

HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY

AGENDA

**Thursday, August 27, 2020 at 5:00 p.m. – Council Chambers
Governmental Services Building**

1. ROLL CALL

2. MINUTES – Approval or correction

a. April 23, 2020 HEDA Minutes

3. PUBLIC DISCUSSION

4. CORRESPONDENCE

5. MOTIONS

5.1 Motion to establish the amount of bond at \$300,000 required to be provided by the Treasurer

5.2 Motion to approve a report to the City

5.3 Motion to approve for submission to the City Council a budget for the succeeding year of HEDA

5.4 Motion to approve a report to the City Council on the Enabling Resolution

5.5 Motion to appoint depositories

5.6 Motion to approve an audit to submit to the City Council

6. RESOLUTIONS

6.1 RESOLUTION 2020-03H Approving An Agreement For Professional Consulting Services With ICS Consulting, Inc. For The Total Consideration Of \$24,000.00

7. WORK SESSION

7.1 Update on sale of 5028 Miller Trunk Hwy

7.2 Discussion on Strategic Planning Effort

Hermantown Economic Development Authority

August 27, 2020

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8. RECESS

HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY
April 23, 2020
5:00 p.m.

MEETING CONDUCTED VIA ZOOM

ROLL CALL: Commissioners Geissler, Haapanen, Nelson, Peterson, Reno, Schmidt, Mayor Boucher

CITY STAFF: John Mulder, City Administrator; Eric Johnson, Community Development Director; Joe Wicklund, Communications Manager; Steve Overom, City Attorney

ABSENT:

VISITORS:

MINUTES

Motion made by Commissioner Reno, seconded by Commissioner Peterson to approve the February 27, 2020 Hermantown Economic Development Authority minutes. Motion carried.

PUBIC HEARING – Property Conveyance – 5028 Miller Trunk Hwy

NOTICE OF PUBLIC HEARING ON PROPERTY CONVEYANCE HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY ST. LOUIS COUNTY, STATE OF MINNESOTA

NOTICE OF HEREBY GIVEN that the Hermantown Economic Development Authority of the City of Hermantown, St. Louis County, State of Minnesota, will hold a public hearing on April 23, 2020, at approximately 5:00 p.m. at the City Council Chambers in City Hall, 5105 Maple Grove Road, Hermantown, Minnesota, relating to the conveyance of property located at 5028 Miller Trunk Highway and legally described on Exhibit A attached hereto in conjunction with the development of a child care center by Nursing Values LLC d/b/a Little Newtons pursuant to Minnesota Statutes Section 469.105. Copies of the information related to the terms of the conveyance are on file and available for public inspection at the office of the HEDA Administrator and the City Clerk at City Hall.

All interested persons may appear via Zoom using the information below at the hearing and present their views orally or prior to the meeting in writing.

Beginning shortly before 5:00 p.m. the HEDA Public Hearing & Meeting will be available at:

<https://zoom.us/j/730085273?pwd=NkhtWmtzRDV6TjNnODF1L2lVU1VQZz09>

and/or by calling the number (312) 626-6799 and utilizing the meeting ID 730-085-773 and the password 003156.

BY ORDER OF THE HERMANTOWN
ECONOMIC DEVELOPMENT
AUTHORITY, MINNESOTA

Administrator

Steve Overom, City Attorney – He explained the issues and contingencies of the purchase agreement. The agreement has a deadline for the buyer to meet the contingencies and a proposed closing date of December 31, 2020. Those dates are to allow the seller to conduct its due diligence following the stay at home order related to the coronavirus. HEDA will be required to submit the purchase agreement to the State of Minnesota for approval since the original purchase was funded in part by a state grant.

There were no persons present that spoke regarding this matter

RESOLUTIONS

2020-02H Resolution Approving A Commercial Real Estate Purchase Agreement Between Hermantown Economic Development Authority And Nursing Values LLC For The Total Consideration Of \$556,935.00

Motion made by Commissioner Peterson, seconded by Commissioner Schmidt to adopt Resolution 2020-02H, Resolution Approving A Commercial Real Estate Purchase Agreement Between Hermantown Economic Development Authority And Nursing Values LLC For The Total Consideration Of \$556,935.00. Roll Call: Commissioners Geissler, Haapanen, Nelson, Peterson, Reno, Schmidt, Mayor Boucher, aye. Motion carried.

Motion made by Commissioner Nelson, seconded by Commissioner Geissler to recess the meeting at 5:18 p.m. Motion carried.

Recorded by:

John Mulder, Executive Director

Transcribed by:

Bonnie Engseth, City Clerk

TO: HEDA Members

**Hermantown Economic
Development Authority**

FROM: John Mulder, Executive Director

DATE: August 19, 2020

Meeting Date: 8/27/20

SUBJECT: Treasurer's bond

Agenda Item: 5.1

STRATEGIC OBJECTIVE:

Objective A: HEDA Organization Development – Build Our Foundation For Action

A.3 Look at our membership, meeting frequency and focus, how we might engage other community interests and formalize how we intend to operate strategically.

REQUESTED ACTION

Motion to establish the amount of bond at \$300,000 as required to be provided by the Treasurer required by Section 4.2.

BACKGROUND

Section 3.1.1. Establish the amount of bond required to be provided by the Treasurer required by Section 4.2.

Section 4.2 The Treasurer shall give bond to the state conditioned for the faithful discharge of his/her duties. The bond must be approved as to form and surety by HEDA and filed with the Secretary and must be for twice the amount of money likely to be on hand at any one time as determined at least annually by the HEDA, provided, however, that said bond must not exceed \$300,000.00.

The Fund balance as of 12/31/19 was \$206,665. It is recommended that the bond be set at \$300,000.

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

Hermantown Economic Development Authority

HEDA's mission is to intentionally lead economic growth, creating a vibrant and prosperous community.

TO: HEDA Members
FROM: John Mulder, Executive Director
DATE: August 19, 2020
SUBJECT: Annual Report

**Hermantown Economic
Development Authority**

Meeting Date: 8/27/20
Agenda Item: 5.2

STRATEGIC OBJECTIVE:

Objective A: HEDA Organization Development – Build Our Foundation For Action

A.3 Look at our membership, meeting frequency and focus, how we might engage other community interests and formalize how we intend to operate strategically.

REQUESTED ACTION

Approve a report to the City as required by Section 4.6.

BACKGROUND

Section 3.1.2. Consider and approve a report to the City as required by Section 4.6.

Section 4.6. HEDA shall, at the annual meeting on a form determined by the City Council of City (“City Council”), approve a written report to the City Council giving a detailed account of its activities and of its receipts and expenditures during the preceding calendar year, together with such additional matters and recommendations it deems advisable for the economic development of the City.

A draft report is attached for your consideration

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

HEDA Annual Report 2019

Hermantown Economic Development Authority

HEDA’s mission is to intentionally lead economic growth, creating a vibrant and prosperous community.

TO: HEDA Members **Hermantown Economic
Development Authority**

FROM: John Mulder, Executive Director

DATE: August 19, 2020 **Meeting Date:** 8/27/20

SUBJECT: Proposed Budget for 2021 **Agenda Item:** 5.3

STRATEGIC OBJECTIVE:

Objective A: HEDA Organization Development – Build Our Foundation For Action

A.3 Look at our membership, meeting frequency and focus, how we might engage other community interests and formalize how we intend to operate strategically.

REQUESTED ACTION

Approve for submission to the City Council a budget for the succeeding year of HEDA as required by Section 4.7.

BACKGROUND

Section 3.1.3. Consider and approve for submission to the City Council a budget for the succeeding year of HEDA as required by Section 4.7.

Section 4.7. HEDA, at the annual meeting, approve a budget for the succeeding year and approve for submission to the City Council. The budget must include a detailed written estimate of the amount of money that HEDA expects to need from the City in order for HEDA to conduct HEDA business during the next fiscal year. The needed amount is what is needed in excess of any expected receipts from other sources.

The first page of the attachment is the 2020 budget and expenditures too date.

The next two pages of the attached is the 2021 Budget. As part of the City’s overall Financial Management Plan, we want to increase the budget to further the mission of HEDA and to build a fund balance to be able to be more proactive and responsive to efforts that might be bigger than a one-year budget. However, due to the overall City budget and concern about the impact COVID 19 may have on the City’s financial condition, we are recommending decreasing the budget for 2021.

Capital Improvements: A monument sign is still included directing traffic to major community facilities. (i.e. Schools, parks, Wellness Centers. Arrowhead and Midway directing residents and visitors to the Essentia Wellness Center and the Schools.

Hermantown Economic Development Authority

HEDA’s mission is to intentionally lead economic growth, creating a vibrant and prosperous community.

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

Proposed 2021 Budget

Fund Account	Object	Committed Current Month	Committed YTD	Original Appropriation	Current Appropriation	Available Appropriation	% (50) Committed
230	Hermantown Economic Development Fund						
465100	HEDA						
	101 Full-Time Employees - Regular	2,205.79	9,367.40	20,714.00	20,714.00	11,346.60	45 %
	103 Part-Time Employees - Regular	0.00	850.00	4,200.00	4,200.00	3,350.00	20 %
	121 PERA Contributions - Regular	174.18	739.78	1,554.00	1,554.00	814.22	48 %
	123 PERA Contributions - DCP	0.00	23.79	210.00	210.00	186.21	11 %
	128 Social Security	139.06	610.42	1,303.00	1,303.00	692.58	47 %
	129 Medicare	32.54	149.99	361.00	361.00	211.01	42 %
	131 Health Insurance	432.57	2,261.61	4,381.00	4,381.00	2,119.39	52 %
	133 Life Insurance	5.99	27.25	48.00	48.00	20.75	57 %
	134 Disability Insurance	9.37	36.63	73.00	73.00	36.37	50 %
	136 MSRS	10.18	43.40	88.00	88.00	44.60	49 %
	151 Workers Compensation	0.00	13.50	27.00	27.00	13.50	50 %
	201 Office Supplies	0.00	0.00	100.00	100.00	100.00	0 %
	202 Printing Supplies	0.00	0.00	500.00	500.00	500.00	0 %
	221 General Supplies	0.00	0.00	100.00	100.00	100.00	0 %
	305 Engineer Fees	0.00	0.00	3,000.00	3,000.00	3,000.00	0 %
	308 Legal Fees	161.00	5,232.50	3,000.00	3,000.00	-2,232.50	174 %
	315 School & Conference	0.00	295.00	1,500.00	1,500.00	1,205.00	20 %
	319 Contracted Services	150.00	8,175.00	66,111.00	66,111.00	57,936.00	12 %
	325 Postage	0.00	0.00	500.00	500.00	500.00	0 %
	331 Travel Expense	116.31	1,145.05	1,000.00	1,000.00	-145.05	115 %
	343 Community Relations	0.00	3,273.06	5,000.00	5,000.00	1,726.94	65 %
	351 Legal Notices Publishing	0.00	107.25	200.00	200.00	92.75	54 %
	451 Dues & Subscriptions	0.00	3,340.00	4,000.00	4,000.00	660.00	84 %
	530 Improvements Other Than Bldgs	0.00	0.00	40,000.00	40,000.00	40,000.00	0 %
	Account Total:	3,436.99	35,691.63	157,970.00	157,970.00	122,278.37	23 %
	Account Group Total:	3,436.99	35,691.63	157,970.00	157,970.00	122,278.37	23 %
	Fund Total:	3,436.99	35,691.63	157,970.00	157,970.00	122,278.37	23 %
	Grand Total:	3,436.99	35,691.63	157,970.00	157,970.00	122,278.37	23 %

CITY OF HERMANTOWN, MN
Revenue Budget Report -- MultiYear Actuals
For the Year: 2021

Account	2017	2018	2019	2020	Current Budget 2020	% Rec. 2020	Prelim. Budget 21	Budget Change 21	Final Budget 21	% Old Budget 21
230 Hermantown Economic Development Fund										
310100 Current Year Taxes										
310100 Current Year Taxes	74,911	75,474	75,612		155,200	0%	142,500	-70,300	72,200	46%
Group:	74,911	75,474	75,612		155,200	0%	142,500	-70,300	72,200	46%
310200 Delinquent Taxes										
310200 Delinquent Taxes	288	869	208			0%			0	0%
Group:	288	869	208			0%		0	0	0%
319100 Penalty & Interest Property Taxes										
319100 Penalty & Interest	37					0%			0	0%
Group:	37					0%		0	0	0%
341000 Other Income										
341010 Building Rentals	1,000	1	1			0%			0	0%
Group:	1,000	1	1			0%		0	0	0%
362400 911 Signs										
362440 Conduit Financing Fees	2,770	2,770	2,770	2,770	2,770	100%	2,770		2,770	100%
Group:	2,770	2,770	2,770	2,770	2,770	100%	2,770	0	2,770	100%
392000 Transfers In										
392010 Transfers In			106,696			0%			0	0%
Group:			106,696			0%		0	0	0%
Fund:	79,006	79,114	185,287	2,770	157,970	2%	145,270	-70,300	74,970	47%
Grand Total:	79,006	79,114	185,287	2,770	157,970		145,270	-70,300	74,970	47%

Account Object	Actuals			Current Budget 2020	% Exp. 2020	Prelim. Budget 21	Budget Changes 21	Final Budget 21	% Old Budget 21
	2017	2018	2019						
230 Hermantown Economic Development Fund									
465100 HEDA									
101 Full-Time Employees - Reg	22,009	16,385	17,628	11,640	20,714	56%	21,372	21,372	103%
103 Part-Time Employees - Reg	2,500	1,500	1,800	850	4,200	20%	4,200	4,200	100%
121 PERA Contributions - Coord	1,574	1,282	1,377	919	1,554	59%	1,603	1,603	103%
123 PERA Contributions - DCP	71	38	45	24	210	11%	210	210	100%
128 Social Security	1,474	1,082	1,152	754	1,303	58%	1,344	1,344	103%
129 Medicare	367	265	283	183	361	51%	371	371	103%
131 Health Insurance	3,175	3,216	3,947	2,744	4,381	63%	4,562	4,562	104%
132 Health Care Savings Plan/			188		0	0%			0%
133 Life Insurance	50	43	50	31	48	65%	48	48	100%
134 Disability Insurance	74	66	68	43	73	59%	75	75	103%
136 MSRS			50	54	88	61%	88	88	100%
151 Workers Compensation	11	13	24	29	27	107%	28	30	111%
201 Office Supplies			113		100	0%	100	100	100%
202 Printing Supplies		368	267		500	0%	500	500	100%
221 General Supplies	3,075	217	69		100	0%	100	100	100%
305 Engineer Fees	3,034	455	1,953	5,261	3,000	0%	3,000	3,000	100%
308 Legal Fees		6,002			3,000	175%	6,000	6,000	200%
310 Recording/Filing Fees		46			0	0%		0	0%
315 School & Conference	1,549	290	295	295	1,500	20%	1,500	1,500	100%
319 Contracted Services		5,830	22,625	8,475	66,111	13%	66,111	17,169	26%
325 Postage		1	1		500	0%	500	500	100%
331 Travel Expense	1,232	2,385	1,655	1,261	1,000	126%	2,000	2,000	200%
343 Community Relations	500	307	8,208	3,273	5,000	65%	6,000	6,000	120%
351 Legal Notices Publishing	215	307	161	107	200	54%	200	200	100%
451 Dues & Subscriptions	3,340	3,835	2,845	3,340	4,000	84%	4,000	4,000	100%
530 Improvements Other Than B	71,587	36,930			40,000	0%	45,000	45,000	113%
Account:	115,837	80,556	64,804	39,283	157,970	25%	168,912	119,972	76%
Fund:	115,837	80,556	64,804	39,283	157,970	25%	168,912	119,972	76%
Grand Total:	115,837	80,556	64,804	39,283	157,970		168,912	119,972	

TO: HEDA Members

**Hermantown Economic
Development Authority**

FROM: John Mulder, Executive Director

DATE: August 19, 2020

Meeting Date: 8/27/20

SUBJECT: Enabling Resolution

Agenda Item: 5.4

STRATEGIC OBJECTIVE:

Objective A: HEDA Organization Development – Build Our Foundation For Action

A.3 Look at our membership, meeting frequency and focus, how we might engage other community interests and formalize how we intend to operate strategically.

REQUESTED ACTION

Consider and approve a report to the City Council on the Enabling Resolution as required by Section 4.15.

BACKGROUND

Section 3.1.4. Consider and approve a report to the City Council on the Enabling Resolution as required by Section 4.15.

Section 4.15. Without limiting the right of HEDA to request the City Council at any time, each year at the annual meeting HEDA shall consider and approve for submission to the City Council a report stating whether and how the Enabling Resolution should be modified. Within thirty (30) days of receipt of the recommendation, the City Council shall review the Enabling Resolution, consider the recommendations of HEDA, and make any modifications it considers appropriate. Modifications must be made in accordance with the procedures required by Minnesota Statutes Section 469.093.

There are no recommended changes to the enabling resolution. However, HEDA should review and discuss if that is the case. If no changes are necessary HEDA should approve a report to accept the resolution as stated.

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

Resolution No. 2017-69 Amended and Restated Resolution Establishing the Hermantown Economic Development Authority

Hermantown Economic Development Authority

HEDA's mission is to intentionally lead economic growth, creating a vibrant and prosperous community.

Resolution No. 2017-69

**AMENDED AND RESTATED
RESOLUTION ESTABLISHING THE
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY**

WHEREAS, Minnesota Statutes, Sections 469.090 to 469.108 (the “EDA Act”), authorizes cities to establish Economic Development Authorities (“EDA”) with specified powers and obligations to promote and to provide incentives for economic development; and

WHEREAS, the Hermantown City Council (“City Council”), by Resolution No. 92-29, established the Hermantown Economic Development Authority; and

WHEREAS, Resolution No. 92-29 has been amended by Resolution No. 92-46 and Resolution No. 93-51; and

WHEREAS, Resolution Nos. 92-29, 92-46 and 93-51 are hereinafter referred to as the “Initial Enabling Resolution”; and

WHEREAS, the City Council desires to make certain amendments to the Initial Enabling Resolution and to amend and restate the Initial Enabling Resolution by this Resolution; and

WHEREAS, the City Council has determined that it is in the-best interest of the City of Hermantown, Minnesota (the “City”) to continue HEDA in order to preserve and create jobs, enhance its tax base, assist certain housing initiatives, promote the general welfare of the people of the city and to assume primary responsibility for development activities within the City; and

WHEREAS, the City Council provided public notice by publication and conducted a public hearing on June 5, 2017 concerning the adoption of this Resolution and has fulfilled all other legal requirements for the continuation of HEDA.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF HERMANTOWN THAT THE INITIAL ENABLING RESOLUTION IS HEREBY AMENDED AND RESTATED IN ITS ENTIRETY TO READ AS FOLLOWS:

1. The Hermantown Economic Development Authority (“HEDA”) is hereby continued pursuant to Minnesota Statutes Sections 469.091, subdivision 1, and Section 469.093, subdivision 1.
2. HEDA shall have all of the powers, rights, duties and obligations conferred on economic development authorities by Section 469.090 to 469.1081 of the Minnesota Statutes, including the powers of a city granted by Minnesota Statutes, Sections 469.124 to 469.134 and the powers of housing and redevelopment authorities granted by Minnesota statutes, Sections 469.001 to 469.047.
3. Notwithstanding the provisions of Section 2 above, the grant of powers contained in said section shall not be deemed to affect the authority of the City or any housing and redevelopment authority hereinafter created, in and for the City to exercise the development powers authorized to or exercised by said bodies under Minnesota statutes.
4. HEDA shall be governed by a board of commissioners (“Commissioners”) comprised of seven (7) members. The Mayor of the City and all City Councilors shall be members of the Board. Two

(2) additional board members shall be appointed by the Mayor with the consent and approval of the City Council. The present terms of the present additional members are shown on Exhibit A attached hereto. Upon the expiration of such terms, such persons shall not be eligible for reappointment to the Board for at least two (2) years. All additional members shall be appointed for one (1) six (6) year term. At the expiration of any term, such person shall not be eligible for reappointment for at least two (2) years. The terms of the Mayor or other member of the City Council shall continue as long as he/she is serving as the Mayor or City Councilor, as the case may be, and his/her term shall expire if his/her terms of office as a member of the City Council or as Mayor ends and a vacancy shall then be created. No person shall serve as a Commissioner while such person holds an elective office other than as Mayor or a member of the City Council.

5. In accordance with Minnesota Statutes Section 469.100, subdivision 2, HEDA shall annually submit its budget to the City Council for approval by the City Council. In addition, upon submittal of its proposed annual budget to the City Council, HEDA shall provide the City Council an accounting of its receipts and expenditures as required by Minnesota Statutes Section 469.100, subdivision 4.

6. The City Administrator shall, at the direction and pleasure of HEDA, perform staff duties and may provide such other city staff to HEDA as HEDA may request; provided that the City may require reasonable reimbursement of the City by HEDA for costs associated with the provision of such staff; and provided further that nothing in this Section shall preclude HEDA from hiring such personnel or third party contractors as HEDA may from time to time determine.

7. Each year, HEDA will consider and approve for submission to the Council a report regarding modification of this Resolution as provided in Section Minnesota Statutes 469.093, subdivision 2.

8. All financial books, records, accounts and reports of HEDA shall be prepared, presented and retained by the Chief Financial Officer of the City, which office shall have the responsibility for administering the finances of HEDA as he/she does the finances of the City; provided that City may require reasonable reimbursement by HEDA to the City for costs associated with the provision of such financial services.

9. City officials and staff are hereby authorized and directed to execute such assignments, requisitions, directives and agreements as may be necessary and appropriate to carry out the terms, conditions and intentions of this Resolution.

10. Each Commissioner shall be paid Fifty and No/100 Dollars (\$50.00) for attending each regular and special meeting of HEDA at which a quorum is present and shall be further reimbursed for expenses incurred in conducting HEDA business.

11. HEDA may request the City Council levy a tax in the City for the benefit of HEDA as specifically set forth in Minnesota Statutes Section 469.107.

12. Nothing shall prevent the City Council from modifying this Resolution to impose, restrict or expand limits on the powers of HEDA or provide for other matters as authorized by law.

13. HEDA shall not exercise the power of eminent domain without the prior approval of the City Council.

14. This Resolution shall be referred to as the 2017 HEDA Enabling Resolution.

Councilor Peterson introduced the foregoing resolution and moved its adoption.

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

Councilors Geissler, Nelson, Peterson, Schmidt, Mayor Boucher, aye

and the following voted in opposition thereto:

None

WHEREUPON, such resolution was declared duly passed and adopted.

EXHIBIT A

Name	Term Expires
Dwayne Haapanen	13/31/2022
Cyndy Reno	12/31/2020

TO: HEDA Members

**Hermantown Economic
Development Authority**

FROM: John Mulder, Executive Director

DATE: August 19, 2020

Meeting Date: 8/27/20

SUBJECT: Depositories

Agenda Item: 5.5

STRATEGIC OBJECTIVE:

Objective A: HEDA Organization Development – Build Our Foundation For Action

A.3 Look at our membership, meeting frequency and focus, how we might engage other community interests and formalize how we intend to operate strategically.

REQUESTED ACTION

Motion to appoint depositories as required by Section 4.16.

BACKGROUND

Section 3.1.5. Consider and appoint a depository when and as required by Section 4.16.

Section 4.16. At least every two (2) years at the annual meeting HEDA shall name a national or state bank within the state as depository. HEDA may deposit all its money in one bank account. Before acting as a depository, a named bank shall give HEDA a bond approved as to form and surety by HEDA. The bond must be conditioned for the safekeeping and prompt repayment of deposits. The amount of the bond must be at least equal to the maximum sums expected to be deposited at any one time.

Currently HEDA Funds are deposited with the following institutions:

Multi Bank Securities;
US Bank;
4-M Fund;

Wells Fargo Securities,
PMA Financial Network, Inc.;
TD Ameritrade Institutional (Custodian)/Ehlers Investment
Partners (Advisor)

RBC Dain Rauscher;

National Bank of Commerce;

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

n/a

Hermantown Economic Development Authority

HEDA's mission is to intentionally lead economic growth, creating a vibrant and prosperous community.

TO: HEDA Members
FROM: John Mulder, Executive Director
DATE: August 20, 2020
SUBJECT: Audit Report

**Hermantown Economic
Development Authority**

Meeting Date: 8/27/20
Agenda Item: 5.6

STRATEGIC OBJECTIVE:

Objective A: HEDA Organization Development – Build Our Foundation For Action

A.3 Look at our membership, meeting frequency and focus, how we might engage other community interests and formalize how we intend to operate strategically.

REQUESTED ACTION

Consider and approve an audit to submit to the City Council pursuant to Section 4.17.

BACKGROUND

Section 3.1.6. Consider and approve an audit to submit to the City Council pursuant to Section 4.17.

Section 4. 17 of the bylaws states,

“The financial statements of HEDA must be prepared, audited, filed and published or posted in the manner required for the financial statements of the City. The financial statements must permit comparison and reconciliation with the City’s accounts and financial reports. The audit shall be considered by the Board at the annual meeting and approve for submission to the City Council. The audit shall be filed with the State Auditor in accordance with applicable law.”

The financial statements of HEDA are prepared by the City’s Finance Department and are audited as part of the overall City Audit. The relevant parts of the City’s Financial Statements are attached.

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

Audit Report

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Blended Component Unit

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

Related Organization

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

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

NOTE 6 CONDUIT DEBT OBLIGATIONS

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

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

NOTE 7 INTERFUND TRANSACTIONS

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

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

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

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

NOTE 14 TAX ABATEMENT COMMITMENTS

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

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

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

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

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

NOTE 15 COMMITMENTS AND CONTINGENCIES

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

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

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

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

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

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

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

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

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

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

Hermantown Economic Development Authority
Resolution No. 2020-___

HEDA Commissioner _____ introduced the following resolution and moved its adoption:

**RESOLUTION APPROVING AN AGREEMENT FOR PROFESSIONAL
CONSULTING SERVICES WITH ICS CONSULTING, INC.
FOR THE TOTAL CONSIDERATION OF \$24,000.00**

WHEREAS, the Hermantown Economic Development Authority (“HEDA”) desires to obtain consulting services associated with a regional recreational initiative; and

WHEREAS, ICS Consulting, Inc. (“ICS”) submitted a proposal to provide such services to the HEDA (“Proposal”); and

WHEREAS, ICS and HEDA desire to enter into an Agreement for Professional Consulting Services (“Agreement”) as shown on Exhibit A attached hereto in which ICS provides services to HEDA pursuant to these terms of the Agreement and the Proposal; and

WHEREAS, the HEDA Commissioners have reviewed the Agreement and hereby believe that it is in the best interests of HEDA to approve the Agreement and authorize and direct the President and Secretary of HEDA to execute and deliver the Agreement on behalf of HEDA.

NOW THEREFORE, BE IT RESOLVED by the Commissioners of HEDA as follows:

1. The President and Secretary of HEDA are hereby authorized and directed to execute and deliver the Agreement on behalf of HEDA and execute and deliver whatever documents are necessary to consummate the transactions contemplated by the Agreement.

2. The City Clerk shall enter this Resolution in the records of HEDA immediately after the execution of this Resolution by the HEDA Administrator.

The motion for the adoption of the foregoing resolution was duly seconded by HEDA Commissioner _____ and, after full discussion thereof and upon a vote being taken thereon, the following HEDA Members voted in favor thereof:

and the following voted against the same:

Whereupon said resolution was declared duly passed and adopted.

Dated this ____ day of _____, 2020.

HEDA Administrator

EXHIBIT A

**AGREEMENT FOR PROFESSIONAL CONSULTING SERVICES
BETWEEN ICS CONSULTING, INC. AND THE
HERMANTOWN ECONOMIC DEVELOPMENT AUTHORITY**

THIS AGREEMENT FOR PROFESSIONAL CONSULTING SERVICES (“Agreement”) is made this _____ day of _____, 2020 by and between **Hermantown Economic Development Authority** (“HEDA”) and **ICS Consulting, Inc.**, a corporation organized under the laws of the State of Minnesota, (“ICS”) in response to the following situation:

A. HEDA desires to contract with ICS to provide consulting services associated with a regional recreational initiative (“Project”).

B. ICS is willing to provide consulting services with regard to the Project pursuant to the terms of this Agreement.

NOW, THEREFORE, ICS and HEDA do mutually agree as follows:

1. Services to be Performed.

1.1. The contact person for the consulting services to be performed is Jeff Schultz.

1.2. ICS shall provide consulting services to HEDA and the City of Hermantown (“City”) with respect to the Project.

1.3. The scope of services to be provided to HEDA and City by ICS related to the Project is as set forth on Exhibit A attached hereto.

1.4. The services shall be performed pursuant to the direction and prior review and approval of all actions and communications of and by the City Administrator of the City.

2. Personnel. ICS will secure, at its own expense, all personnel required to perform the services under this contract, and such personnel shall not be the employees of, nor have a contractual relationship with, HEDA.

3. Subcontractors. ICS may utilize services from subcontractors with the prior approval of the City Administrator of the City of Hermantown. Subcontractors may include: Northland Consulting Engineers, Trinity Creek consultants, Rapp Strategies, JLG Architects and Anderson Johnson. The fees of subcontractors are included with the fees related to the Project as set forth in Section 10 hereof.

4. **Assignability.** ICS shall not assign any interest in this contract and shall not transfer any interest in the same without the prior written approval of HEDA.

5. **Agreement Period.** This Agreement shall be effective as of the date hereof and shall continue for ten (10) months or until terminated as provided in Section 6 hereof.

6. **Termination of Contract.** Either ICS or HEDA may, by giving written notice specifying the effective date which shall not be less than thirty (30) days from the date such notice is given, terminate this contract in whole or in part. In the event of termination, all property and finished or unfinished documents and other writings prepared by ICS under this contract shall be delivered to HEDA and ICS shall be entitled to compensation for time expended to the date of termination and expenses incurred.

7. **Independent Contractor.** The relationship between ICS and HEDA shall be that of an independent contractor. Nothing herein shall in any way make or create any employer-employee relationship between ICS and HEDA.

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

8.1. Comprehensive general liability insurance that covers ICS pursuant to this Agreement with a combined single limit of liability of at least Two Million and No/100 Dollars (\$2,000,000.00).

8.2. Professional liability insurance that covers the consulting services performed by ICS for HEDA with a combined single limit of liability of at least Two Million and No/100 Dollars (\$2,000,000.00). Said policy need not name HEDA as an additional insured. It shall be ICS's responsibility to pay any retention or deductible for the professional liability insurance.

8.3. Worker's compensation insurance covering ICS (if an individual) and all of ICS's employees with coverages and limits of coverage required by law.

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

ICS certifies that ICS is in compliance with all applicable worker's compensation laws, rules and regulations. Neither ICS (if an individual) nor ICS's employees and agents will be considered HEDA's employees. Any claims that may arise under any worker's compensation laws on behalf of any employee of ICS and any claims made by any third party as a consequence of any act or omission on the part of ICS or any employee of ICS are in no way HEDA's obligation or responsibility. By signing this Agreement, ICS certifies that ICS is in compliance with these laws and regulations.

ICS shall deliver to HEDA, concurrent with the execution of this Agreement, one or more certificate(s) of insurance evidencing that ICS has the insurance required by this Agreement in full force and effect. HEDA shall be named as additional insured under ICS's comprehensive general liability policy. The insurer will provide at least thirty (30) days prior written notice to HEDA, without fail, of any cancellation, non-renewal, or modification of any of ICS's comprehensive general liability policy or coverage evidenced by said certificate(s) for any cause, except for nonpayment of premium. The insurer will provide at least ten (10) days prior written notice to HEDA, without fail, of any cancellation of any of ICS's comprehensive general liability policy or coverage evidenced by said certificate(s) for nonpayment of premium. ICS shall provide HEDA with appropriate endorsements to ICS's comprehensive general liability policy reflecting the status of HEDA as an additional insured and requiring that the foregoing required notice of cancellation, material alteration or non-renewal be provided to HEDA by the insurance company providing such insurance policy to ICS.

9. **Other Projects.** ICS and HEDA may, by separate agreement, identify other projects for which the services of ICS are desired and that are outside the scope of this Agreement. Such separate agreement shall specify the work to be performed on such separate projects and the fees to be paid to ICS in connection with such special projects. HEDA may also elect to utilize ICS on an \$120/hour hourly basis for any of the following services if directed by the City Administrator:

- 9.1. Assistance with funding options, including grants to the Project;
- 9.2. Assistance in providing community engagement opportunities;
- 9.3. Assistance in providing ongoing communications to residents;
- 9.4. Assistance in referendum services, if a referendum election should be considered;
- 9.5. Assisting HEDA in presenting the Project scope and budget to interested stakeholder groups, such as the Hermantown Chamber of Commerce; and
- 9.6. Assistance in fundraising efforts using the naming rights and private donation agreements approved by the City Council.

10. **Compensation.** ICS shall be compensated for the services to be performed hereunder for a fixed fee of Twenty-four Thousand and No/100 Dollars (\$24,000.00), which includes reimbursable expenses for ICS and fees for approved subcontractors. ICS will provide an invoice to HEDA in the amount of Two Thousand Four Hundred and No/100 Dollars (\$2,400.00) per month beginning with the month following the month in which this Agreement is executed. ICS shall submit to HEDA itemized statements of services rendered during each month setting forth the date such services were rendered, a description of the services rendered, the person performing such services, and the amount of time expended in performing such services.

11. **Recordkeeping.** ICS hereby agrees:

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

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

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

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

14. **Intellectual Property Rights.** For the purposes of this Agreement, Project Materials means copyrights and all works developed in the performance of this Agreement, including, but not limited to, the finished product and any deliverables, including any software or data. Project Materials do not include any materials that ICS developed, acquired or otherwise owned or had a license to use prior to the date of this Agreement. All Project Materials are agreed by ICS to be "works made for hire" as defined under 17 U.S.C. §101, for which HEDA has the sole and exclusive right, title and interest, including all rights to ownership and copyright and/or patent. In addition, ICS hereby assigns all right, title and interest, including rights of ownership and copyright in the Project Materials to HEDA. ICS shall provide HEDA, at no additional cost to HEDA, with copies of all Project Materials. Upon request by ICS, HEDA may

authorize ICS to use specified Project Materials to evidence ICS's professional capabilities. In all such uses of Project Materials by ICS, reference shall be made to HEDA and the Project and that the Project Materials are owned by HEDA. ICS also acknowledges and agrees that all names and logos provided to ICS by HEDA for use in connection with the Project are and shall remain the sole and exclusive property of HEDA. ICS agrees not to use the name, logo, or any other marks owned by or associated with HEDA or the name of any representative of HEDA in any sales promotion work or advertising, without the prior written permission of HEDA in each instance. However, ICS may use the name of HEDA in a document required to be filed with, or provided to, any governmental authority or regulatory agency to comply with applicable legal or regulatory requirements. ICS agrees to provide HEDA with a copy of any such document.

15. **Notices.** Any notice required to be given under this Agreement shall be deemed sufficient if in writing, sent by mail to ICS at 525 Lake Avenue South, Suite 222, Duluth, Minnesota 55802, or to HEDA at 5105 Maple Grove Road, Hermantown, Minnesota 55811.

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

17. **No Contractual Authority.** ICS shall have no authority to enter into any contracts or agreements binding upon HEDA or to create any obligations on the part of HEDA.

18. **COVID-19.** ICS agrees to comply with and secure the compliance by all parties participating in the Project with all applicable Emergency Executive Orders issued by Governor Tim Walz of the State of Minnesota in connection with the COVID-19 Peacetime Emergency. ICS agrees to hold harmless and indemnify HEDA and City from and against all claims or liabilities arising out of a violation of this paragraph.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, the parties hereto have executed this contract as of the date first above written.

ICS:

ICS Consulting, Inc.

By _____
Its _____

HEDA:

**Hermantown Economic Development
Authority**

By _____
Its _____

And By _____
Its _____

EXHIBIT A

1. **Overall Project Conceptual Structure.**

1.1. Before beginning work on the Project:

1.1.1. Provide a detailed chronology of work done before this contract and status of work by September 15

1.1.2. Provide City with electronic copies of any reports, designs, financial projections or other documents prepared before this contract by September 15

1.1.3. Provide a separate work plan that identifies the tasks to be performed and a timeline for the ice arena, park facilities and trail projects

1.1.4. Provide a combined work plan that identifies the tasks to be performed for the entire combined project and the timeline for performing the tasks

1.1.5. Identify City staff resources that will be required to perform the tasks

1.1.6. Identify the individuals and entities who/which will be required to be contacted and included in conjunction with the projects and the plan for soliciting their involvement

1.1.7. Identify the method by which you will provide approved communications to the public

1.2. During the course of work on the Project:

1.2.1. Identify proposed funding sources for capital costs of the project in total and for separate projects

1.2.2. Identify proposed funding sources for operational costs for the Project in total and for separate projects

2. **Arena Project.** Specifically, as it pertains to the development of the arena portion of the Project, ICS will:

2.1. Organize stakeholder group meetings and establish project expectations.

2.2. Provide regular progress reports to the City Council of the City of Hermantown at such times as required by the City Administrator.

2.3. Work with Independent School District No. 700 (“School”) to formalize clarity around:

2.3.1. Land ownership;

2.3.2. Building ownership;

2.3.3. Any existing funding agreements; and

2.3.4. Any existing use agreements.

2.4. Formalize HAHA agreement

2.4.1. Operation and maintenance agreement

2.4.2. Funding agreements

2.5. Prepare a form of naming rights agreement with the City Administrator of the City of Hermantown and submit the City Council for approval.

2.6. Develop a private donation process together with the City Administrator and submit to the City Council for approval.