.) Upgrade current infrastructure

PROGRAMS

- 1.) Roads ----- Goal Alignment; A, B, C, & D
- 2.) Streets ----- Goal Alignment; A, B, C, & D
- 3.) Water ----- Goal Alignment; A, B, C, & D
- 4.) Sewer ----- Goal Alignment; A, B, C, & D
- 5.) Parks ----- Goal Alignment; A, B, & D
- 6.) Trails ----- Goal Alignment; A & D

OUTCOMES

	Benchmark	2020 Actual	2021 Actual	2022 Target	2023 Target
ROW/Brush Mowing	0 miles	3 miles	3 miles	5 miles	5 miles
Pothole Fill Pre-June 15	10 tons	25 tons	25 tons	23 tons	25 tons
Pothole Fill Post-June 15	20 tons	12 tons	40 tons	32 tons	40 tons
Gravel Road Upgrades	0 miles	1 mile	2.5 miles	2 miles	2.5 miles
Snowplow Event Timing	9 hours	6 hours	5.5 hours	6 hours	5.5 hours

Authorized Personnel

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

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Wages	352,878	365,609	3.6%
201-499 Supplies/Services & Maintenance	390,290	412,853	5.8%
540-580 Capital Outlay	6,500	-	-100.0%
Total Expenditures	749,668	778,462	3.8%

Budget Commentary

The 2023 Street Department operating budget is increasing by 3.8% from 2022.

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees - Regular	217,941	209,147	217,508
102 Full-Time Employees - Overtime	10,249	11,722	13,028
103 Part-time Employees - Regular	8,242	-	-
121 PERA Contributions - Coordinated	17,114	16,565	17,290
128 Social Security	14,090	13,694	14,293
129 Medicare	3,295	3,203	3,343
131 Health Insurance	88,506	79,566	80,958
132 HCSP-Sick Leave/Uncollected	419	-	-
133 Life Insurance	301	277	277
134 Disability Insurance	1,134	1,080	1,180
136 MSRS	209	1,615	780
151 Workers Compensation	15,672	16,009	16,952
Supplies/Services & Maintenance			
209 Computer Equipment	-	-	-
212 Motor Fuels	35,270	60,000	60,000
213 Lubricants/Additives	5,120	3,500	5,000
216 Uniforms	625	1,000	1,000
221 General Supplies	2,521	5,500	5,500
222 Tires	5,455	6,000	6,000
225 Street Maintenance Supplies	27,599	26,000	28,945
226 Sand, Salt, Chloride	72,966	72,500	80,500
227 Street Lights & Signs	2,978	2,500	2,500
305 Engineer Fees	390	-	-
314 Computer/Software Fees	-	1,576	1,600
315 School & Conference	1,116	1,000	1,000
317 Personnel Testing, Physicals	-	500	500
319 Contracted Services	20,034	23,500	23,500
320 Personnel Search Expense	-	-	1,500
321 Telephone	2,297	2,300	2,300
322 Internet	1,105	1,200	1,200
331 Travel Expense	68	300	300
351 Legal Notices Publishing	140	100	100
361 General Liability Insurance	10,682	12,790	17,223
403 Road Maintenance	104,626	100,000	105,000
404 Equipment Maintenance	26,953	40,000	40,000
405 Computer Maintenance	6,317	8,124	12,285
406 Vehicle Maintenance	773	3,750	3,750
413 Equipment Rental	6,754	15,000	10,000
417 Uniform Rental	2,524	2,500	2,500
434 Employee Recognition Plan	204	300	300
451 Dues & Subscriptions	-	-	-
460 Permits & Licenses	215	350	350
Capital Outlay			
540 Office Equip/Furnishings	-	1,500	-
580 Other Equipment	-	5,000	-
Total Expenditures	713,904	749,668	778,462

City Engineer - 431130 - Contracted

In 2022, the City contracted with Northland Consulting Engineers. No change is anticipated in 2023.

Objectives

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

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
305 Supplies/Services & M	29,000	22,000	-24.1%
Total Expenditures	29,000	22,000	-24.1%

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Supplies & Services			
305 Contracted Services	16,745	29,000	22,000
Total Expenditures	16,745	29,000	22,000

City Garage Maintenance - 431901

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

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Wages	21,014	21,861	4.0%
200-499 Supplies/Services & Maintenance	18,665	26,318	41.0%
Total Expenditures	39,679	48,179	21.4%

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees-Regular	4,529	12,116	12,697
102 Full-Time Employees-Overtime	740	674	769
103 Part-Time Employees-Regular	768	-	-
111 Severance Pay	189	-	-
121 PERA Contributions-Coordinated	395	959	1,010
128 Social Security	370	793	835
129 Medicare	87	185	195
131 Health Insurance	2,859	5,263	5,382
132 Health Care Savings	853	-	-
133 Life Insurance	4	12	12
134 Disability Insurance	21	66	73
136 MSRS	-	104	-
151 Workers Compensation	834	842	888
Supplies/Services & Maintenance			
221 General Supplies	6,807	4,000	5,840
223 Maintenance Supplies	2,931	1,600	5,600
321 Telephone	-	250	250
361 General Liability Insurance	1,445	1,565	1,598
381 Electricity	2,961	3,500	3,780
383 Heating Gas	3,717	3,250	4,500
384 Garbage Removal	1,943	2,000	2,250
401 Building Maintenance	2,260	2,500	2,500
404 Equipment Maintenance	263	-	-
460 Permits	-	-	-
Total Expenditures	33,976	39,679	48,179

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

Objectives of the Park Board/Park Department

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

Hermantown Park Facilities

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

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

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

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

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

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

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

Authorized Personnel

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

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Wages	51,031	56,317	10.36%
200-499 Supplies/Services & Maintenance	86,141	66,295	-23.04%
720 Other Financing Uses	2,000	6,000	200.00%
Total Expenditures	139,172	128,612	-7.59%

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees-Regular	16,754	12,405	12,896
102 Full-Time Employees-Overtime	656	335	349
103 Part-Time Employees-Regular	13,541	29,560	33,871
121 PERA Contributions-Coordinated	1,306	956	993
128 Social Security	1,867	2,623	2,921
129 Medicare	437	613	683
131 Health Insurance	7,821	2,229	2,207
133 Life Insurance	19	10	10
134 Disability Insurance	92	65	72
136 MSRS	-	104	-
151 Workers Compensation	2,118	2,131	2,315
Supplies/Services & Maintenance			
212 Motor Fuels	39	-	-
219 Other Operating Equipment	-	5,000	-
221 General Supplies	1,103	2,500	1,500
224 Land Maintenance & Repair	37,624	35,000	22,250
319 Contracted Services	26,310	25,000	25,000
325 Postage	28	-	-
361 General Liability Insurance	1,559	1,341	1,045
381 Electricity	3,553	3,300	3,500
402 Grounds/Land Maintenance	10,471	6,500	6,500
404 Equipment Maintenance	4,395	4,000	4,000
413 Equipment Rental	8,791	3,500	2,500
Other Financing Uses			
720 Transfer Out	2,000	2,000	6,000
Total Expenditures	140,484	139,172	128,612

Community Building - 452200

The Community building is located at 5255 Maple Grove Road. Arrowhead Builders Association will be leasing part of the building per Resolution 2015-66. The Hermantown Historical Society is also leasing a portion of this building per Resolution 2011-18 to display historical items and information. The Minnesota Bureau of Criminal Apprehension is leasing a portion of the building per Resolution 2022-91. The current budget accounts for the cost of maintenance personnel, telephone, insurance, electricity, and heating for the facility.

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries & Benefits	9,680	10,241	5.8%
200-499 Supplies/Services & Maintenance	13,071	15,726	20.3%
Total Expenditures	22,751	25,967	14.1%

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees - Regular	3,141	5,414	5,826
102 Full-Time Employees - Overtime	436	-	42
103 Part-Time Employees-Regular	321	-	-
111 Severance Pay	378	-	-
121 PERA Contributions - Coordinated	268	406	440
128 Social Security	251	336	364
129 Medicare	59	79	85
131 Health Insurance	1,645	3,137	3,220
132 HCSP	1,677	-	-
133 Life Insurance	2	6	6
134 Disability Insurance	8	28	32
136 MSRS	-	52	-
151 Workers Compensation	245	222	226
Supplies/Services & Maintenance			
221 General Supplies	127	-	-
223 Maintenance Supplies	39	350	700
321 Telephone	121	121	121
361 General Liability Insurance	2,124	2,300	3,405
381 Electricity	5,558	5,250	5,500
383 Heating Gas	3,749	4,250	5,000
401 Building Maintenance	617	800	1,000
404 Equipment Maintenance	555	-	-
Total Expenditures	21,321	22,751	25,967

Cemetery - 490100

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

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

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries & Benefits	5,752	6,346	10.3%
Total Expenditures	5,752	6,346	10.3%

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees - Regular	304	1,262	1,312
102 Full-Time Employees - Overtime	73	77	80
103 Part-Time Employees - Regular	466	3,284	3,763
121 PERA Contributions - Coordinated	28	100	104
128 Social Security	51	287	320
129 Medicare	12	67	75
131 Health Insurance	225	426	432
132 HCSP	3	-	-
133 Life Insurance	-	1	1
134 Disability Insurance	2	7	8
136 MSRS	-	10	-
151 Workers Compensation	229	231	251
Total Expenditures	1,393	5,752	6,346

Insurance- General- 492200

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

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
200-499 Supplies/Services & Maintenance	34,108	50,178	47.1%
Total Expenditures	34,108	50,178	47.1%

Budget Commentary

The City has insurance coverage for city volunteers when volunteering on City projects through Travelers Insurance. Travelers significantly raised the 2023 rates.

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
361 Insurance	25,158	34,108	50,178
Total Expenditures	25,158	34,108	50,178

Transfer Out - 495000

This account transfers money to Fund 401 for Capital Equipment, to Fund 409 for City Hall long term maintenance, and to Fund 235 for Park improvements.

Budget Summary

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
720 Transfer Out	483,000	475,000	735,000
Total Expenditures	483,000	475,000	735,000

Special Revenue Funds

Fund 230 – Hermantown Economic Development Authority

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

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues			
310100 Current Year Taxes	75,790	142,500	142,500
310200 Delinquent Taxes	1,411	-	-
341010 Building Rentals	(1)	-	-
362100 Investment Interest	4,464	-	-
362160 Gain (Loss) on Sale of Investments	(6,468)	-	-
362415 Other Insurance Recoveries Disability/Work	4	-	-
362440 Conduit Financing Fees	2,770	2,770	2,770
362990 Miscellaneous Revenue	5,000	-	-
391010 Sale of General Fixed Assets	515,000	-	-
Total Revenues	597,970	145,270	145,270
Expenditures			
101 Full-Time Employees - Regular	21,638	22,051	22,682
103 Part-Time Employees - Regular	2,200	4,200	4,200
111 Severance Pay	1,175	-	-
121 PERA Contributions - Coordinated	1,588	1,654	1,701
123 PERA Contributions - DCP	64	210	210
128 Social Security	1,344	1,442	1,481
129 Medicare	334	381	390
131 Health Insurance	4,067	4,748	5,489
132 HCSP	215	-	-
133 Life Insurance	52	44	44
134 Disability Insurance	67	73	76
136 MSRS	87	111	265
151 Workers Compensation	31	31	34
201 Office Supplies	-	100	100
202 Printing Supplies	-	200	200
221 General Supplies	-	50	-
305 Engineer Fees	7,488	2,000	3,000
308 Legal Fees	14,589	6,000	15,000
311 Contracted Escrow Expense	33,442	-	-
315 School & Conference	-	1,475	1,300
319 Contracted Services	51,899	90,000	78,098
325 Postage	-	-	-
331 Travel Expense	1,011	2,000	2,200
343 Community Relations	500	4,000	4,000
351 Legal Notices Publishing	427	500	500
451 Dues & Subscriptions	3,140	4,000	4,000
460 Permits & Licenses	-	-	100
499 Miscellaneous	83	-	200
Total Expenditures	145,441	145,270	145,270
Revenues Over (Under) Expenditures	452,529	-	-

Fund 235 – Park Dedication Fund

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

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues			
322460 Park Dedication Fee	48,150	18,500	18,500
322470 Park Dedication Fee in Lieu of Land	107,100	16,000	25,000
362100 Investment Interest	(157)	200	-
392010 Transfers In	-	-	25,000
Total Revenues	155,093	34,700	68,500
Expenditures			
Services			
224 Land Maintenance & Repair	4,064	-	5,000
305 Engineer Fees	520	5,000	5,000
308 Legal Fees	259	-	-
319 Contracted Services	2,500	-	-
Other Financing Uses			
720 Transfer Out	361,658	-	-
Total Expenditures	369,001	5,000	10,000
Revenues Over (Under) Expenditures	(213,908)	29,700	58,500

Fund 236 - Wetland Mitigation Fund

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

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues			
322125 Wetland Bank Fee	-	100	100
Total Revenues	-	100	100
Expenditures			
Supplies & Services			
319 Contracted Services	18,826	10,000	5,000
Total Expenditures	18,826	10,000	5,000
Revenues Over (Under) Expenditures	(18,826)	(9,900)	(4,900)

Fund 240 - City Sales Tax Fund

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

The current 1% sales tax will be increased to 1.5% in 2023 as approved by the voters on November 8, 2022. The citizens voted to fund a trio of wellness projects named the Community Recreation Initiative with a .5% sales tax increase. The projects are: Fichtner Field, Trails, and a 2nd sheet of ice. There are specific capped project costs that can be used with the .5% increase as follows:

Ice Arena - \$10,840,000
Trails - \$4,750,000
Fichtner Field - \$3,900,000

This additional .5% sales tax may well be tracked in a separate special revenue Fund in 2023 due to the restrictions on the money.

Budget Commentary

Description of Transfers out to Debt Service Funds.

2016B GO Bonds	315	\$ 698,807
2016A GO Bonds	318	\$ 153,907
2012A GO Bonds	320	\$ 197,539
2014A GO Bonds	322	\$ 65,000
2018B GO Bonds	324	\$ 520,971
2019A GO Bonds	325	\$ 647,620
2020A GO Bonds	326	\$ 180,188
2020B GO Bonds	327	<u>\$ 293,370</u>
Total		<u>\$ 2,757,402</u>

Budget Detail

		2022	2023
		ORIGINAL	APPROVED
	2021 ACTUAL	BUDGET	BUDGET
Revenues			
313100 City Sales Tax	3,673,481	3,000,000	3,300,000
318990 Other Tax Revenues	208,728	-	185,000
362100 Investment Interest	66,721	10,000	10,000
362160 Gain (Loss) on Sale of Investments	(83,097)	-	-
392010 Transfers In	137,689	-	-
Total Revenues	4,003,522	3,010,000	3,495,000
Expenditures			
Supplies /Services & Maintenance			
303 Banking Fees	1,771	-	-
305 Engineer Fees	84,540	-	265,000
308 Legal Fees	11,738	-	-
351 Legal Notices Publishing	297	-	-
395 State Fees/Surcharges	10,530	-	-
432 Bad Debts	52,952	-	-
Other Financing Uses			
510 Land Acquisition	306,000	-	-
530 Improvements Other Than Buildings	396,000	505,425	-
550 Street Improvements	-	192,000	-
580 Other Equipment	-	325,000	325,000
720 Transfer Out	3,264,206	2,953,454	2,757,402
Total Expenditures	4,128,034	3,975,879	3,347,402
Revenues Over (Under) Expenditures	(124,512)	(965,879)	147,598

Fund 245 – COVID – ARPA

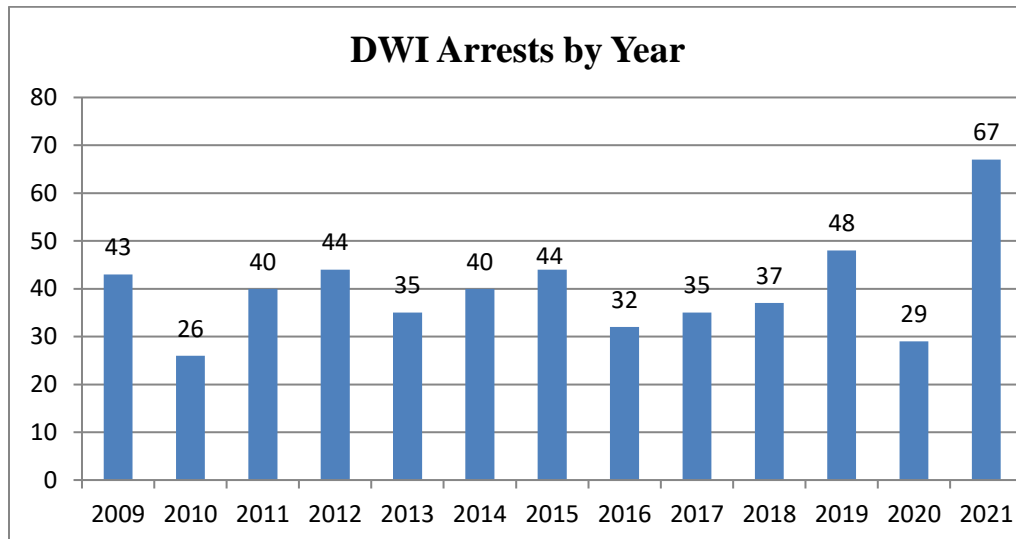
Accounts for revenue received from Federal Government for COVID related purposes and corresponding expenditures.

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues			
331999 Other Federal Grants & Aids	4,285	500,000	-
Total Revenues	4,285	500,000	-
Expenditures			
Salaries & Benefits			
101 Administration & Finance	851	-	-
Supplies & Services			
219 Other Operating Equipment	-	-	19,000
308 City Attorney	3,435	-	-
319 Contracted Services	-	330,000	525,000
Total Expenditures	4,286	330,000	544,000
Revenues Over (Under) Expenditures	(1)	170,000	(544,000)

Fund 251 - Police Program Fund

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



Data Source: Hermantown Police Department 2021 Annual Report

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues			
351010 Court Fines	4,025	2,250	3,000
352010 Unclaimed Property	525	-	-
352020 Forfeitures	2,096	1,000	1,000
362300 Donations	10,290	2,000	2,500
Total Revenues	16,936	5,250	6,500
Expenditures			
308 Legal Fees	1,363	-	-
343 Community Relations	1,597	-	-
490 K-9 Expenses	4,212	-	1,000
499 Miscellaneous	311	-	-
Total Expenditures	7,483	-	1,000
Revenues Over (Under) Expenditures	9,453	5,250	5,500

Fund 260 - Cable Television Fund

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

Budget Commentary

The Communications intern supports the Cable TV Fund and is overseen by the Director of Communications. In addition, Administration staff salary and benefits are allocated to the Cable TV Fund for administration of the Fund.

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues			
318100 Cable TV Franchise Fees	40,807	38,500	40,000
362100 Investment Interest	1,369	500	250
362120 Interest - Interfund	6,000	6,000	6,000
362160 Gain (Loss) on Sale of Investments	(2,246)	-	-
362415 Other Insurance Recoveries Disability/	1	-	-
Total Revenues	45,931	45,000	46,250
Expenditures			
Salaries & Benefits			
101 Full-Time Employees - Regular	3,959	4,282	4,445
103 Part-Time Employees - Reg	-	-	6,815
121 PERA Contributions - Coordinated	313	321	333
128 Social Security	249	266	698
129 Medicare	58	62	163
131 Health Insurance	811	944	966
132 HCSP	46	-	-
133 Life Insurance	8	8	8
134 Disability Insurance	13	13	14
136 MSRS	16	20	47
151 Workers Compensation	6	6	17
Supplies/Services & Maintenance			
308 Legal Fees	-	500	500
314 Computer/Software Fees	11,915	-	-
319 Contracted Services	5,625	7,500	-
331 Travel Expense	217	-	-
361 General Liability Insurance	48	52	-
404 Equipment Maintenance	4,581	1,000	14,000
Total Expenditures	27,865	14,974	28,006
Revenues Over (Under) Expenditures	18,066	30,026	18,244

Fund 275 – Essentia Wellness Center

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

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues			
341000 Other Income	162,879	-	-
341015 Community Building Rentals	235,882	259,998	229,652
362999 Naming Rights	100,000	100,000	100,000
Total Revenues	498,761	359,998	329,652
Expenditures			
219 Other Operating Equipment	6,870	-	-
308 Legal Fees	5,178	2,000	1,000
319 Contracted Services	2,635	1,000	1,000
321 Telephone	7,036	7,500	5,300
322 Internet	12,507	11,500	6,000
361 General Liability Insurance	22,698	22,698	22,698
381 Electricity	126,072	105,000	87,352
382 Water Purchases	92,881	34,000	18,000
383 Heating Gas	78,101	35,000	72,302
385 Sewer Charges	31,680	36,000	16,000
405 Computer Maintenance	10,510	5,300	-
460 Permits & Licenses	220	-	-
499 Miscellaneous	287	-	-
Total Expenditures	396,675	259,998	229,652
Revenues Over (Under) Expenditures	102,086	100,000	100,000

Debt Service Funds

Fund 301 – Equipment Debt Service

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

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues			
310200 Delinquent Taxes	52	-	-
Total Revenues	52	-	-
Expenditures			
Debt Service			
Total Expenditures	-	-	-
Revenues Over (Under) Expenditures	52	-	-

Fund 315 – 2016B GO Bonds

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

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues			
392010 Transfer In	698,807	698,807	698,807
Total Revenues	698,807	698,807	698,807
Expenditures			
Debt Service			
601 Bond Principal	530,000	545,000	560,000
611 Bond Interest	94,500	78,375	61,800
620 Fiscal Agent Fees	1,855	1,400	1,400
Total Expenditures	626,355	624,775	623,200
Revenues Over (Under) Expenditures	72,452	74,032	75,607

Fund 318 – 2016A GO Bonds

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

Budget Detail

		2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
	2021 ACTUAL		
Revenues			
310100 Current Year Taxes	78,423	74,871	79,015
310200 Delinquent Taxes	836	-	-
361100 Principal - Current	89,181	89,000	100,000
361110 Principal - Delinquent	238	-	-
361120 Principal-Prepaid	3,463	-	-
361200 Interest - Current	27,302	-	-
361210 Interest - Delinquent	990	-	-
361300 Penalty/Interest	553	-	-
392010 Transfers In	217,723	215,923	216,623
Total Revenues	418,709	379,794	395,638
Expenditures			
Debt Service			
601 Bond Principal	375,000	380,000	385,000
611 Bond Interest	47,650	40,100	32,450
620 Fiscal Agent Fees	2,855	1,400	1,400
Total Expenditures	425,505	421,500	418,850
Revenues Over (Under) Expenditures	(6,796)	(41,706)	(23,212)

Fund 320 – 2012A GO Bonds

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

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues			
361100 Principal - Current	30,033	35,000	35,000
361120 Principal - Prepaid	4,008	-	-
361200 Interest - Current	9,760	-	-
361300 Penalties & Interest	(51)	-	-
392010 Transfer In	197,539	197,539	197,539
Total Revenues	241,289	232,539	232,539
Expenditures			
Debt Service			
601 Bond Principal	165,000	170,000	175,000
611 Bond Interest	21,204	17,935	14,311
620 Fiscal Agent Fees	855	1,400	1,400
Total Expenditures	187,059	189,335	190,711
Revenues Over (Under) Expenditures	54,230	43,204	41,828

Fund 321 – 2012B GO Bonds

The General Obligation Improvement Bonds, Series 2012B were issued in September of 2012 in the amount of \$3,155,000, net interest cost of 2.2436% and mature in 2033. The bonds were used to finance Projects; #442 Sewer, #314 Miller Trunk Water and #432 Lavaque Sewers. A transfer of \$25,000 from the Community Fund #231 was used to partially cover costs on project #314. The debt will be repaid by special assessments and city sales tax. Properties benefiting from project #432 will have sewer availabilities. When necessary transfers will be made from the special assessment deficiency fund. In 2021 this bond issue was refunded as part of the 2021A bonds.

Budget Detail

		2021	2022	2023
		ACTUAL	ORIGINAL	APPROVED
			BUDGET	BUDGET
Revenues				
361100	Principal - Current	54,024	-	-
361200	Interest - Current	(1,688)	-	-
361300	Penalties & Interest	39	-	-
393100	Bond Issuance	2,238,540		
Total Revenues		<u>2,290,915</u>	-	-
Expenditures				
Debt Service				
601	Bond Principal	2,320,000	-	-
611	Bond Interest	41,707	-	-
620	Fiscal Agent Fees	50,088	-	-
720	Transfer Out	1,209,321		
Total Expenditures		<u>3,621,116</u>	-	-
Revenues Over (Under) Expenditures		<u>(1,330,201)</u>	-	-

Fund 322 – 2014A GO Bonds

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

Budget Detail

		2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues				
361100	Principal - Current	39,622	46,000	46,000
361110	Principal - Delinquent	883	-	-
361120	Principal - Prepaid	10,187	-	-
361200	Interest - Current	18,475	-	-
361210	Interest - Delinquent	544	-	-
361300	Penalties & Interest	199	-	-
392010	Transfers In	231,200	230,900	80,450
Total Revenues		<u>301,110</u>	<u>276,900</u>	<u>126,450</u>
Expenditures				
Debt Service				
601	Bond Principal	235,000	120,000	125,000
611	Bond Interest	27,850	23,700	20,025
620	Fiscal Agent Fees	855	1,400	1,400
Total Expenditures		<u>263,705</u>	<u>145,100</u>	<u>146,425</u>
Revenues Over (Under) Expenditures		<u>37,405</u>	<u>131,800</u>	<u>(19,975)</u>

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

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

Budget Detail

	2021	2022	2023
	ACTUAL	ORIGINAL BUDGET	APPROVED BUDGET
Revenues			
310100 Current Year Taxes	143,246	135,725	138,325
310200 Delinquent Taxes	1,281	-	-
Total Revenues	<u>144,527</u>	<u>135,725</u>	<u>138,325</u>
Expenditures			
Debt Service			
601 Bond Principal	75,000	80,000	80,000
611 Bond Interest	59,250	56,925	54,525
620 Fiscal Agent Fees	855	1,400	1,400
Total Expenditures	<u>135,105</u>	<u>138,325</u>	<u>135,925</u>
Revenues Over (Under) Expenditures	<u>9,422</u>	<u>(2,600)</u>	<u>2,400</u>

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

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

Budget Detail

		2021	2022	2023
		ACTUAL	ORIGINAL BUDGET	APPROVED BUDGET
Revenues				
310100	Current Year Taxes	49,046	46,312	50,312
310200	Delinquent Taxes	454	-	-
392010	Transfers In	517,611	522,231	520,971
Total Revenues		<u>567,111</u>	<u>568,543</u>	<u>571,283</u>
Expenditures				
Debt Service				
601	Bond Principal	280,000	290,000	305,000
611	Bond Interest	255,875	244,475	232,575
620	Fiscal Agent Fees	855	1,400	1,400
Total Expenditures		<u>536,730</u>	<u>535,875</u>	<u>538,975</u>
Revenues Over (Under) Expenditures		<u>30,381</u>	<u>32,668</u>	<u>32,308</u>

Fund 325 – 2019A GO Bonds – Wellness Center

The General Obligation Improvement Bonds, Series 2019A were issued in January of 2019 in the amount of \$8,845,000. The bonds were used to construct the Essentia Wellness Center. The bonds will be paid with sales tax.

Budget Detail

		2021	2022	2023
		ACTUAL	ORIGINAL BUDGET	APPROVED BUDGET
Revenues				
392010	Transfers In	647,200	651,400	647,620
Total Revenues		647,200	651,400	647,620
Expenditures				
Debt Service				
601	Bond Principal	305,000	320,000	340,000
611	Bond Interest	304,006	288,381	273,581
620	Fiscal Agent Fees	855	1,400	1,400
Total Expenditures		609,861	609,781	614,981
Revenues Over (Under) Expenditures		37,339	41,619	32,639

Fund 326 – 2020A GO Bonds – Road Improvements and Refinance 2010A

General Obligation Bonds, Series 2020A - These bonds were issued in April of 2020 in the amount of \$3,585,000, true interest rate of 1.74% and mature in 2036. The bonds were used to refinance the 2010A bonds and to make 2020 Road Improvements. Revenue sources: Levy, Special assessments, sales tax and transfers from water, sewer, and special deficiency funds

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues			
310100 Current Year Taxes	59,069	58,693	60,842
361100 Principal-Current	88,097	58,000	58,000
361110 Principal - Delinquent	4,606	-	-
361120 Principal - Prepaid	53,157	-	-
361200 Interest - Current	42,634	-	-
361210 Interest-Delinquent	1,859	-	-
361300 Penalties & Interest	1,952	-	-
362100 Investment Interest	1	-	-
362160 Gain (Loss) on Sale of Investments	2	-	-
392010 Transfers in	309,705	297,945	297,000
Total Revenues	561,082	414,638	415,842
Expenditures			
Debt Service			
303 Banking Fees	10	-	-
601 Bond Principal	365,000	500,000	495,000
611 Bond Interest	112,944	77,350	62,425
620 Fiscal Agent Fees	855	1,400	1,400
Total Expenditures	478,809	578,750	558,825
Revenues Over (Under) Expenditures	82,273	(164,112)	(142,983)

Fund 327 – 2020B GO Bonds – Section 24 Sewer Trunkline

General Obligation Bonds, Series 2020B - These bonds were issued in April of 2020 in the amount of \$3,915,000, true interest rate of 1.82% and mature in 2037. The bonds were used to construct the Section 24 Sewer Trunk line. Revenue source: Sales tax

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues			
392010 Transfers in	294,997	294,263	293,370
Total Revenues	294,997	294,263	293,370
Expenditures			
Debt Service			
601 Bond Principal	205,000	190,000	195,000
611 Bond Interest	94,025	88,100	82,325
620 Fiscal Agent Fees	855	1,400	1,400
Total Expenditures	299,880	279,500	278,725
Revenues Over (Under) Expenditures	(4,883)	14,763	14,645

Fund 328 – 2021A GO Bonds - Road Improvements and Refinance 2012B

General Obligation Bonds, Series 2021A - These bonds were issued in April of 2021 in the amount of \$3,860,000, carry a true interest cost of 1.21% and mature in 2037. The bonds will be used to finance the 2021 Road Improvement Plan and to current refund the City's outstanding General Obligation Bonds, Series 2012B for an interest cost saving. (The General Obligation Improvement Bonds, Series 2012B were issued in September of 2012 in the amount of \$3,155,000.) Revenue sources: Property Tax, Special Assessments, Sales Tax, and transfers from Water, Sewer, and special deficiency funds

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues			
310100 Current Year Taxes	-	79,478	77,778
361100 Principal - Current	4,771	85,000	84,000
361110 Principal - Delinquent	1,001	-	-
361120 Principal - Prepaid	175,258	-	-
361200 Interest - Current	44,228	-	-
361210 Interest - Delinquent	2,077	-	-
361300 Penalties & Interest	605	-	-
392010 Transfers in	1,665,893	43,230	14,340
Total Revenues	1,893,833	207,708	176,118
Expenditures			
Debt Service			
601 Bond Principal	-	150,000	245,000
611 Bond Interest	-	82,003	62,103
620 Fiscal Agent Fees	-	1,400	1,400
Total Expenditures	-	233,403	308,503
Revenues Over (Under) Expenditures	1,893,833	(25,695)	(132,385)

Fund 350 - Special Assessment Deficiency Fund

Accounts for the accumulated resources to ensure debt service payments of bonds in cases where special assessments have been deferred or collections are insufficient.

Transfers Out for 2023 are:

Fund 326 (2020A GO) - \$27,806

Budget Detail

		2021	2022	2023
		ACTUAL	ORIGINAL BUDGET	APPROVED BUDGET
Revenues				
361100	Principal - Current	16,457	15,000	14,000
361200	Interest - Current	1,898	-	-
361300	Penalties & Interest	(9)	-	-
362100	Investment Interest	1,508	-	-
362160	Gain (Loss) on Sale of Investments	(2,572)	-	-
Total Revenues		<u>17,282</u>	<u>15,000</u>	<u>14,000</u>
Expenditures				
415300	Contracted Services	3,506	2,200	2,200
471000	Transfer Out	<u>27,806</u>	<u>27,806</u>	<u>27,806</u>
Total Expenditures		<u>31,312</u>	<u>30,006</u>	<u>30,006</u>
Revenues Over (Under) Expenditures		<u>(14,030)</u>	<u>(15,006)</u>	<u>(16,006)</u>

Capital Projects Funds

Fund 401 – General Capital Projects

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

Budget Detail

		2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues				
392010	Transfers In	243,000	410,000	648,500
393300	Inception of Capital Lease	343,862	-	-
Total Revenues		586,862	410,000	648,500
Expenditures				
540	Office Equip/Furnishing	-	25,000	25,000
542	Light Equipment	-	-	30,000
543	Heavy Equipment	404,832	283,470	320,720
544	Motor Vehicles	-	-	127,000
580	Other Equipment	-	-	-
720	Transfer Out	100,125	-	-
Total Expenditures		504,957	308,470	502,720
Revenues Over (Under) Expenditures		81,905	101,530	145,780

Enterprise Funds

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

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

There is a slight increase in water, sewer, and stormwater rates in 2023.

Fund 601 - Water Enterprise Fund

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

Objectives

- To consider and make recommendations to the City Council with respect to improvements to be constructed and financed pursuant to Chapter 429 of the Minnesota Statutes
- To administer the public utilities provided by the City of Hermantown
- To perform such other functions as made by resolution of the City Council delegated to it
- Provide an adequate supply of water. Current city water storage includes a 150,000-gallon elevated storage tank at Ugstad Road/Arrowhead Road and a 600,000-gallon elevated storage tank at Ugstad Road/Hwy 53. These two tanks have sufficient capacity to provide for two days of average daily demand if the city should lose its water supply
- The city's current water system also includes 64.75 miles of water mains and 545 hydrants for fire control
- The Public Works Director is responsible for leading the maintenance of city water mains

Water Rates – Per 1,000 Gallons

		2022	2023	Usage in Gallons - Tier Breaks
Residential	Tier 1	8.48	8.82	Up to 2500 Gallons
	Tier 2	9.76	10.15	Between 2500 – 4500 Gallons
	Tier 3	10.73	11.16	Over 4500 Gallons
Multi-Family	Tier 1	9.76	10.16	All Usage
	Tier 2	9.76	10.16	All Usage
	Tier 3	9.76	10.16	All Usage
Commercial	Tier 1	8.77	9.12	Up to 20,000 Gallons
	Tier 2	9.23	9.59	Between 20,000 – 50,0000 Gallons
	Tier 3	10.13	10.54	Over 50,000 Gallons
Irrigation	Tier 1	10.73	11.16	All Usage
	Tier 2	10.73	11.16	All Usage
	Tier 3	10.73	11.16	All Usage

Meter Size	<u>Monthly Service Charge</u>	2022	2023
5/8"-1"		9.36	9.73
1 1/4"		14.04	14.60
1 1/2"		14.04	14.60
2"		35.10	36.50
3"	▼	40.94	42.58
4"		52.64	54.75
6"		76.03	79.01

Authorized Personnel

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

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

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Wages	455,252	429,380	-5.7%
200-499 Supplies/Services/Maintenance & Depreciation	1,208,490	1,466,839	21.4%
500-599 Capital Outlay	5,000	-	-100.0%
720 Transfer Out	109,249	134,738	23.3%
Total Expenditures	1,777,991	2,030,957	14.2%

Budget Commentary

As the City acquires more water infrastructure, the depreciation expense will increase. Transfers out are applied to debt payments in the debt service fund. The 2023 Transfers Out for debt total \$102,988.

The following assets are in the water budget as a Transfer Out to the General Capital Equipment Fund:

2023 One Ton Dirt Service Truck - \$31,750 (Part paid by Sewer and General Fund)

There is an increase in 2023 in total expenditures due to increased water purchases and slightly more capital equipment needed.

Budget Detail

	2021 Actual	2022 Original Budget	2023 Approved Budget
Revenues			
341070 Assessment Search	7,855	6,000	6,200
361300 Penalty/Interest	9	-	-
362100 Investment Interest	26,432	10,000	10,000
362150 Interest Income/City Contracts	17	-	-
362160 Gain (Loss) on Sale of Investments	(43,492)	-	-
362250 City Property Lease	51,031	53,018	54,536
362415 Other Insurance Recoveries Disability/Workers Cor	855	-	-
362990 Miscellaneous Revenue	4,316	15,000	6,000
371400 Metered Water Sales	1,706,759	1,435,200	1,622,400
371450 Metered Truck Fill Station	4,800	1,000	4,400
371500 Water Hookups	21,500	25,000	22,000
371550 Water Service Line	-	-	-
371710 Service Charge	266,389	274,560	290,784
371720 Front Foot Water Cash	1,574	4,000	500
379999 Late Fee	10,055	7,000	7,000
391010 Sale of General Fixed Assets	5,298	-	-
392010 Transfers In	207,375	2,000	6,000
394000 Contributed Capital	498,957	-	-
Total Revenue	2,769,730	1,832,778	2,029,820

		2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Expenditures			
494300 Water Distribution			
Salaries & Wages			
101 Full Time Employees - Regular	152,988	169,097	166,463
102 Full-Time Employees - Overtime	16,773	12,687	12,020
103 Part-Time Employees - Regular	493	-	-
111 Severance Pay	-	19,387	-
121 PERA Contributions - Coordinated	79,359	13,634	13,386
128 Social Security	9,568	12,473	11,066
129 Medicare	2,238	2,917	2,588
131 Health Insurance	67,396	76,877	78,100
132 Health Care Savings Plan	337	-	-
133 Life Insurance	199	205	205
134 Disability Insurance	749	904	932
136 MSRS	156	1,307	390
151 Workers Compensation	7,185	7,360	7,381
Supplies/Services & Maintenance			
212 Motor Fuels	4,785	3,000	4,500
216 Uniforms	483	500	500
219 Other Operating Equipment	-	-	15,500
221 General Supplies	4,988	5,500	5,500
228 Utility System Maint	26,495	39,000	34,000
314 Computer	2,520	3,750	3,750
315 School & Conference	2,903	2,500	2,500
317 Personnel Testing Physical	109	-	-
319 Contracted Services	6,609	30,000	22,000
325 Postage	38	-	-
331 Travel Expense	401	750	750
351 Legal Notices Publishing		250	250
361 General Liability Insurance	6,422	5,843	4,706
382 Water Purchases	940,120	740,000	960,000
404 Equipment Maintenance	3,935	4,000	4,000
406 Vehicle Maintenance	1,092	2,000	2,000
413 Equipment Rental	367	7,500	7,500
417 Uniform Rental	-	500	500
451 Dues & Subscriptions	963	700	700
460 Permits & Licenses	319	-	-
470 Booster Pump Repairs	221	250	250
471 Water Line Repairs	77,699	40,000	40,000
472 Hydrant Repairs	13,360	14,500	15,000
499 Miscellaneous	-	-	-
Capital Outlay			
540 Office Equipment/Furnishings		-	-
544 Motor Vehicles	-	-	-
580 Other Equipment	149,426	5,000	-
Sub-total	1,580,696	1,222,391	1,416,437

		2022	2023
		ORIGINAL	APPROVED
	2021 ACTUAL	BUDGET	BUDGET
Expenditures			
494400 Water Administration & General			
Salaries & Wages			
101 Full-Time Employees-Regular	72,877	90,116	90,273
102 Full-Time Employees-Overtime	369	574	565
111 Severance Pay	245	-	-
121 PERA Contributions-Coordinated	32,602	6,759	6,770
128 Social Security	4,527	5,587	5,597
129 Medicare	1,059	1,307	1,309
131 Health Insurance	23,628	32,643	30,935
132 Health Care Savings Plan	307	-	-
133 Life Insurance	134	170	155
134 Disability Insurance	283	395	409
135 Unemployment Insurance	3,332	-	-
136 MSRS	208	728	702
151 Workers Compensation	120	125	134
Supplies /Services/ Maintenance & Depreciation			
201 Office Supplies	211	50	200
202 Printing Supplies	316	500	250
209 Computer Supplies	-	-	-
221 General Supplies	1,491	-	-
301 Audit/Account Services	4,758	6,750	6,750
302 Assessors Fees	-	-	-
303 Banking Fees	6,456	7,200	12,000
305 Engineer Fees	7,563	3,000	10,000
308 Legal Fees	4,354	4,000	4,000
314 Computer/Software Fees	3,564	3,700	3,700
315 School & Conference	250	1,000	1,000
319 Contracted Services	6,922	16,120	10,000
321 Telephone	2,499	2,510	5,000
322 Internet	555	400	460
323 Gopher One Call Locates	1,292	1,200	1,100
325 Postage	452	622	450
331 Travel Expense	1,459	1,480	1,300
351 Legal Notices Publishing	635	600	1,800
361 General Liability Insurance	6,815	9,537	12,878
381 Electricity	9,162	7,000	8,500
383 Heating Gas	2,229	3,000	4,900
405 Computer Maintenance	20,233	19,278	22,595
420 Depreciation Expense	236,556	220,000	236,000
434 Employee Recognition Prog	74	-	-
451 Dues & Subscriptions	50	-	50
499 Permits & Licenses	128	-	-
720 Transfer Out	91,838	109,249	134,738
Total Expenditures	2,130,249	1,777,991	2,030,957
Revenues Over (Under) Expenditures	639,481	54,787	(1,137)

Fund 602 - Sewer Enterprise Fund

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

Objectives

- Provide adequate sanitary sewer operations. The city's sewer system consists of 70.85 miles of sewer mains but continues to expand based upon neighborhood petitions requesting an extension of services.
- The Public Works Director is responsible for leading the maintenance of city sewer mains.

Sewer Rates - Per 1,000 Gallons

	<u>2022</u>	<u>2023</u>	<u>Notes</u>
Residential	10.40	10.66	
Multi-Family	10.40	10.66	
Commercial	10.40	10.66	
Flat Rate	31.21	38.07	
Flat Rate	46.80	47.97	
Service Charge	3.32	3.40	Monthly

Authorized Personnel

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

Budget Summary

	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Wages	371,814	352,687	-5.1%
201-499 Supplies/Services/Maintenance & Depreciation	1,431,589	1,460,616	2.0%
540-590 Capital Outlay	138,450	205,000	48.1%
720 Transfer Out	73,760	89,274	21.0%
Total Expenditures	2,015,613	2,107,577	4.6%

Budget Commentary

Transfers out are applied to debt payments in the debt service fund. The 2023 Transfers Out for debt total \$57,524

Also included in the sewer budget are transfers to the General Capital Equipment Fund for a percentage of the following equipment. 2023 One Ton Truck - \$31,750 (Part paid by Water and General Fund)

Finally, in the sewer budget are the following assets:

Retro Fit Lift Station - \$40,000

Sewer improvements to Richard and Lindgren roads - \$165,000

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues			
341070 Assessment Search	7,540	5,500	5,500
361300 Penalties & Interest	61	-	-
362100 Investment Interest	28,696	5,000	5,000
362150 Interest Income/City Contracts	1,942	1,600	1,600
362160 Gain (Loss) on Sale of Investments	(46,936)	-	-
362415 Other Insurance Recoveries	641	-	-
371710 Service Charge	84,247	85,485	89,421
372400 Sewer Usage	1,611,148	1,528,000	1,690,200
372500 Sewer Hookups	31,100	31,000	32,000
372710 Sewer Permits	5,020	3,200	3,500
372715 Sewer Capacity Availability Fee	6,881	800	700
379999 Late Fee	9,063	5,200	7,000
391010 Sale of General Fixed Assets	3,369	-	-
394000 Contributed Capital	478,274	-	-
Total Revenue	2,221,046	1,665,785	1,834,921

		2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Expenditures			
494500 Sewer Maintenance			
Salaries & Wages			
101 Full-Time Employees - Regular	107,275	124,923	123,086
102 Full-Time Employees - Overtime	11,050	9,227	8,742
103 Part-Time Employees - Regular	121	-	-
111 Severance Pay	-	14,100	-
121 PERA Contributions - Coordinated	50,061	10,061	9,887
128 Social Security	6,471	9,192	8,173
129 Medicare	1,513	2,150	1,911
131 Health Insurance	51,884	56,482	57,371
132 Health Care Savings Plan	245	-	-
133 Life Insurance	127	154	154
134 Disability Insurance	509	665	686
136 MSRS	79	962	312
151 Workers Compensation	5,366	5,494	5,516
Supplies/Services & Maintenance			
212 Motor Fuels	3,190	1,500	1,500
216 Uniforms	483	500	500
219 Other Operating Equipment	-	-	15,000
221 General Supplies	3,155	2,500	-
228 Utility System Maint	3,763	2,500	5,000
229 Lift Station Maintenance	8,765	10,000	10,000
305 Engineer	-	-	-
308 Legal	-	-	-
310 Recording/Filing Fees	-	-	-
314 Computer	120	5,650	5,650
315 School & Conference	2,504	1,000	1,000
317 Personnel Testing Physicals	109	450	450
319 Contracted Services	17,755	20,000	20,000
325 Postage	40	-	40
331 Travel Expense	369	250	250
351 Legal Notices Publish	-	-	-
361 General Liability Insurance	2,430	1,890	2,403
385 Sewer Charges	564,176	619,000	669,000
403 Road Maintenance	-	5,000	15,000
404 Equipment Maintenance	6,020	5,500	5,500
406 Vehicle Maintenance	54	2,500	2,500
413 Equipment Rental	467	3,500	3,500
451 Dues & Subscriptions	240	150	150
460 Permits & Licenses	298	250	250
475 Sewer line Repairs	9,148	45,000	15,000
476 Lift Station Repairs	15,983	5,000	12,500
477 I & I Maintenance	13,444	15,000	15,000
478 Sewer Cleaning	29,916	40,000	40,000
499 Miscellaneous	-	7,500	-
Capital Outlay			
540 Office Equip/Furnishings	-	-	-
510 Land Acquisition	-	-	-
580 Other Equipment	24,267	47,500	-
590 Pumping Plant & Lift Stations	42,908	40,000	40,000
Sub-total	984,305	1,115,550	1,096,031

Expenditures		2022	2023
		ORIGINAL	APPROVED
494900 Sewer Administration & General	2021 ACTUAL	BUDGET	BUDGET
Salaries & Wages			
101 Full-Time Employees-Regular	61,996	90,116	90,273
102 Full-Time Employees-Overtime	277	574	565
111 Severance Pay	140	-	-
121 PERA Contributions-Coordinated	23,704	6,759	6,770
128 Social Security	3,517	5,587	5,597
129 Medicare	823	1,307	1,309
131 Health Insurance	17,706	32,643	30,935
132 Health Care Savings Plan	153	-	-
133 Life Insurance	108	170	155
134 Disability Insurance	229	395	409
135 Unemployment Insurance	3,332	-	-
136 MSRS	182	728	702
151 Workers Compensation	113	125	134
Supplies/Services/Maintenance & Depreciation			
201 Office Supplies	211	25	200
202 Printing Supplies	316	400	300
209 Computer Equipment	-	-	-
221 General Supplies	1,491	-	-
301 Audit/Account Services	4,758	6,750	6,750
303 Banking Fees	6,454	7,200	12,000
305 Engineer Fees	2,568	2,000	2,500
308 Legal Fees	5,671	2,000	2,000
314 Computer/Software Fees	3,493	3,700	3,000
315 School & Conference	-	1,000	1,000
319 Contracted Services	6,944	12,620	10,000
321 Telephone	2,364	2,510	5,000
322 Internet	776	400	850
323 Gopher One Call Locates	861	1,200	900
325 Postage	264	622	450
331 Travel Expense	759	960	1,300
351 Legal Notices Publishing	248	-	300
361 General Liability	7,136	9,537	12,878
381 Electricity	6,790	8,000	8,500
383 Heating Gas	1,393	2,000	4,900
405 Computer Maintenance	20,232	19,278	22,595
420 Depreciation Expense	515,627	556,747	525,000
432 Bad Debts	-	-	-
434 Employee Recognition Program	74	-	-
451 Dues & Subscriptions	50	-	-
460 Permits & Licenses	-	-	-
720 Transfer Out	67,944	56,260	57,524
495000 Other Financing Uses			
720 Transfer Out	113,545	17,500	31,750
432500 Sewer Improvements			
550 Street Improvements	-	50,950	165,000
Total Expenditures	1,866,554	2,015,613	2,107,577
Revenues Over (Under) Expenditures	354,492	(349,828)	(272,656)

Fund 603 – Storm Water Fund

This fund accounts for the activity of managing and maintaining our storm water system. The City has a state permit under the MS4 (Municipal separate storm sewer system) which includes roads with drainage systems, municipal streets, catch basins, curbs, gutters, ditches, man-made channels, or storm drains. It is the City's responsibility under this permit to monitor and maintain these elements to ensure that they are functioning properly and treating and capturing storm water. The Storm water Utility Fee provides funds for this system.

Objectives

- Funds will be used to undertake new infrastructure improvements as well as to maintain the existing storm water system. In 2023 in addition to maintaining the existing storm water system the City plans on using storm water fees for the following.
 - Pay for storm water improvements while implementing the City's Road Improvement plan
- The Public Works Director is responsible for leading the maintenance of City owned storm water systems.
- The Community Development Director is responsible for the inspection of private systems and the coordination with property owners on the upkeep of their systems.

Budget Commentary

In 2023 there is a rate increase from \$7 to \$8 per ERU per month.

Transfers out are applied to debt payments in the debt service funds. The 2023 Transfers Out for debt total \$21,000.

Also included in the Storm Water budget are the following capital items:

Lindahl Road Bridge = \$175,000

Hermantown Road Bridge = \$104,000 (Part of project)

Storm Water Improvements to Richard and Lindgren roads = \$181,000

Budget Detail

	2021	2022	2023
	ACTUAL	ORIGINAL BUDGET	APPROVED BUDGET
Revenues			
322120 SWPP & Stormwater Mgmt. Fees	3,546	-	500
361300 Penalties & Interest	72	-	-
362100 Investment Interest	1,837	-	-
362160 Gain(Loss) on Sale of Investment	(2,661)	-	-
362415 Other Insurance Recoveries	191	-	-
372750 Stormwater Fee	413,492	410,670	451,000
379999 Late Fee	4,552	1,500	3,000
Total Revenues	421,029	412,170	454,500
Expenditures			
441100 Storm Water			
Salaries & Wages			
101 Full-Time Employees-Regular	76,562	64,487	67,129
102 Full-Time Employees-Overtime	6,207	2,108	2,129
103 Part-Time Employees-Regular	250	-	-
111 Severance Pay	140	1,762	-
121 PERA Contributions-Coordinated	30,496	4,974	5,173
128 Social Security	5,026	4,221	4,276
129 Medicare	1,188	987	1,000
131 Health Insurance	35,001	25,229	25,436
132 HCSP	122	-	-
133 Life Insurance	147	104	103
134 Disability Insurance	341	309	335
136 MSRS	233	514	390
151 Workers Compensation	1,627	1,662	1,727
*continued			

		2022	2023
	2021	ORIGINAL	APPROVED
Supplies/Services/Maintenance/Capital	ACTUAL	BUDGET	BUDGET
221 General Supplies	686	-	100
302 Assessors Fees			-
305 Engineer Fees	6,068	10,000	20,000
308 Legal Fees	454	1,500	1,500
310 Recording/Filing Fees	158	500	500
314 Computer/Software Fees	3,118	1,500	1,500
319 Contracted Services	15,621	30,000	30,000
325 Postage	-	500	500
331 Travel Expenses	716	300	300
351 Legal Notices Publishing	-	-	-
403 Road Maintenance	36,808	11,000	11,000
404 Equipment Maintenance	538	-	-
405 Computer Maintenance	-	-	-
413 Equipment Rental	18,046	20,000	20,000
420 Depreciation Expense	10,835	-	-
451 Dues & Subscriptions	1,740	2,000	2,000
530 Improvements Other than Buildings	-	200,000	279,000
550 Street Improvements	-	60,000	181,000
580 Other Equipment	-	-	-
720 Transfer Out	31,189	21,473	21,000
471000 Debt Service			
303 Banking Fees	2	-	-
495000 Transfer Out			
720 Transfer Out	80,076	1,496	-
Total Expenditures	363,395	466,626	676,098
Revenues Over (Under) Expenditures	57,634	(54,456)	(221,598)

Fund 605 - Street Lighting & Traffic Signalization Fund

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

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

Also include in the franchise fees is Minnesota Power.

Budget Detail

	2021 ACTUAL	2022 ORIGINAL BUDGET	2023 APPROVED BUDGET
Revenues			
318100 Franchise Fees	139,542	137,000	139,000
362100 Investment Interest	3,440	1,000	1,000
362120 Interest - Interfund	22,000	22,000	22,000
362160 Gain (Loss) on Sale of Investments	(5,577)	-	-
Total Revenues	159,405	160,000	162,000
Expenditures			
431160 Street Lighting			
227 Street Lights & Signs	5,282	5,000	5,000
381 Electricity	29,964	28,000	38,000
550 Street Improvements	-	96,000	-
Total Expenditures	35,246	129,000	43,000
Revenues Over (Under) Expenditures	124,159	31,000	119,000

Glossary

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Typical objects of expenditure include:

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

- Other financing uses

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

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

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

Policy – A set of guidelines used for making decisions.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Acronyms

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



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