

Annual Budget

2022



Hermantown

Working together to serve
and build our community

Table of Contents

City Statistics.....	7
Diversity in Hermantown, MN (2020 US Census)	8
2020 Principal Employers	9
2020 Larger Taxpayers.....	9
Community History.....	12
The Organization.....	14
Elected Officials	14
Appointed Officials	14
Mission Statement.....	15
Budget Message	16
Council Priorities.....	20
2021 Highlights:	22
Distinguished Budget Presentation Award.....	26
2022 Financial Summary Information.....	27
City of Hermantown Org Chart	29
City of Hermantown Fund Structure.....	30
Fund Accounting	31
Basis of Accounting and Basis of Budgeting	38
Financial Management Policies	39
Budget Policy & Financial Control.....	54
Budget Calendar	55
Financial Summary.....	56
Major Funds and Non-Major Funds by Fund Type	58
Changes in Budgeted Fund Balance.....	62
Long Range Financial Management Plan – General Fund –.....	64
Revenue Categories & Trends	65
Tax Information	71
General Fund Summary – Fund 101	77
2022 General Fund Revenues	77
2022 General Fund Revenue Sources – Detail.....	79
2022 General Fund Expenditures	81

2022 General Fund Expenditures – Detail by Category	82
Trend in Expenditures – General Fund	83
Capital Improvement Plan	84
Impact of Capital Investments on Operating Budget	85
Projects & Funding Sources by Department	86
Five Year Plan for Municipal State Aid – MSA Roads	89
City Debt Overview	90
Debt Margin	90
Debt Issuance and Refinancing	91
Debt Service Direct Tax Levy (Next 5 Years)	91
Existing Debt Overview	91
Debt Issuance Details	91
Staffing	93
2022 Full-Time Equivalent (FTE) Summary by Position Count	93
General Fund	94
City Council - 411100	94
Ordinance, Public Notice, and Proceedings - 411300	96
Mayor – 413100	97
Elections - 414100	99
Administration & Finance - 415300	101
Performance Measure- Administration	102
Performance Measure- Finance	103
Performance Measure- City Clerk	104
Performance Measure- Communications	105
City Attorney – 416100 - Contracted	108
Community Development – 419100	109
Performance Measure- Community Development	111
City Hall/Police Building Maintenance - 419901	114
Police 421100	116
Performance Measure- Police	118
Fire Protection – 422100 - Contracted	121
Fire Hall #1 – 422901	123
Fire Halls #2 & #3 – 422902/422903	124

Building Inspection – 424100.....	125
Performance Measure- Building Official.....	126
Poundmaster - 427100	128
Street – 431100/431150.....	129
Performance Measure- Public Works	130
City Engineer - 431130 - Contracted	133
City Garage Maintenance - 431901	134
Parks - 452100	135
Community Building - 452200	137
Cemetery - 490100	138
Insurance- General- 492200	139
Transfer Out - 495000.....	139
Special Revenue Funds.....	140
Fund 230 – Hermantown Economic Development Authority	140
Fund 235 – Park Dedication Fund.....	141
Fund 236 - Wetland Mitigation Fund.....	142
Fund 240 - City Sales Tax Fund	143
Fund 245 – COVID – ARPA	145
Fund 251 - Police Program Fund.....	146
Fund 260 - Cable Television Fund	147
Fund 275 – Essentia Wellness Center	148
Debt Service Funds	149
Fund 301 – Equipment Debt Service	149
Fund 315 – 2016B GO Bonds	150
Fund 318 – 2016A GO Bonds	151
Fund 320 – 2012A GO Bonds	152
Fund 321 – 2012B GO Bonds	153
Fund 322 – 2014A GO Bonds	154
Fund 323 – 2018A GO Bonds – Fire Halls #2 & #3	155
Fund 324 – 2018B GO Bonds – Wellness Center & Rose Rd Softball Fields	156
Fund 325 – 2019A GO Bonds – Wellness Center	157
Fund 326 – 2020A GO Bonds – Road Improvements and Refinance 2010A	158
Fund 327 – 2020B GO Bonds – Section 24 Sewer Trunkline.....	159

Fund 328 – 2021A GO Bonds - Road Improvements and Refinance 2012B	160
Fund 350 - Special Assessment Deficiency Fund	161
Capital Projects Funds.....	162
Fund 401 – General Capital Projects.....	162
Enterprise Funds	163
Fund 601 - Water Enterprise Fund	163
Fund 602 - Sewer Enterprise Fund.....	169
Fund 603 – Storm Water Fund	173
Fund 605 - Street Lighting & Traffic Signalization Fund.....	176
Glossary	177
Acronyms.....	181

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 (2015-2019):

Hermantown: \$238,800

US: \$217,500

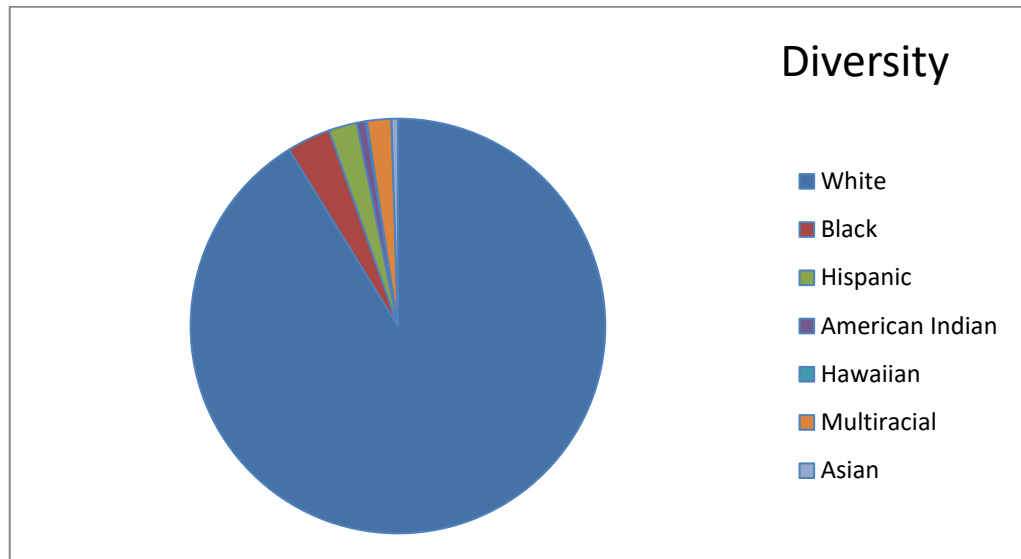
Median gross rent: \$1,095

Households 2015-2019 – 3,660

Persons per household – 2.42

*Data Source: 2020 US Census

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%

2020 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

2020 Larger Taxpayers

TAXPAYER	TYPE OF PROPERTY	2020/21 NET TAX CAPACITY	% OF CITY'S TOTAL NET TAX CAPACITY
ALLETE/MINNESOTA POWER	COMMERCIAL /UTILITY	730,936	4.97%
AMERICAN TRANSMISSION CO., LLC	UTILITY	711,060	4.83%
WAL-MART	COMMERCIAL	306,262	2.08%
FLEET FARM PROPERTIES, LLC	COMMERCIAL	301,378	2.05%
CS DULUTH OWNER, LLC	APARTMENT	234,529	1.59%
INDIVIDUAL	APARTMENT	210,251	1.43%
MENARDS	COMMERCIAL	189,342	1.29%
WISCONSIN CENTRAL LTD	RAILROAD	126,488	0.86%
EVI HERMANTOWN I, LLC	APARTMENT	123,224	0.84%
BDP ENTERPRISES, LLC	COMMERCIAL	109,018	0.74%
TOTAL		3,042,468	20.68%

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
27 Active members
ISO Class 5

Police Protection – 1 Station
16 Sworn Officers

Public Works

52.6 Miles of Asphalt Streets Maintained
19 Miles of Gravel Roads Maintained
36 Cul-de-sacs
Streets – 70.9 Miles

Recreation

325.95 Acres of City Parks, Playgrounds, Playfields and Trails
4 Parks, which encompass 3 playgrounds, 8 baseball/softball fields, 5 soccer fields, 1 skate park and 2 walking/skiing trail

Utilities Data

Municipal Water System – purchases all drinkable water from City of Duluth
2,361 Connections
64.647 Miles
435,616 Gallon Average Daily Usage

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

Municipal Sewer System – Western Lake Superior Sanitary District

2,169 Connections
70.158 Miles of Sanitary Sewer Mains
432,876 Gallons Average Daily Usage
802 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
-----------------------	--------------	----	---------------

City Councilors

John Geissler	January 2021	to	December 2024
Gloria Nelson	January 2019	to	December 2022
Natalie Peterson	January 2019	to	December 2022
Grant Hauschild	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	Jim Rich
Public Works Director	Paul Senst
Police Chief	Jim Crace
Comm. Dev. Director	Eric Johnson

City Clerk

To be Determined

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

2022 Budget

November 15, 2021

The 2022 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	Total	Total	
January 25, 2021	Votes	Vote	Average
	Cast	Value	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.

We are looking forward finishing several priorities in our community in 2021 and identifying and tackling new priorities for the future.

Expenditures: At this time, expenditures in the 2022 General Fund Budget are increasing 7% or \$444,785. As a general rule in 2022 approximately \$67,000 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
- 2022 Election expenditures (no election in 2021)
- City attorney increase
- Anticipated retirements
- Increase in funding for capital equipment back to Financial Management Plan level

Revenues: At this time, revenues in the 2022 General Fund Budget are \$6,732,986 an increase of \$444,785 from 2021.

The General Fund budget relies heavily on local property tax (levy) to fund the expenditures. The levy makes up 90% 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 2022.

Levy: The total levy under this preliminary general fund budget is projected to increase 9.4%. 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 7.6%. This is an increase from the previous year.

HEDA Levy: The HEDA levy is increasing 97%. This is an increase from the previous year and is consistent with our Financial Management Plan.

Debt Levy: In 2022 the debt levy is increasing 24% due to 2021 road improvements as part of the City's Financial Management Plan.

For 2021, exclusive of the Fleet Farm and Holiday Inn developments, the Net Tax Capacity grew by approximately 2%. With the total levy growing by more than this, it causes an increase in the tax rate, so that an individual homeowner will pay more for the same value of home. The rate increases from .4354 to .4665, a 7% increase.

Financial Management Plan:

The City is becoming increasingly proactive in planning farther in advance and planning in a comprehensive way. Towards that end, in January 2019, the City adopted a Financial Management Plan which integrates existing debt, Capital Improvement Plan, future planned debt, tax base growth, future operating expenses, staff additions, actual financial results, current and proposed budgets, and financial policies. A long-term Road Improvement Plan and how to finance road improvements is included in this plan. Some of the tangible

benefits of this plan include: Implementing a Road Improvement Plan, additional staff, additional funding for parks, additional funding for municipal buildings, additional funding for HEDA, additional funding for capital improvements, and maintaining adequate Fund Balance reserves. During the 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 hopes to redo the Financial Management Plan in 2022 which will continue to help the City maintain fiscal responsibility while striving to achieve stated priorities.

Departmental Goals and Performance Measures:

A few years ago, the City communicated goals and created performance measures for each department. As part of this budget book, this document for each department is included. These are fluid documents and will be tracked and revised as needed each year. This year we did revise them to make them better and will continue to do so in the future.

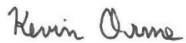
Conclusion:

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, 2021. We look forward to the process and the results of focusing on our mission and Council Priorities in 2022. 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 2022.

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, Trials, Fichtner Park)	Legislative approval was granted pending the outcome of referendum on the issue in November of 2022.
Trails as part of the Community Recreation	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.

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. Grant to Mediacom to provide 1 Gig service to 230+ homes2. Creation of a Broadband Taskforce3. Set aside \$400,000 of American Rescue Funds money toward this project4. Approved a planning grant application to St. Louis County

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 sales tax was 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)	Included in the 2022 Budget is \$75,000 to begin what is anticipated to be an 18 to 24 month process to update the comprehensive plan
Recruit business proactively	Will work with HEDA to carry out its strategic plan
Re-start Advance Hermantown – create new destiny drivers	Further discussion is needed on how this might fit into the comprehensive planning process.

2021 Highlights:

Continued COVID-19 Response

While the impact and actions were different in 2021 than 2020, it is still appropriate to view another entire year through the lens of COVID-19. There were no stretches in 2021 where city offices were closed – compared to two lengthy closures in 2020 – significant efforts and choices were driven by the continued pandemic.

The flexibility of the City’s previously-passed Financial Management Plan (FMP) was tested in areas where plans were scaled back or funds were made available for different options to support community needs more immediately specific. Critical support from the federal government buoyed local efforts and has, thus far, allowed Hermantown to successfully navigate the challenges presented by the pandemic.

Operational shifts, from remote-options for public meetings to greater work-from-home possibilities were also key in having a successful and healthy 2021.

Remote Meetings Become the Norm

After moving to paperless agendas and iPad usage for councilors and staff shortly before the start of the COVID-19 pandemic in February of 2020, local government continued to adapt and make public meetings accessible and safe to all in 2021.

Using Zoom, the City of Hermantown was able to not only create meeting environments that acknowledged the health dangers of in-person meeting in 2021, but also created greater access than existed before the pandemic. As statewide restrictions on in-person gatherings loosened, the City of Hermantown was able to balance hybrid-version meeting – with both in-person elements and remote, online access – so residents could attend meetings in ways that best lined up with their needs.

Road Improvement Plan Moves Forward

After an initial set of roads was completed in 2020, the City’s Road Improvement Plan (RIP) took another step forward in 2021 with the reconstruction of Lavaque Junction, Swan Lake Road, and Sundby Road.

As in 2020, Municipal State Aid was again leveraged in the work on Swan Lake and Sundby, but this also featured the City’s strong partnership with St. Louis County. With these two roads having sections belonging to the County and the City, the partnership allowed for the County to complete the work on the City’s portion. Additionally, the long overdue work on Lavaque Junction helps improve one of the most historic neighborhoods in Hermantown.

Public information meetings for the 2022 RIP project – the largest to date, stretching from Highway 53 to Fichtner Park along Ugstad Road – began in 2021 as well.

Evolution at Essentia Wellness Center

Success was certainly an expectation when the City of Hermantown constructed the 72,000+ square-foot Essentia Wellness Center. In addition, there has already been unexpected and positive evolution at the building from several key partners.

The YMCA did not envision their branch at the EWC becoming a key hub for those in need of food access, support in navigating insurance challenges, and hosting programming for troubled teens, but those options became necessary and successful in 2021. Additionally, Essentia Health shifted even more of their focus into behavioral and mental health support than originally anticipated.

The goal was always to have partnerships and a facility that was able to evolve and meet community needs, even when those needs were not likely what would have been initially predicted.

Safety Continues to be Hallmark of Hermantown

Early 2021 featured the unveiling of the City's Community Survey, which featured another round of astonishingly high marks in safety. This year 97% of respondents felt that Hermantown was a safe city, improving on a 95% mark the previous year. This aligns with strong numbers in fire protection, snow plowing, and overall appearance of the City.

Areas of focused improvement over the past three years – in the condition of streets and the quality of parks – continued moving in the right direction from the original 2018 numbers as well.

Trunk Sewer and Trail Opening

In what likely ranks as the top community addition in 2021, the City of Hermantown completed a project that is equal parts park and economic development. The completion of the Section 24 Trunk Sewer Spur opens more than 230 acres of developable land on the eastern edge of Hermantown with sewer access.

In addition to that potential economic development boost, the first fully-completed section of the Hermantown Connector Trail System sits atop the trunk sewer spur. Stretching several miles from Stebner Park and the corner of Haines Road and Maple Grove Road down to Hermantown Road, the new trail – dubbed Boulder Trail – hosted hundreds of bikers, walkers, joggers, strollers and more in 2021. The accessible, ten-foot-wide paved trail is part of a system that ideally will stretch across the City and eventually connect with the state-wide trail system south and west of Hermantown.

A second, smaller section of trail was also paved and completed in 2021. This stretch, from Morris Thomas Road into Keene Creek Park, will eventually provide connection to the Boulder Trail and beyond, possibly as soon as 2022.

Recreation Initiative Takes Key Step Forward

Completing the Hermantown Connector Trail System is contingent on funding. The trail system, combined with a plan to reimagine Fichtner Park and add a second indoor hockey arena for a burgeoning youth sports community, composes the proposed Community Recreation Initiative.

The recreation initiative took a major step forward in 2021 when the Minnesota legislature said it could be included on the 2022 ballot. While the City prepares the necessary information to educate residents on that vote, preliminary discussions continue with ISD-700 Hermantown Community Schools, Hermantown Amateur Hockey Association (HAHA), and other committed community members in determining what

partnerships and support is needed to make this initiative a successful reality should residents vote in favor.

City Attorney Transition

For nearly as long as there has been a City of Hermantown, Steve Overom has been the City's attorney. Mr. Overom announced his plans to scale back his involvement at Overom Law, the firm he founded, in 2020 and step into a smaller role with the City of Hermantown.

Mr. Overom, who has held the City Attorney position for more than four decades, has guided the City through unparalleled growth in northern Minnesota. His caring approach and thoughtful leadership have gone well beyond his role, as he has become an important part of the history of the City.

Gunnar Johnson was hired by Overom Law in early 2021 and will take over as Hermantown's City Attorney beginning in January of 2022. Mr. Overom will continue to provide support on Hermantown's Economic Development Authority (HEDA) and on the newly-formed Broadband Task Force.

City Population Surpasses 10K

The wait for 2020 Census results spilled deep into 2021, but when the information finally was released the City of Hermantown found itself at new heights. With a population of 10,221, Hermantown crested beyond the 10,000-resident mark for the first time in history.

After several decades of growth, the surpassing of this population mark proved both to be a testament to the work already performed in the City as well as a harbinger of the bright future to come.

Development Continues to Find Success in City

Hermantown continued to be a place that people want to live and work in 2021, highlighted by two key areas of development

Platinum Properties – Hermantown Marketplace

Platinum Properties continued to bring businesses into the Hermantown Marketplace in 2021 with the completion of one new business center and the beginning of construction on a second. Add in the multi-business building Platinum finished just a few short years ago and this particular developer has now helped move nearly a dozen different businesses into Hermantown.

Aery – Hermantown's Newest Living Option

P & R Properties began development on a significant housing project in 2020 and started welcoming residents into the Aery – a 147-unit apartment complex located on the corner of Ugstad Road and Highway 53. With a regional housing shortage and limited apartment options in Hermantown, this highly-desired option has been in heavy demand since long before it opened its doors.

The Aery is located near the Hermantown Schools, the Essentia Wellness Center, the Hermantown Square, and the Duluth International Airport. The hope is that

this living option helps spur additional development in the area, which includes the recently-delisted Arrowhead Refinery Superfund Site.



GOVERNMENT FINANCE OFFICERS ASSOCIATION

*Distinguished
Budget Presentation
Award*

PRESENTED TO

**City of Hermantown
Minnesota**

For the Fiscal Year Beginning

January 01, 2021

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, 2021. 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.

2022 Financial Summary Information

	2020 Actual		2021 Original Budget		2022 Budget	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
General Fund	6,917,603	6,361,772	6,288,201	6,288,201	6,732,986	6,732,986
Special Revenue Funds	8,445,277	6,474,919	4,182,918	5,784,439	4,100,318	4,741,121
Debt Service Funds	5,793,175	4,987,620	3,853,484	3,791,704	3,875,317	3,786,350
Capital Project Funds	12,407,756	4,339,463	343,000	173,125	510,000	308,470
Enterprise Funds	4,280,610	4,632,347	4,177,509	4,438,469	4,070,733	4,389,230
Total	37,844,421	26,796,121	18,845,112	20,475,938	19,289,354	19,958,157

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 2022 budget is a balanced budget.

General Fund:

2022 budgeted revenues are \$444,785 higher than 2021 budgeted revenues, while 2022 budgeted expenditures are \$444,785 higher than the 2021 budgeted expenditures.

Special Revenue Funds:

2022 budgeted revenues are \$82,600 less than 2021 budgeted revenues and expenditures are \$1,007,318 less than last year. This decrease is mainly due to less budgeted capital improvements in the Park Dedication and Sales Tax Funds.

Debt Service Funds:

Debt Service Funds are budgeting revenues of \$3,875,317 and expenditures of \$3,786,350 in 2022. This is \$21,833 more in revenue and \$5,354 less in expenditures than budgeted in 2021. In 2021 the City issued additional bonds to accomplish the 2021 road reconstruction in our Financial Management Plan.

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:

2022 budgeted revenues are \$106,776 less than 2021 budgeted revenues. 2022 budgeted expenditures are \$49,239 less than 2021 budgeted expenditures due to less capital expenditures budgeted in the water department.

Financial Structure, Policy, and Process

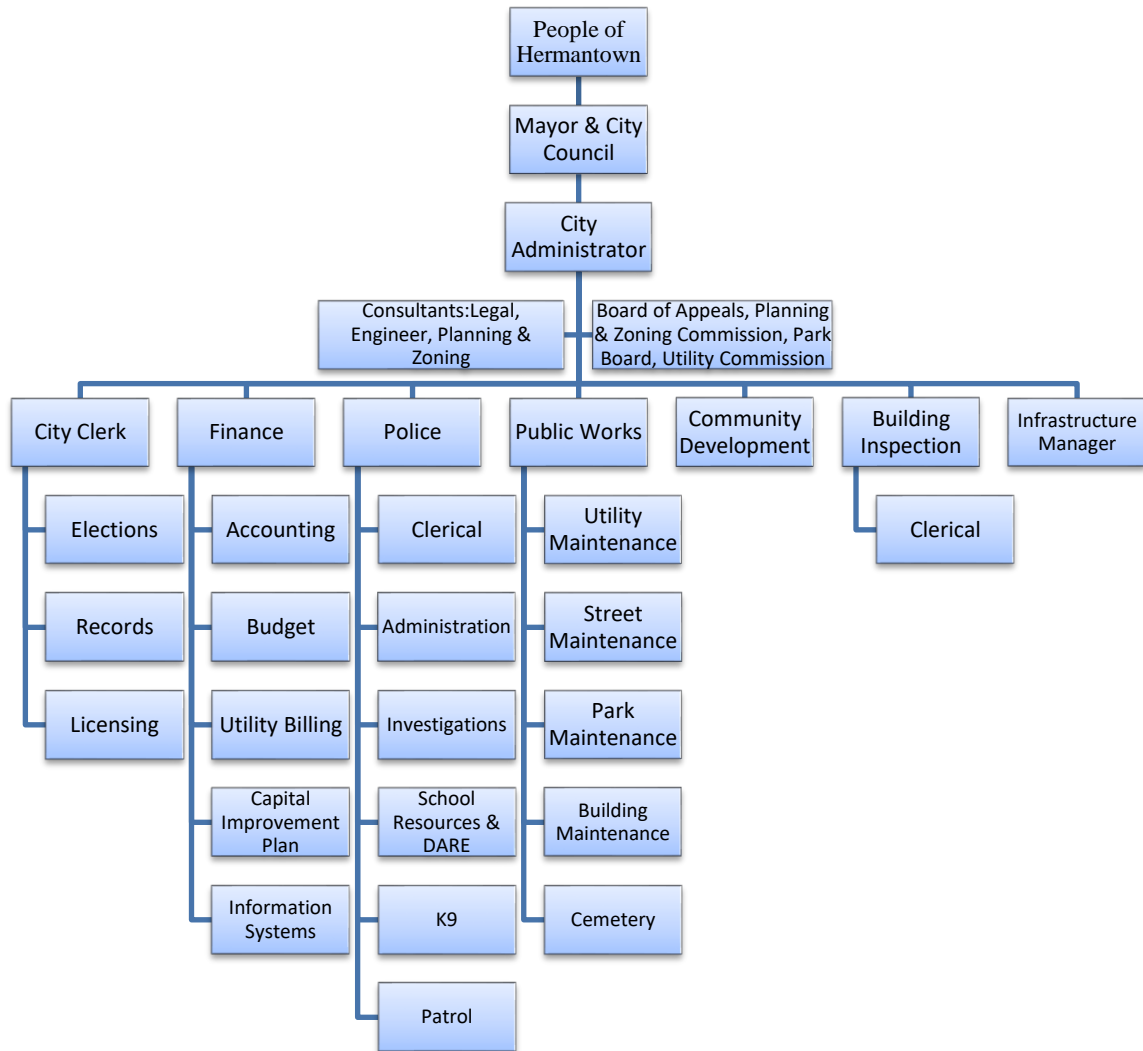
Organization Structure

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.

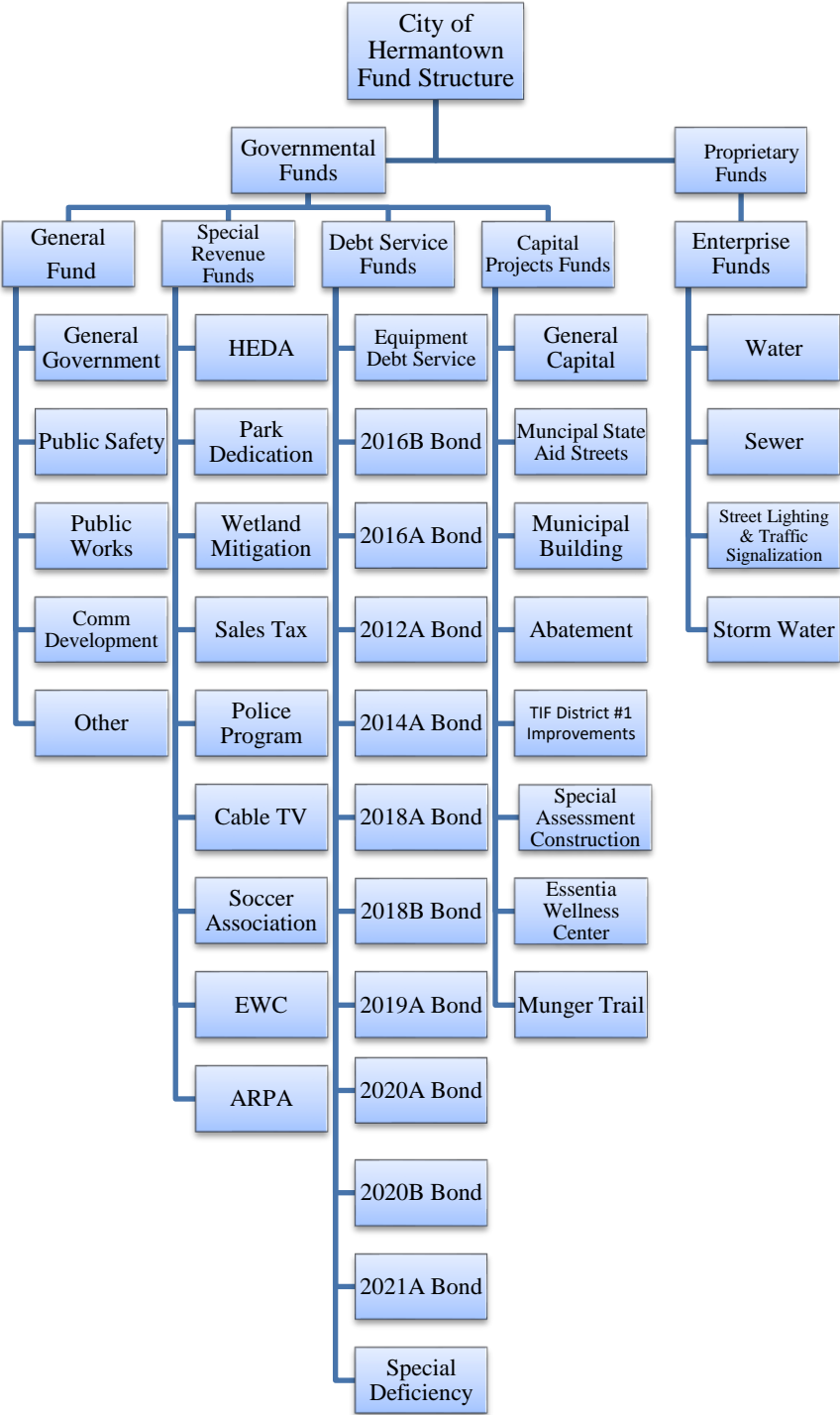
The City Administrator controls and directs the administration of the City's affairs and supervises all departments. Activities are managed through five departments (Police, Finance, Community Development, Building Inspection and Public Works), each with a Director appointed by City Council and reporting 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, 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										
	Special Revenue Funds								Debt Service Funds	Capital Project Fund
	GENERAL FUND	HEDA FUND	PARK DEDICATION FUND	WETLAND MITIGATION FUND	CITY SALES TAX FUND	POLICE PROGRAM FUND	CABLE TV FUND	ESSENTIA WELLNES 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				
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				
Communitcations				
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		<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
Unrestricted	Committed	<p>“Used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority”⁵ Cannot be a negative number. The City Council will annually or as deemed necessary commit specific revenue sources for specified purpose by resolution. This formal action must occur prior to the end of the reporting period, however, the amount to be subject to the constraint, may be determined in the subsequent period. To remove the constraint on specified use of committed resources, the City Council shall pass a resolution.</p> <ul style="list-style-type: none"> • The City Council has decided to set aside \$x for a project. • Property tax levies set for a specific purpose by resolution. • Amounts transferred to Capital Project Fund for a specific purpose. • Internal Reserves for a specific purpose such as a large capital purchase.

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

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

³ GASB Statement No. 54, ¶ 6

⁴ GASB Statement No. 54, ¶ 8

⁵ GASB Statement No. 54, ¶ 10

⁶ GASB Statement No. 54, ¶ 13

⁷ GASB Statement No. 54, ¶ 17

III. Minimum Fund Balance

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

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

IV. Order of Resource Use

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

V. Stabilization Arrangements

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

VI. Committing Fund Balance

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

VII. Assigning Fund Balance

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

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

VIII. Appropriate Fund Balance Levels

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

IX. Monitoring and Reporting

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

X. Responsibility and Authority

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

Budget Policy & Financial Control

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

2021 BUDGET CALENDAR (for 2022 Budget)

<u>Date</u>	<u>Task</u>
April 6 th Four Square	Recap of distributed CIP (Capital Improvement Plan) Instructions and Forms – DUE MAY 18
May 14 th	PERSONNEL COSTS COMPLETED by the Finance Department
June 1 st Four Square	Budget forms supplied to all city departments & consultants Review CIP
June 14-18	Budget assistance meetings (if necessary) with each department
June 21 st	Staffing Report Presented to City Council
June 28 th	FINAL DATE to receive budget requests & supplementary information from all city departments & consultants
July 6 th	CIP – Presented to City Council
3 rd Week of July	Finance Department prepares Special Revenue and Utility Budgets
July 30	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 Utility Budget presented to Utility Commissions
August 16 th	PRELIMINARY GENERAL FUND BUDGET - Presented to the City Council
September 20 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 4 th	PRELIMINARY DEBT SERVICE BUDGETS COMPLETED by Finance Department– Presented to the City Council
November 1 st	PRELIMINARY SPECIAL REVENUE & UTILITY BUDGETS Presented to the City Council
November 15 th	Budget booklet presented to the City Council
December 6 th	Initial Hearing on budget & levy Adoption of Final Levy & Budget

Financial Summary

2021 Statement of Accounts

All Funds January 1, 2021 through August 18, 2021

<u>Fund</u>	<u>Description</u>	<u>Beginning</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>End</u>
101	General	4,095,625	3,918,031	3,559,945	4,453,711
230	HEDA	303,626	561,613	81,300	783,939
235	Park Dedication	208,909	136,093	6,975	338,027
236	Wetland Mitigation	58,290	-	18,826	39,464
240	City Sales Tax	8,703,589	2,125,814	717,571	10,111,832
245	COVID-ARPA	-	509,879	-	509,879
251	Police Program	204,657	8,946	5,292	208,311
260	Cable	414,917	20,339	24,982	410,273
270	Soccer	73,168	-	-	73,168
275	Essentia Wellness Center	193,770	177,620	220,289	151,101
301	Equipment Debt Service	38,372	13	-	38,385
315	2016B G.O. Bonds	239,938	-	625,355	(385,417)
318	2016A G.O. Bonds	370,318	79,966	423,505	26,779
320	2012A G.O. Bonds	89,581	24,288	187,059	(73,189)
321	2012B G.O. Bonds	1,330,200	2,290,915	221,184	3,399,931
322	2014A G.O. Bonds	187,740	32,295	263,705	(43,670)
323	2018A G.O. Bonds	190,316	81,505	135,105	136,716
324	2018B G.O. Bonds	438,846	27,907	536,730	(69,977)
325	2019A G.O. Bonds	38,202	-	609,861	(571,659)
326	2020A G.O. Bonds	603,179	166,260	478,810	290,629
327	2020B G.O. Bonds	66,519	-	299,880	(233,361)
328	2021A G.O. Bonds	-	34,754	-	34,754
350	Special Assessment Deficiency	315,127	9,351	2,231	322,247
401	General Capital Projects	514,431	-	60,697	453,735
402	MSA	(186,542)	108,481	290,976	(369,037)
409	Municipal Building Reserve	175,296	-	-	175,296
411	EWC	283,451	-	5,580	277,871
412	Munger Trail	(128,255)	223,510	299,111	(203,857)
460	TIF District	(656,122)	66,197	38,725	(628,650)
461	HEDA Fleet Farm Project	101,097	67,058	67,058	101,097
475	Sp Assess Constr./Roads	97,046	1,789,455	1,119,727	766,774
601	Water Enterprise	13,336,230	1,035,323	890,633	13,480,920
602	Sewer Enterprise	34,367,773	947,071	545,942	34,768,902
603	Storm Water Enterprise	498,190	240,125	77,452	660,863
605	Street Lighting Utility	1,108,146	68,757	16,124	1,160,779
	Total All Funds	67,675,630	14,751,564	11,830,630	70,596,564

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.

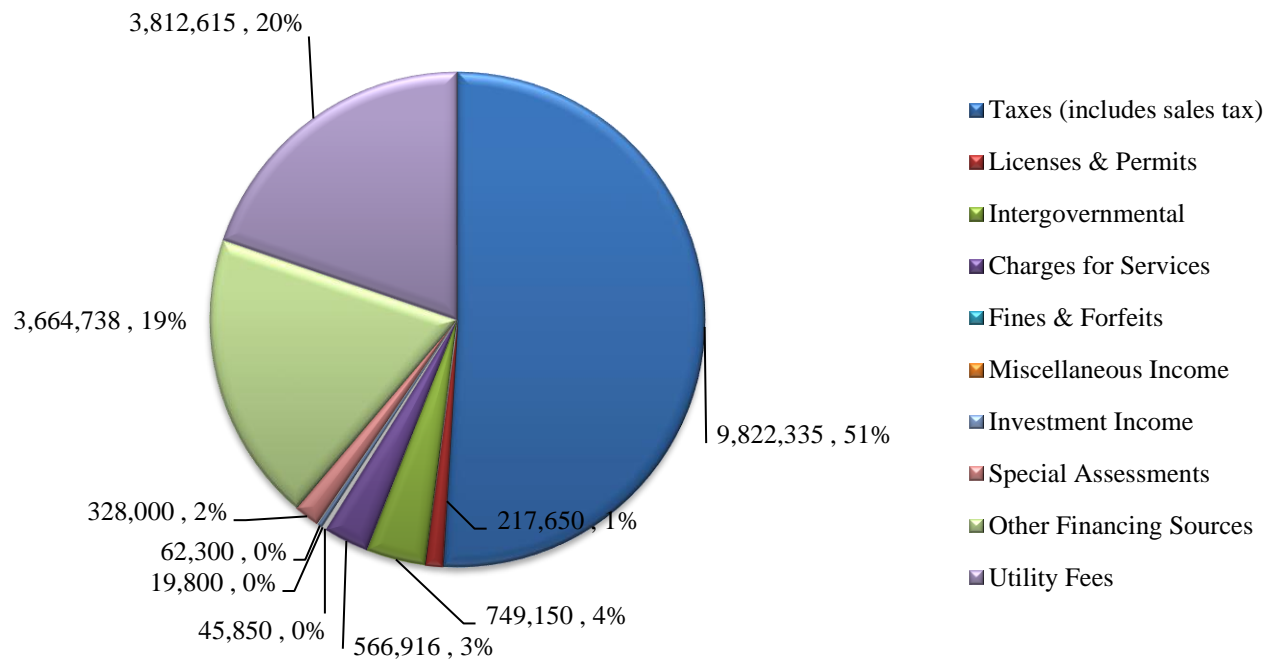
Storm Water is for accounting of revenue from storm water fees and expenditures to maintain storm water infrastructure.

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

	2020 Actual		2021 Original Budget		2022 Budget	
	Revenues	Expenditures	Revenues	Expenditures	Revenues	Expenditures
General Fund	6,917,604	6,361,772	6,288,201	6,288,201	6,732,986	6,732,986
Special Revenue Funds						
City Sales Tax	7,839,611	6,147,865	3,000,000	4,505,249	3,010,000	3,975,879
Non-Major Special Revenue Fu	605,667	327,054	1,182,918	1,279,190	1,090,318	765,242
Debt Service Funds						
Fund 315 2016B	698,807	620,955	698,807	625,885	698,807	624,775
Fund 318 2016A	457,024	425,905	407,594	424,035	379,794	421,500
Fund 319 2010A	1,739,086	2,073,132	-	-	-	-
Fund 320 2012A	258,098	179,786	236,539	187,589	232,539	189,335
Fund 321 2012B	233,053	199,499	110,000	197,129	-	-
Fund 322 2014A	340,573	278,455	283,200	264,235	276,900	145,100
Fund 323 2018A	143,469	140,355	138,125	135,635	135,725	138,325
Fund 324 2018B	568,980	415,330	564,924	537,260	568,543	535,875
Fund 325 2019A	647,462	599,486	647,200	610,391	651,400	609,781
Fund 326 2020A	603,559	380	451,098	479,329	414,638	578,750
Fund 327 2020B	90,300	23,781	294,997	300,410	294,263	279,500
Fund 328 2021A	-	-	-	-	207,708	233,403
Non-Major Debt Service Funds	12,764	30,556	21,000	29,806	15,000	30,006
Capital Project Funds	12,407,756	4,339,463	343,000	173,125	510,000	308,470
Enterprise Funds						
Water Enterprise	1,983,678	1,956,326	1,958,546	2,068,537	1,832,778	1,777,991
Sewer Enterprise	1,731,293	2,047,830	1,620,159	1,850,721	1,665,785	2,015,613
Storm Water	391,574	553,728	439,804	486,211	412,170	466,626
Street Lighting	174,066	74,463	159,000	33,000	160,000	129,000
Total	37,844,424	26,796,121	18,845,112	20,475,938	19,289,354	19,958,157

2022 Budgeted Revenues

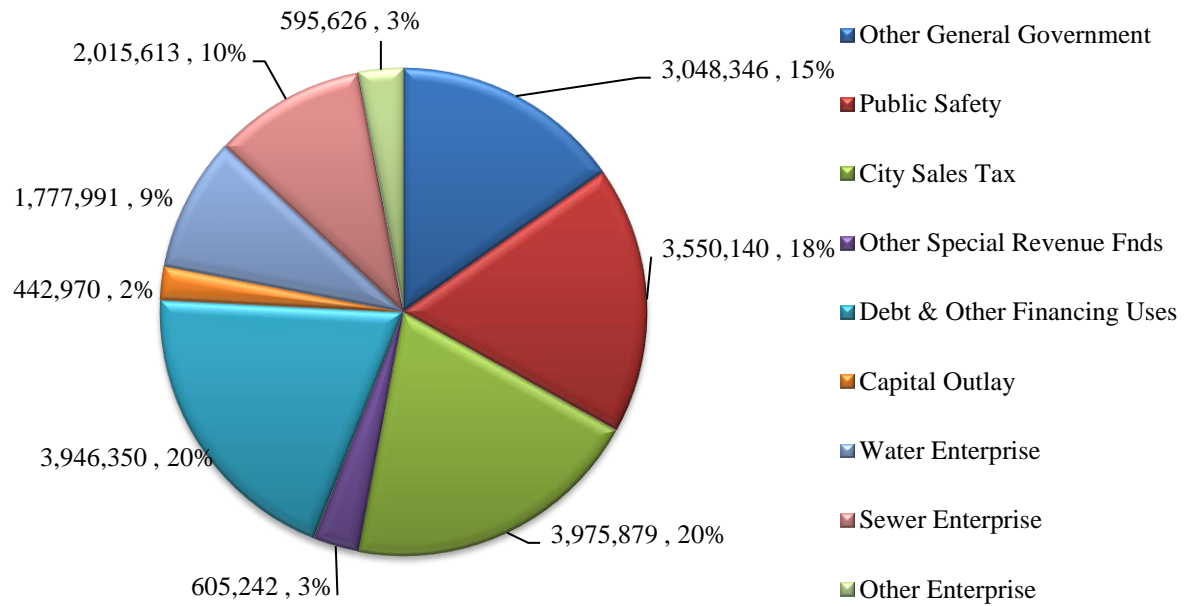


Total Budgeted revenues for all funds equal \$19,289,354.

The three largest components of the 2022 revenue budget, accounting for 93 percent of total revenues, in descending order based on dollars are as follows:

Taxes (includes Sales Tax Fund)	\$9,822,335	53%
Utility Fees	\$3,812,615	20%
Other Financing Sources	\$3,664,738	20%

2022 Budgeted Expenditures

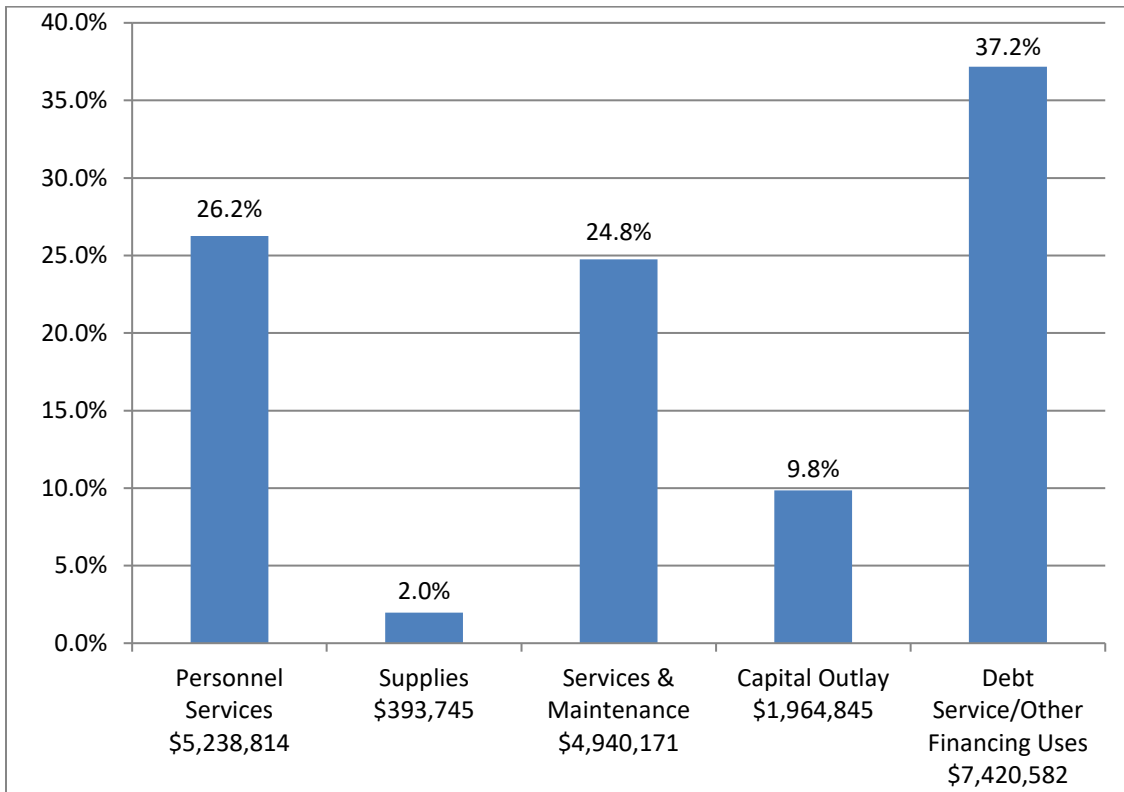


Total budgeted expenses for all funds are \$19,958,157

The four largest components of the 2022 expenditure budget, accounting for 73 percent of the appropriations, in descending order based on dollars are as follows:

Sales Tax Projects	\$3,975,879	20%
Debt Service	\$3,786,350	19%
Public Safety	\$3,550,140	18%
Other General Gov't	\$3,048,346	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.

Fund Name	*2022 Beg. Fund Balance	2022 Revenues	2022 Exp	2022 Ending Fund Balance	% Change Fund	
					Balance	>10% Variance
101 General	4,453,711	6,732,986	6,732,986	4,453,711	0.00%	
230 HEDA	783,939	145,270	145,270	783,939	0.00%	
235 Park Dedication	338,027	34,700	5,000	367,727	8.08%	
236 Wetland Mitigation	39,464	100	10,000	29,564	-33.49%	Increased Exp Budget
240 City Sales Tax	10,111,832	3,010,000	3,975,879	9,145,953	-10.56%	Capital items
245 COVID-ARPA	509,879	500,000	330,000	679,879	0.00%	
251 Police Program	208,311	5,250	-	213,561	2.46%	
260 Cable	410,273	45,000	14,974	440,299	6.82%	
270 Soccer	73,168	-	-	73,168	0.00%	
275 Essentia Wellness Center Lease	151,101	359,998	259,998	251,101	39.82%	Added naming rights revenue
301 Certificate of Indebtedness	38,385	-	-	38,385	0.00%	
315 2016B G.O. Bonds	(385,417)	698,807	624,775	(311,385)	-23.78%	Revenue greater than bond pymts
318 2016A.G.O. Bonds	26,779	379,794	421,500	(14,927)	279.39%	Revenue less than bond pymts
320 2012A.G.O. Bonds	(73,189)	232,539	189,335	(29,985)	-144.08%	Revenue greater than bond pymts
321 2012B G.O. Bonds	3,399,931	-	-	3,399,931	0.00%	
322 2014A.G.O. Bonds	(43,670)	276,900	145,100	88,130	149.55%	Revenue less than bond pymts
323 2018A.G.O. Bonds	136,716	135,725	138,325	134,116	-1.94%	
324 2018B G.O. Bonds	(69,977)	568,543	535,875	(37,309)	-87.56%	Revenue greater than bond pymts
325 2019A.G.O. Bonds	(571,659)	651,400	609,781	(530,040)	-7.85%	
326 2020A.G.O. Bonds	290,629	414,638	578,750	126,517	-129.71%	Revenue greater than bond pymts
327 2020B G.O. Bonds	(233,361)	294,263	279,500	(218,598)	-6.75%	
328 2021A.G.O. Bonds	34,754	207,708	233,403	9,059	0.00%	
350 Special Assessment Deficiency	322,247	15,000	30,006	307,241	-4.88%	
401 General Capital Projects	453,735	410,000	308,470	555,265	18.28%	Build up fund balance
402 Municipal State Aid Streets	(369,037)	-	-	(369,037)	0.00%	
409 Municipal Building Reserve	175,296	100,000	-	275,296	36.32%	Build up fund balance
411 Essentia Wellness Center	277,871	-	-	277,871	0.00%	
412 Munger Trail	(203,857)	-	-	(203,857)	0.00%	
460 TIF District	(628,650)	-	-	(628,650)	0.00%	
461 HEDA Fleet Farm Project	101,097	-	-	101,097	0.00%	
475 Special Assessment Capital Projects	766,774	-	-	766,774	0.00%	
601 Water Enterprise	13,480,920	1,832,778	1,777,991	13,535,707	0.40%	
602 Sewer Enterprise	34,768,902	1,665,785	2,015,613	34,419,074	-1.02%	
603 Storm water	660,863	412,170	466,626	606,407	-8.98%	
605 Street Lighting Utility	1,160,779	160,000	129,000	1,191,779	2.60%	

* Beginning balance as of September 30, 2021

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 City continues to review the interest rate and call dates of the bonds to monitor the possibility of reducing interest costs by refinancing. The City issued new bonds in 2021. The 2021A bonds were issued to reconstruct roads and refund the 2012B bonds.
- 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.
- 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.
- 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 plans to refresh the Financial Management in 2022 as the pandemic and other changing needs are necessitating some updating of the current plan. The following page is our current long-range Financial Management Plan for the General Fund.

Long Range Financial Management Plan – General Fund –

Revenues	Actual 2020	Budget 2020	Budget 2021	Budget 2022	Budget 2023	Budget 2024	Budget 2025
Taxes	5,664,430	5,486,428	5,661,571	6,092,756	6,686,325	7,065,843	7,315,924
Franchise Fees	16,500	16,500	16,500	16,500	16,500	16,500	16,500
Special Assessments	-	-	-	-	-	-	-
Licenses & Permits	174,496	177,150	182,265	183,050	186,711	190,445	194,254
Intergovernmental	813,911	233,650	233,950	249,150	254,133	259,216	264,400
Charges for Services	99,656	104,903	102,330	101,532	103,563	105,634	107,747
Fines & Forfeitures	41,388	54,100	42,575	42,200	43,044	43,905	44,783
Investment Income	30,760	20,200	8,000	6,000	7,000	8,000	10,000
Miscellaneous	67,953	40,189	41,010	41,798	7,000	8,000	8,000
Other Financing Sources	22,685	-	-	-	-	-	-
Total Revenues	6,931,779	6,133,120	6,288,201	6,732,986	7,304,276	7,697,543	7,961,608
Expenditures							
General Government	897,996	1,273,562	1,189,413	1,360,553	1,401,370	1,443,411	1,486,713
Public Safety	3,265,193	3,200,848	3,504,582	3,563,140	3,670,034	3,780,135	3,893,539
Streets & Highways	776,862	748,154	753,286	791,957	930,716	958,637	987,396
Community & Economic Development	192,548	304,388	253,708	288,164	296,809	305,713	314,884
Culture & Recreation	536,162	128,047	127,212	139,172	143,347	147,647	152,076
Capital Outlay	63,891	99,000	115,000	115,000	120,000	120,000	125,000
Debt Service	-	-	-	-	-	-	-
Other Financing Uses	629,121	379,121	345,000	475,000	742,000	942,000	1,002,000
Total Expenditures	6,361,773	6,133,120	6,288,201	6,732,986	7,304,276	7,697,543	7,961,608
Excess (Deficiency) of Revenues over Expenditures	570,006	-	-	-	-	-	-

Revenue Categories & Trends

The three largest components of the 2022 revenue budget, accounting for 93 percent of total revenues, in descending order based on dollars are as follows:

Taxes (includes Sales Tax Fund)	\$9,822,335	53%
Utility Fees	\$3,812,615	20%
Other Financing Sources	\$3,664,738	20%

Property Taxes –Property taxes of \$6,625,735 comprise 35.5 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.

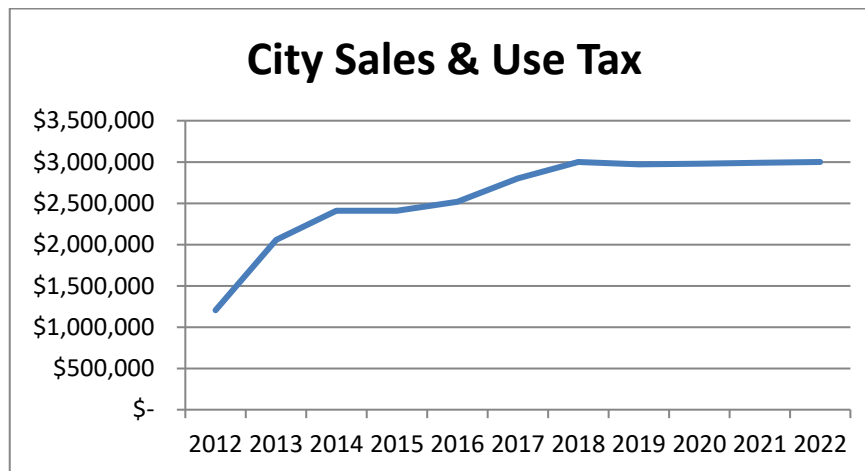


Trends: Property tax levies have been increasing in part due to cuts in state aid that began in 2001. This is shown in the graph above. For the year 2022 the City will be receiving zero Local Government Aid.

Local Government Aid – Comparison in order by Cities and population

City	2018	2019	2020	2021	2022	2021-2022 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	\$128,115	0.42%	86,697
Hibbing	8,106,845	8,145,651	8,229,324	8,278,325	8,308,919	30,594	0.37%	16,214
Hermantown	-	-	-	-	-	-	0.00%	10,221
Virginia	5,125,120	5,329,243	5,729,345	5,927,850	6,049,573	121,723	2.05%	8,421
Proctor	1,033,142	1,048,883	1,081,576	1,096,797	1,101,073	4,276	0.39%	3,040
<u>Carlton County:</u>								
Cloquet	2,377,013	2,485,096	2,673,626	2,769,892	2,822,834	52,942	1.91%	12,568

City Sales Tax – The Sales Tax Fund account for \$3,010,000 (16%) of city revenue. \$3,000,000 of the \$3,010,000 will be sales tax received. The remainder of the budgeted revenue in the Sales Tax Fund is investment income. Sales tax applies to retail sales made and taxable services provided within the local taxing area. The tax applies to the same items that are taxed by the Minnesota sales and use tax law. The Minnesota Department of Revenue currently administers this local sales tax. The City has an agreement with the Minnesota Department of Revenue which addresses the fees and procedures of the local sales tax collection and payment. Sales tax revenues less state administration fees are remitted to the City each month.



*These are based on budgeted revenues.

Trends: Sales Tax revenues have increased a little during the COVID-19 pandemic. We anticipate sales tax being constant or slightly increasing.

Franchise Fees –Total Franchise fees are anticipated to increase slightly to \$192,000.

Trends: The Franchise fees include the following and are expected to remain constant through 2022.

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 230).

Licenses and Permits – License and permit fees of \$217,650 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.

	2016	2017	2018	2019	2020	2021
All Building Permits (includes additions, remodels)						
No. of Permits	201	211	190	136	153	166
Valuation	\$30,817,218	\$16,121,332	\$12,707,360	\$10,353,781	\$8,810,887	\$33,656,400
New Single Family Homes						
No. of Permits	36	34	33	22	23	25
Valuation	\$8,002,065	\$7,475,694	\$7,395,575	\$5,786,066	\$5,749,158	\$5,794,935
New Multiple Family Buildings						
No. of Permits	0	0	0	0	0	0
Valuation	\$0	\$0	\$0	\$0	\$0	\$0
New Commercial/Industrial						
No. of Permits	3	4	5	2	10	4
Valuation	\$15,904,392	\$2,711,130	\$3,051,925	\$2,407,895	\$3,887,611	\$24,886,466
* As of September 2021						

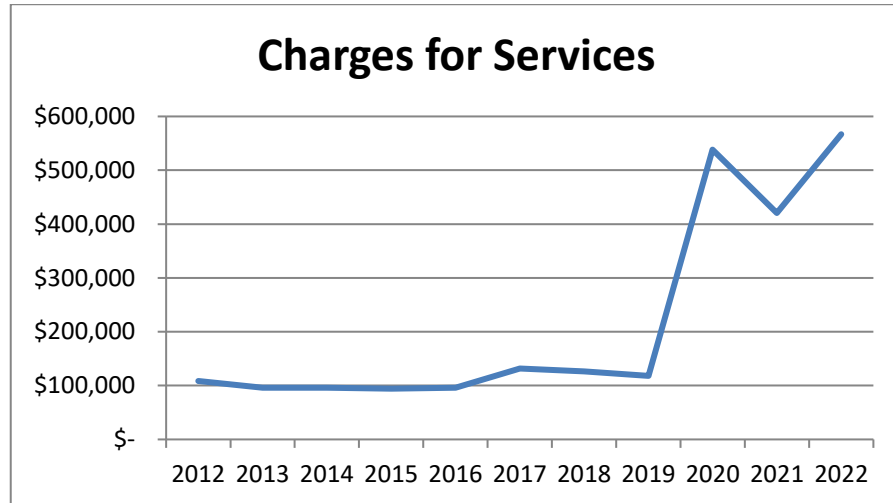
Trends: License and permit revenue is expected to increase slightly over 2021.

Intergovernmental Revenues – This revenue accounts for \$249,150 of City revenues or 1.34 percent.

Intergovernmental revenue includes Police State Aid and grants for Police, MSA Street Maintenance and PERA Aid.

Trends: This revenue has been stable although there is no trail grant in 2022. Local Government Aid (LGA) for the 2022 budget again is zero.

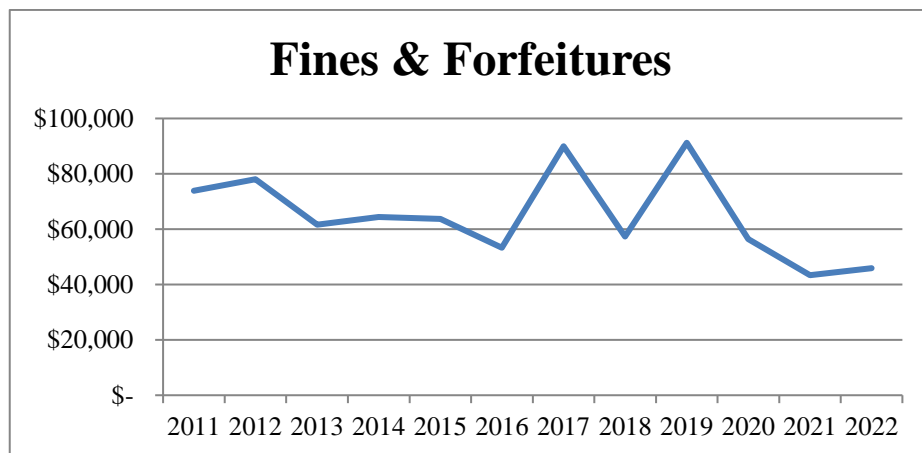
Charges for Services – Charges for services account for \$423,046 of City revenues or 2.3 percent. This category includes charges for assessment searches, police services, fingerprinting services and cemetery burial. This increased in 2020 due to a lease with Essentia for space in the Essentia Wellness Center.



*2021 through 2022 are based on budgeted revenues.

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

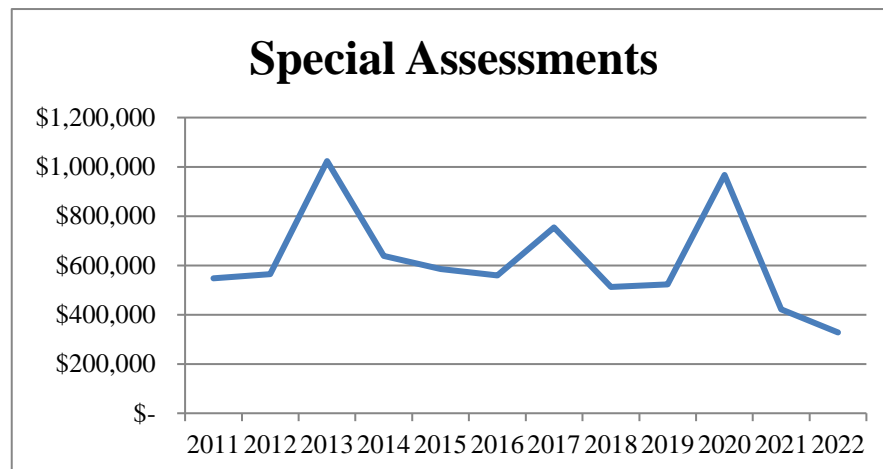
Fines & Forfeitures – Fines & forfeitures account for \$45,850 of City revenues or .3 percent. These funds are the City's share of police patrol traffic citations, court fines, and DWI/Drug forfeiture proceeds.



*2021 through 2022 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 \$328,000 of City revenues or 1.8 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.



*2021 through 2022 are based on budgeted revenues.

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

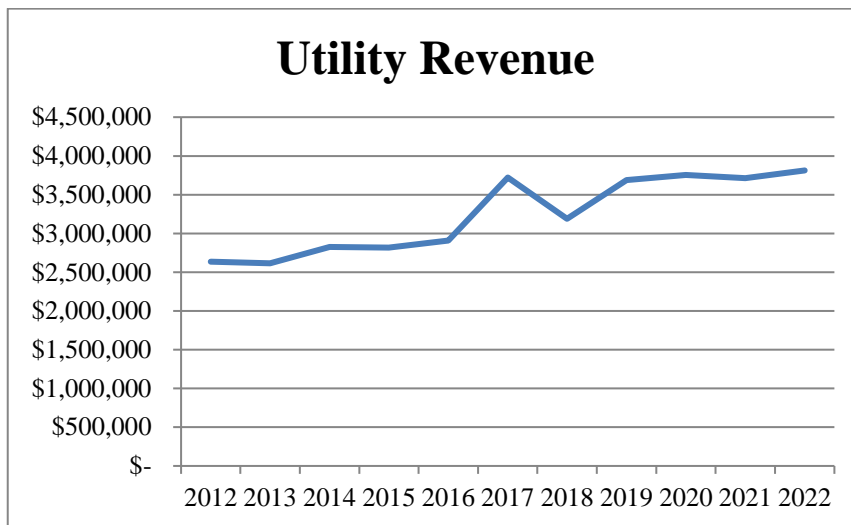
Investment Income – Investment income accounts for \$62,300 of City revenues or .3 percent.

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 \$19,800 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 \$3,812,615 of the City’s revenues or 20.5 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.



*2021 through 2022 are based on budgeted revenues.

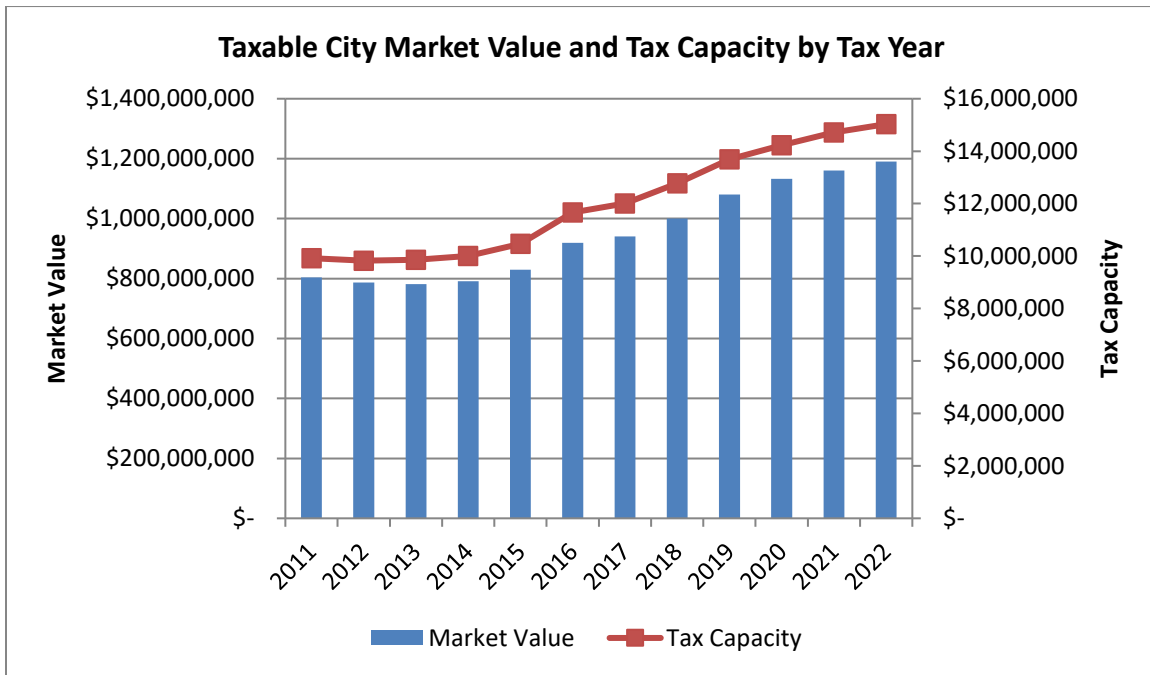
Other Financing Sources – Other Financing Sources for all budgeted funds is \$3,664,738 or 19.7 percent of revenue. This category accounts for transfers in from other funds, such as the Sales Tax Fund and Utility funds to the Debt Service funds to make bond payments.

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

Tax Information

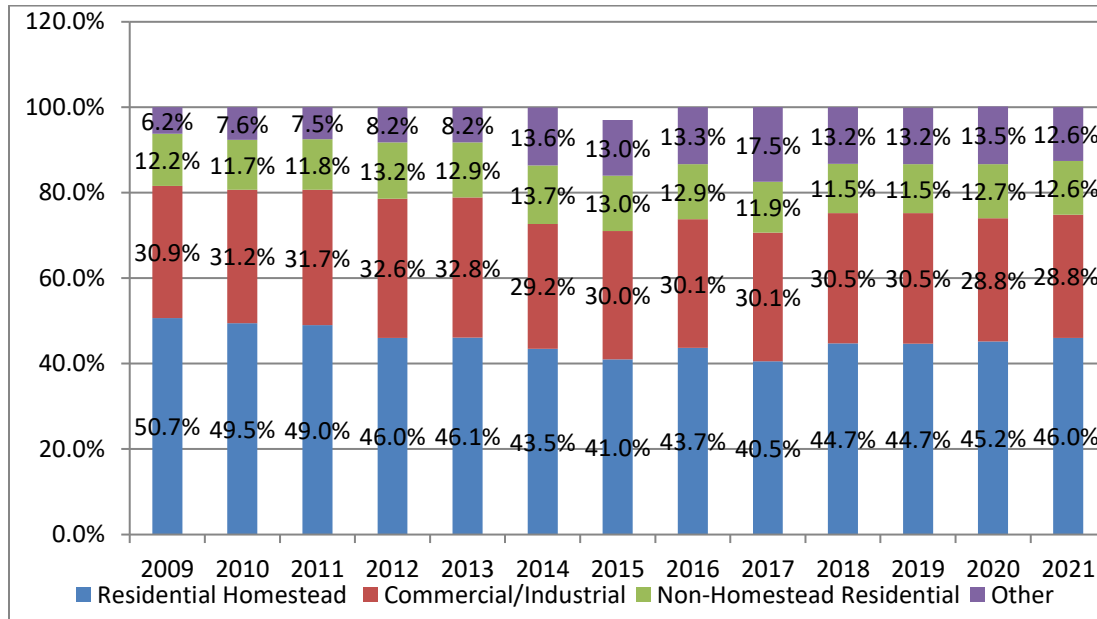
Tax Base

Residential and commercial market values used to calculate 2022 taxes increased. There was an estimated increase of 2% 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.

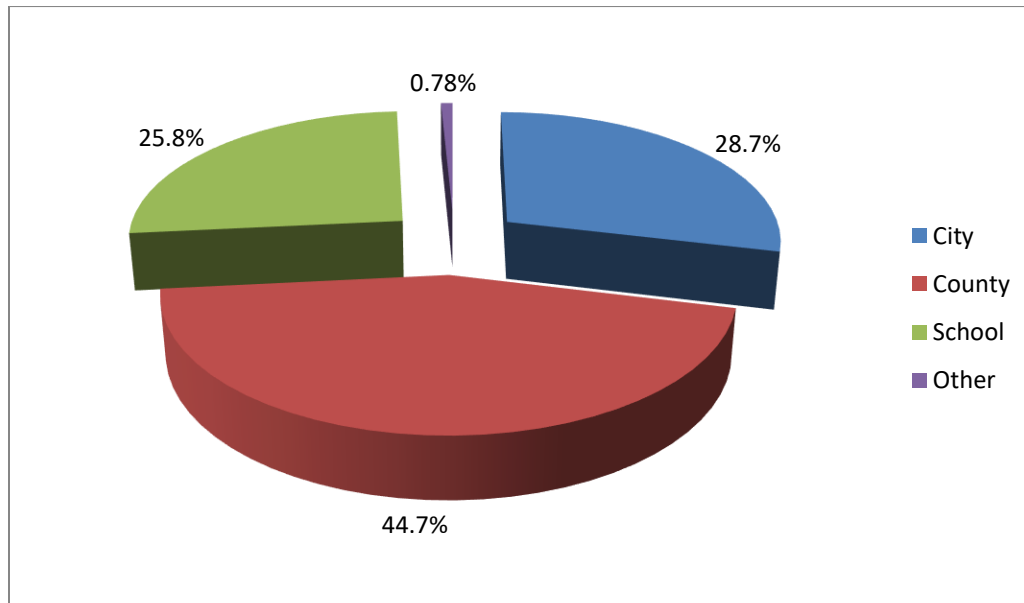


Total City Tax Capacity Comparison

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



Taxes (Payable 2021)



This graph illustrates the total tax as shared by the taxing jurisdictions. Only 28.7 percent of the total tax was levied for City activities in 2021.

Estimated City Taxes Payable in 2022

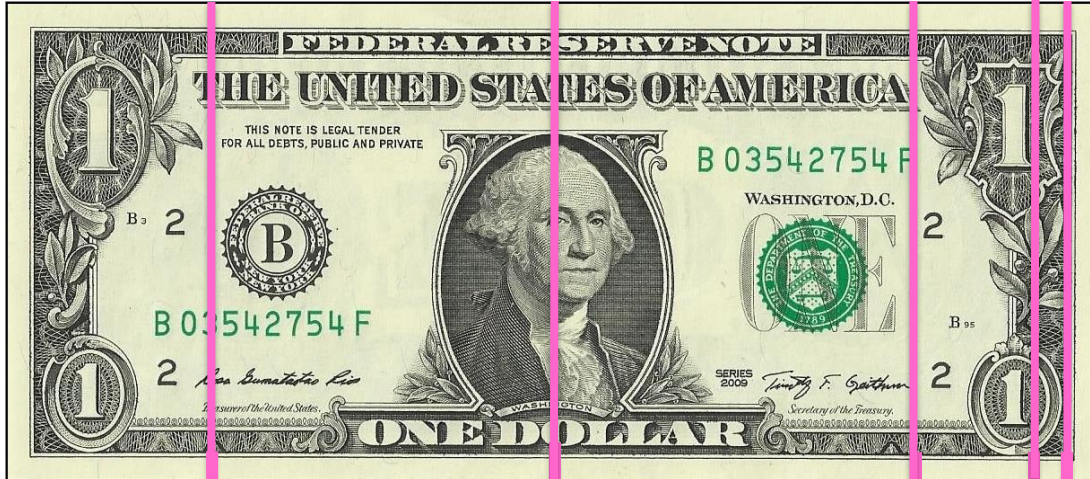
The following table lists the estimated city taxes payable in 2022 for various home values. These figures do not include a market value exclusion that the state utilizes to reduce residential property taxes.

Home Market Value	2021 Payable City Taxes	2022 Payable City Taxes
150,000	656	700
200,000	875	933
250,000	1,100	1,169
300,000	1,312	1,400
400,000	1,750	1,866
500,000	2,187	2,333
600,000	2,624	2,800

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

A \$250,000 home generates \$1,169 in annual property taxes:

This comes to \$97 per month for 2022.



25 Cents General Government

55 Cents Public Safety

12 Cents Public Works

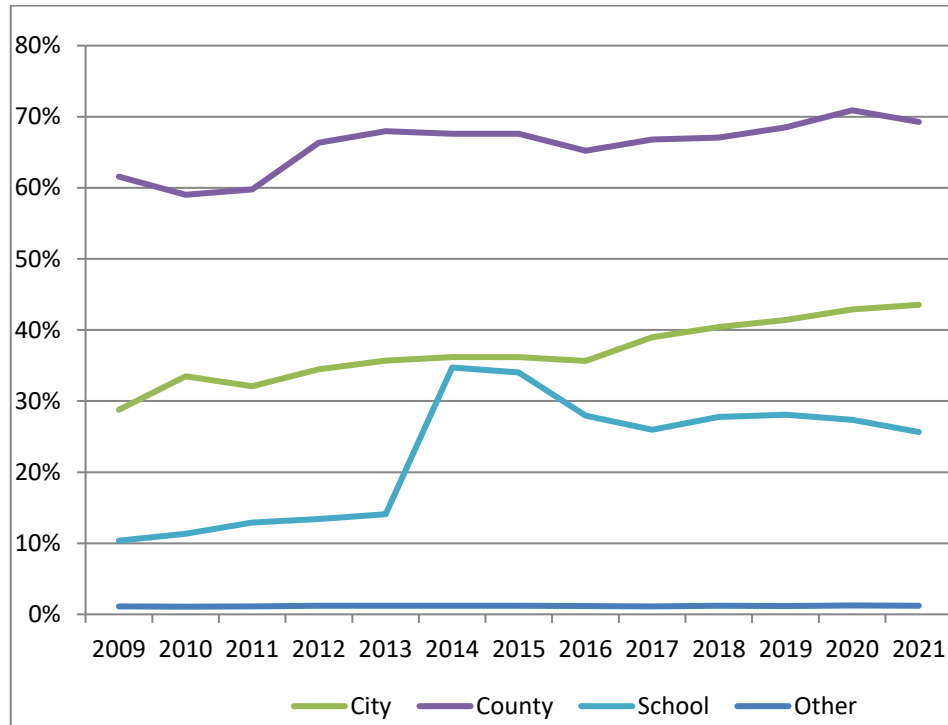
2 Cents Park
6 Cents Other Financing

Estimated Cost of City Services - \$250,000 Home in 2022

Actual Cost of City Services Pay 2022 Property Tax For \$250,000 Home				
City Service Category	2022 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	\$1,659,396	24.6%	\$288	\$24
Public Safety Police Administration, Fire Administration	\$3,680,750	54.7%	\$639	\$53
Public Works Street Department, City Engineer	\$778,668	11.6%	\$135	\$11
Park Parks	\$137,172	2.0%	\$24	\$2
Other Financing Transfers for Capital Items, Park Improvements, Buildings, Etc.	\$477,000	7.1%	\$83	\$7
Totals		100%	\$1,169	\$97

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.



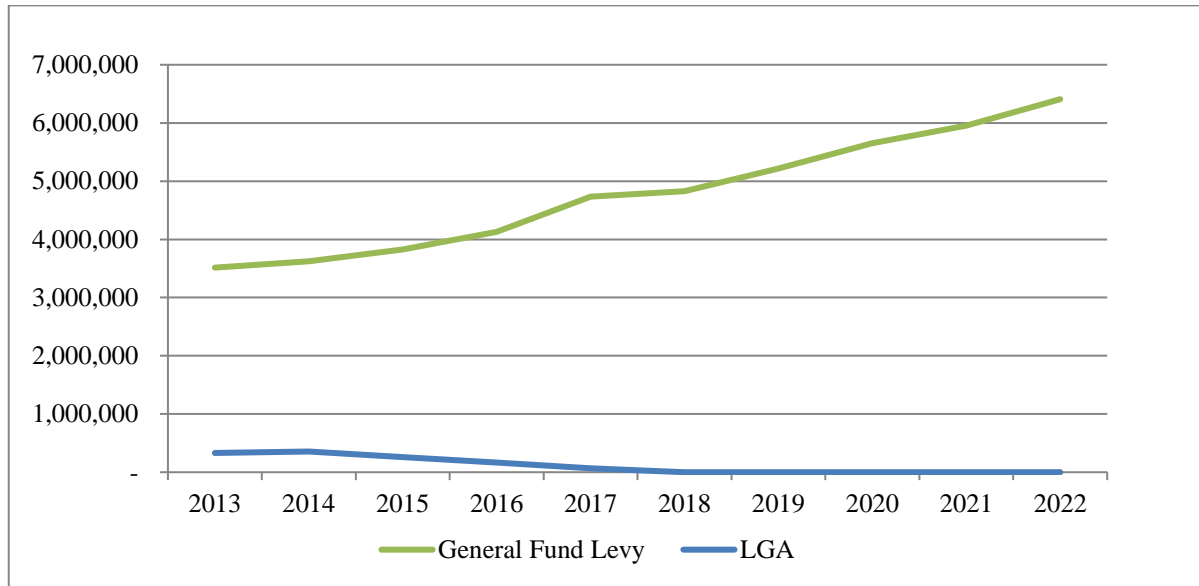
Levy Components

The overall property tax levy is comprised of different levies to pay for different activities of the city. The dollars levied in 2022 are illustrated in the following table:

General Fund Levy	\$ 6,408,585
Debt Levy	\$ 415,234
Abatement Fleet Farm	\$ 140,822
Hermantown Economic Development Authority	\$ 150,000
Total	<u>\$ 7,114,641</u>

Tax Levy Changes

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 2022.



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 2020 (most recent year of available data):

St. Louis County:

Hermantown	\$3,714
Proctor	\$3,993
Duluth	\$3,919
Virginia	\$5,073
Hibbing	\$4,185

Carlton County:

Cloquet	\$4,767
---------	---------

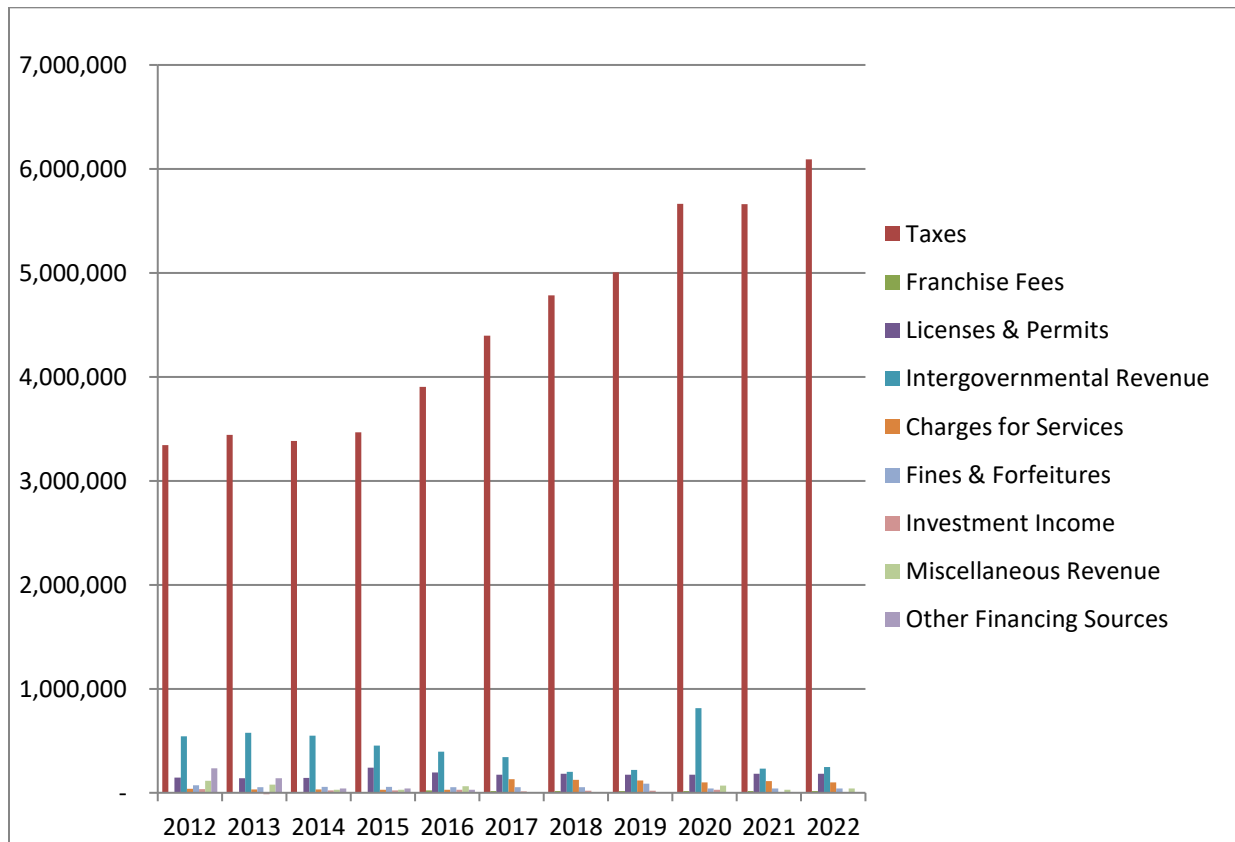
Source of information found at: <http://www.lmc.org/page/1/property-tax-calc-iframe.jsp>

General Fund Summary – Fund 101

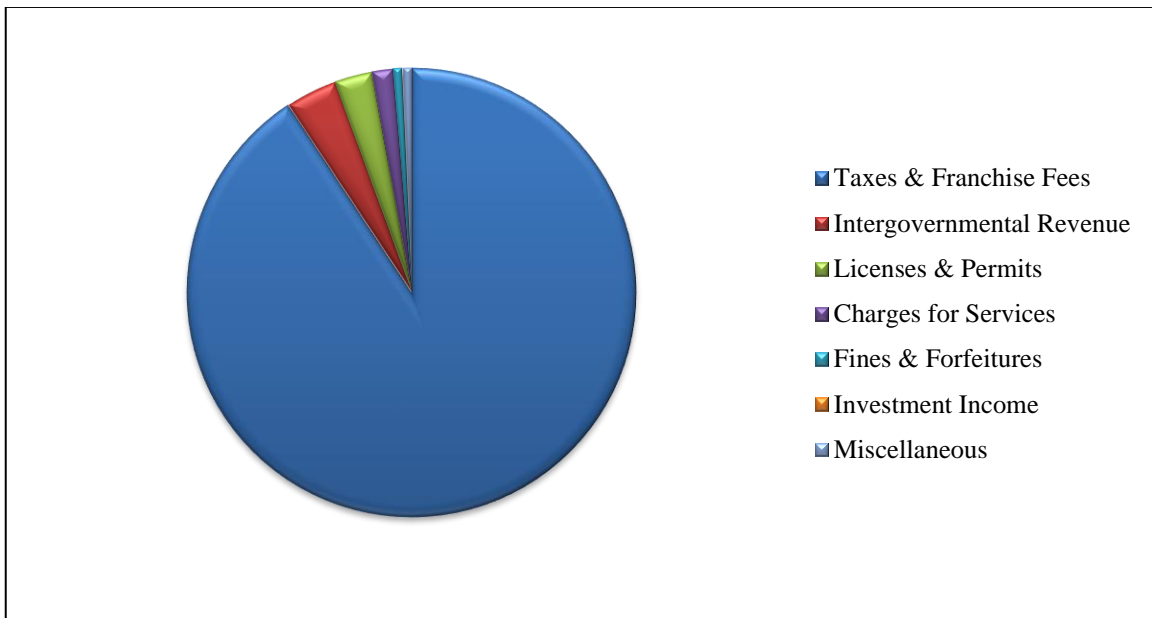
The General Fund is established to account for the revenues and expenditures necessary to carry out basic governmental activities of the City such as general government, public safety, public works, and parks and recreation. Revenue is recorded by source: i.e., general property taxes, licenses and permits, 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.

2022 General Fund Revenues

The general fund revenue sources have changed in recent years in part due to legislative actions. The following graph illustrates the change in general fund revenues (2021-2022 are based on budgeted revenues):



The following chart shows the 2022 general fund budgeted revenues by source:



2022 General Fund Revenue Summary

<u>Source</u>	<u>Amount</u>	
Property Tax & Franchise Fee	\$ 6,109,256	90.74%
Intergovernmental Revenue	249,150	3.70%
Licenses & Permits	183,050	2.72%
Charges for Services	101,132	1.50%
Fines & Forfeitures	42,600	0.63%
Investment Income	6,000	0.09%
Miscellaneous	41,798	0.62%
Total	\$ 6,732,986	

2022 General Fund Revenue Sources – Detail

Property Taxes/Franchise Fees - 310000

310100 Current Property Taxes	6,088,156	
310200 Delinquent Property Taxes	-	
318100 Franchise Fees	16,500	
319100 Penalty & Interest Property Taxes	3,600	
319200 Forfeited Property Taxes	1,000	
Subtotal – Property Taxes & Franchise Fee		6,109,256

Licenses & Permits – 320000

321100 Beer Licenses	-	
321110 On-Sale Liquor Licenses	44,000	
321120 Off-Sale Liquor Licenses	750	
321140 Sunday Licenses	2,600	
321150 Dance Permits	1,000	
321800 Contractors Licenses/Permits	5,300	
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	4,000	
322126 Wetland Permits	1,300	
322130 Property Split Fees	2,000	
322400 Dog Licenses	1,800	
322900 Handgun/Bow Permits	2,000	
Subtotal – Licenses & Permits		183,050

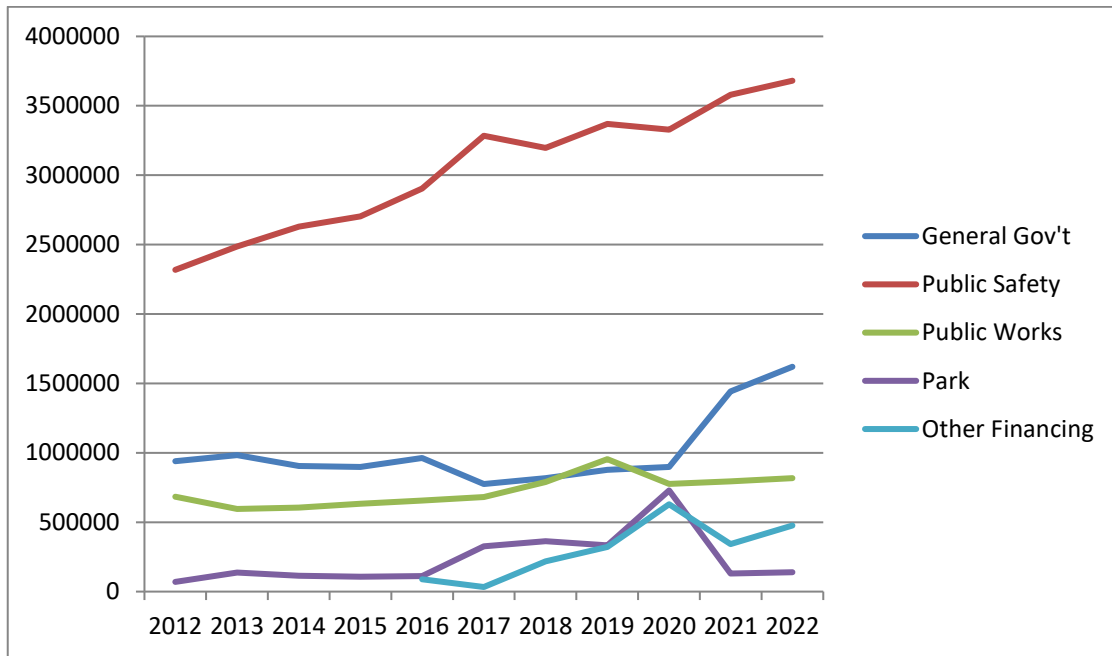
Intergovernmental – 330000

331998 Police Overtime Reimbursement	25,000	
331999 Other Federal Grants/Aid	2,500	
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	140,000	
334999 Other State Grants & Aids	2,000	
336300 Other Grants & Aids	650	
Subtotal – Intergovernmental		249,150

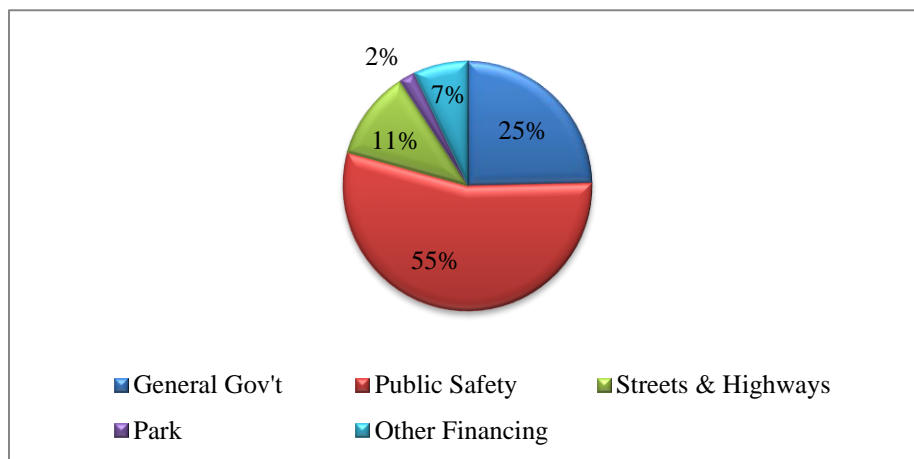
<u>Charges for Services – 340000</u>		
341010 Building Rentals	2,000	
341015 Community Building	19,500	
341030 Zoning & Subdivision	750	
342010 Police Services	77,500	
342030 Photocopies Police	82	
349400 Cemetery Burial	1,300	
Subtotal – Charges for Services		101,132
<u>Fines & Forfeits – 350000</u>		
351000 Impound & Towing Charges	400	
351010 Court Fines	42,000	
351020 Parking Fines	200	
Subtotal – Fines & Forfeits		42,600
<u>Investment Income – 362100 & 362160</u>		
362100 Investment Interest	6,000	
Subtotal – Investment Income		6,000
<u>Miscellaneous – 360000</u>		
362200 Park Field Rental Fees	9,600	
362210 Park Rental Fees	50	
362250 City Property Lease	11,138	
362255 Lightning Drive Tower Lease	15,000	
362400 911 Signs	2,710	
362410 Insurance Recoveries	1,500	
362430 Refund & Reimbursement	1,000	
362990 Miscellaneous Revenue	300	
391010 Sale of General Fixed	500	
Subtotal – Miscellaneous		41,798
Total General Fund Revenues		6,732,986

2022 General Fund Expenditures

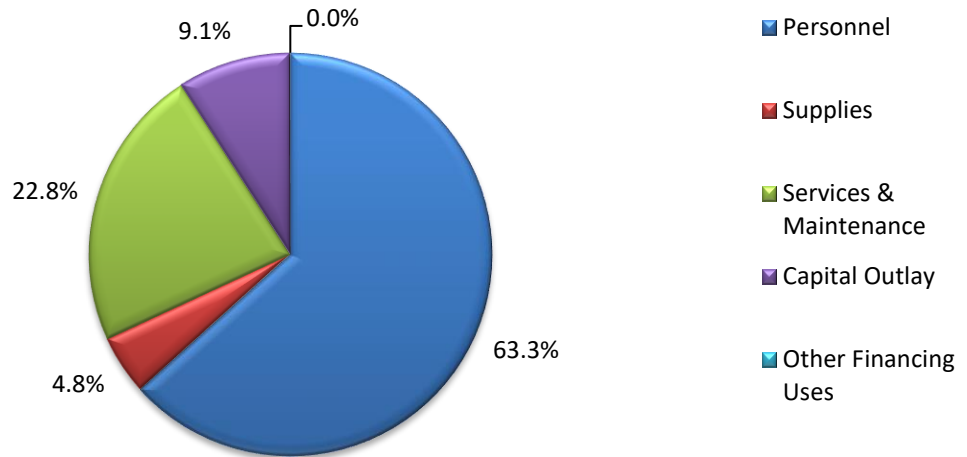
The city provides many services to its citizens. The following graphs show the general fund expenditures by function (2021-2022 are based on budgeted expenditures):



The following chart shows the 2022 General Fund Expenditures by Function:

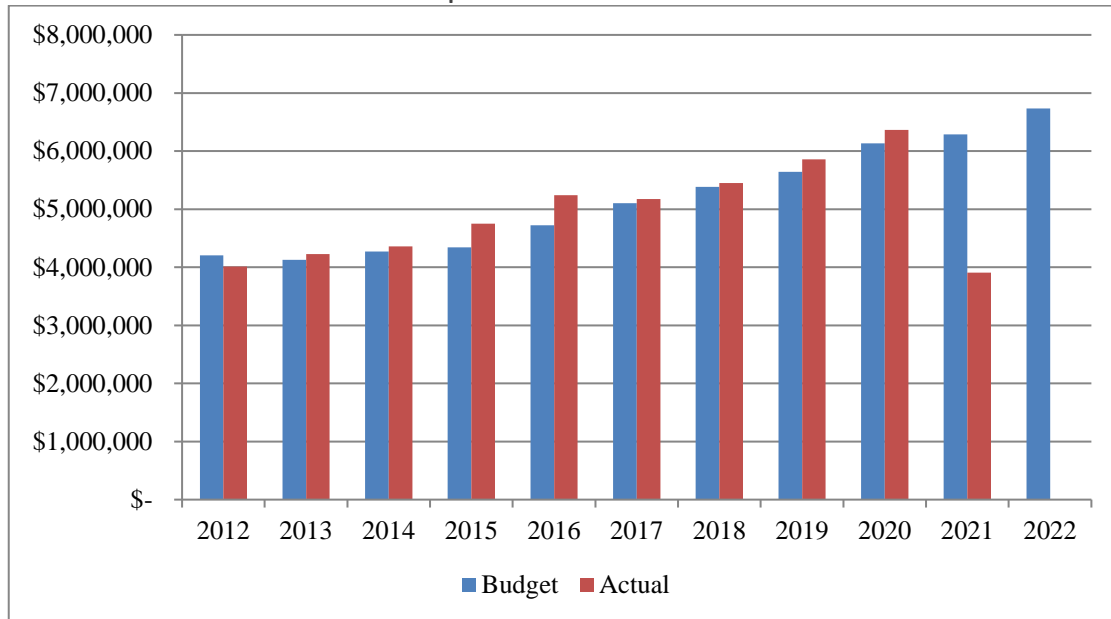


2022 General Fund Expenditures – Detail by Category



<u>Department</u>	<u>Personnel</u>	<u>Supplies</u>	<u>Srvcs & Maint</u>	<u>Cap Outlay</u>	<u>Other</u>	<u>Total</u>
Council	33,695	50	13,130	-	-	46,875
Legal Notices	-	-	1,900	-	-	1,900
Mayor	11,028	-	2,789	-	-	13,817
Elections	15,784	1,550	6,950	-	-	24,284
Administration & Finance	587,677	6,650	116,892	-	-	711,219
Attorney	-	-	60,000	-	-	60,000
Comm. Dev./Planning & Zoning	244,134	1,000	43,030	-	-	288,164
City Hall & Police Bldg. Maint.	75,149	9,900	82,730	-	-	167,779
Police	2,606,364	75,600	266,385	128,000	-	3,076,349
Fire	-	-	536,795	-	-	536,795
Fire Hall 1	19,359	-	32,029	-	-	51,388
Fire Hall 2 & 3	-	670	12,938	-	-	13,608
Building Inspector	230,979	1,550	10,539	-	-	243,068
Poundmaster	-	-	2,610	-	-	2,610
Street	352,878	183,500	213,290	-	-	749,668
City Engineer	-	-	29,000	-	-	29,000
Garage Building Maintenance	21,014	5,600	13,065	-	-	39,679
Parks	51,031	42,500	43,641	-	2,000	139,172
Community Building	9,680	350	12,721	-	-	22,751
Cemetery	5,752	-	-	-	-	5,752
Insurance	-	-	34,108	-	-	34,108
Transfers for Capital Items	-	-	-	475,000	-	475,000
Totals	4,264,524	328,920	1,534,542	603,000	2,000	6,732,986

Trend in Expenditures – General Fund



***2021 Expenses through 08/18/2021**

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 2022 Budget total \$7,448,647 which will be shown in later pages of this budget.

Impact of Capital Investments on Operating Budget

Operating Budget Impact 2022 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 2022 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 2022-2026 CIP Project Funding \$650,000	Estimated Impact on Operating Budget Per Year				
	2022	2023	2024	2025	2026
		(20,000)	(21,000)	(22,000)	(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 2022-2026 CIP Project Funding \$1,925,752	Estimated Impact on Operating Budget Per Year				
	2022	2023	2024	2025	2026
		(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 2022-2026 CIP Project Funding \$3,780,000	Estimated Impact on Operating Budget Per Year				
	2022	2023	2024	2025	2026
		(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

2022 thru 2026

PROJECTS & FUNDING SOURCES BY DEPARTMENT

Department	Project #	Priority	2022	2023	2024	2025	2026	Total
City Hall								
Server	CH-22-004	2	25,000	25,000				50,000
General Fund			25,000	25,000				50,000
City Hall Total			25,000	25,000				50,000
Community Development								
Hermantown Marketplace Sign	CD-23-001	2		125,000				125,000
HEDA				125,000				125,000
Fichtner Fields Restructure	PK-19-001	2					700,000	700,000
Park Dedication Fund							700,000	700,000
Community Development Total				125,000			700,000	825,000
Police								
ARMER Radio Replacement	PD-23-001	1		137,000				137,000
General Fund				137,000				137,000
Squad/Body Worn Cameras	PD-24-001	1			130,000			130,000
General Fund					130,000			130,000
Video Server	PD-24-002	2			20,000			20,000
General Fund					20,000			20,000
Squads	PD-Squads	1	115,000	115,000	115,000	115,000	115,000	575,000
General Fund			115,000	115,000	115,000	115,000	115,000	575,000
Police Total			115,000	252,000	265,000	115,000	115,000	862,000
Public Works								
Motor Grader LEASE	PW&U-21-002	1	60,970	60,970	60,970	60,970	60,970	304,850
General Fund			60,970	60,970	60,970	60,970	60,970	304,850
Tandem Plow Truck	PW&U-22-001	1	150,000	160,000				310,000
General Fund			150,000	160,000				310,000
Repairs and Recoat of Hwy 53 Water Tower	PW&U-22-002	1	505,425					505,425
Sales Tax			505,425					505,425
1 Ton Truck	PW&U-22-003	1	72,500					72,500
General Fund			37,500					37,500
Sewer Fund			17,500					17,500
Water Fund			17,500					17,500
Water Meter Radio Conversion to AMI	PW&U-22-005	1	325,000	325,000				650,000
Sales Tax			325,000	325,000				650,000
Seal Coat/Stripe Fichtner Fields Parking Lots	PW&U-22-007	1			45,000			45,000
General Fund					45,000			45,000
1 Ton Dirt Service Truck	PW&U-23-001	1		90,000				90,000
General Fund				45,000				45,000
Sewer Fund				22,500				22,500
Water Fund				22,500				22,500

Department	Project #	Priority	2022	2023	2024	2025	2026	Total
Steamer Trailer	PW&U-23-003	1					52,500	52,500
<i>General Fund</i>							26,250	26,250
<i>Storm Water</i>							26,250	26,250
Hotmix/Pothole Trailer	PW&U-23-004	1					58,118	58,118
<i>General Fund</i>							58,118	58,118
1 Ton Ext Cab Truck	PW&U-23-006	1		72,500				72,500
<i>General Fund</i>				37,500				37,500
<i>Sewer Fund</i>				17,500				17,500
<i>Water Fund</i>				17,500				17,500
Tracked Skidsteer	PW&U-24-001	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
Replacement of existing 12' Mower	PW&U-24-002	2			80,000			80,000
<i>General Fund</i>					80,000			80,000
Purchase of a water truck	PW&U-24-004	1			125,000			125,000
<i>General Fund</i>					62,500			62,500
<i>Storm Water</i>					62,500			62,500
Tandem Plow Truck	PW&U-25-001	1				275,000		275,000
<i>General Fund</i>						275,000		275,000
Add New 624 loader to Fleet	PW&U-25-002	1				275,000		275,000
<i>General Fund</i>						175,000		175,000
<i>Sewer Fund</i>						50,000		50,000
<i>Water Fund</i>						50,000		50,000
Rubber Tire Loader	PW&U-26-001	1					170,000	170,000
<i>General Fund</i>							100,000	100,000
<i>Water Fund</i>							70,000	70,000
Lindahl Road Bridge	STW-21-2021	2	200,000					200,000
<i>Storm Water</i>			200,000					200,000
Lift Stations	SW-17-1	2	40,000	40,000	40,000	40,000		160,000
<i>Sewer Fund</i>			40,000	40,000	40,000	40,000		160,000
Public Works Total			1,353,895	748,470	448,470	650,970	341,588	3,543,393

Streets

Chip Seal Projects	Chip Sealing	1	249,000	180,000		180,000	180,000	789,000
<i>Bonds General Fund</i>			153,500				180,000	333,500
<i>State Aid - MSA</i>			95,500	180,000		180,000		455,500
Lindgren and Richard Ave	ST-22-001	2	1,925,752					1,925,752
<i>Bonds General Fund</i>			776,802					776,802
<i>Sales Tax</i>			192,000					192,000
<i>Sewer Fund</i>			50,950					50,950
<i>State Grants</i>			750,000					750,000
<i>Storm Water</i>			60,000					60,000
<i>Street Light Fund</i>			96,000					96,000
Ugstad Super Project	ST-22-002	2	3,780,000					3,780,000
<i>State Aid - MSA</i>			3,780,000					3,780,000
Lighning Dr and Thunder Chief and Getchell	ST-22-003	1		1,864,462				1,864,462
<i>Assessment</i>				165,750				165,750
<i>Bonds General Fund</i>				1,512,266				1,512,266
<i>Storm Water</i>				186,446				186,446
Old Midway	ST-23-001	2		781,334				781,334
<i>Assessment</i>				331,500				331,500
<i>Bonds General Fund</i>				449,834				449,834
Hermantown Rd - Midway to Ugstad	ST-23-002	2		1,581,649				1,581,649
<i>Assessment</i>				429,000				429,000
<i>Bonds General Fund</i>				1,152,649				1,152,649

Department	Project #	Priority	2022	2023	2024	2025	2026	Total
Hermantown Rd - Hwy 2 Midway	ST-23-003	2		838,274				838,274
<i>Assessment</i>				204,750				204,750
<i>Bonds General Fund</i>				633,524				633,524
Hermantown Road Bridge	ST-23-004	2		100,000				100,000
<i>Storm Water</i>				100,000				100,000
Thompson Rd	ST-24-001	2					525,736	525,736
<i>Assessment</i>							331,500	331,500
<i>Bonds General Fund</i>							194,236	194,236
Westwood Rd	ST-24-002	2					222,392	222,392
<i>Assessment</i>							87,750	87,750
<i>Bonds General Fund</i>							134,642	134,642
Stebner- Morris Thomas to Maple Grove	ST-24-003	1			1,250,000			1,250,000
<i>State Aid - MSA</i>					1,250,000			1,250,000
Lindahl Rd	ST-24-004	1			250,000			250,000
<i>Assessment</i>					156,000			156,000
<i>Bonds General Fund</i>					94,000			94,000
Birch Valley Rd	ST-25-001	2					444,785	444,785
<i>Assessment</i>							156,000	156,000
<i>Bonds General Fund</i>							288,785	288,785
Getchell Road	ST-25-002	2				1,978,010		1,978,010
<i>Assessment</i>						195,000		195,000
<i>Bonds General Fund</i>						1,585,209		1,585,209
<i>Storm Water</i>						197,801		197,801
Getchell Rd Steb-Morris Thomas	ST-26-001	2					1,889,310	1,889,310
<i>Assessment</i>							480,000	480,000
<i>Bonds General Fund</i>							834,310	834,310
<i>Sewer Fund</i>							250,000	250,000
<i>Storm Water</i>							75,000	75,000
<i>Water Fund</i>							250,000	250,000
Streets Total			5,954,752	5,345,719	1,500,000	2,158,010	3,262,223	18,220,704
GRAND TOTAL			7,448,647	6,496,189	2,213,470	2,923,980	4,418,811	23,501,097

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	SA Balance
2022		597,522.00		731,199.61
	Chip Seal Projects		95,500.00	635,699.61
	Ugstad Super Project		3,650,000.00	(3,014,300.39)
2023		597,522.00		(2,416,778.39)
	Chip Seal Projects		180,000.00	(2,236,778.39)
2024		597,522.00		(1,639,256.39)
2024		1,480,000.00		(159,256.39)
	Stebner-Morris Thomas to Maple Grove		1,250,000.00	(1,409,256.39)
2025		597,522.00		(811,734.39)
	Chip Seal Projects		180,000.00	(991,734.39)

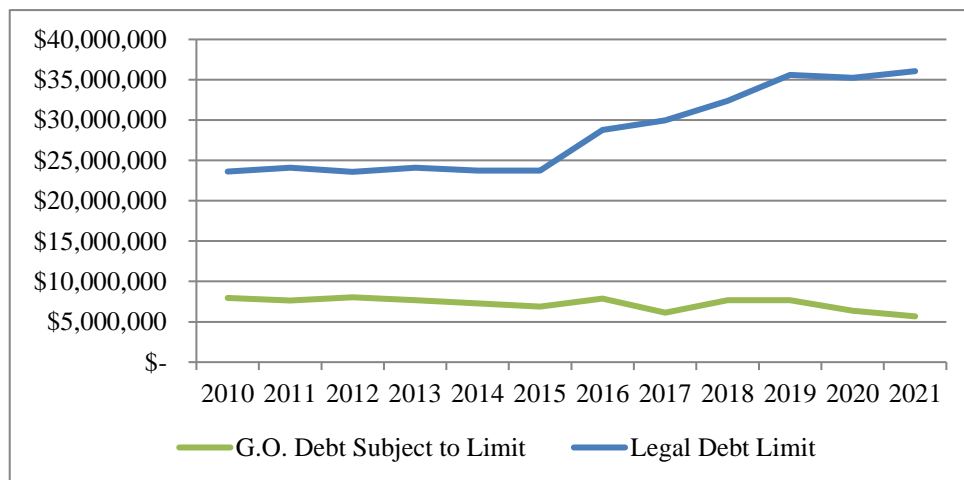
City Debt Overview

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 2021/2022 is estimated to be \$1,190,036,218. 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	\$ 36,065,694
Hermantown's Debt Subject to the Limit (Estimate)	<u>5,675,000</u>
Unused Debt Limit	<u>\$ 30,390,694</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, and 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>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>2026</u>
Road Improvement Plan	145,080	145,552	145,867	146,077	140,880
Firehalls/Rose Road Softball fields	191,139	198,069	194,132	195,444	191,349
Public Works Facility/Salt Storage Building (2010-2030)	79,015	-	-	-	-
Total Debt Tax Levy	415,234	343,621	339,999	341,521	332,229

Existing Debt Overview

G.O. Bonds	Fund	Date of Maturity	Interest Rate	Balance 12/31/21	Principal Due 2022	Interest Due 2022	Balance 12/31/22
2016A G.O. Bond	318	2/1/2030	1.56%	2,570,000	375,000	47,650	2,195,000
2012A G.O. Bond	320	2/1/2026	1.93%	1,050,000	165,000	21,204	885,000
2014A G.O. Bond	322	2/1/2028	2.20%	1,085,000	235,000	27,850	850,000
2016B G.O. Bond	315	2/1/2027	1.35%	4,500,000	530,000	94,500	3,970,000
2018A G.O. Bond	323	2/1/2039	3.20%	1,940,000	75,000	59,250	1,865,000
2018B G.O. Bond	324	2/1/2039	3.14%	7,565,000	280,000	255,875	7,285,000
2019A G.O. Bond	325	2/1/2040	3.14%	8,565,000	305,000	304,006	8,260,000
2020A G.O. Bond	326	2/1/2036	1.74%	3,585,000	365,000	112,944	3,220,000
2020B G.O. Bond	327	2/1/2037	1.82%	3,915,000	205,000	94,025	3,710,000
2021A G.O. Bond	328	2/1/2037	1.21%	4,035,000	150,000	82,002	3,885,000

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

2022 Staffing

2022 Full-Time Equivalent (FTE) Summary by Position Count

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

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

	2021	2022	
	ORIGINAL	APPROVED	PERCENT
	BUDGET	BUDGET	CHANGE
103-151 Salaries/Benefits	33,809	33,695	-0.3%
201-499 Supplies/Services	11,272	13,180	16.9%
Total Expenditures	45,081	46,875	4.0%

Budgetary Commentary:

The 2022 City council operating budget is increasing by 4.0% from 2021 due to increase in computer maintenance costs.

Budget Detail

		2021 ORIGINAL BUDGET	2022 BUDGET
	2020 ACTUAL		
Salaries & Benefits			
103 Part-Time Employees-Regular	27,940	30,480	30,480
123 PERA Contributions-DCP	962	1,113	1,113
128 Social Security	472	510	510
129 Medicare	405	442	442
133 Life Insurance	173	216	194
151 Workers Compensation	1,060	1,048	956
Supplies & Services			
201 Office Supplies	37	235	50
209 Computer Equipment	1,868	-	-
315 School & Conference	-	800	200
331 Travel Expense	-	500	500
405 Computer Maintenance	401	187	2,580
451 Dues & Subscriptions	9,578	9,500	9,800
499 Miscellaneous	155	50	50
Total Expenditures	43,051	45,081	46,875

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

		2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
310-355	Services	3,000	1,900	36.7%
	Total Expenditures	3,000	1,900	36.7%

Budgetary Commentary

The 2022 budget is reduced from 2021.

Budget Detail

		2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
	Services			
351	Legal Notices Publishing	1,361	3,000	1,900
	Total Expenditures	1,361	3,000	1,900

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

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
103-151 Salaries/Benefits	11,063	11,028	-0.3%
201-499 Services/Maintenance	1,952	2,789	42.9%
Total Expenditures	13,015	13,817	6.2%

Budgetary Commentary

The 2022 Mayor operating budget is slightly increasing.

Budget Detail

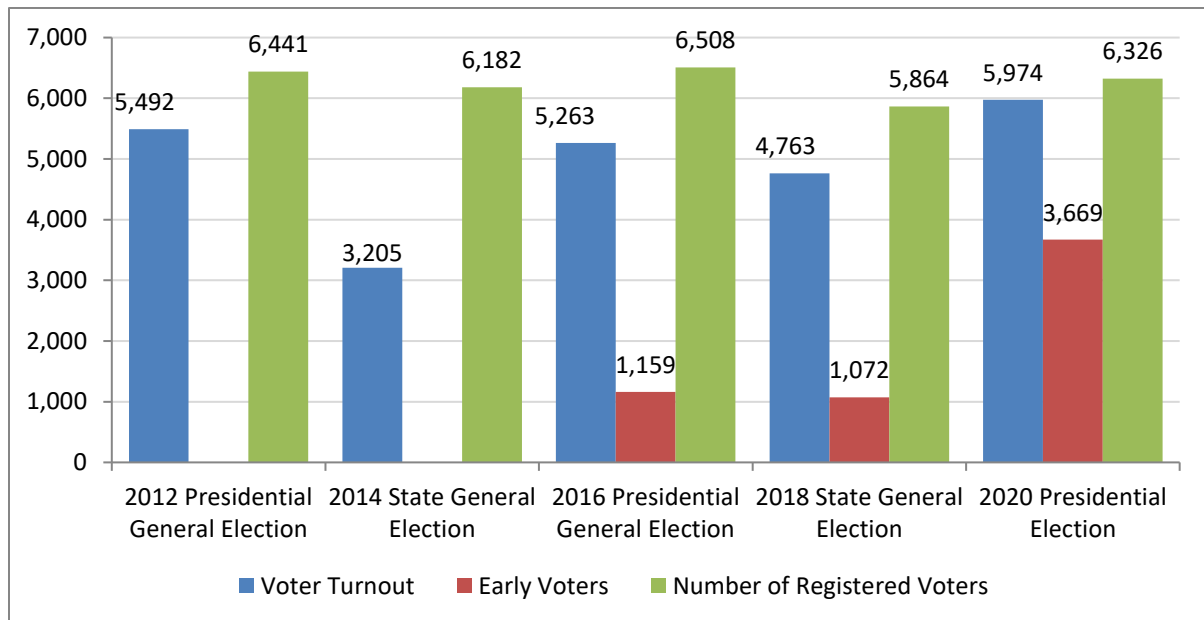
		2021	2022
		ORIGINAL	APPROVED
	2020 ACTUAL	BUDGET	BUDGET
Salaries & Benefits			
103 Part-Time Employees-F	10,020	10,020	10,020
123 PERA Contributions - E	481	501	501
129 Medicare	145	145	145
133 Life Insurance	49	54	49
151 Workers Compensatio	350	343	313
Services & Maintenance			
209 Computer Equipment	467	-	-
315 School & Conference	-	420	420
331 Travel Expense	299	-	300
405 Computer Maintenanc	1,339	1,357	1,939
451 Dues & Subscriptions	30	75	30
499 Miscellaneous	102	100	100
Total Expenditures	13,282	13,015	13,817

Elections - 414100

2022 is an election year.

Objectives

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



Budget Summary

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Benefits	-	15,784	
201-499 Supplies/Services/Maintenance	-	8,500	
Total Expenditures	-	24,284	

Budgetary Commentary

2022 is an election year. The 2022 operating budget increased because there is an election.

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees-Regular	2,493	-	2,065
102 Full-Time Employees-Overtime	237	-	-
105 Temporary Employees-Regular	11,794	-	11,760
121 PERA Contributions-Coordinated	205	-	155
128 Social Security	168	-	857
129 Medicare	39	-	200
131 Health Insurance	543	-	345
133 Life Insurance	4	-	8
134 Disability Insurance	25	-	11
136 MSRS	16	-	20
151 Workers Compensation	3	-	363
Services & Maintenance			
201 Office Supplies	752	-	1,500
221 General Supplies	50	-	50
315 School & Conference	-	-	400
325 Postage	1,284	-	1,200
331 Travel Expense	334	-	450
351 Legal Notices Publishing	3,152	-	2,600
404 Equipment Maintenance		-	1,700
499 Miscellaneous	762	-	600
Total Expenditures	21,861	-	24,284

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

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

GOALS

- 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

PROGRAMS

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

OUTCOMES

	Benchmark	2019 Actual	2020 Actual	2021 Target	2022 Target
Resolutions Adopted	120	211	183	150	150
Ordinances Adopted	12	16	8	12	12

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	2019 Actual	2020 Actual	2021 Target	2022 Target
Credit Rating	AA	AA	AA	AA	AA
Fund Reserve	60.00%	57.40%	67.59%	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	One	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 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 & C
- 4.) Zoning Changes ----- Goal Alignment; A & C
- 5.) Communications ----- Goal Alignment; A & C

OUTCOMES

	Benchmark	2018/19 Actual	2020 Actual	2021 Target	2022 Target
Registered Voters	5,000	5,864	6,326	NA	6,250
Early Voters	500	1,072	3,669	NA	2,000
Total Ballots Cast	4.500	4,763	5,974	NA	5,000
Public Hearings	5	9	4	5	5
Notices Mailed	100	NA	130	100	100
Participating Attendees	50	59	51	50	50

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	2019 Actual	2020 Actual	2021 Target	2022 Target
Facebook Followers	1,500	1,400	1,600	1,800	2,000
Facebook Reach	18,000	22,432	20,440	24,000	24,000
Twitter Impressions	36,000	24,367	52,932	36,000	36,000
Top Individual Post Reach	5,000	10,300	4,700	5,000	5,000
Top Individual Post Link Clicks	500	1,300	700	300	300
Top Individual Reaction Post	250	411	227	300	300

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

	2021	2022	
	ORIGINAL	APPROVED	PERCENT
	BUDGET	BUDGET	CHANGE
101-151 Salaries/Benefits	559,089	587,677	5.1%
201-499 Supplies/Services & Maintenance	99,792	123,542	23.8%
Total Expenditures	658,881	711,219	7.9%

Budgetary Commentary

The 2021 Budget for Administration and Finance is increasing by 7.9% due to personnel increases and an increase in contracted services.

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees-Regular	370,841	401,990	422,474
102 Full-Time Employees-Overtime	265	-	184
121 PERA Contributions-Coordinated	28,066	30,149	31,685
128 Social Security	22,953	24,923	26,193
129 Medicare	5,297	5,829	6,126
131 Health Insurance	87,580	90,771	94,331
132 Health Care Savings Plan	1,210	-	-
133 Life Insurance	993	1,129	1,044
134 Disability Insurance	1,529	1,733	1,855
136 MSRS	1,925	2,002	3,198
151 Workers Compensation	523	563	587
Supplies/Services & Maintenance			
201 Office Supplies	5,100	4,000	4,100
202 Printing Supplies	2,208	2,100	2,200
209 Computer Supplies	1,401	400	350
301 Audit/Account Services	13,055	21,000	31,500
302 Assessors Fees	619	-	670
314 Computer/Software Fees	2,653	3,150	3,000
315 School & Conference	599	4,000	3,950
319 Contracted Services	1,303	14,365	23,000
321 Telephone	1,486	1,500	1,500
325 Postage	1,491	1,375	1,200
331 Travel Expense	3,729	5,500	5,400
343 Community Relations	3,069	4,200	4,200
351 Legal Notices Publishing	1,440	900	850
405 Computer Maintenance	26,753	29,927	33,822
413 Equipment Rental	4,127	3,750	3,800
434 Employee Recognition Program	100	325	650
451 Dues & Subscriptions	3,087	3,000	3,050
499 Miscellaneous	1,364	300	300
Total Expenditures	594,766	658,881	711,219

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

	2020	2021	2022
	ACTUAL	ORIGINAL BUDGET	APPROVED BUDGET
308 Legal Fees	38,207	35,000	60,000
Total Expenditures	38,207	35,000	60,000

Budget Commentary

The 2022 City Attorney budget is increasing due to new rates after the retirement of the current City Attorney.

Community Development – 419100

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

Community Development Department Objectives

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

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

Output	2017	2018	2019	2020	2021
Zoning Certificates	87	73	111	21	17
Land Alteration Permits (Fill)	3	4	4	8	8
Special Use Permits	0	7	8	2	8
Sign Permits	12	6	7	5	20
Fence Permits	3	3	5	7	9
Planned Unit Development	2	1	2	3	3
Commercial Industrial Development Permit	1	1	2	4	0
Variance	0	2	1	1	1
Wetland Delineations	12	12	12	15	10
Wetland Fill Exemptions	4	4	4	5	3
Rezoning	0	0	1	0	0
Economic Development Districts (TIF/TA)	0	0	0	0	0
Zoning Amendments	0	2	3	1	1
Subdivision	0	1	2	1	1
Non-Conforming Use Permits	0	0	0	0	0
Property Splits	6	6	7	9	9

* As of August 2021

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	2019 Actual	2020 Actual	2021 Target	2022 Target
Total Applications	50	79	68	80	70
Admin. Lot Splits	10	13	8	10	10
Commercial Developments	1	2	4	1	1
PUDs	1	2	3	1	1
Zoning Certificates	15	20	21	20	20
Special Use Permits	1	8	3	11	5
Wetland Delineations	15	15	19	15	15

Authorized Personnel

The Community Development Department has a full-time Director.

Budget Summary

		2021	2022	
		ORIGINAL	APPROVED	PERCENT
		BUDGET	BUDGET	CHANGE
101-151	Salaries/Benefits	210,624	244,134	15.9%
201-499	Supplies/Services & Maintenance	43,084	44,030	2.2%
	Total Expenditures	253,708	288,164	13.6%

Budget Commentary

The 2022 Community Development operating budget is increasing by 13.6% 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

		2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
	2020 ACTUAL		
Salaries & Benefits			
101 Full-Time Employees-Regular	94,079	142,522	165,425
121 PERA Contributions-Coordinated	7,056	10,689	12,407
128 Social Security	5,670	8,836	10,256
129 Medicare	1,326	2,067	2,399
131 Health Insurance	28,070	45,302	51,835
133 Life Insurance	259	312	426
134 Disability Insurance	439	696	733
136 MSRS	-	-	423
151 Workers Compensation	192	200	230
Supplies/Services & Maintenance			
201 Office Supplies	57	500	500
202 Printing Supplies	-	500	500
209 Computer Equipment	531	-	-
304 Parcel Research Fees	1,565	1,500	1,500
305 Engineer Fees	7,380	3,000	8,500
308 Legal Fees	8,533	15,000	10,000
310 Recording/Filing Fees	1,150	500	750
314 Computer/Software Fees	1,972	4,500	1,500
315 School & Conference	-	1,000	200
319 Contracted Services	20,180	0	1,000
321 Telephone	300	300	300
325 Postage	678	500	850
331 Travel Expense	-	500	500
351 Legal Notices Publishing	1,466	1,000	1,500
361 General Liability Insurance	8,213	8,212	8,212
405 Computer Maintenance	3,667	4,072	6,218
451 Dues & Subscriptions	296	2,000	2,000
Total Expenditures	193,079	253,708	288,164

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 Community Building.

Budget Summary

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Benefits	100,418	75,149	-25.2%
211-460 Supplies/Services & Maintenance	95,876	92,630	-3.4%
Total Expenditures	196,294	167,779	-14.5%

Budget Commentary

The 2022 city hall/police building maintenance operating budget had an overall 14.5% decrease from 2021 due to not having severance pay in 2022.

Budget Detail

		2021	2022
	2020 ACTUAL	ORIGINAL BUDGET	APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees-Regular	38,586	40,479	35,195
102 Full-Time Employees-Overtime	2,657	-	-
103 Part-Time Employees-Regular	6,975	10,621	10,943
111 Severance Pay	-	20,800	-
121 PERA Contributions-Coordinated	3,616	3,036	2,639
128 Social Security	2,782	3,168	2,860
129 Medicare	651	741	669
131 Health Insurance	18,395	19,119	20,391
133 Life Insurance	43	45	41
134 Disability Insurance	206	212	180
136 MSRS	-	-	338
151 Workers Compensation	2,121	2,197	1,893
Supplies /Services & Maintenance			
212 Motor Fuels	1,239	1,600	1,550
216 Uniforms	370	500	350
221 General Supplies	7,745	7,500	6,000
224 Land Maintenance & Repair	-	4,000	2,000
319 Contracted Services	1,062	1,400	2,000
321 Telephone	7,571	8,298	7,572
322 Internet	8,674	6,760	8,200
361 General Liability Insurance	9,382	8,243	10,208
381 Electricity	24,428	27,500	24,500
383 Heating Gas	12,149	16,200	16,000
384 Garbage Removal	3,190	2,275	2,600
401 Building Maintenance	7,207	6,000	7,500
404 Equipment Maintenance	366	5,000	4,000
405 Computer Maintenance	684	0	0
451 Dues & Subscriptions	65	100	50
460 Permits & Licenses	59	500	100
Total Expenditures	160,223	196,294	167,779

Police 421100

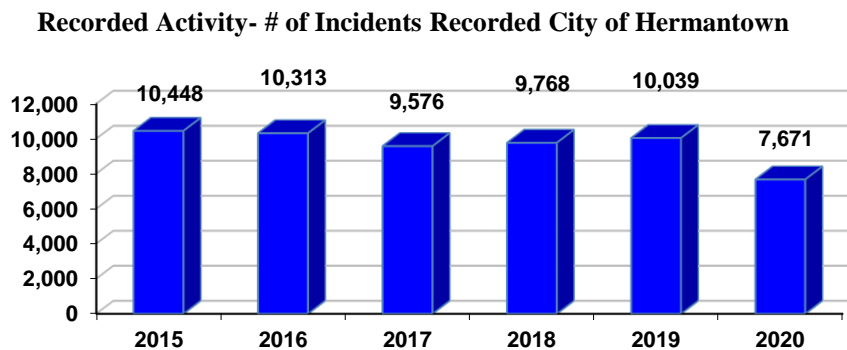
The Police Department is responsible for law enforcement within the City and cooperates with surrounding law enforcement agencies.

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), (1) Detective, (1) School Police Liaison/Dare Officer, (9) 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 2020 totaled 7,671 compared to 10,039 in 2019, a 23.59% decrease.

Part I & II Serious Crime

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

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	2019 Actual	2020 Actual	2021 Target	2022 Target
Response Time	8:00	7:06	6:12	6:30	6:30
Motor Vehicle Accidents	400	338	379	350	350
Self-Initiated Calls	3,500	3,821	3,765	3,000	3,500
Community Engagement	60	79	66	60	70
Investigative Case Backlog	60	83	62	60	60

Budget Summary

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Benefits	2,546,576	2,606,364	2.3%
201-499 Supplies/Services & Maintenance	313,296	341,985	9.2%
540-580 Capital Outlay	123,550	128,000	3.6%
Total Expenditures	2,983,422	3,076,349	3.1%

Budget Commentary

The 2022 Police Department operating budget increased by 3.1% from 2021 due in part to wages increases, insurance increases, and increases in information technology.

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees-Regular	1,347,808	1,493,635	1,542,357
102 Full-Time Employees-Overtime	130,030	143,037	147,410
111 Severance Pay-Vacation	13,155	43,931	-
121 PERA Contributions-Coordinated	10,969	11,987	12,443
122 PERA Contributions-Police/Fire	235,334	261,402	269,724
128 Social Security	8,618	9,909	10,286
129 Medicare	20,486	24,369	24,502
131 Health Insurance	430,246	501,217	533,572
132 Health Care Savings Plan	6,747	-	-
133 Life Insurance	1,696	1,901	1,733
134 Disability Insurance	6,092	7,179	7,763
136 MSRS	1,569	1,560	10,270
151 Workers Compensation	45,703	46,449	46,304

Budget Detail continued

		2021	2022
		ORIGINAL	APPROVED
	2020 ACTUAL	BUDGET	BUDGET
Supplies /Services & Maintenance			
201 Office Supplies	1,994	1,500	1,500
202 Printing Supplies	1,153	1,500	1,500
209 Computer Supplies	1,117	1,000	1,000
211 Cleaning Supplies	120	-	-
212 Motor Fuels	23,653	36,000	38,000
216 Uniforms	17,030	19,000	13,800
218 Medical Supplies	384	1,000	800
221 General Supplies	2,735	4,000	4,000
222 Tires	3,334	5,000	4,500
240 Gun Supplies/Ammo/Tasers	9,730	10,000	10,500
308 Legal Fees	66,150	83,000	83,000
314 Computer/Software Fees	21,030	25,000	25,000
315 School & Conference	4,836	11,000	11,000
317 Personnel Testing, Physicals, Recruitm	1,981	1,500	-
319 Contracted Services	3,565	5,000	5,000
320 Personnel Search Expenses	99	-	-
321 Telephone	16,389	15,000	16,000
325 Postage	746	1,200	1,300
331 Travel Expense	1,598	7,500	7,500
343 Community Relations	57	1,500	1,500
351 Legal Notices Publishing	74	300	300
361 General Liability Insurance	26,146	25,981	42,387
404 Equipment Maintenance	3,182	3,000	3,000
405 Computer Maintenance	30,380	25,790	40,248
406 Vehicle Maintenance	13,220	12,500	13,500
413 Equipment Rental	4,113	4,800	5,000
434 Employee Recognition	268	125	250
436 Towing Charges	215	250	250
451 Dues & Subscriptions	1,806	1,500	2,000
460 Permits & Licenses	531	850	650
490 K-9 Expenses	-	3,000	3,000
495 Property Damage Reimb. By Insurance	302	2,000	2,000
499 Miscellaneous	3,757	3,500	3,500
Capital Outlay			
540 Office Equip/Furnishings	4,227	3,750	2,500
544 Motor Vehicles	54,378	115,000	115,000
580 Other Equipment	4,865	4,800	10,500
Total Expenditures	2,583,618	2,983,422	3,076,349

Fire Protection – 422100 - Contracted

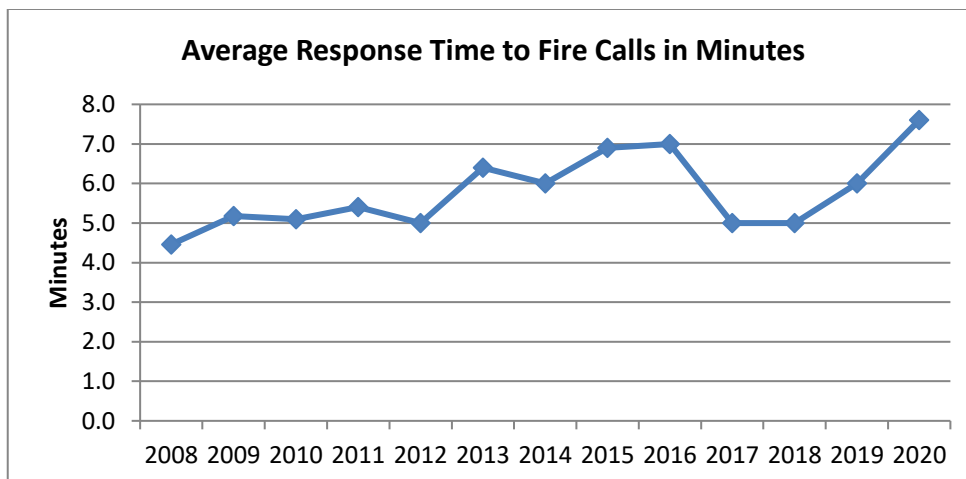
The City of Hermantown contracts yearly for fire protection with The Hermantown Volunteer Fire Department (HVFD) for all properties within the City. In addition, the department also provides first responder service within the City. The HVFD was incorporated in 1951. It functions independent of the City 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 7.6 minutes in 2020.



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

Budget Summary

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
301-363 Supplies/Services	521,160	536,795	3.0%
Total Expenditures	521,160	536,795	3.0%

Budget Commentary

The 2021 budget increased 3%.

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

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
318 Fire Protection	516,000	521,160	536,795
Total Expenditures	516,000	521,160	536,795

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

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Benefits	27,240	19,359	-28.9%
219-495 Supplies/Services & Maintenance	31,361	32,029	2.1%
Total Expenditures	58,601	51,388	-12.3%

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees - Regular	15,681	12,455	10,829
102 Full-Time Employees - Overtime	817	-	-
103 Part-Time Employees - Regular	305	-	-
111 Severance Pay	-	6,400	-
121 PERA Contributions - Coordinated	1,237	934	812
128 Social Security	958	772	671
129 Medicare	224	181	157
131 Health Insurance	7,098	5,883	6,274
133 Life Insurance	17	14	13
134 Disability Insurance	83	65	55
136 MSRS	-	-	104
151 Workers Compensation	517	536	444
Supplies/Services & Maintenance			
221 General Supplies	258	-	-
321 Telephone	1,884	2,209	2,050
322 Internet	2,169	1,690	1,690
361 General Liability Insurance	2,723	2,362	2,789
381 Electricity	15,614	14,000	15,000
383 Heating Gas	7,489	10,500	10,000
401 Building Maintenance	495	600	500
460 Permits and Licenses	10	-	-
Total Expenditures	57,579	58,601	51,388

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

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
200-499 Supplies/Services & Maintenance	12,207	13,608	11.5%
Total Expenditures	12,207	13,608	11.5%

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Supplies/Services & Maintenance			
221 General Supplies	108	-	70
223 Maintenance Supplies	-	600	600
319 Contracted Services	432	-	176
322 Internet	1,711	1,868	1,868
361 General Liability Insurance	2,523	2,189	2,584
381 Electricity	1,852	2,800	2,400
383 Heating Gas	4,534	4,600	4,910
401 Building Maintenance	991	150	1,000
Total Expenditures	12,151	12,207	13,608

Building Inspection – 424100

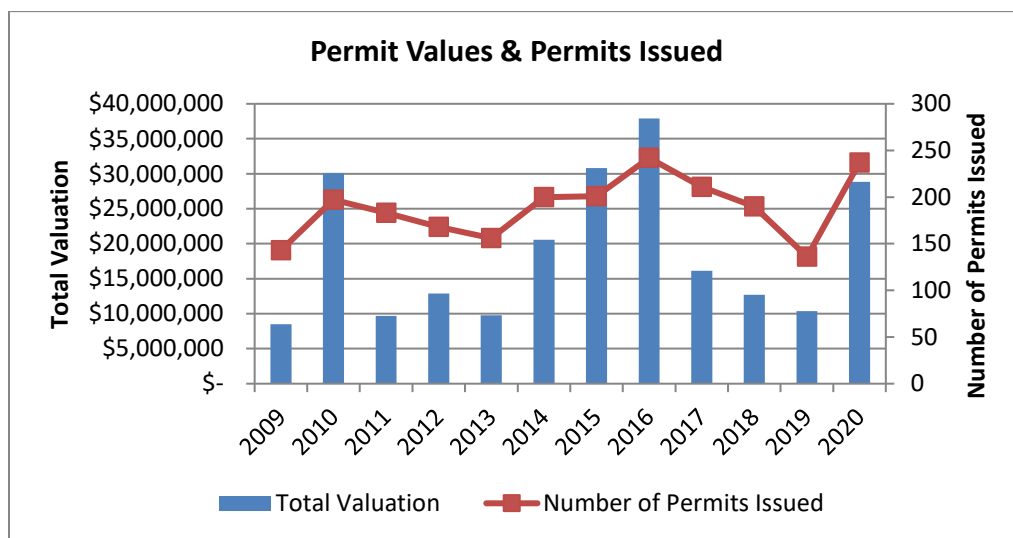
The Building Official is responsible for administration, interpretation and enforcement of the MN State Building Code. The primary goal of the department is to seek compliance with the minimum standards of the MN State Building Code in residential and commercial construction activities.

Objectives

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

Output

- Building Permits Issued 2021 (January through September) - 166 total for value of \$33,656,400



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	2019 Actual	2020 Actual	2021 Target	2022 Target
Res. Building Permits	125	167	180	150	175
Com. Build. Permits	25	10	21	40	50

Budget Summary

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Benefits	160,104	230,979	44.3%
201-451 Supplies/Services & Maintenance	11,097	12,089	8.9%
Total Expenditures	171,201	243,068	42.0%

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees-Regular	98,646	108,702	112,828
111 Severance Pay	-	-	60,013
121 PERA Contributions-Coordinated	7,399	8,153	8,462
128 Social Security	6,444	6,740	10,716
129 Medicare	1,507	1,576	2,506
131 Health Insurance	31,057	33,432	34,699
133 Life Insurance	274	301	273
134 Disability Insurance	497	528	519
136 MSRS	523	520	806
151 Workers Compensation	145	152	157
Supplies/Services & Maintenance			
201 Office Supplies	99	500	400
209 Computer Equipment	467	-	-
227 Street Lights & Signs	623	1,200	1,150
315 School & Conference	305	300	100
325 Postage	178	240	200
320 Personnel Search Expenses	-	-	800
331 Travel	7,240	7,200	7,200
405 Computer Maintenance	1,299	1,357	1,939
451 Dues & Subscriptions	-	300	300
	156,703	171,201	243,068

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

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
319 Contracted Services	4,100	2,610	-36.3%
Total Expenditures	4,100	2,610	-36.3%

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Supplies & Services			
319 Contracted Services	2,610	4,100	2,610
Total Expenditures	2,610	4,100	2,610

Street – 431100/431150

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

2020-2021 Statistical information

Asphalt Streets Maintained	52.6 Miles
Gravel Roads Maintained	19 Miles
Cul-De-Sacs	36
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	2019 Actual	2020 Actual	2021 Target	2022 Target
ROW/Brush Mowing	0 miles	NA	3 miles	5 miles	5 miles
Pothole Fill Pre-June 15	10 tons	NA	25 tons	23 tons	20 tons
Pothole Fill Post-June 15	20 tons	12 tons	12 tons	32 tons	32 tons
Gravel Road Upgrades	0 miles	NA	1 mile	2 miles	2 miles
Snowplow Event Timing	9 hours	7 hours	6 hours	6 hours	6 hours

Authorized Personnel

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

Budget Summary

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Wages	334,733	352,878	5.4%
201-499 Supplies/Services & Maintenance	386,053	390,290	1.1%
540-580 Capital Outlay	2,500	6,500	160.0%
Total Expenditures	723,286	749,668	3.6%

Budget Commentary

The 2022 Street Department operating budget is increasing by 3.6% from 2021. The increase is due mainly to an increase in payroll & benefits.

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees - Regular	231,085	199,929	209,147
102 Full-Time Employees - Overtime	13,190	11,380	11,722
103 Part-time Employees - Regular	-	-	-
121 PERA Contributions - Coordinated	18,321	15,848	16,565
128 Social Security	14,315	13,101	13,694
129 Medicare	3,416	3,064	3,203
131 Health Insurance	98,190	74,525	79,566
132 HCSP-Sick Leave/Uncollected	(3,431)	-	-
133 Life Insurance	314	304	277
134 Disability Insurance	1,111	987	1,080
136 MSRS	51	260	1,615
151 Workers Compensation	14,646	15,335	16,009
Supplies/Services & Maintenance			
209 Computer Equipment	-	1,000	-
212 Motor Fuels	32,774	45,000	60,000
213 Lubricants/Additives	4,395	3,000	3,500
216 Uniforms	614	1,000	1,000
221 General Supplies	2,572	8,600	5,500
222 Tires	6,135	3,000	6,000
225 Street Maintenance Supplies	26,173	45,000	26,000
226 Sand, Salt, Chloride	67,400	72,500	72,500
227 Street Lights & Signs	1,139	2,625	2,500
314 Computer/Software Fees	1,576	-	1,576
315 School & Conference	416	1,575	1,000
317 Personnel Testing, Physicals	60	500	500
319 Contracted Services	16,365	23,500	23,500
321 Telephone	2,281	2,283	2,300
322 Internet	1,211	293	1,200
331 Travel Expense	315	300	300
351 Legal Notices Publishing	99	-	100
361 General Liability Insurance	7,672	7,448	12,790
403 Road Maintenance	90,643	85,000	100,000
404 Equipment Maintenance	41,448	44,500	40,000
405 Computer Maintenance	6,739	5,429	8,124
406 Vehicle Maintenance	205	3,750	3,750
413 Equipment Rental	7,993	26,500	15,000
417 Uniform Rental	2,604	2,500	2,500
434 Employee Recognition Plan	-	300	300
451 Dues & Subscriptions	-	100	-
460 Permits & Licenses	198	350	350
Capital Outlay			
540 Office Equip/Furnishings	421	2,500	1,500
580 Other Equipment	2,352	-	5,000
Total Expenditures	715,008	723,286	749,668

City Engineer - 431130 - Contracted

In 2021, the City contracted with Northland Consulting Engineers. No change is anticipated in 2022.

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

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
305 Contracted Services	30,000	29,000	-3.3%
Total Expenditures	30,000	29,000	-3.3%

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Supplies & Services			
305 Contracted Services	24,115	30,000	29,000
Total Expenditures	24,115	30,000	29,000

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

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Wages	22,176	21,014	-5.2%
200-499 Supplies/Services & Maintenance	18,126	18,665	3.0%
Total Expenditures	40,302	39,679	-1.5%

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees-Regular	6,604	12,148	12,116
102 Full-Time Employees-Overtime	729	654	674
103 Part-Time Employees-Regular	180	-	-
111 Severance Pay	-	1,600	-
121 PERA Contributions-Coordinated	550	960	959
128 Social Security	446	794	793
129 Medicare	104	186	185
131 Health Insurance	3,673	4,931	5,263
132 Health Care Savings	17	-	-
133 Life Insurance	8	13	12
134 Disability Insurance	34	63	66
136 MSRS	-	-	104
151 Workers Compensation	792	827	842
Supplies/Services & Maintenance			
221 General Supplies	6,140	5,500	4,000
223 Maintenance Supplies	5,578	600	1,600
321 Telephone	117	201	250
361 General Liability Insurance	1,644	1,325	1,565
381 Electricity	3,728	4,000	3,500
383 Heating Gas	3,146	3,000	3,250
384 Garbage Removal	2,301	2,500	2,000
401 Building Maintenance	2,347	1,000	2,500
460 Permits	20	-	-
Total Expenditures	38,158	40,302	39,679

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

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Wages	48,908	51,031	4.34%
200-499 Supplies/Services & Maintenance	78,304	86,141	10.01%
720 Other Financing Uses	2,000	2,000	0.00%
Total Expenditures	129,212	139,172	7.71%

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees-Regular	7,490	11,636	12,405
102 Full-Time Employees-Overtime	747	319	335
103 Part-Time Employees-Regular	5,882	28,694	29,560
121 PERA Contributions-Coordinated	618	897	956
128 Social Security	852	2,520	2,623
129 Medicare	199	589	613
131 Health Insurance	4,290	2,078	2,229
133 Life Insurance	9	11	10
134 Disability Insurance	42	61	65
136 MSRS	-	-	104
151 Workers Compensation	2,044	2,103	2,131
Supplies/Services & Maintenance			
212 Motor Fuels	166	1,500	-
219 Other Operating Equipment	-	-	5,000
221 General Supplies	711	4,500	2,500
224 Land Maintenance & Repair	10,592	35,000	35,000
319 Contracted Services	7,176	20,000	25,000
325 Postage	27	-	-
361 General Liability Insurance	1,683	1,779	1,341
381 Electricity	3,287	4,500	3,300
402 Grounds/Land Maintenance	6,363	5,500	6,500
404 Equipment Maintenance	5,150	3,025	4,000
413 Equipment Rental	2,940	2,500	3,500
Other Financing Uses			
720 Transfer Out	2,000	2,000	2,000
Total Expenditures	62,268	129,212	139,172

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 2010-62. 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 2018-42. The current budget accounts for the cost of maintenance personnel, telephone, insurance, electricity, and heating for the facility.

Budget Summary

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries & Benefits	13,620	9,680	-28.9%
200-499 Supplies/Services & Maintenance	12,669	13,071	3.2%
Total Expenditures	26,289	22,751	-13.5%

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2021 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees - Regular	3,282	6,228	5,414
102 Full-Time Employees - Overtime	407	-	-
103 Part-Time Employees-Regular	221	-	-
111 Severance Pay	-	3,200	-
121 PERA Contributions - Coordinated	277	467	406
128 Social Security	226	386	336
129 Medicare	53	90	79
131 Health Insurance	1,790	2,941	3,137
133 Life Insurance	4	7	6
134 Disability Insurance	18	33	28
136 MSRS	-	-	52
151 Workers Compensation	259	268	222
Supplies/Services & Maintenance			
223 Maintenance Supplies	84	600	350
321 Telephone	121	121	121
361 General Liability Insurance	2,246	1,948	2,300
381 Electricity	4,489	5,000	5,250
383 Heating Gas	3,416	4,000	4,250
401 Building Maintenance	381	1,000	800
405 Computer Maintenance	1,721	-	-
Total Expenditures	18,995	26,289	22,751

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

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries & Benefits	5,538	5,752	3.9%
Total Expenditures	5,538	5,752	3.9%

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Salaries & Benefits			
101 Full-Time Employees - Regular	976	1,205	1,262
102 Full-Time Employees - Overtime	56	75	77
103 Part-Time Employees - Regular	540	3,188	3,284
121 PERA Contributions - Coordinated	77	96	100
128 Social Security	95	277	287
129 Medicare	22	65	67
131 Health Insurance	499	398	426
132 HCSP	3	-	-
133 Life Insurance	1	1	1
134 Disability Insurance	5	6	7
136 MSRS	-	-	10
151 Workers Compensation	219	227	231
Total Expenditures	2,493	5,538	5,752

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

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries & Benefits	34,904	34,108	-2.3%
Total Expenditures	34,904	34,108	-2.3%

Budget Commentary

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

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
361 Insurance	24,713	34,904	34,108
Total Expenditures	24,713	34,904	34,108

Transfer Out - 495000

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

Budget Summary

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
720 Transfer Out	627,121	343,000	475,000
Total Expenditures	627,121	343,000	475,000

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

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
310100 Current Year Taxes	158,748	72,200	142,500
310200 Delinquent Taxes	645	-	-
341010 Building Rentals	1	-	-
362440 Conduit Financing Fees	2,770	2,770	2,770
Total Revenues	162,164	74,970	145,270
Expenditures			
101 Full-Time Employees - Regular	19,494	21,372	22,051
103 Part-Time Employees - Regular	1,950	4,200	4,200
121 PERA Contributions - Coordinated	1,538	1,603	1,654
123 PERA Contributions - DCP	53	210	210
128 Social Security	1,281	1,344	1,442
129 Medicare	316	371	381
131 Health Insurance	4,248	4,562	4,748
133 Life Insurance	52	48	44
132 HCSP	394	-	-
134 Disability Insurance	71	75	73
136 MSRS	89	88	111
151 Workers Compensation	29	30	31
201 Office Supplies	-	100	100
202 Printing Supplies	-	500	200
221 General Supplies	-	100	50
305 Engineer Fees	-	3,000	2,000
308 Legal Fees	10,534	6,000	6,000
310 Recording/Filing Fees	-	-	-
315 School & Conference	295	1,500	1,475
319 Contracted Services	16,375	17,169	90,000
325 Postage	-	500	-
331 Travel Expense	1,663	2,000	2,000
343 Community Relations	3,273	6,000	4,000
351 Legal Notices Publishing	209	200	500
451 Dues & Subscriptions	3,340	4,000	4,000
Capital Expenditures			
530 Improvements Other Than Buildings	-	45,000	-
Total Expenditures	65,204	119,972	145,270
Revenues Over (Under) Expenditures	96,960	(45,002)	-

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

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
322460 Park Dedication Fee	26,490	18,000	18,500
322470 Park Dedication Fee in Lieu of Land	15,950	5,500	16,000
336300 Other Grants & Aids	-	-	-
362100 Investment Interest	1,827	20	200
362160 Gain (Loss) on Sale of Investments	531	-	-
362310 Donations - Nongovernmental Grants	-	820,000	-
362430 Refund and Reimb	2,850	-	-
Total Revenues	47,648	843,520	34,700
Expenditures			
Services			
305 Engineer Fees	-	5,000	5,000
308 Legal Fees	-	-	-
351 Legal Notices Publishing	-	-	-
493 Community Contributions	-	-	-
Capital Outlay			
530 Improvements Other Than Bldgs	-	920,000	-
Other Financing Uses			
720 Transfer Out	-	-	-
Total Expenditures	-	925,000	5,000
Revenues Over (Under) Expenditures	47,648	(81,480)	29,700

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

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
322125 Wetland Bank Fee	-	500	100
Total Revenues	-	500	100
Expenditures			
Supplies & Services			
319 Contracted Services	9,500	3,500	10,000
Total Expenditures	9,500	3,500	10,000
Revenues Over (Under) Expenditures	(9,500)	(3,000)	(9,900)

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.

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	\$ 215,000
2018B GO Bonds	324	\$ 522,231
2019A GO Bonds	325	\$ 651,400
2020A GO Bonds	326	\$ 180,188
2020B GO Bonds	327	\$ 294,263
2021A GO Bonds	328	<u>\$ 40,119</u>
Total		<u>\$ 2,953,454</u>

Budget Detail

		2021	2022
	2020 ACTUAL	ORIGINAL BUDGET	APPROVED BUDGET
Revenues			
313100 City Sales Tax	3,351,435	2,990,000	3,000,000
318990 Other Tax Revenues	222,142	-	-
362100 Investment Interest	94,313	10,000	10,000
362160 Gain (Loss) on Sale of Investments	5,942	-	-
362430 Refund & Reimb	7,150	-	-
393100 Bond issuance	4,092,438	-	-
394000 Contributed Capital	66,190	-	-
Total Revenues	7,839,610	3,000,000	3,010,000
Expenditures			
Supplies /Services & Maintenance			
221 General Supplies	-	-	-
303 Banking Fees	3,330	-	-
305 Engineer Fees	229,819	100,000	-
308 Legal Fees	7,355	-	-
310 Recording/Filing Fees	138	-	-
319 Contracted Services	-	-	-
331 Travel Expense	-	-	-
351 Legal Notices Publishing	-	-	-
Other Financing Uses			
530 Improvements Other Than Buildings	3,087,105	1,300,000	505,425
550 Street Improvements	-	-	192,000
580 Other Equipment	-	-	325,000
595 Transmission/Distribution	-	200,000	-
620 Fiscal Agent Fees	78,975	-	-
720 Transfer Out	2,741,143	2,905,249	2,953,454
Total Expenditures	6,147,865	4,505,249	3,975,879

Fund 245 – COVID – ARPA

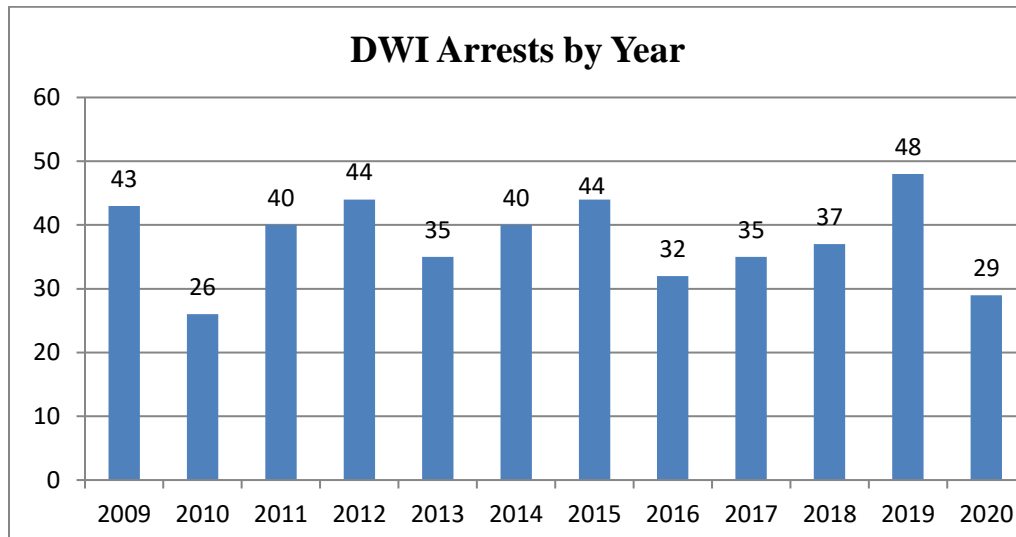
Accounts for revenue received from Federal Government for COVID related purposes and corresponding expenditures.

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
331999 Other Federal Grants & Aids	-	-	500,000
Total Revenues	-	-	500,000
Expenditures			
Supplies & Services			
319 Contracted Services	-	-	330,000
Total Expenditures	-	-	330,000
Revenues Over (Under) Expenditures	-	-	170,000

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 2020 Annual Report

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
351010 Court Fines	3,790	2,300	2,250
352010 Unclaimed Property	4,045	-	-
352020 Forfeitures	7,223	500	1,000
362300 Donations	4,469	-	2,000
Total Revenues	19,527	2,800	5,250
Expenditures			
219 Other Operating Expenses		-	-
308 Legal Fees	78	-	-
436 Towing Charges	130	-	-
460 Permits & Licenses	28	-	-
490 K-9 Expenses	2,613	-	-
499 Miscellaneous	468	-	-
Total Expenditures	3,317	-	-
Revenues Over (Under) Expenditur	16,210	2,800	5,250

Fund 260 - Cable Television Fund

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

Budget Commentary

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

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
318100 Cable TV Franchise Fees	37,970	38,500	38,500
362100 Investment Interest	2,097	500	500
362120 Interest - Interfund	6,000	6,000	6,000
362160 Gain (Loss) on Sale of Investments	609	-	-
Total Revenues	46,676	45,000	45,000
Expenditures			
Salaries & Benefits			
101 Full-Time Employees - Regular	3,792	4,165	4,282
121 PERA Contributions - Coordinated	301	312	321
128 Social Security	239	258	266
129 Medicare	56	60	62
131 Health Insurance	842	906	944
132 HCSP	84	-	-
133 Life Insurance	8	9	8
134 Disability Insurance	13	14	13
136 MSRS	16	16	20
151 Workers Compensation	6	6	6
Supplies/Services & Maintenance			
308 Legal Fees	28	300	500
319 Contracted Services	7,500	7,500	7,500
331 Travel Expense	217	-	-
361 General Liability Insurance	51	44	52
404 Equipment Maintenance	-	1,000	1,000
Total Expenditures	13,153	14,590	14,974
Revenues Over (Under) Expenditures	33,523	30,410	30,026

Fund 275 – Essentia Wellness Center

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

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
341015 Community Building Rentals	229,652	216,128	259,998
362999 Naming Rights	100,000		100,000
Total Revenues	329,652	216,128	359,998
Expenditures			
308 Legal Fees	190	-	2,000
319 Contracted Services	980	1,000	1,000
321 Telephone	7,849	6,800	7,500
322 Internet	11,944	11,000	11,500
361 General Liability insurance	17,447	22,698	22,698
381 Electricity	102,164	120,000	105,000
382 Water Purchases	18,410	24,000	34,000
383 Heating Gas	47,666	-	35,000
385 Sewer Charges	18,096	24,000	36,000
401 Building Maintenance	-	6,630	-
405 Computer Maintenance	10,917	-	5,300
460 Permits & Licenses	220	-	-
Total Expenditures	235,883	216,128	259,998
Revenues Over (Under) Expenditures	93,769	-	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

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
310200 Delinquent Taxes	439	-	-
Total Revenues	439	-	-
Expenditures			
Debt Service			
Total Expenditures	-	-	-
Revenues Over (Under) Expenditures	439	-	-

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

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 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	510,000	530,000	545,000
611 Bond Interest	110,100	94,500	78,375
620 Fiscal Agent Fees	855	1,385	1,400
Total Expenditures	620,955	625,885	624,775
Revenues Over (Under) Expenditures	77,852	72,922	74,032

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

		2021	2022
	2020 ACTUAL	ORIGINAL BUDGET	APPROVED BUDGET
Revenues			
310100 Current Year Taxes	78,165	74,871	74,871
310200 Delinquent Taxes	850	-	-
361100 Principal - Current	90,888	80,000	89,000
361110 Principal - Delinquent	1,064	-	-
361120 Principal-Prepaid	30,065	-	-
361200 Interest - Current	34,531	35,000	-
361210 Interest - Delinquent	381	-	-
361220 Interest- Prepaid	3,693	-	-
361300 Penalty/Interest	731	-	-
392010 Transfers In	216,657	217,723	215,923
Total Revenues	457,025	407,594	379,794
Expenditures			
Debt Service			
601 Bond Principal	365,000	375,000	380,000
611 Bond Interest	55,050	47,650	40,100
620 Fiscal Agent Fees	5,855	1,385	1,400
Total Expenditures	425,905	424,035	421,500

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

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
361100 Principal - Current	32,637	29,000	35,000
361110 Principal-Delinquent	2,592	-	-
361120 Principal - Prepaid	9,791	-	-
361200 Interest - Current	13,108	10,000	-
361210 Interest - Delinquent	1,427	-	-
361220 Interest - Prepaid	-	-	-
361300 Penalties & Interest	1,003	-	-
392010 Transfer In	197,539	197,539	197,539
Total Revenues	258,097	236,539	232,539
Expenditures			
Debt Service			
601 Bond Principal	155,000	165,000	170,000
611 Bond Interest	23,931	21,204	17,935
620 Fiscal Agent Fees	855	1,385	1,400
Total Expenditures	179,786	187,589	189,335
Revenues Over (Under) Expenditures	78,311	48,950	43,204

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

		2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues				
361100	Principal - Current	62,658	62,000	-
361110	Principal - Delinquent	1,609	-	-
361120	Principal - Prepaid	70,750	-	-
361130	Principal - Deferred	6,071	-	-
361200	Interest - Current	49,490	48,000	-
361210	Interest - Delinquent	1,344	-	-
361220	Interest - Prepaid	-	-	-
361300	Penalties & Interest	1,011	-	-
392010	Transfers In	40,119	-	-
Total Revenues		<u>233,052</u>	<u>110,000</u>	<u>-</u>
Expenditures				
Debt Service				
601	Bond Principal	145,000	145,000	-
611	Bond Interest	53,644	50,744	-
620	Fiscal Agent Fees	855	1,385	-
Total Expenditures		<u>199,499</u>	<u>197,129</u>	<u>-</u>
Revenues Over (Under) Expenditures		<u>33,553</u>	<u>(87,129)</u>	<u>-</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

			2022
	2020 ACTUAL	2021 ORIGINAL BUDGET	APPROVED BUDGET
Revenues			
361100 Principal - Current	42,430	34,000	46,000
361110 Principal - Delinquent	3,346	-	-
361120 Principal - Prepaid	35,734	-	-
361200 Interest - Current	23,128	18,000	-
361210 Interest - Delinquent	2,678	-	-
361300 Penalties & Interest	1,757	-	-
392010 Transfers In	231,500	231,200	230,900
Total Revenues	340,573	283,200	276,900
Expenditures			
Debt Service			
601 Bond Principal	240,000	235,000	120,000
611 Bond Interest	32,600	27,850	23,700
620 Fiscal Agent Fees	5,855	1,385	1,400
Total Expenditures	278,455	264,235	145,100
Revenues Over (Under) Expenditures	62,118	18,965	131,800

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

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
310100 Current Year Taxes	142,520	138,125	135,725
310200 Delinquent Taxes	949	-	-
Total Revenues	143,469	138,125	135,725
Expenditures			
Debt Service			
601 Bond Principal	75,000	75,000	80,000
611 Bond Interest	61,500	59,250	56,925
620 Fiscal Agent Fees	3,855	1,385	1,400
Total Expenditures	140,355	135,635	138,325
Revenues Over (Under) Expenditures	3,114	2,490	(2,600)

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

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
310100 Current Year Taxes	50,862	47,313	46,312
310200 Delinquent Taxes	297	-	-
392010 Transfers In	517,821	517,611	522,231
Total Revenues	568,980	564,924	568,543
Expenditures			
Debt Service			
601 Bond Principal	150,000	280,000	290,000
611 Bond Interest	264,475	255,875	244,475
620 Fiscal Agent Fees	855	1,385	1,400
Total Expenditures	415,330	537,260	535,875
Revenues Over (Under) Expenditures	153,650	27,664	32,668

Fund 325 – 2019A GO Bonds – Wellness Center

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

Budget Detail

		2020	2021	2022
		ACTUAL	ORIGINAL BUDGET	APPROVED BUDGET
Revenues				
392010	Transfers In	647,462	647,200	651,400
Total Revenues		<u>647,462</u>	<u>647,200</u>	<u>651,400</u>
Expenditures				
Debt Service				
601	Bond Principal	280,000	305,000	320,000
611	Bond Interest	318,631	304,006	288,381
620	Fiscal Agent Fees	855	1,385	1,400
Total Expenditures		<u>599,486</u>	<u>610,391</u>	<u>609,781</u>
Revenues Over (Under) Expenditures		<u>47,976</u>	<u>36,809</u>	<u>41,619</u>

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

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
310100 Current Year Taxes	-	56,393	58,693
361100 Principal-Current	56,303	60,000	58,000
361110 Principal - Delinquent	276	-	-
361120 Principal - Prepaid	250,145	-	-
361200 Interest - Current	23,745	25,000	-
361210 Interest-Delinquent	282	-	-
361300 Penalties & Interest	324	-	-
392010 Transfers in	272,484	309,705	297,945
Total Revenues	603,559	451,098	414,638
Expenditures			
Debt Service			
601 Bond Principal	-	365,000	500,000
611 Bond Interest	-	112,944	77,350
620 Fiscal Agent Fees	380	1,385	1,400
Total Expenditures	380	479,329	578,750
Revenues Over (Under) Expenditures	603,179	(28,231)	(164,112)

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

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
392010 Transfers in	90,300	294,997	294,236
Total Revenues	90,300	294,997	294,236
Expenditures			
Debt Service			
601 Bond Principal	-	205,000	190,000
611 Bond Interest	22,926	94,025	88,100
620 Fiscal Agent Fees	855	1,385	1,400
Total Expenditures	23,781	300,410	279,500
Revenues Over (Under) Expenditures	66,519	(5,413)	14,736

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

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
310100	-	-	79,478
361100	-	-	85,000
392010 Transfers in	-	-	43,230
Total Revenues	-	-	207,708
Expenditures			
Debt Service			
601 Bond Principal	-	-	150,000
611 Bond Interest	-	-	82,003
620 Fiscal Agent Fees	-	-	1,400
Total Expenditures	-	-	233,403
Revenues Over (Under) Expenditures	-	-	(25,695)

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 2022 are:

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

Budget Detail

		2020	2021	2022
		ACTUAL	ORIGINAL BUDGET	APPROVED BUDGET
Revenues				
361100	Principal - Current	5,263	19,000	15,000
361200	Interest - Current	3,096	2,000	-
361300	Penalties & Interest	74	-	-
362100	Investment Interest	2,992	-	-
362160	Gain (Loss) on Sale of Investments	901	-	-
Total Revenues		<u>12,326</u>	<u>21,000</u>	<u>15,000</u>
Expenditures				
415300	Contracted Services	2,750	2,000	2,200
471000	Transfer Out	27,806	27,806	27,806
Total Expenditures		<u>30,556</u>	<u>29,806</u>	<u>30,006</u>
Revenues Over (Under) Expenditures		<u>(18,230)</u>	<u>(8,806)</u>	<u>(15,006)</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 outlays.

Budget Detail

		2020	2021	2022
		ACTUAL	ORIGINAL BUDGET	APPROVED BUDGET
Revenues				
392010	Transfers In	541,121	243,000	410,000
Total Revenues		541,121	243,000	410,000
Expenditures				
540	Office Equip/Furnishing	-	-	25,000
543	Heavy Equipment	209,891	45,000	283,470
544	Motor Vehicles	45,140	-	-
580	Other Equipment	-	28,000	-
720	Transfer Out	-	100,125	-
Total Expenditures		255,031	173,125	308,470

Enterprise Funds

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

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

There is a slight increase in water and sewer rates in 2022.

Fund 601 - Water Enterprise Fund

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

Objectives

- To consider and make recommendations to the City Council with respect to improvements to be constructed and financed pursuant to Chapter 429 of the Minnesota Statutes
- To administer the public utilities provided by the City of Hermantown
- To perform such other functions as made by resolution of the City Council delegated to it
- Provide an adequate supply of water. Current city water storage includes a 150,000-gallon elevated storage tank at Ugstad Road/Arrowhead Road and a 600,000-gallon elevated storage tank at Ugstad Road/Hwy 53. These two tanks have sufficient capacity to provide for two days of average daily demand if the city should lose its water supply
- The city's current water system also includes 63.647 miles of water mains and 543 hydrants for fire control
- The Public Works Director is responsible for leading the maintenance of city water mains

Water Rates – Per 1,000 Gallons

		2021	2022	Usage in Gallons - Tier Breaks
Residential	Tier 1	8.15	8.48	Up to 2500 Gallons
	Tier 2	9.38	9.76	Between 2500 – 4500 Gallons
	Tier 3	10.32	10.73	Over 4500 Gallons
Multi-Family	Tier 1	9.38	9.76	All Usage
	Tier 2	9.38	9.76	All Usage
	Tier 3	9.38	9.76	All Usage
Commercial	Tier 1	8.43	8.77	Up to 20,000 Gallons
	Tier 2	8.87	9.23	Between 20,000 – 50,000 Gallons
	Tier 3	9.74	10.13	Over 50,000 Gallons
Irrigation	Tier 1	10.32	10.73	All Usage
	Tier 2	10.32	10.73	All Usage
	Tier 3	10.32	10.73	All Usage

Meter Size Monthly Service Charge

	2021	2022
5/8"-1"	9.00	9.36
1 1/4"	13.50	14.04
1 1/2"	13.50	14.04
2"	33.75	35.10
3"	39.37	40.94
4"	50.62	52.64
6"	73.11	76.03

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

	2021	2022	
	ORIGINAL	APPROVED	PERCENT
	BUDGET	BUDGET	CHANGE
101-151 Salaries/Wages	395,878	455,252	15.0%
200-499 Supplies/Services/Maintenance & Depreciation	1,094,321	1,208,490	10.4%
500-599 Capital Outlay	486,500	5,000	-99.0%
720 Transfer Out	91,838	109,249	19.0%
Total Expenditures	2,068,537	1,777,991	-14.0%

Budget Commentary

As the City acquires more water infrastructure, the depreciation expense will increase. Transfers out are applied to debt payments in the debt service funds and some capital items. There is a decrease in 2022 in total expenditures due to less capital equipment needed.

Budget Detail

	2020 Actual	2021 Original Budget	2022 Approved Budget
Revenues			
341070 Assessment Search	9,823	4,700	6,000
361300 Penalty/Interest	52	-	-
362100 Investment Interest	42,152	15,000	10,000
362150 Interest Income/City Contracts	190	-	-
362160 Gain (Loss) on Sale of Investments	10,756	-	-
362250 City Property Lease	48,520	50,868	53,018
362990 Miscellaneous Revenue	13,190	10,000	15,000
371400 Metered Water Sales	1,421,117	1,372,800	1,435,200
371450 Metered Truck Fill Station	4,496	3,500	1,000
371500 Water Hookups	28,700	25,000	25,000
371550 Water Service Line	134	-	-
371710 Service Charge	244,380	256,103	274,560
371720 Front Foot Water Cash	5,525	6,200	4,000
379999 Late Fee	6,485	7,000	7,000
392010 Transfers In	148,158	207,375	2,000
394000 Contributed Capital	285,858	-	-
Total Revenue	2,269,536	1,958,546	1,832,778

		2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
	2020 ACTUAL		
Expenditures			
494300 Water Distribution			
Salaries & Wages			
101 Full Time Employees - Regular	122,121	161,050	169,097
102 Full-Time Employees - Overtime	9,148	12,537	12,687
103 Part-Time Employees - Regular	858	-	-
111 Severance Pay	-	-	19,387
121 PERA Contributions - Coordinated	(71,580)	13,019	13,634
128 Social Security	8,023	10,762	12,473
129 Medicare	1,876	2,517	2,917
131 Health Insurance	87,568	72,063	76,877
132 Health Care Savings Plan	440	-	-
133 Life Insurance	187	223	205
134 Disability Insurance	618	819	904
136 MSRS	38	130	1,307
151 Workers Compensation	6,301	7,009	7,360
Supplies/Services & Maintenance			
212 Motor Fuels	2,733	3,000	3,000
216 Uniforms	454	500	500
221 General Supplies	948	5,000	5,500
228 Utility System Maint	-	4,000	39,000
303 Banking Fees	104	-	-
314 Computer	-	3,750	3,750
315 School & Conference	416	3,500	2,500
317 Personnel Testing Physical	109	-	-
319 Contracted Services	-	30,000	30,000
325 Postage	14	-	-
331 Travel Expense	-	750	750
351 Legal Notices Publishing	-	-	250
361 General Liability Insurance	6,567	4,949	5,843
382 Water Purchases	728,548	711,000	740,000
404 Equipment Maintenance	5,908	5,000	4,000
406 Vehicle Maintenance	1,740	2,500	2,000
413 Equipment Rental	-	12,500	7,500
417 Uniform Rental	-	500	500
451 Dues & Subscriptions	496	700	700
460 Permits & Licenses	3,250	-	-
470 Booster Pump Repairs	375	250	250
471 Water Line Repairs	21,980	25,000	40,000
472 Hydrant Repairs	20,091	29,500	14,500
499 Miscellaneous	-	-	-
Capital Outlay			
540 Office Equipment/Furnishings	421	1,000	-
542 Light Equipment	-	6,000	-
544 Motor Vehicles	(31)	165,000	-
580 Other Equipment	31,258	314,500	5,000
Sub-total	990,979	1,609,028	1,222,391

		2021	2022
		ORIGINAL	APPROVED
	2020 ACTUAL	BUDGET	BUDGET
Expenditures			
494400 Water Administration & General			
Salaries & Wages			
101 Full-Time Employees-Regular	80,108	81,921	90,116
102 Full-Time Employees-Overtime	352	505	574
111 Severance Pay	4,293	-	-
121 PERA Contributions-Coordinated	(39,718)	6,182	6,759
128 Social Security	4,990	5,110	5,587
129 Medicare	1,167	1,195	1,307
131 Health Insurance	19,140	20,002	32,643
132 Health Care Savings Plan	563	-	-
133 Life Insurance	142	156	170
134 Disability Insurance	284	355	395
136 MSRS	220	208	728
151 Workers Compensation	110	115	125
Supplies /Services/ Maintenance & Depreciation			
201 Office Supplies	48	-	50
202 Printing Supplies	672	600	500
209 Computer Supplies	271	-	-
301 Audit/Account Services	2,798	4,500	6,750
302 Assessors Fees	-	-	-
303 Banking Fees	-	-	7,200
305 Engineer Fees	2,100	-	3,000
308 Legal Fees	250	3,000	4,000
314 Computer/Software Fees	3,322	1,800	3,700
315 School & Conference	-	-	1,000
319 Contracted Services	3,839	3,200	16,120
321 Telephone	2,529	2,210	2,510
322 Internet	485	280	400
323 Gopher One Call Locates	1,882	1,550	1,200
325 Postage	4,621	3,675	622
331 Travel Expense	1,566	1,400	1,480
351 Legal Notices Publishing	573	600	600
361 General Liability Insurance	2,646	4,093	9,537
381 Electricity	7,504	6,850	7,000
383 Heating Gas	2,050	3,200	3,000
405 Computer Maintenance	8,770	14,964	19,278
420 Depreciation Expense	217,314	200,000	220,000
451 Dues & Subscriptions	50	-	-
720 Transfer Out	123,702	91,838	109,249
Total Expenditures	1,449,622	2,068,537	1,777,991
Revenues Over (Under) Expenditures	819,914	(109,991)	54,787

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 70.158 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>2021</u>	<u>2022</u>	<u>Notes</u>
Residential	Tier 1	10.15	10.40	
Multi-Family	Tier 1	10.15	10.40	
Commercial	Tier 1	10.15	10.40	
Flat Rate*	Tier 1	25.37	31.21	Residential Average – 3,000 Gallons
Flat Rate	Tier 1	45.66	46.80	Commercial Average – 4,500 Gallons
Service Charge		3.24	3.32	Monthly

*2021 rate based on 2500 gallons

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 Commentary

Transfers out are applied to debt payments in the debt service fund. The 2022 Transfers Out for debt total \$56,260.

Also included in the sewer budget are transfers to the General Capital Equipment Fund for a percentage of the following equipment. 2022 One Ton Truck - \$17,500 (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 - \$50,950

Budget Summary

	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET	PERCENT CHANGE
101-151 Salaries/Wages	308,984	371,814	20.3%
201-499 Supplies/Services/Maintenance & Depreciation	1,331,418	1,431,589	7.5%
540-590 Capital Outlay	43,250	138,450	220.1%
720 Transfer Out	167,069	73,760	-55.9%
Total Expenditures	1,850,721	2,015,613	8.9%

Budget Commentary

The 2022 Sewer expenditure budget increased 8.9% compared to 2021.

Sewer rates increased in 2022 from \$10.15 to \$10.40 per thousand gallons used.

Transfers out are applied to debt payments in the Debt Service Funds and some capital items. There will be a decrease in Transfers Out in 2022.

Budget Detail

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
341070 Assessment Search	9,823	5,500	5,500
361300 Penalties & Interest	-	-	-
362100 Investment Interest	41,818	10,000	5,000
362150 Interest Income/City Contracts	2,934	1,900	1,600
362160 Gain (Loss) on Sale of Investments	12,418	-	-
362990 Misc Revenue	8,394	-	-
371710 Service Charge	78,502	83,259	85,485
372400 Sewer Usage	1,483,601	1,466,500	1,528,000
372500 Sewer Hookups	43,185	30,000	31,000
372710 Sewer Permits	3,925	3,150	3,200
372715 Sewer Capacity Availability Fee	2,068	1,650	800
372720 Front Foot Cash	38,862	13,000	-
379999 Late Fee	5,763	5,200	5,200
394000 Contributed Capital	3,390,796	-	-
Total Revenue	5,122,089	1,620,159	1,665,785

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Expenditures			
494500 Sewer Maintenance			
Salaries & Wages			
101 Full-Time Employees - Regular	91,831	118,951	124,923
102 Full-Time Employees - Overtime	5,782	9,118	9,227
103 Part-Time Employees - Regular	138	-	-
111 Severance Pay	-	-	14,100
121 PERA Contributions - Coordinated	(51,304)	9,605	10,061
128 Social Security	5,655	7,940	9,192
129 Medicare	1,323	1,857	2,150
131 Health Insurance	56,243	52,944	56,482
132 Health Care Savings Plan	264	-	-
133 Life Insurance	117	168	154
134 Disability Insurance	460	603	665
136 MSRS	19	104	962
151 Workers Compensation	4,716	5,237	5,494
Supplies/Services & Maintenance			
212 Motor Fuels	1,822	1,500	1,500
216 Uniforms	454	350	500
221 General Supplies	1,628	2,500	2,500
228 Utility System Maint	4,562	2,500	2,500
229 Lift Station Maintenance	11,593	15,000	10,000
305 Engineer	-	-	-
308 Legal	2,067	-	-
310 Recording/Filing Fees	25	-	-
314 Computer	-	3,750	5,650
315 School & Conference	644	1,500	1,000
317 Personnel Testing Physicals	109	450	450
319 Contracted Services	27,057	23,500	20,000
325 Postage	36	-	-
331 Travel Expense	161	500	250
351 Legal Notices Publish	-	561	-
361 General Liability Insurance	2,635	1,601	1,890
385 Sewer Charges	573,130	564,000	619,000
403 Road Maintenance	-	5,000	5,000
404 Equipment Maintenance	6,744	5,500	5,500
406 Vehicle Maintenance	5,444	2,500	2,500
413 Equipment Rental	-	6,500	3,500
451 Dues & Subscriptions	-	150	150
460 Permits & Licenses	2,250	250	250
475 Sewer line Repairs	80	15,000	45,000
476 Lift Station Repairs	9,944	15,000	5,000
477 I & I Maintenance	-	15,000	15,000
478 Sewer Cleaning	36,531	45,000	40,000
499 Miscellaneous	-	500	7,500
Capital Outlay			
540 Office Equip/Furnishings	421	750	-
510 Land Acquisition	-	-	-
580 Other Equipment	26,917	2,500	47,500
590 Pumping Plant & Lift Stations	-	40,000	40,000
Sub-total	829,498	977,889	1,115,550
*continued			

Expenditures		2021	2022
		ORIGINAL	APPROVED
494900 Sewer Administration & General	2020 ACTUAL	BUDGET	BUDGET
Salaries & Wages			
101 Full-Time Employees-Regular	64,933	72,140	90,116
102 Full-Time Employees-Overtime	254	505	574
111 Severance Pay	3,219	-	-
121 PERA Contributions-Coordinated	(31,233)	5,448	6,759
128 Social Security	3,869	4,504	5,587
129 Medicare	905	1,053	1,307
131 Health Insurance	14,129	18,061	32,643
132 Health Care Savings Plan	281	-	-
133 Life Insurance	120	140	170
134 Disability Insurance	241	323	395
136 MSRS	194	182	728
151 Workers Compensation	96	101	125
Supplies/Services/Maintenance & Depreciation			
201 Office Supplies	48	-	25
202 Printing Supplies	527	400	400
209 Computer Equipment	271	-	-
301 Audit/Account Services	2,798	4,500	6,750
302 Assessors Fees	-	-	-
303 Banking Fees	-	-	7,200
305 Engineer Fees	240	1,000	2,000
308 Legal Fees	250	900	2,000
314 Computer/Software Fees	3,322	2,000	3,700
315 School & Conference	-	50	1,000
319 Contracted Services	113	300	12,620
321 Telephone	2,372	2,100	2,510
322 Internet	727	700	400
323 Gopher One Call Locates	1,255	950	1,200
325 Postage	3,105	2,580	622
331 Travel Expense	802	880	960
351 Legal Notices Publishing	219	100	-
361 General Liability	3,267	4,736	9,537
381 Electricity	8,297	8,000	8,000
383 Heating Gas	1,281	2,400	2,000
405 Computer Maintenance	8,770	14,963	19,278
420 Depreciation Expense	503,649	556,747	556,747
432 Bad Debts	-	-	-
451 Dues & Subscriptions	50	-	-
460 Permits & Licenses	38	-	-
720 Transfer Out	56,853	67,944	56,260
495000 Other Financing Uses			
720 Transfer Out	188,158	99,125	17,500
432500 Sewer Improvements			
550 Street Improvements	-	-	50,950
471000 Debt Service			
303 Banking Fees	4	-	-
Total Expenditures	1,672,922	1,850,721	2,015,613
Revenues Over (Under) Expenditures	3,449,167	(230,562)	(349,828)

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. The rates are set by the Utility Commission and voted by resolution or motion by the City Council.

Objectives

- Funds will be used to undertake new infrastructure improvements as well as to maintain the existing storm water system. In 2022 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

Transfers out are applied to debt payments in the debt service funds. The 2022 Transfers Out for debt total \$22,969 for two different bonds.

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

Lindhahl Road Bridge = \$200,000

Richard and Lindgren road improvements = \$60,000

Budget Detail

	2020	2021	2022
	ACTUAL	ORIGINAL BUDGET	APPROVED BUDGET
Revenues			
322120 SWPP & Stormwater Mgmt Fees	2,692	-	-
361300 Penalties & Interest	-	-	-
362100 Investment Interest	1,524	-	-
362160 Gain(Loss) on Sale of Investment	(1,342)	-	-
362990 Miscellaneous Revenue	643	-	-
372750 Stormwater Fee	386,154	438,804	410,670
379999 Late Fee	1,903	1,000	1,500
394000 Contributed Capital	243,505	-	-
Total Revenues	635,079	439,804	412,170

Expenditures			
441100 Storm Water			
Salaries & Wages			
101 Full-Time Employees-Regular	71,853	63,588	64,487
102 Full-Time Employees-Overtime	3,756	2,046	2,108
111 Severance Pay	3,219	-	1,762
121 PERA Contributions-Coordinated	38,350	4,923	4,974
128 Social Security	4,420	4,069	4,221
129 Medicare	1,024	952	987
131 Health Insurance	41,451	19,197	25,229
132 HCSP	457	-	-
133 Life Insurance	171	112	104
134 Disability Insurance	449	297	309
136 MSRS	173	130	514
151 Workers Compensation	1,105	1,592	1,662
*continued			

	2020	2021	2022
Supplies/Services/Maintenance/Capital	ACTUAL	ORIGINAL BUDGET	APPROVED BUDGET
202 Printing Supplies	-	-	-
221 General Supplies	-	-	-
305 Engineer Fees	10,500	6,000	10,000
308 Legal Fees	1,032	1,000	1,500
310 Recording/Filing Fees	184	500	500
314 Computer/Software Fees	750	-	1,500
319 Contracted Services	627	30,000	30,000
325 Postage	-	500	500
331 Travel Expenses	724	300	300
351 Legal Notices Publishing	-	-	-
403 Road Maintenance	14,303	11,000	11,000
405 Computer Maintenance	1,716	-	-
413 Equipment Rental	18,046	10,000	20,000
451 Dues & Subscriptions	1,740	2,000	2,000
530 Improvements Other than Buildings	-	150,000	200,000
550 Street Improvements	-	149,935	60,000
580	2,352	-	-
720 Transfer Out	-	21,945	21,473
471000 Debt Service			
303 Banking Fees	104	-	-
495000 Transfer Out			
720 Transfer Out	8,369	6,125	1,496
Total Expenditures	226,875	486,211	466,626

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

	2020 ACTUAL	2021 ORIGINAL BUDGET	2022 APPROVED BUDGET
Revenues			
318100 Franchise Fees	137,343	136,000	137,000
362100 Investment Interest	4,732	1,000	1,000
362120 Interest - Interfund	22,000	22,000	22,000
362160 Gain (Loss) on Sale of Investments	1,382		-
362410 Insurance Recoveries	4,250		
362990 Misc Revenue	4,358		
Total Revenues	174,065	159,000	160,000
Expenditures			
431150 Street Improvements			
Supplies & Services			
227 Street Lights & Signs	29,399	-	-
305 Engineer Fees	355	-	-
431160 Street Lighting			
227 Street Lights & Signs	10,252	5,000	5,000
381 Electricity	29,207	28,000	28,000
495 Property Damage Reimb	5,250	-	-
550 Street Improvements	-	-	96,000
Total Expenditures	74,463	33,000	129,000
Revenues Over (Under) Expenditures	99,602	126,000	31,000

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



5105 Maple Grove Road • Hermantown, MN 55811

Ph: 218-729-3600 Fax: 218-729-3620

www.hermantownmn.com