



Hermantown City Council Meeting - Monday, June 2, 2025

Hermantown's upcoming City Council meeting is scheduled to begin at 6:30 p.m. with members of the public invited and welcome to take part.

Public comment may also be submitted in advance of the meeting. Comments, questions, or concerns can be e-mailed to Community Engagement Director, Joe Wicklund, at jwicklund@hermantownmn.com up to 3:30 p.m. the day of the meeting with the e-mail title "City Council Meeting."

It is important to note that all comments regarding this meeting are public data.

Remote options for attending Hermantown City Council meeting are no longer necessary for public health considerations.

The 4:30 p.m. Pre-Agenda Meeting will be available in-person only at City Hall. Public comment is not a factor in the pre-agenda meeting, but the meeting is open and members of the public are invited and welcome to attend to this meeting.



AGENDA

**Pre-Agenda Meeting, Monday, June 2, 2025 at 4:30 p.m.
Council Chambers, City Hall - Hermantown Governmental Services Building**

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

**City Council Meeting, Monday, June 2, 2025 at 6:30 p.m.
Council Chambers, City Hall - Hermantown Governmental Services Building**

Invitation to participate:

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

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

Order of discussion

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

**CITY OF HERMANTOWN
AGENDA**

**Pre-Agenda Meeting, Monday, June 2, 2025 at 4:30 p.m.
Council Chambers, City Hall - Hermantown Governmental Services Building**

**City Council Meeting, Monday, June 2, 2025 at 6:30 p.m.
Council Chambers, City Hall - Hermantown Governmental Services Building**

1. **CALL TO ORDER**
2. **PLEDGE OF ALLEGIANCE**
3. **ROLL CALL**
4. **ANNOUNCEMENTS**

Council Members may make announcements as needed.

5. **PUBLIC HEARING**

Only when necessary. The rule adopted three minutes per person if necessary. Any action required after the public hearing will be taken immediately following the closing of the public hearing.

A. Public Hearing Regarding A Proposed Amended Business Subsidy Policy For The City

- I. **2025-85 Resolution Adopting An Amended And Restated Business Subsidy Policy** 7

(motion, roll call)

B. Public Hearing To Review The Closure Statement Provided By Elevated Management, LLC Pursuant to Minnesota Statutes § 327C.095

- I. **2025-86 Resolution Appointing Brandon M. Engblom As The Qualified Neutral Third Party For Maple Fields Mobile Home Park** 25

(motion, roll call)

C. Public Hearing On Road Improvement District No. 452 (Lightning Drive & Thunderchief Lane Including Sanitary Sewer Extension And Other Infrastructure Improvements In Section 14)

- I. **2025-87 Resolution Ordering Improvement And Directing Preparation Of Final Plans And Specifications For 2024 Road Improvement District No. 452 (Lightning Drive & Thunderchief Lane Including Sanitary Sewer Extension And Other Infrastructure Improvements In Section 14)** 32

(motion, roll call)

6. <u>COMMUNICATIONS</u>		
A. Correspondence 25-87 through 25-94 placed on file		36
7. <u>PRESENTATIONS</u>		
A. Report on Audit for Year Ending 12/31/2024		37
CliftonLarsonAllen, LLP		
(Pre-Agenda Only)		
8. <u>PUBLIC DISCUSSION</u>		
<i>This is the time for individuals to address the Council about any item not on the agenda. The time limit is three minutes per person.</i>		
9. <u>MOTIONS</u>		
A. Motion to approve or deny the renewal of Liquor Licenses for the following:		
AAD Shrine 5152 Miller Trunk Hwy On Sale Intoxicating/Dance/Sunday		
Famous Dave's 4135 Richard Ave, Ste 101 On Sale Intoxicating/Sunday		
Do North Pizzeria 5116 Miller Trunk Hwy Wine & Strong Beer/Sunday		
Joe's Kwik Marts 4221 Haines Road 3.2 Off Sale		
*McKenzie's Bar & Grill 5094 Miller Trunk Hwy On Sale Intoxicating/Sunday		
Adolph Store 3706 Midway Road Off Sale Intoxicating		
China Star 4227 Haines Road Wine & Strong Beer		
Beacon Sports Bar 5044 Hermantown Rd On Sale Intoxicating/Dance/Sunday		
Kwik Trip #216 4805 Miller Trunk Hwy 3.2 Off Sale		
Kwik Trip #220 4978 Miller Trunk Hwy 3.2 Off Sale		
Kwik Trip #572 4145 Haines Rd 3.2 Off Sale		
Lakes Cinema 4351 Stebner Rd On Sale Intoxicating/Sunday		
The Social House 4897 Miller Trunk Hwy #100 On Sale Intoxicating/Sunday		
Outback Steakhouse 4255 Haines Road On Sale Intoxicating/Sunday		
Foster's Bar & Grill 4676 W Arrowhead Rd On Sale Intoxicating/Sunday		
Valentini's 4960 Miller Trunk Hwy On Sale Intoxicating		
Sammy's Pizza 4310 Menard Dr Wine & Strong Beer/Sunday		
Sam's Club #6320 4743 Maple Grove Rd Off Sale Intoxicating		
Skyline Social & Games 4894 Miller Trunk Hwy On Sale Intoxicating/Sunday		
The King of Creams 4140 Richard Ave #400 Wine & Strong Beer		
Walmart #1757 4740 Mall Drive 3.2 Off Sale		
*Contingent upon all paperwork being received		
(motion, roll call)		
B. Motion to approve/deny the Temporary Service Area Expansion Application and Dance Permit for the Beacon Sports Bar for Summerfest on July 18th & 19th, 2025 with proposed hours of sale from 10:00 a.m. to 1:00 a.m.		
(motion, roll call)		
C. Appointment of the following for a three-year term:		

Board of Appeals

- Chris Kibler

(motion, roll call)

10. CONSENT AGENDA

All items on the Consent Agenda are items which are considered routine by the City Council and will be approved by one motion via voice vote. There will be no discussion of these items unless a Council Member or citizen requests, in which event the item will be removed from the Consent Agenda and considered at the end of the Consent Agenda.

- A. **Minutes** - Approval or correction of May 19, 2025 City Council Continuation Minutes 144
- B. ***Accounts Payable** - Approve general city warrants

**This will be sent out with an updated agenda.*

11. ORDINANCES

- A. **2025-11 An Ordinance Amending Chapter 5, Land Use Regulations** 148

(first reading)

- B. **2025-13 An Ordinance Amending Chapter 7, Special Use Permit** 163

(first reading)

12. RESOLUTIONS

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

- A. **2025-88 Resolution Approving An Amended Lease Agreement With The Arrowhead Builders Association** 172

(motion, roll call)

- B. **2025-89 Resolution Authorizing And Directing Mayor And City Clerk To Execute An Acceptance Of Easement Agreement To The City Of Hermantown From Andrew And Bonita Chapin For The Hermantown Trail Project** 183

(motion, roll call)

- C. **2025-90 Resolution Approving Change Order Numbers 24, 25, & 26 (KA Change Order #8) For The NorthStar Ford Arena In The Amount Of \$5,773.97** 193

(motion, roll call)

- D. **2025-91 Resolution Approving Change Order Numbers 27, 28, & 29 For** 235

The NorthStar Ford Arena In The Amount Of \$306,340.62

(motion, roll call)

13. **CLOSED SESSION**

14. **RECESS**



CITY COUNCIL MEETING DATE: June 2, 2025

TO: Mayor & City Council

FROM: Chad Ronchetti, Economic Development Director

SUBJECT: Business Subsidy Policy

RESOLUTION: 2025-85

ORDINANCE:

OTHER:

REQUESTED ACTION

Adopt the Amended and Restated Business Subsidy Policy, including the addended Tax Abatement and Tax Increment Financing Policies.

BACKGROUND

The City of Hermantown, often through the Economic Development Authority, has a history of utilizing business subsidies as a tool for economic development, working to preserve and create jobs, enhance the tax base, and promote the general welfare. The City's Business Subsidy Policy was initially adopted in 2013. Housing was included through an amendment to the Policy 2022.

The overarching intent and purpose of these policies is to create consistency in how subsidy applications are considered and ultimately awarded, while also providing potential applicants with city priorities and clarity.

The attached proposed policies represent a comprehensive effort to review, update, modernize, and consolidate the framework guiding the provision of business subsidies, ensuring transparency, consistency, and alignment with current state requirements and the City's economic development objectives. The Tax Abatement and Tax Increment Financing policies are intended to be subordinate to the principle Business Subsidy Policy.

STATUTE REQUIREMENTS

The provision of business subsidies by Minnesota cities and economic development authorities is governed by state law, primarily the Minnesota Business Subsidy Act (Minnesota Statutes, Sections 116J.993 to 116J.995). This act defines what constitutes a business subsidy, establishes requirements for subsidy agreements, sets reporting obligations for both the grantor and recipient, and outlines conditions under which job and wage goals must be met.

Under the Business Subsidy Act, municipalities that provide business subsidies are specifically required to create and adopt a written business subsidy policy. This policy must include certain elements as defined by the statute, including:

- A definition of "business subsidy" consistent with state law.
- A statement of the public objectives the municipality intends to achieve with business subsidies.
- Criteria for determining whether to provide a business subsidy.
- Provisions requiring a written agreement with the recipient.
- Provisions for monitoring the recipient's compliance with the agreement.

- Provisions for remedies if the recipient fails to comply with the agreement.

Additionally, the proposed policies are guided by statutes specific to the financing tools they address:

- Tax Abatement Financing (TAF) is governed by the Minnesota Tax Abatement Act (Minnesota Statutes, Sections 469.1812 to 469.1815).
- Tax Increment Financing (TIF) is governed by the Minnesota Tax Increment Financing Act (Minnesota Statutes, Sections 469.174 to 469.1794).

These state statutes provide the legal framework and specific requirements that the City's policies must adhere to, including limitations on the use of these tools, eligible activities, application processes, and reporting

OVERARCHING POLICY OBJECTIVES

These policies aim to provide a clear and consistent framework for evaluating and administering business subsidy requests in Hermantown.

Business Subsidy Policy (BSP):

- This serves as the overarching policy document.
- Because HEDA assumes primary responsibility for development activities within the City of Hermantown, HEDA is designated as the Administrator of the policies and acts as the recommending body to the City Council when the City is the Grantor
- Establish a unified framework for all business subsidies provided by the City and EDA.
- Define key terms related to business subsidies.
- Set forth general criteria that projects must meet to be considered for assistance, including demonstrating public purpose and financial need.
- Outline minimum job creation/retention and wage goals, while allowing for flexibility based on project objectives.
- Detail the application process, requirements for recipients, and recapture provisions.
- Ensure compliance with the Minnesota Business Subsidy Act.

Tax Abatement Financing (TAF) Policy:

- This policy is an addendum to the BSP, specifically addressing the use of Tax Abatement Financing.
- Providing specific criteria for TAF projects, in addition to the general BSP criteria.
- Limiting the use of TAF to priority geographies within the City.
- Outlining the specific application and approval process for TAF requests.
- Ensuring compliance with the Minnesota Tax Abatement Act and the Business Subsidy Act.

Tax Increment Financing (TIF) Policy:

- This policy is also an addendum to the BSP, focusing on the use of Tax Increment Financing.
- Establish specific criteria for projects seeking TIF, in addition to the general BSP criteria.
- Limit the creation of TIF districts and the use of TIF to priority geographies.
- Detail the application and approval process for TIF, including the creation of TIF plans.
- Ensure compliance with the Minnesota Tax Increment Financing Act and the Business Subsidy Act, including reporting requirements to the State Auditor.

KEY CHANGES FROM PREVIOUSLY ADOPTED POLICY

- Policy Framework and Administration:
 - Creates an overarching framework, with specific policies like Tax Abatement Financing (TAF) and Tax Increment Financing (TIF) being addendums.
 - The Hermantown Economic Development Authority (HEDA) is named the administrator and recommending body because the EDA assumes primary responsibility for development activities within the City.
 - Establishes that any requested subsidy be the minimum amount needed for project feasibility
- Public Purpose:
 - Generally, creates a shift from relatively few broad economic development goals almost exclusive to tax base growth towards a wider array of specific community and economic objectives. Places greater focus on job quality, housing, economic diversification, and achieving specific redevelopment or community goals.
- Application and Review Process
 - Eliminates the Fast Track Committee and removes the City Administrator from reviews.
 - Introduces a requirement that the requested subsidy must be the minimum amount needed to make the project feasible.
 - Applicants are now explicitly responsible for associated legal, financial, and consultant costs.
 - Establishes job creation and wage goals:
 - a minimum of 5 FTE jobs (created/retained) is required for consideration
 - the minimum wage is raised to 135% of the state minimum wage, up from the federal minimum wage.
 - flexibility is added to set job/wage goals to zero if not a primary project purpose

These policies, if adopted, will guide staff, the EDA, and the City Council in making informed decisions regarding business subsidy requests. They will also provide clarity and predictability for developers and businesses seeking subsidy support, ultimately promoting economic development aligned with the City's goals while adhering to state legal requirements.

SOURCE OF FUNDS (if applicable)

ATTACHMENTS

Amended and Restated Business Subsidy Policy
Tax Abatement Financing Policy
Tax Increment Financing Policy

Resolution No. 2025-85

Resolution Adopting An Amended And Restated Business Subsidy Policy

WHEREAS, the City previously adopted a Business Subsidy Policy; and

WHEREAS, the City has determined that it is necessary and appropriate to amend and restate the Business Subsidy Policy to better reflect current needs and requirements; and

WHEREAS, the Amended and Restated Business Subsidy Policy contains the criteria required by the Statutes,

WHEREAS, the City has performed all actions as required by law to be performed prior to the adoption and approval of the proposed Amended and Restated Business Subsidy Policy, including the holding of a public hearing, upon published notice as required by law, on May 15 and May 22, 2025.

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

1. The Amended and Restated Business Subsidy Policy attached hereto as Exhibit A is hereby approved.

2. The HEDA Administrator is hereby authorized and directed to execute and deliver such Amended and Restated Business Subsidy Policy on behalf of the City.

Councilor _____ introduced the foregoing resolution and moved its adoption.

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

Councilors _____

and the following voted in opposition thereto:

Councilors _____

WHEREUPON, such resolution has been duly passed and adopted on June 2, 2025.



Business Subsidy Policy

This Business Subsidy Policy (BSP) serves as the overarching framework and governing document for all business subsidies provided by the City of Hermantown, Minnesota and its related entities, including the Economic Development Authority (EDA). Because the EDA assumes primary responsibility for development activities within the City of Hermantown, the EDA will serve as the administrator of the BSA and all other program-specific subsidy policies. All program-specific policies, such as the Tax Abatement Financing (TAF) and Tax Increment Financing (TIF) Policies, are addendums to this BSP and must comply with the principles and requirements of the BSP in addition to applicable state statutes.

The intent of this policy is to establish the City of Hermantown's guidelines for providing Business Subsidy to a business or developer. Meeting the criteria within this policy does not guarantee a project will be approved, nor does it create any contractual rights on the part of the business or developer requesting assistance. Any Business Subsidy identified under Minnesota Statutes, Sections 116J.993 through 116J.995 as a "Business Subsidy" is covered under this policy.

A. Definitions

Benefit Date: means the date that the recipient receives the Business Subsidy. If the Business Subsidy involves the purchase, lease, or donation of physical equipment, then the Benefit Date begins when the recipient puts the equipment into service. If the Business Subsidy is for improvements to property, then the Benefit Date refers to the earliest date of either:

- when the improvements are finished for the entire project; or
- when a business or developer occupies the property.

Business Subsidy: means as defined in the Business Subsidy Act, including a City or EDA grant, contribution of personal property; real property; infrastructure; the principal amount of a loan at rates below those commercially available to the Recipient; any reduction or deferral of any tax or any fee; any guarantee of any payment under any loan, lease, or other obligation; or any preferential use of governmental facilities given to a business. Certain forms of financial assistance set forth in Section 116J.993, subd. 3 of the Business Subsidy Act are not considered a Business Subsidy, including any of the items listed above that result in a subsidy of less than \$150,000 shall not be considered a Business Subsidy under this policy.

Business Subsidy Act: means Minnesota Statutes, Sections 116J.993 to 116J.995, as amended.

City: means the City of Hermantown.



Criteria: means those elements considered by the Grantor as a guide in the consideration of each requested Business Subsidy. Meeting the Criteria does not mean that a project will automatically be approved nor does it create any contractual rights on the part of any applicant.

Development Agreement: means a document between the Grantor and Recipient outlining the terms and conditions under which the Business Subsidy will be provided.

Grantor: means the City or EDA as defined herein.

EDA: means the Economic Development Authority in and for the City of Hermantown.

Recipient: means any for-profit business entity or any nonprofit business entity meeting the requirements of Section 116J.993, subd. 6 of the Business Subsidy Act that receives a Business Subsidy.

Subsidy Agreement: means an agreement between a Grantor and a Recipient that meets the requirements of Section 116J.994, subd. 3 of the Business Subsidy Act. The Subsidy Agreement may be incorporated into a broader Development Agreement for a project.

B. Business Subsidy Criteria

The Criteria set forth in this section establishes minimum requirements that a Recipient must meet in order to be eligible to receive a Business Subsidy. Meeting all or a majority of the criteria, however, does not mean that a Business Subsidy will be awarded or denied by the Grantor.

Grantor reserves the right to approve or reject a Business Subsidy at its discretion, based on the merits of the project and the overall benefit to the community, using the criteria as a means of measuring overall benefit.

Criteria are as follows:

- The request for Business Subsidy must meet a "public purpose." The public purpose may not be limited to an increase in tax base. Examples of public purposes are contained in Section I.
- The project is not financially feasible without the Business Subsidy.
- The Recipient's request for Business Subsidy must be for the minimum amount of subsidy and duration of time required to make the project financially feasible.
- Developers or businesses receiving a Business Subsidy shall be in compliance with the requirements of state and local law, including conformance with the Comprehensive Plan and zoning ordinance of the City.



- A Grantor can conditionally approve a request for Business Subsidy if changes in the Comprehensive Plan, the zoning ordinance or other local laws or policies are under active consideration by the Grantor.
- The Recipient must demonstrate the ability to develop the type and size of project proposed to the satisfaction of the Grantor.
- Upon request, the Recipient must provide a pro forma showing all sources and uses of funds, market and financial feasibility studies, appraisals, environmental reports (if applicable), information provided to private lenders regarding the project, or other information or data that the Grantor, or its financial advisor, requests in order to independently determine the need for a Business Subsidy.
- The project will not significantly and adversely increase the demands for public services or public facilities in the City unless plans to mitigate the project's impact are approved.
- The granting or denial of a request for Business Subsidy is at the sole discretion of the Grantor.

C. Job and Wage Goals

Unless the creation of jobs is removed from a particular project pursuant to the requirements of the Business Subsidy Act, the creation of jobs is a public purpose for granting a subsidy.

Creation of at least *5 Full-Time Equivalent (FTE)* jobs (retained or created) is a minimum requirement for consideration of assistance. The goals for the number of jobs to be created or retained must result in job creation or retention by the Recipient within the Grantor's jurisdiction overall.

Notwithstanding the above, the wage and job goals may be set at zero if the Grantor determines that creation or retention of jobs is not a public purpose objective for the project.

The floor for wages to be paid in jobs created shall be *not less than 135% of Minnesota State minimum wage*. The City will seek to create jobs with higher wages as appropriate for the overall public purpose of the subsidy.

Wage goals may also be set to enhance existing jobs through increased wages, which increase must result in wages higher than the minimum under this Section.

The wage and job goals set forth in this section must be satisfied within two years of the Benefit Date.

D. Requirements for Business Subsidy Recipients

The Recipient of a Business Subsidy must satisfy the following requirements:



- The Recipient must retain ownership of the project at least until the project is completed, a certificate of occupancy is obtained (as applicable), and the business is operational.
- The Recipient or successor must continue operations at the site where the Business Subsidy is used for at least five years from the Benefit Date.
- The Recipient of a Business Subsidy or its successor must meet the wage and job goals set forth above.
- Recipients are subject to recapture provisions in case of default or non-compliance with the terms of the Business Subsidy Agreement (as outlined below) or policy and potentially further specified in program-specific policies (e.g., TAF Policy). Default or non-compliance considerations may include but are not limited to:
 - Sale or refinance of a facility that does not comply with the terms of this policy or the executed Business Subsidy Agreement.
 - Closure of the business that results in departure of the company from the jurisdiction.
 - Significant change in the use of a facility and/or the business activities of the company.
 - Significant employment reductions not reflective of the company's (normal) business cycle and/or local and national economic conditions.
 - Failure to achieve the minimum number of net new jobs and wage levels as specified in the BSP, or Business Subsidy Agreement,
 - Failure to comply with annual reporting requirements.

E. Application Process

- Businesses or developers seeking a Business Subsidy must complete an application for assistance. The specific required documentation may vary depending on the type of subsidy sought and are subject to the program-specific policies.
- The Grantor may request additional information from the developer or business to determine whether the request for a Business Subsidy is consistent with the Grantor's policies. Failure to provide requested information may result in denial of the request for a Business Subsidy.
- For a Business Subsidy subject to Section 116J.994, subd. 5 of the Business Subsidy Act (those Business Subsidies exceeding \$150,000), the Grantor must hold a public hearing with a public notice published in the official newspaper at least ten days before the public hearing.



F. Business Subsidy Agreements

Any Recipient receiving a Business Subsidy is required by the Business Subsidy Act to enter into a Subsidy Agreement with the Grantor outlining the terms and conditions under which the Business Subsidy will be provided.

The Business Subsidy Agreement must be approved by the governing body of the Grantor. Because the EDA assumes primary responsibility for development activities within the City of Hermantown, the EDA will serve as the recommending body for City Council's approval for subsidies where the City is the Grantor.

The Business Subsidy Agreement must be executed by both the Grantor and the Recipient and comply with the provisions of Section 116J.994, subdivisions 3 and 6 of the Business Subsidy Act.

G. Fees

All applicants will be responsible for any legal, financial, consultant and other costs associated with the review of the application. Specific application fees or escrow requirements may be detailed in program-specific policies. The City will provide the applicant with an estimate of the potential costs attributable to the project prior to submittal of the application.

H. Reports

The Recipient and Grantor must comply with the annual reporting requirements set forth in Section 116J.994, subd. 7 and 8 of the Business Subsidy Act.

I. Examples of Subsidy Public Purposes

Grantors may consider the following public purposes, among others, when considering the applicant's request:

- The project will preserve or increase the City's tax base.
- The project provides a service or meets a consumer need not currently met or which is underserved in the City.
- The project represents a significant investment in an area of the City that is economically depressed.
- Encourage the removal of blight or the rehabilitation of a high profile or priority site.
- The project will enhance the value of surrounding properties, stabilize the area, or foster a "sense



of place" improvements requested by the City.

- The project will anchor a needed commercial center in the City.
- The project will enhance the viability of other businesses in the City.
- The project will assist in the orderly growth of the City and generate significant economic spin off.
- The project will prevent the closure of businesses due to merger, physical expansion, change in market or economic factors, downsizing, and other factors of business needed in the community.
- A Business Subsidy will permit the project to be of a higher quality, employ more people, pay higher wages, or in some way be of more value to the City.
- The project will include or offset the costs associated with necessary environmental clean-up or other increased costs of redevelopment (i.e., contaminated site clean-up, demolition expenses, etc.) over and above the costs normally incurred in development.
- To enhance and diversify the City of Hermantown's economic base.
- To facilitate the development process to achieve development on sites which would not be developed without assistance or would not be developed at a level of quality acceptable to the Council and the Community.
- To encourage (re)development of commercial and industrial areas in the City that result in high quality (re)development and private investment.
- To create housing opportunities.
- To retain local jobs or increase the number and diversity of jobs that offer stable employment and/or attractive wages and benefits, in accordance with the job and wage goals set forth in Section C of the Business Subsidy Policy.
- To finance the costs associated with public infrastructure and public facilities.
- To contribute to the implementation of other public policies or goals as adopted by the City, such as the promotion of quality architectural design, enhanced recreational opportunities, and decreasing capital and/or operating costs of local government.

NOTE: By state law, increasing the tax base may not be solely used as a public purpose, nor can job retention be used unless job loss is specific and demonstrable.



Tax Abatement Policy

This Tax Abatement Policy (TAF Policy) is an addendum to the City of Hermantown's Business Subsidy Policy (BSP) and is specifically applicable to the use of tax abatement as a form of Business Subsidy. The BSP is the governing and ruling policy for all Business Subsidies provided by the City and/or the EDA. Please refer to the BSA for definitions, general criteria, job and wage goals, general requirements, and examples of subsidy public purposes.

This TAF Policy outlines the specific criteria, process, and requirements for Tax Abatement Financing (TAF) projects, which must also comply with all general requirements set forth in the BSP, as well as applicable state statutes, including the Minnesota Tax Abatement Act (Minnesota Statutes, Section 469.1812 to 469.1815, as amended) and the Business Subsidy Act (Minnesota Statutes, Section 116J.993 to 116J.995, as amended).

In the City of Hermantown, the City is the Grantor (as defined in the BSP) for TAF projects and the Economic Development Authority for the City of Hermantown (EDA) is the recommending body. Administration of this policy shall be the responsibility of the EDA. The term "City" as used in this policy shall include both the City of Hermantown and the EDA.

TAF in this context is a rebate of taxes, rather than an exemption from paying property taxes. TAF will be provided to private developers as a reimbursement upon receipt of taxes by the City, otherwise referred to as the "pay-as-you-go" method.

The City retains the sole and absolute discretion to grant or deny any request for TAF for any reason. The City shall have the option of amending or waiving sections of this policy if it has determined that the total economic benefit exceeds this policy's intent, provided such waivers do not conflict with the governing Business Subsidy Policy or state law.

A request for TAF meeting this policies criterion does not guarantee the award of TAF to a project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

As a matter of adopted policy, TAF will be limited to priority geographies within the City of Hermantown. Priority areas are identified in **Exhibit A (TAF Eligible Area)**.



Evaluation Criteria

The decision to use TAF for a project will be based on the following criteria, in addition to meeting all the general Business Subsidy Criteria outlined in Section B of the governing Business Subsidy Policy:

- The project shall comply with all provisions set forth in Minnesota's Tax Abatement Law, (Minnesota Statutes 469.1812 to 469.1815) as amended.
- The use of tax abatement will be limited to:
 - Industrial, manufacturing, & commercial development, expansion, redevelopment, or rehabilitation;
 - Retail
 - Housing
 - For sale single family housing with ownership availability of 115% of statewide median income.
 - Multi-family housing of 4 or more units
- Public infrastructure
- In any given calendar year, the total amount of property taxes abated by the City may not exceed ten percent (10%) of the net tax capacity of the City or other applicable limitations existing in current law.
- Tax abatement cannot be granted for any period while the property is located in a tax increment financing district.

Application Process

Businesses or developers seeking TAF must follow the application process outlined in Section G of the Business Subsidy Policy. Applications must identify it as an application for TAF.

All TAF applications must include:

- A letter formally requesting TAF from the City of Hermantown.
- A completed application for tax abatement with all supporting material attached.
- A nonrefundable application fee of \$500.

The actual cost of searches, credit reports, filing fees, and legal fees will be paid directly by the applicant. A Reimbursement Agreement for cash escrow may be required.

Fees will be waived if the City serves as developer.

An independent financial analysis by the City's public financing consultant may be requested, the cost of



which will be the responsibility of the applicant.

Approval Process

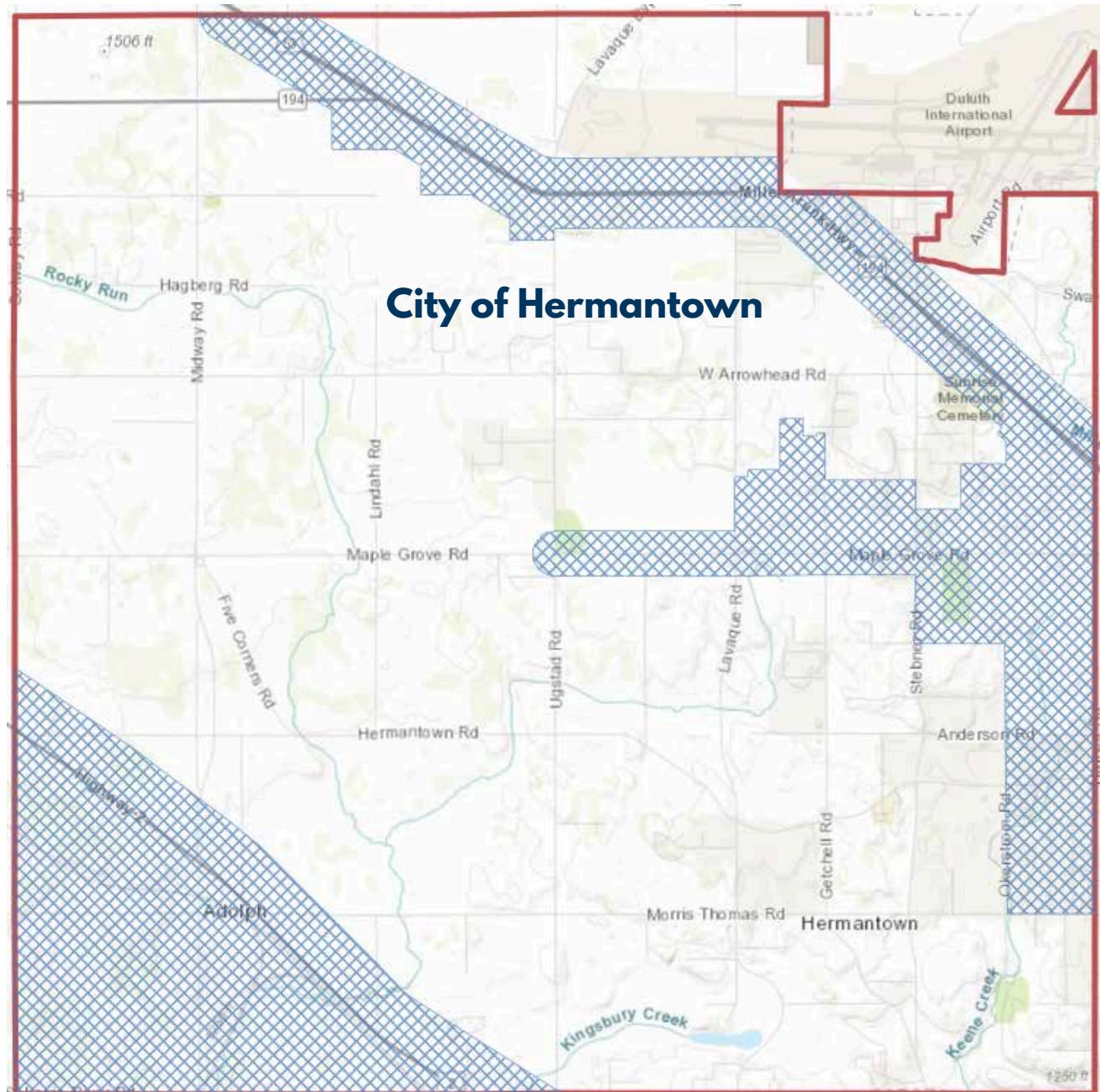
The approval process for TAF follows the general process and requirements outlined in Section E of the governing Business Subsidy Policy and must adhere to the requirements of Minnesota Statutes 469.1813 as amended.

Subsidy Agreement and Annual Reporting Requirements

Projects granted TAF are subject to the Subsidy Agreement requirements (Section E) and Annual Reporting Requirements (Section I) as set forth in the governing Business Subsidy Policy and Minnesota Statutes 116J.993 and 116J.994, as amended. See the City's Business Subsidy Policy for additional information.

Exhibit A

TAF Eligible Area



Legend:

TAF Eligible Area



City Boundary





Tax Increment Financing Policy

This Tax Increment Financing Policy (TIF Policy) is an addendum to the City of Hermantown's (the "City") Business Subsidy Policy (BSP) and is specifically applicable to the use of tax increment financing as a form of Business Subsidy. The BSP is the governing and ruling policy for all Business Subsidies provided by the City and/or the Economic Development Authority for the City of Hermantown (the "EDA"). Please refer to the BSP for general criteria, job and wage goals, general requirements, and examples of subsidy public purposes.

This TIF Policy outlines the specific criteria, process, and requirements for projects seeking Tax Increment Financing (TIF), which must also comply with all general requirements set forth in the BSP, as well as applicable state statutes, including the Minnesota Tax Increment Financing Act (Minnesota Statutes, Sections 469.174 to 469.1794, as amended) and the Business Subsidy Act (Minnesota Statutes, Sections 116J.993 to 116J.995, as amended).

In the City of Hermantown, the City is responsible for all TIF districts, including approving, establishing and managing all TIF districts (defined below) within its jurisdiction; Because the EDA assumes primary responsibility for development activities within the City of Hermantown, the EDA is the recommending body for TIF districts and associated projects. Administration of this policy shall be the responsibility of the EDA.

TIF is a method of financing associated with public improvements and real estate development by capturing the increase in property taxes resulting from new development within a defined geographic area (a "TIF district"). These captured increases in property tax, referred to as tax increment, are used to pay for TIF-eligible costs of development or redevelopment. The City may issue public bonds, dedicating the tax increment toward repayment, or it may elect to provide TIF through the "pay-as-you-go" method, where TIF will be provided to private developers as a reimbursement upon receipt of taxes by the City. The amount of TIF available, the uses of tax increment, and other details regarding the terms of any proposed TIF district will be contemplated in a TIF Plan, which must be approved by City Council.

The City retains the sole and absolute discretion to grant or deny any request for TIF for any reason. The City shall have the option of amending or waiving sections of this policy if it has determined that the total economic benefit exceeds this policy's intent, provided such waivers do not conflict with the governing Business Subsidy Policy or state law. Meeting this policy's criterion does not guarantee the award of TIF to a project. Approval or denial of one project is not intended to set precedent for approval or denial of another project.

As a matter of adopted policy, the creation of TIF districts and the use of TIF will be limited to priority



geographies within the City of Hermantown. Priority areas are identified in [Exhibit A \(TIF Eligible Area\)](#).

Evaluation Criteria

The decision to use TIF for a project will be based on the following criteria, in addition to meeting all the general Business Subsidy Criteria outlined in Section B of the governing Business Subsidy Policy:

- The project shall comply with all provisions set forth in the Minnesota Tax Increment Financing Act (Minnesota Statutes, Sections 469.174 to 469.1794), as amended.
- The use of tax increment financing will be considered for projects that align with the authorized types of TIF districts and eligible activities under Minnesota Statutes, Sections 469.174 to 469.1794. These may include:
 - **Redevelopment Districts:** To finance costs associated with the redevelopment of blighted areas, requiring that a significant percentage of the land parcels and buildings meet specific criteria for substandard conditions (Minn. Stat. § 469.174, Subd. 10).
 - **Housing Districts:** To assist with projects intended for occupancy, in part, by persons or families of low and moderate income, with limitations on the amount of nonresidential space (Minn. Stat. § 469.174, Subd. 11).
 - **Economic Development Districts:** To assist with projects that increase the tax base and create employment, typically for manufacturing, processing, warehousing, storage, distribution, telemarketing, and tourism facilities (Minn. Stat. § 469.174, Subd. 12).
 - **Renewal and Renovation Districts:** Similar to redevelopment districts but with different criteria focused on inappropriate and obsolete land use (Minn. Stat. § 469.174, Subd. 10a).
 - **Soils Condition Districts:** To finance costs associated with the remediation of hazardous substances, pollution, or contaminants (Minn. Stat. § 469.174, Subd. 19).
 - **Public Infrastructure:** TIF can be used to finance public improvements that are directly related to the development project and are eligible under the specific TIF district type (Minn. Stat. § 469.176).

The creation of a TIF district requires certification of the original tax capacity and the capture of increased property taxes (tax increment) resulting from the development (Minn. Stat. § 469.177). The use of tax increment is subject to limitations on expenditure and duration as specified in Minnesota Statutes, Sections 469.174 to 469.1794 (Minn. Stat. § 469.176).

Application Process

Businesses and developers seeking TIF must follow the application process outlined in Section E of the



Business Subsidy Policy. Applications must identify it as an application for TIF.

All TIF applications must include:

- A letter formally requesting TIF from the City of Hermantown.
- A completed application for tax increment financing with all supporting material attached.
- A nonrefundable application fee of \$2,000. A Reimbursement Agreement for cash escrow will be required, and the actual cost of searches, credit reports, filing fees, and legal fees will be paid directly through escrow funds. Fees will be waived if the City or EDA serves as the applicant.
- An independent financial analysis by the City's public financing consultant may be requested, the cost of which will be the responsibility of the applicant.

Approval Process

The approval process for TIF follows the general process and requirements outlined in Section E of the governing Business Subsidy Policy and must adhere to the requirements of Minnesota Statutes, Sections 469.174 to 469.1794, including the requirements for establishing and modifying TIF plans. The City Council must have final approval in the creation of the TIF district and the TIF Plan (Minn. Stat. § 469.175). Applicant will reimburse the City for the cost of creating a TIF Plan, unless this requirement is waived; the City will secure approval from the applicant before proceeding with the TIF Plan.

Subsidy Agreements and Annual Reporting Requirements

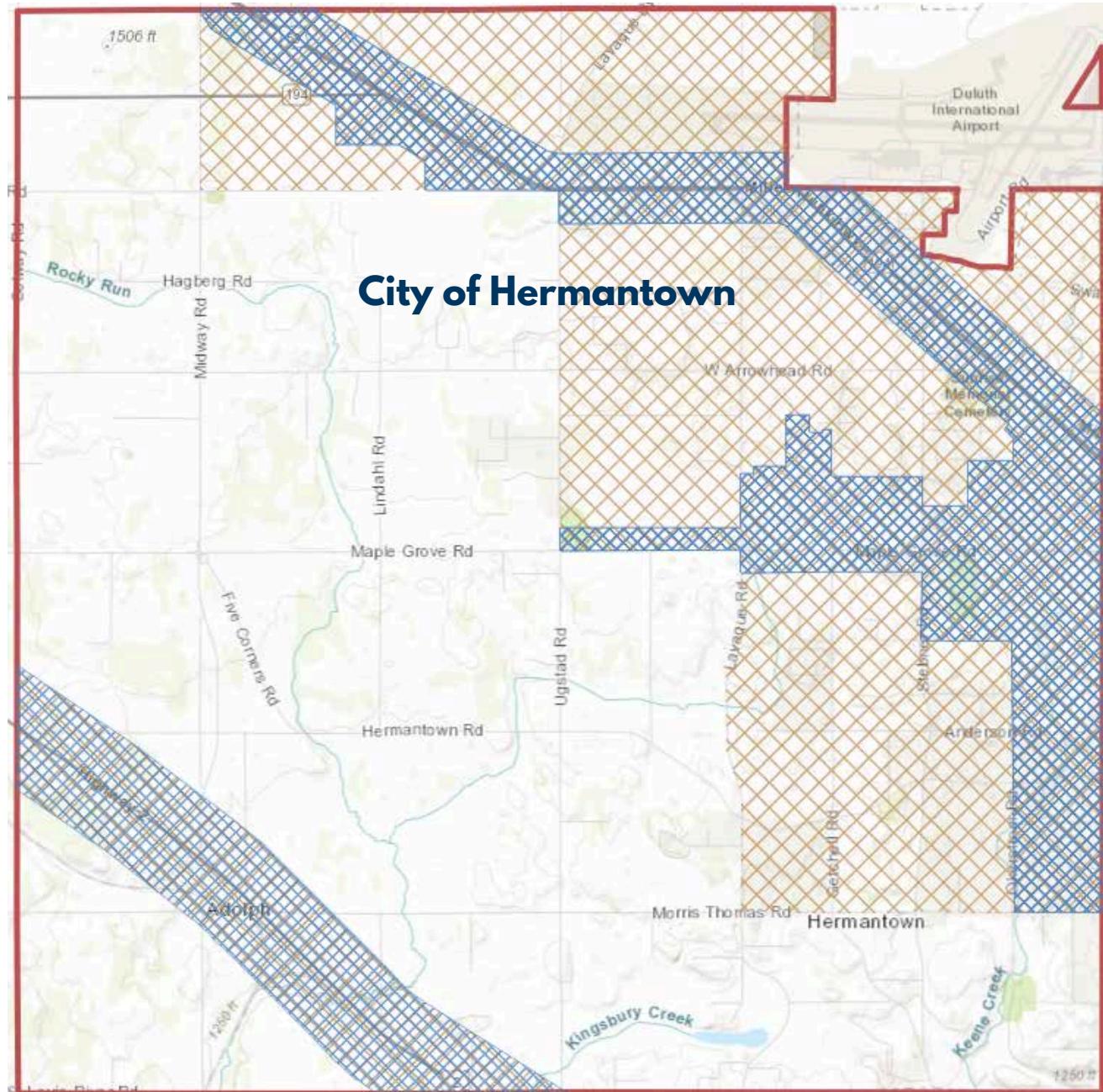
Projects granted TIF are subject to the Subsidy Agreement requirements (Section F of the BSP) and Annual Reporting Requirements (Section H of the BSP) as set forth in the governing Business Subsidy Policy and Minnesota Statutes, Sections 116J.993 and 116J.994, as amended.

Additionally, all TIF districts are subject to annual financial reporting requirements to the State Auditor in accordance with Minnesota Statutes, Section 469.175, subdivision 1. The State Auditor also has the authority to examine and audit the use of TIF to ensure compliance with the law (Minn. Stat. § 469.1771).

See the City's Business Subsidy Policy for additional information.

Exhibit A

TIF Eligible Area



Legend:

Development District 1



TIF Eligible Area



City Boundary





CITY COUNCIL MEETING DATE: June 2, 2025

TO: Mayor & City Council

FROM: John Mulder, City Administrator

SUBJECT: Maple Fields Mobile Home Park Closure procedure

RESOLUTION: 2025-86

ORDINANCE:

OTHER:

REQUESTED ACTION

Appoint Brandon M. Engblom As the Qualified Neutral Third Party for Maple Fields Mobile Home Park.

BACKGROUND

As part of the process for a mobile home park to be closed, the City Council must appoint a neutral third party to oversee the process. The City Attorney has identified Brandon Engblom to serve that role.

SOURCE OF FUNDS (if applicable)

N/A

ATTACHMENTS

Resolution
Closure Statement

Resolution No. 2025-86

**Resolution Appointing Brandon M. Engblom As The Qualified Neutral Third Party For
Maple Fields Mobile Home Park**

WHEREAS, the City of Hermantown (“City”) received a Maple Fields Mobile Home Park Closure Statement (“Closure Statement”) from Elevated Property Management, LLC dated March 26, 2025; and

WHEREAS, pursuant to Minnesota Statutes § 327C.095, Subd.4(c), the City Council held a public hearing on June 2, 2025 at 6:30 p.m. to review the Closure Statement and any impact that the park closing may have on displaced residents and the park owner; and

WHEREAS, all persons desiring to be heard on the Closure Statement were provided an opportunity to be heard at the hearing; and

WHEREAS, written and oral comments were allowed; and

WHEREAS, Brandon M. Engblom is a local attorney that works in the area of housing law and will charge \$200.00 per hour for his services to the Minnesota Manufactured Home Relocation Trust Fund (“Fund”); and

WHEREAS, staff and legal counsel have reviewed the qualifications of Brandon M. Engblom and recommend that he be appointed as the qualified neutral third party; and

WHEREAS, the attached Consent to Appointment of Neutral Third Party was provided to the City at or prior to the hearing; and

WHEREAS, the City Council duly considered the matters presented at the public hearing and the recommendation for appointment and believes it is in the best interests of City to appoint Brandon M. Engblom as the qualified neutral third party.

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

1. Brandon M. Engblom is hereby appointed as the qualified neutral third party to act as the paymaster and arbitrator, with decision-making authority, to resolve any questions or disputes regarding any contributions or disbursements to and from the Fund under Minnesota Statute § 327C.095, Subd.4(c).

2. The City shall have no obligation to pay the neutral third party nor make any payments to the manufactured homeowners or the Fund.

3. The City Administrator shall notify the neutral third party of his appointment by providing him a copy of this Resolution.

Councilor _____ introduced the foregoing resolution and moved its adoption.

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

Councilors _____

and the following voted in opposition thereto:

Councilors _____

WHEREUPON, such resolution was declared duly passed and adopted on June 2, 2025.

Elevated Management
3406 West 88th Street
Bloomington, MN 55431

March 26, 2025

Eric Johnson
City of Hermantown Community Development Director
5105 Maple Grove Road
Hermantown, MN 55811

**MAPLE FIELDS MOBILE HOME PARK
PARK CLOSURE STATEMENT**

Dear Mr. Johnson,

This letter is to provide you notice pursuant to Minnesota Statute Section 327C.095 that Maple Fields Mobile Home Park will cease operation as a manufactured home park due to its current financial status. If you are a home renter, I will be reaching out to you through a separate letter to provide notice and information about the termination of your lease. If you are a lot renter, this is your notice that the park will close by February 13, 2026. The following is additional information that may be of use to you:

Manufactured Home Communities within 25 Miles of Hermantown, Minn. I am currently aware of the following manufactured home parks within a 25-mile radius of Maple Fields:

- Bel-Air Mobile Manor, 4442 Lavaque Road, Hermantown, MN 55811. Current rates at Bel-Air are \$N/A for home renters, and \$480 for lot renters. Park management may be reached at (218) 729-9477.
- Vintage Acres, 501 W. Stowe St., Duluth, MN 55808. Current rates at Vintage Acres are \$N/A for home rent, and \$540 - \$580 for lot rent. Park management may be reached at (218) 626-3282.

- Zenith Terrace Mobile Home Park, 2 Foxtail Avenue, Duluth, MN 55810. The park currently has homes for sale, as well as a vacant lot. Park management may be reached at (218) 628-2259
- Pleasant View Mobile Home Park, 9428 Grand Ave, Duluth, MN 55808. Current rates at Pleasant View are \$N/A for home rent, and \$480 for lot rent. Park management may be reached at (218) 520-0030.

The availability of sites and homes may change over time. In addition, residents may also be able to find alternative housing outside mobile home communities in the area.

Relocation Costs: If you own a home and are interested in relocating it, the potential cost of relocation of a mobile home could be as high at \$7,500 for a single-section home or \$12,500 for a multi-section manufactured home. However, YOU MAY BE ENTITLED TO COMPENSATION FROM THE MINNESOTA MANUFACTURED HOME RELOCATION TRUST FUND ADMINISTERED BY THE MINNESOTA HOUSING FINANCE AGENCY.

We have appreciated having you in the Maple Fields community and apologize for the inconvenience caused by park closure. If you would like to reach out to discuss this notice or any concerns you have, please feel free to contact me as follows: steveschneeberger@gmail.com or 612-581-7313

Sincerely,



Steve Schneeberger

UNIT	TENANT	LEASE DURATION	Notes
101 4927 Jamilee Drive	VACANT Curt Leske	9/1/2023-8/30/2024	Moved 3/12
102 4929 Jamilee Drive	VACANT Bailey/Eschenbach	4/1/2024 - 3/31/2025	Moved 3/1
103 4931 Jamilee Drive	VACANT Jayda Morales Billy Olson	9/1/2024 - 8/31/2025	Moved 2/6
104 4933 Jamilee Drive	VACANT		
105 4935 Jamilee Drive	VACANT Dave Luomanen	01/02/1993 - lot rent	Moved 3/1
106 4937 Jamilee Drive	VACANT Blanchard/Matt Brown	8/1/2023 - 7/31/2024	Moved 2/28
107 4939 Jamilee Drive	VACANT Patterson/Miller	12/1/2023 - 1/30/2024	Moved 1/31
108 4941 Jamilee Drive	VACANT Amy O'Donnell	4/1/2023 - 4/30/2024	Moved 3/4
109 4945 Jamilee Drive	VACANT Carolyn Haydon	3/1/2023 - 4/30/2024	Moved 3/1
110 4947 Jamilee Drive	Melissa Paisley	10/1/2024 - 9/30/2025	Moving 3/31
111 4951 Jamilee Drive	Corrine Fader	3/1/2023 - 2/28/2024	Moving 4/30
112 4953 Jamilee Drive	Christopher Bender Dillon Debruzzi	10/1/2024 - 9/30/2025	Moving 4/30
113 4954 Jamilee Drive	Deb Eng - Melissa	01/02/1994 - lot rent	Moving 3/31
114 4956 Jamilee Drive	Scott Nordeen	11/01/2008 - month-to-month	Moving 4/15
201 4925 Sarah Lane	Steve Cole	7/1/2023-6/30/2024	Moving 3/31
202 4927 Sarah Lane	Dave Lipponen	09/01/2011 - month-to-month	Moving 3/31
203 4929 Sarah Lane	Ed Belliveau	01/02/1989 - lot rent	
204 4931 Sarah Lane	VACANT John Orrey	06/01/2010 - month-to-month	Moved 3/17
205 4933 Sarah Lane	VACANT Daryl Myers	04/01/2012 - month-to-month	Moved 3/1
206 4935 Sarah Lane	VACANT Paul Kromschroeder	08/01/2018 - month-to-month	Moved 3/18
207 4937 Sarah Lane	Pat MacIntyre / Tammy MacIntyre	06/01/2002 - lot rent	
208 4939 Sarah Lane	Janelle Lovold and Tyler Larson	2/1/2024 - month to month	Plaintiff
209 4941 Sarah Lane	Rose Parker	7/1/2024 - 6/30/2025	Plaintiff
210 4943 Sarah Lane	VACANT Candy Cerio	6/1/2024 - 5/31/2025	Moved 3/9
211 4945 Sarah Lane	Andy Ruigh	4/15/2022 - month to month	Plaintiff
212 4947 Sarah Lane	VACANT Rhiannon - Matthew Otto	8/1/2023 - 7/31/2024	Moved 3/1
213 4949 Sarah Lane	VACANT LOT		
301 4926 Matthew Blvd	VACANT James Elling	07/01/2020 - month-to-month	Moved 2/6
302 4928 Matthew Blvd	VACANT Henicke		Moved 12/24
303 4930 Matthew Blvd	VACANT		
304 4932 Matthew Blvd	VACANT Christopher Braun	8/1/2024-7/31/2025	Moved 2/22
305 4934 Matthew Blvd	VACANT LOT		
306 4936 Matthew Blvd	Zoeie Ziells	8/1/2023 - 7/30/2024	
307 4938 Matthew Blvd	VACANT Marvin Reynolds	12/01/2016 - month-to-month	Moved 1/23

308 4940 Matthew Blvd	Carrie Larson - Amanda Larson	11/15/2023 - 11/30/2024	Looking
309 4944 Matthew Blvd	VACANT Biskey		Moved 9/24
310 4948 Matthew Blvd	Miles Waisanen	10/01/2012 - month-to-month	Looking
311 4950 Matthew Blvd	William Wirta / Vicky Wirta	06/01/2021 - month-to-month	Looking
312 4952 Matthew Blvd	Tim Baker / Dorrine Baker	01/02/1994 - lot rent	
313 4954 Matthew Blvd	VACANT		
401 4921 Matthew Blvd	Mike Brown	7/1/2023-6/30/2024	Looking
402 4923 Matthew Blvd	Nicole Kallberg	11/1/2023 - 10/31/2024	Moving 5/30
403 4925 Matthew Blvd	Dennis Amiot	01/01/2007 - lot rent	
404 4927 Matthew Blvd	VACANT		
405 4929 Matthew Blvd	VACANT Shari Firth	3/1/2023 - 2/28/2024	Moved 2/14
406 4931 Matthew Blvd	VACANT Karen Tanui	3/1/2023-2/28/2024	Moved 2/28
407 4935 Matthew Blvd	Beverly Ostronski	02/01/2002 - lot rent	
408 4937 Matthew Blvd	VACANT	8/1/2024 - 7/31/2025	
409 4939 Matthew Blvd	Debra and Paul Mitchell	8/1/2023 - 7/31/2024	Moving 4/1
410 4943 Matthew Blvd	VACANT Kaylee Lind	8/1/2023 - 8/31/2024	Moved 2/3
411 4947 Matthew Blvd	VACANT Shane Roland	05/01/2015 - month-to-month	Moved 2/23
412 4949 Matthew Blvd	VACANT Debora Holbein	month - to - month	Moved 3/2
413 4951 Matthew Blvd	Katie Hanson	3/1/2023 - 4/30/2024	Moving 3/31
501 4921 Eddy Ave	Tina Grey Gary Palmer	7/1/2023 - 6/30/2024	Moving 3/20

16 received lease termination letters



CITY COUNCIL MEETING DATE: June 2, 2025

TO: Mayor & City Council

FROM: Trish Crego, Utility and Infrastructure Director

Subject: Public Hearing – Project 452: Lightning Drive and Thunderchief Lane & a portion of Getchell Rd including sanitary sewer extension and other infrastructure improvements in Section 14

RESOLUTION: 2025-87

ORDINANCE:

OTHER:

REQUESTED ACTION

Order the improvements on Project 452 Lightning Drive and Thunderchief Lane & a portion of Getchell Rd Including Sanitary Sewer Extension and Other Infrastructure Improvements in Section 14.

BACKGROUND

A Following the public hearing, the City Council needs to decide if they wish to proceed with the improvements to Lightning Drive and Thunderchief Lane & a portion of Getchell Road Including Sanitary Sewer Extension and Other Infrastructure Improvements in Section 14 in 2026. The City Engineer has prepared the attached Preliminary Feasibility Report which addresses in a more specific way the improvements that are needed and a more detailed cost estimate. If the Council wishes to proceed the Council should approve Resolution 2023-43. This action requires 4/5 vote of the City Council. This is one of the required steps in the road improvement process since it is the intention of assessing property owners along this project.

A public hearing notice was published in the Hermantown Star, sent to all affected residents on those roads, and informal public information meetings were held on May 22st and May 22nd in City Hall.

If approved, the Council will be asked (via separate resolutions) to approve a proposal from the City Engineer to prepare the plans, and approve a contract for geotechnical work on the road sections.

SOURCE OF FUNDS (if applicable)

240-432510-305 Project 452

ATTACHMENTS

Resolution

Feasibility Report Costs

Resolution No. 2025-87

**Resolution Ordering Improvement And Directing Preparation Of Final Plans And
Specifications For 2024 Road Improvement District No. 452 (Lightning Drive &
Thunderchief Lane Including Sanitary Sewer Extension And Other Infrastructure
Improvements In Section 14)**

WHEREAS, the City Council has received and approved a preliminary engineering report for the project (“Project”) known as 2026 Road Improvement District No. 452 (Lightning Drive & Thunderchief Lane Including Sanitary Sewer Extension and Other Infrastructure Improvements In Section 14) and

WHEREAS, the City Council held a public hearing on the Project; and

WHEREAS, 7 days’ mailed notice and two weeks’ published notice of the hearing was given, and the hearing was held on the 2nd day of June 2025 at which all persons desiring to be heard were given an opportunity to be heard thereon; and

WHEREAS, after due consideration the Council believes it is in the best interests of the City of Hermantown to proceed further with the Project; and

WHEREAS, the next step in the process is to prepare final plans and specifications for such project; and

WHEREAS, the City Council desires to proceed to prepare such plans and specifications.

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

1. Such improvement is necessary, cost-effective, and feasible as detailed in the feasibility report.
2. Such improvement is hereby ordered as proposed.
3. The City Engineer is hereby authorized and directed to have a project engineer complete final plans and specifications in the project known as 2024 Road Improvement District No. 452 (Lightning Drive & Thunderchief Lane Including Sanitary Sewer Extension and Other Infrastructure Improvements In Section 14)
4. Upon completion of such final plans and specifications, the project engineer is requested to present them to the City Council for approval and authorization for bidding.
5. The City reasonably expects to finance the Project from an issue of tax-exempt bonds. In advance of issuance of the bonds it will be necessary for the City to temporarily finance certain costs of the Project by using either working capital or cash reserves,

which are needed for other purposes. The City reasonably expects to reimburse itself from the proceeds of the bonds within eighteen (18) months after the date the Project is paid from such working capital or cash reserves.

Councilor _____ introduced the foregoing resolution and moved its adoption.

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

Councilors _____

and the following voted in opposition thereto:

Councilors _____

WHEREUPON, such resolution was declared duly passed and adopted June 2, 2025.

PROJECTED COSTS

See Exhibit 3.0 for a breakdown of the cost projections for the project.

Cost Breakdown:

Segment #1 – Reconstruct Lightning Drive	\$2,570,866.00
Segment #2 – Reconstruct Thunderchief Drive	\$ 610,218.00
Segment #3 – Sanitary Sewer Replacement	\$2,523,000.00
Segment #4 – Reconstruct Getchell Road	\$2,121,040.00
Segment #5 – New Multi-Use Trail	\$2,019,860.00
Estimated Total Project Costs (Construction + Soft)	\$9,844,984.00

Funding Breakdown:

Sales Tax (Sanitary Trunk Spur)	\$2,910,930.00
Sales Tax (Watermain)	\$ 714,700.00
Sales Tax (Trail)	\$ 529,860.00
DNR Grants	\$1,490,000.00
Assessments (4 X \$9,750 + 19 X \$25,000)	\$ 514,000.00
Storm Water Utility (\$791,000 Eligible Costs)	\$ 100,000.00
Street Light Utility	\$ 350,000.00
General Fund	\$3,235,494.00
Total Funds	\$9,844,984.00

2025 CORRESPONDENCE

<u>DATE</u>	<u>LOG #</u>	<u>FROM</u>	<u>TO</u>	<u>REGARDING</u>	<u>FILED</u>
5/16/2025	25-87	Olivia Ebbers, MN Dept. of Health	Trish Crego, Utility & Infrastructure Dir.	Sample Analysis Results	5/13/2025
5/20/2025	25-88	Rachel Johnson, APEX	Eric Johnson, Comm. Dev. Dir.	Soumis Construction - Arrowhead Development	5/19/2025
5/21/2025	25-89	Eric Johnson, Comm. Dev. Dir.	Planning Commission	Soumis Construction, Final PUD, 492x W Arrowhead Rd.	5/20/2025
5/21/2025	25-90	Eric Johnson, Comm. Dev. Dir.	Planning Commission	Amendments to the City Zoning Code Regarding Communications Services Facilities	5/20/2025
5/21/2025	25-91	Eric Johnson, Comm. Dev. Dir.	Planning Commission	Amendments to the City Zoning Code Regarding Special Use Permits - Duration of Permit	5/20/2025
5/21/2025	25-92	Eric Johnson, Comm. Dev. Dir.	Planning Commission	Discuss Adding Language to Residentially Zoned Districts to Allow for Accessory Dwelling Units	5/20/2025
5/21/2025	25-93	Donald Rigney, St. Louis County	City of Hermantown	Public Hearing for Proposed St. Louis County Zoning Ordinance 62 Amendments	5/15/2025
5/28/2025	25-94	Carrie Clement, Resource Renew	John Mulder, City Administrator	Sanitary Sewer Extension - Reside Apartments	5/20/2025



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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hermantown as of and for the year ended December 31, 2024, and have issued our report thereon dated May 27, 2025. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit in our statement of work dated November 8, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings or issues

Qualitative aspects of accounting practices

Accounting policies

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

As described in Note 1, the City changed accounting policies related to compensated absences by adopting Statement of Governmental Accounting Standards Board (GASB Statement) No. 101, *Compensated Absences*, in the current fiscal period.

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

Accounting estimates

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

- Management's estimate of other postemployment benefits payable is based on an actuarial study performed by an independent third party and the City's historical activity. We evaluated the key factors and assumptions used to develop the other postemployment benefits payable and related disclosures in determining that it is reasonable in relation to the financial statements taken as a whole.

Financial statement disclosures

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

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

Significant unusual transactions

We identified no significant unusual transactions.

Difficulties encountered in performing the audit

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

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has determined that the effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. The following summarizes uncorrected misstatements of the financial statements:

- The governmental activities local option sales tax was understated by \$518,601 due to a prior year over accrual of receivable and revenue. The effect of understating revenue on the governmental activities statement in 2024 results in a correct ending net position.

Uncorrected misstatements or the matters underlying uncorrected misstatements could potentially cause future-period financial statements to be materially misstated, even if management has concluded that the uncorrected misstatements are immaterial to the financial statements under audit.

Corrected misstatements

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

Disagreements with management

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

Management representations

We have requested certain representations from management that are included in the management representation letter dated May 27, 2025.

Management consultations with other independent accountants

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

Significant issues discussed with management prior to engagement

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

Required supplementary information

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

Supplementary information in relation to the financial statements as a whole

With respect to the combining and individual fund statements (collectively, the supplementary information) accompanying the financial statements, on which we were engaged to report in relation to the financial statements as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves. We have issued our report thereon dated May 27, 2025.

Other information included in annual reports

Other information (financial or nonfinancial information other than the financial statements and our auditors' report thereon) is being included in your annual report and is comprised of the introductory section. Our responsibility for other information included in your annual report does not extend beyond the financial information identified in our opinion on the financial statements. We have no responsibility for determining whether such other information is properly stated and do not have an obligation to perform any procedures to corroborate other information contained in your annual report. We are required by professional standards to read the other information included in your annual report and consider whether a material inconsistency exists between the other information and the financial statements because the credibility of the financial statements and our auditors' report thereon may be undermined by material inconsistencies between the audited financial statements and other information. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report. Our auditors' report on the financial statements includes a separate section, "Other Information," which states we do not express an opinion or any form of assurance on the other information included in the annual report. We did not identify any material inconsistencies between the other information and the audited financial statements.:

* * *

Honorable Mayor and Members of the City Council

City of Hermantown

Page 4

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota

May 27, 2025

**CITY OF HERMANTOWN
HERMANTOWN, MINNESOTA**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED DECEMBER 31, 2024



CITY OF HERMANTOWN
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YEAR ENDED DECEMBER 31, 2024

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INTRODUCTORY SECTION

CITY OF HERMANTOWN
ELECTED AND APPOINTED OFFICIALS
DECEMBER 31, 2024

ELECTED

Name	Title	Term Expires
Wayne Boucher	Mayor	December 31, 2024
John Geissler	Councilor	December 31, 2024
Ellie Jones	Councilor	December 31, 2024
Andy Hjelle	Councilor	December 31, 2026
Brian LeBlanc	Councilor	December 31, 2026

APPOINTED

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



INDEPENDENT AUDITORS' REPORT

Honorable City Council
City of Hermantown
Hermantown, Minnesota

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermantown, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Hermantown's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hermantown, as of December 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund, city sales tax fund, the Essentia Wellness Center special revenue fund, and the community recreation sales tax fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Hermantown and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City of Hermantown's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Hermantown's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Hermantown's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hermantown's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section but does not include the basic financial statements and our auditors' report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Honorable City Council
City of Hermantown

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 27, 2025, on our consideration of the City of Hermantown's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City of Hermantown's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Hermantown's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 27, 2025

REQUIRED SUPPLEMENTARY INFORMATION

**CITY OF HERMANTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

Our discussion and analysis of the City of Hermantown's (the City) financial performance provides an overview of the City's financial activities for the fiscal year ended December 31, 2024. Please read it in conjunction with the City's financial statements, which begin on page 12.

FINANCIAL HIGHLIGHTS

- The City's net position increased \$17,444,648 or 16.60% as a result of this year's operations. The net position of the governmental activities increased \$15,105,185, or 29.67%. The net position of the business-type activities increased \$2,339,463 or 4.32%.
- The General Fund unassigned fund balance was \$7,820,736 or 101.50% of the total General Fund expenditures and other financing uses for 2024.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

**CITY OF HERMANTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

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

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

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

FUND FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF HERMANTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024

Notes to Financial Statements

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

Other Information

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

Government-Wide Financial Analysis

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

	2024			2023		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
ASSETS						
Current and Other Assets	\$ 61,142,544	\$ 16,754,775	\$ 77,897,319	\$ 35,428,016	\$ 15,924,511	\$ 51,352,527
Capital Assets	73,052,829	40,958,329	114,011,158	57,565,157	39,394,382	96,959,539
Total Assets	134,195,373	57,713,104	191,908,477	92,993,173	55,318,893	148,312,066
DEFERRED OUTFLOWS OF RESOURCE						
	3,222,080	66,264	3,288,344	3,650,438	110,749	3,761,187
LIABILITIES						
Long-Term Liabilities	60,582,306	748,762	61,331,068	37,129,658	801,288	37,930,946
Other Liabilities	4,943,379	311,854	5,255,233	3,899,045	288,215	4,187,260
Total Liabilities	65,525,685	1,060,616	66,586,301	41,028,703	1,089,503	42,118,206
DEFERRED INFLOWS OF RESOURCES						
	5,877,801	199,460	6,077,261	4,706,126	160,310	4,866,436
NET POSITION						
Net Investment in Capital Assets	27,627,870	40,958,329	68,586,199	25,418,372	39,394,382	64,812,754
Restricted	34,063,302	-	34,063,302	21,352,352	-	21,352,352
Unrestricted	4,322,795	15,560,963	19,883,758	4,138,058	14,785,447	18,923,505
Total Net Position	\$ 66,013,967	\$ 56,519,292	\$ 122,533,259	\$ 50,908,782	\$ 54,179,829	\$ 105,088,611

Total assets for governmental activities increased by \$41,277,200 largely due to special event combining of the fire department with the city, see note 16, as well as the issuance of 2024A and 2024B bonds. Total assets increased for the Business-Type Activities by \$2,394,211 due to excess of revenues and other financing sources, including capital contributions, over expenses.

CITY OF HERMANTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024

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

	2024			2023		
	Governmental Activities	Business-Type Activities	Total	Governmental Activities	Business-Type Activities	Total
REVENUES						
Program Revenues:						
Charges for Service	\$ 1,004,062	\$ 4,566,479	\$ 5,570,541	\$ 836,891	\$ 4,352,801	\$ 5,189,692
Operating Grants and Contributions	9,820,322	-	9,820,322	1,492,420	-	1,492,420
Capital Grants and Contributions	-	2,187,699	2,187,699	7,496,888	667,600	8,164,488
General Revenues:						
Property Taxes	8,471,371	-	8,471,371	7,720,266	-	7,720,266
Sales Tax	5,405,616	-	5,405,616	6,321,064	-	6,321,064
State Aids	291,879	-	291,879	495,787	-	495,787
Interest	1,432,977	764,575	2,197,552	845,368	661,730	1,507,098
Other	559,728	250,671	810,399	411,648	300,845	712,493
Gain (Loss) on Sale of Capital Assets	4,078	-	4,078	(104,293)	-	(104,293)
Transfers	1,240,754	(1,240,754)	-	(902,033)	902,033	-
Total Revenues	28,230,787	6,528,670	34,759,457	24,614,006	6,885,009	31,499,015
EXPENSES						
General Government	852,810	-	852,810	1,871,973	-	1,871,973
Public Safety	6,278,386	-	6,278,386	4,814,243	-	4,814,243
Streets and Highways	3,989,030	-	3,989,030	2,440,917	-	2,440,917
Community and Economic Development	2,466,515	-	2,466,515	763,827	-	763,827
Culture and Recreation	754,930	-	754,930	712,176	-	712,176
Interest and Fiscal Charges	1,444,250	-	1,444,250	831,000	-	831,000
Water Utility	-	1,895,211	1,895,211	-	1,871,399	1,871,399
Sewage Disposal	-	1,841,422	1,841,422	-	1,683,597	1,683,597
Street Lighting	-	72,625	72,625	-	40,507	40,507
Storm Water Utility	-	379,949	379,949	-	386,675	386,675
Total Expenses	15,785,921	4,189,207	19,975,128	11,434,136	3,982,178	15,416,314
EXCESS (DEFICIENCY) BEFORE SPECIAL ITEMS						
	12,444,866	2,339,463	14,784,329	13,179,870	2,902,831	16,082,701
SPECIAL ITEMS						
Transfer of Operations	2,407,871	-	2,407,871	-	-	-
OTHER FINANCING SOURCES						
Insurance Recoveries	252,448	-	252,448	-	-	-
CHANGE IN NET POSITION						
	15,105,185	2,339,463	17,444,648	13,179,870	2,902,831	16,082,701
Net Position - Beginning of Year	50,908,782	54,179,829	105,088,611	37,728,912	51,276,998	89,005,910
NET POSITION - END OF YEAR	\$ 66,013,967	\$ 56,519,292	\$ 122,533,259	\$ 50,908,782	\$ 54,179,829	\$ 105,088,611

Governmental activities had a change in net position of \$15,105,185, due revenues greater than the corresponding increase in expenses, as well as the special event for combination of operations with the fire department. Business-Type Activities had a change in net position of \$2,339,463 due to excess of revenues over expenses, largely due to charges for services and contribution revenues, which increased from the previous year.

**CITY OF HERMANTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. This information is helpful in assessing the City's financing requirements; unassigned fund balance may be an especially useful measure of the net resources available for spending at the end of the fiscal year. As of December 31, 2024, the City's governmental funds reported a combined fund balance of \$40,212,588, an increase of \$16,207,663 from the 2023 balance of \$24,004,925.

The General Fund is the main operating fund of the City of Hermantown. At December 31, 2024, fund balance of the General Fund was \$7,938,023 with 97.37% reported as unassigned. As a measure of the General Fund's liquidity, it may be useful to compare total fund balance to total fund expenditures. Unassigned fund balance represents 101.50% of total General Fund expenditures and other financing uses. During 2024, the fund balance of the General Fund increased by \$1,875,408.

The City Sales Tax Fund was created to account for the restricted sales tax revenues collected that are authorized by Minnesota State Legislature to fund the construction of a public safety facility, City administrative services facility, Hermantown sewer trunk line and water infrastructure improvements, and the construction and equipping of a regional, multiuse wellness center. The fund balance at the end of 2024 was \$10,122,818, which increased \$947,549 during the year due to excess of revenues over expenditures due to less capital outlay expenditures.

The Essentia Wellness Center Special Revenue Fund was created to account for lease revenue from the Essentia Wellness Center. The fund balance at the end of 2024 was \$832,862, which increased \$288,726 during the year due to excess of revenues over expenditures due to additional miscellaneous revenue.

The Community Recreation Sales Tax Fund was created to account for the restricted sales tax revenues collected that are authorized by Minnesota State Legislature to fund the Community Recreation Initiative. The fund balance at the end of 2024 was \$3,574,563, which increased \$1,985,843 during the year due to excess of revenues over expenditures.

The Debt Service Funds were created to account for the accumulated resources to pay the interest and principal payments on General Obligation bonds. The fund balance at the end of 2024 was \$5,857,259, which increased \$666,837 during the year due to the naming rights agreement for the Hermantown Ice Arena.

The Capital Project Funds were created to account for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays. The fund balance at the end of 2024 was \$9,526,019, which increased \$9,762,770 during the year due to the issuance of G.O. Improvement Bonds, Series 2024A and 2024B.

Proprietary Funds

The City's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, only in more detail. The proprietary funds net position increased \$2,339,463 in 2024. Net operating income for 2024 was \$377,272.

**CITY OF HERMANTOWN
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2024**

General Fund Budgetary Highlights

The City adopted an original General Fund revenue and other financing sources budget of \$8,210,560 which was not revised during the year. The City adopted an original General Fund expenditure and other financing uses budget of \$8,210,560 which was revised during the year to \$8,367,560.

The City's final budget for the General Fund anticipated that expenditures and other financing uses would exceed revenues and other financing sources by \$157,000. The actual results for the year showed revenues and other financing sources exceeding expenditures and other financing uses by \$1,875,408. Actual revenues and other financing sources were \$1,477,818 more than anticipated. Actual expenditures and other financing uses were \$554,590 less than anticipated.

Capital Assets

The City of Hermantown's investment in capital assets as of December 31, 2024 was \$114,011,158, net of accumulated depreciation and amortization. This investment includes land, permanent easements, buildings, infrastructure, equipment, and construction in progress. Additional information related to the City's capital assets can be found in Note 4 of the notes to the financial statements.

Debt

The City had \$53,210,000 in general obligation bonds outstanding at the end of 2024. The City continues to stay below the debt limits established by the State. Other liabilities for obligations such as vacation, sick leave, net pension liability, and severance are discussed further in the Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

- A comprehensive Finance Management Plan study was conducted by Ehlers Inc. and the City. Based on that study, that plan was implemented in 2019 and is continuing in 2025 and addresses future staffing increases, additional funding for parks, additional funding for municipal buildings, additional funding for HEDA, additional funding for capital improvements, and a long-term Road Improvement Plan.
- The 2025 General Fund budgeted expenditures increased 8%. Some of the increase was due to normal personnel increases, new staff, increased street maintenance budget for chip sealing, an election in 2024, increased funding for Park Dedication and Municipal Building Reserve Funds, and inflationary pressures.
- The City increased the total tax levy by 13% while net tax capacity increased 11%. At the December 2024 Truth and Taxation meeting, the City Council approved a local tax rate increase from 45.08% in 2024 to 45.61% in 2025.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

CITY OF HERMANTOWN
STATEMENT OF NET POSITION
DECEMBER 31, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and Investments	\$ 43,352,491	\$ 15,222,705	\$ 58,575,196
Accounts Receivable	1,652,038	604,095	2,256,133
Due from Other Governments	7,475,000	-	7,475,000
Interest Receivable	52,726	36,878	89,604
Delinquent Taxes Receivable	139,350	15,644	154,994
Special Assessments Receivable	4,636,806	175,213	4,812,019
Lease Receivable	1,192,695	37,583	1,230,278
Contracts Receivable	1,602,273	12,370	1,614,643
Notes Receivable	1,200,000	-	1,200,000
Internal Balances	(291,092)	291,092	-
Prepaid Items	130,257	359,195	489,452
Capital and Right to Use Assets, Net of Depreciation/Amortization:			
Assets Not Being Depreciated/Amortized	22,098,825	865,223	22,964,048
Assets Being Depreciated/Amortized, Net	50,954,004	40,093,106	91,047,110
Total Assets	<u>134,195,373</u>	<u>57,713,104</u>	<u>191,908,477</u>
DEFERRED OUTFLOWS OF RESOURCES			
Other Postemployment Benefits Related	43,566	10,579	54,145
Pension Related	<u>3,178,514</u>	<u>55,685</u>	<u>3,234,199</u>
Total Deferred Outflows of Resources	<u>3,222,080</u>	<u>66,264</u>	<u>3,288,344</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 137,417,453</u></u>	<u><u>\$ 57,779,368</u></u>	<u><u>\$ 195,196,821</u></u>
LIABILITIES			
Accounts Payable	\$ 2,531,424	\$ 268,983	\$ 2,800,407
Accrued Wages and Related Liabilities	137,424	32,417	169,841
Accrued Interest	579,871	-	579,871
Customer Deposits	207,980	10,454	218,434
Unearned Revenue	1,486,680	-	1,486,680
Long-Term Liabilities:			
Total Other Postemployment Benefits Liability	1,697,906	412,267	2,110,173
Net Pension Liability	2,338,893	240,752	2,579,645
Amount Due within One Year	2,966,628	-	2,966,628
Amounts Due in More than One Year	<u>53,578,879</u>	<u>95,743</u>	<u>53,674,622</u>
Total Liabilities	<u>65,525,685</u>	<u>1,060,616</u>	<u>66,586,301</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflows - Lease Receivable	1,085,443	33,026	1,118,469
Deferred Inflows - Naming Rights	1,200,000	-	1,200,000
Pension Related	<u>3,592,358</u>	<u>166,434</u>	<u>3,758,792</u>
Total Deferred Inflows of Resources	<u>5,877,801</u>	<u>199,460</u>	<u>6,077,261</u>
NET POSITION			
Net Investment in Capital Assets	27,627,870	40,958,329	68,586,199
Restricted (See Note 9)	34,063,302	-	34,063,302
Unrestricted	<u>4,322,795</u>	<u>15,560,963</u>	<u>19,883,758</u>
Total Net Position	<u>66,013,967</u>	<u>56,519,292</u>	<u>122,533,259</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u><u>\$ 137,417,453</u></u>	<u><u>\$ 57,779,368</u></u>	<u><u>\$ 195,196,821</u></u>

CITY OF HERMANTOWN
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2024

Functions/Programs						Net (Expense) Revenue and Changes in Net Position		
	Expenses	Program Revenues			Governmental Activities	Business-Type Activities		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions				
GOVERNMENTAL ACTIVITIES								
General Government	\$ 852,810	\$ 159,547	\$ -	\$ -	\$ (693,263)	\$ -	\$ -	\$ (693,263)
Public Safety	6,278,386	468,402	318,049	-	(5,491,935)	-	-	(5,491,935)
Streets and Highways	3,989,030	-	-	-	(3,989,030)	-	-	(3,989,030)
Community and Economic Development	2,466,515	230,854	-	-	(2,235,661)	-	-	(2,235,661)
Culture and Recreation	754,930	145,259	9,502,273	-	8,892,602	-	-	8,892,602
Interest and Fiscal Charges	1,444,250	-	-	-	(1,444,250)	-	-	(1,444,250)
Total Governmental Activities	15,785,921	1,004,062	9,820,322	-	(4,961,537)	-	-	(4,961,537)
BUSINESS-TYPE ACTIVITIES								
Water Utility	1,895,211	2,030,052	-	852,114	-	986,955	986,955	986,955
Sewage Disposal	1,841,422	1,902,472	-	41,161	-	102,211	102,211	102,211
Street Lighting	72,625	145,201	-	-	-	72,576	72,576	72,576
Storm Water Utility	379,949	488,754	-	1,294,424	-	1,403,229	1,403,229	1,403,229
Total Business-Type Activities	4,189,207	4,566,479	-	2,187,699	-	2,564,971	2,564,971	2,564,971
Total Primary Government	<u>\$ 19,975,128</u>	<u>\$ 5,570,541</u>	<u>\$ 9,820,322</u>	<u>\$ 2,187,699</u>	(4,961,537)	2,564,971	(2,396,566)	
GENERAL REVENUES								
Property Taxes				8,471,371	-	8,471,371	8,471,371	8,471,371
Sales Tax				5,405,616	-	5,405,616	5,405,616	5,405,616
Unrestricted Federal Aid				291,879	-	291,879	291,879	291,879
Investment Income				1,432,977	764,575	2,197,552	2,197,552	2,197,552
Other				559,728	250,671	810,399	810,399	810,399
Gain on Sale of Capital Assets				4,078	-	4,078	4,078	4,078
Special Item - Transfer of Operations				2,407,871	-	2,407,871	2,407,871	2,407,871
Insurance Recoveries				252,448	-	252,448	252,448	252,448
Total General Revenues				18,825,968	1,015,246	19,841,214	19,841,214	19,841,214
TRANSFERS								
Total General Revenues and Transfers				<u>1,240,754</u>	<u>(1,240,754)</u>			-
				<u>20,066,722</u>	<u>(225,508)</u>			<u>19,841,214</u>
CHANGE IN NET POSITION								
Net Position - Beginning of Year				15,105,185	2,339,463	17,444,648	17,444,648	17,444,648
NET POSITION - END OF YEAR	\$ 66,013,967	\$ 56,519,292	\$ 122,533,259					

See accompanying Notes to Financial Statements.

CITY OF HERMANTOWN
BALANCE SHEET – GOVERNMENTAL FUNDS
DECEMBER 31, 2024

	General	City Sales Tax Fund	Essentia Wellness Center Special Revenue Fund	Community Recreation Sales Tax Fund	Debt Service Funds	Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS								
Cash and Investments	\$ 8,367,644	\$ 7,507,326	\$ 2,067,691	\$ 3,232,930	\$ 5,927,435	\$ 14,085,527	\$ 2,163,938	\$ 43,352,491
Accounts Receivable	45,689	1,008,000	84,789	504,000	-	2,450	7,110	1,652,038
Due from Other Governments	-	-	-	-	7,475,000	-	-	7,475,000
Notes Receivable	-	-	-	-	2,802,273	-	-	2,802,273
Interest Receivable	20,306	21,767	-	7,411	726	-	2,516	52,726
Delinquent Taxes Receivable	128,159	-	-	-	8,011	-	3,180	139,350
Special Assessments Receivable	-	-	-	-	3,972,839	663,967	-	4,636,806
Lease Receivable	189,133	-	1,003,562	-	-	-	-	1,192,695
Prepaid Items	113,244	-	16,976	-	-	-	37	130,257
Due from Other Funds	-	1,987,546	-	-	-	-	-	1,987,546
Total Assets	\$ 8,864,175	\$ 10,524,639	\$ 3,173,018	\$ 3,744,341	\$ 20,186,284	\$ 14,751,944	\$ 2,176,781	\$ 63,421,182
LIABILITIES								
Accounts Payable	\$ 146,485	\$ 68,336	\$ 13,942	\$ 3,035	\$ 5,000	\$ 2,284,745	\$ 9,881	\$ 2,531,424
Accrued Wages Payable	135,324	-	-	-	-	-	2,100	137,424
Due to Other Funds	-	-	-	-	-	1,728,638	-	1,728,638
Deposits Payable	202,980	-	-	-	-	-	5,000	207,980
Advance from Other Funds	-	-	-	-	-	550,000	-	550,000
Unearned Revenue	-	-	1,400,000	-	75,000	-	11,680	1,486,680
Total Liabilities	484,789	68,336	1,413,942	3,035	80,000	4,563,383	28,661	6,642,146
DEFERRED INFLOWS OF RESOURCES								
Unavailable - Delinquent Property Taxes	63,373	-	-	-	1,629	-	1,287	66,289
Unavailable - Special Assessments	-	-	-	-	3,970,123	662,542	-	4,632,665
Deferred amounts related to leases	159,229	-	926,214	-	-	-	-	1,085,443
Unavailable - Intergovernmental	-	-	-	-	7,475,000	-	-	7,475,000
Unavailable - Naming Rights	-	-	-	-	1,200,000	-	-	1,200,000
Deferred Inflows - Other	4,550	333,485	-	166,743	1,602,273	-	-	2,107,051
Total Deferred Inflows of Resources	227,152	333,485	926,214	166,743	14,249,025	662,542	1,287	16,566,448
FUND BALANCES								
Nonspendable	113,244	-	16,976	-	-	-	37	130,257
Restricted	100,967	10,122,818	815,886	3,574,563	5,539,977	10,386,132	939,709	31,480,052
Committed	-	-	-	-	317,282	-	1,207,087	1,524,369
Assigned	-	-	-	-	-	1,810,114	-	1,810,114
Unassigned	7,938,023	-	-	-	-	(2,670,227)	-	5,267,796
Total Fund Balances	8,152,234	10,122,818	832,862	3,574,563	5,857,259	9,526,019	2,146,833	40,212,588
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 8,864,175	\$ 10,524,639	\$ 3,173,018	\$ 3,744,341	\$ 20,186,284	\$ 14,751,944	\$ 2,176,781	\$ 63,421,182

See accompanying Notes to Financial Statements.

CITY OF HERMANTOWN
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT
OF NET POSITION – GOVERNMENTAL FUNDS
DECEMBER 31, 2024

Total Fund Balances - Governmental Funds	\$ 40,212,588
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Capital and Right to Use assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
Cost of Capital and Right to Use Assets	114,721,582
Less Accumulated Depreciation and Amortization	(41,668,753)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
	(56,545,507)
The net pension liability and total OPEB liability and the related deferred outflows and deferred inflows of resources are only reported in the Statement of Net Position.	
Net Pension Liability	(2,338,893)
Total OPEB Liability	(1,697,906)
Deferred Outflows of Resources - Pension Related	3,178,514
Deferred Outflows of Resources - OPEB	43,566
Deferred Inflows of Resources - Pension Related	(3,592,358)
Long-term assets that are not available to pay for current period expenditures and, therefore, are deferred in the funds.	
	14,281,005
Governmental funds do not report a liability for accrued interest until due and payable	
	<u>(579,871)</u>
Total Net Position - Governmental Activities	<u>\$ 66,013,967</u>

CITY OF HERMANTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES (DEFICITS) – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

	Essentia								Nonmajor Governmental Funds	Total Governmental Funds
	General	City Sales Tax Fund	Wellness Center Special Revenue Fund	Community Recreation Sales Tax Fund	Debt Service Funds	Capital Project Funds				
REVENUES										
Taxes	\$ 7,625,186	\$ 3,689,778	\$ -	\$ 1,839,238	\$ 394,601	\$ 292,300	\$ 157,297	\$ 13,998,400		
Franchise Fees	16,500	-	-	-	-	-	30,345	46,845		
Special Assessments	-	-	-	-	633,505	82,002	-	715,507		
Licenses and Permits	416,648	-	-	-	-	-	40,550	457,198		
Intergovernmental	656,561	-	-	-	-	599,624	55,399	1,311,584		
Charges for Services	150,792	-	328,084	-	325,000	-	-	803,876		
Fines and Forfeitures	46,065	-	-	-	-	-	7,159	53,224		
Investment Income	419,995	436,583	40,545	155,301	14,555	315,711	50,287	1,432,977		
Miscellaneous	104,183	-	238,721	-	-	-	298,480	641,384		
Total Revenues	9,435,930	4,126,361	607,350	1,994,539	1,367,661	1,289,637	639,517	19,460,995		
EXPENDITURES										
Current:										
General Government	1,283,364	-	-	8,696	4,415	49,866	76,630	1,422,971		
Public Safety	4,459,907	-	-	-	-	20,250	4,565	4,484,722		
Streets and Highways	848,071	-	-	-	-	-	21,787	869,858		
Community and Economic Development	308,607	-	-	-	-	613,607	212,526	1,134,740		
Culture and Recreation	208,079	-	302,757	-	-	73,800	57,596	642,232		
Capital Outlay	169,403	584,312	15,867	-	-	18,486,159	21,468	19,277,209		
Debt Service:										
Principal	2,305	-	-	-	2,630,000	56,394	-	2,688,699		
Interest and Fiscal Charges	-	17,392	-	-	902,742	438,985	-	1,359,119		
Total Expenditures	7,279,736	601,704	318,624	8,696	3,537,157	19,739,061	394,572	31,879,550		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES										
	2,156,194	3,524,657	288,726	1,985,843	(2,169,496)	(18,449,424)	244,945	(12,418,555)		
OTHER FINANCING SOURCES (USES)										
Bonds Issued	-	-	-	-	135,763	24,834,237	-	24,970,000		
Premium on Issuance of Bonds	-	-	-	-	-	1,656,314	-	1,656,314		
Insurance Recoveries	252,448	-	-	-	-	-	-	252,448		
Transfer In	-	-	-	-	2,700,570	1,721,643	85,399	4,507,612		
Transfer Out	(541,000)	(2,577,108)	-	-	-	-	(148,750)	(3,266,858)		
Proceeds from Sale of Capital Assets	7,766	-	-	-	-	-	-	7,766		
Net Other Financing Sources (Uses)	(280,786)	(2,577,108)	-	-	2,836,333	28,212,194	(63,351)	28,127,282		
SPECIAL AND EXTRAORDINARY ITEMS										
Special Item - Transfer of Operations	-	-	-	-	-	-	498,936	498,936		
NET CHANGE IN FUND BALANCE										
Fund Balance (Deficit) - Beginning of Year	1,875,408	947,549	288,726	1,985,843	666,837	9,762,770	680,530	16,207,663		
Adjustment - See Note 17	6,276,826	9,175,269	544,136	-	5,190,422	(236,751)	3,055,023	24,004,925		
	-	-	-	1,588,720	-	-	(1,588,720)	-		

See accompanying Notes to Financial Statements.

CITY OF HERMANTOWN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES (DEFICITS) TO THE STATEMENT OF ACTIVITIES – GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

Total Net Changes in Fund Balances - Governmental Funds \$ 16,207,663

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

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

Capital Outlays	19,011,965
Loss on Disposal of Capital Assets	(5,688)
Capital Assets Transferred to Business-Type Activities	(1,945,348)
Capital Contributions	1,935,957
Depreciation and Amortization Expense	(3,509,214)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

7,670,356

The issuance of long-term debt provides current financial resources to governmental funds, but increases long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities. This amount is the net effect of these differences.

(26,489,480)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

2,688,699

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due. However, in the Statement of Activities, interest expense is recognized as it accrues, regardless of when due.

(224,365)

Pension expenditures in the governmental funds are measured by current year employer contributions. Pension expenses on the Statement of Activities are measured by the change in the net pension liability and the related deferred inflows and outflows of resources.

121,522

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

(46,164)

Compensated absences are an expense in the governmental funds, but increase long-term liabilities in the Statement of Net Position.

(310,718)

Change in Net Position - Governmental Activities

\$ 15,105,185

CITY OF HERMANTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED DECEMBER 31, 2024

	Budget			Variance Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 7,238,250	\$ 7,238,250	\$ 7,625,186	\$ 386,936
Franchise Fees	16,500	16,500	16,500	-
Licenses and Permits	179,350	179,350	416,648	237,298
Intergovernmental	580,840	580,840	656,561	75,721
Charges for Services	112,410	112,410	150,792	38,382
Fines and Forfeitures	43,600	43,600	46,065	2,465
Investment Income	5,000	5,000	419,995	414,995
Miscellaneous	34,510	34,510	104,183	69,673
Total Revenues	8,210,460	8,210,460	9,435,930	1,225,470
EXPENDITURES				
Current:				
General Government	1,293,426	1,309,426	1,283,364	(26,062)
Public Safety	4,389,854	4,530,854	4,459,907	(70,947)
Streets and Highways	927,817	927,817	848,071	(79,746)
Community and Economic Development	349,086	349,086	308,607	(40,479)
Culture and Recreation	182,377	182,377	208,079	25,702
Capital Outlay	167,000	167,000	169,403	2,403
Contingency	360,000	360,000	-	(360,000)
Debt Service:				-
Principal	-	-	2,305	2,305
Total Expenditures	7,669,560	7,826,560	7,279,736	(546,824)
EXCESS OF REVENUES OVER EXPENDITURES				
	540,900	383,900	2,156,194	1,772,294
OTHER FINANCING SOURCES (USES)				
Insurance Recoveries	100	100	252,448	252,348
Transfer Out	(541,000)	(541,000)	(541,000)	-
Sales of Capital Assets	-	-	7,766	7,766
Net Other Financing Sources (Uses)	(540,900)	(540,900)	(280,786)	260,114
NET CHANGE IN FUND BALANCE				
	\$ -	\$ (157,000)	1,875,408	\$ 2,032,408
Fund Balance - Beginning of Year				6,276,826
FUND BALANCE - END OF YEAR				
				\$ 8,152,234

CITY OF HERMANTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCE – BUDGET AND ACTUAL – CITY SALES TAX FUND
YEAR ENDED DECEMBER 31, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUES				
Taxes:				
Sales Taxes	\$ 3,312,000	\$ 3,312,000	\$ 3,689,778	\$ 377,778
Investment Income	10,000	10,000	436,583	426,583
Total Revenues	<u>3,322,000</u>	<u>3,322,000</u>	<u>4,126,361</u>	<u>804,361</u>
EXPENDITURES				
Capital Outlay	1,690,000	1,690,000	584,312	(1,105,688)
Debt Service:				
Interest and Fiscal Charges	-	-	17,392	17,392
Total Expenditures	<u>1,690,000</u>	<u>1,690,000</u>	<u>601,704</u>	<u>(1,088,296)</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,632,000	1,632,000	3,524,657	1,892,657
OTHER FINANCING SOURCES (USES)				
Transfer Out	<u>(2,577,109)</u>	<u>(2,577,109)</u>	<u>(2,577,108)</u>	<u>1</u>
NET CHANGE IN FUND BALANCE	<u>\$ (945,109)</u>	<u>\$ (945,109)</u>	<u>947,549</u>	<u>\$ 1,892,658</u>
Fund Balance - Beginning of Year			<u>9,175,269</u>	
FUND BALANCE - END OF YEAR			<u>\$ 10,122,818</u>	

CITY OF HERMANTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET
AND ACTUAL – ESSENTIA WELLNESS CENTER SPECIAL REVENUE FUND
YEAR ENDED DECEMBER 31, 2024

	Budget		Actual	Variance Over (Under)
	Original	Final		
REVENUES				
Investment Income	\$ -	\$ -	\$ 40,545	\$ 40,545
Charges for Services	329,652	329,652	328,084	(1,568)
Miscellaneous	-	-	238,721	238,721
Total Revenues	329,652	329,652	607,350	277,698
EXPENDITURES				
Current:				
Culture and Recreation	229,652	292,652	302,757	10,105
Capital Outlay	-	-	15,867	15,867
Total Expenditures	229,652	292,652	318,624	25,972
NET CHANGE IN FUND BALANCE	<u>\$ 100,000</u>	<u>\$ 37,000</u>	288,726	<u>\$ 251,726</u>
Fund Balance - Beginning of Year			<u>544,136</u>	
FUND BALANCE - END OF YEAR			<u>\$ 832,862</u>	

CITY OF HERMANTOWN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – COMMUNITY RECREATION SALES TAX FUND
YEAR ENDED DECEMBER 31, 2024

	Budget			Variance Over (Under)
	Original	Final	Actual	
REVENUES				
Taxes:				
Sales Taxes	\$ 1,650,000	\$ 1,650,000	\$ 1,839,238	\$ 189,238
Investment Income	-	-	155,301	155,301
Total Revenues	<u>1,650,000</u>	<u>1,650,000</u>	<u>1,994,539</u>	<u>344,539</u>
EXPENDITURES				
Current:				
General Government	-	-	8,696	8,696
NET CHANGE IN FUND BALANCE	<u>\$ 1,650,000</u>	<u>\$ 1,650,000</u>	<u>1,985,843</u>	<u>\$ 344,539</u>
Fund Balance - Beginning of Year			<u>1,588,720</u>	
FUND BALANCE - END OF YEAR			<u>\$ 3,574,563</u>	

CITY OF HERMANTOWN
STATEMENT OF NET POSITION – PROPRIETARY FUNDS
DECEMBER 31, 2024

	Business-Type Activities Enterprise Fund				Total Enterprise Funds
	Water Utility Funds	Sewage Disposal Fund	Storm Sewer Fund	Nonmajor Enterprise Funds	
ASSETS					
Current Assets:					
Cash and Cash Equivalents	\$ 6,308,757	\$ 7,850,508	\$ -	\$ 1,063,440	\$ 15,222,705
Interest Receivable	15,408	18,092	924	2,454	36,878
Accounts Receivable	227,116	269,749	86,644	36,230	619,739
Lease Receivable	37,583	-	-	-	37,583
Advance to Other Funds	-	-	-	550,000	550,000
Prepaid Items	327,784	30,509	902	-	359,195
Total Current Assets	<u>6,916,648</u>	<u>8,168,858</u>	<u>88,470</u>	<u>1,652,124</u>	<u>16,826,100</u>
Noncurrent Assets:					
Capital Assets, Net of Depreciation:					
Assets Not Being Depreciated	231,260	385,645	248,318	-	865,223
Assets Being Depreciated, Net	<u>10,060,564</u>	<u>28,123,372</u>	<u>1,909,170</u>	<u>-</u>	<u>40,093,106</u>
Total Capital Assets, Net of Depreciation	<u>10,291,824</u>	<u>28,509,017</u>	<u>2,157,488</u>	<u>-</u>	<u>40,958,329</u>
Long-Term Portion of Contracts Receivable	-	12,370	-	-	12,370
Special Assessments Receivable	4,813	170,400	-	-	175,213
Total Noncurrent Assets	<u>10,296,637</u>	<u>28,691,787</u>	<u>2,157,488</u>	<u>-</u>	<u>41,145,912</u>
DEFERRED OUTFLOWS OF RESOURCES					
Other Postemployment Benefits Related	4,870	3,620	2,088	-	10,578
Pension Related	<u>25,023</u>	<u>20,175</u>	<u>10,488</u>	<u>-</u>	<u>55,686</u>
Total Deferred Outflows of Resources	<u>29,893</u>	<u>23,795</u>	<u>12,576</u>	<u>-</u>	<u>66,264</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 17,243,178</u></u>	<u><u>\$ 36,884,440</u></u>	<u><u>\$ 2,258,534</u></u>	<u><u>\$ 1,652,124</u></u>	<u><u>\$ 58,038,276</u></u>
LIABILITIES					
Current Liabilities:					
Accounts Payable	\$ 113,767	\$ 94,695	\$ 56,643	\$ 3,878	\$ 268,983
Accrued Wages and Related Liabilities	14,734	11,951	5,732	-	32,417
Due To Other Funds	-	-	258,908	-	258,908
Customer Deposits	10,454	-	-	-	10,454
Total Current Liabilities	<u>138,955</u>	<u>106,646</u>	<u>321,283</u>	<u>3,878</u>	<u>570,762</u>
Noncurrent Liabilities:					
Compensated Absences	42,082	36,837	16,824	-	95,743
Net Pension Liability	108,184	87,225	45,343	-	240,752
Total OPEB Liability	<u>189,791</u>	<u>141,096</u>	<u>81,380</u>	<u>-</u>	<u>412,267</u>
Total Noncurrent Liabilities	<u>340,057</u>	<u>265,158</u>	<u>143,547</u>	<u>-</u>	<u>748,762</u>
Total Liabilities	<u>479,012</u>	<u>371,804</u>	<u>464,830</u>	<u>3,878</u>	<u>1,319,524</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred Inflows - Lease Receivable	33,026	-	-	-	33,026
Pension Related	<u>74,789</u>	<u>60,299</u>	<u>31,346</u>	<u>-</u>	<u>166,434</u>
Total Deferred Inflows of Resources	<u>107,815</u>	<u>60,299</u>	<u>31,346</u>	<u>-</u>	<u>199,460</u>
NET POSITION					
Net Investment in Capital Assets	10,291,824	28,509,017	2,157,488	-	40,958,329
Unrestricted	<u>6,364,527</u>	<u>7,943,320</u>	<u>(395,130)</u>	<u>1,648,246</u>	<u>15,956,093</u>
Total Net Position	<u><u>16,656,351</u></u>	<u><u>36,452,337</u></u>	<u><u>1,762,358</u></u>	<u><u>1,648,246</u></u>	<u><u>56,519,292</u></u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u><u>\$ 17,243,178</u></u>	<u><u>\$ 36,884,440</u></u>	<u><u>\$ 2,258,534</u></u>	<u><u>\$ 1,652,124</u></u>	<u><u>\$ 58,038,276</u></u>

CITY OF HERMANTOWN
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION – PROPRIETARY
FUNDS
YEAR ENDED DECEMBER 31, 2024

	Business-Type Activities Enterprise Fund				Total Enterprise Funds
	Water Utility Funds	Sewage Disposal Fund	Storm Water Fund	Nonmajor Enterprise Funds	
OPERATING REVENUES					
User Fees	\$ 1,716,409	\$ 1,807,385	\$ 488,754	\$ -	\$ 4,012,548
Service Charges	313,643	95,087	-	-	408,730
Franchise Fees	-	-	-	145,201	145,201
Total Operating Revenues	<u>2,030,052</u>	<u>1,902,472</u>	<u>488,754</u>	<u>145,201</u>	<u>4,566,479</u>
OPERATING EXPENSES					
Personnel Services	480,101	368,232	207,350	32,978	1,088,661
Water Purchases	1,023,898	-	-	-	1,023,898
WLSSD Charges	-	657,280	-	-	657,280
Maintenance and Supplies	94,099	234,166	28,549	-	356,814
Utilities	10,113	10,473	-	39,647	60,233
Professional Services	9,090	9,337	127,249	-	145,676
Insurance	19,486	19,344	-	-	38,830
Miscellaneous	332	339	-	-	671
Depreciation Expense	258,092	542,251	16,801	-	817,144
Total Operating Expenses	<u>1,895,211</u>	<u>1,841,422</u>	<u>379,949</u>	<u>72,625</u>	<u>4,189,207</u>
NET OPERATING INCOME	134,841	61,050	108,805	72,576	377,272
NONOPERATING REVENUES					
Hookups and Miscellaneous Income	140,777	90,551	16,980	-	248,308
Intergovernmental Grants	-	-	2,363	-	2,363
Investment Income	311,074	363,889	18,147	71,465	764,575
Total Nonoperating Revenues	<u>451,851</u>	<u>454,440</u>	<u>37,490</u>	<u>71,465</u>	<u>1,015,246</u>
INCOME BEFORE TRANSFERS AND CONTRIBUTIONS	586,692	515,490	146,295	144,041	1,392,518
OTHER FINANCING SOURCES (USES)					
Capital Contributions	852,114	41,161	1,294,424	-	2,187,699
Transfer In	100,010	-	-	-	100,010
Transfer Out	(508,353)	(144,336)	(688,075)	-	(1,340,764)
Total Other Financing Sources (Uses)	<u>443,771</u>	<u>(103,175)</u>	<u>606,349</u>	<u>-</u>	<u>946,945</u>
CHANGE IN NET POSITION	1,030,463	412,315	752,644	144,041	2,339,463
Net Position - Beginning of Year	15,625,888	36,040,022	-	2,513,919	54,179,829
Adjustment - See note 17	-	-	1,009,714	(1,009,714)	-
Net Position - Beginning of Year, as Restated	<u>15,625,888</u>	<u>36,040,022</u>	<u>1,009,714</u>	<u>1,504,205</u>	<u>54,179,829</u>
NET POSITION - END OF YEAR	<u>\$ 16,656,351</u>	<u>\$ 36,452,337</u>	<u>\$ 1,762,358</u>	<u>\$ 1,648,246</u>	<u>\$ 56,519,292</u>

CITY OF HERMANTOWN
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS
YEAR ENDED DECEMBER 31, 2024

	Business-Type Activities Enterprise Fund					Total Enterprise Funds
	Water Utility Funds	Sewage Disposal Fund	Storm Water Fund	Nonmajor Enterprise Funds		
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from Users	\$ 2,045,681	\$ 1,848,746	\$ 480,747	\$ 145,177	\$ 4,520,351	
Cash Received from Interfund Services Provided	-	-	258,908	-	258,908	
Payments to Employees	(491,876)	(354,725)	(110,776)	(32,978)	(990,355)	
Payments to Suppliers	(1,394,365)	(950,096)	(196,045)	(41,022)	(2,581,528)	
Net Cash Provided by Operating Activities	159,440	543,925	432,834	71,177	1,207,376	
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers In	100,010	-	-	-	-	100,010
Transfers Out	(508,353)	(144,336)	(688,075)	-	-	(1,340,764)
Intergovernmental Grants	-	-	2,363	-	-	2,363
Cash Received from Hookups and Miscellaneous Income	48,793	332,903	16,980	-	-	398,676
Net Cash Provided (Used) by Noncapital Financing Activities	(359,550)	188,567	(668,732)	-	-	(839,715)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and Construction of Capital Assets	(1)	(148,342)	(287,401)	-	-	(435,744)
Payments from Lease Receivable	137,588	-	-	-	-	137,588
Net Cash Provided (Used) by Capital and Related Financing Activities	137,587	(148,342)	(287,401)	-	-	(298,156)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment Income	312,917	365,450	18,654	71,572	768,593	
NET INCREASE IN CASH AND CASH EQUIVALENTS						
Cash and Cash Equivalents - Beginning of Year	250,394	949,600	(504,645)	142,749	838,098	
Adjustment - See note 17	6,058,363	6,900,908	-	1,425,336	14,384,607	
Net Position - Beginning of Year, as Restated	-	-	504,645	(504,645)	-	
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 6,308,757	\$ 7,850,508	\$ -	\$ 1,063,440	\$ 15,222,705	

CITY OF HERMANTOWN
STATEMENT OF CASH FLOWS – PROPRIETARY FUNDS (CONTINUED)
YEAR ENDED DECEMBER 31, 2024

	Business-Type Activities Enterprise Fund				Total Enterprise Funds
	Water Utility Funds	Sewage Disposal Fund	Storm Water Fund	Nonmajor Enterprise Funds	
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES					
Operating Income	\$ 134,841	\$ 61,050	\$ 108,805	\$ 72,576	\$ 377,272
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	258,092	542,251	16,801	-	817,144
(Increase) Decrease in Assets:					
Accounts Receivable	(14,968)	(58,748)	(8,007)	(24)	(81,747)
Special Assessments Receivable	11	11			22
Prepaid Expenses	(316,455)	(19,858)	(307)		(336,620)
Inventories	113,246	416			113,662
Deferred Outflows	19,243	16,736	8,506		44,485
Increase (Decrease) in Liabilities:					
Accounts Payable	(34,138)	285	45,329	(1,375)	10,101
Wages and Related Liabilities	6,758	5,810	2,386		14,954
Due to Other Funds	32,002	5,011	258,908		295,921
Deposits	(1,416)	-			(1,416)
Compensated Absences Payable	992	(1,821)	491		(338)
Net Pension Liability	(50,824)	(44,691)	(22,702)		(118,217)
Total OPEB Liability	33,914	19,173	12,942		66,029
Deferred Inflows	(21,858)	18,300	9,682		6,124
Total Adjustments	<u>24,599</u>	<u>482,875</u>	<u>324,029</u>	<u>(1,399)</u>	<u>830,104</u>
Net Cash Provided by Operating Activities	<u><u>\$ 159,440</u></u>	<u><u>\$ 543,925</u></u>	<u><u>\$ 432,834</u></u>	<u><u>\$ 71,177</u></u>	<u><u>\$ 1,207,376</u></u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES					
Capital Contributions	<u><u>\$ 852,114</u></u>	<u><u>\$ 41,161</u></u>	<u><u>\$ 1,294,424</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 2,187,699</u></u>

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Financial Reporting Entity

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

Blended Component Unit

The Hermantown Economic Development Authority (HEDA) provides services almost entirely to the City and is governed by a board of seven commissioners, which is substantially the same as the City Council. The City is financially accountable for HEDA. The City approves the budget, levies taxes (if necessary), and must approve debt issuances. HEDA has had limited activity and has monthly meetings. For these reasons, HEDA is recognized as a blended component unit of the City.

B. Government-Wide Financial Statements

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

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Government-Wide Financial Statements (Continued)

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

C. Fund Financial Statements

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

The funds of the financial reporting entity are described below:

Governmental Funds

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

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

Debt Service Funds – These funds are used to account for the accumulation of resources for and the payment of general long-term obligation principal, interest, and related costs.

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

Proprietary Funds

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

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Fund Financial Statements (Continued)

Major Governmental Funds

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

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

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

Community Recreation Sales Tax Fund – Accounts for the restricted sales tax revenues collected that are authorized by the Minnesota State Legislature to fund the Community Recreation Initiative.

Debt Service Funds – Accounts for the accumulated resources to pay the interest and principal payments on General Obligation bonds.

Capital Project Funds – Accounts for and report financial resources that are restricted, committed or assigned to expenditure for capital outlays.

Major Proprietary Funds

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

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

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

D. Measurement Focus and Basis of Accounting

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

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Measurement Focus and Basis of Accounting (Continued)

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

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

Adoption of New Accounting Standards

Effective January 1, 2024, the City implemented GASB Statement No. 101, Compensated Absences. This statement updated the recognition and measurement guidance for compensated absences and associated salary-related payments and amended certain previously required disclosures.

E. Assets, Liabilities, and Equity

Cash and Cash Equivalents

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

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Equity (Continued)

Cash and Cash Equivalents (Continued)

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

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

Interfund Transactions

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

Receivables

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

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

Property Taxes

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

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

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Equity (Continued)

Special Assessments

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

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

Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2024, are recorded as prepaid items. Prepaid items are reported using the consumption method and recorded as expenditures/expenses at the time of consumption.

Inventories

All inventories are valued at cost using the first-in, first-out (FIFO) method and recorded as an asset at the time of purchase.

Capital Assets

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

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Assets, Liabilities, and Equity (Continued)

Capital Assets (Continued)

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

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

Right-to-use lease assets are initially measured at the present value of payments expected to be made during the lease term, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.

F. Unearned Revenue

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

Unearned revenues for the City include a \$2,000,000 naming rights agreement for the Essentia Wellness Center that is to be recognized as revenue over the 20-year term of the agreement. Six years have been recognized and remaining unearned revenue is \$1,400,000 as of the end of the year. Unearned revenues for the City also includes a \$1,600,000 naming rights agreement for the Hermantown Ice Arena that is to be recognized as revenue over the 20-year term of the agreement. One year has been recognized and remaining unearned revenue is \$1,350,000 as of the end of the year.

G. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation leave and sick pay benefits. Vested employees may receive a lump sum payment to a health care savings plan or a lump sum cash payment if they retire. The liability for compensated absences reported in the government-wide and proprietary fund statements consists of leave that has not been used that is attributable to services already rendered, accumulates and is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. The liability also includes amounts for leave that has been used for time off but has not yet been paid in cash or settled through noncash means and certain other types of leave.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

H. Long-Term Liabilities

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

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

I. Pensions

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

J. Other Postemployment Benefits (OPEB)

The City provides other postemployment benefits (OPEB) to some retired employees based on eligibility established by contracts with bargaining units or other employment contracts. Retirees are required to pay 100% of their premium cost for the City-sponsored group health insurance plan in which they participate. For purposes of measuring the total OPEB liability, deferred outflows of resources, and deferred inflows of resources related to OPEB and OPEB expense have been determined using the one-year look back basis (the previous December 31 year-end). The plan holds no investments.

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

K. Deferred Outflows/Inflows of Resources

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

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

L. Leases

The City determines if an arrangement is a lease at inception. Lessor leases are included in lease receivables and deferred inflow of resources in the statement of net position and fund financial statements.

Lease receivables represent the City's claim to receive lease payments over the lease term, as specified in the contract, in an exchange or exchange-like transaction. Lease receivables are recognized at commencement date based on the present value of expected lease payments over the lease term, reduced by any provision for estimated uncollectible amounts. Interest revenue is recognized ratably over the contract term.

Deferred inflows of resources related to leases are recognized at the commencement date based on the initial measurement of the lease receivable, plus any payments received from the lessee at or before the commencement of the lease term that relate to future periods, less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term. The deferred inflows related to leases are recognized as lease revenue in a systematic and rational manner over the lease term.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

L. Leases (Continued)

The individual lease contracts do not always provide information about the discount rate implicit in the lease. Therefore, the City has elected to use their incremental borrowing rate to calculate the present value of expected lease payments when it is not explicitly stated in the contract.

The City accounts for contracts containing both lease and nonlease components as separate contracts when possible. In cases where the contract does not provide separate price information for lease and nonlease components, and it is impractical to estimate the price of such components, the City treats the components as a single lease unit.

M. Fund Balance Classifications

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

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

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

Committed – Consists of internally imposed constraints. The City Council will annually, or as deemed necessary, commit specific revenue sources for specified purpose by resolution. This formal action must occur prior to the end of the reporting period; however, the amount to be subject to the constraint may be determined in the subsequent period. To remove the constraint on specified use of committed resources, the City Council shall pass a resolution.

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

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

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

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

M. Fund Balance Classifications (Continued)

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

The City Council has formally adopted a policy regarding the minimum unrestricted fund balance for the General Fund. The policy establishes a year-end targeted unrestricted fund balance of 35%-50%, no less than five months of the next year's budgeted expenditures. This will assist in maintaining an adequate level of fund balance to provide for cash flow requirements and contingency needs because major revenues, including property taxes and other governmental aids, are received in the second half of the City's fiscal year. At December 31, 2024, the unassigned fund balance for the General Fund was 90.42% of the subsequent year's budgeted expenditures, or \$8,891,017.

N. Net Position

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

O. Use of Estimates

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

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

P. Stewardship, Compliance, and Accountability

Budgetary Information

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

1. Annual budgets are adopted for the General Fund, Special Revenue Funds, Debt Service Fund, and Enterprise Funds. The budget is adopted on a basis consistent with GAAP. Budgetary comparisons presented in this report are on a budgetary basis. Budgeted expenditure appropriations lapse at year-end. Budgeted amounts are as originally adopted or as amended by the City Council.
2. The budget is legally enacted through passage of a resolution.
3. The government's department heads may make transfers of appropriations within a department. The City Council may authorize transfer of budgeted amounts between departments.
4. Formal budgetary integration is employed as a management control device during the year.

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

Expenditures exceed budgeted amounts in the following fund at December 31, 2024:

	<u>Final Budget</u>	<u>Expenditures</u>	<u>Excess</u>
Essentia Wellness Center:			
Special Revenue Fund	\$ 292,652	\$ 318,624	\$ 25,972
Community Recreation Sales Tax Fund	-	8,696	8,696

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 2 DEPOSITS AND INVESTMENTS

Deposits

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

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

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. The City requires collateral for deposits over Federal Deposit Insurance Company (FDIC) insurance amounts. At December 31, 2024, the City's bank balance was fully insured or collateralized.

Investments

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

The City is invested in the Minnesota Municipal Money Market Fund (4M Fund). The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC). The City's investment in the 4M Fund is measured at the net asset value per share provided by the pool, which is based on amortized cost method that approximates fair value. At December 31, 2024, the City had an investment in the 4M Fund in the amount of \$5,613,081.

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

Custodial Credit Risk – The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. At December 31, 2024, none of the City's investments were subject to custodial credit risk.

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

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

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

At December 31, 2024, the City had the following investments:

Investment Type	Total Value	Maturities			
		Less Than 1 Year	1-5 Years	Over 5 Years	No Maturity
U.S. Treasury Notes	\$ 11,484,110	\$ 11,484,110	\$ -	\$ -	\$ -
Negotiable CDs	26,376,167	9,694,284	16,681,883	-	-
Municipal Bonds	2,040,900	2,040,900	-	-	-
Money Market	1,629,500	1,629,500	-	-	-
External Investment Pool	5,613,081	-	-	-	5,613,081
Total Investments	\$ 47,143,758	\$ 24,848,794	\$ 16,681,883	\$ -	\$ 5,613,081

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

The following chart summarizes the ratings for the City's investments as rated by Standard and Poor's as of December 31, 2024:

	Credit Rating	Value	% of total Portfolio
U.S. Treasury Notes	AAA	\$ 11,484,110	24.4%
Negotiable CDs	N/R	26,376,167	55.9%
Municipal Bonds	AA - AAA	2,040,900	4.3%
Money Market	N/R	1,629,500	3.5%
External Investment Pool	AAA-	5,613,081	11.9%
Total		\$ 47,143,758	100.0%

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 2 DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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

The City has the following investments valued at recurring fair value measurements at December 31, 2024:

	Fair Value Measurement Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Total			
Investments by Fair Value Level:			
Negotiable CDs	\$ 16,681,883	\$ -	\$ 16,681,883
Municipal Bonds	2,040,900	-	2,040,900
Total	<u>18,722,783</u>	<u>\$ -</u>	<u>\$ 18,722,783</u>
Investments Measured at Amortized Cost			
	<u>28,420,975</u>	<u>\$ -</u>	<u>\$ -</u>
Total Investments	<u><u>\$ 47,143,758</u></u>		

The following table sets forth additional disclosures about the City's investments whose value are estimated using net asset value (NAV) as of December 31, 2024:

	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
External Investment Pool - 4M	<u>\$ 5,613,081</u>	<u>\$ -</u>	<u>None</u>	<u>14 Days</u>

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

Cash on Hand	\$ 700
Deposits	11,430,738
Investments	<u>47,143,758</u>
Total Deposits and Investments	<u><u>\$ 58,575,196</u></u>

Presented in the financial statements as follows:

Primary Government:	
Cash and Investments	<u>\$ 58,575,196</u>

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 3 RECEIVABLES

Significant receivable balances not expected to be collected within one year of December 31, 2024 are as follows:

	Governmental Activities	Business-Type Activities
Taxes Receivable	\$ 66,289	\$ -
Special Assessments	4,632,665	175,213
Lease Receivables	1,192,695	37,583
Contracts Receivable	1,602,273	12,370
Total	\$ 7,493,922	\$ 225,166

NOTE 4 CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2024 was as follows:

	Balance 12/31/2023	Additions	Deletions	Transfer	Balance 12/31/2024
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land	\$ 3,208,497	\$ -	\$ -	\$ -	\$ 3,208,497
Construction in Progress	8,592,577	18,536,247	(6,293,148)	(1,945,348)	18,890,328
Total Capital Assets Not Being Depreciated	11,801,074	18,536,247	(6,293,148)	(1,945,348)	22,098,825
Capital Assets Being Depreciated:					
Land Improvements	3,329,551	-	-	-	3,329,551
Buildings	37,202,604	-	-	-	37,202,604
Equipment and Vehicles	3,324,315	2,451,491	(101,019)	-	5,674,787
Infrastructure	39,869,615	6,253,332	-	-	46,122,947
Total Capital Assets Being Depreciated	83,726,085	8,704,823	(101,019)	-	92,329,889
Right-to-Use Lease Assets:					
Equipment	292,868	-	-	-	292,868
Total Right-to-Use Lease Assets	292,868	-	-	-	292,868
Less Accumulated Depreciation:					
Land Improvements	1,405,489	79,643	-	-	1,485,132
Buildings	7,766,149	946,446	-	-	8,712,595
Equipment and Vehicles	1,914,500	1,495,462	(95,331)	-	3,314,631
Infrastructure	27,051,774	928,802	-	-	27,980,576
Less Accumulated Amortization:					
Right-to-Use Lease Asset - Equipment	116,958	58,861	-	-	175,819
Total Accumulated Depreciation/Amortization	38,254,870	3,509,214	(95,331)	-	41,668,753
Total Capital Assets Being Depreciated/Amortized, Net	45,764,083	5,195,609	(5,688)	-	50,954,004
Governmental Activities Capital Assets, Net	\$ 57,565,157	\$ 23,731,856	\$ (6,298,836)	\$ (1,945,348)	\$ 73,052,829

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 4 CAPITAL ASSETS (CONTINUED)

	Balance 12/31/2023	Additions	Deletions	Transfer	Balance 12/31/2024
Business-Type Activities:					
Capital Assets Not Being Depreciated:					
Construction in Progress	\$ 565,884	\$ 378,273	\$ (453,487)	\$ (232,961)	\$ 257,709
Land and Permanent Easements	607,514	-	-	-	607,514
Total Capital Assets Not Being Depreciated	1,173,398	378,273	(453,487)	(232,961)	865,223
Capital Assets Being Depreciated:					
Buildings and Infrastructure	50,280,643	510,957	-	2,178,309	52,969,909
Equipment	1,786,560	-	(33,470)	-	1,753,090
Total Capital Assets Being Depreciated	52,067,203	510,957	(33,470)	2,178,309	54,722,999
Less Accumulated Depreciation:					
Buildings and Infrastructure	12,984,652	755,394	-	-	13,740,046
Equipment	861,567	61,750	(33,470)	-	889,847
Total Accumulated Depreciation	13,846,219	817,144	(33,470)	-	14,629,893
Total Capital Assets Being Depreciated, Net	38,220,984	(306,187)	-	2,178,309	40,093,106
Business-Type Activities Capital Assets, Net	<u>\$ 39,394,382</u>	<u>\$ 72,086</u>	<u>\$ (453,487)</u>	<u>\$ 1,945,348</u>	<u>\$ 40,958,329</u>

Depreciation expense and amortization expense was charged to functions/programs of the City as follows at December 31, 2024:

Governmental Activities:

General Government	\$ 239,462
Public Safety	1,515,454
Public Works	1,039,572
Community and Economic Development	709,799
Culture and Recreation	4,927
Total Governmental Activities Depreciation and Amortization Expense	<u>\$ 3,509,214</u>

Business-Type Activities:

Water Utility	\$ 258,092
Sewage Disposal	542,251
Storm Water	16,801
Total Business-Type Activities Depreciation and Amortization Expense	<u>\$ 817,144</u>

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 5 LEASE RECEIVABLES

The City, acting as lessor, leases certain real property to several communications companies on which to install cell towers under long-term, noncancelable lease agreements. These leases expire in fiscal year 2026 and 2028. During the year ended December 31, 2024, the City recognized \$35,456 and \$6,096 in lease revenue and interest revenue, respectively, pursuant to these contracts.

The City, acting as a lessor, leases certain real property on which billboards are installed under long-term, noncancelable lease agreements. These leases expire in fiscal year 2024 and 2029. During the year ended December 31, 2024, the City recognized \$1,849 and \$300 in lease revenue and interest revenue, respectively, pursuant to these contracts.

The City, acting as a lessor, leases certain building space under a long-term, noncancelable lease agreement. This lease expires in fiscal years 2028 and 2029. During the year ended December 31, 2024, the City recognized \$217,775 and \$44,433 in lease revenue and interest revenue, pursuant to these contracts.

Total future minimum lease payments to be received under lease agreements are as follows:

Year Ending December 31,	Long-Term Leases Receivable	
	Principal	Interest
2025	\$ 258,352	\$ 41,449
2026	276,633	31,379
2027	274,487	21,030
2028	241,875	10,743
2029	178,931	2,241
Total	<u>\$ 1,230,278</u>	<u>\$ 106,842</u>

Changes in the lease receivables for the year are as follows:

	Balance 12/31/2023	Additions	Retirements	Balance 12/31/2024	Principal Due Within One Year
Governmental Activities:					
Long-Term Lease Receivables:					
Billboards	\$ 8,606	\$ -	\$ 1,522	\$ 7,084	\$ 1,617
Cell Tower	86,894	83,965	39,670	131,189	47,041
Buildings	1,285,690	-	193,685	1,092,005	209,694
Total	<u>\$ 1,381,190</u>	<u>\$ 83,965</u>	<u>\$ 234,877</u>	<u>\$ 1,230,278</u>	<u>\$ 258,352</u>

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 6 LONG-TERM OBLIGATIONS

The City had the following long-term obligations at December 31, 2024:

<u>General Obligation Bonds</u>	<u>Amount</u>
General Obligation Improvement Refunding Bonds, Series 2012A were issued at a par value of \$2,500,000, have an interest rate of 0.5% - 2.4%, and mature in 2026.	\$ 365,000
General Obligation Improvement Bonds, Series 2014A were issued at a par value of \$2,170,000, have an interest rate of 2.0% - 3.0%, and mature in 2028.	495,000
General Obligation Refunding Bonds, Series 2016A were issued at a par value of \$3,285,000, have an interest rate of 2.0%, and mature in 2030.	1,030,000
General Obligation Capital Improvement Plan Bonds, Series 2016B were issued at a par value of \$5,055,000, have an interest rate of 3.0%, and mature in 2026.	1,205,000
General Obligation Capital Improvement Plan Bonds, Series 2018A were issued at a par value of \$2,035,000, have an interest rate of 3.0% - 3.375%, and mature in 2039.	1,620,000
General Obligation Tax Abatement Bonds, Series 2018B were issued at a par value of \$7,715,000, have an interest rate of 3.0% - 4.0%, and mature in 2039.	6,370,000
General Obligation Tax Abatement Bonds, Series 2019A were issued at a par value of \$8,845,000, have an interest rate of 3.0% - 5.0%, and mature in 2039.	7,250,000
General Obligation Improvement and Refunding Bonds, Series 2020A issued at a par value of \$3,585,000, have an interest rate of 3.0% - 2.0%, and mature in 2036.	2,060,000
General Obligation Sewage Disposal System Bonds, Series 2020B were issued at a par value of \$3,915,000, have an interest rate of 3.0% - 2.0%, and mature in 2037.	3,125,000

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

<u>General Obligation Bonds (Continued)</u>	<u>Amount</u>
General Obligation Improvement and Refunding Bonds, Series 2021A were issued at a par value of \$3,860,000, have an interest rate of 2.0% - 1.150%, and mature in 2036.	\$ 3,215,000
General Obligation Improvement Bonds, Series 2023A were issued at a par value of \$1,505,000, have an interest rate of 4.0% - 5.0%, and mature in 2039.	1,505,000
General Obligation Improvement Bonds, Series 2024A were issued at a par value of \$8,745,000, have an interest rate of 4.0% - 5.0%, and mature in 2044.	8,745,000
General Obligation Improvement Bonds, Series 2024B were issued at a par value of \$16,225,000, have an interest rate of 4.0%, and mature in 2044.	<u>16,225,000</u>
Total General Obligation Bonds	<u>\$ 53,210,000</u>

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

	Balance 12/31/2023	Additions	Reductions	Balance 12/31/2024	Amount Due Within One Year
Governmental Activities:					
Bonds Payable:					
General Obligation Bonds	\$ 30,870,000	\$ 24,970,000	\$ 2,630,000	\$ 53,210,000	\$ 2,740,000
Leases Payable	182,530	-	58,699	123,831	60,567
Premiums (Discounts):					
Unamortized Bond Discount	(1,214)	-	(663)	(551)	(411)
Unamortized Bond Premium	839,884	1,656,314	137,497	2,358,701	166,472
Subtotal	31,891,200	26,626,314	2,825,533	55,691,981	2,966,628
Compensated Absences	542,808	310,718	-	853,526	-
Total Long-Term Liabilities	<u>\$ 32,434,008</u>	<u>\$ 26,937,032</u>	<u>\$ 2,825,533</u>	<u>\$ 56,545,507</u>	<u>\$ 2,966,628</u>
Business-Type Activities:					
Compensated Absences	\$ 96,081	\$ -	\$ 338	\$ 95,743	\$ -
Total Long-Term Liabilities	<u>\$ 96,081</u>	<u>\$ -</u>	<u>\$ 338</u>	<u>\$ 95,743</u>	<u>\$ -</u>

The change in compensated absence liability is presented as a net change.

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 6 LONG-TERM OBLIGATIONS (CONTINUED)

Annual requirements to amortize all outstanding obligations at December 31, 2024 are as follows:

<u>Year Ending December 31,</u>	<u>General Obligation Bonds</u>		<u>Leases Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2025	\$ 2,740,000	\$ 1,834,836	\$ 60,567	\$ 2,585
2026	3,300,000	1,760,529	62,106	278
2027	2,850,000	1,647,959	1,158	22
2028	2,975,000	1,541,459	-	-
2029	2,930,000	1,439,034	-	-
2030 - 2034	15,330,000	5,699,852	-	-
2035 - 2039	15,650,000	2,959,767	-	-
2040 - 2044	7,435,000	730,300	-	-
<u>Total</u>	<u>\$ 53,210,000</u>	<u>\$ 17,613,736</u>	<u>\$ 123,831</u>	<u>\$ 2,885</u>

General Obligation bonds are paid from Debt Service Funds.

Total OPEB liability, and net pension liability are paid from the General Fund, Water Utility Fund, Sewage Disposal Fund, and Storm Water Fund.

NOTE 7 CONDUIT DEBT OBLIGATIONS

The Hermantown Economic Development Authority (HEDA) has issued revenue bonds for the purpose of providing capital financing to various entities. Even though the debt bears HEDA's name, HEDA is not responsible for the payment of the original debt. The debt is secured by the payments agreed to be paid by these entities under the terms of the agreement between HEDA and the entity. The general description of the transactions and the outstanding balance as of December 31, 2024 are as follows:

<u>Enterprise</u>	<u>Year of Issue</u>	<u>Outstanding Balance</u>	
		<u>12/31/2024</u>	
Saints-Hilltoppers Arena Project 2010	2010	\$ 198,024	
Marshall School 2011	2011	152,448	
<u>Total</u>		<u>\$ 350,472</u>	

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 8 INTERFUND TRANSACTIONS

The composition of interfund balances as of December 31, 2024 is as follows:

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

	<u>Due From</u>	<u>Due To</u>
Governmental Funds:		
City Sales Tax Fund	\$ 1,987,546	\$ -
Capital Project Fund (by Project/Department):		
Munger Trail Fund	-	756,118
Fichtner Field	-	811,964
Municipal State Aid Streets Fund	-	160,556
Total Governmental Funds	<u>\$ 1,987,546</u>	<u>\$ 1,728,638</u>
Proprietary Funds:		
Storm Water Fund	<u>\$ -</u>	<u>\$ 258,908</u>
Totals	<u>\$ 1,987,546</u>	<u>\$ 1,987,546</u>

Advances to/from other funds:

	<u>Advance To</u>	<u>Advance From</u>
Governmental Funds:		
Capital Projects Fund - TIF District #1	\$ -	\$ 550,000
Proprietary Funds:		
Nonmajor Enterprise Funds - Street Lighting Fund	550,000	-
Total	<u>\$ 550,000</u>	<u>\$ 550,000</u>

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

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 8 INTERFUND TRANSACTIONS (CONTINUED)

Interfund Transfers

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

In the year ended December 31, 2024, the City made the following one-time transfers, which are included in the amounts presented below:

	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$ -	\$ 541,000
City Sales Tax Fund	-	2,577,108
Debt Service Fund (by Issuance):		
G.O. Improvement Bonds, Series 2014A	65,000	-
G.O. Improvement Bonds, Series 2020A	41,055	-
G.O. Improvement Bonds, Series 2012A	197,539	-
G.O. Refunding Bonds, Series 2016A	217,223	-
G.O. Refunding Bonds, Series 2016B	698,807	-
G.O. Tax Abatement Bonds, Series 2018B	519,291	-
G.O. Tax Abatement Bonds, Series 2019A	650,245	-
G.O. Improvement Bonds, Series 2020B	292,320	-
G.O. Improvement Bonds, Series 2021A	19,090	-
Capital Projects Fund (by Project/Department):		
General Capital Projects	525,000	-
Municipal Building Reserve	30,000	-
Fichtner Field	93,351	-
Special Assessment/Road Improvement Fund	141,572	-
Municipal State Aid Streets Fund	931,720	-
Nonmajor Governmental Funds:		
Economic Development Authority Fund	-	55,399
American Rescue Plan Fund	-	93,351
Housing Trust Fund	55,399	-
Park Dedication	30,000	-
Total Governmental Funds	<u>4,507,612</u>	<u>3,266,858</u>
Proprietary Funds:		
Water Utility Fund	100,010	508,353
Sewage Disposal Fund	-	144,336
Storm Water Fund	-	688,075
Total Proprietary Funds	<u>100,010</u>	<u>1,340,764</u>
Total	<u>\$ 4,607,622</u>	<u>\$ 4,607,622</u>

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

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 9 FUND BALANCE/NET POSITION

Fund balance was nonspendable for the following purposes at December 31, 2024:

Prepaid Items:

Governmental Funds:

General Fund	\$ 113,244
Essentia Wellness Center Special Revenue Fund	16,976
Hermantown Economic Development Authority	
Fund	30
Cable Television Fund	7
Total Nonspendable	<u><u>\$ 130,257</u></u>

Governmental net position and fund balances were restricted for the following purposes at December 31, 2024:

	<u>Net Position</u>	<u>Fund Balance</u>
Debt Service Funds	\$ 18,009,131	\$ 5,539,977
General Fund	100,967	100,967
Capital projects	-	10,386,132
City Sales Tax Fund - Public Works	10,456,303	10,122,818
Community Recreation Sales Tax Fund - Recreation	3,741,306	3,574,563
Essentia Wellness Center Special Revenue Fund -		
Wellness	815,886	815,886
Police Program Fund - Public Safety	707,325	707,325
Housing Trust Fund	110,798	110,798
Park Dedication Fund - Recreation	48,418	48,418
Soccer Association Fund - Recreation	73,168	73,168
Total Restricted	<u><u>\$ 34,063,302</u></u>	<u><u>\$ 31,480,052</u></u>

Fund balances were committed for the following purposes at December 31, 2024:

Other Governmental Funds:

Economic Development	\$ 689,588
Wetland Restoration	10,964
Cable TV	460,289
Debt Service	317,282
Total Committed	<u><u>\$ 1,524,369</u></u>

Fund balances were assigned for the following purposes at December 31, 2024:

General Capital Projects	\$ 1,178,535
Essentia Wellness Center Capital Projects Fund	277,871
Municipal Building Reserve	253,224
HEDA Fleet Projects	100,484
Total Assigned	<u><u>\$ 1,810,114</u></u>

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 9 FUND BALANCE/NET POSITION (CONTINUED)

The following funds had an unassigned fund balance (deficit) at December 31, 2024:

Capital Projects Fund (by Project/Department):

Munger Trail	\$ (787,918)
Fichtner Field	(1,206,655)
TIF District 1 Improvement	(516,388)
Municipal State Aid Streets	(159,266)
Total	<u><u>\$ (2,670,227)</u></u>

NOTE 10 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). These plan provisions are established and administered according to Minnesota Statutes chapters 353, 353D, 353E, 353G, and 356. Minnesota Statutes chapter 356 defines each plan's financial reporting requirements. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Plan (General Plan)

Membership in the General Plan includes employees of counties, cities, townships, schools in non-certified positions, and other governmental entities whose revenues are derived from taxation, fees, or assessments. Plan membership is required for any employee who is expected to earn more than \$425 in a month, unless the employee meets exclusion criteria.

2. Public Employees Police and Fire Plan

Membership in the Police & Fire Plan includes full-time, licensed police officers and firefighters who meet the membership criteria defined in Minnesota Statutes section 353.64 and who are not earning service credit in any other PERA retirement plan or a local relief association for the same service. Employers can provide Police & Fire Plan coverage for part-time positions and certain other public safety positions by submitting a resolution adopted by the entity's governing body. The resolution must state that the position meets plan requirements.

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefit provisions are established by state statute and can only be modified by the state Legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service. When a member is "vested," they have earned enough service credit to receive a lifetime monthly benefit after leaving public service and reaching an eligible retirement age. Members who retire at or over their Social Security full retirement age with at least one year of service qualify for a retirement benefit.

1. General Employees Retirement Plan Benefits

General Employees Plan requires three years of service to vest. Benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for General Plan members. Members hired prior to July 1, 1989, receive the higher of the Step or Level formulas. Only the Level formula is used for members hired after June 30, 1989. Under the Step formula, General Plan members receive 1.2% of the highest average salary for each of the first 10 years of service and 1.7% for each additional year. Under the Level formula, General Plan members receive 1.7% of highest average salary for all years of service. For members hired prior to July 1, 1989 a full retirement benefit is available when age plus years of service equal 90 and normal retirement age is 65. Members can receive a reduced requirement benefit as early as age 55 if they have three or more years of service. Early retirement benefits are reduced by .25% for each month under age 65. Members with 30 or more years of service can retire at any age with a reduction of .25% for each month the member is younger than age 62. The Level formula allows General Plan members to receive a full retirement benefit at age 65 if they were first hired before July 1, 1989 or at age 66 if they were hired on or after July 1, 1989. Early retirement begins at age 55 with an actuarial reduction applied to the benefit.

Benefit increases are provided to benefit recipients each January. The postretirement increase is equal to 50% of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1% and a maximum of 1.5%. The 2024 annual increase was 1.5%. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a prorated increase.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

B. Benefits Provided (Continued)

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members hired before July 1, 2010, are vested after three years of service. Members hired on or after July 1, 2010, are 50% vested after five years of service and 100% vested after ten years. After five years, vesting increase by 10% each full year of service until members are 100% vested after ten years. Police and Fire Plan members receive 3 percent of highest average salary for all years of service. Police and Fire Plan members receive a full retirement benefit when they are age 55 and vested, or when their age plus their years of service equals 90 or greater if they were first hired before July 1, 1989. Early retirement starts at age 50, and early retirement benefits are reduced by 0.417% each month members are younger than age 55.

Benefit increases are provided to benefit recipients each January. The postretirement increase is fixed at 1%. Recipients that have been receiving the annuity or benefit for at least 36 months as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least 25 months but less than 36 months as of the June 30 before the effective date of the increase will receive a prorated increase.

C. Contributions

Minnesota Statutes chapters 353, 353E, 353G, and 356 set the rates for employer and employee contributions. Contribution rates can only be modified by the state Legislature.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50% of their annual covered salary in fiscal year 2024 and the City was required to contribute 7.50% for Coordinated Plan members. The City contributions to the General Employees Fund for the year ended December 31, 2024, were \$161,793. The City's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire Plan members were required to contribute 11.80% of their annual covered salary in fiscal year 2024 and the City was required to contribute 17.70% for Police and Fire Plan members. The City contributions to the Police and Fire Fund for the year ended December 31, 2024, were \$367,771. The City's contributions were equal to the required contributions as set by state statute.

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2024, the City reported a liability of \$802,891 for its proportionate share of the General Employees Fund's net pension liability. The City's net pension liability reflected a reduction due to the state of Minnesota's contribution of \$16 million. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The state of Minnesota's proportionate share of the net pension liability associated with the City totaled \$20,761.

The City's Proportionate Share of the Net Pension Liability	\$ 802,891
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>20,761</u>
Total	<u><u>\$ 823,652</u></u>

The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.0217 percent at the end of the measurement period and 0.0221 percent for the beginning of the period.

For the year ended December 31, 2024, the City recognized pension expense of \$85,848 for its proportionate share of the General Employees Plan's pension expense. In addition, the City recognized an additional \$257 as pension expense (and grant revenue) for its proportionate share of the state of Minnesota's contribution of \$16 million to the General Employees Fund.

During the plan year ended June 30, 2024, the State of Minnesota contributed \$170.1 million to the General Employees Fund. The State of Minnesota is not included as a non-employer contributing entity in the General Employees Plan pension allocation schedules for the \$170.1 million in direct state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$36,940 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the General Employees Fund.

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

1. General Employees Fund Pension Costs (Continued)

At December 31, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 75,493	\$ -
Effect of Changes in Assumptions	3,920	303,882
Net Difference Between Projected and Actual		
Investment Earnings on Plan Investments	- -	233,153
Changes in Proportion	20,903	18,011
Contributions Subsequent to Measurement		
Period	85,396	-
Total	<u>\$ 185,712</u>	<u>\$ 555,046</u>

A total of \$85,396 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2025	\$ (248,203)
2026	(40,615)
2027	(104,376)
2028	(61,536)
Total	<u>\$ (454,730)</u>

2. Police and Fire Fund Pension Costs

At December 31, 2024, the City reported a liability of \$1,776,754 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportionate share of the net pension liability was based on the City's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2023 through June 30, 2024, relative to the total employer contributions received from all of PERA's participating employers. The City's proportionate share was 0.1351 percent at the end of the measurement period and 0.1250 percent for the beginning of the period.

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

The State of Minnesota contributed \$37.4 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2024. The contribution consisted of \$9 million in direct state aid that meets the definition of a special funding situation, additional one-time direct state aid contribution of \$19.4 million, and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. Additionally, \$9 million supplemental state aid was paid on October 1, 2024. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90% funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90% funded, whichever occurs later. The State of Minnesota's proportionate share of the net pension liability associated with the City totaled \$67,729.

The City's Proportionate Share of the Net	
Pension Liability	\$ 1,776,754
State of Minnesota's Proportionate Share of the	
Net Pension Liability Associated with the City	67,729
Total	<u>\$ 1,844,483</u>

For the year ended December 31, 2024, the City recognized pension expense of \$376,039 for its proportionate share of the Police and Fire Plan's pension expense. The City recognized \$26,626 as grant revenue and pension expense for its proportionate share of the State of Minnesota's pension expense for the contribution of \$9 million to the Police and Fire Fund special funding situation.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$28.4 million in supplemental state aid because this contribution was not considered to meet the definition of a special funding situation. The City recognized \$38,351 for the year ended December 31, 2024 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund.

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

2. Police and Fire Fund Pension Costs (Continued)

At December 31, 2024, the City reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual		
Economic Experience	\$ 692,416	\$ -
Effect of Changes in Assumptions	1,953,113	2,616,316
Net Difference Between Projected and Actual		
Investment Earnings on Plan Investments	-	577,712
Changes in Proportion	215,124	9,718
Contributions Paid to PERA Subsequent to the		
Measurement Date	187,834	-
Total	<u><u>\$ 3,048,487</u></u>	<u><u>\$ 3,203,746</u></u>

A total of \$187,834 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2025.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending December 31,</u>	<u>Pension Expense Amount</u>
2025	\$ (46,902)
2026	504,235
2027	(220,642)
2028	(650,174)
2029	70,390
Total	<u><u>\$ (343,093)</u></u>

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

D. Pension Costs (Continued)

3. Pension Totals

For the year ended December 31, 2024, the City had the following recorded in relation to all of the plans in which it participates:

	General Employees Plan	Police and Fire Plan	Total
Net Pension Liability	\$ 802,891	\$ 1,776,754	\$ 2,579,645
Deferred Outflows of Resources	185,712	3,048,487	3,234,199
Deferred Inflows of Resources	555,046	3,203,746	3,758,792
Pension Expense	49,165	364,314	413,479

E. Long-Term Expected Return on Investment

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Domestic Equity	33.5 %	5.10%
International Equity	16.5	5.30%
Fixed Income	25.0	0.75%
Private Markets	25.0	5.90%
<u>Total</u>	<u>100.0 %</u>	

F. Actuarial Assumptions

The total pension liability for each of the cost-sharing defined benefit plans was determined by an actuarial valuation as of June 30, 2024, using the entry age normal actuarial cost method. The long-term rate of return on pension plan investments used to determine the total liability is 7 percent. The 7 percent assumption is based on a review of inflation and investment return assumptions from a number of national investment consulting firms. The review provided a range of investment return rates considered reasonable by the actuary. An investment return of 7 percent is within that range.

Inflation is assumed to be 2.25 percent for the General Employees Plan and Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan and 1 percent for the Police and Fire Plan.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

Salary growth assumptions in the General Employees Plan range in annual increments from 10.25 percent after one year of service to 3.0 percent after 27 years of service. In the Police and Fire Plan, salary growth assumptions range from 11.75 percent after one year of service to 3.0 percent after 24 years of service.

Mortality rates for the General Employees Plan are based on the Pub-2010 General Employee Mortality Table. Mortality rates for the Police and Fire Plan is based on the Pub-2010 Public Safety Employee Mortality tables. The tables are adjusted slightly to fit PERA's experience.

Actuarial assumptions for the General Employees Plan are reviewed every four years. The General Employees Plan was last reviewed in 2022. The assumption changes were adopted by the board and became effective with the July 1, 2023 actuarial valuation. The Police & Fire Plan was reviewed in 2024. PERA anticipates the experience study will be approved by the Legislative Commission on Pensions and Retirement and become effective with the July 1, 2025 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2024:

General Employees Fund

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early Retirement rates for Tier 1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefits was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

F. Actuarial Assumptions (Continued)

Police and Fire Fund

Changes in Actuarial Assumptions:

- There were no changes in actuarial assumptions since the prior valuation.

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

G. Discount Rate

The discount rate used to measure the total pension liability in 2024 was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net position of the General Employees and Police and Fire Plans were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 10 DEFINED BENEFIT PENSION PLANS (CONTINUED)

H. Pension Liability Sensitivity

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	6.00%	7.00%	8.00%
City's Proportionate Share of the GERF Net Pension Liability	<u>\$ 1,753,644</u>	<u>\$ 802,891</u>	<u>\$ 20,811</u>
	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
Discount Rate	6.00%	7.00%	8.00%
City's Proportionate Share of the PEPFF Net Pension Liability	<u>\$ 4,198,816</u>	<u>\$ 1,776,754</u>	<u>\$ (212,266)</u>

I. Pension Plan Fiduciary Net Position

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

NOTE 11 PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN

Two City Council members are covered by the Defined Contribution Plan, a multiemployer deferred compensation plan administered by PERA. The Defined Contribution Plan is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are deferred until time of withdrawal.

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 11 PUBLIC EMPLOYEES DEFINED CONTRIBUTION PLAN (CONTINUED)

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Total contributions made by the City during 2024 were:

Contribution Amount		Percentage of Covered Payroll		Required Rates
Employee	Employer	Employee	Employer	
\$ 1,985	\$ 1,985	5%	5%	5%

NOTE 12 POSTEMPLOYMENT HEALTH CARE PLAN

Plan Description

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

Funding

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

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 12 POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

OPEB Liability

The City's total OPEB liability at December 31, 2024 was \$2,110,173. The total OPEB liability was measured as of December 31, 2023 and was determined by an actuarial valuation as of December 31, 2022. The total OPEB liability was determined by the use of the alternative measurement method as of that date. The total OPEB liability was determined using the following assumptions and other inputs, applied to all periods in the measurement, unless otherwise specified:

Inflation	2.50% per year
Salary Increases	N/A
Healthcare Cost Trend Rate	Beginning at 6.30% with an ultimate rate of 3.90%
Investment Rate of Return	N/A
Mortality Rate	Pub-2010 Mortality Tables with projected mortality improvements based on scale MP-2021, and other adjustments.

The 3.77% discount rate used to measure the total OPEB liability was determined by the actuary using the Fidelity 20-year Municipal GO AA Index. This rate was updated from the 4.05% used in the prior measurement date.

Changes in the total OPEB liability for the year ended December 31, 2024 are as follows:

Beginning Balance	\$ 2,006,462
Changes for the Year:	
Service Cost	31,870
Interest	80,959
Differences between Expected and Actual	
Experience	3,203
Changes of Assumptions	66,388
Benefit Payments	<u>(78,709)</u>
Net Changes	<u>103,711</u>
Ending Balance	<u><u>\$ 2,110,173</u></u>

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

Sensitivity of Total OPEB Liability at Current Single

Discount Rate:

1% Higher	4.77%	\$ 1,886,359
Current Discount Rate	3.77%	2,110,173
1% Lower	2.77%	2,374,288

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 12 POSTEMPLOYMENT HEALTH CARE PLAN (CONTINUED)

OPEB Liability (Continued)

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

Sensitivity of Total OPEB Liability at Current

Healthcare Trend Rate:

1% Higher	7.30%	\$ 2,397,514
Current Discount Rate	6.30%	2,110,173
1% Lower	5.30%	1,865,723

For the year ended December 31, 2024, the City recognized OPEB expense of \$182,420. The City's contributions subsequent to the measurement date of \$54,144, reported as deferred outflows of resources, will be recognized as a reduction of the total OPEB liability in the City's fiscal year ended December 31, 2024.

NOTE 13 COMPENSATED ABSENCES

It is the City's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Upon retirement, in accordance with various employment and union contracts, the value of the qualifying banked sick hours will be submitted as a Health Care Savings Plan (HCSP) contribution to the Minnesota State Retirement System (MSRS) to be used to pay the employee's health insurance premiums. The year-end accrued sick leave and accrued vacation balance decreased by \$338 in the proprietary funds and increased by \$310,718 in the governmental funds. As of December 31, 2024, nine employees were vested for sick leave. The current value of future benefits is recorded as compensated absences in the statement of net position at December 31, 2024, in the amount of \$949,269. Any management employee, LELS, Operating Engineers Local No. 49 or AFSCME union member who is at the maximum accumulation of sick leave and who is credited for sick leave during a year in excess of the maximum sick leave shall, as of December 31 of the year in question, have 50% for management, LELS, and Operating Engineers Local No. 49 and 25% for AFSCMEs, of such excess credit towards sick leave deposited in the State of Minnesota Health Care Savings Plan at the employees December 31 wage rate of the year in question. The City paid \$22,160 to the MSRS for this employee benefit in 2024.

NOTE 14 TAX ABATEMENT COMMITMENTS

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

**CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024**

NOTE 14 TAX ABATEMENT COMMITMENTS (CONTINUED)

The initial County abatement was paid off in 2019. On February 5, 2019, the County board extended the tax abatement for an additional \$860,000 for the purpose of assistance on funding the Section 24 Sewer trunk line. During 2024 the County paid \$11,302 towards the note, leaving no outstanding balance as of December 31, 2024.

In HEDA's tax abatement agreement with the local business, HEDA has agreed to provide funding to the local business through the abatement of the total City taxes collected each year on the parcel of property owned by the local business. HEDA has agreed to provide tax abatement funding in the amounts of \$1,151,696 and \$400,000 plus interest at 4%. During 2024, the City paid the local business \$136,054 related to this agreement. As of December 31, 2024, the City's remaining commitment to the local business is \$420,965.

HEDA and the City have issued a tax increment revenue note (pay-as-you-go) to a local business. This note requires the City to make payments for a fixed period of time with available tax increment revenue after deducting for certain administrative costs. The note is not a debt of the City and the City is not liable on the note, except for the City's obligation to make payments from pledged tax increment from the applicable tax increment-financing district. The note shall not be payable out of any funds or properties other than the pledged increment. Under this agreement, up to \$500,000 of development costs plus interest will be reimbursed through tax increments. During the year ended December 31, 2024, the City generated tax increment revenue of \$156,809 and made payments of \$78,035, on the note. There is no outstanding balance of this note at year-end.

NOTE 15 RISK MANAGEMENT

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

CITY OF HERMANTOWN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2024

NOTE 16 SPECIAL ITEM – TRANSFER OF OPERATIONS

In October 2023, the City Council approved an intergovernmental agreement between the City of Hermantown and the Hermantown Volunteer Fire Department (HVFD) to combine its fire protection services with the HVFD for the purpose of enhancing the provision of those services to the City's citizens. On January 1, 2024, the HVFD transferred the assets comprising its fire services operations to the City. As a result of the transfer, the City recognized the following assets and net position:

	<u>Carrying Values</u>
Transferred Assets:	
Cash and Cash Equivalents	\$ 498,936
Equipment and Vehicles (Trucks and Fire Engines)	<u>1,908,935</u>
Total Transferred Assets	<u>2,407,871</u>
Net Position of Transferred Fire Protection Operation:	
Net Investment in Capital Assets	<u>\$ 2,407,871</u>

NOTE 17 ACCOUNTING CHANGES AND ERROR CORRECTIONS

A. Changes to or within Financial Reporting Entity

Change in Fund Presentation from Nonmajor to Major

The Community Recreation Sales Tax fund previously met the criteria to be reported as a nonmajor governmental fund and the Storm Water fund previously met the criteria to be reported as a nonmajor proprietary fund. However, effective January 1, 2024, the funds no longer met the criteria to be reported as nonmajor funds and are reported as a major governmental and proprietary funds for the fiscal year ended December 31, 2024. The effect of that change to or within the financial reporting entity is shown in the table below.

	Funds			
	Nonmajor Governmental	Community Recreation	Nonmajor Proprietary	Storm Water
December 31, 2023, As Previously Reported	Funds	Sales Tax Fund	Funds	Fund
Change in Fund Presentation from Nonmajor to Major	\$ 3,055,023	\$ -	\$ 2,513,919	\$ -
December 31, 2023, As Adjusted	<u>(1,588,720)</u>	<u>1,588,720</u>	<u>(1,009,714)</u>	<u>1,009,714</u>
	<u>\$ 1,466,303</u>	<u>\$ 1,588,720</u>	<u>\$ 1,504,205</u>	<u>\$ 1,009,714</u>

NOTE 18 CONSTRUCTION COMMITMENTS

At December 31, 2024, the City had construction projects in progress. The commitments related to the remaining contract balances are summarized as follows:

Project	Certified Cost	Incurred to Date	Remaining Committed
Hermantown Road	\$ 2,812,462	\$ 2,812,462	\$ -
Hockey Arena - Community Recreation Initiative	13,128,415	3,290,699	9,837,716
Fictner Field - Community Recreation Initiative	4,584,834	4,517,410	67,424
Total	<u>20,525,711</u>	<u>10,620,571</u>	<u>9,905,140</u>

REQUIRED SUPPLEMENTARY INFORMATION

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

Measurement Date	December 31, 2023	December 31, 2022	December 31, 2021	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017
Total OPEB Liability:							
Service Cost	\$ 31,870	\$ 56,720	\$ 53,440	\$ 64,111	\$ 51,512	\$ 84,347	\$ 74,039
Interest	80,959	32,734	34,185	45,895	51,803	27,530	27,316
Difference Between Expected and Actual Experience	3,203	1,076,825	1,807	295,378	-	435,708	-
Changes in Assumptions	66,388	(848,421)	38,322	(303,730)	204,459	93,012	34,433
Benefit Payments	(78,709)	(67,369)	(55,208)	(46,067)	(49,434)	(36,958)	(25,701)
Total Changes	103,711	250,489	72,546	55,587	258,340	603,639	110,087
Total OPEB Liability - Beginning	2,006,462	1,755,973	1,683,427	1,627,840	1,369,500	765,861	655,774
Total OPEB Liability - Ending	\$ 2,110,173	\$ 2,006,462	\$ 1,755,973	\$ 1,683,427	\$ 1,627,840	\$ 1,369,500	\$ 765,861
Covered Employee Payroll	\$ 3,280,431	\$ 3,029,884	\$ 3,136,054	\$ 2,934,716	\$ 2,906,994	\$ 2,729,652	\$ 2,661,675
Districts Total Pension Liability as a Percentage of Covered Employee Payroll	64.3%	66.2%	56.0%	57.4%	56.0%	50.2%	28.8%

Notes to Schedule:

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

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

Assumption Changes

Measurement Date: December 31, 2023

- The discount rate was changed from 4.05% to 3.77% based on updated 20-year municipal bond rates.
- There were no changes in demographic and other assumptions.

Measurement Date: December 31, 2022

- The discount rate was changed from 1.84% to 4.05% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, mortality, and salary increase rates were updated from the rates used in the July 1, 2020 PERA General Employees Plan and July 1, 2020 PERA Police & Fire Plan valuations to the rates used in the July 1, 2022 valuations.
- The percent of employees currently electing coverage assumed to elect coverage at retirement changed from 50% to 30% to reflect recent plan experience.
- The inflation assumption was changed from 2.25% to 2.50% based on an updated historical analysis of inflation rates and forward-looking market expectations.

Measurement Date: December 31, 2021

- The discount rate was changed from 2.00% to 1.84% based on updated 20-year municipal bond rates.

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

Measurement Date: December 31, 2020

- The discount rate was changed from 2.75% to 2.00% based on updated 20-year municipal bond rates.
- Healthcare trend rates were reset to reflect updated cost increase expectations, including the repeal of the Affordable Care Act's Excise Tax on high-cost health insurance plans.
- Medical per capita claims costs were updated to reflect recent experience.
- Withdrawal, mortality, and salary increase rates were updated from the rates used in the July 1, 2018 PERA General Employees Plan and July 1, 2018 PERA Police & Fire Plan valuations to the rates used in the July 1, 2020 valuations.
- The expected retirement age for Police/Fire employees was updated from the latest of age 55, plan eligibility, or current age to the latest of age 54, plan eligibility, or current age.
- The expected retirement age for Non-Police/Fire employees was updated from the latest of age 62, plan eligibility, or current age to the latest of age 61, plan eligibility, or current age.
- The percent of future Police/Fire retirees assumed to elect coverage at retirement changed from 100% to 50% to reflect recent plan experience.
- The percent of future Non-Police/Fire retirees assumed to elect coverage at retirement changed from 60% to 50% to reflect recent plan experience.
- The inflation assumption was changed from 2.50% to 2.25% based on an updated historical analysis of inflation rates and forward-looking market expectations.

Measurement Date: December 31, 2019

- The discount rate was changed from 3.71% to 2.75% based on updated 20-year municipal bond rates.
- The Index for 20-year, tax exempt municipal bonds (Fidelity 20-Year Municipal GO AA Index) used in the discount rate changes from 3.71% to 2.75%

Measurement Date: December 31, 2018

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

CITY OF HERMANTOWN
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2024

GENERAL EMPLOYEES FUND

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

Measurement Date	City's Proportionate Share (Percentage) of the Net Pension Liability	City's Proportionate Share (Amount) of the Net Pension Liability (a)	State's Proportionate Share (Amount) of the Net Pension Liability (b)	City's and State's Proportionate Share of the Net Pension Liability (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2024	0.0217%	\$ 802,891	\$ 20,761	\$ 823,652	\$ 1,837,120	44.8%	89.1%
June 30, 2023	0.0221%	1,235,807	34,053	1,269,860	1,756,880	72.3%	76.7%
June 30, 2022	0.0215%	1,702,806	49,853	1,752,659	1,610,853	108.8%	76.7%
June 30, 2021	0.0213%	909,604	27,777	937,381	1,531,373	61.2%	87.0%
June 30, 2020	0.0207%	1,241,060	38,201	1,279,261	1,475,147	86.7%	79.1%
June 30, 2019	0.0199%	1,100,226	34,165	1,134,391	1,405,853	80.7%	80.0%
June 30, 2018	0.0198%	1,098,423	36,119	1,134,542	1,331,650	85.2%	79.5%
June 30, 2017	0.0189%	1,206,564	15,199	1,221,763	1,219,758	100.2%	75.9%
June 30, 2016	0.0180%	1,461,511	19,156	1,480,667	1,119,203	132.3%	68.9%
June 30, 2015	0.0181%	938,036	-	938,036	1,062,157	88.3%	78.2%

Schedule of Employer's Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2024	\$ 161,793	\$ 161,793	\$ -	\$ 2,157,240	7.50%
December 31, 2023	124,823	124,823	-	1,664,307	7.50%
December 31, 2022	126,528	126,528	-	1,687,040	7.50%
December 31, 2021	116,846	116,846	-	1,557,947	7.50%
December 31, 2020	116,340	116,340	-	1,551,200	7.50%
December 31, 2019	110,136	110,136	-	1,468,480	7.50%
December 31, 2018	101,958	101,958	-	1,359,438	7.50%
December 31, 2017	94,783	94,783	-	1,263,774	7.50%
December 31, 2016	88,405	88,405	-	1,178,729	7.50%
December 31, 2015	81,908	81,908	-	1,092,079	7.50%

CITY OF HERMANTOWN
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2024

2024 Changes

Changes in Actuarial Assumptions:

- Rates of merit and seniority were adjusted, resulting in slightly higher rates.
- Assumed rates of retirement were adjusted as follows: increase the rate of assumed unreduced retirements, slight adjustments to Rule of 90 retirement rates, and slight adjustments to early retirement rates for Tier1 and Tier 2 members.
- Minor increase in assumed withdrawals for males and females.
- Lower rates of disability.
- Continued use of Pub-2010 general mortality table with slight rate adjustments as recommended in the most recent experience study.
- Minor changes to form of payment assumptions for male and female retirees.
- Minor changes to assumptions made with respect to missing participant data.

Changes in Plan Provisions:

- The workers' compensation offset for disability benefit was eliminated. The actuarial equivalent factors updated to reflect the changes in assumptions.

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption and single discount rate were changed from 6.50% to 7.00%.

Changes in Plan Provisions:

- An additional one-time direct state aid contributions of \$170.1 million will be contributed to the Plan on October 1, 2023.
- The vesting period of those hired after June 30, 2010, was changed from five years of allowable service to three years of allowable service.
- The benefit increase delay for early retirements on or after January 1, 2024, was eliminated.
- A one-time, non-compounding benefit increase of 2.50 percent minus the actual 2024 adjustment will be payable in a lump sum for calendar year 2024 by March 31, 2024.

2022 Changes

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

CITY OF HERMANTOWN
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2024

2020 Changes

Changes in Actuarial Assumptions:

- The price inflation assumption was decreased from 2.50% to 2.25%.
- The payroll growth assumption was decreased from 3.25% to 3.00%.
- Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25 percent less than previous rates.
- Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements.
- Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter.
- Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB 2010 General/Teacher disabled annuitant mortality table, with adjustments.
- The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019.
- The assumed spouse age difference was changed from two years older for females to one year older.
- The assumed number of married male new retirees electing the 100 percent Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100 percent Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

Changes in Plan Provisions:

- Augmentation for current privatized members was reduced to 2.0 percent for the period July 1, 2020 through December 31, 2023 and 0.0 percent after. Augmentation was eliminated for privatizations occurring after June 30, 2020.

2019 Changes

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

2018 Changes

Changes in Actuarial Assumptions:

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

CITY OF HERMANTOWN
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2024

2017 Changes

Changes in Plan Provisions:

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

Changes in Actuarial Assumptions:

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

2016 Changes

Changes in Actuarial Assumptions:

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

2015 Changes

Changes in Plan Provisions:

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

Changes in Actuarial Assumptions:

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

CITY OF HERMANTOWN
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2024

POLICE AND FIRE FUND

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

Measurement Date	City's Proportion (Percentage) of the Net Pension Liability	City's Proportionate Share (Amount) of the Net Pension Liability	State's Proportionate Share (Amount) of the Net Pension Liability	City's and State's Proportionate Share of the Net Pension Liability (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll ((a+b)/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2024	0.1351%	\$ 1,776,754	\$ 67,729	\$ 1,844,483	\$ 1,835,159	100.5%	90.2%
June 30, 2023	0.1250%	2,158,588	86,926	2,245,514	1,640,886	136.8%	70.5%
June 30, 2022	0.1207%	5,252,387	229,321	5,481,708	1,465,942	373.9%	70.5%
June 30, 2021	0.1178%	909,291	40,881	950,172	1,392,373	68.2%	93.7%
June 30, 2020	0.1169%	1,540,867	36,314	1,577,181	1,320,534	119.4%	87.2%
June 30, 2019	0.1203%	1,280,715	-	1,280,715	1,298,494	98.6%	89.3%
June 30, 2018	0.1150%	1,225,782	-	1,225,782	1,211,962	101.1%	88.8%
June 30, 2017	0.1210%	1,633,644	-	1,633,644	1,243,764	131.3%	85.4%
June 30, 2016	0.1220%	4,896,072	-	4,896,072	1,151,242	425.3%	63.9%
June 30, 2015	0.1220%	1,386,205	-	1,386,205	1,111,297	124.7%	86.6%

Schedule of Employer's Contributions

Fiscal Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	Covered Payroll (d)	Contributions as a Percentage of Covered Payroll (b/d)
December 31, 2024	\$ 367,771	\$ 367,771	\$ -	\$ 2,077,802	17.70%
December 31, 2023	285,399	285,399	-	1,612,424	17.70%
December 31, 2022	272,944	272,944	-	1,542,056	17.70%
December 31, 2021	257,301	257,301	-	1,453,678	17.70%
December 31, 2020	244,165	244,165	-	1,379,463	17.70%
December 31, 2019	223,205	223,205	-	1,316,844	16.95%
December 31, 2018	202,107	202,107	-	1,247,571	16.20%
December 31, 2017	195,547	195,547	-	1,207,079	16.20%
December 31, 2016	196,959	196,959	-	1,215,798	16.20%
December 31, 2015	185,428	185,428	-	1,144,614	16.20%

CITY OF HERMANTOWN
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2024

2024 Changes

Changes in Actuarial Assumptions:

- There were no changes in actuarial assumptions since the prior valuation.

Changes in Plan Provisions:

- The State contribution of \$9.0 million per year will continue until the earlier of 1) both the Police & Fire Plan and the State Patrol Retirement Fund attain 90% funded status for three consecutive years (on an actuarial value of assets basis) or 2) July 1, 2048. The contribution was previously due to expire after attaining a 90% funded status for one year.
- The additional \$9.0 million contribution will continue until the Police & Fire Plan is fully funded for a minimum of three consecutive years on an actuarial value of assets basis, or July 1, 2048, whichever is earlier. This contribution was previously due to expire upon attainment of fully funded status on an actuarial value of assets basis for one year (or July 1, 2048 if earlier).

2023 Changes

Changes in Actuarial Assumptions:

- The investment return assumption was changed from 6.50% to 7.00%.
- The single discount rate changed from 5.40% to 7.00%.

Changes in Plan Provisions:

- Additional one-time direct state aid contribution of \$19.4 million will be contributed to the Plan on October 1, 2023.
- Vesting requirement for new hires after June 30, 2014, was changed from a graded 20-year vesting schedule to a graded 10-year vesting schedule, with 50 percent vesting after five years, increasing incrementally to 100 percent after 10 years.
- A one-time, non-compounding benefit increase of 3.0 percent will be payable in a lump sum for calendar year 2024 by March 31, 2024.
- Psychological treatment is required effective July 1, 2023, prior to approval for a duty disability benefit for a psychological condition relating to the member's occupation.
- The total and permanent duty disability benefit was increased, effective July 1, 2023.

2022 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2020 to MP-2021.
- The single discount rate changed from 6.5% to 5.4%.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

CITY OF HERMANTOWN
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2024

2021 Changes

Changes in Actuarial Assumptions:

- The investment return and single discount rates were changed from 7.50% to 6.50%, for financial reporting purposes.
- The inflation assumption was changed from 2.50% to 2.25%.
- The payroll growth assumption was changed from 3.25% to 3.00%.
- The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020.
- The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020).
- Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates.
- Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements.
- Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations.
- Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities.
- Assumed percent married for active female members was changed from 60% to 70%. Minor changes to form of payment assumptions were applied.

Changes in Plan Provisions:

- There were no changes in plan provisions since the previous valuation.

2020 Changes

Changes in Actuarial Assumptions:

- The mortality projection scale was changed from MP-2018 to MP-2019.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

2019 Changes

Changes in Actuarial Assumptions:

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

2018 Changes

Changes in Actuarial Assumptions:

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

CITY OF HERMANTOWN
INFORMATION ABOUT THE CITY'S NET PENSION LIABILITY
YEAR ENDED DECEMBER 31, 2024

2017 Changes

Changes in Actuarial Assumptions:

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

2016 Changes

Changes in Actuarial Assumptions:

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

2015 Changes

Changes in Plan Provisions:

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

Changes in Actuarial Assumptions:

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

SUPPLEMENTARY INFORMATION

CITY OF HERMANTOWN
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

Special Revenue Funds										
	Hermantown Economic Development Authority Fund	Housing Trust Fund	Park Dedication Fund	Hermantown Wetland Mitigation Fund	American Rescue Plan Fund	Police / Fire Program Fund	Cable Television Fund	Soccer Fund	Community Recreation Sales Tax Fund	Total Nonmajor Governmental Funds
ASSETS										
Cash and Cash Equivalents	\$ 688,274	\$ 110,798	\$ 99,664	\$ 10,964	\$ 21,118	\$ 707,225	\$ 452,727	\$ 73,168	\$ -	\$ 2,163,938
Accounts Receivable	-	-	-	-	-	100	7,010	-	-	7,110
Interest Receivable	1,581	-	-	-	-	-	935	-	-	2,516
Delinquent Taxes Receivable	3,180	-	-	-	-	-	-	-	-	3,180
Prepaid Items	30	-	-	-	-	-	7	-	-	37
Total Assets	\$ 693,065	\$ 110,798	\$ 99,664	\$ 10,964	\$ 21,118	\$ 707,325	\$ 460,679	\$ 73,168	\$ -	\$ 2,176,781
LIABILITIES										
Accrued Wages and Related Liabilities	\$ 1,905	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195	\$ -	\$ -	\$ 2,100
Accounts Payable	255	-	-	-	-	9,438	-	188	-	9,881
Deposits Payable	-	-	5,000	-	-	-	-	-	-	5,000
Unearned Revenue	-	-	-	-	11,680	-	-	-	-	11,680
Total Liabilities	2,160	-	5,000	-	21,118	-	383	-	-	28,661
DEFERRED INFLOWS OF RESOURCES										
Unavailable - Delinquent Property Tax	1,287	-	-	-	-	-	-	-	-	1,287
Unavailable Revenue - Other	-	-	-	-	-	-	-	-	-	-
Total Deferred Inflow of Resources	1,287	-	-	-	-	-	-	-	-	1,287
FUND BALANCE (DEFICIT)										
Nonspendable	30	-	-	-	-	-	7	-	-	37
Restricted	-	110,798	48,418	-	-	707,325	-	73,168	-	939,709
Committed	689,588	-	46,246	10,964	-	-	460,289	-	-	1,207,087
Total Fund Balance (Deficit)	689,618	110,798	94,664	10,964	-	707,325	460,296	73,168	-	2,146,833
Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)	\$ 693,065	\$ 110,798	\$ 99,664	\$ 10,964	\$ 21,118	\$ 707,325	\$ 460,679	\$ 73,168	\$ -	\$ 2,176,781

CITY OF HERMANTOWN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2024

Special Revenue Funds										
	Hermantown Economic Development Authority Fund	Housing Trust Fund	Park Dedication Fund	Hermantown Wetland Mitigation Fund	American Rescue Plan Fund	Police / Fire Program Fund	Cable Television Fund	Soccer Fund	Community Recreation Sales Tax Fund	Total Nonmajor Governmental Funds
REVENUES										
Taxes	\$ 157,297	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 157,297
Franchise Fees	-	-	-	-	-	-	30,345	-	-	30,345
Licenses and Permits	-	-	40,550	-	-	-	-	-	-	40,550
Intergovernmental	-	55,399	-	-	-	-	-	-	-	55,399
Fines and Forfeitures	-	-	-	-	-	7,159	-	-	-	7,159
Investment Income	31,566	-	-	-	-	-	18,721	-	-	50,287
Miscellaneous	2,770	-	-	-	291,879	3,831	-	-	-	298,480
Total Revenues	191,633	55,399	40,550	-	291,879	10,990	49,066	-	-	639,517
EXPENDITURES										
Current:	-	-	-	-	76,630	-	-	-	-	76,630
General Government	-	-	-	-	922	3,643	-	-	-	4,565
Public Safety	-	-	-	-	21,787	-	-	-	-	21,787
Streets and Highways	-	-	-	-	-	-	-	-	-	-
Community and Economic Development	130,118	-	-	-	82,408	-	-	-	-	212,526
Culture and Recreation	-	-	8,645	-	1,613	-	47,338	-	-	57,596
Capital Outlay	6,300	-	-	-	15,168	-	-	-	-	21,468
Total Expenditures	136,418	-	8,645	-	198,528	3,643	47,338	-	-	394,572
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES										
	55,215	55,399	31,905	-	93,351	7,347	1,728	-	-	244,945
OTHER FINANCING SOURCES (USES)										
Special Item - Transfer of Operations	-	-	-	-	-	498,936	-	-	-	498,936
Transfer In	-	55,399	30,000	-	-	-	-	-	-	85,399
Transfer Out	(55,399)	-	-	-	(93,351)	-	-	-	-	(148,750)
Net Other Financing Sources (Uses)	(55,399)	55,399	30,000	-	(93,351)	-	-	-	-	435,585
NET CHANGE IN FUND BALANCE										
Fund Balance - Beginning of Year	689,802	-	32,759	10,964	-	201,042	458,568	73,168	1,588,720	3,055,023
Adjustment - See Note 17	-	-	-	-	-	-	-	-	(1,588,720)	(1,588,720)
Fund Balance - Beginning, As Adjusted	689,802	-	32,759	10,964	-	201,042	458,568	73,168	-	1,466,303
FUND BALANCE - END OF YEAR										
	\$ 689,618	\$ 110,798	\$ 94,664	\$ 10,964	\$ -	\$ 707,325	\$ 460,296	\$ 73,168	\$ -	\$ 2,146,833

CITY OF HERMANTOWN
COMBINING BALANCE SHEET
DEBT SERVICE FUND – BY ISSUANCE
DECEMBER 31, 2024

Debt Service Fund						
	Certificate of Indebtedness Fund	G.O. Improvement Bonds Series 2012A Fund	G.O. Improvement Bonds Series 2014A Fund	G.O. Refunding Bonds Series 2016A Fund	G.O. Improvement Bonds Series 2016B Fund	G.O. Improvement Bonds Series 2018A Fund
ASSETS						
Cash and Cash Equivalents	\$ 38,464	\$ 293,268	\$ 426,129	\$ 258,270	\$ 541,289	\$ 212,071
Due from Other Governments	-	-	-	-	-	-
Notes Receivable	-	-	-	-	-	-
Interest Receivable	-	-	-	-	-	-
Delinquent Taxes Receivable	51	-	-	1	-	2,873
Special Assessments Receivable	-	175,243	864,055	212,177	-	-
Total Assets	<u>\$ 38,515</u>	<u>\$ 468,511</u>	<u>\$ 1,290,184</u>	<u>\$ 470,448</u>	<u>\$ 541,289</u>	<u>\$ 214,944</u>
LIABILITIES						
Accounts Payable	\$ -	\$ -	\$ 5,000	\$ -	\$ -	\$ -
Unearned Revenue	-	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES						
Unavailable Delinquent Property Tax	51	-	-	-	-	1,159
Unavailable Special Assessments	-	175,243	862,177	211,385	-	-
Unavailable Revenue - Intergovernmental	-	-	-	-	-	-
Unavailable Naming Rights	-	-	-	-	-	-
Unavailable Revenue - Other	-	-	-	-	-	-
Total Deferred Inflow of Resources	<u>51</u>	<u>175,243</u>	<u>862,177</u>	<u>211,385</u>	<u>-</u>	<u>1,159</u>
FUND BALANCE (DEFICIT)						
Restricted	38,464	293,268	423,007	259,063	541,289	213,785
Committed	-	-	-	-	-	-
Total Fund Balance (Deficit)	<u>38,464</u>	<u>293,268</u>	<u>423,007</u>	<u>259,063</u>	<u>541,289</u>	<u>213,785</u>
Total Liabilities, Deferred						

CITY OF HERMANTOWN
COMBINING BALANCE SHEET (CONTINUED)
DEBT SERVICE FUND – BY ISSUANCE
DECEMBER 31, 2024

Debt Service Fund										
G.O. Tax Abatement Bonds Series 2018B Fund	G.O. Tax Abatement Bonds Series 2019A Fund	G.O. Improvement Bonds Series 2020A Fund	G.O. Improvement Bonds Series 2020B Fund	G.O. Improvement Bonds Series 2021A Fund	G.O. Improvement Bonds Series 2023A Fund	G.O. Improvement Bonds Series 2024A Fund	G.O. Improvement Bonds Series 2024B Fund	Special Assessment Deficiency Fund	Total Debt Service Fund	
\$ 565,160	\$ 189,740	\$ 542,461	\$ 107,192	\$ 1,744,520	\$ 157,207	\$ 135,436	\$ 399,673	\$ 316,555	\$ 5,927,435	
-	-	-	-	-	-	-	7,475,000	-	7,475,000	
-	-	-	-	-	-	-	2,802,273	-	2,802,273	
-	-	-	-	-	-	-	-	726	726	
1,039	-	1,224	-	808	2,015	-	-	-	8,011	
-	-	782,281	-	1,248,658	328,722	-	-	361,703	3,972,839	
\$ 566,199	\$ 189,740	\$ 1,325,966	\$ 107,192	\$ 2,993,986	\$ 487,944	\$ 135,436	\$ 10,676,946	\$ 678,984	\$ 20,186,284	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,000	
-	-	-	-	-	-	-	75,000	-	75,000	
-	-	-	-	-	-	-	75,000	-	80,000	
 419	 -	 -	 -	 -	 -	 -	 -	 -	 1,629	
 -	 -	 782,319	 -	 1,247,759	 329,538	 -	 -	 361,702	 3,970,123	
 -	 -	 -	 -	 -	 -	 -	 7,475,000	 -	 7,475,000	
 -	 -	 -	 -	 -	 -	 -	 1,200,000	 -	 1,200,000	
 -	 -	 -	 -	 -	 -	 -	 1,602,273	 -	 1,602,273	
 419	 -	 782,319	 -	 1,247,759	 329,538	 -	 10,277,273	 361,702	 14,249,025	
 565,780	 189,740	 543,647	 107,192	 1,746,227	 158,406	 135,436	 324,673	 -	 5,539,977	
 565,780	 189,740	 543,647	 107,192	 1,746,227	 158,406	 135,436	 324,673	 317,282	 317,282	
 565,780	 189,740	 543,647	 107,192	 1,746,227	 158,406	 135,436	 324,673	 317,282	 5,857,259	

CITY OF HERMANTOWN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCES
DEBT SERVICE FUND – BY ISSUANCE
YEAR ENDED DECEMBER 31, 2024

Debt Service Fund						
	Certificate of Indebtedness Fund	G.O. Improvement Bonds Series 2012A Fund	G.O. Improvement Bonds Series 2014A Fund	G.O. Refunding Bonds Series 2016A Fund	G.O. Improvement Bonds Series 2016B Fund	G.O. Improvement Bonds Series 2018A Fund
REVENUES						
Taxes	\$ 7	\$ -	\$ -	\$ 132	\$ -	\$ 142,414
Special Assessments	-	39,533	103,052	141,618	-	-
Charges for Services	-	-	-	-	-	-
Investment Income	-	-	-	-	-	-
Total Revenues	7	39,533	103,052	141,750	-	142,414
EXPENDITURES						
Current:						
General Government	-	-	-	-	-	-
Debt Service:						
Principal	-	175,000	110,000	400,000	575,000	85,000
Interest and Fiscal Charges	-	11,308	22,303	25,404	45,577	52,852
Total Expenditures	-	186,308	132,303	425,404	620,577	137,852
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7	(146,775)	(29,251)	(283,654)	(620,577)	4,562
OTHER FINANCING SOURCES (USES)						
Bonds Issued	-	-	-	-	-	-
Transfer In	-	197,539	65,000	217,223	698,807	-
Net Other Financing Sources (Uses)	-	197,539	65,000	217,223	698,807	-
NET CHANGE IN FUND BALANCE	7	50,764	35,749	(66,431)	78,230	4,562
Fund Balance - Beginning of Year	38,457	242,504	387,258	325,494	463,059	209,223
FUND BALANCE - END OF YEAR	\$ 38,464	\$ 293,268	\$ 423,007	\$ 259,063	\$ 541,289	\$ 213,785

CITY OF HERMANTOWN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES (CONTINUED)
DEBT SERVICE FUND – BY ISSUANCE
YEAR ENDED DECEMBER 31, 2024

Debt Service Fund										
G.O. Tax Abatement Bonds Series 2018B Fund	G.O. Tax Abatement Bonds Series 2019A Fund	G.O. Improvement Bonds Series 2020A Fund	G.O. Improvement Bonds Series 2020B Fund	G.O. Improvement Bonds Series 2021A Fund	G.O. Improvement Bonds Series 2023A Fund	G.O. Improvement Bonds Series 2024A Fund	G.O. Improvement Bonds Series 2024B Fund	Special Assessment Deficiency Fund	Total Debt Service Fund	
\$ 51,509	\$ -	\$ 60,667	\$ -	\$ 40,049	\$ 99,823	\$ -	\$ -	\$ -	\$ 394,601	
-	-	112,168	-	129,227	92,385	-	-	15,522	633,505	
-	-	-	-	-	-	-	325,000	-	325,000	
-	-	-	-	-	-	-	-	14,555	14,555	
51,509	-	172,835	-	169,276	192,208	-	325,000	30,077	1,367,661	
-	-	-	-	-	-	-	-	-	4,415	
320,000	350,000	165,000	200,000	250,000	-	-	-	-	2,630,000	
220,876	261,333	53,329	77,202	57,952	73,952	327	327	-	902,742	
540,876	611,333	218,329	277,202	307,952	73,952	327	327	4,415	3,537,157	
(489,367)	(611,333)	(45,494)	(277,202)	(138,676)	118,256	(327)	324,673	25,662	(2,169,496)	
-	-	-	-	-	135,763	-	-	-	135,763	
519,291	650,245	41,055	292,320	19,090	-	-	-	-	2,700,570	
519,291	650,245	41,055	292,320	19,090	-	135,763	-	-	2,836,333	
29,924	38,912	(4,439)	15,118	(119,586)	118,256	135,436	324,673	25,662	666,837	
535,856	150,828	548,086	92,074	1,865,813	40,150	-	-	291,620	5,190,422	
\$ 565,780	\$ 189,740	\$ 543,647	\$ 107,192	\$ 1,746,227	\$ 158,406	\$ 135,436	\$ 324,673	\$ 317,282	\$ 5,857,259	

CITY OF HERMANTOWN
COMBINING BALANCE SHEET
CAPITAL PROJECT FUND – BY PROJECT
DECEMBER 31, 2024

	Capital Project Funds				
	General Capital Projects Fund	Municipal Building Reserve Fund	Essentia Wellness Center Capital Projects Fund	Munger Trail Fund	Hockey Arena
ASSETS					
Cash and Cash Equivalents	\$ 1,190,835	\$ 253,224	\$ 277,871	\$ -	\$ 10,777,425
Accounts Receivable	-	-	-	-	-
Special Assessments Receivable	-	-	-	-	-
Total Assets	\$ 1,190,835	\$ 253,224	\$ 277,871	\$ -	\$ 10,777,425
LIABILITIES					
Accounts Payable	\$ 12,300	\$ -	\$ -	\$ 31,800	\$ 1,211,747
Due to Other Funds	-	-	-	756,118	-
Advance from Other Funds	-	-	-	-	-
Total Liabilities	12,300	-	-	787,918	1,211,747
DEFERRED INFLOWS OF RESOURCES					
Unavailable Special Assessments	-	-	-	-	-
FUND BALANCE (DEFICIT)					
Restricted	-	-	-	-	9,565,678
Assigned	1,178,535	253,224	277,871	-	-
Unassigned (Deficit)	-	-	-	(787,918)	-
Total Fund Balance (Deficit)	1,178,535	253,224	277,871	(787,918)	9,565,678
Total Liabilities, Deferred Inflows of Resources, and Fund Balance (Deficit)	\$ 1,190,835	\$ 253,224	\$ 277,871	\$ -	\$ 10,777,425

CITY OF HERMANTOWN
COMBINING BALANCE SHEET (CONTINUED)
CAPITAL PROJECT FUND – BY PROJECT
DECEMBER 31, 2024

Capital Project Funds						
Fichtner Field	TIF District 1 Improvement Fund	HEDA Fleet Projects Fund	Municipal State Aid Streets Fund	Special Assessment Projects Fund	Total Capital Project Fund	
\$ 30,869	\$ 33,612	\$ 100,484	\$ -	\$ 1,421,207	\$ 14,085,527	
-	-	-	2,450	-	2,450	
-	-	-	-	663,967	663,967	
<u>\$ 30,869</u>	<u>\$ 33,612</u>	<u>\$ 100,484</u>	<u>\$ 2,450</u>	<u>\$ 2,085,174</u>	<u>\$ 14,751,944</u>	
\$ 425,560	\$ -	\$ -	\$ 1,160	\$ 602,178	\$ 2,284,745	
811,964	-	-	160,556	-	1,728,638	
-	550,000	-	-	-	550,000	
1,237,524	550,000	-	161,716	602,178	4,563,383	
				662,542	662,542	
				820,454	10,386,132	
		100,484	-	-	1,810,114	
(1,206,655)	(516,388)	-	(159,266)	-	(2,670,227)	
<u>(1,206,655)</u>	<u>(516,388)</u>	<u>\$ 100,484</u>	<u>(159,266)</u>	<u>\$ 820,454</u>	<u>\$ 9,526,019</u>	
<u>\$ 30,869</u>	<u>\$ 33,612</u>	<u>\$ 100,484</u>	<u>\$ 2,450</u>	<u>\$ 2,085,174</u>	<u>\$ 14,751,944</u>	

CITY OF HERMANTOWN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES
CAPITAL PROJECT FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2024

	Capital Project Funds				
	General Capital Projects Fund	Municipal Building Reserve Fund	Essentia Wellness Center Capital Projects Fund	Munger Trail Fund	Hockey Arena
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special Assessments	-	-	-	-	-
Intergovernmental	-	-	-	-	-
Investment Income	-	-	-	-	199,154
Total Revenues	-	-	-	-	199,154
EXPENDITURES					
Current:					
General Government	10,806	39,060	-	-	-
Public Safety	20,250	-	-	-	-
Community and Economic Development	-	-	-	584,690	-
Culture and Recreation	73,800	-	-	-	-
Capital Outlay	348,406	-	-	130,422	6,980,472
Debt Service:					
Principal	56,394	-	-	-	-
Interest and Fiscal Charges	-	-	-	-	236,094
Total Expenditures	509,656	39,060	-	715,112	7,216,566
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(509,656)	(39,060)	-	(715,112)	(7,017,412)
OTHER FINANCING SOURCES (USES)					
Bonds Issued	-	-	-	-	16,225,000
Premium on Issuance of Bonds	-	-	-	-	744,193
Transfer In	525,000	30,000	-	-	-
Net Other Financing Sources (Uses)	525,000	30,000	-	-	16,969,193
NET CHANGE IN FUND BALANCE	15,344	(9,060)	-	(715,112)	9,951,781
Fund Balance (Deficit) - Beginning of Year	1,163,191	262,284	277,871	(72,806)	(386,103)
FUND BALANCE (DEFICIT) - END OF YEAR	<u>\$ 1,178,535</u>	<u>\$ 253,224</u>	<u>\$ 277,871</u>	<u>\$ (787,918)</u>	<u>\$ 9,565,678</u>

CITY OF HERMANTOWN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND
CHANGES IN FUND BALANCES (CONTINUED)
CAPITAL PROJECT FUND – BY PROJECT
YEAR ENDED DECEMBER 31, 2024

Capital Project Funds						
Fichtner Field	TIF District 1 Improvement Fund	HEDA Fleet Projects Fund	Municipal State Aid Streets Fund	Special Assessment Projects Fund	Total Capital Project Fund	
\$ -	\$ 156,245	\$ 136,055	\$ -	\$ -	\$ 292,300	
-	-	-	-	82,002	82,002	
-	-	-	599,624	-	599,624	
<u>62,941</u>	<u>62,941</u>	<u>156,245</u>	<u>136,055</u>	<u>53,616</u>	<u>315,711</u>	
				135,618	1,289,637	
-	-	-	-	-	49,866	
-	-	-	-	-	20,250	
-	6,837	22,080	-	-	613,607	
-	-	-	-	-	73,800	
<u>6,310,983</u>	<u>78,035</u>	<u>113,975</u>	<u>146,803</u>	<u>4,377,063</u>	<u>18,486,159</u>	
-	-	-	-	-	56,394	
<u>84,591</u>	<u>22,000</u>	<u>-</u>	<u>-</u>	<u>96,300</u>	<u>438,985</u>	
<u>6,395,574</u>	<u>106,872</u>	<u>136,055</u>	<u>146,803</u>	<u>4,473,363</u>	<u>19,739,061</u>	
(6,332,633)	49,373	-	452,821	(4,337,745)	(18,449,424)	
4,565,933	-	-	-	4,043,304	24,834,237	
565,840	-	-	-	346,281	1,656,314	
<u>93,351</u>	<u>-</u>	<u>-</u>	<u>141,572</u>	<u>931,720</u>	<u>1,721,643</u>	
5,225,124	-	-	141,572	5,321,305	28,212,194	
(1,107,509)	49,373	-	594,393	983,560	9,762,770	
(99,146)	(565,761)	100,484	(753,659)	(163,106)	(236,751)	
<u>\$ (1,206,655)</u>	<u>\$ (516,388)</u>	<u>\$ 100,484</u>	<u>\$ (159,266)</u>	<u>\$ 820,454</u>	<u>\$ 9,526,019</u>	

CITY OF HERMANTOWN
COMBINING STATEMENT OF NET POSITION
NONMAJOR ENTERPRISE FUNDS
DECEMBER 31, 2024

	Street Lighting Fund	Total Nonmajor Enterprise Funds
ASSETS		
Current Assets:		
Cash and Cash Equivalents	\$ 1,063,440	\$ 1,063,440
Interest Receivable	2,454	2,454
Accounts Receivable, Net of Allowance	36,230	36,230
Advance to Other Funds	550,000	550,000
Prepaid Items	-	-
Total Current Assets	<u>1,652,124</u>	<u>1,652,124</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,652,124</u>	<u>\$ 1,652,124</u>
LIABILITIES		
Current Liabilities:		
Accounts Payable	\$ 3,878	\$ 3,878
NET POSITION		
Unrestricted	1,648,246	1,648,246
Total Net Position	<u>1,648,246</u>	<u>1,648,246</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	<u>\$ 1,652,124</u>	<u>\$ 1,652,124</u>

CITY OF HERMANTOWN
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2024

	Street Lighting Fund	Total Nonmajor Enterprise Funds
OPERATING REVENUES		
User Fees	\$ -	\$ -
Franchise Fees	<u>145,201</u>	<u>145,201</u>
Total Operating Revenues	<u>145,201</u>	<u>145,201</u>
OPERATING EXPENSES		
Personnel Services	32,978	32,978
Utilities	<u>39,647</u>	<u>39,647</u>
Total Operating Expenses	<u>72,625</u>	<u>72,625</u>
NET OPERATING INCOME	72,576	72,576
NONOPERATING REVENUES		
Investment Income	71,465	71,465
INCOME BEFORE TRANSFERS	144,041	144,041
CHANGE IN NET POSITION	144,041	144,041
Net Position - Beginning of Year	<u>1,504,205</u>	<u>1,504,205</u>
NET POSITION - END OF YEAR	<u><u>\$ 1,648,246</u></u>	<u><u>\$ 1,648,246</u></u>

CITY OF HERMANTOWN
COMBINING STATEMENT OF CASH FLOWS
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2024

	Street Lighting Fund	Total Nonmajor Enterprise Funds
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Users	\$ 145,177	\$ 145,177
Cash Received from Interfund Services Provided	-	-
Payments to Employees	(32,978)	(32,978)
Payments to Suppliers	(41,022)	(41,022)
Net Cash Provided by Operating Activities	<u>71,177</u>	<u>71,177</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Transfers Out	-	-
Intergovernmental	-	-
Cash Received from Hookups and Miscellaneous Income	-	-
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Acquisition and Construction of Capital Assets	-	-
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	<u>71,572</u>	<u>71,572</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS		
	142,749	142,749
Cash and Cash Equivalents - Beginning of Year	<u>920,691</u>	<u>920,691</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,063,440</u>	<u>\$ 1,063,440</u>

CITY OF HERMANTOWN
COMBINING STATEMENT OF CASH FLOWS (CONTINUED)
NONMAJOR ENTERPRISE FUNDS
YEAR ENDED DECEMBER 31, 2024

	Street Lighting Fund	Total Nonmajor Enterprise Funds
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	\$ 72,576	\$ 72,576
Adjustments to Reconcile Operating Income to Net		
(Increase) Decrease in Assets:		
Accounts Receivable	(24)	(24)
Increase (Decrease) in Liabilities:		
Accounts Payable	(1,375)	(1,375)
Total Adjustments	<u>(1,399)</u>	<u>(1,399)</u>
Net Cash Provided by Operating	<u>\$ 71,177</u>	<u>\$ 71,177</u>

OTHER REQUIRED REPORTS



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Hermantown, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City of Hermantown's basic financial statements, and have issued our report thereon dated May 27, 2025.

Report on Internal Control Over Financial Reporting

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

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

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

Honorable Mayor and Members of the City Council
City of Hermantown

Report on Compliance and Other Matters

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

Purpose of This Report

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 27, 2025



INDEPENDENT AUDITORS' REPORT ON MINNESOTA LEGAL COMPLIANCE

Honorable City Council
City of Hermantown
Hermantown, Minnesota

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Hermantown (the City) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 27, 2025.

In connection with our audit, we noted that the City of Hermantown failed to comply with provisions of the contracting – bid laws of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to Minn. Stat. § 6.65, insofar as they relate to accounting matters as described in the schedule of findings and responses as item 2024-001. Also, in connection with our audit, nothing came to our attention that caused us to believe that the City of Hermantown failed to comply with the provisions of the depositories of public funds and public investments, conflicts of interest, public indebtedness, claims and disbursements, and miscellaneous provisions sections of the *Minnesota Legal Compliance Audit Guide for Cities*, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

Government Auditing Standards requires the auditor to perform limited procedures on the City of Hermantown's response to the legal compliance findings identified in our audit and described in the accompanying schedule of findings and responses. The City's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of those charged with governance and management of City of Hermantown and the State Auditor and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
May 27, 2025

**CITY OF HERMANTOWN
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2024**

Finding 2024-001 – Withholding Affidavit for Contractors

Criteria or specific requirement: The City did not obtain a Contractor Affidavit (IC-134) for a tree removal project prior to making the final payment to the contractor.

Condition: Minnesota Statute §270C.66 requires that no government shall make final settlement with any contractor under a contract requiring the employment of employees for wages by said contractor and by subcontractors until satisfactory showing is made that said contractor or subcontractor has complied with the provisions of section §290.92.

Cause: The City did not obtain a Contractor Affidavit (IC-134) for a tree removal project prior to making the final payment to the contractor.

Effect: The City was not in compliance with Minnesota Statutes.

Repeat Finding: This is not a repeat finding.

Recommendation: We recommend the City continue to improve its processes and procedures to ensure a Contractor Affidavit (IC-134) is obtained for all construction contracts as defined by Minnesota Statute §16C.285 prior to making the final payment to a contractor.

Views of responsible officials: There is no disagreement with the audit finding.

CORRECTIVE ACTION PLAN (CAP):

Explanation of Disagreement with Audit Finding:

There is no disagreement with the audit findings.

Actions Planned in Response to Finding:

The City will immediately implement the recommendation and has since obtained the Contractor Affidavit (IC-134) for the tree removal project.

Officials Responsible for Ensuring CAP:

The Finance Director is the City official responsible for carrying out the corrective action plan.

Planned Completion Date for CAP:

The planned completion date for the CAP is December 31, 2025.

Plan to Monitor Completion of CAP:

The City Council and administration will be monitoring this corrective action plan.

CITY OF HERMANTOWN

City Council Meeting

Monday, May 19, 2025

6:30 PM Central

MEETING CONDUCTED IN PERSON & VIA ZOOM

Mayor Wayne Boucher: Present

Councilor John Geissler: Present

Councilor Andy Hjelle: Present

Councilor Brian LeBlanc: Absent

Councilor Joseph Peterson: Present

CITY STAFF: Alissa McClure, City Clerk; Joe Wicklund, Assistant City Administrator; Trish Crego, Utility & Infrastructure Director; Gunnar Johnson, City Attorney

VISITORS: 1

1. **CALL TO ORDER**
2. **PLEDGE OF ALLEGIANCE**
3. **ROLL CALL**
4. **ANNOUNCEMENTS**
5. **PUBLIC HEARING**
6. **COMMUNICATIONS**
 - A. Correspondence 25-86 placed on file
7. **PRESENTATIONS**
8. **PUBLIC DISCUSSION**
9. **MOTIONS**
10. **CONSENT AGENDA**
 - A. **Minutes** - Approval or correction of May 5, 2025 City Council Continuation Minutes
 - B. **Accounts Payable** - Approve general city warrants from May 1, 2025 through May 15, 2025 in the amount of \$3,115,957.51

Motion to the approve the Consent Agenda. This motion, made by Councilor Andy Hjelle and seconded by Councilor John Geissler, Carried.

Councilor Andy Hjelle: Yea

Councilor Brian LeBlanc: Absent

Councilor John Geissler: Yea

Councilor Joseph Peterson: Yea

Mayor Wayne Boucher: Yea

Yea: 4, Nay: 0, Absent: 1

11. **ORDINANCES**

12. **RESOLUTIONS**

A. **2025-82 Resolution Authorizing And Directing Mayor And City Clerk To Execute An Acceptance Of Easement Agreement To The City Of Hermantown From Saline Properties, LLC For The Hermantown Trail Project**

(motion, roll call)

Motion to approve 2025-82 Resolution Authorizing And Directing Mayor And City Clerk To Execute An Acceptance Of Easement Agreement To The City Of Hermantown From Saline Properties, LLC For The Hermantown Trail Project. This motion, made by Councilor John Geissler and seconded by Councilor Joseph Peterson, Carried.

Councilor Andy Hjelle: Yea

Councilor Brian LeBlanc: Absent

Councilor John Geissler: Yea

Councilor Joseph Peterson: Yea

Mayor Wayne Boucher: Yea

Yea: 4, Nay: 0, Absent: 1

B. **2025-83 Resolution Authorizing The City Of Hermantown To Provide Municipal Consent To The Minnesota Department Of Transportation For The State Project 6908-68 On Trunk Highway 2 Improvements**

(motion, roll call)

Motion to approve 2025-83 Resolution Authorizing The City Of Hermantown To Provide Municipal Consent To The Minnesota Department Of Transportation For The State Project 6908-68 On Trunk Highway 2 Improvements. This motion, made by Councilor Joseph Peterson and seconded by Councilor Andy Hjelle, Carried.

Councilor Andy Hjelle: Yea

Councilor Brian LeBlanc: Absent

Councilor John Geissler: Yea

Councilor Joseph Peterson: Yea

Mayor Wayne Boucher: Yea

Yea: 4, Nay: 0, Absent: 1

C. 2025-84 Resolution Recognizing National Public Works Week May 18–24, 2025

(motion, roll call)

Motion to approve 2025-84 Resolution Recognizing National Public Works Week May 18-24, 2025. This motion, made by Councilor John Geissler and seconded by Councilor Andy Hjelle, Carried.

Councilor Andy Hjelle: Yea

Councilor Brian LeBlanc: Absent

Councilor John Geissler: Yea

Councilor Joseph Peterson: Yea

Mayor Wayne Boucher: Yea

Yea: 4, Nay: 0, Absent: 1

13. CLOSED SESSION

14. RECESS

Motion to recess at 6:38 p.m. This motion, made by Councilor John Geissler and seconded by Councilor Joseph Peterson, Carried.

Councilor Andy Hjelle: Yea

Councilor Brian LeBlanc: Absent

Councilor John Geissler: Yea

Councilor Joseph Peterson: Yea

Mayor Wayne Boucher: Yea

Yea: 4, Nay: 0, Absent: 1

ATTEST:

Mayor

City Clerk



CITY COUNCIL MEETING DATE: 06/02/2025

TO: Mayor & City Council

FROM: Eric Johnson, Community Development Director

SUBJECT: Amendment to City Zoning Ordinance – Chapter 5, Section 535 - Business and Light Manufacturing

RESOLUTION:

ORDINANCE: 2025-11

OTHER:

REQUESTED ACTION

Conduct a first reading on proposed language to Chapter 5, Section 535 – Business and Light Manufacturing to add Communication Services.

BACKGROUND

The City of Hermantown has been working on an update to the Comprehensive Plan. As part of that work, the City is proposing an expansion of the BLM, Business and Light Manufacturing zoning district in the SW area of the City. Likewise, the City is looking to include other business uses within the BLM zoning district and is proposing the following amendment to the City zoning code:

This item was previously discussed and recommended by the Planning and Zoning Commission at the May 2025 meeting. The item was brought to the April 2025 City Council meeting where City staff asked the Council to table the ordinance in order for staff to conduct more work in order to address language that appeared vague or not thoroughly defined. The City Council directed staff to review the proposed language, revise as necessary and bring the item back to the Planning and Zoning Commission for their review.

A public hearing for this item was held at the May 20, 2025 Planning and Zoning Commission meeting. There were no members of the public who spoke to the item and the Planning and Zoning Commission recommended the item to the City Council for their review and approval.

City Zoning Code:

Chapter 5, Section 535 – Business and Light Manufacturing

The attached Section 535 shows the previously recommended language by staff in struck-through black font, with the new proposed language being shown in red.

SOURCE OF FUNDS (if applicable)

N/A

ATTACHMENTS



Ordinance
Amended Chapter 5, Section 535 – Business and Light Manufacturing

Ordinance No. 2025-11

The City Council of the City of Hermantown Does Ordain:

AN ORDINANCE AMENDING CHAPTER 5, LAND USE REGULATIONS

Section 1. Purpose and Intent. The purpose of this Ordinance is to provide for the inclusion of Communication Services facilities in the BLM, Business and Light Manufacturing zoning district.

Section 2. Section 535 – BLM, Business and Light Manufacturing, is hereby amended and restated to read as follows:

535.04.12. Communication Service Facilities

535.04.12.1 Dimensional standards: 50' setback for all structures, inclusive of incidental uses, from ROW and residential property lines

535.04.12.2. Operation. Communication service facilities may operate on a continual basis, 24 hours a day, 7 days a week provided there is perimeter landscaping and screening of the facility.

535.04.12.3. Perimeter Landscaping and Screening. Utility and related ancillary facilities such as backup generation and cooling equipment shall implement screening methods including earth berms, fencing, and landscaping (e.g., trees and shrubs), or other methods as may be approved by the Community Development Director.

535.04.12.4. Noise. Communication Service Facilities must develop one or more noise models to assure conformance of the facility during normal operations with applicable noise regulations. Mitigation strategies may consist of walls, buffers, acoustical dampening equipment, and other mitigation strategies as may be approved by the Community Development Director. Noise emanating from the temporary use of backup generators during periods of maintenance, or when otherwise necessary, is not required to be included in the noise model(s). Backup generator maintenance and testing shall be performed during the hours from 8:00 am to 5:00 pm, Monday-Friday. Noise models are to be reviewed and approved by the City of Hermantown.

535.04.5 Phased Development. An applicant for a Communication Service Facility may seek approval of a special use permit for one or more buildings/facilities as part of the same application with the submission of a phased master plan.

535.04.12.5.1 Master Plan to include general locations of buildings, accessory uses, parking, stormwater facilities and screening.

535.04.12.5.2 Master plan approval is valid for 10 years for the properties identified within the master plan. The Community Development Director may approve minor changes/variations to the master plan over the course of the approval period, provided the applicant satisfies the requirements of Section 535.04.12.

535.06.1.

Dimension Type	Requirement
1. Minimum lot area	None
2. Minimum lot width	100 feet
3. Minimum depth of front yard (from R.O.W.)	20 feet or as specified
4. Minimum depth of corner yard (from R.O.W.)	20 feet or as specified
5. Minimum side yard setbacks – generally	20 feet or as specified
Minimum side yard setbacks – adjacent to residential	50 feet or as specified
6. Minimum rear yard setbacks – generally	20 feet or as specified
Minimum rear yard setbacks – adjacent to residential	50 feet or as specified
7. Maximum lot coverage – generally	35%
Maximum lot coverage with a landscaping plan approved by the City Council as part of an SUP	65%
8. Maximum building height	80 feet

Section 3. Added to Zoning Code. The terms and provisions of this ordinance shall be amended in the appropriate place in the Hermantown Zoning Code, after adoption and becoming effective.

Section 4. Effective Date. The provisions of this Ordinance shall be effective after adoption immediately upon publication once in the official newspaper of the City of Hermantown and upon recording with the St. Louis County Recorder's Office.

Dated: _____

Mayor

Attest:

City Clerk

Adopted: _____

Published: _____

Effective Date: _____

Section 535 – BLM, Business and Light Manufacturing

535.01 Purpose. The provisions of this Section deal with business and light manufacturing uses of land and structures in the city.

535.02 Permitted Uses.

535.02.1. Catering;

535.02.2. Commercial printing;

535.02.3. Distribution centers;

535.02.4. Educational/training centers;

535.02.5. Farmland on properties greater than five acres in size;

535.02.6. Gymnastics, martial arts, fitness, aerobics, exercise or dance studios;

535.02.7. Art studios;

535.02.8. Laboratories for research and development;

535.02.9. Medical office;

535.02.10. Office warehouse, office showroom;

535.02.11. Public buildings;

535.02.12. Public service facilities;

535.02.13. Warehouses.

535.03 Permitted With Conditions. The following uses shall be permitted upon issuance of a Zoning Certificate finding that the use is in compliance with the applicable development guidelines and performance standards identified in this Section, as well as any specific conditions included for each particular use.

535.03.1. Brewery.

535.03.1.1. The Brewery shall not produce more than 3,500 barrels of malt liquor per year.

535.03.1.2. Up to 25% of the gross floor area of the Brewery may be used for any combination of retail and a taproom.

535.03.2. Commercial towers and antennas.

535.03.2.1. Commercial towers and antennas shall be subject to all provisions of Chapter 19 of this code.

535.03.2.2. A Special Use Permit shall be obtained for any commercial tower or antenna that is proposed to exceed the height limitations of this Chapter, subject to the provisions of Chapter 19 of this code.

535.03.3. Gasoline service station.

535.03.3.1. All on-site utility service installations shall be placed underground.

535.03.3.2. Canopy and canopy support systems shall be compatible with the design of the principal structure.

535.03.3.3. All portions of the site designed for vehicle travel or storage shall be paved.

535.03.3.4. Outdoor storage may only take place in locations so designated and screened on the site plan approved as part of the Zoning Certificate.

535.03.4. Industrial equipment sales, service, storage and repair.

535.03.4.1. Any elements of the business operated outside a building, including storage of items for sale, long-term storage, and sales/display areas shall be located on an improved, paved surface. Screening may be required as part of the Zoning Certificate.

535.03.5. Retail sales.

535.03.5.1. Parking areas shall be paved.

535.03.5.2. Site access must be from a paved street.

535.03.6. Indoor recreation and entertainment.

535.03.6.1. Parking areas shall be paved.

535.03.7. Restaurants.

535.03.7.1. The gross floor area shall not exceed 4,000 square feet in size.

535.03.7.2. Parking areas shall be paved.

535.03.7.3. Site access must be from a paved street.

535.03.7.4. Restaurants may operate as an accessory use.

535.03.8. Veterinary clinics.

535.03.8.1 The building shall be oriented to limit barking noise from any residential area.

535.03.8.2 Clinics with outdoor kennels shall site such kennels away from any adjacent residential properties.

535.03.9. Wholesale businesses.

535.03.9.1. Wholesale businesses may include both interior and exterior sales.

535.03.9.2. Any elements of the business operated outside a building, including storage of items for sale, long-term storage, and sales/display areas shall be located on an improved, paved surface. Screening may be required as part of the Zoning Certificate.

535.03.10. Automobile and truck sales, repair.

535.03.10.1. Parking areas shall be paved.

535.03.10.2. Outdoor storage may only take place in locations so designated and screened on the site plan approved as part of the Zoning Certificate.

535.03.11. Contractor's Shop and Storage Yard.

535.03.11.1. Outdoor storage areas shall be permitted only in areas depicted on an officially approved site plan as part of a Zoning Certificate approval.

535.03.11.2. Designated outdoor storage areas shall be fully screened from off-site views.

535.03.11.3. Outdoor storage areas shall be maintained in a neat and orderly manner.

535.04 Special Use Permit Required. The following uses shall be permitted upon issuance of a Special Use Permit. These uses must meet all requirements required under Chapter 7 of this Code, as well as any additional requirements listed below.

535.04.1. Kennels, Pet Boarding.

535.04.1.1. The building shall be oriented to limit barking noises from any residential area.

535.04.1.2. Outdoor pet recreation areas shall be screened from any adjacent residential area, and set back a minimum of 80 feet from any such property lines.

535.04.2. Lumber yard.

535.04.2.1. Outdoor storage areas and locations where sawdust may accumulate shall be maintained in a neat and orderly manner.

535.04.3. Manufacturing, assembly, packaging or fabrication.

535.04.3.1. If adjacent to properties zoned or used for residential purposes, the primary building shall be located a minimum of 100 feet from any such property line.

535.04.3.2. If adjacent to properties zoned or used for residential purposes, suitable landscaping shall be installed between the primary building and the adjacent residential property line to provide a buffer between the uses.

535.04.4. Mini storage warehouse.

535.04.4.1. All parking areas and drive aisles shall be paved.

535.04.4.2. On-site security must be considered and shall be reviewed by the Hermantown Police Department during the Special Use Permit process.

535.04.5. More than one principal building.

535.04.5.1. The site circulation and traffic patterns shall be reviewed to determine adequacy.

535.04.5.2. The specific use for each principal building on the site shall be identified and found to be compatible.

535.04.6. Oil, fuel storage.

535.04.6.1. Any above ground oil and fuel storage facilities and areas shall be identified on a current survey, and shall be located a minimum of 150 feet from any adjacent residential properties and 100 feet from any wetland or floodplain areas.

535.04.6.2. The application shall include documentation from the State of Minnesota stating that the proposed use meets or is able to meet any applicable state and/or federal requirements.

535.04.7. Parking as a primary use.

535.04.8. Well drilling equipment; storage and repair.

535.04.8.1. Outdoor storage areas shall be maintained in a neat and orderly manner.

535.04.9. Pawnbrokers.

535.04.9.1. Applicant must also receive and maintain a pawnbroker's license under Section 410 of the Hermantown City Code.

535.04.10. Medical Cannabis Distribution Facility.

535.04.11 Cannabis and Hemp Businesses.

535.04.11.1. Cultivation on a minimum of a five-acre parcel.

535.04.11.2. Cannabis manufacturing on a minimum of a five-acre parcel.

535.04.11.3. Hemp manufacturing on a minimum of a five-acre parcel.

535.04.11.4. Wholesale cannabis distribution.

535.04.11.5. Cannabis retail businesses.

535.04.11.6. Cannabis transportation facility on a minimum of a 2.5 acre parcel.

535.04.11.7. Cannabis delivery facility on a minimum of a 2.5 acre parcel.

535.04.12. Communication Service Facilities

535.04.12.1 ~~Location.~~ No communication service facility may be located within 200 feet of the nearest residentially zoned or utilized structure, as measured in a straight line without regard to intervening structures or objects. **Dimensional standards: 50' setback for all structures, inclusive of incidental uses, from ROW and residential property lines**

535.04.12.2 ~~Operation.~~ Communication service facilities may operate on a continual basis, 24 hours a day, 7 days a week provided there is perimeter screening of the facility consisting of evergreen and deciduous trees and shrubs. **Screening plan to be reviewed and approved by the Community Development Director. Operation.** Communication service facilities may operate on a continual basis, 24 hours a day, 7 days a week provided there is perimeter landscaping and screening of the facility.

535.04.12.3 ~~Outdoor equipment.~~ Outdoor equipment that serves the communication services facility, including but not limited to mechanical equipment and generators must not be located closer to a property line along a public street right of way, than the principal building and must be screened from view of adjacent public right of way and properties with evergreen and deciduous trees and shrubs. **Screening plan to be reviewed and approved by the Community Development Director.**

Perimeter Landscaping and Screening. Utility and related ancillary facilities such as backup generation and cooling equipment shall implement screening methods including earth berms, fencing, and landscaping (e.g., trees and shrubs), or other methods as may be approved by the Community Development Director.

535.04.12.4 ~~Noise. Communication service facilities must develop noise models for the site, to include customizing equipment locations and the employment of various sound mitigation strategies, such as noise walls, buffers and mufflers. Models to be reviewed and approved by City Engineer and Community Development Director.~~ Noise. Communication Service Facilities must develop one or more noise models to assure conformance of the facility during normal operations with applicable noise regulations. Mitigation strategies may consist of walls, buffers, acoustical dampening equipment, and other mitigation strategies as may be approved by the Community Development Director. Noise emanating from the temporary use of backup generators during periods of maintenance, or when otherwise necessary, is not required to be included in the noise model(s). Backup generator maintenance and testing shall be performed during the hours from 8:00 am to 5:00 pm, Monday-Friday. Noise models are to be reviewed and approved by the City of Hermantown.

535.04.12.5 Phased Development. An applicant for a Communication Service Facility may seek approval of a special use permit for one or more buildings/facilities as part of the same application with the submission of a phased master plan.

535.04.12.5.1 Master Plan to include general locations of buildings, accessory uses, parking, stormwater facilities and screening.

535.04.12.5.2 Master plan approval is valid for 10 years for the properties identified within the master plan. The Community Development Director may approve minor changes/variations to the master plan over the course of the approval period, provided the applicant satisfies the requirements of Section 535.04.12.

535.05 Accessory Uses.

535.05.1. Outdoor storage.

535.05.1.1. Outdoor storage areas shall be permitted only in areas depicted on an officially approved site plan as part of a Zoning Certificate approval.

535.05.1.2. Designated outdoor storage areas shall be fully screened from off-site views.

535.05.2. Railroad spurs.

535.05.3. Refuse and recycling.

535.05.4. Uses incidental to primary use.

535.06 Dimensional Standards.

535.06.1.

<i>Dimension Type</i>	Requirement
1. Minimum lot area	None
2. Minimum lot width	100 feet
3. Minimum depth of front yard (from R.O.W.)	20 feet or as specified
4. Minimum depth of corner yard (from R.O.W.)	20 feet or as specified
5. Minimum side yard setbacks – generally	20 feet or as specified
Minimum side yard setbacks – adjacent to residential	50 feet or as specified
6. Minimum rear yard setbacks – generally	20 feet or as specified
Minimum rear yard setbacks – adjacent to residential	50 feet or as specified
7. Maximum lot coverage – generally	35%
Maximum lot coverage with a landscaping plan approved by the City Council as part of an SUP	65%
8. Maximum building height	80 feet

535.07 Performance Standards. No structure or premises within any BLM district shall be used for one or more of the uses allowed under this Section unless its use complies with the following regulations.

535.07.1. Processes and equipment employed in production of goods or any other use of the land shall conform to the following standards:

535.07.1.1. Vibration. Any vibration discernable beyond the property line to the human sense of feeling for five minutes or more duration (cumulative) in any one hour and any vibration producing a particle velocity of more than 0.035 inch per second are prohibited.

535.07.1.2. Glare and heat. Any operation producing intense glare or heat shall be performed within an enclosure so as not to be perceptible at the property line.

535.07.1.3. Industrial Waste Material. All liquid and solid wastes shall be identified in all processes and operations and approved disposal methods identified, and all governmental standards met.

535.07.1.4. Noise. Noise levels inside and outside of all buildings must meet federal, state, and local requirements as may be amended from time to time..

535.07.1.5. Air pollution. All emissions shall meet federal, state, and local requirements as may be amended from time to time, and all governmental standards met.

535.07.2. Manufacture of a product which decomposes by detonation or produces dioxin will not be permitted.

535.07.3. All trash, garbage, waste materials, trash containers, and recycling containers shall be kept in a minimally visible location on the site. Whenever possible, such containers shall be located in a location behind buildings and out of view from the public right-of-way. If such containers cannot be sited behind the buildings on the site, they shall be fully screened by a fence.

535.07.4. There shall be no access to a property which is within 50 feet of the intersection of the nearest curb cut of any public streets unless it can be demonstrated that adherence to this standard will cause undue hardship to the property owner.

535.07.5. Hours of operation adjacent to residential districts. Uses on parcels immediately adjacent to residential districts cause unique impacts within the City. For this reason, hours of operation for any facilities adjacent to residential districts shall be limited to the hours between 6:00 AM and 11:30 PM unless otherwise specified in a Special Use Permit

535.07.6. Areas to be paved. Prior to issuance of a Zoning Certificate for any uses where a paved parking area is required, a cash escrow or other financial instrument in a form acceptable to the City shall be provided, to be fully refundable upon completion of the paved area. The cash escrow or financial guarantee shall be in the amount of 25% of the cost of the paving improvements, or \$10,000, whichever is more.

535.08 Environmental Review.

535.08.1. Environmental review will be conducted if provided for under Minnesota Rules Chapter 4410.

535.09 Off-Street Parking & Loading. The following minimum requirements shall apply to all uses within the BLM District.

535.09.1. Upon a determination by the City Council based on verifiable information pertaining to parking demand, the off-street parking requirements of this Section may be revised upward or downward as part of a Special Use Permit application.

535.09.2. For unlisted uses, off-street parking requirements shall be set by the Zoning Administrator based on the closest comparable listed use.

535.09.3. Table 535.08.1, Off-Street Parking Requirements:

Table 535.09.1

Use	Minimum number of parking spaces required
Gas station and automotive repair	Three spaces, plus four spaces per each service bay.
Manufacturing facilities (including breweries)	Five spaces plus one per each 500 square feet floor area.
Medical office or veterinary clinic	1 space per 200 square feet of floor space.
Office or laboratory	1 space per 250 square feet of floor space.
Restaurant	1 space per 100 square feet of floor space.
Retail	1 space per 250 square feet of floor space.
Studios	1 space per 400 square feet of floor space.
Warehouse or distribution	The lesser of 1 space per 1,500 square feet of floor space, or 1 for each employee on the maximum working shift.

535.09.4. All off-street parking areas shall be maintained in good repair.

535.09.5. Loading docks, berths and facilities.

535.09.5.1. Loading dock. A minimum of one loading dock shall be provided for nonresidential buildings with 20,000 square feet or more in floor area

535.09.5.2. Loading facility. A loading facility includes the dock, the berth for the vehicle, maneuvering areas, and the necessary screening walls.

535.09.5.3. Location. All loading berth curb cuts shall be located 25 feet or more from the intersection of two street rights-of-way. No loading berth shall be located less than 50 feet from any parcel that is zoned residential and used or subdivided for residential use, or has an occupied institutional building. Loading facilities shall not occupy the required front yard.

535.09.5.4. Size. A loading dock shall have a berth area at least 12 feet wide and 55 feet long.

535.09.5.5. Access. Each loading berth location shall permit vehicular access to a street or public alley in a manner which will least interfere with traffic.

535.09.5.6. Surfacing. All loading facilities and access ways shall be paved with bituminous or concrete paving to control the dust and drainage.

(Am. Ord. 2006-02, passed 5-15-2006) (Am. Ord. 2014-13, passed 12-15-2014) (Am. Ord. 2019-13, passed 10-21-2019) (Am. Ord. 2019-15, passed 11-18-2019) (Am. Ord. 2018-07, passed 9-5-18) (Am. Ord. 2024-11, passed 12-02-2024) (Am. Ord. 2025-05, passed 2-18-2025)



CITY COUNCIL MEETING DATE: 06/02/2025

TO: Mayor & City Council

FROM: Eric Johnson, Community Development Director

SUBJECT: Amendment to City Zoning Ordinance – Chapter 7, Section 740 – Duration of Permits

RESOLUTION:

ORDINANCE: 2025-13

OTHER:

REQUESTED ACTION

Conduct a first reading on proposed language to Chapter 7, Section 740 – Duration of Permits.

BACKGROUND

As the City of Hermantown continues to review its zoning ordinance, staff anticipates a number of zoning text amendments to revise existing language which may be outdated, vague or requiring of additional information.

City staff is proposing an update to Chapter 7 – Special Use Permits, Section 740 – Duration of permits to include language that the approval runs with the land.

City Zoning Code:

Chapter 7, Section 740 – Duration of Permit

The attached Chapter 7 shows the existing language in struck-through black font, with the new proposed language being shown in red.

SOURCE OF FUNDS (if applicable)

N/A

ATTACHMENTS

Ordinance

Amended Chapter 7, Section 740 – Duration of Permit

Ordinance No. 2025-13

The City Council of the City of Hermantown Does Ordain:

AN ORDINANCE AMENDING CHAPTER 7, SPECIAL USE PERMIT

Section 1. Purpose and Intent. The purpose of this Ordinance is to add amendments relevant to the City's Special Use Permit Ordinance in Chapter 7.

Section 2. Section 740 – Duration of Permit. Section 740 is hereby amended by inserting the following definitions into the appropriate alphabetical order:

740.01 Duration of Permit Any Special Use Permit issued by the City Council under Section 535 shall remain in effect so long as the conditions imposed in such permit are observed, and such permit shall run with the land. Any other permit issued by the City Council shall remain in effect so long as the conditions imposed in such permit are observed or the expiration of the time limitation imposed on such permit, whichever is earlier.

Section 3. Added to Zoning Code. The terms and provisions of this ordinance shall be amended in the appropriate place in the Hermantown Zoning Code, after adoption and becoming effective.

Section 4. Effective Date. The provisions of this Ordinance shall be effective after adoption immediately upon publication once in the official newspaper of the City of Hermantown and upon recording with the St. Louis County Recorder's Office.

Dated:

Mayor

Attest:

City Clerk

Adopted: _____

Published: _____

Effective Date: _____

CHAPTER 7. SPECIAL USE PERMITS

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Bookmark icon Section 700 - Application

700.01 Generally. A special use permit may be initiated by the owner, user or potential user of the subject property by making application in writing to the City Clerk on such forms as the Clerk may provide for such purposes. The application shall contain such information as may be required by the Planning and Zoning Commission to properly consider the application. The application shall be accompanied by the fee specified from time to time by resolution of the City Council. Any fee paid to the City Clerk shall be refunded if the applicant withdraws his or her permit application prior to consideration of such application by the Planning and Zoning Commission.

700.02 Floodplain District. In the case of an application for a special use permit within a General Floodplain Sub-district of the Floodplain District, see [Chapter 15](#), Floodplain Management Regulations, of these Zoning Regulations.

Section 705 – Planning and Zoning Commission Consideration

705.01 Consideration by Commission. The Planning and Zoning Commission shall hold a public hearing on the application for a special use permit within 30 days after such application is received by the City Clerk.

Section 710 – Notice of Public Hearing

710.01 Notice of Public Hearing. Notice of the time, place and purpose of the public hearing shall be published in the official newspaper at least ten days prior to the day of the hearing. Notice shall also be mailed at least ten days before the day of the hearing to each owner of affected property and the owners of property situated wholly or partly within 350 feet of the property affected by the variance. For purposes of giving mailed notice, owners shall be those as shown to be such on the records of the St. Louis County Auditor. The failure to give mailed notice to individual property owners or defects in the notice shall not invalidate the proceedings, provided a bona fide attempt to comply with this notice provision has been made. Notice of a hearing for any special use permit affecting any property in a Shoreland or Floodplain District shall be mailed to the Commissioner of Natural Resources of the State of Minnesota at least 15 days prior to any such hearing.

Section 715 – Report to City Council

715.01 Report. The Planning and Zoning Commission shall submit its report on such application to the City Council within 65 days after the public hearing held by it on such application; provided, that the City Council may, upon good cause, grant an extension of this period upon application by the Planning and Zoning Commission or the applicant. Such report shall include an accurate description of the proposed special use, the legal description of the property upon which the special use is sought to be located, any recommendations or proposed conditions by the Planning and Zoning Commission, the conclusions of the Planning and Zoning Commission with respect to the compatibility of the proposed use with the Hermantown Comprehensive Plan and the conclusions of the Planning and Zoning Commission with respect to the compatibility of the proposed use with the character and development of the neighborhood and the conclusions of the Planning and Zoning Commission with respect to any other criteria required is to be met before the permit for which application is made can be issued.

Section 720 – City Council Consideration

720.01 Consideration of Application. The City Council shall thereafter consider such application for a special use permit and may hold such public meetings or such public hearing or hearings as it may deem appropriate to aid it in making a determination on such

application. Any public hearing held by the City Council on such application shall be given as specified in Section [710](#) of this chapter. The City Council may require the applicant to submit to it whatever information it deems necessary for it properly to evaluate and pass on the application.

Section 725 – Governing Criteria

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

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

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

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

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

725.01.5. Any other criteria required to be considered by it under the provisions of this code for any special use permit.

725.02 Grading and Filling. In addition to the criteria for any special use permit a special use permit for grading and filling within a Shoreland or Wetland District shall not be issued unless the following factors are given due consideration:

725.02.1. Whether the proposed activity is primarily dependent on being located in the Shoreland or Wetland District and whether feasible alternative sites are available;

725.02.2. The smallest amount of bare ground is exposed for as short a time as possible;

725.02.3. Adequate methods to prevent erosion and trap sediment are employed;

725.02.4. Fill is stabilized to accepted engineering standards;

725.02.5. Adequate methods are employed to reduce the runoff and/or flow of water on or over the affected shoreland so that the grading, filling or alteration of the natural topography does not contribute to downstream flooding;

725.02.6. Adequate methods are employed to preserve water quality so that the grading, filling or alteration of the natural topography will not detrimentally affect the quality of the public waters of the City of Hermantown;

725.02.7. Adequate methods are employed for the preservation or establishment of local vegetation that provides wildlife habitat and screening; and

725.02.8. Any fill used will consist of suitable material free from toxic pollutants in other than trace quantities.

725.03 Accessory Structure. In addition to the criteria for any special use permit, a special use permit for an accessory structure in an S-1, R-1, R-2 or R-3 Zone District shall not be issued unless positive findings are made with respect to each and every one of the following criteria:

725.03.1. Adequate safeguards and assurances have been provided to the City that no use or activity not otherwise allowed in the zone district in which such accessory structure is to be located will take place in the accessory structure at any time;

725.03.2. The accessory structure shall be aesthetically consistent with surrounding, adjoining properties. Aesthetic factors shall be considered with a view towards the highest possible use of the area in the vicinity of the proposed accessory structure. In making its determination, the City Council shall consider the size, shape, general appearance, structural materials and landscaping of the accessory structure; and

725.03.3. Conflicts with adjacent land uses shall be eliminated by providing, where necessary, buffer zones, dividing, screening or fencing.

725.04 Agritainment. In addition to the criteria for any special use permit, a special use permit for an Agritainment type use in a C-1, C-1A or S-1 Zone District shall not be issued unless positive findings are made with respect to each and every one of the following criteria:

725.04.1. A Minnesota State Licensed Architect and Engineer shall draw and approve current or new structure with code analysis.

725.04.2. All State requirements pertaining to occupancy use and building and fire code.

725.04.3. All City requirements pertaining to public safety.

725.04.4. Provide a traffic analysis prepared by a Minnesota Licensed Traffic Engineer generating trip calculations and analyzing property/site access.

Section 730 – Decision by the City Council

730.01 Decision and Action. The City Council shall make its decision on an application for a special use permit as soon as possible following the receipt by it of the report and recommendation of the City Council. Action on any application shall be by majority vote of the members of the City Council present and voting.

730.02 Decision to be in Writing. The decision of the City Council shall be in writing with the factual basis and reasons supporting such decision set forth in the resolution containing the decision.

730.03 Safeguards and Restrictions. The City Council may impose appropriate safeguards, conditions and restrictions, including performance bonds and a time limitation on such permit, to ensure that the spirit and intent of the Comprehensive Plan is met and to conserve and protect property and property values in the neighborhood. Further, for special use permits in a Floodplain District or a Wetland District all special use permits issued for grading or filling shall be subject to the following conditions:

730.03.1. That the smallest amount of bare ground is exposed for as short a time as feasible;

730.03.2. That temporary groundcover, such as mulch, is used, and permanent groundcover, such as sod, is planted;

730.03.3. That adequate methods to prevent erosion and trap sediment are employed;

730.03.4. That fill is stabilized to accepted engineering standards;

730.03.5. That adequate methods are employed to reduce the runoff and/or flow of water on or over the affected shoreland so that the grading, filling or alteration of the natural topography does not contribute to downstream flooding;

730.03.6. That adequate methods are employed to preserve water quality so that the grading, filling or alteration of the natural topography will not detrimentally affect the quality of the public waters of the City of Hermantown;

730.03.7. That adequate methods are employed for the preservation or establishment of local vegetation that provides wildlife habitat and screening; and

730.03.8. That the fill used will consist of suitable material free from toxic pollutants in other than trace quantities.

730.04 Violations. Violations of any such conditions and safeguards, when made a part of the terms under which the special use permit is granted, shall be deemed a violation of this code.

Section 735 – Finality of Decision

735.01 When Final. A decision on a special use permit shall be final upon the adoption of the resolution containing such decision by the City Council.

735.02 Filing of Copy. After such decision is final, a certified copy of it shall be filed for record with the County Recorder or Registrar of Titles of St. Louis County. Each special use permit shall contain the legal description of the property.

735.03 Mailing of Copy; Shoreland or Wetlands. A copy of all special use permits for grading or filling in a Shoreland District or Wetland District shall be furnished by mail to the Commissioner of Natural Resources of the State of Minnesota and the St. Paul District of the U.S. Army Corps of Engineers within five days of the special use permit becoming final.

735.04 Mailing of Copy; Floodplain District. A copy of all special use permits for activity in a Flood Plain District shall be forwarded by mail to the Commissioner of Natural Resources for the State of Minnesota within ten days of such special use permit becoming final.

Section 740 – Duration of Permit

740.01 Duration of Permit. Any permit issued by the City Council shall remain in effect so long as the conditions imposed in such permit are observed or the expiration of the time limitation imposed on such permit, whichever is earlier; provided, however, that nothing herein shall prevent the City Council from enacting or amending official controls to change the status of any special use permit. Any Special Use Permit issued by the City Council under Section 535 shall remain in effect so long as the conditions imposed in such permit are observed, and such permit shall run with the land. Any other permit issued by the City Council shall remain in effect so long as the conditions imposed in such permit are observed or the expiration of the time limitation imposed on such permit, whichever is earlier.

Section 745 – Renewals

745.01 Renewals. Upon the expiration of the time period established as a limit on any permit granted hereunder, such permit shall terminate and the use authorized by such permit shall immediately cease; provided, however, that if the permittee shall make application for a renewal of such special use permit prior to the expiration of such time period, such permit shall continue in effect until action is taken by the City Council on such application for the renewal of such permit. Upon the City Council taking action on such application for renewal, the previous permit shall terminate and the use authorized by such permit shall immediately cease, if such application for renewal is denied, or continue under the renewal permit, if such application for renewal is granted. All such applications for renewals shall be made in accordance with the procedures set forth in this [Chapter 7](#).

(Am. Ord. 2023-11, passed 12-18-2023)



CITY COUNCIL MEETING DATE: June 2, 2025

TO: Mayor & City Council

FROM: John Mulder, City Administrator

SUBJECT: Arrowhead Builders Lease

RESOLUTION: 2025-88 **ORDINANCE:** **OTHER:**

REQUESTED ACTION

Approve an amended lease with Arrowhead Builders in the City of Hermantown Community Building (Old City Hall).

BACKGROUND

The City owns the Old City Hall at 5255 Maple Grove Road. It rents the space out to the following organizations:

Arrowhead Builders
Hermantown Historical Society
State of Minnesota Bureau of Criminal Apprehension (BCA)

Since 2010, the Arrowhead Builders (Resolution 2010-62 and amended with Resolutions 2015-66) has leased approximately 2,488 square feet. The Lease was renewed in 2023. Earlier this year, the Arrowhead Builders Association requested to amend their lease. They currently do not have staff located at the facility and have moved all of their belongings into 2 offices. They are requesting to rent those two offices for storage. It is recommended that the lease last only until Jun 30 2026, then at that time they will be asked to vacate the premises. The lease also allows for them to terminate before that date with a 30-day notice. In the meantime, it is recommended that the City review the condition of the building to determine its future.

SOURCE OF FUNDS (if applicable)

N/A

ATTACHMENTS

Resolution
Lease with the Arrowhead Builders

Resolution No. 2025-88

Resolution Approving An Amended Lease Agreement With The Arrowhead Builders Association

WHEREAS, the City of Hermantown (“City”) owns land and building located thereon in the City of Hermantown, County of St. Louis, State of Minnesota with a street address of 5255 Maple Grove Road, Hermantown, MN 55811 (“Hermantown Community Center”); and

WHEREAS, the City and Arrowhead Builders Association entered into a Lease Agreement on July 1, 2010; and

WHEREAS, the Arrowhead Builders Association has requested to amend their lease at the Hermantown Community Center at 5255 Maple Grove Road, and

WHEREAS, the City has prepared a revised lease with Arrowhead Builders Association with a termination date of June 30, 2026; and

WHEREAS, the City Council has duly considered this matter and believes it is in the best interest of the City to approve the revised Lease Agreement with Arrowhead Builders Association.

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

1. The revised Lease Agreement is hereby approved.

Councilor _____ introduced the foregoing resolution and moved its adoption.

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

Councilors _____

and the following voted in opposition thereto:

Councilors _____

WHEREUPON, such resolution was declared duly passed and adopted on June 2, 2025.

LEASE AGREEMENT

THIS LEASE AGREEMENT, effective June 1 2025, between **City of Hermantown** ("Lessor"), and **Arrowhead Builders Association, Inc.**, a Minnesota non-profit corporation, ("Lessee") is in response to the following situation:

A. The Lessor owns the land and building ("Community Building") located thereon in the City of Hermantown, County of St. Louis, State of Minnesota with a street address of 5255 Maple Grove Rd. Hermantown, MN 55811.

B. The Lessor desires to lease to the Lessee approximately 332 square feet in the space shown in Exhibit A attached hereto (hereinafter referred to as the "Leased Premises"), together with the common areas ("Common Areas") described in Article IX hereof and the Lessee desires to lease the Leased Premises and the Common Areas from the Lessor.

C. Lessee is a Minnesota non-profit corporation and has been determined to be a 501(c) organization by the Internal Revenue Service.

NOW, THEREFORE, in consideration of the covenants contained herein, the parties hereby agree as follows:

ARTICLE I LEASED PREMISES

Lessor hereby leases to Lessee and Lessee hereby leases from Lessor the Leased Premises and the Common Areas, which is the part of the Leased Premises open to all tenants of the Community Building. Lessee has previously leased and inspected the Leased Premises and the Common Areas and, by the execution of this Lease, accepts the Leased Premises and the Common areas in their present condition.

ARTICLE II TERM

The term of this Lease shall be for 13 months commencing on June 1, 2025, and ending on June 30, 2026, both dates inclusive. This lease can be terminated with 30 days' notice from Lessee to Lessor. The previous lease is hereby terminated and replaced by this lease.

ARTICLE III MONTHLY RENT

3.1. **Initial Term.** The Lessee shall pay to the Lessor monthly rent for the thirteen (13) months of the lease, in lawful money of the United States payable in monthly installments of 333 and 34/100 Dollars (\$333.34), in advance, with the first payment due on the execution of this Lease

and subsequent payments on the first day of each succeeding month. The rent shall be payable at such place and time as the Lessor shall, from time to time, designate in writing to the Lessee.

ARTICLE IV PERMITTED USES

The Lessee may use and occupy the Leased Premises and the Common Areas for business and activities related to the Arrowhead Builders Association and its mission of advancing the building industry. The Lessee shall not use or knowingly permit any part of the Leased Premises or Common Areas to be used for any unlawful purpose.

ARTICLE V LESSOR'S COVENANT OF QUIET ENJOYMENT

Lessee, upon payment of the rent and the performance of all of the terms and provisions of this Lease, shall, at all times during the full term peacefully and quietly enjoy the Leased Premises without any disturbance from the Lessor or from any other person claiming through the Lessor.

ARTICLE VI MAINTENANCE, REPAIRS, ALTERATIONS, ADDITIONS AND CARE OF LEASED PREMISES

6.1. Maintenance and Repairs. The Lessor will keep the Leased Premises and the Common Areas in good condition (except for ordinary wear and tear or damage caused by casualty or a taking), including janitorial services and will make all repairs and shall take such other action as may be necessary or appropriate to keep and maintain the Leased Premises and the Common Areas in good order and condition. Lessee acknowledges that Lessor intends to perform work on the Community Building during the Term. Lessee will cooperate with Lessor in accommodating the construction activities.

6.2. Alterations and Additions. The Lessee may not make any additions, improvements or alterations to the Leased Premises without the prior written consent of the City acting through its City Administrator. Any such permitted additions, alterations or improvements (i) must not, individually or in the aggregate, lessen the fair market value of the Leased Premises, (ii) shall be aesthetically consistent, as determined by the Lessor, with the existing structure, (iii) shall be completed expeditiously in a good and workmanlike manner and in compliance with all applicable building and zoning codes, and (iv) shall become part of the Leased Premises and become subject to this Lease. Hanging pictures or other office decorations shall not be considered an addition, alteration or improvement under this Lease.

6.2.1. The Lessor shall not be liable for any labor, services or materials furnished or to be furnished to the Lessee for any work performed by or on behalf of the Lessee pursuant to this Article VI, and no mechanics liens or other liens for any such labor or materials shall attach to or affect the interest of the Lessor in and to the Leased Premises. The Lessor shall not be responsible for any changes in the heating plant for the Leased

Premises that may be required as a result of any alterations made by the Lessee to the Leased Premises.

6.2.2. Any improvements, additions or alterations that are approved by the City Administrator must be performed under a contract between the person providing the labor, skill or materials and the City unless specifically authorized in writing by the City acting through the City Administrator.

6.2.3. The Lease shall be subject to immediate termination by Lessor if Lessee makes any alteration, improvements or additions to the Leased Premises or Common Areas without the prior written consent of the City and without complying with the provisions of Section 6.2.2 hereof as such action may create unknown and unplanned liabilities for the Lessor.

6.3. **Care of Exterior Portion of Common Areas.** Lessor will be responsible for the care of the exterior portions of the Common Areas, including lawn care and snow removal.

ARTICLE VII SURRENDER UPON TERMINATION OF LEASE

At the expiration of the Initial Term or Extended Term, as the case may be, the Lessee shall surrender the Leased Premises and Common Areas in as good condition as it was on the date hereof, except for ordinary wear and tear.

ARTICLE VIII UTILITIES AND OTHER SERVICES

The Lessor shall pay or cause to be paid, all charges for utilities of any kind, including, but not limited to, water, heat, gas, hot water, electricity, telephone, light and power used in or rendered or supplied to during the Initial Term or Extended Term. The Lessee shall pay or cause to be paid all charges for computer, internet or wireless service rendered or supplied to the Leased Premises.

ARTICLE X LESSOR'S ACCESS

The Lessor, its employees, and his agents shall have the right to enter the Leased Premises and Common Areas at all reasonable times with reasonable notice for the purpose of inspecting, cleaning, repairing, altering, or improving the Leased Premises and Common Areas or to exhibit the Leased Premises and Common Areas to prospective tenants, purchasers, or others. Nothing in this paragraph shall be interpreted as requiring the Lessor to perform any such acts independent of the requirements of the other provisions of the Lease. The Lessor shall also be permitted to enter the Leased Premises and Common Areas for the purpose of posting notices of non-responsibility for alterations, additions, and repairs.

ARTICLE XI **DEFAULT – REMEDIES**

Except as provided in Section 6.2.3 hereof, if the Lessee defaults in the payment of rent or defaults in the performance of any of the terms, covenants or conditions of this Lease, the Lessor shall give the Lessee written notice of such default, and, if the Lessee does not cure any default within thirty (30) days, after the giving of such notice, then the Lessor may terminate this Lease on not less than ten (10) days' written notice to the Lessee. On the date specified in said ten-day notice, this Lease shall terminate, and the Lessee shall then quit and surrender the Leased Premises and Common Areas to the Lessor. If this Lease shall have been so terminated by the Lessor, the Lessor may, at any time thereafter, resume possession of the Leased Premises and Common Areas by any lawful means and remove the Lessee from possession thereof.

If the Lease shall be terminated as provided in this Article XI, the Lessor shall have the right to recover from the Lessee the amounts payable by the Lessee to the Lessor hereunder for the balance of the Initial Term or Extended Term, as the case may be. No right or remedy herein conferred on or reserved to the Lessor is intended to be exclusive of any other right or remedy provided by law or in equity, but each shall be cumulative and in addition to every other right or remedy given herein or elsewhere or hereafter, existing at law or in equity or by statute.

ARTICLE XII **FIRE OR OTHER CASUALTY LOSS**

In case of damage by fire or other casualty to the Leased Premises, if the damage is so extensive as to amount practically to the total destruction of the Leased Premises, this Lease shall terminate, and the rent and other payments to be made by the Lessee to the Lessor hereunder shall be apportioned to the time of the damage. In all other cases where the Leased Premises are damaged by fire or other casualty, the Lessor may, but shall have no obligation to, with the proceeds of the insurance maintained by the Lessor pursuant to Article XII, repair the damage with reasonable dispatch, and, if the damage has rendered the Leased Premises untenantable, in whole or in part, the rent and other payments to be made by the Lessee to the Lessor hereunder shall be abated in whole or in part until the damage has been repaired or Lessor may terminate this Lease.

ARTICLE XIII **INSURANCE AND INDEMNIFICATION**

13.1. Lessor to Maintain Fire and Extended Coverage Insurance and Public Liability Insurance for Common Areas. The Lessor shall, at all times prior to the termination of this Lease, maintain an insurance policy insuring the building owned by the Lessor and the Leased Premises and Common Areas against loss or damage by fire and such other perils.

13.2. Lessee to Maintain Public Liability and Property Damage Insurance. The Lessee shall, at its expense, at all times prior to the expiration of this Lease, maintain public liability and property damage insurance with respect to the Leased Premises in which both the Lessor and the Lessee are named as insureds, with liability limits of at least \$1,500,000.00 for injury or death to any one person, \$1,500,000.00 for any one accident, and \$1,500,000.00 for damage to property.

13.3. Lessee to Bear Risk of Loss of Contents. The Lessee shall, at all times prior to the expiration of this Lease, bear all risk of loss to the personal property, furniture, finishings and fixtures belonging to the Lessee located on the Leased Premises.

13.4. Requirements for Insurance. A certificate evidencing that the insurance required hereunder is in full force and effect shall be provided to the Lessor upon the execution hereof by the parties hereto and thereafter at the request of the Lessor. Each such certificate shall not be canceled, materially altered or not renewed without ten (10) days prior written notice of cancellation for non-payment or thirty (30) days prior written notice of any such cancellation, material alteration or non-renewal for any other reason being given to the Lessor. An additional insured endorsement evidencing that the Lessor is an additional insured under the Lessee's insurance policy shall also be provided by Lessee to Lessor for each such insurance policy.

13.5. Indemnification. The Lessee does hereby indemnify and hold the Lessor harmless from and against the total of all losses, claims, expenses, damages, liabilities or demands arising from or out of the use of the Common Areas or Leased Premises by the Lessee or any employee, agent, invitees, customer or officer of the Lessee, except for claims, losses, expenses, damages, liabilities or demands arising from or out of the negligence of the Lessor.

ARTICLE XIV CONDEMNATION

If the Leased Premises, or any part thereof, is taken by eminent domain and the amount so taken renders the Leased Premises untenantable, this Lease shall terminate on the date when the Leased Premises shall be so taken, and the rent and other payments to be made by the Lessee to the Lessor hereunder shall be apportioned to that date.

ARTICLE XV ASSIGNMENT AND SUBLEASING

The Lessee shall not sublet or assign all or any portion of the Leased Premises or any interest in this Lease.

ARTICLE XVI MECHANIC'S LIENS

The Lessee hereby covenants and agrees that the Lessee will not permit or allow any mechanic's or materialman's liens to be placed on the Lessor's interest in the building owned by the Lessor during the term hereof. Notwithstanding the previous sentence, however, in the event any such lien shall be so placed on the Lessor's interest, the Lessee shall take all steps necessary to see that it is removed within thirty (30) days of its being filed; provided, however, that the Lessee may contest any such lien provided the Lessee first posts a surety bond in favor of and insuring the Lessor in an amount equal to 125% of the amount of any such lien.

ARTICLE XVII **TIME FOR PAYMENT**

Unless otherwise provided herein, all amounts payable to the Lessor by the Lessee hereunder shall be paid by the Lessee to the Lessor within fifteen (15) days of the receipt of an invoice for such amount by the Lessee from the Lessor.

ARTICLE XVIII **NOTICES**

All notices and communications required to be sent pursuant to the terms of this Lease shall be sent by registered or certified mail as follows:

If to Lessor:	City of Hermantown 5105 Maple Grove Rd. Hermantown, MN 55811 Attn: City Administrator Email: <i>jmulder@hermantownmn.com</i>
If to Lessee:	Arrowhead Builder Association 5255 Maple Grove Road Hermantown MN 55811 Attn: Executive Director Email: <i>info@abamn.org</i>

All of said notices or communications shall be deemed given on the date such notice or communication was mailed. Any notice delivered by email shall request a receipt thereof confirmed by email or in writing by the recipient and followed by personal or mail delivery of such correspondence and any attachments as may be requested by the recipient, and the effective date of such notice shall be the date of receipt, provided such receipt has been confirmed by the recipient.

ARTICLE XIX **SIGNS**

The Lessee will remove at its expense, in and about the Leased Premises any signs advertising its business

ARTICLE XXI **REAL ESTATE TAXES**

Lessor and Lessee believe that the use of the Community Building by Lessee will not cause the land and building to be subject to real estate taxes pursuant to Minnesota Statutes §471.191, Subd. 4 and Minnesota Statutes §272.01, Subd. 2. Nonetheless, in the event that this Lease causes the land and building to be subject to real estate taxes, then in that event Lessee shall pay a portion of the real estate taxes that are due and payable during the Initial Term or the Extended Term equal

to the percentage of the Community Building that are part of the Leased Premises less the common areas and the Council Chambers; provided, however, that Lessor shall take the appropriate actions, subject to legal limitations, to abate the City portion of such taxes and pay the amount abated to Lessee.

ARTICLE XXII **MISCELLANEOUS**

22.1. This Lease shall be governed by, construed and enforced in accordance with the laws of the State of Minnesota.

22.2. The provisions of this Lease shall be binding on and inure to the benefit of the parties, their legal representatives, successors and assigns.

22.3. The parties have not created and do not intend to create, by this Lease, a joint venture or partnership relation between them.

22.4. If any provision of this Lease shall be declared invalid or unenforceable, the remainder of the Lease shall continue in full force and effect.

22.5. This Lease contains all of the agreements and representations between the parties with respect to the Lease of the Leased Premises and Common Areas and supersedes all prior agreements, oral or written, between and among the parties hereto with respect to the Leased Premises. None of the terms of this Lease shall be waived or modified to any extent, except by a written instrument signed and delivered by both parties.

22.6. No delay in exercising or omission of the right to exercise any right or power by the Lessor hereunder shall impair any such right or power, or shall be construed as a waiver of any breach or default, or as acquiescence thereto.

[SIGNATURES APPEAR ON NEXT PAGE]

IN WITNESS WHEREOF, Lessor and Lessee have executed this Lease Agreement as of the date first above written.

LESSOR:

City of Hermantown

By _____
Its Mayor

And By _____
Its City Clerk

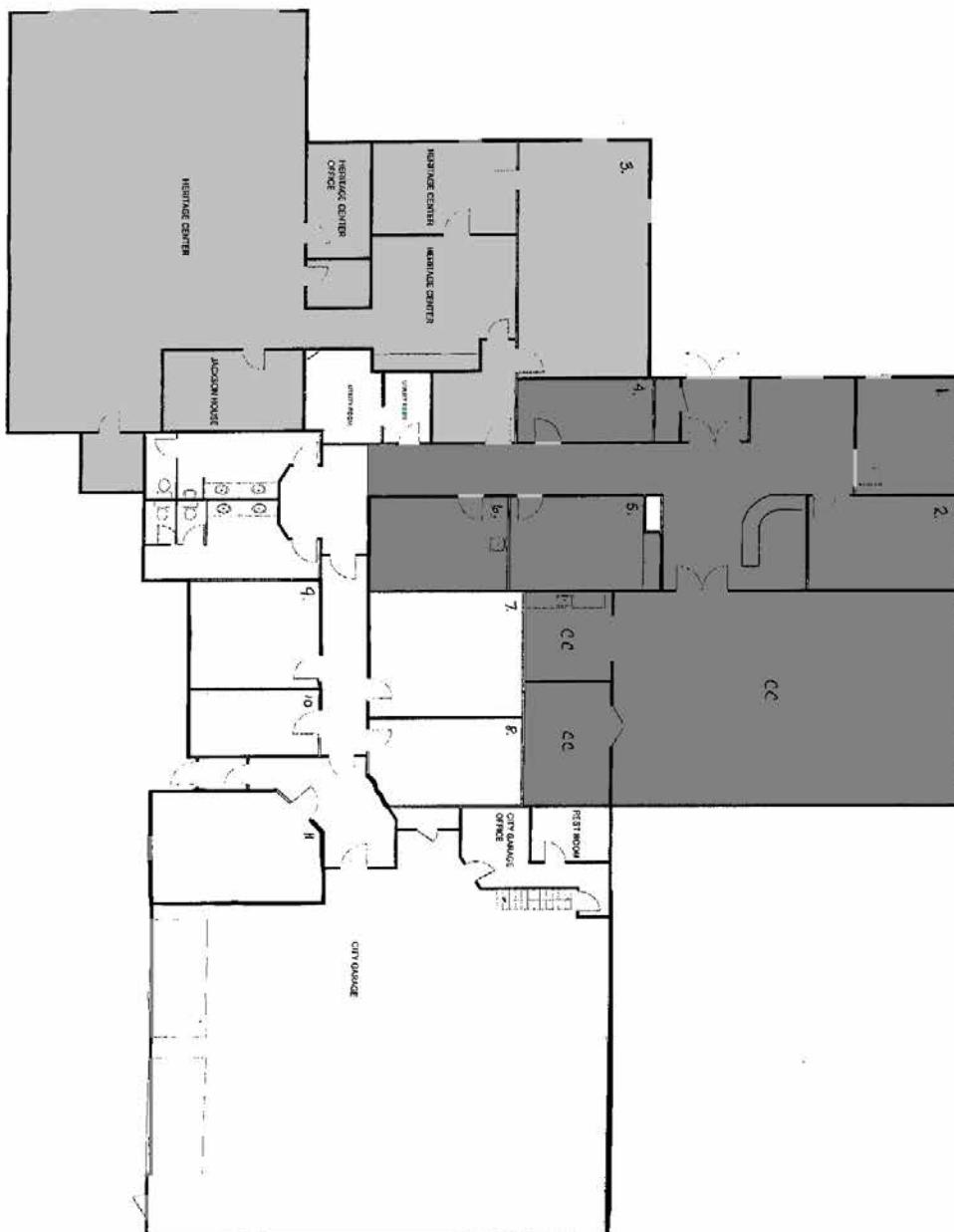
LESSEE:

Arrowhead Builders Association, Inc.

By _____
Its _____

EXHIBIT A
Old City Hall
Arrowhead Builders Association

Historical Society – Light Gray
Arrowhead Builders Association – Rooms 4 & 5





CITY COUNCIL MEETING DATE: June 2, 2025

TO: Mayor & City Council

FROM: Trish Crego, Utility and Infrastructure Director

SUBJECT: Permanent Trail Easement from Andrew and Bonnie Chapin

RESOLUTION: 2025-89

ORDINANCE:

OTHER:

REQUESTED ACTION

Approve a Permanent Trail Easement Agreement from Andrew and Bonnie Chapin.

BACKGROUND

As you know, the City will be building two sections of trail in the Summer of 2026. There is an existing 20' trail easement on the back side of the Johnson Road parcels, however, this easement needs to be increased to 40' wide. Therefore, we approached the Chapins who are Okerstrom Road residents. The City made an offer based upon an uncomplicated appraisal by SRF for the easement and the Chapins have accepted.

SOURCE OF FUNDS (if applicable)

412-419100-510

ATTACHMENTS

Resolution
Easement Agreement Andrew and Bonnie Chapin

Resolution No. 2025-89

**Resolution Authorizing And Directing Mayor And City Clerk To Execute An Acceptance
Of Easement Agreement To The City Of Hermantown From Andrew And Bonita Chapin
For The Hermantown Trail Project**

WHEREAS, the City of Hermantown (“City”) desires to construct a trail on a portion of existing trail easement in the City of Hermantown (“Project”); and

WHEREAS, the City needs to obtain an additional easement (“Easement”) Andrew and Bonita Chapin to construct the Project and Andrew and Bonita Chapin have executed and delivered the required Easement to the City; and

WHEREAS, the City desires to accept the Easements as described in and granted by the Easement Agreement attached hereto as Exhibit A.

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

1. The Mayor and City Clerk are hereby authorized and directed to execute and deliver the Acceptance of the Easements.

Councilor _____ introduced the foregoing resolution and moved its adoption.

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

Councilors _____

and the following voted in opposition thereto:

Councilors _____

WHEREUPON, such resolution was declared duly passed and adopted June 2, 2025.

EXHIBIT A

(Top 3 inches reserved for recording data)

EASEMENT AGREEMENT

THIS INDENTURE, made and entered into this 28 day of May, 2025, between **Bonita Chapin** and **Andrew Chapin**, married to each other, (collectively referred to as "Grantor") and the **City of Hermantown**, a Minnesota statutory city ("Grantee") in response to the following situation:

A. Grantor is the owner of real property located in St. Louis County, Minnesota, and legally on Exhibit A attached hereto (the "Property").

B. Grantor has agreed to provide to Grantee a permanent easement ("Permanent Easement") for construction and maintenance of a multi-use trail, including the construction and maintenance of necessary slopes and fills, in, upon, over, across and through a portion of the Property, legally described on Exhibit B and depicted as proposed the Permanent Easement Area on Exhibit C attached hereto.

NOW, THEREFORE, in consideration of mutual covenants contained herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties agree as follows:

1. The Recitals are included as a part hereof.

2. Grantor grants Grantee the Permanent Easement on, over and across the Permanent Easement Area, together with the right to locate the Permanent Easement Area by surveying and the placement of appropriate markers, if necessary, the right to enter upon and occupy as much of the Permanent Easement Area as may be necessary to construct a multi-use trail thereon, including any required slope and fill, and the right to remove any and all trees and shrubs and herbage thereon and the right to clear and keep the Permanent Easement Area cleared so as to allow Grantee to have access to the public improvements.

3. The Permanent Easement shall be perpetual and shall run with the land and shall be binding upon the heirs, successors and assigns of the parties.

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

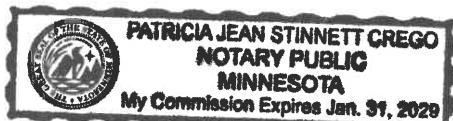
GRANTOR:


Bonita Chapin

State of Minnesota, County of St. Louis

This instrument was acknowledged before me on this 20 day of May, 2024 by Bonita Chapin, married to Andrew Chapin.

(Stamp)




(signature of notarial officer)
Title (and Rank): _____ Notary Public _____
My commission expires: 5-20-25
(month/day/year)

[SIGNATURES CONTINUE ON NEXT PAGE]

GRANTOR:


Andrew Chapin

State of Minnesota, County of St. Louis

This instrument was acknowledged before me on this 27 day of May, 2025 by Andrew Chapin, married to Bonita Chapin.

(Stamp)


(signature of notarial officer)

Title (and Rank): _____ Notary Public
My commission expires: 5-27-2025
(month/day/year)

[ACCEPTANCE APPEARS ON NEXT PAGE]

ACCEPTANCE

The City of Hermantown hereby accepts the foregoing easement.

Dated: _____

GRANTEE:

City of Hermantown

By _____
Wayne Boucher, Its Mayor

And by _____
Alissa McClure, Its City Clerk

State of Minnesota, County of St. Louis

The foregoing instrument was acknowledged before me this _____ day of _____, 2025, by Wayne Boucher and Alissa McClure, the Mayor and City Clerk, respectively, of the City of Hermantown and on behalf of the City of Hermantown.

(Stamp)

(signature of notarial officer)

Title (and Rank): _____

My commission expires: _____
(month/day/year)

[END OF SIGNATURES]

THIS INSTRUMENT WAS DRAFTED BY:

Gunnar B. Johnson
Overom Law, PLLC
802 Garfield Avenue
Suite 101
Duluth, MN 55802

EXHIBIT A
Legal Description

The Northeasterly 546 feet of the West half of the Northwest Quarter of Southeast Quarter, Section 25, Township 50 North, Range 15 West of the Fourth Principal Meridian, EXCEPT that part thereof lying North of the following described line: Commencing at the NW corner of said NW 1/4 of SE 1/4; thence South 00 degrees 12 minutes 53 seconds East, along the West line said NW 1/4 of SE 1/4 a distance of 207.93 feet to the point of beginning of the line to be described; thence North 82 degrees 30 minutes 19 seconds East a distance of 661.75 feet to the East line of said W 1/2 of the NW 1/4 of the SE 1/4, also being the West line of the plat of Valleyview division, and there terminating.

PARCEL NO. 395-0010-07580

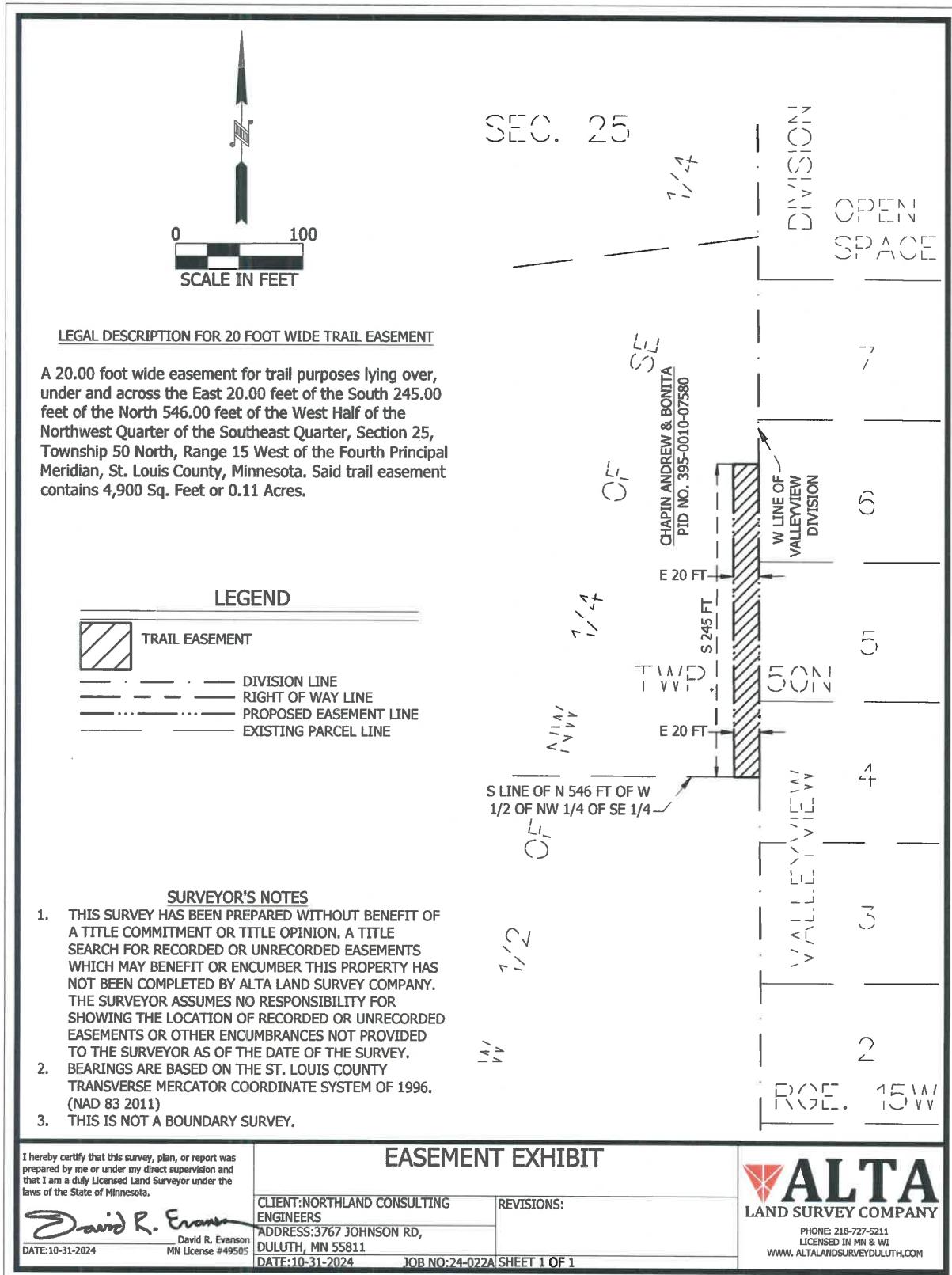
PROPERTY ADDRESS: XXXX OKERSTROM ROAD, HERMANTOWN, MINNESOTA

EXHIBIT B
Easement Description

A 20.00 foot wide easement for trail purposes lying over, under and across the East 20.00 feet of the South 245.00 feet of the North 546.00 feet of the West Half of the Northwest Quarter of the Southeast Quarter, Section 25, Township 50 North, Range 15 West of the Fourth Principal Meridian, St. Louis County, Minnesota.

Said trail easement contains 4,900 Sq. Feet or 0.11 Acres.

EXHIBIT C
Easement Depiction





CITY COUNCIL MEETING DATE: June 2, 2025

TO: Mayor & City Council

FROM: John Mulder, City Administrator

SUBJECT: NorthStar Ford Arena – Change Order Numbers 24, 25 & 26 (KA Change Order #8)

RESOLUTION: 2025-90

ORDINANCE:

OTHER:

REQUESTED ACTION

Approve Change Order Numbers 24, 25 & 26 (KA Change Order #8) for the NorthStar Ford Arena in the Amount of \$5,773.97.

BACKGROUND

Kraus Anderson is recommending a number of change orders for the construction of NorthStar Ford Arena. The first one (No. 24) is a credit due to removing netting along the sides of the arena. This was done at the request of the advisory team to improve the view of the ice.

The second one (No. 25) is to install additional interior signage in the rink.

The third one (No. 26) is add new toilet partitions in the bathrooms in the existing arena. It was originally intended to re-use existing partitions, but it is recommended to add new partitions instead. to improve the roof access stair and door.

This work will be done under KA's contract and is funded from the KA's contingency. It does not change the overall budget.

SOURCE OF FUNDS (if applicable)

Arena Project Fund - Contingency

ATTACHMENTS

Resolution

Change Orders

Resolution No. 2025-90

**Resolution Approving Change Order Numbers 24, 25, & 26 (KA Change Order #8) For
The NorthStar Ford Arena In The Amount Of \$5,773.97**

WHEREAS, the City of Hermantown has contracted with Kraus Anderson Construction Company (KA) for construction management services for the NorthStar Ford Arena (“Project”); and

WHEREAS, the City of Hermantown has contracted with Damberg, Scott, Gerzina, Wagner Architects, INC, “DSGW”, Inc (DSGW) for architectural services for the Project, and

WHEREAS, the City Council awarded various scopes to contractors and then assigned those contracts to KA

WHEREAS, KA and DSGW recommend Change Orders No. 24, 25 & 26 for:

Change Order #	Descriptions	Cost
	KA charges	\$432.80
24	Delete protective netting along sides of rink	-\$5,292.67
25	Additional interior signage	\$2,723.24
26	New toilet partitions	\$7,910.60
	TOTAL	\$5,773.97

WHEREAS, Kraus Anderson Construction Company (KA) has recommended such Change Orders No. 24, 25 & 26 for (“Project”) and

WHEREAS, the necessary documentation for the change order is on file and available for inspection.

WHEREAS, the City Administrator has reviewed the change order and recommends approval.

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

1. Change Orders No. 24, 25 & 26 (KA Change Order #7) are hereby approved.
2. The City is hereby authorized and directed to pay to Kraus Anderson the sum of \$5,773.97 which is the amount represented on Change Orders No. 24, 25 & 26.

Councilor _____ introduced the foregoing resolution and moved its adoption.

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

Councilors _____

and the following voted in opposition thereto:

Councilors _____

WHEREUPON, such resolution has been duly passed and adopted June 2, 2025.

2000 West Superior Street, Suite 101
 Duluth, MN 55806

Owner Change Order

Project: 2222026-	Hermantown Hockey Arena Addition 4309 Ugstad Road Hermantown, MN 55811	Contract Number: 2222026- Hermantown Hockey Arena Addition
		Change Order #: 8
To (Contractor):	Kraus-Anderson Construction Company 2000 West Superior Street, Suite 101 Duluth, MN 55806	Change Order Date : 05/22/25

THE CONTRACT IS CHANGED AS FOLLOWS:

(Include, where applicable, any undisputed amount attributable to previously executed Construction Change Directives)

Item	COR #	Description	Amount
270-		KA Add-Ons (Insurances, P&P Bonds, Fee, etc)	Add: \$432.80
1	63.00	ASI 17 Dasher Board Accessories	Deduct: (\$5,292.67)
3	125.00	ASI 41 Interior Signage	Add: \$2,723.24
5	126.00	ASI 42 - Toilet Partitions	Add: \$7,910.60
Total For Change Order:			8 Add: \$5,773.97

The original Contract Sum was	\$13,055,590.00
The net change by previously authorized Change Orders was	\$610,477.74
The Contract Sum prior to this Change Order was	\$13,666,067.74
The Contract Sum will be increased by this Change Order	\$5,773.97
The new Contract Sum will be	\$13,671,841.71

The Contract time will be increased by 0 days.

The Date of Substantial Completion as of the date of this Change Order therefore is 12/31/2025

Note: This Change Order does not include changes in the Contract Sum, Contract Time or Guaranteed Maximum Price which have been authorized by Construction Change Directive until the cost and time have been agreed upon by both the Owner and Contractor, in which case a Change Order is executed to supersede the Construction Change Directive.

Authorized By Owner: City of Hermantown 5105 Maple Grove Road Hermantown, MN 55811	Accepted By Contractor: Kraus-Anderson Construction Company 2000 West Superior Street, Suite 101 Duluth, MN 55806	Architect/Engineer: DSGW Architects 2 West First Street, Suite 201 Duluth, MN 55802
By: _____	By: _____	By: _____
Date: _____	Date: _____	Date: _____



Kraus-Anderson Construction Company
2000 West Superior Street, Suite 101, Duluth, MN 55806

May 20, 2025

John Mulder
City of Hermantown
5105 Maple Grove Road
Hermantown, MN 55811

Reference: Hermantown Hockey Arena Addition
KA Project No.: 2222026-
COR No. 63.00 ASI 17 Dasher Board Accessories

Dear John:

In response to the above referenced COR No. 63.00, Kraus-Anderson Construction Company proposes to complete the necessary Work associated with ASI 17 Dasher Board Accessories per attached documentation provided herein. Our cost for this work is a **DEDUCT** of **FIVE THOUSAND TWO HUNDRED NINETY-TWO AND 67 / 100 Dollars (\$5,292.67)**.

This proposal assumes that all outstanding proposals previously submitted will be accepted. This proposal is valid for a period of fourteen (14) days.

Please contact the undersigned should you have any questions concerning the above proposal.

Very truly yours,

Kraus-Anderson Construction Company

Max Vergeldt
Project Manager

Enclosure

Cc: Eric Lagergren, DSGW Architects



KRAUS-ANDERSON®
Construction Company

Project: Hermantown Hockey Arena Addition

Date:

Location: Hermantown, MN

COR: 63.00

Project Number: 2222026-

Project Manager: Max Vergeldt

Description: ASI 17 Dasher Board Accessories

Phase Code	Description	Subcontractor Name	Material	Labor	Subcontractors	Est Totals
11.6600.00.	Athletic Equipment Labor	Becker Arena Products, Inc.	0.00	0.00	(2,742.45)	(2,742.45)
11.6600.00.	Athletic Equipment Labor	Becker Arena Products, Inc.	0.00	0.00	(2,550.22)	(2,550.22)
	Subtotal		0.00	0.00	(5,292.67)	(5,292.67)
	Subtotal		0.00	0.00	(5,292.67)	(5,292.67)
	Total Construction Costs					(5,292.67)

CHANGE ORDER

Date: February 25th, 2025

Company: Kraus-Anderson Construction Company

Job Name/Location: Hermantown, MN

Contact: Max Vergeldt

Job Number: 071239-1-1

We hereby agree to make the change(s) specified below:

Delete Puck Control Netting

- Delete 15' high black nylon puck control netting above the shielding along the box side of the rink
- Includes materials and installation labor

TOTAL ADD THIS CHANGE ORDER (Includes tax)

<\$2,742.45>

Accept _____

NOTE: This value does not include any other adds or deducts that have been presented through other change orders. All change orders will be recorded before final invoicing.

TYPICAL LEAD TIME FOR THIS CHANGE ORDER ONCE RETURNED SIGNED _____

Note: this change order becomes part of and in conformance with the existing contract
WE AGREE hereby to make the change(s) specified above.

Date _____

BECKER ARENA PRODUCTS AUTHORIZED SIGNATURE _____

ACCEPTED- The above prices and specifications of this Change Order are satisfactory and are hereby accepted. All work to be performed under same terms and conditions as specified in original contract unless otherwise stipulated.	DATE: _____
AUTHORIZED SIGNATURE _____	

Confidential: This document contains proprietary and confidential information that is owned and is of significant value to Becker Arena Products, Inc. No unauthorized use, disclosure or reproduction of any of this information is permitted without the prior written consent of Becker Arena Products, Inc.

**DEPENDING ON THE SCOPE OF CHANGES THIS CHANGE ORDER MAY HAVE AN IMPACT ON
YOUR DELIVERY TIMELINE AND PRICE. PLEASE RETURN SIGNED WITHIN 24 HOURS TO
ACCOMMODATE YOUR REQUESTED CHANGES.**

Confidential: This document contains proprietary and confidential information that is owned and is of significant value to Becker Arena Products, Inc. No unauthorized use, disclosure or reproduction of any of this information is permitted without the prior written consent of Becker Arena Products, Inc.

CHANGE ORDER

Date: April 30th, 2025

Company: Kraus-Anderson Construction Company

Job Location: Hermantown, MN

Contact: Max Vergeldt

Job Number: 071239-1-1

We hereby agree to make the change(s) specified below:

Delete Puck Control Netting

- Delete 15' high black nylon puck control netting above the shielding along the spectator side of the rink
- Includes materials and installation labor

TOTAL ADD THIS CHANGE ORDER (Includes tax)

<\$2,550.22>

Accept _____

NOTE: This value does not include any other adds or deducts that have been presented through other change orders. All change orders will be recorded before final invoicing.

TYPICAL LEAD TIME FOR THIS CHANGE ORDER ONCE RETURNED SIGNED _____

Note: this change order becomes part of and in conformance with the existing contract
WE AGREE hereby to make the change(s) specified above.

Date _____

BECKER ARENA PRODUCTS AUTHORIZED SIGNATURE

ACCEPTED- The above prices and specifications of this Change Order are satisfactory and are hereby accepted. All work to be performed under same terms and conditions as specified in original contract unless otherwise stipulated.	DATE: _____
AUTHORIZED SIGNATURE	

Confidential: This document contains proprietary and confidential information that is owned and is of significant value to Becker Arena Products, Inc. No unauthorized use, disclosure or reproduction of any of this information is permitted without the prior written consent of Becker Arena Products, Inc.

**DEPENDING ON THE SCOPE OF CHANGES THIS CHANGE ORDER MAY HAVE AN IMPACT ON
YOUR DELIVERY TIMELINE AND PRICE. PLEASE RETURN SIGNED WITHIN 24 HOURS TO
ACCOMMODATE YOUR REQUESTED CHANGES.**

Confidential: This document contains proprietary and confidential information that is owned and is of significant value to Becker Arena Products, Inc. No unauthorized use, disclosure or reproduction of any of this information is permitted without the prior written consent of Becker Arena Products, Inc.



KRAUS-ANDERSON®
Construction Company

2000 West Superior Street, Suite 101
Duluth, MN 55806

Request For Proposal

Project:	2222026-	PCO #:	63
	Hermantown Hockey Arena Addition		
	4309 Ugstad Road		
	Hermantown, MN 55811	Date:	01/17/2025
To:	Joe Roberts, Becker Arena Products, Inc.		
	Justin Zembro, St. Cloud Refrigeration, Inc.		

Please provide a cost breakdown in accordance with the Contract Documents and a Summary for the Change described herein and on the attachments (if any) listed. All responses are required within seven (7) days.

This is not an authorization to proceed with the work described herein unless and until approved by the Owner. On approval, this change will be included in a Change Order, which will provide the formal Contract Change.

DESCRIPTION OF PROPOSAL:

Please provide pricing for any changes/revisions to your scope of work per the attached ASI 17 dated 1.14.2025 regarding revisions to the Rubber Athletic Flooring, and revisions to the Dasher Board System.

Attachments: ASI 17 dated 1.14.25

We have reviewed the PCO and acknowledge that it is a "no change" item and does not affect our completion date.

Signed By: _____ Date: _____

Company Name: _____

Project Name **NorthStar Ford Arena**
Project No **022058.00**

Project Address **4309 Ugstad Road**
Owner **City of Hermantown**

Contractor Name **Kraus Anderson**

ASI No **17**

The Work shall be carried out in accordance with the following supplemental instructions issued in accordance with the Contract Documents without change in Contract Sum or Contract Time. Proceeding with the Work in accordance with these instructions indicates your acknowledgment that there will be no change in the Contract Sum or Contract Time.

If these supplemental instructions cause a change in the Contract Sum or Contract Time, submit a Proposal Request to the Architect for review and comment. DO NOT PROCEED with the Work until the Proposal Request is approved by the Architect.

ASI Date **1/14/2025** ASI Title **Dasher Board Accessories**

ASI Description

A2.1 First Floor Plan

1. 1/A2.1:

- a. REVISED extents of rubber athletic flooring to match revised rink access.
- b. REVISED RF-2 locations per owner 01/15/2025.

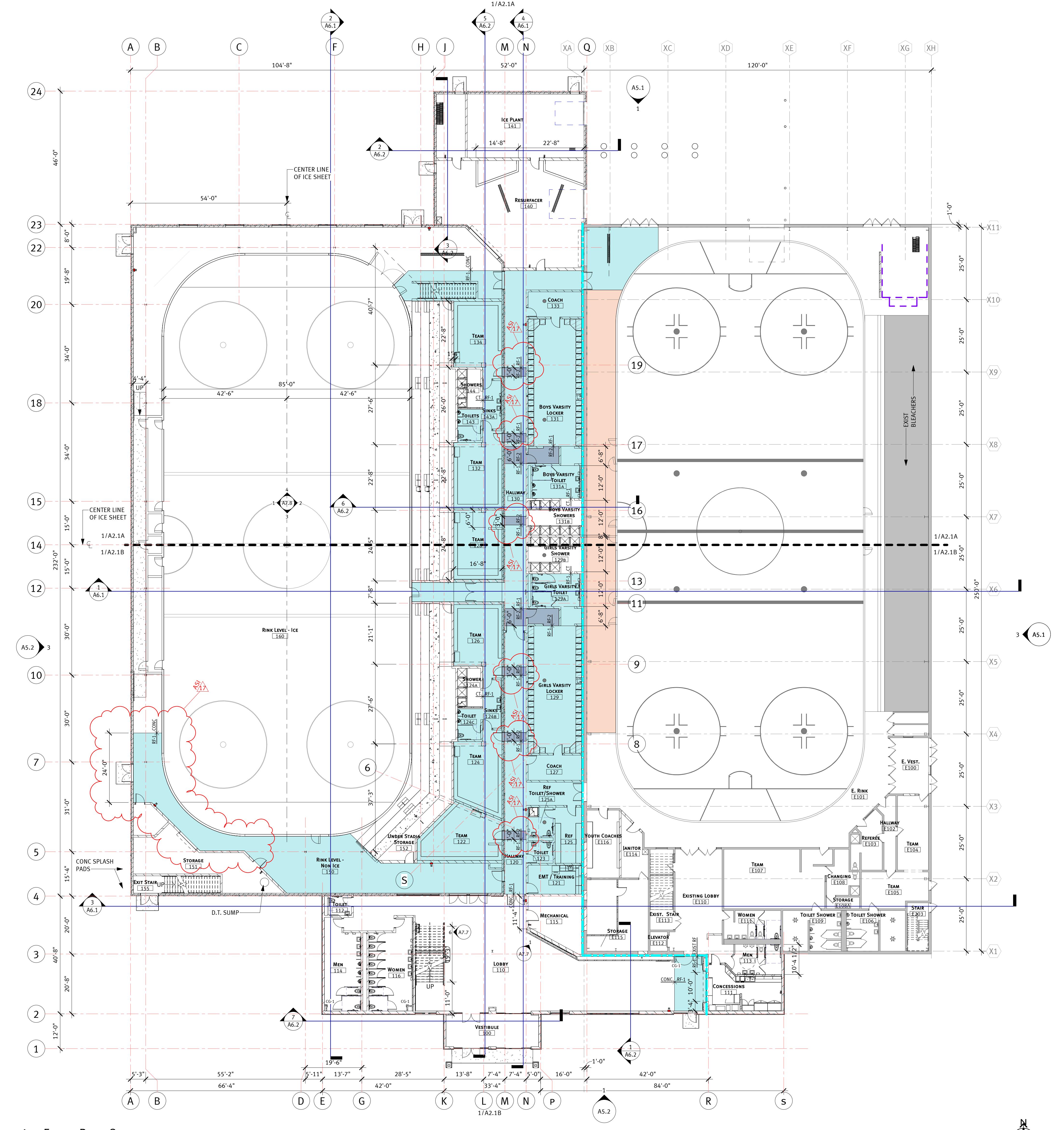
See attached B32 Engineering Group ASI 17 dated 01/14/2025 for changes related to RFI #48.

ASI Attachments

- 1  022058.00 Hermantown Arena_ASI 17.pdf
- 2  Ice System_ASI Narrative 17.pdf
- 3

FLOOR PLAN GENERAL NOTES	
NO.	DESCRIPTION
A	INTERIOR DIMENSIONS ARE TO FINISHED FACE OF STUD WALL, FACE OF MASONRY WALLS, TO CENTERLINE OF COLUMNS OR TO OTHER GRID POINTS UNLESS OTHERWISE NOTED. DIMENSIONS Labeled "CLEAR" OR "CLR" INDICATE MINIMUM DISTANCE TO FINISHED FACE OF WALLS. DIMENSIONS ARE TO FINISHED FACE OF EXISTING WALLS IF APPLICABLE.
B	ALL INTERIOR DOOR FRAMES TO BE 4' FROM ADJACENT WALL OR CENTERED BETWEEN WALLS UNLESS OTHERWISE NOTED.
C	FURNITURE & EQUIPMENT SHOWN IS FOR REFERENCE ONLY AND IS NOT INCLUDED IN THE CONTRACT.
D	COORDINATE SIZE AND LOCATION OF ALL DUCT AND SHAFT OPENINGS IN WALLS AND FLOORS WITH MEP CONSULTANT.
E	FIRE RATINGS ARE INDICATED ON THE LIFE SAFETY PLAN.

RESILIENT FLOORING LEGEND			
RF-1	RF-2	RF-3	RF-4
ALTERNATE FLOORING (RF-1)			



NORTHSTAR FORD ARENA

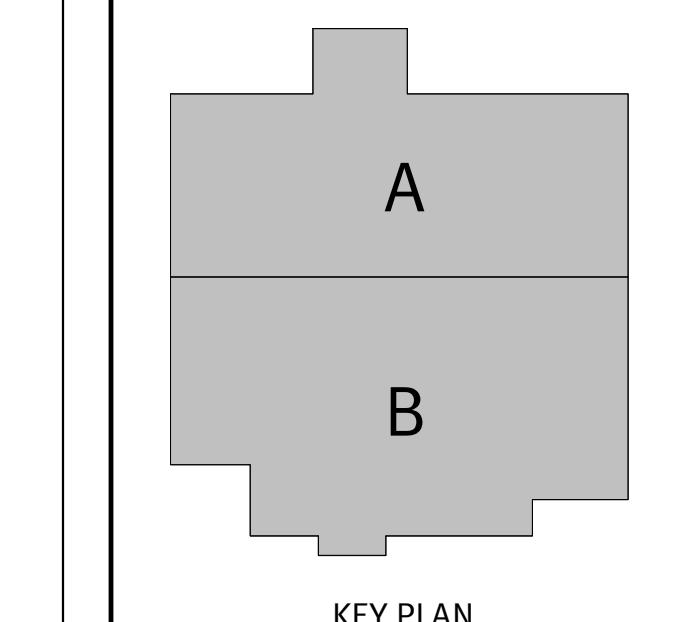
 4309 UGSTAD RD
 HERMANTOWN, MN 55811

 project #: 022058.00
 date: 1/16/2025
 drawn by: EVC, JMG, AR
 checked by: EWL, JEE

I hereby certify that this plan, as so revised, is prepared by me or under my direct supervision and that I am a duly licensed architect under the laws of the state of Minnesota.

 John E. Erickson
 signature:
 printed name: JOHN E. ERICKSON, NCARB, LEED AP
 reg #: 24199
 sign date: 06/14/2024

revision / issue	no.	date
BP2 ADD	2	2024/07/09
ASI	3.3	2024/09/26
ASI	4	2024/09/30
ASI	13	2025/01/07
ASI	17	2025/01/14



sheet title: FIRST FLOOR PLAN

sheet number: A2.1

ASI 17 Narrative, Date 1-14-25

Division 13 – Ice Systems.

1. Deleted specifications and plan sheets indicated below in its entirety. Changes are related to RFI #48 and processed change order __#__ and are clouded.
 - a. Reissuing specification Section 131816 Ice Rink Dasher Board System and Accessories in its entirety.
 - b. Reissuing plan sheet DB1.0 Ice Rink Dasher Board Plan.
 - c. Reissuing plan sheet DB5.0 Ice Rink Dasher Board Sections And Details.
 - d. Reissuing plan sheet DB5.1 Ice Rink Dasher Board Sections And Details.

SECTION 13 18 16
ICE RINK DASHER BOARD SYSTEM AND ACCESSORIES

PART 1 - GENERAL

1.01 SECTION INCLUDES

- A. Quality assurance - prequalification criteria.
- B. Approved manufacturers.
- C. Dasher board system materials.
- D. Floor anchors.
- E. Advertisement panels.
- F. Accessories (netting, carts, etc.).

1.02 QUALITY ASSURANCE

- A. Contractors wishing to bid/quote on this project must submit, with their bid, the following prequalification criteria.
 1. Submit a list of five (5) ice rink construction projects the company has completed that are similar to this project and that were completed within the past five (5) years. Submittal shall be on company letterhead, signed by an authorized representative of the company and include project description, portion of project completed by the company, location, construction cost, completion date, owner's name, owner's representative, phone number and completion date of work.
 2. Contractors/manufacturers listed as approved manufacturers in section 2.1 are not required to submit the prequalification material described in paragraph A.1 of this section.
 3. Contractors/manufacturers seeking approval shall supply a sample panel section representative of all components to be used in the dasher board section if requested by the Owner.
- B. Contractors wishing to bid on this project shall perform an on-site investigation prior to submitting a bid for the project. Contractor shall field verify all measurements that will affect the work of this project and report any concerns to the Engineer at least five (5) business day prior to the bid opening date. The contractor shall also perform a site visit to verify measurements prior to manufacturing the system.

1.03 RELATED SECTIONS

- A. Section 007200 - General Conditions.
- B. Section 007300 - Supplementary Conditions.

1.04 CODES AND STANDARDS

- A. All parts of the project shall be performed in accordance with the most recent version of the following codes and standards and all amendments:
 1. State Building Codes.
 2. National Fire Protection Association Codes.
 3. OSHA.

1.05 SUBMITTALS

- A. Shop Drawings. All submittals shall conform to the requirements of the General Conditions. Shop Drawings shall include product information on all materials, color samples of all standard colors for top sill, facing, kick plate, backer panels, benches, and tables. Shop Drawings shall clearly highlight and note any materials, dimensions, etc. that do not match the contract documents. Samples shall be representative of thickness of material that will be supplied.
- B. Structural Calculations: If requested, the manufacturer shall supply structural engineering calculations for the dasher board system.
- C. Progress Schedule. Submit progress schedule before project begins.
- D. Certifications. Submit four (4) copies of certifications to the Engineer when specified.

- E. Project closeout documents:
 - 1. Provide all documents required by the General Conditions and these specifications.
- F. Payments for all submittals shall be incidental to the cost of the project.

1.06 WARRANTY/GUARANTY

- A. In addition to the standard manufacturer's warranty on all equipment and materials, the contractor shall provide a standard two-year materials and labor warranty on all work performed for this project.

1.07 PRODUCT DELIVERY, STORAGE AND HANDLING REQUIREMENTS

- A. Transport, handle, store and protect products in accordance with manufacturer's recommendations. Secure products at all times.
- B. Store products with seals and labels intact and legible.
- C. Store products in a secure environment at all times.
- D. Provide adequate labor to handle products and prevent damage.
- E. Protect top sill from becoming scratched or marked up during installation.

1.08 ALTERNATE BIDS

- A. Definition: Work that is added or deducted from the Base Bid amount if the Owner decides to accept the corresponding change either in the amount of construction to be completed or in the products, materials, equipment, systems, or installation methods described in the Contract Documents.
- B. The cost or credit for each alternate is the net addition to, or deduction from, the Contract Sum to incorporate the alternate into the Work. No other adjustments are made to the Contract Sum.
- C. Alternates may be accepted by the Owner in any order and may be used to determine the low bidder.
- D. The bidder shall bid on each alternate specified as part of the specifications. Alternates not specifically requested will not be considered unless prior approval has been granted by the Engineer.
- E. Description of Alternate Bids:
 - 4. ~~Provide steel framework in place of aluminum material.~~
 - 2. Provide curved acrylic safety panel/terminations for player box dividers and termination points (4 locations + 1 extra). Make all required changes to dasher board system to accommodate this change. Price per rink.
 - 3. Provide powder coated aluminum (**Navy** Dark Blue) painted aluminum support posts in place of specified finish.
 - 4. Provide two piece quick mount shielding support in place of the piece screw assembly front plate type.

PART 2 - PRODUCTS

2.01 APPROVED MANUFACTURERS OF DASHER BOARD SYSTEM

- A. Becker Arena Products/Sports Systems/Athletica/Cascadia, Rink Systems, Riley Manufacturing, or others by prior approval.

2.02 FRAME

- A. All dasher panels whether straight, curved or gated shall have the same design and similar construction. Panels shall be all welded construction.
- B. Standard Sizes:

Panel Section	Height	Length	Width
Straight	41"	96"	6"
Curved	41"	88"	6"
Back of Players Boxes	See plan	96"	6"

- C. Materials:
 - 1. Aluminum: Shall be structural alloy 6005A-T6. Architectural alloy is not acceptable. Shall meet ASTM B221 and Federal Specifications QQA200-9.
 - 2. ~~Alternate Bid: Steel shall be hot dip galvanized after fabrication. Zinc or nickel plating is not acceptable.~~
 - 3. Systems shall be constructed with either aluminum or steel materials, not a combination of the two.
 - 4. Height of systems shall be modified if ice retainers is used.
- D. Components: See drawings.
- E. Connections: Panels shall be fastened together through end plates at a minimum of three (3) locations with 1/2" diameter (minimum) bolts.
- F. Other Supports: Provide additional supports where required and to accommodate systems such as quick release backer panels, gap closures, material, taller panels, etc.
- G. All holes used in the framing system shall be pre-punched with slotted holes to allow for expansion and contraction in the polyethylene materials.
- H. Systems that require external support posts on the back side of the dasher panel section are not acceptable unless specified or noted on the drawings.

2.03 SHIELDING

- A. Shielding shall be as specified herein and shown on the drawings.
- B. Tempered Glass Material: Shall be clear float tempered glass. Material shall conform to CAN2-12.1-M79, Type 2 or equivalent. All edges shall be ground or beveled to minimize breakage.
- C. Dimensions:
 - 1. Height of shielding: As shown on the drawings. Specified height of shielding shall be measured from top of top sill to top of shielding.
 - 2. Thickness of shielding in inches: As shown in table below with nominal dimensions shown in ():

Type	Sides	Ends	Radius
Acrylic	0.545-0.620	0.545-0.620	0.545-0.620
Glass	0.472 (1/2)	0.591 (5/8)	0.591 (5/8)
- 3. All shielding shall be equal widths wherever possible, so the panels are interchangeable.
- 4. The top two corners of each piece of shielding shall be rounded to 1/2" radius.
- D. ~~Alternate Bid:~~ Curved Acrylic Safety/Termination Sections. Provide four (4) + one (1) extra NHL approved curved acrylic safety/termination shielding sections for termination points at each end of player's boxes. Shall be same material and height as adjacent shielding.

- E. Other:
 - 1. Provide one (1) 2.5" diameter speaker hole(s) in shielding in front of scorer's box. All edges of hole shall be routed smooth.
 - 2. Provide transition (angled top edge to match height of adjacent shielding pieces of shielding) where two different height shielding meet as shown on the plans.
 - 3. Provide extra pieces of shielding as stated below. Thickness to match specifications for specified area.

Location	Height (inches)	Material	No. of Pieces
Seamless system	72	Tempered glass	2
Support system	72	Tempered glass	1
3' Access gate	72	Tempered glass	1
Equipment gate	72	Tempered glass	1

Emergency Repair	72	0.591" thick Acrylic	2
TOTAL			7

2.04 SHIELDING SUPPORTS

- A. Material: Shall be structural alloy 6005A-T6 conforming to ASTM B221 and Federal Specifications QQA200-9 or architectural alloy 6061-T6.
- B. As specified in Article 2.02 – Frame, in this Section.
- C. Construction:
 - 1. Supports:
 - a. Between Shielding: Two-piece design with ice side piece to have a flat face. Round construction on ice side will not be accepted. Shall be screwed assembly.
 - b. End/Terminations: One-piece channel design at all glazing terminations, gates, and 90-degree corners.
 - c. Finish: ~~Manufacturer's standard 202R1 clear anodized finish.~~ Shall be powder coated– Color: Dark Blue.
 - d. Supports shall fit snuggly through top sill and secured at bottom of the middle stringer as shown on the drawings.
- D. Gaskets: Continuous polyethylene gasket to hold shielding in place. Thickness of gasket shall vary for varying thickness of shielding to provide snug fit between the shielding and the support.
- E. Hardware: All hardware shall be made of extruded aluminum alloy 6005A or 6351-T-6. All fasteners shall be recessed flush with surface of support. All fasteners and hardware shall be removable for easy replacement of shielding and disassembling for removal and reinstallation.
- F. Height: As indicated on the drawings or 1" max. distance below top of shielding if not indicated on the drawings.
- G. Spacing: Nominally 4'-0" on center.
- H. Other: Eye bolts shall be provided on each support on ends and radius for connection of netting.
- I. Provide 3 extra Polycarbonate H sleeves for each different height of shielding.

2.05 SUPPORTLESS SHIELDING SUPPORT CHANNEL

- A. Material:
 - 1. Aluminum: Material shall meet ASTM B221, Federal Specification QQA200-9 and alloy 6005A or alloy 6351-T-6.
 - 2. Polyethylene: Material shall be requirements of Section 2.3.
- B. Construction: Continuous aluminum channel(s) to support glass welded into frame. The bottom 3 -1/2" minimum of tempered glass shall be covered with U-shaped gaskets inserted in channels. A continuous block of polyethylene may be substituted for the aluminum channel.
- C. Gaskets: Continuous polyethylene or equal gasket to hold shield in place. Gaskets shall be mounted to glass with adhesive tape.
- D. Hardware: All hardware shall be made of extruded aluminum alloy 6005A or 6351-T-6. All fasteners shall be recessed flush with surface of support. All fasteners and hardware shall be removable for easy replacement of shielding and disassembling for removal and reinstallation.
- E. Other:
 - 1. Provide system to continuously support netting below top of shielding.
 - 2. The gap between the glass shielding pieces, where there are no gates, shall be 1/4" to 3/8".

3. Furnish and install spring-loaded Lexan clip assemblies at the top of the shielding to connect shielding sections together. Provide poly protection covers for each bolt on back of each assembly. Provide eight (8) extra clips and twenty (20) extra covers for the Owner's use.
4. Furnish and install plastic spacers between the shielding panels for proper spacing.
5. Furnish and install shielding supports as specified in Article 2.8 at doors and 90-degree corners.

2.06 POLYETHYLENE

- A. Material: High impact, high density, stress relieved, virgin polyethylene. Reprocessed polyethylene is not acceptable.
- B. Dimensions: See drawings.
- C. Colors:
 1. As stated in material schedules on drawings. "Owner" means color shall be selected by Owner from the standard colors of white, black, royal blue, red, gold, yellow. It does not include the premium colors of light blue, green, navy blue, and some shades of grey or custom colors.
 2. All like colors shall match.
 3. White: Shall be Bright white in color. Natural white is not acceptable.
- D. Fasteners: See Article 2.07 in this section.
- E. Top Sill:
 1. Dimensions – see drawing.
 2. When supported acrylic shielding system is being used, a 3/8" deep continuous channel shall be routed in top sill to support shielding.
- F. Kick Plate:
 1. Shall be fastened to facing of dasher board system.
- G. Facing Panels:
 1. Shall be one piece, cut to match dimension of frame.
 2. Line Markings:
 - a. Shall be installed at locations shown on the drawings and shall be installed flush with dasher board facing.
 - b. Facing shall be routed 1/4" deep so 1/4" colored line marking material can be inserted into facing panel.
- H. Backer Panels:
 1. Shall be one piece, cut to match dimensions of frame.
 2. In the player's boxes, backer panels shall cover all exposed framing and shall only be cut out for water bottle shelf opening.
 3. Provide polyethylene trim pieces between each section of back panel.
- I. Officials Table
 1. Shall be one piece.
 2. Shall be fastened to dasher board system on three side.
- J. Thresholds:
 1. Thresholds for equipment gates shall be constructed of a metal frame and a polyethylene top piece. Frame height shall be as required to provide an overall height shown in the table on the drawings. See drawings also for thickness of polyethylene. Frame material shall meet the requirements of Article 2.02 and polyethylene shall meet the material requirements of this article.
 2. All equipment gate thresholds shall be easily removable for dry floor event access and for easy replacement.

2.07 FASTENERS FOR POLYETHYLENE or FIBERGLASS MATERIAL

- A. The fasteners specified in this article shall be used for securing the facing, backing, top sill and kick plate materials.
- B. Material:

Framing Material	Fastener Size and Type
Aluminum	1/4 "-20 Type F zinc – self tapping, color to match poly material
Steel	1/4" Phillip flat head machine screw, flat washers, 1/4" nylon insert lock nuts

- C. Construction:

1. The heads of the screws shall be painted to match the facing color.
2. Fasteners for bottom row of kick plate shall be stainless steel. For outdoor rinks, all fasteners shall be stainless steel.
3. Spacing shall not exceed 10 inches on center.
4. Screw holes in poly material shall be large enough to allow for expansion and contraction.
5. Thresholds: All fasteners on thresholds shall be counter-sunk 1/2".

2.08 PLAYERS, PENALTY, SCORER, CAMERA BOXES

- A. Dimensions: As shown on the drawings.
- B. Framing Systems: Shall be constructed of same material as the dasher frame, conforming to material requirements of Article 2.02, and as shown on the drawings.
 1. Components: See drawings.
 2. Benches shall be constructed so that they can be easily removed including tube supports built into flooring to support the bench supports.
- C. Flooring. Shall be constructed with 3/4" fire treated plywood screwed to framing. Provide coaches walk as shown in the drawings for the full length of the player's benches. All exposed surfaces shall be covered with 1/2" black resilient flooring material as manufactured by Humane or equal.
- D. Scorers Box Table(s) and Benches:
 1. Provide table(s) and benches with dimensions shown on the drawings.
 2. Framing material as specified in this article.
 3. Bench material as specified in Article 2.07 of this specification. Thickness as specified on the drawings.
- E. Fasteners: Fasteners that come in contact with pressure treated or fire-retardant treated wood shall be hot-dipped galvanized steel with a minimum rating of G-185 (1.85 oz. of zinc/sq.ft. of metal) meeting ASTM A153, stainless steel, or silicon bronze as required by the International Building Code Section 2303.1.8.5. Plain finish elsewhere. Electroplated galvanized fasteners shall not be used for exterior applications. Fasteners for benches shall be 3/8" carriage bolts.
- F. Backing: Specified in Article 2.07 of these specifications.
- G. Other: Incorporate a water bottle shelf in player's boxes as shown on the drawings. Shelf shall run full length of player's box. Material thickness as shown on the drawings. Color of shelf material shall be white to match color of backer.

2.09 PLAYERS AND ACCESS GATES

- A. Provide access and players gates with openings as shown on the drawings.
- B. Gates shall be integrated into the standard 8' long panel sections and shall be Left or right swing as directed by the Owner.
- C. Gate panel framing shall be similar construction as dasher framing.
- D. Gate Latches: Shall be solid, steel welded construction, with a single 3/8" thick x 2" wide steel flat bar, easily opens with glove hand. Fastened to framing with 3/8" x 1 1/4" hex head bold and 3/8" nylon locking nut. Shall latch by gravity and latch on their own when gate is closed.

- E. Gate Hinges: Shall be two lift off type hinges welded. All hinge assemblies shall have grease fittings for easy lubrication or use nylon bushings. Piano type hinges, 10 GA, non greasable, bolted to frame, are acceptable where shielding is not used. Hinges shall be adjustable.
- F. Doorstop: All gates shall have a steel door stop welded to the frame with minimum dimensions of 3/8" x 3 1/2" x 4 1/2" long".
- G. Ice Side Release Devices: All players and access gates with shielding shall have push button releases located on in the top sill, on the ice side, so that the gate can be opened from the ice side.
- H. Finger hold: Route a 3/8" deep x 3/4" wide area in top sill at all access gates with glass shielding to be used as a finger hold to close doors from the ice side of the board system.
- I. Gate shall be constructed so top of threshold is located as follows:

Type of Gate	Distance Above Finished Floor (in)
Players	9
Access	3
Equipment	2

- J. Casters: For gates over 42" wide, provide 5" diameter, spring loaded, adjustable, zinc plated framing, polyurethane tires. Provide casters on each leaf.

2.10 EQUIPMENT GATES

- A. Shall be double leaf gates with opening sizes as shown on the drawings.
- B. Materials: Framing materials to meet requirements of Article 2.02 of this specification and be of similar construction.
- C. Latch: Shall be the sliding steel tube with minimum dimensions of 2 1/4" x 2 1/4" x 12 gauge or 2" diameter solid steel rod with large handle (push down). Zinc plated all components. Provide two (2) latches per gate.
- D. Lock: Each leaf of gate shall lock into concrete perimeter slab with 3/4" diameter x 12" long solid steel, zinc plated cane bolts.
- E. Hinges: Zinc plated, heavy duty, manufactured using 3/8" thick steel components and 3/4" minimum diameter hinge pins, adjustable, lift off type welded to frame. Shall have grease fittings for easy lubrication. Two hinges per door.
- F. Casters: 5" diameter, spring loaded, adjustable, zinc plated framing, polyurethane tires. Provide casters on each leaf.
- G. Fasteners: Shall be zinc plated and color to match where necessary.

2.11 GAP CLOSURES

- A. Furnish and install material to fill the gap between the back of the dasher board panel and the bleachers, stairs, ramps, and all other raised structures.
- B. Material:
 - 1. Polyethylene: 3/8" thick x 3" x 3" angle x width shown on drawings. Length of each piece shall be minimum of 8 feet or longest possible for area of application. Material shall be high impact, high density, stress relieved, virgin polyethylene. Reprocessed polyethylene is not acceptable. Router top edge on opposite side of the bleachers to provide a radius. Furnish and install all additional framing and supports required for fastening to dasher framing and for solid support over gap length. Framing and support material shall match dasher panel framing material. Color selected by Owner from standard colors of white, gold, dark blue, light blue, red, green and yellow. The color of all material shall match.
- C. Fasteners: See Article 2.07 in this section.
- D. Construction: Gap closure system shall be mounted to the dasher board system only and not to the adjacent structure.

2.12 FLOOR ANCHORS AND INSERTS

- A. Anchors components include bolts, inserts, washers, threaded rod, and hold down plate as shown on the drawings and as follows:
 1. Where dasher board system is located on the perimeter concrete: New holes shall be drilled for each anchor. Anchors shall be 5/8" x 3" zinc plated inserts by Hilti-HFA 200, Hilti HY 150, or equal. Expansion anchors are not acceptable.
 2. Where the dasher board system is located on the ice rink slab: Anchor assembly shall be as detailed on the drawings or equal and shall be cast in place into the concrete ice rink floor. If material type is not shown on the drawings, then insert material shall be:
 - a. For removable panels: Anchor inserts, and washers shall be 303 stainless steel, base plate may be 303 Stainless steel or carbon steel and bolts shall be zinc plated material.
 3. Where dasher board system is replacing an existing system, replace and supplement existing anchor assembly as needed to secure dasher board system adequately and as specified.
- B. Bolts shall be 5/8" diameter. Material shall be as stated herein.
- C. Hold down plate shall be sized as shown on the drawings.
- D. Plug Materials: Furnish and install threaded plugs for each insert. Brass for the dasher board inserts.

2.13 ADVERTISEMENT PANELS

- A. Provided by Owner.

2.14 PROTECTIVE SPECTATOR NETTING SYSTEM

- A. Size and Location: Netting shall be installed where shown on the drawings. The netting shall extend from 6" below the top of the shielding supports to the height specified on the drawings. The net shall be custom made to fit the exact length and height required.
- B. Material:
 1. Nylon. #420 knotless High Tenacity Polypropylene (HTPP) Pylon, 1 1/2" square mesh x 1.8mm twine, 125 lb. minimum break strength, UV and weather resistant and treated with fire retardant coating. Perimeter edging shall be reinforced vinyl, double sewn with #2 brass grommets. Grommets locations shall be a maximum of 24" on center. Color will be black or white as selected by the Owner.
- C. Support System:
 1. The top of the netting shall be supported with a continuous rigid conduit or rigid bar system (10-foot minimum length sections) formed to the radius dimensions of the rink. Rigid supports shall be installed at the bottom of the netting at all equipment and access gates. Conduit supports shall be galvanized steel.
 2. Support Cables: 3/16" galvanized steel cable to roof structure.
 3. Fasteners: Netting shall be attached to top of shielding with cable system and metal clips or nylon tie straps. Every 4' o.c., centered on each sheet of shielding, cable shall be attached to shielding with suction cups if supportless shielding, fasteners shall be attached to poly clips at top of shielding. Nylon ties shall be 1/8" wide, UL recognized and a minimum tensile strength of 100 lbs.
 4. Provide all other cables, clamps, turnbuckles, eyebolts, suction cups, plastic ties, etc. as required for a complete, clean and neat installation.

2.15 ACCESSORIES

- A. ~~Glass Handler Suction Cups.~~
 1. ~~Furnish one (1) pair of suction cup devices for glass handling to aid in removal of tempered glass or acrylic shielding, 8" diameter with Lexan handle, 125-pound capacity as manufactured by Wood's Power Grip or equal.~~
- B. ~~Glass Storage Cart.~~
 1. ~~Provide two (2) glass shielding storage cart(s)~~

2. ~~Size: Large cart (52 inch wide x 94 inches high x 102 inch long) Small cart (52 inch wide x 58 inches high x 60 inch long)~~
3. ~~Construction: 4,800 lb minimum, steel "A" frame, heavy duty construction, two rigid and two swivel wheels, and towing tongue and pull handle on each end of cart. Assemble cart(s) for Owner.~~
4. ~~Accessories: Provide two (2) ratchet strap assemblies with each cart.~~

C. Board Storage Cart.

1. ~~Provide two (2) board storage cart(s), 60" wide x 60" high x 94" long.~~
2. ~~Construction: 4,000 lb minimum, steel frame, heavy duty construction, end rails, plywood deck, two rigid and two swivel wheels. Shall have 5" diameter wheels rated for 2,000 lb load each. Carts shall be stackable. Assemble cart(s) for Owner.~~
3. ~~Finish: One coat of primer and two coats of finish paint.~~
4. ~~Accessories: Provide two (2) ratchet strap assemblies with each cart.~~

D. Shielding Pads.

1. ~~Furnish and install shielding pads at all exposed ends of shielding or supports, corners, and termination of shielding.~~
2. ~~Pads shall full length of shielding or supports and shall be constructed with heavy duty 18 oz. reinforced fabric sleeve with impact absorbing foam core sealed inside. Pads shall be secured in place with 2" wide Velcro fastening system.~~
3. ~~Color: Owners shall select color of pads from the manufacturer's standard colors of red, navy, orange, gray, tan, green, burgundy, yellow or black.~~
4. ~~Color and Lettering: Color and Lettering: Owner to select custom color and lettering.~~

2.16 POLY ELECTRICAL ENCLOSURE

- A. Furnish and install an enclosure to cover electrical outlets, wiring and other devices located beneath the scorer's table. Enclosure shall be full height of space beneath the table and be as narrow (both in depth and width) as possible to maximize leg room. Enclosure shall have large-hinged door with latch. Door shall be sized so the front of all electrical outlets is unobstructed when door is open.

PART 3 - EXECUTION

3.01 INSTALLATION

- A. Prior to delivering materials to the site and beginning installation, verify that the rink floor has been released for lift access and that the expansion joint has been installed and inspected.
- B. The manufacturer shall provide all materials and labor for a complete dasher board system and installation. The dasher board system shall be shop fabricated as much as possible prior to delivering to job site.
- C. Installation shall be completed under the direct supervision of an experienced representative from the manufacturer.
- D. Installation shall be performed per the manufacturers recommended requirements and instructions. System shall be securely anchored in place. Provide all trim, shims and other accessories required for a complete, level and plumb, installation.
- E. Any material that is scratched, marked up, chipped, dented or damaged in any way shall be replaced.
- F. All parts of the system shall be thoroughly tested and adjusted, as necessary. Walk through the system with the Owner and make all adjustments necessary for the Owner's satisfaction.
- G. Nylon ties used to attach netting at top of shielding and elsewhere shall be cut off or trimmed in such a manner, and with the appropriate tools, to eliminate all sharp edges.
- H. All supportless shielding systems shall be installed with a maximum 3/8" wide space between any two pieces of shielding.

3.02 ANCHORS AND INSERTS

- A. The dasher board manufacturer shall be on-site prior to and during the concrete rink floor pour to install, protect and adjust the anchors and inserts when the dasher board system is being installed on the rink floor.
- B. Field verify the location of goal inserts in the concrete floor (if applicable) to assure alignment with the goal line markings on the dasher board system.

3.03 RESILIENT FLOORING IN BOXES

- A. Cut rubber flooring to fit neatly and tightly around fixed objects and perimeter. Provide flush surfaces at sills and gates. Flooring to be loose laid over plywood substrate on the main box level. Flooring to be securely fastened on coaches raised platform and other raised floor levels within the box areas. All other exposed aluminum or steel to be covered by rubber flooring (horizontal surfaces) or poly (vertical surfaces).

3.04 CLEANING

- A. Clean all surfaces thoroughly prior to leaving the job site. The systems shall not be cleaned until all punch list items have been addressed.

3.05 START-UP SERVICES

- A. After all systems have been tested and thoroughly cleaned provide the Owner's operating staff with a minimum of 2 hours of hands-on instructions on the operation and maintenance of the system.

3.06 COORDINATION OF WORK

- A. The contractor shall be responsible for coordinating all work specified herein and shall work closely with other subcontractors on the project.

3.07 PERMITS

- A. The contractor shall apply for and obtain all permits required to construct the project at no additional cost to the Owner unless specified otherwise.

END OF SECTION

NorthStar
Ford Arena4309 Ugstad Rd
Hermantown, MN 55811project #: 022058.00
date: 10/29/24
drawn by: SMH
checked SAW by:

I hereby certify that this plan, specification, or report was prepared by me or under my direct supervision and that I am a duly Licensed Engineer under the laws of the state of Minnesota.

signature: *Scott A. Ward*
printed name: Scott A. Ward, PE
reg #: 40921
sign date: 06/14/2024

GENERAL NOTES:	
1.	FIELD VERIFY ALL DIMENSIONS PRIOR TO MANUFACTURING.
2.	SPECIFIED SHIELDING HEIGHT SHALL BE MEASURED FROM TOP OF TOPSILL TO TOP OF SHIELDING.
3.	RUBBER FLOORING TO BE FURNISHED AND INSTALLED IN ALL PLAYER, PENALTY, CAMERA AND OFFICIALS BOXES. (TYP.) VERIFY COLOR WITH ARCHITECT.
4.	ANCHORS SHALL BE INSTALLED IN RINK FLOOR PRIOR TO PLACEMENT OF CONCRETE. COORDINATE INSTALLATION WITH ICE RINK CONTRACTOR.

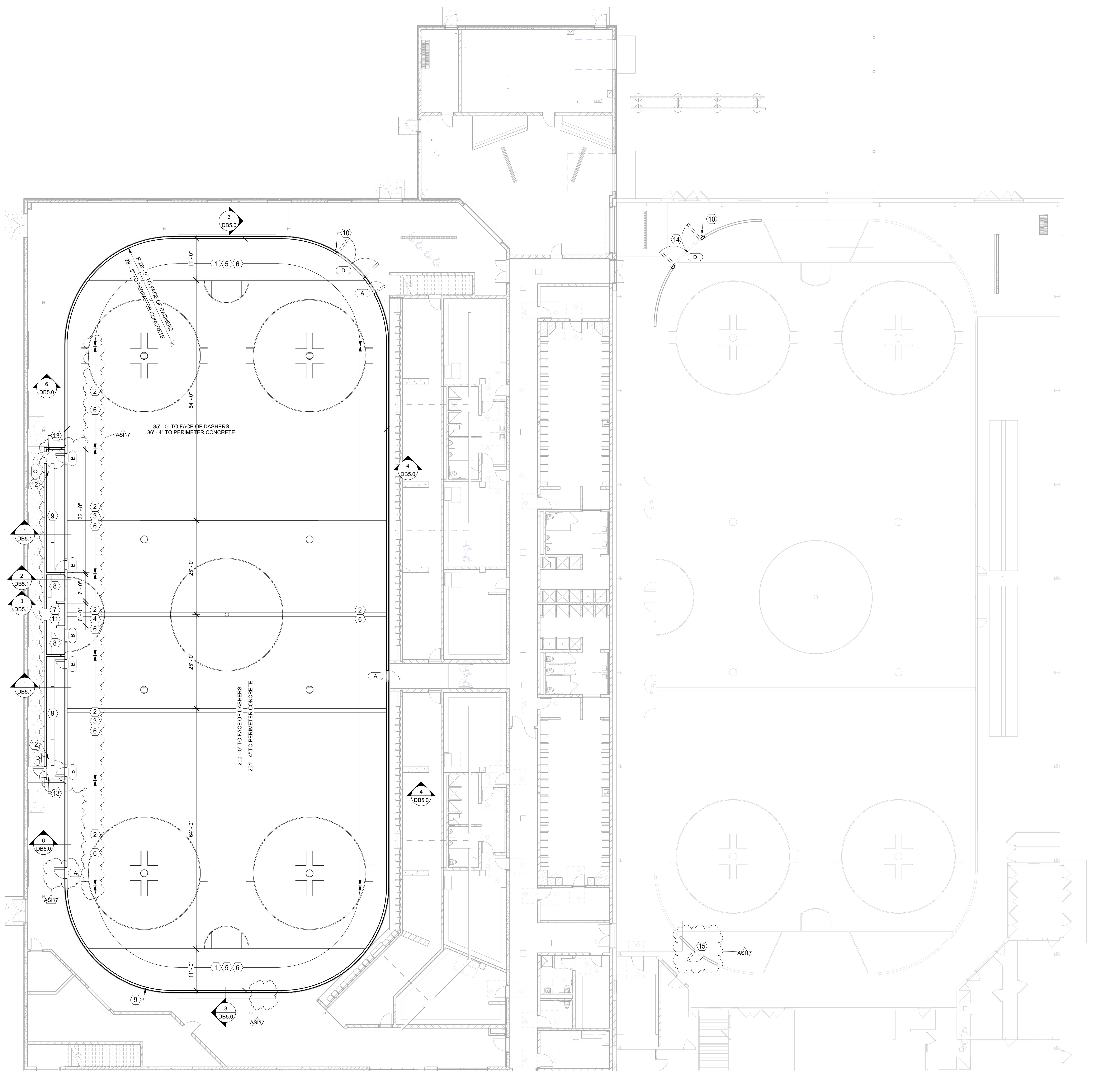
KEYNOTES:	
1.	6'-0" HIGH TEMPERED GLASS SHIELDING WITH ALUMINUM SUPPORT POST SYSTEM.
2.	6'-0" HIGH TEMPERED GLASS SHIELDING WITH SEAMLESS SUPPORT SYSTEM ALONG STADIA SIDE AND PLAYER BOX SIDE ONLY.
3.	6'-0" HIGH TEMPERED GLASS SHIELDING @ SIDE WALLS OF PLAYERS BOXES. NO GLASS @ FRONT WALL.
4.	6'-0" HIGH ALUMINUM SUPPORTED TEMPERED GLASS SHIELDING @ AND SIDE WALLS OF PENALTY AND OFFICIALS BOXES.
5.	15'-0" HIGH BLACK NYLON NETTING AND SUPPORTS ON ENDS, RADII AND WALKING TRACK SIDE.
6.	FULL BACKER PANEL ALONG STADIA WITH POLY GAP FILLER ALONG ALL RAISED SURFACES.
7.	SCORERS BOX WITH 1'-8" X 6'-0" LONG POLY TABLE. SEE SECTION FOR MORE DETAIL.
8.	PENALTY BOX WITH 6'-0" LONG BENCH. SEE SECTIONS FOR MORE DETAIL.
9.	PLAYERS BOX WITH 29'-0" LONG BENCHES AND RAISED COACHES WALKWAY. SEE SECTIONS FOR MORE DETAIL.
10.	EXTERNAL SUPPORT POSTS ON EACH SIDE OF GATE. (TYP. OF 2).
11.	COORDINATE ELECTRICAL POWER OPENING THROUGH BACKER PANEL FOR A FLUSH FINISH.
12.	POLY FACING FULL HEIGHT OF RAISED PLATFORM.
13.	24" REMOVABLE BENCH SECTION TO PROVIDE 60" DIAMETER CLEAR 24" AREA (TYP. OF 2).
14.	RELOCATE EXISTING SOUTH EAST CORNER EQUIPMENT GATE, SHIELDING, SUPPORTS AND ACCESSORIES TO NORTHWEST CORNER. MODIFY EXISTING DASHER BOARDS AS NECESSARY FOR A COMPLETE INSTALLATION.
15.	RELOCATE EXISTING NORTH WEST CORNER DASHER SECTION, SHIELDING, SUPPORTS AND ACCESSORIES TO SOUTHEAST CORNER AND INSTALL A 36" ACCESS GATE. MODIFY EXISTING DASHER BOARDS AS NECESSARY FOR A COMPLETE INSTALLATION.

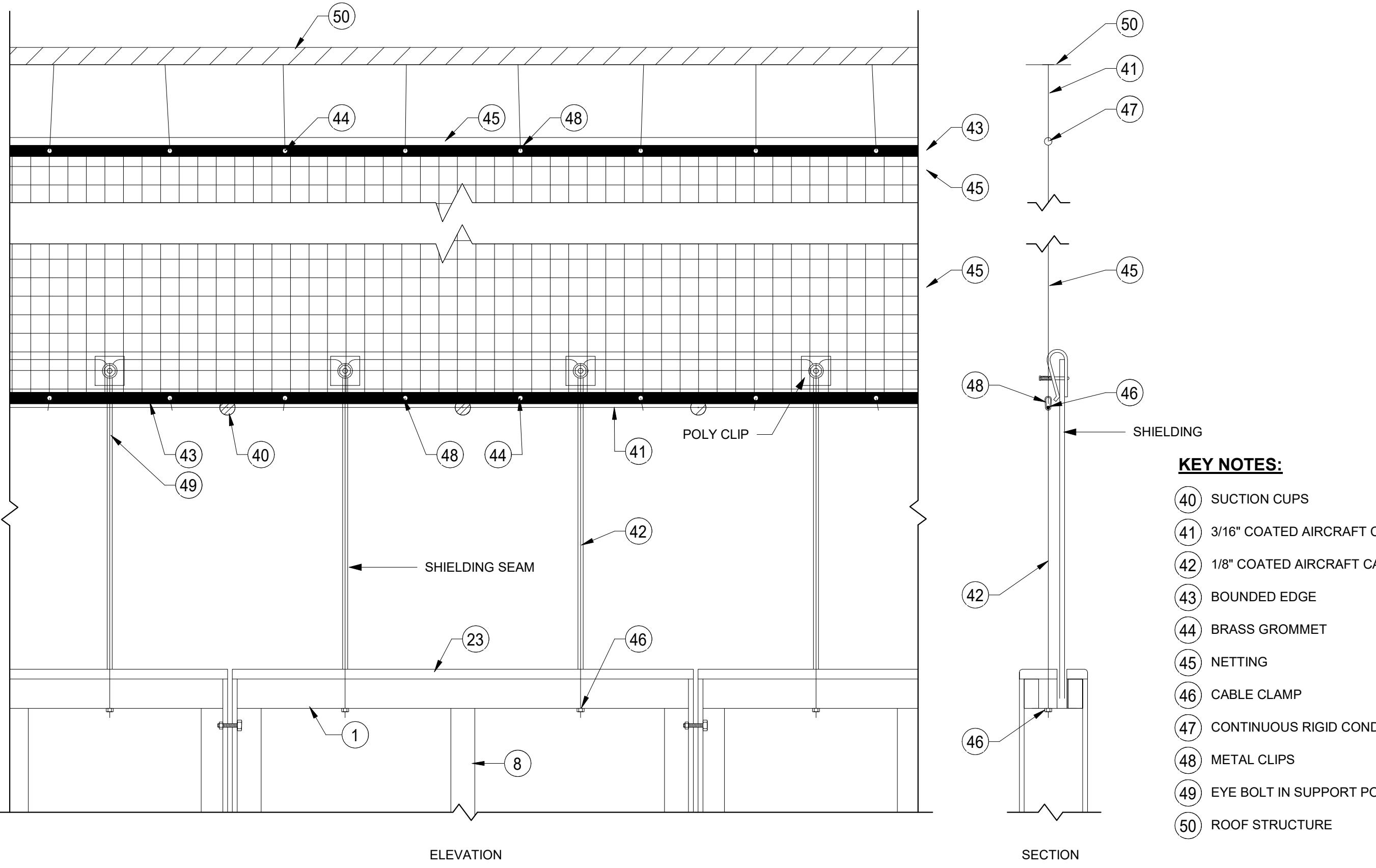
ALTERNATE BID:	
1.	PROVIDE POWDER COATED ALUMINUM (NAVY BLUE) IN PLACE OF CLEAR ANODIZED ALUMINUM.
2.	PROVIDE TWO PIECE QUICK MOUNT TYPE IN PLACE OF TWO PIECE SCREW ASSEMBLY FRONT PLATE TYPE.
3.	PROVIDE CURVED ACRYLIC SAFETY PANEL FOR PLAYER BOXES (4 LOCATION + 1 EXTRA) IN PLACE OF TREMINATION PADDED POSTS.

DASHER GATE SCHEDULE			
GATE MARK	GATE WIDTH	THRESHOLD HEIGHT	POLY THICKNESS
A	3'-0"	3"	1"
B	2'-6"	9"	1"
C	3'-0"	9"	1"
D	10'-0"	2"	3/4"

CONFORMANCE SET

revision / issue	no.	date
ASI	17	01/14/2025
ASI	4	09/30/2024

ICE RINK
DASHER
BOARD PLAN
sheet title: sheet number:DB1.0
sheet number:

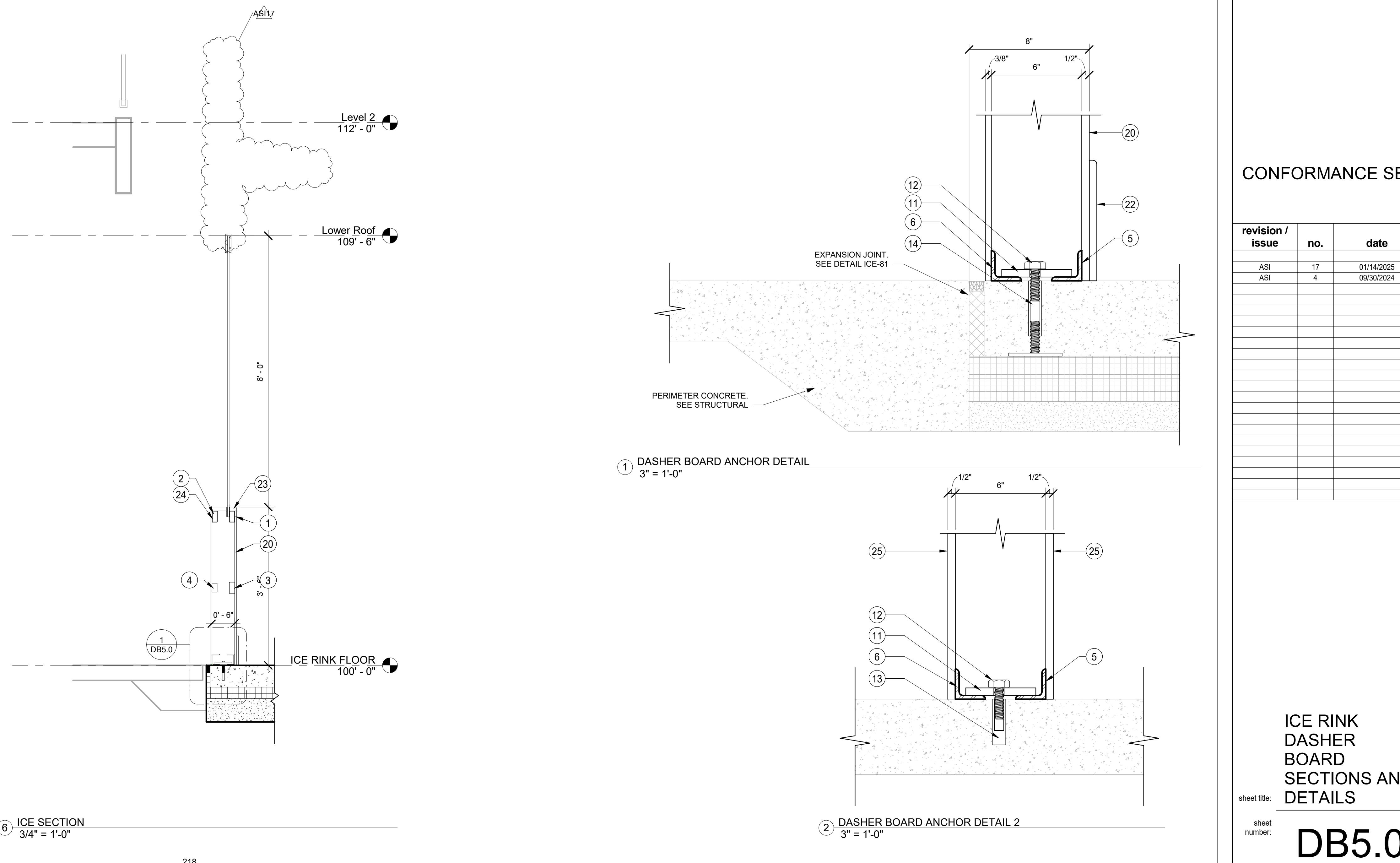
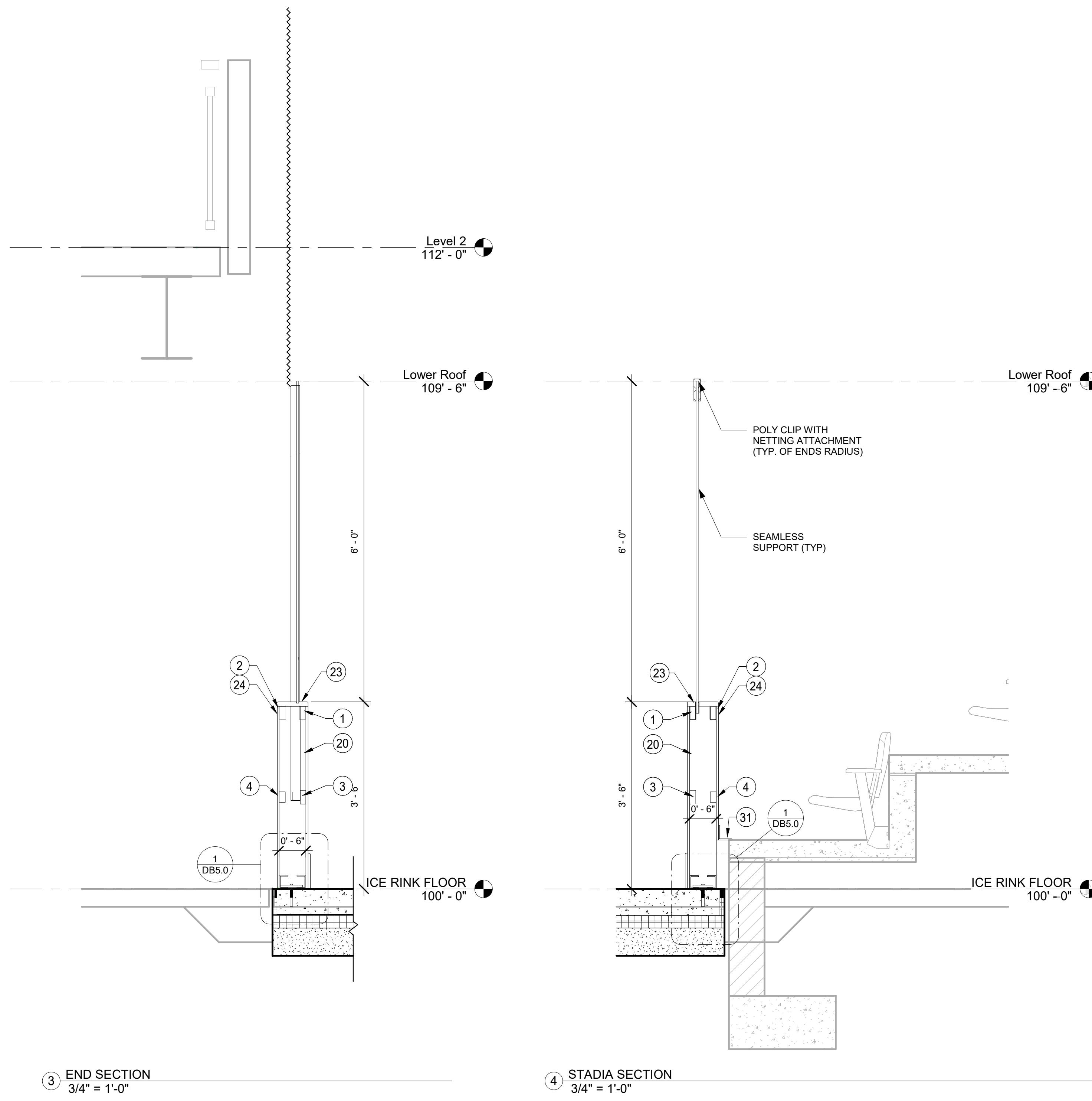
NorthStar
Ford Arena4309 Ugstad Rd
Hermantown, MN 55811

DASHER BOARD MATERIAL SCHEDULE

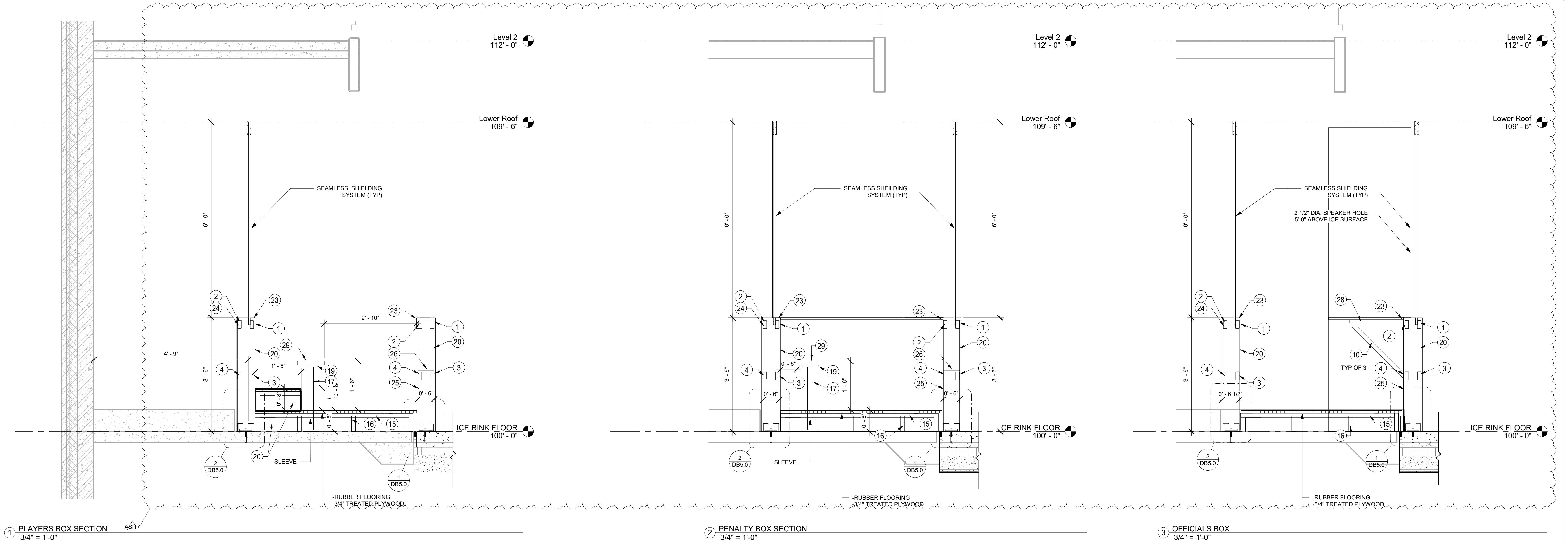
KEY NOTE	COMPONENT	ALUMINUM FRAME SYSTEM (BASE BID)		STEEL SYSTEM	
		DIMENSIONS (INCHES) - MIN. REQ.	SHAPE		
①	TOP FRONT STRINGER, STRAIGHT SECTION (HORIZONTAL)	1 1/2 x 3 x 1/8	TUBE	2 x 2 x 3/16	ANGLE
①	TOP FRONT STRINGER, CURVED SECTION (HORIZONTAL)	1 x 3 x 1/8	TUBE	2 x 2 x 3/16	ANGLE
②	TOP BACK STRINGER (HORIZONTAL)	1 1/2 x 3 x 1/8	TUBE	1 x 1 x 14 GAUGE	TUBE
③	MIDDLE FRONT STRINGER, STRAIGHT SECTION (HORIZONTAL)	1 1/2 x 3 x 1/8	TUBE	2 x 2 x 3/16	ANGLE
④	MIDDLE BACK STRINGER, STRAIGHT SECTION (HORIZONTAL)	1 1/2 x 3 x 1/8	TUBE	2 x 2 x 3/16	ANGLE
⑤	BOTTOM FRONT STRINGER (HORIZONTAL)	1 1/2 x 3 x 3/16	CHANNEL	2 x 2 x 1/4	ANGLE
⑥	BOTTOM BACK STRINGER (HORIZONTAL)	1 1/2 x 3 x 3/16	CHANNEL	2 x 1 1/2 x 1/4	ANGLE
NOT SHOWN	END PLATES (VERTICAL)	1/4 x 6 WITH 1 1/2 FLANGE FOR FRONT SIDE AND 3" FLANGE FOR GATE HARDWARE ON BACK. REINFORCED CORNERS, SLOTTED FOR SHIELDING.	ONE PIECE EXTRUSION	2 x 6 x 11 GAUGE W/ 3/4" RETURN EDGES	CHANNEL
NOT SHOWN	INTERMEDIATE POSTS (VERTICAL)-PANELS OVER 48" IN LENGTH	1 1/2 x 3 x 1/8	TUBE		
NOT SHOWN	INTERMEDIATE POSTS (VERTICAL)-PANELS OVER 60" IN LENGTH	1 1/2 x 3 x 1/8	TUBE	3 x 2 x 11 GAUGE	TUBE
⑩	ANCHOR PLATES (2 PER PANEL)	1 1/2 x 3 x 1/8	TUBE	1 x 2 x 14 GAUGE	TUBE
⑪	ANCHOR BOLTS AND WASHER (2 PER PANEL)	5 1/4 x 4 1/2 WITH 3/4 HOLE IN CENTER	PLATE	5 x 5 1/2	PLATE
⑫	ANCHOR INSERT - THREADED	5/8 x 2	BOLT	5/8 x 2	BOLT
⑬	PRECAST ANCHOR INSERTS - THREADED	3	BOLT	3	BOLT
⑭	FULL DEPTH OF FLOOR		BOLT		
BOX MATERIAL					
FLOOR AND COACHES WALK:					
⑮	BASE FRAME	1 1/2 x 1 1/2 x 1/8 @ 16" O.C.	TUBE	1 1/2 x 2 1/2 x 1/8	TUBE
⑯	ADJUSTABLE LEGS	1 1/2 x 2 1/2 x 1/8	TUBE		
BENCH SUPPORTS:					
⑰	VERTICAL SUPPORTS (REMOVABLE WITH SLEEVE) 4'-0" O.C. MIN.	2 1/2 x 2 1/2 x 1/8 ZINC PLATED STEEL	HSS	2 1/4 x 2 1/4 x 12 GAUGE	TUBE
⑱	HORIZONTAL SUPPORTS	3 1/2 x 3 1/2 x 1/4 ZINC PLATED STEEL	ANGLE	ZINC PLATED STEEL	ANGLE
⑲	UNDERSTRUCTURE	1/8 x WIDTH OF BENCH		1/8 WIDTH OF BENCH	PLANK
POLYETHYLENE MATERIAL					
KEY NOTE	ITEM	THICKNESS (IN.)	WIDTH/HEIGHT (IN.)	LENGTH (IN.)	ROUTED EDGE (IN.)
⑳	FACING	1/2	FULL PANEL	1/4 TOP EDGE	WHITE
NOT SHOWN	LINE MARKINGS	1/2	2 GOAL, 12 OTHER	FULL PANEL HEIGHT	1/4 TOP OF KICKPLATE
㉑	KICKPLATE	1/2	8	1/4 TOP EDGE	PER PLAN
㉒	TOP SILL	3/4	FULL PANEL INCL. FACE AND BACKER	FULL PANEL	1/4 FRONT AND BACK
㉓	BACKER	3/8	FULL PANEL	NONE	NOTRE DAME GOLD
㉔	BACKER	1/2	FULL PANEL	NONE	AS117
㉕	WATER BOTTLE SHELVES	1/2	FULL PANEL	NONE	WHITE
㉖	SCORER'S TABLE	1	20 x 96	FULL BOX	WHITE
㉗	BENCHES	1 1/2	10	SEE DRAWING	3/8 TOP EDGES, 1/4 BOTTOM EDGE
㉘	GAP CLOSURE-POLY	1/4	3 x 3	SEE SPEC	NAVY BLUE
				FRONT EDGE	NAVY BLUE

project #: 022058.00
date: 10/29/24
drawn by: SMH
checked SAW by:
I hereby certify that this plan, specification, or report was prepared by me or under my direct supervision and that I am a duly Licensed Engineer under the laws of the state of Minnesota.

signature: *Scott A. Ward*
printed: Scott A. Ward, PE
reg #: 40921
sign date: 06/14/2024

ICE RINK
DASHER
BOARD
SECTIONS AND
DETAILS

sheet title: ICE RINK DASHER BOARD SECTIONS AND DETAILS
sheet number: DB5.0



NorthStar Ford Arena

4309 Ugstad Rd
Hermantown, MN 55811

The logo for B32 Engineering Group. It features the number '3' in a large, bold, white font, followed by a smaller '2' in a white font, and a white degree symbol (°) positioned above the '2'. Below this graphic, the words 'Engineering Group' are written in a white, sans-serif font.

NorthStar Ford Arena

4309 Ugstad Rd
Hermantown, MN 55811

I hereby certify that this plan, specification, or report was prepared by me or under my direct supervision and that I am a duly Licensed Engineer under the laws of the state of Minnesota.

signature:	<u></u>
printed name:	<u>Scott A. Ward, PE</u>
reg. #:	<u>40921</u>
sign date:	<u>06/14/2024</u>

CONFORMANCE SET

ICE RINK DASHER BOARD SECTIONS AND DETAILS

sheet 1

DB5.1



Kraus-Anderson Construction Company
2000 West Superior Street, Suite 101, Duluth, MN 55806

May 20, 2025

John Mulder
City of Hermantown
5105 Maple Grove Road
Hermantown, MN 55811

Reference: Hermantown Hockey Arena Addition
KA Project No.: 2222026-
COR No. 125.00 ASI 41 Interior Signage

Dear John:

In response to the above referenced COR No. 125.00, Kraus-Anderson Construction Company proposes to complete the necessary Work associated with ASI 41 Interior Signage per attached documentation provided herein. Our cost to complete this additional work is an **ADD** of TWO THOUSAND EIGHT HUNDRED THIRTY-FOUR AND 08 / 100 Dollars (\$2,834.08).

This proposal assumes that all outstanding proposals previously submitted will be accepted. This proposal is valid for a period of fourteen (14) days.

Please contact the undersigned should you have any questions concerning the above proposal.

Very truly yours,

Kraus-Anderson Construction Company

Max Vergeldt
Project Manager

Enclosure

Cc: Eric Lagergren, DSGW Architects



Project: Hermantown Hockey Arena Addition

Date:

Location: Hermantown, MN

COR: 125.00

Project Number: 2222026-

Project Manager: Max Vergeldt

Description: ASI 41 Interior Signage

Phase Code	Description	Subcontractor Name	Material	Labor	Subcontractors	Est Totals
06.1000.00.	Carpentry Labor	TNT Construction Group, LLC	0.00	0.00	453.20	453.20
10.1400.20.	Specialties Materials Change Or	Bartley Sales Company, Inc.	0.00	0.00	2,270.04	2,270.04
	Subtotal		0.00	0.00	2,723.24	2,723.24
01.5214.00.	Copy/Postage/Supplies	0.08%	2.18	0.00	0.00	2.18
01.5230.20.	Telephone - Mobile Phone	0.09%	2.32	0.00	0.00	2.32
01.7950.00.	Warranty Reserve	0.15%	4.09	0.00	0.00	4.09
90.9000.00.	Umbrella Liability Insurance	0.95%	26.16	0.00	0.00	26.16
91.2000.00.	Builders Risk	0.20%	5.49	0.00	0.00	5.49
92.1000.00.	Performance/Payment Bond	0.60%	16.39	0.00	0.00	16.39
	Subtotal		56.63	0.00	2,723.24	2,779.87
Fee		1.95%				54.21
Total Construction Costs						2,834.08

Sub Contractor Change Order Submission Form

PROJECT NAME: Hermantown Hockey Arena
 Project Number:
 Construction Manager at Risk: Kraus-Anderson Construction Company
 Sub Contractor:
 Change Document Reference #: PCO 125
 Date: 5/15/2025

(WS)

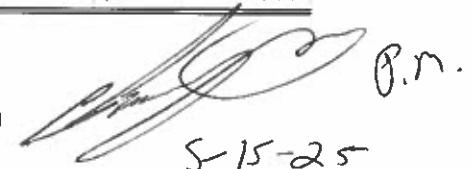
Sub Contractor Change Order Form

Description of the Work: Hang added signs

EQUIPMENT				
1	Unit of Equipment	Units of Time	Rate	Total
			\$	-
			\$	-
			\$	-
			Total Equipment	\$ -
SUPERVISORY PERSONNEL				
2	Position	Hours	Hourly Rate	Total
			\$	-
			\$	-
			\$	-
			Total Supervisory Personnel	\$ -
TRADE LABOR				
3	Classification (Journeymen, Foreman, Gen. Foreman)	Hours	Hourly Rate	Total
	J Journeyman Carpenter	4	\$ 103.00	\$ 412.00
			\$	-
			\$	-
			Total Trade Labor	\$ 412.00
MATERIAL				
4	Description	Quantity	Units	Unit Price
				\$ -
				\$ -
				\$ -
			Total Material	\$ -
SUBCONTRACTOR (List any costs sub contracted out lower tier sub)				
5	Company / Scope of Work	Quantity	Units	Unit Price
				\$ -
				\$ -
				\$ -
			Total Subcontractor	\$ -
SUMMARY				
6	Total Equipment			\$ -
7	Total Supervisory Personnel			\$ -
8	Total Trade Labor			\$ 412.00
9	Total Material			\$ -
10	Total Subcontractor			\$ -
12	SUBTOTAL - COST			\$ 412.00
11	Sales Tax on Material		7.375%	\$ -
12	General & Excess Liability Insurance		0%	\$ -
13	Builder's Risk Insurance		0%	\$ -
14	Performance & Payment Bond		0%	\$ -
15	Total Sales Tax		0%	
16	SUBTOTAL - COST & MARKUPS (No Markup on Sales Tax)			\$ 412.00
16	Overhead & Profit - LABOR		10%	\$ 41.20
16	Overhead & Profit - EQUIP/MATERIALS/SUB		5%	\$ -
17	TOTAL			\$ 453.20

Notes

A Sub contractor must submit cover page that describes nature of change order and scope of work
 B Sub Contractor must submit copy of material invoices or quotes with time cards for labor
 D Overhead and Profit costs can not be included in labor , materials or equipment, all overhead and profit is to be included on OH&P Line Item 15.
 E No OH&P costs can be calculated on sales tax



B.M.
5-15-25

Coffman, Allison

From: Mary Jo Schlee <MJSchlee@bartleysales.com>
Sent: Thursday, May 15, 2025 9:29 AM
To: Coffman, Allison
Cc: Bergerson, Steve; Vergeldt, Max
Subject: RE: NorthStar Ford Arena PCO 125 ASI 42 Interior Signage

Good morning. In reviewing the above mentioned ASI (#42) it appears there are additional Interior room signs being added to the scope.

We would require an **ADD of \$ 2,085.00 (exempt)**

Once we receive notification from your office on how you wish to proceed we will then provide a revised submittal which would reflect the additional signs added to the scope.

Material Subtotal: \$2,085
Sales Tax (8.875%): \$185.04
TOTAL: \$2,270.04

Mary Jo

Mary Jo Schlee || Project Manager
Bartley Sales Company Inc. 6509 Cambridge Street Minneapolis MN 55426
(952) 929-0001 / fax: (952) 929-4733
mjschlee@bartleysales.com

From: Coffman, Allison <allison.coffman@krausanderson.com>
Sent: Wednesday, May 14, 2025 8:16 AM
To: Mary Jo Schlee <MJSchlee@bartleysales.com>; Clay Witkofsky <clay@tnt-cg.com>
Cc: Bergerson, Steve <steve.bergerson@krausanderson.com>; Vergeldt, Max <max.vergeldt@krausanderson.com>
Subject: NorthStar Ford Arena PCO 125 ASI 42 Interior Signage

Good morning,
Please provide pricing for any changes/revisions to your scope of work per the attached PCO 125 ASI 42 regarding Interior Signage.

Thank you,
Allison

Allison Coffman | Senior Project Coordinator
allison.coffman@krausanderson.com | Direct 218.624.8621

KRAUS-ANDERSON CONSTRUCTION COMPANY
2000 West Superior Street, Suite 101, Duluth, MN 55806
Office 218.722.3775 | Direct 218.624.8621 | krausanderson.com

Together, strengthening the communities we serve

 Please consider the environment before printing this email.
Kraus-Anderson is an EOE AA M/F/Vet/Disability Employer



KRAUS-ANDERSON®
Construction Company

2000 West Superior Street, Suite 101
Duluth, MN 55806

Request For Proposal

Project: 2222026- Hermantown Hockey Arena Addition
4309 Ugstad Road
Hermantown, MN 55811 PCO #: 125

Date: 05/14/2025

To: Mary Jo Schlee, Bartley Sales Company, Inc.
Clay Witkofsky, TNT Construction Group, LLC

Please provide a cost breakdown in accordance with the Contract Documents and a Summary for the Change described herein and on the attachments (if any) listed. All responses are required within seven (7) days.

This is not an authorization to proceed with the work described herein unless and until approved by the Owner. On approval, this change will be included in a Change Order, which will provide the formal Contract Change.

DESCRIPTION OF PROPOSAL:

Please provide pricing for any changes/revisions to your scope of work regarding interior signage.

Attachments: ASI 42 dated 5.12.25

We have reviewed the PCO and acknowledge that it is a "no change" item and does not affect our completion date.

Signed By: _____ Date: _____

Company Name: _____

Project Name **NorthStar Ford Arena**
Project No **022058.00**

Project Address **4309 Ugstad Road**
Owner **City of Hermantown**

Contractor Name **Kraus Anderson**

ASI No **41**

The Work shall be carried out in accordance with the following supplemental instructions issued in accordance with the Contract Documents without change in Contract Sum or Contract Time. Proceeding with the Work in accordance with these instructions indicates your acknowledgment that there will be no change in the Contract Sum or Contract Time.

If these supplemental instructions cause a change in the Contract Sum or Contract Time, submit a Proposal Request to the Architect for review and comment. DO NOT PROCEED with the Work until the Proposal Request is approved by the Architect.

ASI Date **ASI Title**

5/12/2025

Interior Signage

ASI Description

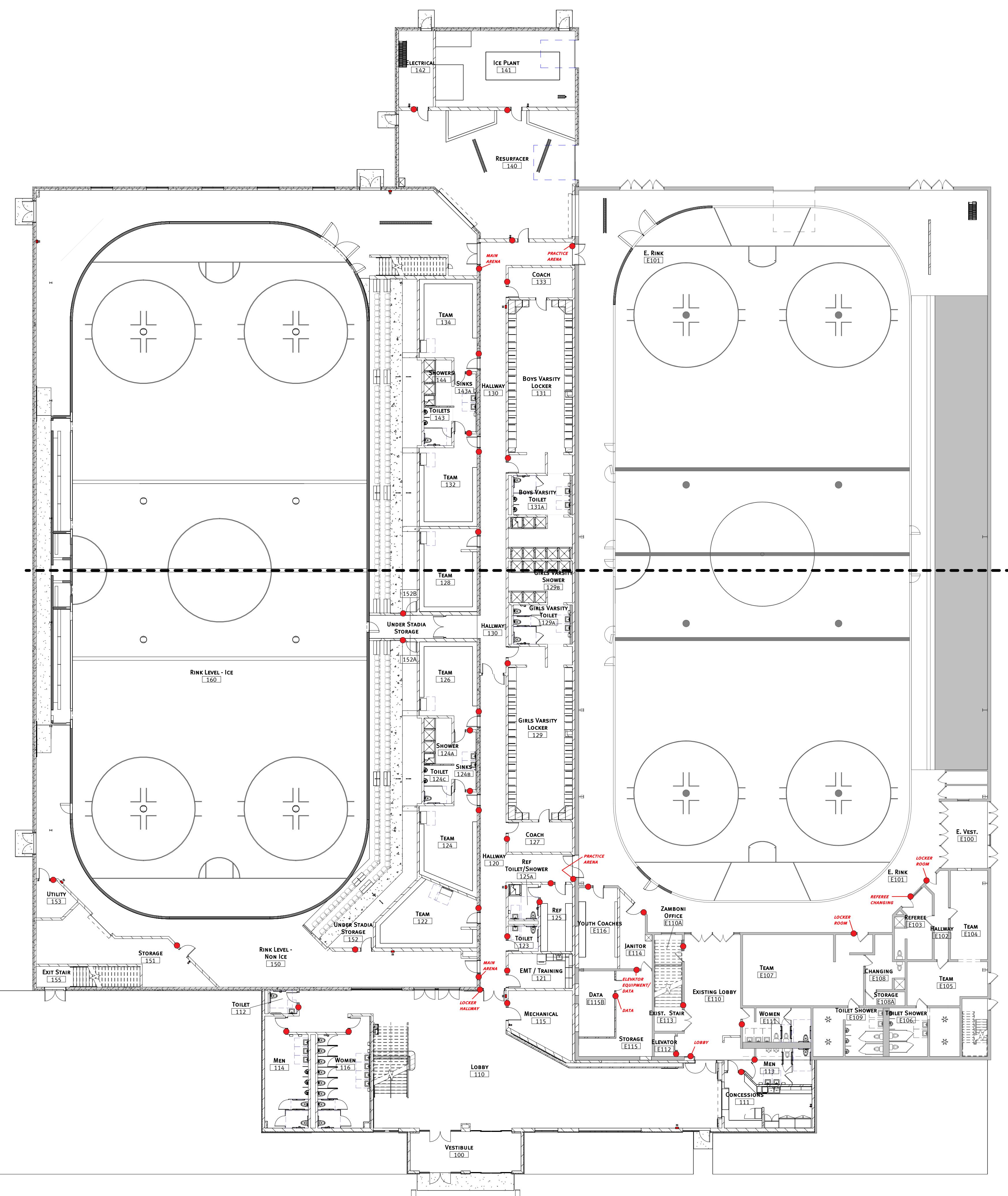
Refer to the attached exhibit indicating revisions to interior signage.

ASI Attachments

1  [Signage Schedules_022058.00 Hermantown Arena_05.2025.pdf](#)

2

3



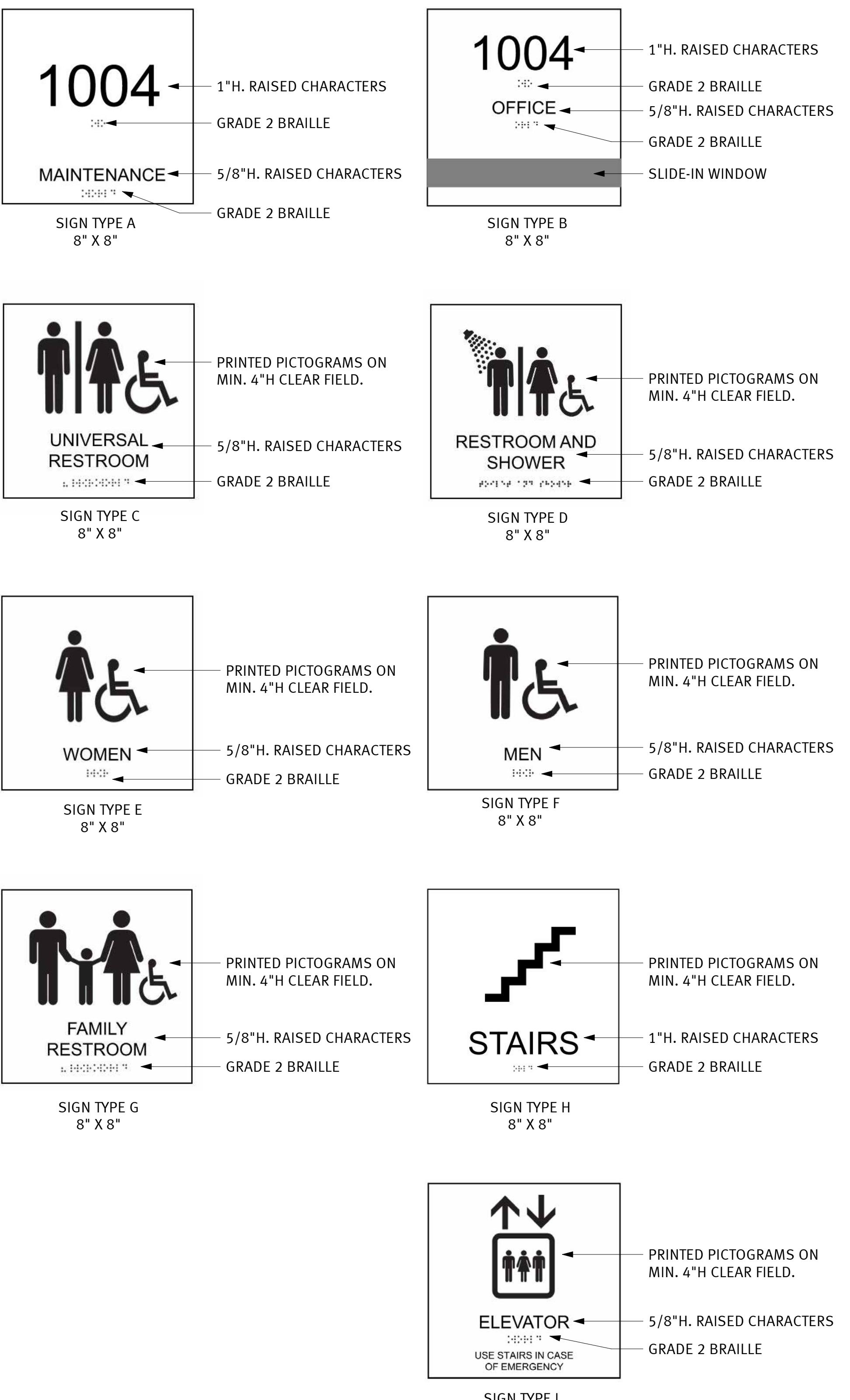
1ST FLOOR PLAN- SIGNAGE LOCATIONS
1/16" = 1'-0"

NO.	NAME	NEW ROOM NAME	SIGN TYPE	NOTES
110	LOBBY		A	
111	CONCESSIONS		A	
112	TOILET	FAMILY RESTROOM	G	
113	MEN		F	
114	MEN		F	
115	MECHANICAL		A	
116	WOMEN		E	
120	HALLWAY	LOCKER HALLWAY	A	
121	EMT / TRAINING	TRAINING	A	
122	TEAM	LOCKER ROOM	A	
123	TOILET	UNIVERSAL RESTROOM	C	
124	TEAM	LOCKER ROOM	A	
126	SINKS		D	QTY 2
127	REF	REFEREE CHANGING	C	
128	REF TOILET / SHOWER	RESTROOM AND SHOWER	D	
129	TEAM	LOCKER ROOM	A	
130	COACH	LOCKER ROOM	B	
131	TEAM	LOCKER ROOM	A	
132	RESURFACER		A	
141	ICE PLANT		A	
142	ELECTRICAL		A	
143	SINKS		D	QTY 2
151	STORAGE		A	
152	UNDER STADIUM STORAGE	STADIUM ACCESS	A	
153	UNDER STADIUM STORAGE	STADIUM ACCESS	A	
154	UNDER STADIUM STORAGE	STADIUM ACCESS	A	
160	RINK LEVEL - ICE	MAIN ARENA	A	
E101	E. RINK	PRACTICE ARENA	A	QTY 2; NO RM NUMBER
E102	HALLWAY	LOCKER ROOM	A	QTY 2; NO RM NUMBER
E103	TEAM	LOCKER ROOM	A	
E104	REF	REFEREE CHANGING	C	
E105	TEAM	LOCKER ROOM	A	
E106	ZAMBONI OFFICE	OFFICE	B	
E111	WOMEN		E	
E112	ELEVATOR		I	
E113	EXIST. STAIR		H	
E114	JANITOR		A	
E115	STORAGE	ELEVATOR EQUIPMENT/DATA	A	
E116	DATA		A	
	YOUTH COACHES		A	

ROOM SIGNAGE NOTES

TYPICAL MOUNTING LOCATION:
1. AT SINGLE DOORS; ALONGSIDE THE DOOR AT THE LATCH SIDE.
2. AT DOUBLE DOORS, BOTH LEAVES ACTIVE; TO THE RIGHT OF THE RIGHT HAND DOOR.
3. LOCATED SO THAT A CLEAR FLOOR AREA MINIMUM 18" X 18", CENTERED ON THE RAISED CHARACTERS IS PROVIDED BEYOND THE ARC OF ANY DOOR SWING.
4. MOUNT SIGN SO THAT RAISED CHARACTERS SHALL BE 48" MINIMUM TO 60" MAXIMUM ABOVE THE FLOOR, MEASURED TO THE BASELINE OF THE HIGHEST RAISED CHARACTER.
5. MOUNT SIGN SO THAT BRAILLE SHALL BE 48" MINIMUM TO 60" MAXIMUM ABOVE THE FLOOR, MEASURED TO THE BASELINE OF THE BRAILLE CELLS.
6. AT SIGN LOCATIONS REQUIRING MOUNTING TO GLASS, PROVIDE BACK PLATE PER THE SPECIFICATIONS. BACKER PLATES MAY BE USED FOR REQUIRED SIGNAGE.

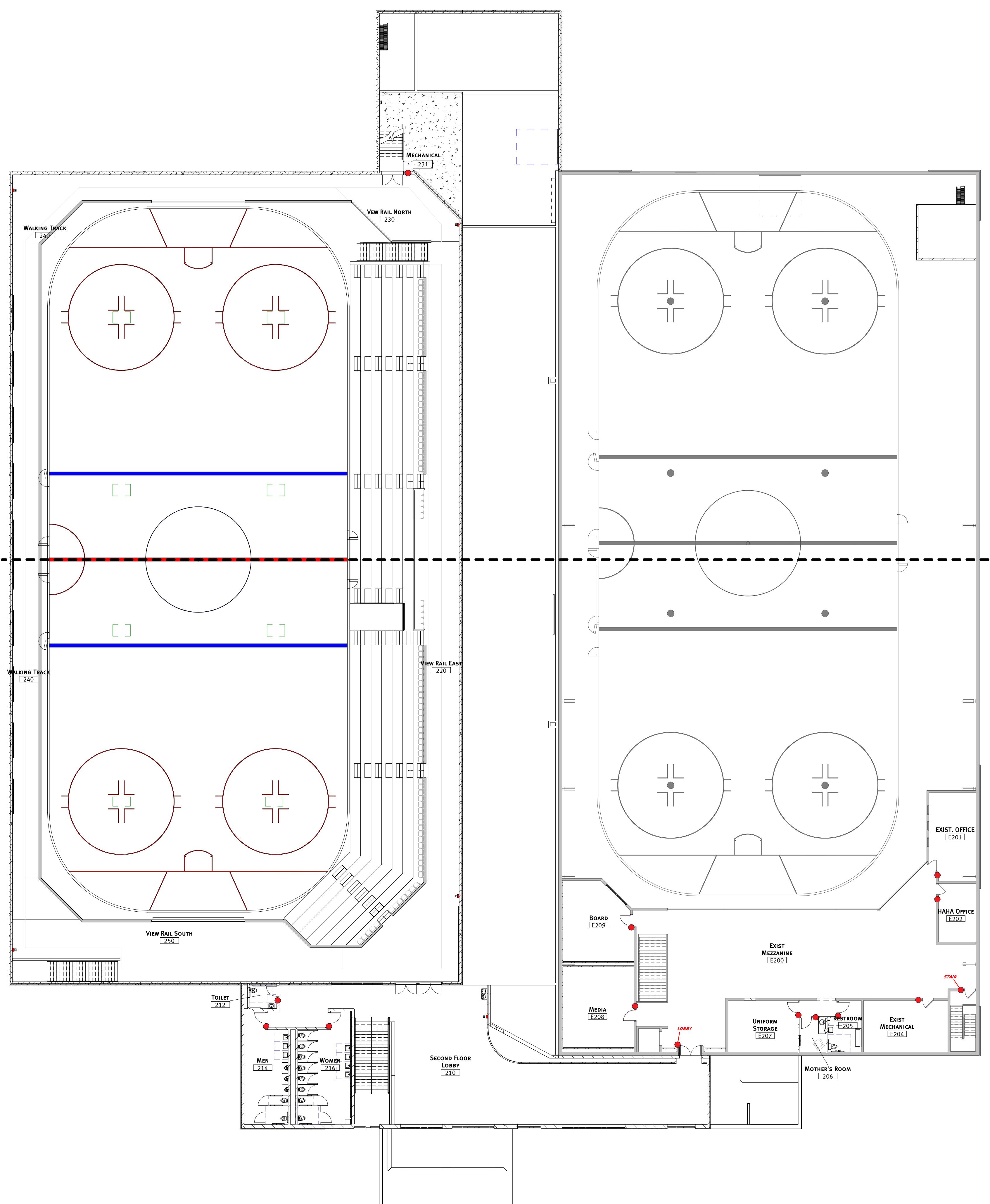
EXISTING ROOM NUMBERS SUBJECT TO CHANGE UPON FINAL APPROVAL.



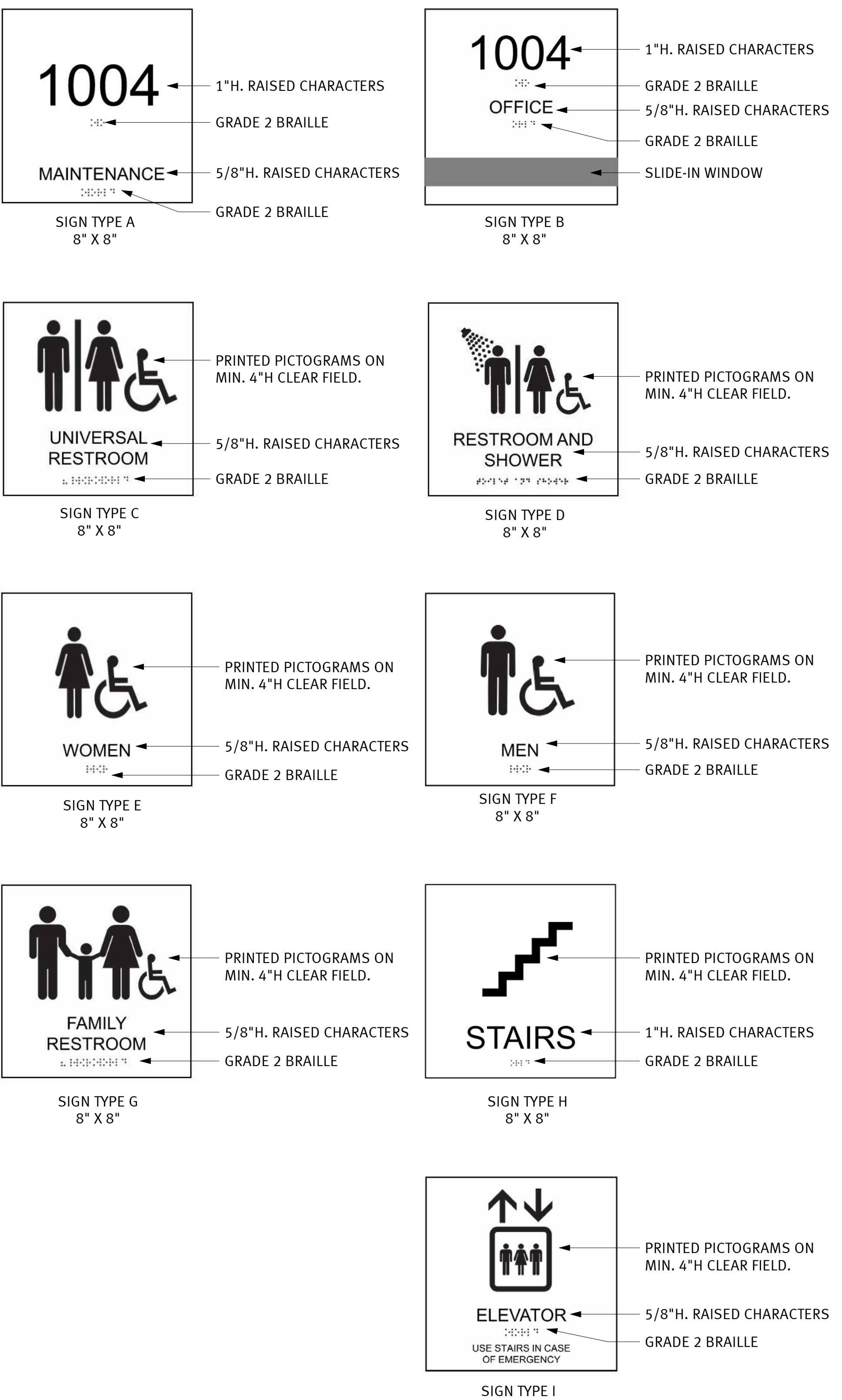
ROOM SIGNAGE NOTES

TYPICAL MOUNTING LOCATION:
 1. AT SINGLE DOORS; ALONGSIDE THE DOOR AT THE LATCH SIDE.
 2. AT DOUBLE DOORS, BOTH LEAFS ACTIVE; TO THE RIGHT OF THE RIGHT HAND DOOR.
 3. LOCATED SO THAT A CLEAR FLOOR AREA MINIMUM 18" X 18", CENTERED ON THE RAISED CHARACTERS IS PROVIDED BEYOND THE ARC OF ANY DOOR SWING.
 4. MOUNT SIGN SO THAT RAISED CHARACTERS SHALL BE 48" MINIMUM TO 60" MAXIMUM ABOVE THE FLOOR, MEASURED TO THE BASELINE OF THE HIGHEST RAISED CHARACTER.
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 6. AT SIGN LOCATIONS REQUIRING MOUNTING TO GLASS, PROVIDE BACK PLATE PER THE SPECIFICATIONS. BACKER PLATES MAY BE USED FOR REQUIRED SIGNAGE.

EXISTING ROOM NUMBERS SUBJECT TO CHANGE UPON FINAL APPROVAL.



NO.	NAME	NEW ROOM NAME	SIGN TYPE	NOTES
205	RESTROOM	FAMILY RESTROOM	G	
206	MOTHER'S ROOM		A	
210	SECOND FLOOR LOBBY	LOBBY	A	
212	TOILET	FAMILY RESTROOM	G	
214	MEN		F	
216	WOMEN		E	
231	MECHANICAL		A	
E201	EXIST. OFFICE	OFFICE	B	
E202	HAHA OFFICE	OFFICE	B	
E203	STAIR		H	
E206	EXIST MECHANICAL	MECHANICAL	A	
E207	UNIFORM STORAGE	STORAGE	A	
E208	MEDIA		A	
E209	BOARD		A	





Kraus-Anderson Construction Company
2000 West Superior Street, Suite 101, Duluth, MN 55806

May 20, 2025

John Mulder
City of Hermantown
5105 Maple Grove Road
Hermantown, MN 55811

Reference: Hermantown Hockey Arena Addition
KA Project No.: 2222026-
COR No. 126.00 ASI 42 - Toilet Partitions

Dear John:

In response to the above referenced COR No. 126.00, Kraus-Anderson Construction Company proposes to complete the necessary Work associated with ASI 42 - Toilet Partitions per attached documentation provided herein. Our cost to complete this additional work is an **ADD** of **EIGHT THOUSAND TWO HUNDRED THIRTY-TWO AND 56 / 100 Dollars (\$8,232.56)**.

This proposal assumes that all outstanding proposals previously submitted will be accepted. This proposal is valid for a period of fourteen (14) days.

Please contact the undersigned should you have any questions concerning the above proposal.

Very truly yours,

Kraus-Anderson Construction Company

Max Vergeldt
Project Manager

Enclosure

Cc: Eric Lagergren, DSGW Architects



Project: Hermantown Hockey Arena Addition

Date:

Location: Hermantown, MN

COR: 126.00

Project Number: 2222026-

Project Manager: Max Vergeldt

Description: ASI 42 - Toilet Partitions

Phase Code	Description	Subcontractor Name	Material	Labor	Subcontractors	Est Totals
06.1000.00.	Carpentry Labor	TNT Construction Group, LLC	0.00	0.00	4,000.60	4,000.60
10.1400.20.	Specialties Materials Change Or	Bartley Sales Company, Inc.	0.00	0.00	3,910.00	3,910.00
	Subtotal		0.00	0.00	7,910.60	7,910.60
01.5214.00.	Copy/Postage/Supplies	0.08%	6.33	0.00	0.00	6.33
01.5230.20.	Telephone - Mobile Phone	0.09%	6.73	0.00	0.00	6.73
01.7950.00.	Warranty Reserve	0.15%	11.88	0.00	0.00	11.88
90.9000.00.	Umbrella Liability Insurance	0.95%	75.99	0.00	0.00	75.99
91.2000.00.	Builders Risk	0.20%	15.96	0.00	0.00	15.96
92.1000.00.	Performance/Payment Bond	0.60%	47.61	0.00	0.00	47.61
	Subtotal		164.50	0.00	7,910.60	8,075.10
Fee		1.95%				157.46
Total Construction Costs						8,232.56

BARTLEY SALES COMPANY

CHANGE REQUEST FORM

Attention to: Kraus-Anderson Construction Company

Date: 03/20/2025

Job Name:

Section: 102113.19 solid Plastic Toilet Compartments

Please see below for review and direction.

Changes below are per: submittal return Dated: 03/20/2025 Resulting Change: ADD

Description of changes:

Added room E111, 3 HDPE stalls

Subtotal:	\$3,591.27
Tax:	\$318.73
Total:	\$3,910.00

Contractor Response: (Please circle one of the below options, sign, date, and return for processing)

- Approved
- Not approved
- Other:

Signature: _____ **Date:** _____

If there are any questions please let me know.

Thanks!

BARTLEY SALES CO. USE:

Contract No.	I.D.	Status	Dept.	Tax Rate
66033	3550	230 Pending...	4	8.875%

Sub Contractor Change Order Submission Form

PROJECT NAME:	Hermantown Hockey Arena		
Project Number:			
Construction Manager at Risk:	Kraus-Anderson Construction Company		
Sub Contractor:	TNT Construction Group	(WS)
Change Document Reference #	PCO 126		
Date	5/15/2025		

Sub Contractor Change Order Form

Description of the Work: Install only, 5 new bath partitions

Number	EQUIPMENT			
1	Unit of Equipment	Units of Time	Rate	Total
			\$	-
			\$	-
			\$	-
			Total Equipment	\$ -
SUPERVISORY PERSONNEL				
2	Position	Hours	Hourly Rate	Total
	SUPERVISORY PERSONNEL	3	\$ 125.00	\$ 375.00
			\$	-
			\$	-
			Total Supervisory Personnel	\$ 375.00
TRADE LABOR				
3	Classification (Journeymen, Foreman, Gen. Foreman)	Hours	Hourly Rate	Total
	J Journeyman Carpenter	32	\$ 103.00	\$ 3,296.00
			\$	-
			\$	-
			Total Trade Labor	\$ 3,296.00
MATERIAL				
4	Description	Quantity	Units	Unit Price
				\$ -
				\$ -
				\$ -
			Total Material	\$ -
SUBCONTRACTOR (List any costs sub contracted out lower tier sub)				
5	Company / Scope of Work	Quantity	Units	Unit Price
				\$ -
				\$ -
				\$ -
			Total Subcontractor	\$ -
SUMMARY				
6	Total Equipment			\$ -
7	Total Supervisory Personnel			\$ 375.00
8	Total Trade Labor			\$ 3,296.00
9	Total Material			\$ -
10	Total Subcontractor			\$ -
12	SUBTOTAL - COST			\$ 3,671.00
11	Sales Tax on Material		7.375%	\$ -
12	General & Excess Liability Insurance		0%	\$ -
13	Builder's Risk Insurance		0%	\$ -
14	Performance & Payment Bond		0%	\$ -
15	Total Sales Tax		0%	
	SUBTOTAL - COST & MARKUPS (No Markup on Sales Tax)			\$ 3,671.00
16	Overhead & Profit - LABOR		10%	\$ 329.60
	Overhead & Profit - EQUIP/MATERIALS/SUB		5%	\$ -
17	TOTAL			\$ 4,000.60

Notes

A Sub contractor must submit cover page that describes nature of change order and scope of work

B Sub Contractor must submit copy of material invoices or quotes ²⁰¹ along with time cards for labor

C Overhead and Profit costs can not be included in labor, materials or equipment, all overhead and profit is to be included on OH&P Line Item 15.

F No OH&P costs can be calculated on sales tax



5-15-25



KRAUS-ANDERSON®
Construction Company

2000 West Superior Street, Suite 101
Duluth, MN 55806

Request For Proposal

Project: 2222026- Hermantown Hockey Arena Addition
4309 Ugstad Road
Hermantown, MN 55811 PCO #: 126

Date: 05/14/2025

To: Mary Jo Schlee, Bartley Sales Company, Inc.
Clay Witkofsky, TNT Construction Group, LLC

Please provide a cost breakdown in accordance with the Contract Documents and a Summary for the Change described herein and on the attachments (if any) listed. All responses are required within seven (7) days.

This is not an authorization to proceed with the work described herein unless and until approved by the Owner. On approval, this change will be included in a Change Order, which will provide the formal Contract Change.

DESCRIPTION OF PROPOSAL:

Please provide pricing for any changes/revisions to your scope of work per the attached ASI 42 regarding new toilet partitions in existing restrooms E111 and 113.

Attachments: ASI 42 dated 05.12.25

We have reviewed the PCO and acknowledge that it is a "no change" item and does not affect our completion date.

Signed By: _____ Date: _____

Company Name: _____

Project Name **NorthStar Ford Arena**
Project No **022058.00**

Project Address **4309 Ugstad Road**
Owner **City of Hermantown**

Contractor Name **Kraus Anderson**

ASI No **42**

The Work shall be carried out in accordance with the following supplemental instructions issued in accordance with the Contract Documents without change in Contract Sum or Contract Time. Proceeding with the Work in accordance with these instructions indicates your acknowledgment that there will be no change in the Contract Sum or Contract Time.

If these supplemental instructions cause a change in the Contract Sum or Contract Time, submit a Proposal Request to the Architect for review and comment. DO NOT PROCEED with the Work until the Proposal Request is approved by the Architect.

ASI Date **ASI Title**

5/12/2025

Toilet Partitions

ASI Description

Adds new toilet partitions at existing restrooms E111 and 113.

A7.4 Enlarged Plans - Toilets & Concessions

1. 2/A47.4: REVISED to add new toilet partitions at existing locations as noted.

ASI Attachments

1  022058.00 Hermantown Arena_ASI 42.pdf

2

3

**NORTHSTAR
FORD ARENA**

4309 UGSTAD Rd
HERMANTOWN, MN 55811

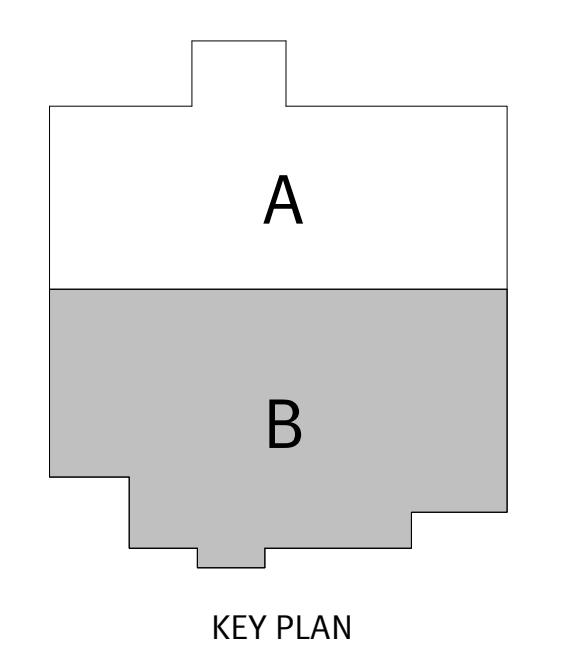
project #: 022058.00
date: 5/12/2025
drawn by: EVC, JMG, AR
checked by: EWL, JEE

I hereby certify that this plan,
as prepared by me or under my direct
supervision and that I am a duly
licensed Architect under the laws
of the state of Minnesota.

John E. Erickson

signature:
printed name: JOHN E. ERICKSON, NCARB, LEED AP
reg #: 24199
sign date: 06/14/2024

revision / issue	no.	date
BP2 ADD	3	2024/07/15
ASI	3.1	2024/09/30
ASI	4	2025/02/12
ASI	24	2025/03/10
ASI	28	2025/03/19
ASI	34	2025/03/19
ASI	42	2025/05/12



ENLARGED PLANS -
TOILETS &
CONCESSIONS

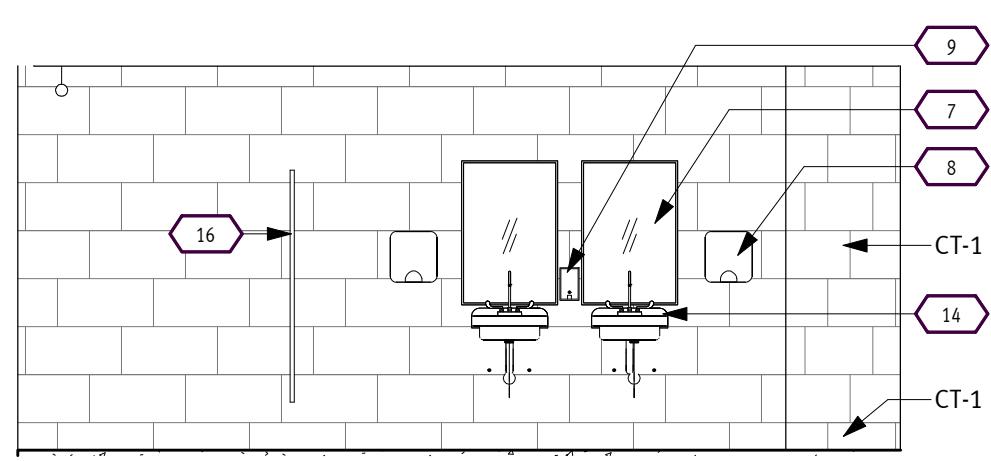
sheet title:
sheet number:
A7.4

FIXTURES & ACCESSORIES

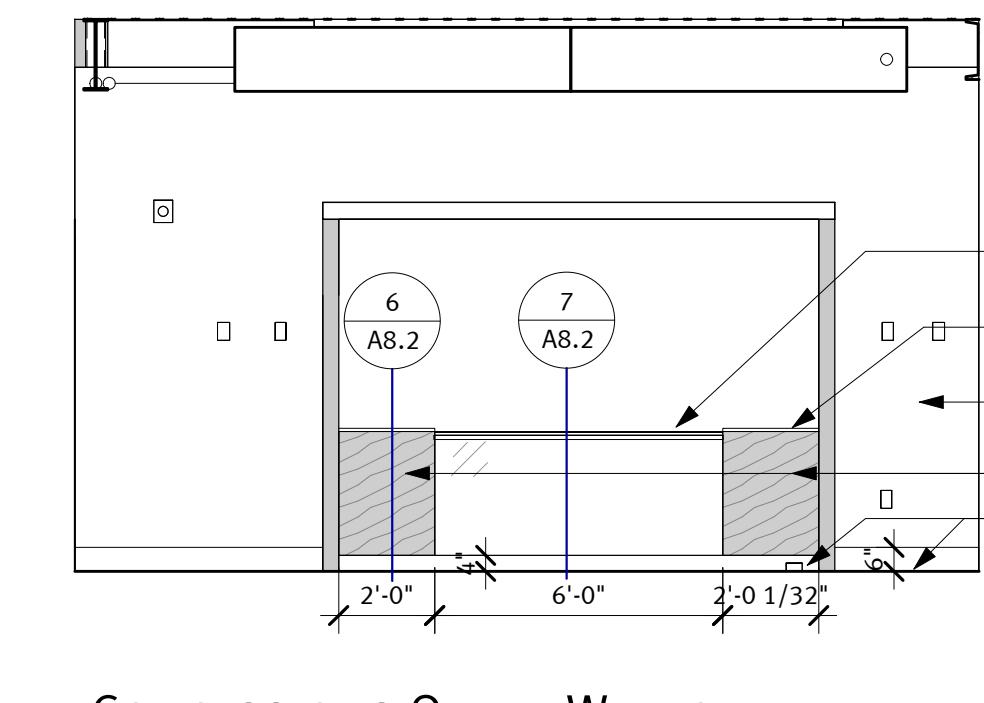
1 TOILET	15 URINAL PARTITION (TP-01)
2 URINAL	16 TOILET PARTITION (TP-01)
2A URINAL - ADA	17 BABY CHANGING STATION
3 GRAB BARS	18 ADULT CHANGING STATION
4 ROBE HOOK	
5 *TOILET TISSUE DISPENSER	
6 NAPKIN DISPOSAL	
7 24" X 36" MIRROR	
8 HAND DRYER	
9 *SOAP DISPENSER	
10 *PAPER TOWEL DISPENSER	
11 ADA SHOWER BENCH	
12 SHOWER CONTROLS	
13 SHOWER CURTAIN, ROD, & HOOKS	
14 SINK	

*OWNER PROVIDED, CONTRACTOR INSTALLED.
BLOCKING TO BE PROVIDED BY THE CONTRACTOR.

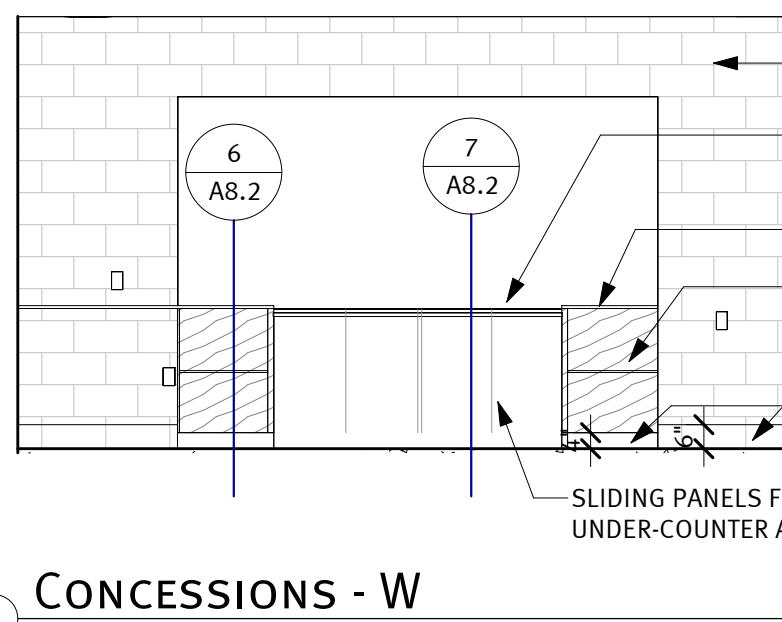
NOTE: SEE "TYPICAL FIXTURES AND MOUNTING HEIGHTS" FOR
STANDARD MOUNTING HEIGHTS & CLEARANCES.



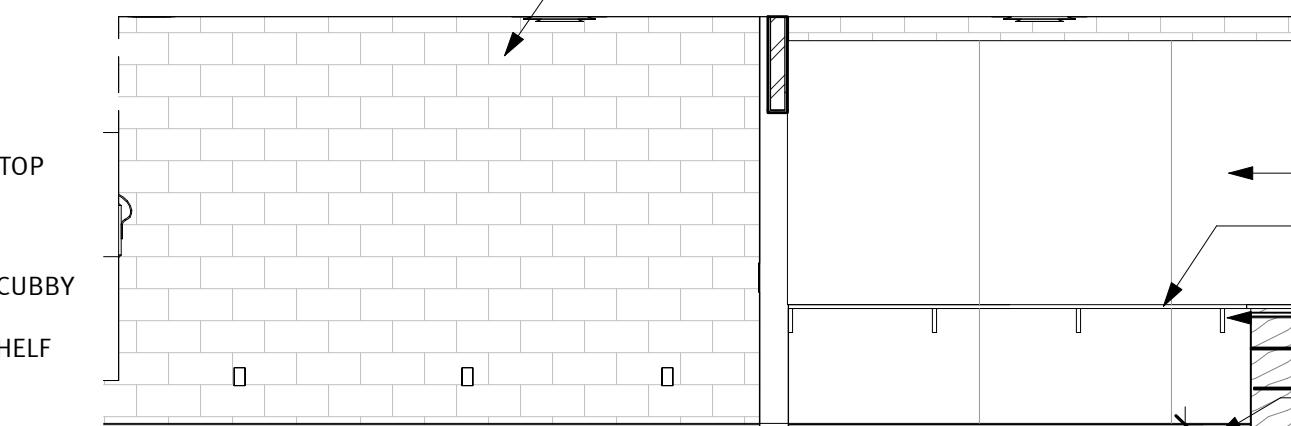
MENS RESTROOM 113 - S



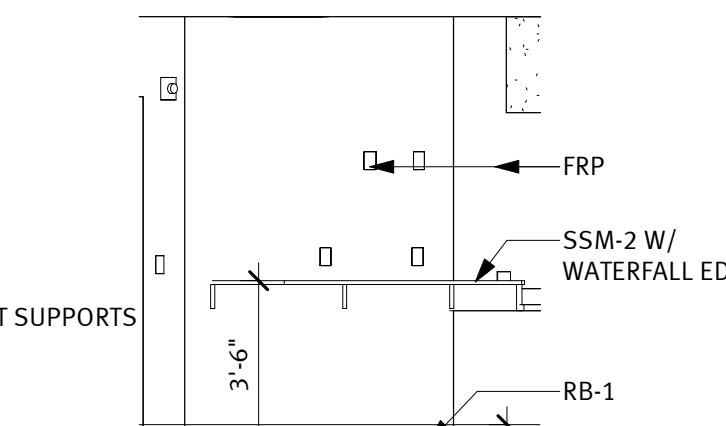
CONCESSIONS ORDER WINDOW



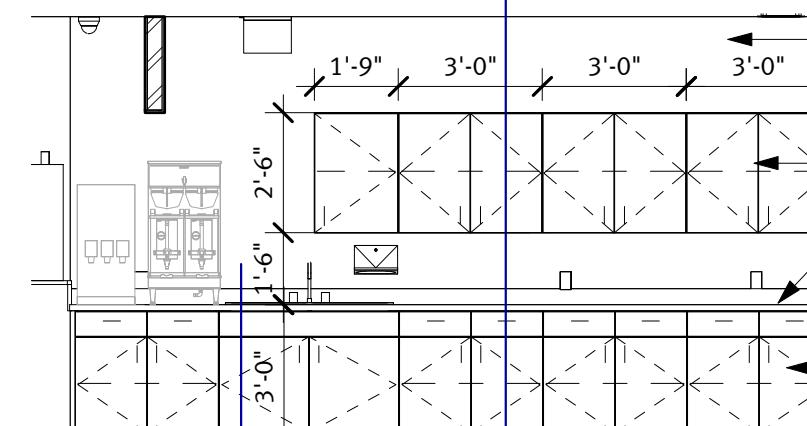
CONCESSIONS - W



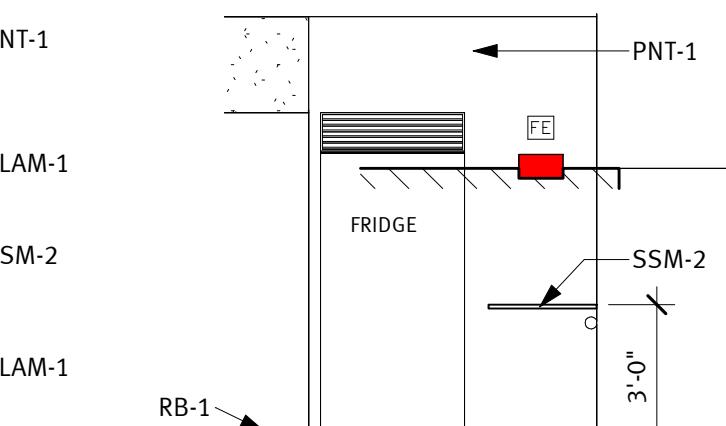
CONCESSIONS - S



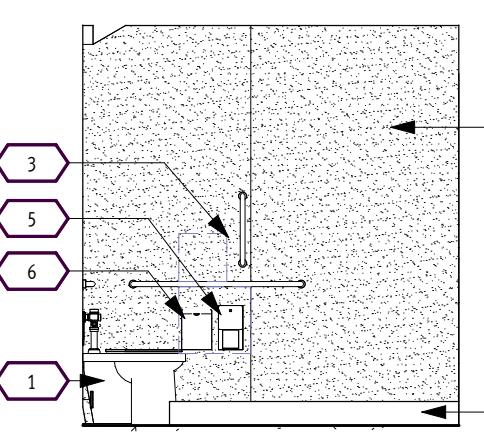
CONCESSIONS - ANGLED WALL



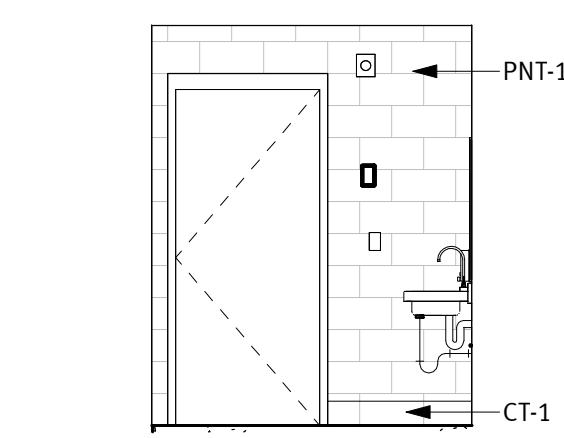
CONCESSIONS - N



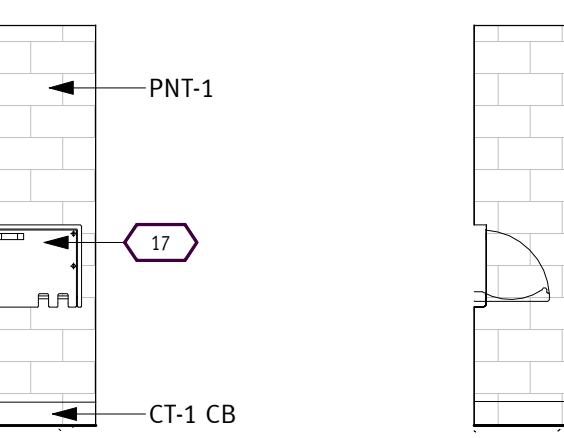
CONCESSIONS - E



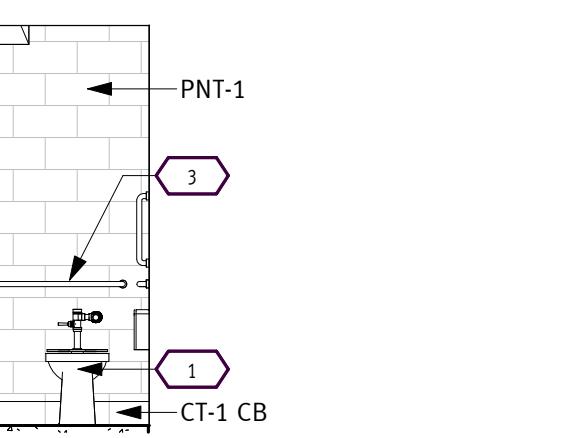
FAMILY TOILET - N



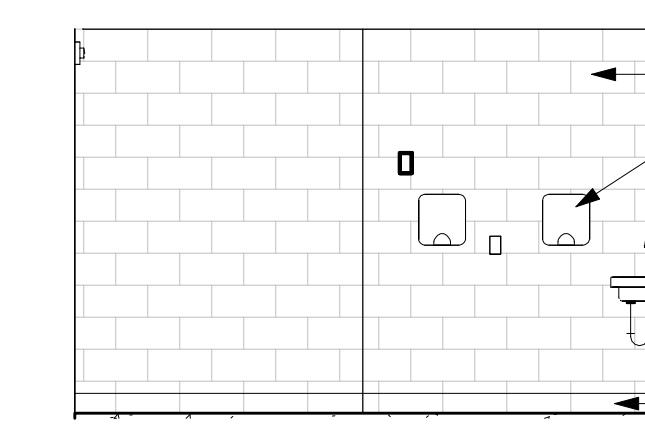
FAMILY TOILET - E



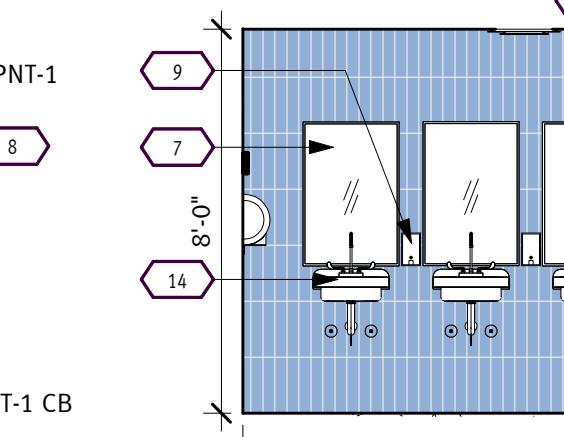
FAMILY TOILET - S



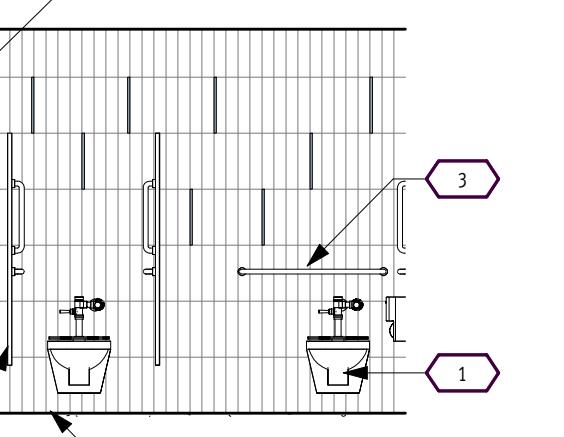
FAMILY TOILET - W



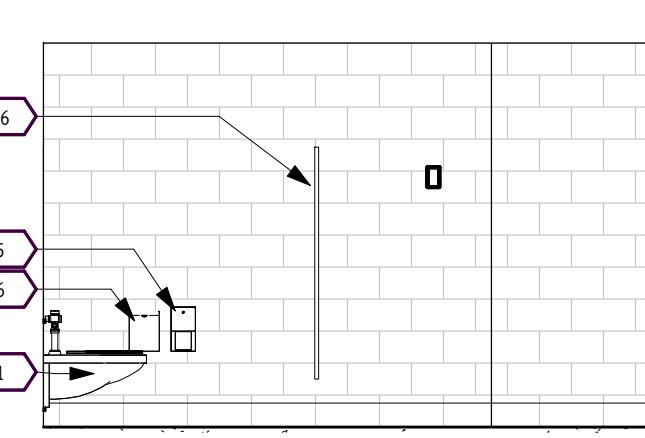
MEN RESTROOM - N



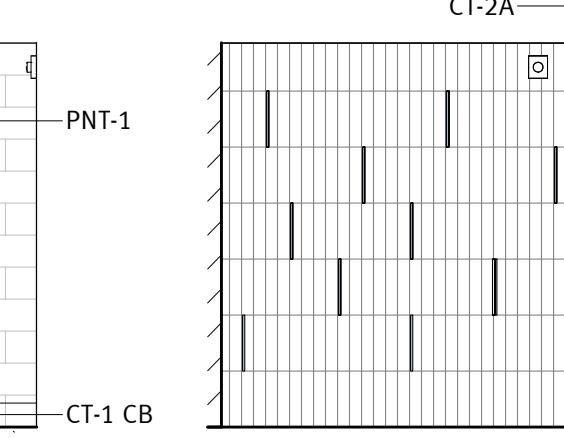
MEN RESTROOM - E



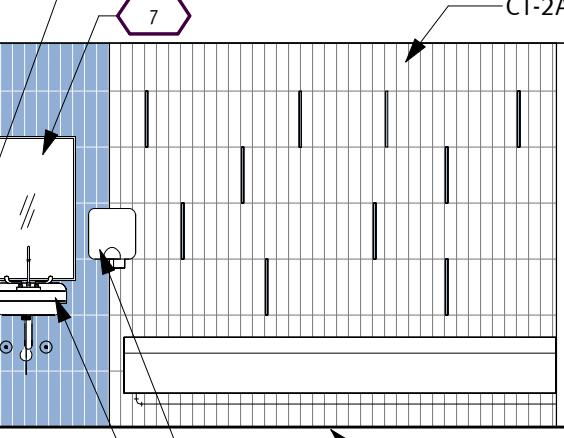
MEN RESTROOM - S



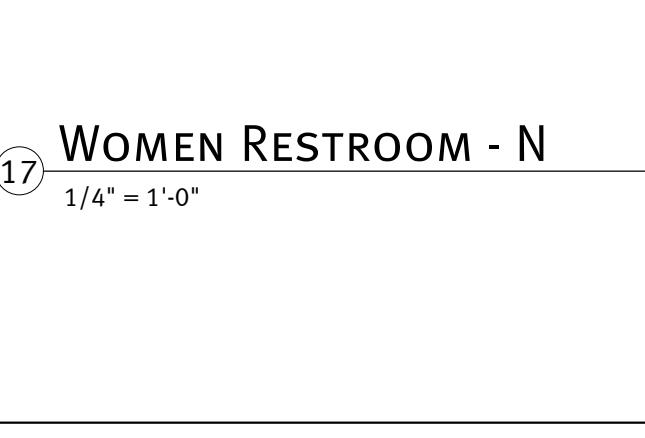
WOMEN RESTROOM - N



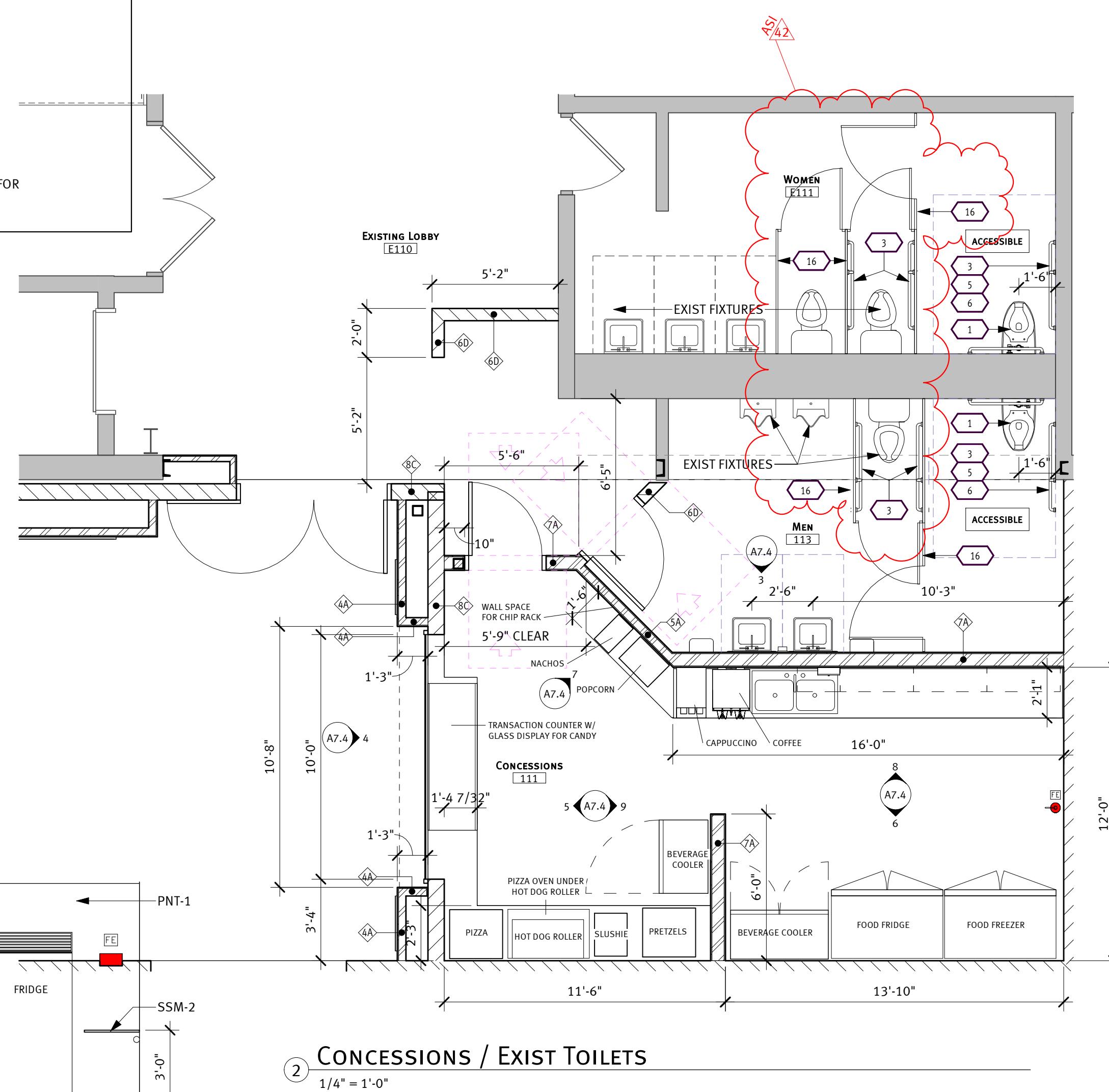
WOMEN RESTROOM - E



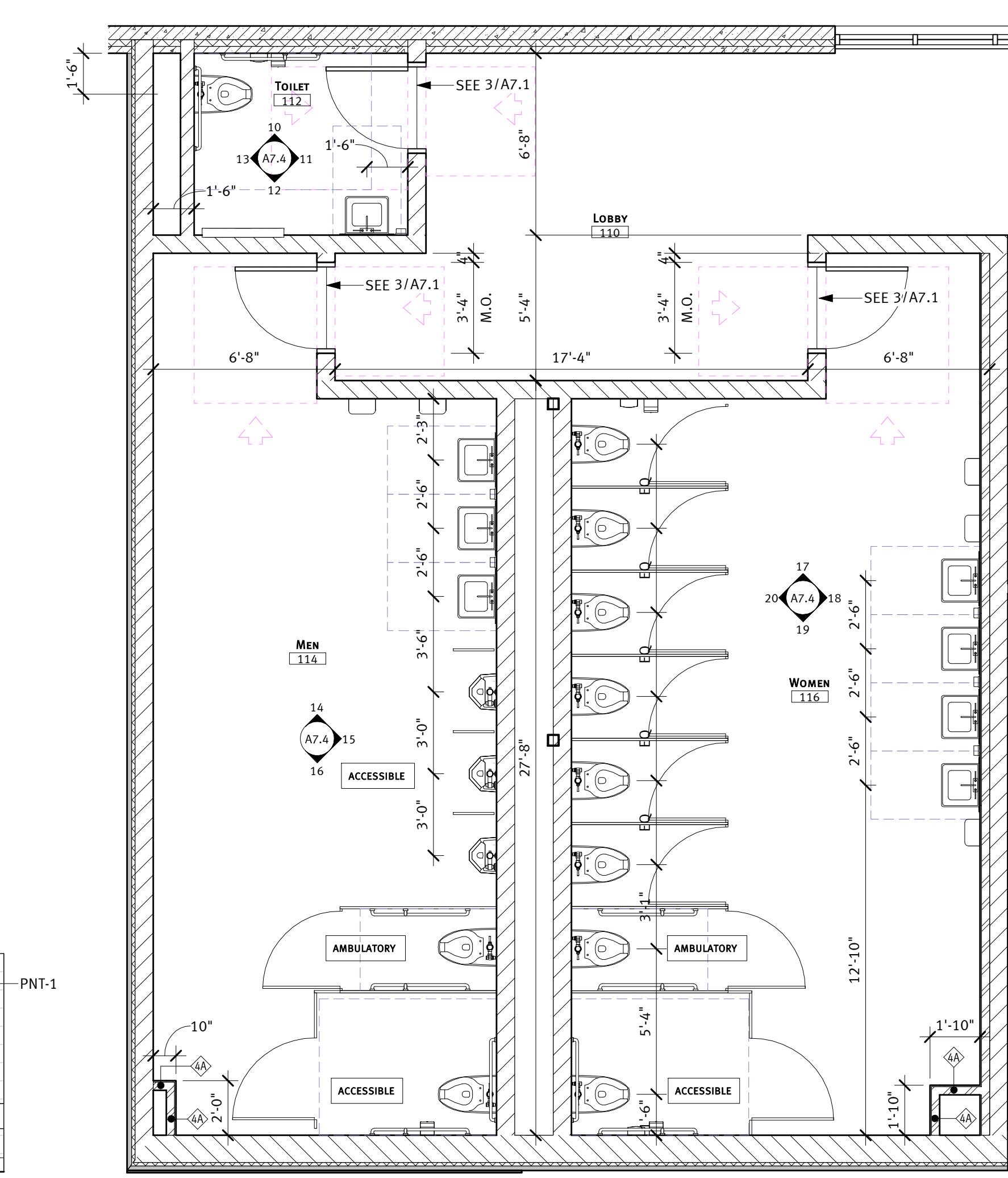
WOMEN RESTROOMS - S



WOMEN RESTROOM - W



CONCESSIONS / EXIST TOILETS



LOBBY TOILET ROOMS



CITY COUNCIL MEETING DATE: June 2, 2025

TO: Mayor & City Council

FROM: John Mulder, City Administrator

SUBJECT: NorthStar Ford Arena – Change Order Numbers 27, 28 & 29

RESOLUTION: 2025-xx

ORDINANCE:

OTHER:

REQUESTED ACTION

Approve Change Order Numbers 27, 28 & 29 for the NorthStar Ford Arena in the Amount of \$306,340.62

BACKGROUND

The Arena Legacy Fund is recommending a number of change orders for the construction of NorthStar Ford Arena.

At the April Arena Advisory meeting the fact that the scoreboard that were purchased for each end of the ice could not be synchronized with the main video board located on west wall opposite of the seating in the arena. A proposal to replace those boards with ones that could be synchronized with the main video board was sought from Nextec.

The proposal for the new scoreboards was for \$169,750.04 (change order # 27) . These scoreboards would replace the ones that were included in a previous bid package. It is proposed that those scoreboards would be installed in the existing rink.

In addition to the proposal for end wall score boards that would synchronize with the main video board was a proposal for an additional 23 speakers around the new sheet of ice and lobby for enhanced sound throughout the facility for \$24,004.25 (change order # 28)

Also included was a proposal to increase the size of the main video board from 10.6 feet by 22 feet to 10.6 feet by 34 feet. The proposal (change order # 29) is for \$112,585.97

These additional enhancements total cost \$306,340.62. This is in addition to \$40,000 for the enhanced lighting package that was approved on April 7th. The total for these enhancements is now \$346,340.62. The original proposal for audio visual equipment was \$551,054.73.



The Arena Legacy Fund has asked for these additional enhancements to be covered by contingency. They have given verbal assurances that they would pay for the enhancements if the contingency amount will not cover the costs.

This amount exceeds the City's portion of the contingency for the project. We still have approximately 7 months of construction and the cost of the lockers in the varsity locker rooms is not included in the budget at this time.

SOURCE OF FUNDS (if applicable)

Arena Project Fund - Contingency

ATTACHMENTS

Resolution
Change Orders

Resolution No. 2025-91

Resolution Approving Change Order Numbers 27, 28, & 29 For The NorthStar Ford Arena In The Amount Of \$306,340.62

WHEREAS, the City of Hermantown has contracted with Nextec Systems to provide audio/visual equipment for the NorthStar Ford Arena (“Project”); and

WHEREAS, Nextec had provided proposal for an enhanced scoreboard and sound system, and

WHEREAS, Arena Advisory team and the Arena Legacy Fund have recommended Change Orders No. 27, 28, & 29 for:

Change Order #	Descriptions	Cost
27	Two (2) End-wall scoreboards	\$169,750.40
28	An additional 23 speakers	\$24,004.25
29	Additional video boards	\$112,585.97
TOTAL		\$306,340.62

WHEREAS, the Arena Legacy Fund has agreed to cover the costs over and above any contingency on the project and

WHEREAS, the necessary documentation for the change order is on file and available for inspection.

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

1. Change Orders No. 27, 28, & 29 are hereby approved.
2. The City is hereby authorized and directed to pay to Nextec Systems the sum of \$306,340.62 which is the amount represented on Change Orders No. 27, 28, & 29 per the contract.

Councilor _____ introduced the foregoing resolution and moved its adoption.

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

Councilors _____

and the following voted in opposition thereto:

Councilors _____

WHEREUPON, such resolution has been duly passed and adopted June 2, 2025.

Arena Legacy Fund
4309 Ugstad Rd
Hermantown, MN 55811

May 14, 2025

City of Hermantown
5105 Maple Grove Road
Hermantown, MN 55811

RE: NorthStar Ford Arena – Enhancement Funding Commitment

Dear Mayor and City Council Members,

On behalf of the Arena Legacy Fund, we want to thank the City of Hermantown for your continued leadership and investment in the NorthStar Ford Arena project. This facility represents a significant milestone for our community and its future.

As we collectively strive to maximize the long-term impact and quality of the arena, the Arena Legacy Fund would like to formally express its willingness to backstop the funding of the following enhancements should the project contingency fund be exhausted:

Enhancement Items:

1. 1. Main Video Board Upgrade
 - Increase from 10.63' x 22' to 10.63' x 34'
 - Cost: \$112,585.00
2. 2. End Scoreboard Enhancements
 - Upgrade from OEM-style boards to full video boards (18.9' x 3.54') synchronized with the main board
 - Cost: \$169,750.00
3. 3. Sound System Enhancement
 - Enhanced audio quality for improved spectator and event experience
 - Cost: \$24,000.00

We believe these enhancements will significantly improve the versatility, user experience, and revenue potential of the facility. By committing to cover these costs in the event the project contingency cannot, the Arena Legacy Fund reaffirms its dedication to supporting a best-in-class community asset.

Please do not hesitate to reach out if you have any questions or if additional documentation is required. We look forward to continued collaboration as we bring this project to life.

Sincerely,


Shawna Jokinen
President
Arena Legacy Fund

Northstar Ford Arena

End Video Wall and Speaker Upgrade Proposal

5/14/2025



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<i>Project Overview</i>	Page 3
<i>Hardware Overview</i>	Page 3
<i>Financial Summary</i>	Page 3
<i>Terms & Conditions</i>	Page 5



About Nextec Systems

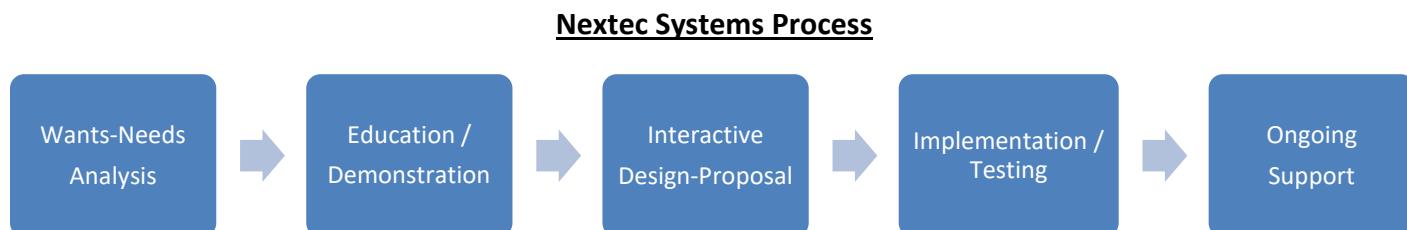
Nextec Systems is a full-service Electronic Systems Contractor that provides solutions for both Commercial and Residential applications and serves the upper Minnesota and Wisconsin regions.

Started in 2001, our team of experienced professionals works with clients as long-term partners. We pride ourselves on our customer satisfaction, professional image, and deep technical talent. You can be assured that you will get the right solution, done the right way, and at a fair price.

The Nextec Advantage:

- **Design Principles:** Nextec specializes in designing and delivering electronic systems utilizing a hierarchy of best practice principles that incorporate: Performance, Reliability, Ease of Use and Aesthetics - all of which are uniquely important.
- **Solid History of Customer Satisfaction:** Our long list of satisfied clients and trade partners are leading indicators of our system reliability and ease of use. Over 90% of our business is generated by referrals from satisfied commercial and residential customers, as well as by the leading designers, builders and trades people we partner with.
- **Top Notch Ongoing Support:** As our customer base can attest, Nextec is known for offering top notch ongoing support and service on a 24x7x365 basis. We support what we design and install.
- **Certified Qualifications:** In a complex industry that is always changing, certified qualifications and adherence to current industry best practices is an important consideration. Nextec Principals are formally educated in Computer and Electrical Engineering, maintain accredited professional Industry Certifications (CCPI and CCPD), along with a wide variety of equipment manufacturer certifications. Our certified professional installers participate in ongoing training and certification to ensure competency with the latest technologies.

Nextec Systems is a licensed, bonded, and insured Technology Systems Contractor (TS002058)



Please Contact me with any questions that you may have.

Jerid Prahl - CCPD, CCPI
Owner / Lead Designer
Nextec Systems
218.591.4321
jprahl@nextecsystems.com

Project Overview – Scope Of Work

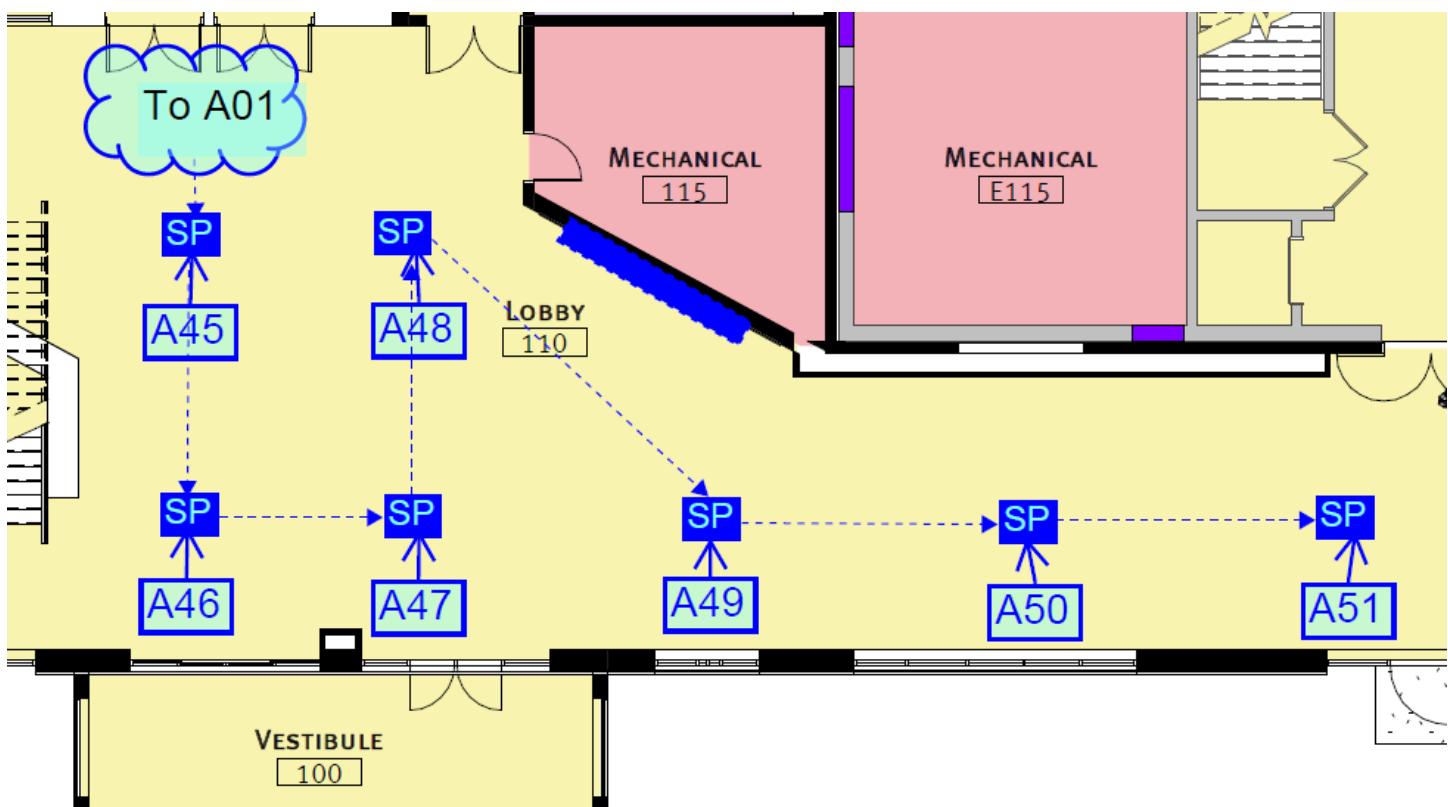
Nextec Systems is pleased to present the Arena Legacy Fund with a proposal for some Northstar Arena upgrade options for items discussed

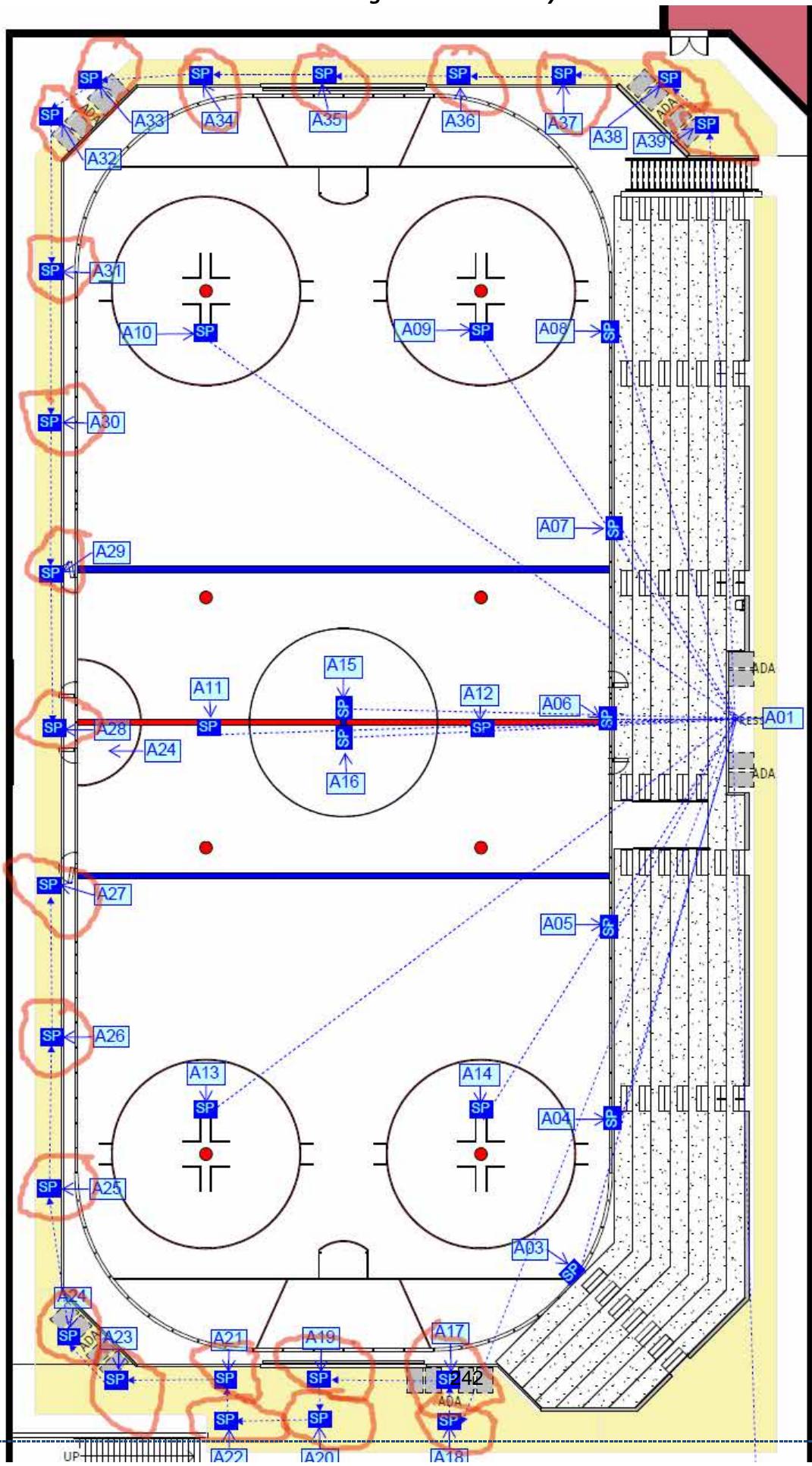
Focus or Goals of Systems Proposed:

- Meeting your specific needs for functionality
- Ease of Use
- Reliability
- Compatibility & expandability for future needs

Overview

- Included in this pricing is the option for (2) 18.9 x 3.54 ft video walls on each end of the arena for additional scorekeeping and advertising.
- Including in this pricing is the recommended speakers for both the lobby and all the walking track level pendant speakers as well as the amplifiers to run them.







18.9 feet long by 3.54 walls for both ends of arena

Package	Qty
18.90 ft x 3.54 ft end wall video walls (Hardware and Install)	2
Video Subtotal	\$169,750.40

Main Arena Walking Track and Lobby Pendant speakers (Tax Incl.)

Package	Qty
Main Arena White Pendant Speaker's with 6.5" drivers	23
Lobby White Pendant Speakers with 6.5" drivers	5
Main arena 2 Channel 1400w@70V	1
Lobby amp 2 Channel 750w@70V	1
Main Arena/Lobby Speakers and Amps Subtotal	\$24,004.25

Project Totals

18.9 feet long by 3.54 walls for both ends of arena	\$169,750.40
Main Arena Walking Track and Lobby Pendant speakers (Tax Incl.)	24,004.25
Project Total	\$193,754.65

Terms & Conditions

Your satisfaction is important to us and we plan to exceed your expectation. This Proposal and the Terms and Conditions form the Agreement between "Us" for this Project (Nextec – "We"; and Arena Legacy Fund – "You").

Services

- We will provide the equipment and labor required to complete the Project to the specifications & descriptions outlined in this Proposal.
- Prices contained are valid for 30 days from the delivery of this Proposal to you and will expire without receipt of your signed acceptance (below).
- The costs associated with any work or materials, including but not limited to high voltage electrical, drywall, painting, cabinetry and casework, are not included unless specifically documented in the Proposal.

Equipment / Components

- Audio and video manufacturer's regularly update their product offerings. In our efforts to provide you with the very latest technology, we reserve the right to substitute the most up to date models available at the time of installation.
- If you choose to substitute equipment or components that are different than included in this Proposal, additional costs (equipment and labor) will apply.
- Once equipment is delivered to the installation site, you are responsible for loss due to theft, fire, water damage, and other damages outside of our direct control. We assume you have made arrangements for adequately securing of the site during non-work hours and carry adequate insurance in case of such losses.
- The original equipment manufacturers warranty exclusively applies to equipment, components and third party software. We make no equipment or software warranty. After Project completion, additional labor charges will apply to remove / return / replace defective equipment & components within or outside of the manufacturer's warranty.
- We do not take responsibility for changes in functionality, availability, or performance affecting your equipment or systems due to change in consumer technology industry law or policy.

Installation

- We warrant that we will perform the Installation in a professional and workmanlike manner and in accordance with accepted industry standards. We will rectify any defects in our Physical Installation for a period of ninety (90) days from the date of Substantial Completion of the installation. Physical Installation is the installation of the physical hardware materials.
- Nextec will need 45 days from the date the building is turned over to the Hermantown School District, to perform the installation.
- The Proposal was developed assuming normal installation practices. If unusual or un-anticipated construction difficulties are encountered (examples - hidden blockages of ceiling space for cable pulling, missing electrical outlet, etc.), additional charges will apply to work around or resolve these issues.
- 3rd Party Service Providers include, but are not limited to, Internet Service Providers, Satellite TV Providers, Cable Providers, or Telephone Providers that you compensate separately. Any configuration, troubleshooting, on site visits, or delays relating to 3rd Party Services or Providers will always be billed at our Standard Time & Material (T&M) rates for labor / parts / materials / incidental expenses. Acceptance of this Agreement indicates we will not need to notify you in advance of these charges.
- We are not responsible for damage or performance issues related to (1) hardware not procured by us, including customer supplied equipment such as TVs, I-pads, etc., (2) other Contractors not under our control, or (3) 3rd Party Service Providers. We are not responsible for our wiring damaged by other Contractors or 3rd Party Service Providers. Separate T&M charges will apply to troubleshooting and / or repairing such problems.
- If your locations are greater than 50 miles from the Nextec home office, and unless explicitly outlined as "Extended Travel Included" in the Project Totals of the Proposal, we will charge you an Extended Travel Re-imbursement at the current Extended Travel Rates outlined on the most current Nextec Rate Sheet.

Change Orders

- You may request changes, additions, or modifications outside this Proposal without invalidating the Agreement subject to this Change Order Procedure: (1) You may request a written price estimate for the Change Order in advance of the work, or our T&M rates will apply. (2) The Change Order payment is due upon receipt of invoice.

Payment Terms

- 80% of project due by June 1st (\$155,003.72), and the remaining 20% (\$38,750.93), including any change order additions, due upon substantial completion.
- Substantial Completion is when all physical installation work has been completed. Additional adjustments, programming changes and training may continue beyond Substantial Completion.
- Both parties in this contract understand that Tariffs create a challenging environment regarding specific materials in this agreement and that the Proposal / pricing was developed prior to the recent US Trade policy changes / added Tariffs. Should meaningful Tariffs become a factor for Nextec, the Arena Legacy Fund agrees to work with Nextec in good faith to find an equitable solution amenable to both parties. This may mean an addendum to this current contract.

- Failure to make any scheduled payment when due will result in delay of installation services. Failure to make all payments upon Substantial Completion constitutes a default and in addition to other remedies, we may impose the maximum rate of interest allowable by law on any overdue payments, partial payments, or unpaid balances. We retain title and ownership of equipment and components until the Project Total has been paid in full. Final payment constitutes Final Project Acceptance.

Other

- This custom Proposal is a Nextec confidential and proprietary work product. You agree not to alter, reproduce, or share with other vendors in any manner unless authorized in writing by us, and/or a design fee (determined solely by us) is paid.
- This Proposal, in addition to these Terms and Conditions, constitutes the entire Agreement between us and supersedes any prior oral or written agreements. If there is a conflict between the provisions of the Proposal and the Terms and Conditions, the Terms and Conditions will prevail. This Agreement may be amended only by a written amendment signed by both of us.

Acceptance

Signature _____ Date _____

Nextec Rate Sheet

T&M Labor Rate

\$95.00 / tech/hour

Extended Travel Rates

Travel Time Labor (1/2 T&M labor rate) - \$47.50 / tech/hour

Mileage Rate - \$0.70 / mile (from Nextec home office)

Hotel expense – At cost

Northstar Ford Arena

Main Arena Video Wall Upgrade Proposal

5/14/2025



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About Nextec Systems

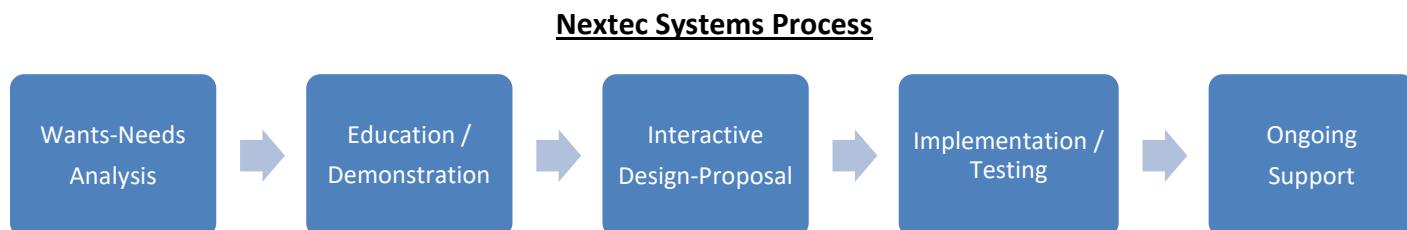
Nextec Systems is a full-service Electronic Systems Contractor that provides solutions for both Commercial and Residential applications and serves the upper Minnesota and Wisconsin regions.

Started in 2001, our team of experienced professionals works with clients as long-term partners. We pride ourselves on our customer satisfaction, professional image, and deep technical talent. You can be assured that you will get the right solution, done the right way, and at a fair price.

The Nextec Advantage:

- **Design Principles:** Nextec specializes in designing and delivering electronic systems utilizing a hierarchy of best practice principles that incorporate: Performance, Reliability, Ease of Use and Aesthetics - all of which are uniquely important.
- **Solid History of Customer Satisfaction:** Our long list of satisfied clients and trade partners are leading indicators of our system reliability and ease of use. Over 90% of our business is generated by referrals from satisfied commercial and residential customers, as well as by the leading designers, builders and trades people we partner with.
- **Top Notch Ongoing Support:** As our customer base can attest, Nextec is known for offering top notch ongoing support and service on a 24x7x365 basis. We support what we design and install.
- **Certified Qualifications:** In a complex industry that is always changing, certified qualifications and adherence to current industry best practices is an important consideration. Nextec Principals are formally educated in Computer and Electrical Engineering, maintain accredited professional Industry Certifications (CCPI and CCPD), along with a wide variety of equipment manufacturer certifications. Our certified professional installers participate in ongoing training and certification to ensure competency with the latest technologies.

Nextec Systems is a licensed, bonded, and insured Technology Systems Contractor (TS002058)



Please Contact me with any questions that you may have.

Jerid Prahl - CCPD, CCPI
Owner / Lead Designer
Nextec Systems
218.591.4321
jprahl@nextecsystems.com

Project Overview – Scope Of Work

Nextec Systems is pleased to present Arena Legacy Fund with a proposal for upgrading the Ford NorthStar Arena Video Wall to 34.65'x10.63' from the already contracted 22'x11'.

Focus or Goals of Systems Proposed:

- Meeting your specific needs for functionality
- Ease of Use
- Reliability
- Compatibility & expandability for future needs

Overview

- Included in this pricing is the upgrade to the main video wall to 34.65'x10.63'. This includes the parts and labor and processors.
- This video wall will accept HDMI input from a source (such a Scorevision system which can customize the output aspect ratio to match the video).
- This proposal also includes the vacuum tool for removing and replacing individual panels as well as a variety of extra replacement parts including Modules, Receiving cards, Power supply and HUB

Financial Summary

34.65 ft x 10.63 ft Main Arena Video Wall Upgrade

Package	Quantity
NX LED Panels 1.8(960mm x 540mm) w. moisture coating	66
A27/NX/CL V2/KL II Main power cable	19
NX Right HUB	8
NX Left HUB	8
NX1.8 Module with Moisture Coating	30
NX Power Supply	10
Vacuum front service tool	1
NX Trim kits	34
Universal main data cable 20M	24
Single bracket for NX big panel package	66
A5s Plus	2
Nova VX16S	1
3x Series Input processors and cards	1
Main Arena Video Install and Configuration	1
Total Project	\$292,910.60
Existing City Contract for 22 x 11 Video Board (Applied to Big Video Board)	-\$180,324.63
34.65 ft x 10.63 ft Main Arena Video Wall Upgrade Subtotal	\$112,585.97

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Your satisfaction is important to us and we plan to exceed your expectation. This Proposal and the Terms and Conditions form the Agreement between "Us" for this Project (Nextec – "We"; and Arena Legacy Fund – "You"). The Parties (Us) both acknowledge that this Video Wall Upgrade Proposal and the Terms and Conditions are associated with an expansion of total size of the 22'x11' Video Wall, already contracted with the City of Hermantown, to a 35'x11' Video wall, with the added funding coming from the Arena Legacy Fund (You). Given that the total Video Wall is one Integrated System and installed by Nextec as one Project, the Terms and Conditions with the City of Hermantown and the Arena Legacy Fund must be consistent. With exception of certain Payment terms the following Terms and Conditions are consistent with the City of Hermantown contract.

Services

- We will provide the equipment and labor required to complete the Project to the specifications & descriptions outlined in this Proposal.
- Prices contained are valid for 30 days from the delivery of this Proposal to you and will expire without receipt of your signed acceptance (below).
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Nextec Rate Sheet**T&M Labor Rate**

\$95.00 / tech/hour

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Travel Time Labor (1/2 T&M labor rate) - \$47.50 / tech/hour

Mileage Rate - \$0.70 / mile (from Nextec home office)

Hotel expense – At cost

Northstar Ford Arena Tech Upgrade Proposal - Financial Summary

Total Upgrade Project Price	
Main Arena Video Wall Upgrade	\$112,585.97
Arena End Video Walls and Audio Upgrade	\$193,754.65
Total Upgrade Price	\$306,340.62

Due by June 1st	
June 1st Downpayment for Main Video Wall Upgrade	\$90,068.78
June 1st Downpayment for End Video Walls and Speakers	\$155,003.72
Total Due on June First	\$245,072.50

Due Upon Substantial Completion	
Substantial Completion Payment for Main Video Wall Upgrade	\$22,517.19
Substantial Completion Payment for End Video Walls and Audio	\$38,750.93
Total Due Upon Substantial Completion	\$61,268.12