City of North St. Paul
City Council
Workshop Agenda

June 1, 2021
5:00 PM

The City Council workshop will be conducted on Tuesday, **June 1, 2021** at 5:00 p.m. The meeting location is the City Council Chambers of City Hall, located at 2400 Margaret St., North St. Paul.

The City Council workshop will also be meeting on interactive TV under Minn. Stat. 13D.02. Members of the public are permitted to attend the meeting in person, however, it is encouraged to view the meeting remotely. Instructions can be found below.

The **June 1, 2021 Zoom meeting can be accessed via:** https://us02web.zoom.us/j/84409094358?pwd=bEhid2pNREtCcXdHZDhHK2Y5SUk4dz09

(**from a PC, Mac, tablet, iPhone or Android device)**
Meeting ID: 844 0909 4358
Password: 041469
or by phone at 1-929-205-6099, **meeting ID 844 0909 4358, password 041469.**

The City Council Zoom meeting will be ‘open to the public to listen in but will be muted from contributing at all times with the exception of a Public Hearing and open to the public forum.

Please join the meeting early to test your audio and video settings. If you join via a device and your audio is not working, you may need to use the dial-in phone number option in order to be heard.

I. Call to Order

II. Roll Call
Council Member Thorsen
Council Member Petersen
Council Member Cole
Council Member Wong
Mayor Furlong

III. Adopt Agenda

IV. Topic(s)

A. Review of the North St. Paul Housing & Redevelopment Authority and Ramsey County's Request to Levy

B. Purchasing Policy Updates

C. CivicClerk Implementation

D. City Manager Operational Updates

V. Other Business

VI. Adjournment

NORTH ST. PAUL
extraordinary.

Agenda Information Memorandum

To	Date
Honorable Mayor Furlong and City Council	June 1, 2021

Agenda Placement # IV.A

Topic(s)

Subject

Review of the North St. Paul Housing & Redevelopment Authority and Ramsey County's Request to Levy

Background/Facts

The North St. Paul Housing & Redevelopment Authority (HRA) was established on May 17, 1971 for the purpose of supporting current and prospective homeowners through affordable housing projects, redevelopment, and revitalization of blighted properties. It is a legally separate organization from the City of North St. Paul (City) with an independent taxing authority. The governing body consists of City Council members, with management of the City having operational responsibility of the HRA. Goals of the HRA include:

- Foster, promote, and effectively communicate the advantages of living in North St. Paul.
- Coordinate efforts to preserve existing neighborhoods.
- Create and maintain high quality, sustainable single and multi-family housing options.
- Prevent and eliminate blight on individual properties, neighborhoods and the entire community.
- Retain and attract desirable housing that leads to investment and commitment to the community.

Since 2006, with the approval of the Mayor and City Council, the HRA has levied a tax upon all taxable property within the City of North St. Paul pursuant to Minnesota Statutes § 469.033, subd. 6. The amounts collected from the levy have been used by the HRA to fund the Goals stated above. As of April 30, 2021 the HRA has a cash balance of $31,539.

Through purchases and land swaps, the HRA currently owns sixteen parcels with a cost of $1,078,376 and an assessed value per the Ramsey County Assessor of $1,578,300. Note that differences from the cost and assessed value are due to market value increases since the parcels were purchased, recent improvements to the parcels that have yet to be reflected in the assessed value, and past lot splits. The sixteen parcels are to be used for the Student Built Home program, future land swaps, promote large scale development, and other housing development opportunities.

The HRA funded a Home Loan Program that has since been discontinued. As of April 30, 2021, there are 7 remaining loans totaling $84,511 which will be serviced until they mature. The HRA uses the Community Reinvestment Fund, a non-profit loan administrator, to manage these loans. The Home Loan Program was used to provide low-to-zero interest loans to assist current homeowners with various housing improvements including energy efficiency projects and rehabilitation of properties.

The Student Built program is a partnership between the HRA, Northeast Metro 916 Career and Technical Center, and the Saint Paul College Cabinetmaking Program. The program targets severely distressed and nuisance properties to better the quality of housing stock, give students the opportunity to explore career paths in the construction and building trades, and add to the tax base. The constructed homes are designed to complement existing homes within the neighborhood and are sold at market value.

Since 2008, the Student Built program has rehabilitated and sold ten houses. Currently there are two student built homes in progress at 2198 2nd Street and 2487 19th Avenue. The typical home takes between 3 and 4 years from acquisition to design, demo, construct and sell. Along with the rehabilitation of blighted property, the HRA has net projected proceeds of $109,108, including $52,755 of actual proceeds from homes sold.

Now in addition to our local North Saint Paul HRA, Ramsey County is seeking our approval to Levy North Saint Paul Property Owners for a Ramsey County HRA Program. The County Levy would be in addition to our current HRA Levy. The projected North St. Paul median residential property value for 2022 is $236,500. The proposed Ramsey County HRA levy would increase annual taxes on the median residential property value by about $41.00.

Staff is seeking your direction on Ramsey County's request.

Recommendation:

Staff is seeking City Council direction on the Housing & Redevelopment Authority and Ramsey County's Request to Levy North Saint Paul Property Owners.

Attachments

1. U.S. Census Bureau Quick Facts
2. HRA Historical Tax Levy
3. HRA Current Land Listing
4. HRA Loan Program Summary
5. HRA Student Built Activity Summary
6. NSP query
7. HRA Levy Fact Sheet_21
8. Additional Information - Ramsey Co HRA Levy
9. St. Paul Approved Resolution
10. DRAFT Resolution_0303

Respectfully submitted,

United States Census Bureau

QuickFacts

North St. Paul city, Minnesota; Minnesota

QuickFacts provides statistics for all states and counties, and for cities and towns with a ***population of 5,000 or more***.

Table

All Topics	North St. Paul city, Minnesota	Minnesota
Population estimates, July 1, 2019, (V2019)	**12,506**	**5,639,632**
PEOPLE		
Population		
Population estimates, July 1, 2019, (V2019)	**12,506**	**5,639,632**
Population estimates base, April 1, 2010, (V2019)	11,460	5,303,927
Population, percent change - April 1, 2010 (estimates base) to July 1, 2019, (V2019)	9.1%	6.3%
Population, Census, April 1, 2010	11,460	5,303,925
Age and Sex		
Persons under 5 years, percent	10.2%	6.2%
Persons under 18 years, percent	22.7%	23.1%
Persons 65 years and over, percent	14.3%	16.3%
Female persons, percent	49.4%	50.2%
Race and Hispanic Origin		
White alone, percent	69.9%	83.8%
Black or African American alone, percent (a)	8.7%	7.0%
American Indian and Alaska Native alone, percent (a)	0.2%	1.4%
Asian alone, percent (a)	12.5%	5.2%
Native Hawaiian and Other Pacific Islander alone, percent (a)	0.0%	0.1%
Two or More Races, percent	6.2%	2.6%
Hispanic or Latino, percent (b)	6.0%	5.6%
White alone, not Hispanic or Latino, percent	66.8%	79.1%
Population Characteristics		
Veterans, 2015-2019	680	300,044
Foreign born persons, percent, 2015-2019	7.4%	8.5%
Housing		
Housing units, July 1, 2019, (V2019)	X	2,477,753
Owner-occupied housing unit rate, 2015-2019	67.2%	71.6%
Median value of owner-occupied housing units, 2015-2019	$206,100	$223,900
Median selected monthly owner costs -with a mortgage, 2015-2019	$1,599	$1,580
Median selected monthly owner costs -without a mortgage, 2015-2019	$545	$534
Median gross rent, 2015-2019	$988	$977
Building permits, 2019	X	28,586
Families & Living Arrangements		
Households, 2015-2019	4,808	2,185,603
Persons per household, 2015-2019	2.56	2.49
Living in same house 1 year ago, percent of persons age 1 year+, 2015-2019	90.9%	85.9%
Language other than English spoken at home, percent of persons age 5 years+, 2015-2019	15.8%	11.9%
Computer and Internet Use		
Households with a computer, percent, 2015-2019	93.7%	91.6%
Households with a broadband Internet subscription, percent, 2015-2019	89.2%	84.8%
Education		
High school graduate or higher, percent of persons age 25 years+, 2015-2019	90.7%	93.1%
Bachelor's degree or higher, percent of persons age 25 years+, 2015-2019	27.3%	36.1%
Health		
With a disability, under age 65 years, percent, 2015-2019	12.1%	7.3%
Persons without health insurance, under age 65 years, percent	3.9%	5.8%
Economy		
In civilian labor force, total, percent of population age 16 years+, 2015-2019	68.0%	69.6%
In civilian labor force, female, percent of population age 16 years+, 2015-2019	62.6%	65.9%
Total accommodation and food services sales, 2012 ($1,000) (c)	6,971	11,722,627

Total health care and social assistance receipts/revenue, 2012 ($1,000) (c)	41,199	40,403,572
Total manufacturers shipments, 2012 ($1,000) (c)	D	123,076,309
Total merchant wholesaler sales, 2012 ($1,000) (c)	D	104,485,117
Total retail sales, 2012 ($1,000) (c)	86,810	78,898,182
Total retail sales per capita, 2012 (c)	$7,423	$14,667
Transportation		
Mean travel time to work (minutes), workers age 16 years+, 2015-2019	26.5	23.7
Income & Poverty		
Median household income (in 2019 dollars), 2015-2019	$64,722	$71,306
Per capita income in past 12 months (in 2019 dollars), 2015-2019	$31,451	$37,625
Persons in poverty, percent	10.3%	9.0%

BUSINESSES

Businesses		
Total employer establishments, 2019	X	151,495
Total employment, 2019	X	2,729,420
Total annual payroll, 2019 ($1,000)	X	153,756,494
Total employment, percent change, 2018-2019	X	0.0%
Total nonemployer establishments, 2018	X	416,487
All firms, 2012	948	489,494
Men-owned firms, 2012	540	268,710
Women-owned firms, 2012	346	157,821
Minority-owned firms, 2012	104	47,302
Nonminority-owned firms, 2012	826	428,716
Veteran-owned firms, 2012	166	45,582
Nonveteran-owned firms, 2012	749	419,628

GEOGRAPHY

Geography		
Population per square mile, 2010	4,023.9	66.6
Land area in square miles, 2010	2.85	79,626.74
FIPS Code	2747221	27

About datasets used in this table

Value Notes

Estimates are not comparable to other geographic levels due to methodology differences that may exist between different data sources.

Some estimates presented here come from sample data, and thus have sampling errors that may render some apparent differences between geographies statistically indistinguishable. Click the Quick Info icon to the row in TABLE view to learn about sampling error.

The vintage year (e.g., V2019) refers to the final year of the series (2010 thru 2019). *Different vintage years of estimates are not comparable.*

Fact Notes

- **(a)** Includes persons reporting only one race
- **(c)** Economic Census - Puerto Rico data are not comparable to U.S. Economic Census data
- **(b)** Hispanics may be of any race, so also are included in applicable race categories

Value Flags

- **-** Either no or too few sample observations were available to compute an estimate, or a ratio of medians cannot be calculated because one or both of the median estimates falls in the lowest or upper in open ended distribution.
- **F** Fewer than 25 firms
- **D** Suppressed to avoid disclosure of confidential information
- **N** Data for this geographic area cannot be displayed because the number of sample cases is too small.
- **FN** Footnote on this item in place of data
- **X** Not applicable
- **S** Suppressed; does not meet publication standards
- **NA** Not available
- **Z** Value greater than zero but less than half unit of measure shown

QuickFacts data are derived from: Population Estimates, American Community Survey, Census of Population and Housing, Current Population Survey, Small Area Health Insurance Estimates, Small Area Income and F Estimates, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Permits.

North St. Paul Housing & Redevelopment Authority
Historical Tax Levy

Resolution	Collect Year	Amount Levied	Levied % of MV	Amount Collected	% of Levied
2020-143	2021	188,456.00	0.0185%	-	0.00%
2019-159	2020	170,172.00	0.0185%	168,238.72	98.86%
2018-152	2019	159,419.00	0.0185%	155,898.82	97.79%
2017-113	2018	152,040.00	0.0185%	149,556.12	98.37%
2016-129	2017	143,812.00	0.0185%	143,318.57	99.66%
2015-122	2016	120,000.00	0.0154%	124,350.47	103.63%
2014-139	2015	112,524.00	0.0185%	107,537.29	95.57%
2013-151	2014	112,524.00	0.0185%	111,217.32	98.84%
2012-126	2013	110,113.00	0.0144%	108,984.74	98.98%
2011-147	2012	110,615.00	0.0144%	106,435.00	96.22%
HRA Res. 2010-004	2011	114,453.00	0.0144%	106,651.06	93.18%
HRA Res. 2009-004	2010	123,456.00	0.0144%	115,593.84	93.63%
HRA Res. 2008-002	2009	133,035.00	0.0144%	126,578.21	95.15%
HRA Res. 2007-007	2008	138,447.00	0.0144%	130,711.02	94.41%
HRA Res. 2006-002	2007	135,766.00	0.0144%	121,289.73	89.34%

Data prior to the 2006 levy not available.

North St. Paul Housing & Redevelopment Authority
Current Land Listing
As of April 30, 2021

ID	Parcel Number	Address	Project Number	Current Cost	Assessed Value
101-002	01.29.22.33.0125	2329 17th Ave		145,958.00	484,200.00
101-005	14.29.22.13.0099	2007 6th Street North-lot split 2001 6th-value in 2017		-	39,500.00
101-008	12.29.22.42.0113	2393 Margaret Street North	Proj 311	179,474.22	179,800.00
101-009	12.29.22.42.0110	2377 Margaret Street North	Proj 315	202,376.68	188,800.00
101-011	12.29.22.34.0077	2198 2nd Street North	Proj 317	267,178.14	56,000.00
064-008	12.29.22.33.0018	0 3rd St N		-	44,400.00
064-009	12.29.22.33.0017	0 3rd St N		23,000.00	29,400.00
064-010	12.29.22.33.0016	0 3rd St N		23,000.00	29,400.00
064-011	12.29.22.33.0015	0 3rd St N		23,000.00	29,400.00
064-012	12.29.22.33.0014	0 3rd St N		23,000.00	29,400.00
064-013	12.29.22.33.0013	0 3rd St N		23,000.00	29,400.00
064-014	12.29.22.33.0012	0 3rd St N		23,000.00	29,400.00
064-015	12.29.22.33.0054	0 3rd St N		45,482.60	58,800.00
064-003	12.29.22.42.0112	2385 Margaret Street		-	39,600.00
064-007	12.29.22.42.0018	2579 7th Ave E (old medical center)		-	120,000.00
101-012	01.29.22.34.0013	2487 19th Avenue East	Proj 318	99,906.71	190,800.00
		Total		**1,078,376.35**	**1,578,300.00**

North St. Paul Housing & Redevelopment Authority
Loan Program Summary
As of April 30, 2021

Contract Number	Loan Number	Open	Mature	Last Payment	Interest Rate	Original Principal	Current Principal	Current Interest	Deferred Interest	Late Fees	Fees	Past Due Days	Balance
Revolving Zero Interest Loans													
00001190271	0000119027	08/01/2016	08/01/2036	12/09/2020	3%	25,000.00	19,583.56	27.36	0.00	0.00	0.00	0	19,610.92
00001193301	0000119330	12/14/2016	01/01/2037	12/30/2020	3%	13,190.82	10,977.75	3.61	0.00	0.00	0.00	0	10,981.36
Total Revolving Zero Interest Loans						38,190.82	30,561.31	30.97	0.00	0.00	0.00	0.00	30,592.28
Non-Interest Deferred Loans													
00001189291	0000118929	06/06/2016	06/06/2046		0%	3,200.00	3,200.00	0.00	0.00	0.00	0.00	0	3,200.00
Total Non-Interest Deferred						3,200.00	3,200.00	0.00	0.00	0.00	0.00	0.00	3,200.00
Home Improvement Loans													
00000024792	0000121241	09/20/2019	10/01/2039	12/15/2020	3%	12,680.02	11,976.02	25.59	0.00	0.00	0.00	0	12,001.61
00000024973	0000121397	10/24/2019	11/01/2029	12/04/2020	3%	9,175.00	8,024.69	12.54	0.00	4.43	0.00	0	8,041.66
00000053424	0000121810	07/20/2020	08/01/2040	12/02/2020	3%	21,045.00	19,589.69	46.69	0.00	0.00	0.00	0	19,636.38
00000054112	0000121887	09/30/2020	10/01/2040	12/28/2020	3%	11,278.79	11,031.38	4.53	0.00	3.13	0.00	0	11,039.04
Total Home Improvement						54,178.81	50,621.78	89.35	0.00	7.56	0.00	0.00	50,718.69
Grand Total						95,569.63	84,383.09	120.32	0.00	7.56	0.00	0.00	84,510.97

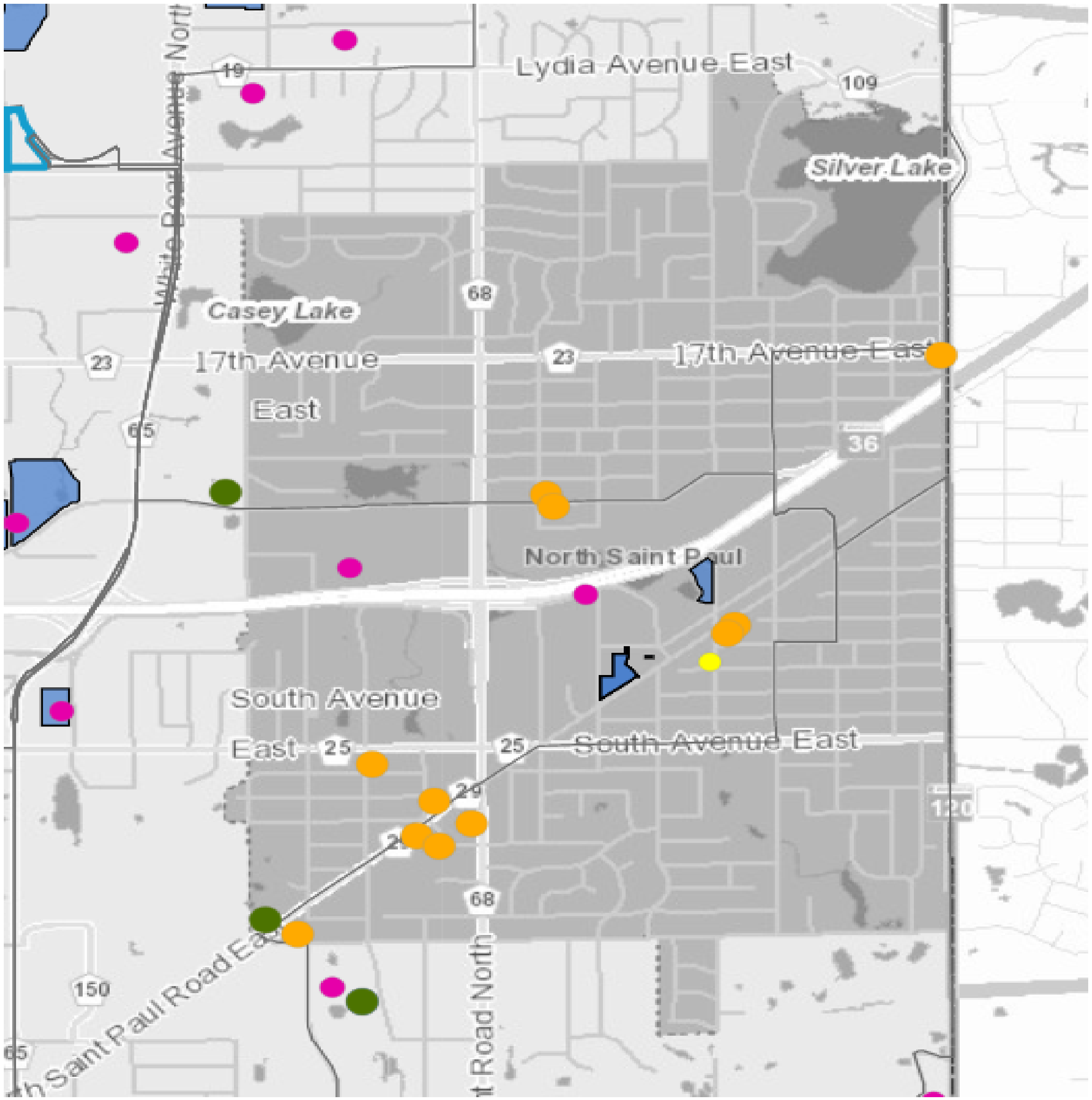
Information above provided by Community Reinvestment Fund, NSP's 3rd party loan administrator

NORTH ST.PAUL extraordinary.

North St. Paul Housing & Redevelopment Authority
Student Built Program
Activity Summary

Internal Project Code	Property Location	2018 & Prior Actual	2019 Actual	2020 Actual	Anticipated 2021	Total	Anticipated 2021 Sales	Anticipated 2022 Sales	Sale Price	Gain / Loss	Notes
NA	2505 14th Ave	241,365	-	-	-	241,365	-	-	315,000	73,635	Sold 3/10/2010; No labor cost data available 2011 & Prior
NA	2536 19th Ave	273,430	-	-	-	273,430	-	-	259,900	(13,530)	Sold 10/3/2010; No labor cost data available 2011 & Prior
NA	2297 Holloway	184,041	-	-	-	184,041	-	-	209,803	25,762	Sold 12/20/2011; No labor cost data available 2011 & Prior
NA	2768 Helen St	231,411	-	-	-	231,411	-	-	295,002	63,591	Sold 7/9/2012; No labor cost data available 2011 & Prior
300	2370 15th Ave	216,145	-	-	-	216,145	-	-	250,008	33,863	Sold 12/5/2014
301	2001 6th Street	265,947	-	-	-	265,947	-	-	283,500	17,553	Sold 10/4/2016
302	2341 14th Ave	306,511	-	-	-	306,511	-	-	260,000	(46,511)	Sold 11/22/2016
307	2046 1st Street	182,195	230,631	-	-	412,827	-	-	348,000	(64,827)	Sold 7/26/2019
308	2335 14th Ave	320,049	-	-	-	320,049	-	-	295,000	(25,049)	Sold 12/8/2017
309	2050 1st Street	333,604	128	-	-	333,732	-	-	322,000	(11,732)	Sold 8/31/2018
317	2198 2nd Street	-	56,529	205,119	50,000	311,647	368,000	-	-	56,353	2021 Costs of $25,531.33 as of April 30, 2021
318	2487 19th Ave	-	-	120,181	204,819	325,000	-	325,000	-	-	2021 Costs of $2,476.92 as of April 30, 2021
Totals		**2,554,698**	**287,289**	**325,300**	**254,819**	**3,422,105**	**368,000**	**325,000**	**2,838,213**	**109,108**	

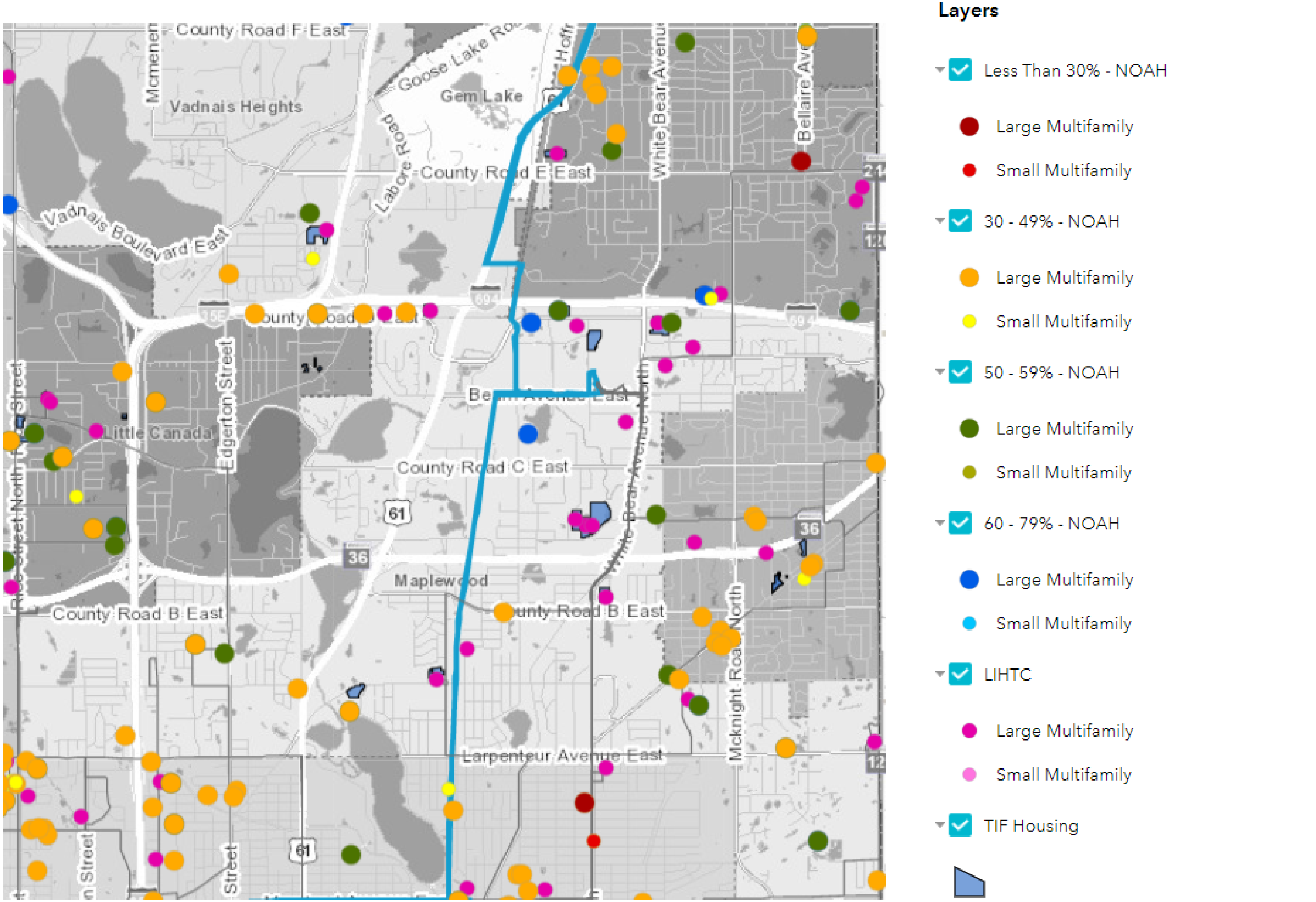
North St. Paul - Multifamily affordable housing query



Layers

- Less Than 30% - NOAH
  - Large Multifamily
  - Small Multifamily
- 30 - 49% - NOAH
  - Large Multifamily
  - Small Multifamily
- 50 - 59% - NOAH
  - Large Multifamily
  - Small Multifamily
- 60 - 79% - NOAH
  - Large Multifamily
  - Small Multifamily
- LIHTC
  - Large Multifamily
  - Small Multifamily
- TIF Housing

North St. Paul - Multifamily affordable housing query area context



RAMSEY COUNTY

HRA LEVY

Preserving and providing homes for all.

Starting in 2022, funds collected would preserve and create affordable housing for Ramsey County residents, providing a long-term resource to combat the existing housing crisis.

Ramsey County is exploring a property tax levy for its Housing and Redevelopment Authority (HRA) to address the longstanding housing crisis that has been exacerbated due to the COVID-19 pandemic and the subsequent economic downturn.

Our challenge

Many Ramsey County residents live in poverty and struggle to find or afford stable housing. The current market is not building or preserving enough affordable housing to meet the needs of these residents, including seniors, low-wage workers and others who make less than $25,000 annually. This challenge is anticipated to grow, placing further strain on the housing market and county services for all households.

Housing and redevelopment authorities

To help solve these challenges, many local units of government levy for affordable housing through their Housing Redevelopment Authorities – public entities that specifically focus on housing and redevelopment. While Ramsey County has an HRA, it is the only county in the Twin Cities metropolitan area that does not actively levy for affordable housing.

What will the levy fund?

Funds collected through a Ramsey County HRA Levy would support the preservation of existing and creation of new affordable housing developments and build community wealth by creating pathways to homeownership. This would be done by offering gap financing and land acquisition funds as well as allocating resources to increase the competitiveness of local community housing projects in Ramsey County applying for state grants.

Timeline

Ramsey County's HRA plans to begin levying in 2022. However, communities that had active HRA levy authorities prior to 1971 are statutorily required to pass a resolution to participate in Ramsey County's levy as well. This currently applies to the cities of Saint Paul and North St. Paul.

Additional information

Learn more at ramseycounty.us/HRA

Contact: Kari Collins, *Community and Economic Development Director*
Kari.Collins@ramseycounty.us | 651-266-8010

RAMSEY COUNTY

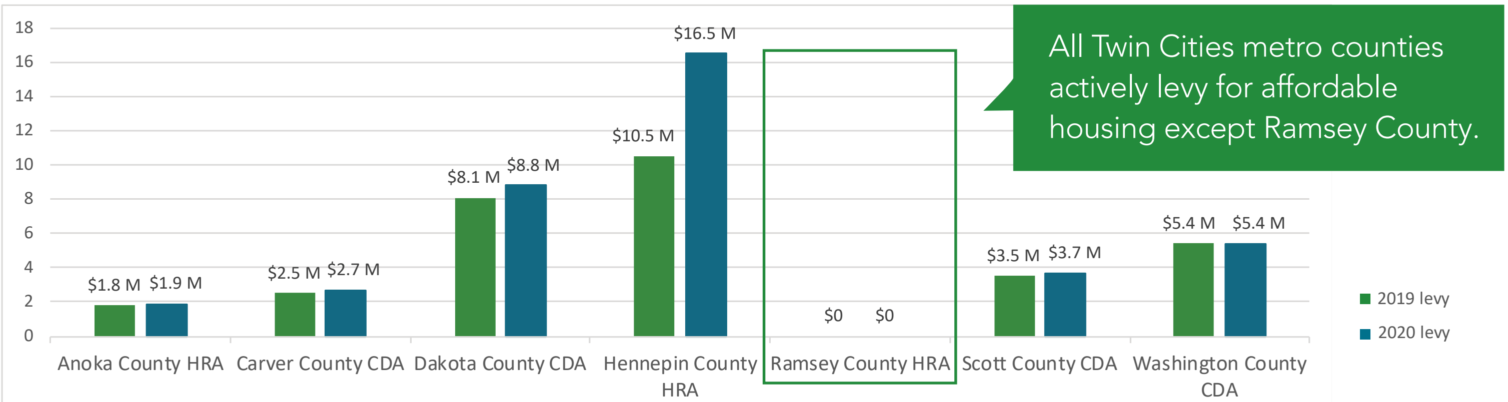
65,000 households in Ramsey County pay more than 30% of their income on housing.

*There are 209,000 households in Ramsey County.**

An HRA levy in Ramsey County **could raise up to $11.6 million a year** to fund affordable housing.

**Source: U.S. Census Bureau, 2019.*

HRA Levies by Metro County (2019 and 2020)



There is currently a shortage of 15,000+ homes that are affordable for Ramsey County households making between $30,000-$50,000 per year and **50,000+ homes** that are affordable for households making less than $30,000 per year.

New construction would take 20-50 years to meet the current need, and would still require subsidies.

The proposed HRA Levy would increase annual taxes on a median value residential property ***by about $45***.

> **THE COST OF INACTION IS TOO GREAT.**
> If we wish to chart a path toward recovery and create a more resilient future, then we must ensure our commitment to our most vulnerable residents.
> **When our most vulnerable residents thrive, we all thrive.**
>
> *– Economic Competitiveness and Inclusion Plan participant*

Learn more: ramseycounty.us/HRA

Additional Information / links – Ramsey County HRA Levy
Submitted by: Council Member Lisa Wong

MN Compass<https://urldefense.proofpoint.com/v2/url?u=https-3A__www.mncompass.org_profiles_city_north-2Dst-2Dpaul-3Fhousehold-2Dby-2Dincome&d=DwMFaQ&c=wZIz6BR1yds6ABxMNYcTPKRj39yq004hegHRzkEIjMM&r=doslGOfw3WHilTQRehSE3NI1nrwjk1d7STKjbTwmOMw&m=7JlVHRHzwycG82_nnOpCsbfjKvyVKCGCr5oeke1IXVY&s=hHCN0FB255CHaJb-fKj4tSiSqSWVZpOyDgop_OtJXY0&e=> for NSP

NSP Comprehensive Plan: NSP Housing, Goals, and affordability tools - Attached Photos
Ramsey Co. 2040 - Housing and Homelessness Report<https://urldefense.proofpoint.com/v2/url?u=https-3A__www.ramseycounty.us_sites_default_files_Projects-2520and-2520Initiatives_RamseyCounty2040-5FHOUSING-5F7.17.pdf&d=DwMFaQ&c=wZIz6BR1yds6ABxMNYcTPKRj39yq004hegHRzkEIjMM&r=doslGOfw3WHilTQRehSE3NI1nrwjk1d7STKjbTwmOMw&m=7JlVHRHzwycG82_nnOpCsbfjKvyVKCGCr5oeke1IXVY&s=tERxxa97HZ4lkrxerfxl6npgxo0-EtT2EGE9eTnN2nY&e=>

Ramsey Co. Cities - Existing Housing Assessment (2019)
Attachment - NSP Affordable Housing Construction History
NSP Housing Performance SCORE<https://urldefense.proofpoint.com/v2/url?u=https-3A__metrocouncil.org_Housing_Publications-2DAnd-2DResources_HOUSING-2DPOLICY-2DPLANS-2DREPORTS_2018-2DHousing-2DPerformance-2DScores-2D-28December-2D2018-29.aspx&d=DwMFaQ&c=wZIz6BR1yds6ABxMNYcTPKRj39yq004hegHRzkEIjMM&r=doslGOfw3WHilTQRehSE3NI1nrwjk1d7STKjbTwmOMw&m=7JlVHRHzwycG82_nnOpCsbfjKvyVKCGCr5oeke1IXVY&s=cuy3CfFRvsFVv5Vz14YmmsDMm71e6zmx4k-ghGf9s1I&e=>

- Housing SCORE methodology <https://urldefense.proofpoint.com/v2/url?u=https-3A__metrocouncil.org_Communities_Services_Livable-2DCommunities-2DGrants_LCA_2020-2DGuidelines-2Dfor-2DPriority-2DFunding-2Dfor-2DPerforman.aspx&d=DwMFaQ&c=wZIz6BR1yds6ABxMNYcTPKRj39yq004hegHRzkEIjMM&r=doslGOfw3WHilTQRehSE3NI1nrwjk1d7STKjbTwmOMw&m=7JlVHRHzwycG82_nnOpCsbfjKvyVKCGCr5oeke1IXVY&s=QMpnyFZoMl5K9i4JfMrL9Ah78qT1dOGqnosJEAX1cl0&e=>

Rent Debt in MN<https://urldefense.proofpoint.com/v2/url?u=https-3A__nationalequityatlas.org_rent-2Ddebt&d=DwMFaQ&c=wZIz6BR1yds6ABxMNYcTPKRj39yq004hegHRzkEIjMM&r=doslGOfw3WHilTQRehSE3NI1nrwjk1d7STKjbTwmOMw&m=7JlVHRHzwycG82_nnOpCsbfjKvyVKCGCr5oeke1IXVY&s=UY5A8nKVT9DGmT07iLWIsGOfW-zfzitxfLtTDCR2wjk&e=> - Stats on how the pandemic has impacted renters

Met Council -Affordable Homeownership: Sharing Best Practices<https://urldefense.proofpoint.com/v2/url?u=https-3A__metrocouncil.org_Housing_Projects_Affordable-2DHomeownership.aspx&d=DwMFaQ&c=wZIz6BR1yds6ABxMNYcTPKRj39yq004hegHRzkEIjMM&r=doslGOfw3WHilTQRehSE3NI1nrwjk1d7STKjbTwmOMw&m=7JlVHRHzwycG82_nnOpCsbfjKvyVKCGCr5oeke1IXVY&s=-PI7lixPbCDK2iPGwfUdZweU034LRBekOtDU7X07Z28&e=>

St Paul's Racial Equity Metrics <https://urldefense.proofpoint.com/v2/url?u=https-3A__www.stpaul.gov_departments_planning-2Dand-2Deconomic-2Ddevelopment_racial-2Dequity-2Dmetrics&d=DwMFaQ&c=wZIz6BR1yds6ABxMNYcTPKRj39yq004hegHRzkEIjMM&r=doslGOfw3WHilTQRehSE3NI1nrwjk1d7STKjbTwmOMw&m=7JlVHRHzwycG82_nnOpCsbfjKvyVKCGCr5oeke1IXVY&s=NoS3eozrhmnfDfPLFq8ozUDoo4pLVZWS7KiXI1s-w4I&e=> -

RESOLUTION

Title ...

Resolution authorizing the levy of a special benefit tax pursuant to Minnesota Statutes, Section 469.033, Subdivision 6.

Body...

WHEREAS, Ramsey County, the City of St. Paul, and our entire region are facing an affordable housing crisis that has been exacerbated due to the COVID-19 pandemic and its subsequent economic downturn; and

WHEREAS, many residents of the City of St. Paul and Ramsey County struggle to find or afford stable housing along the full housing continuum; and

WHEREAS, nearly half of renters and 20% of homeowners in Ramsey County are cost-burdened, spending more than 30% of their income on housing expenses; and

WHEREAS, the current market is not building or preserving enough affordable housing to meet the needs of these residents, including seniors, low-wage workers, and others who make less than $25,000 annually; and

WHEREAS, at the current pace of construction and if all construction was dedicated to affordable housing, it would take more than 21 years to build enough units to meet the demand; and

WHEREAS, this housing shortage is anticipated to grow in the City of St. Paul and Ramsey County, and will place further strain on the housing market and city and county services for all households; and

WHEREAS, throughout Ramsey County the availability of land is scarce and nearly all development that occurs or will occur will be redevelopment; and

WHEREAS, redevelopment challenges are very site specific and contribute to the added cost and time necessary to ready and advance projects; and

WHEREAS, affordable housing is a smart investment of taxpayer dollars and a long-term solution addressing the root cause of homelessness; and

WHEREAS, the City of St. Paul established the Housing and Redevelopment Authority of Saint Paul, Minnesota (the "St. Paul HRA") prior to June 8, 1971 and levies a tax upon all taxable property within the City of St. Paul pursuant to Minnesota Statutes § 469.033, subd. 6; and

WHEREAS, the City of North St. Paul established the Housing and Redevelopment Authority in and for the City of North St. Paul, Minnesota (the "North St. Paul HRA") prior to June 8, 1971; and

WHEREAS, to help support the preservation of existing and creation of new affordable housing developments as well as the redevelopment and revitalization of blighted corridors and sites across Ramsey County, including in the City of St. Paul, the Board of Commissioners of The Ramsey County Housing & Redevelopment Authority (the "County HRA") proposes to levy a tax upon all taxable property within Ramsey County pursuant to Minnesota Statutes § 469.033, subd. 6 (the "County HRA Levy"); and

WHERAS, funds collected through the County HRA Levy will be used in the City of St. Paul and across Ramsey County to expand homeownership programs, offer gap financing and land acquisition funds, and to allocate resources to increase the competitiveness of the City of St. Paul and Ramsey County housing projects when applying for state grants; and

WHEREAS, the County HRA will also be involved in broader development and redevelopment efforts in the City of St. Paul and throughout Ramsey County that advance Ramsey County's goals; and

WHEREAS, the special benefit tax levy authorized by Minnesota Statutes § 469.033, subd. 6 is separate and distinct from Ramsey County's levy and is not subject to levy limits; and

WHEREAS, a County HRA Levy could collect up to $11.6 million each year (based on the pay 2021 tax rates and tax capacity) to fund affordable housing and broader development and redevelopment efforts that advance Ramsey County's goals, with steady investments that support projects in St. Paul and County-wide; and

WHEREAS, the County HRA will seek authorization from the City St. Paul and the City of North St. Paul to implement housing projects in each city's jurisdiction; and

WHEREAS, the County HRA commits to balancing County HRA Levy investments across St. Paul and suburban Ramsey County equitably; and

WHEREAS, pursuant to Minnesota Statutes § 469.012, subd. 3, the St. Paul HRA may adopt a resolution authorizing the County HRA to exercise the County HRA's powers within the City of St. Paul at the same time that the St. Paul HRA is exercising its own powers; and

WHEREAS, pursuant to Minnesota Statutes § 469.012, subd. 3, the North St. Paul HRA may adopt a resolution authorizing the County HRA to exercise the County HRA's powers within the City of North St. Paul at the same time that the North St. Paul HRA is exercising its own powers; and

NOW, THERFORE, BE IT RESOLVED, by the Board of Commissioners of The Ramsey County Housing & Redevelopment Authority (the "Board") as follows:

1. Contingent upon the approval of Ramsey County, there is hereby levied a special benefit tax pursuant to Minnesota Statutes, Section 469.033, Subdivision 6, in the amount of 0.0185 percent of taxable market value in Ramsey County, including without limitation within the City of St. Paul subject to obtaining the authorizations described in Section 2 hereof, and including without limitation within the City of North St. Paul subject to obtaining the authorizations described in Section 3 hereof.

2. Notwithstanding Ramsey County's authority pursuant to Minnesota Statutes § 469.004, subd. 1a, to exercise the powers of a housing and redevelopment authority, independent of the general law authority of housing and redevelopment authorities, for clarity the Board hereby requests that the City of St. Paul, pursuant to Minnesota Statutes § 469.005, subd. 1, and the St. Paul HRA, pursuant to Minnesota Statutes § 469.012, subd. 3, authorize the County HRA to exercise the County HRA's powers within the City of St. Paul at the same time that the St. Paul HRA is exercising its own powers.

3. Notwithstanding Ramsey County's authority pursuant to Minnesota Statutes § 469.004, subd. 1a, to exercise the powers of a housing and redevelopment authority, independent of the general law authority of housing and redevelopment authorities, for clarity the Board hereby requests that the City of North St. Paul, pursuant to Minnesota Statutes § 469.005, subd. 1, and the North St. Paul HRA, pursuant to Minnesota Statutes § 469.012, subd. 3, authorize the County HRA to exercise the County HRA's powers within the City of North St. Paul at the same time that the North St. Paul HRA is exercising its own powers.

4. The Board acknowledges that the County HRA is authority to exercise its powers, including without limitation exercise of the County Levy, within the City of Saint Paul shall be subject to the conditions set forth in the resolutions approving the authorizations described in Section 2 hereof.

5. The Board acknowledges that the authorizations described in Section 2 hereof may be revoked by subsequent resolution of the St. Paul HRA.

6. The Board acknowledges that the County HRA's exercise of its powers will not alter, limit or impair the St. Paul HRA's powers, area of operation, or levy.

7. The Board agrees that so long as the County HRA is authorized to exercise its powers, including without limitation exercise of the County Levy, within the City of Saint Paul, at least fifty percent (50%) of any tax levied by the County HRA will spent on projects located in the City of Saint Paul.

8. The Board shall adopt a budget for each fiscal year that provides for the County Levy of the special benefit tax in the amount of 0.0185 percent of taxable market value of property in the County and staff of the County HRA is hereby authorized and directed to file the budget submit it to the Ramsey County Board in accordance with Ramsey County's budget procedure required of executive departments of Ramsey County or, if no budgets are required to be filed, by August 1 of each year.

9. The County Levy shall continue until revoked by resolution of the Board or the Ramsey County Board.

10. Staff of the County HRA is hereby authorized and directed to take such other actions as are necessary to levy the County Levy and certify the County Levy upon approval by the Ramsey County Board.

RESOLUTION

WHEREAS, Ramsey County, the City of North St. Paul, and our entire region are facing an affordable housing crisis that has been exacerbated due to the COVID-19 pandemic and its subsequent economic downturn; and

WHEREAS, many residents of the City of North St. Paul and Ramsey County struggle to find or afford stable housing along the full housing continuum; and

WHEREAS, nearly half of renters and 20% of homeowners in Ramsey County are cost-burdened, spending more than 30% of their income on housing; and

WHEREAS, the current market is not building or preserving enough affordable housing to meet the needs of these residents, including seniors, low-wage workers, and others who make less than $25,000 annually; and

WHEREAS, at the current pace of construction and if all construction was dedicated to affordable housing, it would take more than 21 years to build enough units to meet the demand; and

WHEREAS, this housing shortage is anticipated to grow in the City of North St. Paul and Ramsey County, and will place further strain on the housing market and city and county services for all households; and

WHEREAS, throughout the county the availability of land is scarce and nearly all development that occurs or will occur will be redevelopment, and

WHEREAS, redevelopment challenges are very site specific and contributes to the added cost and time necessary to ready and advance projects, and

WHEREAS, affordable housing is a smart investment of taxpayer dollars and a long-term solution addressing the root cause of homelessness; and

WHEREAS, many local units of government levy for affordable housing through their housing redevelopment authorities to support affordable housing projects, including every county in the Twin Cities metropolitan area besides Ramsey County; and

WHEREAS, the City of North St. Paul established its Housing and Redevelopment Authority on or about May 17, 1971, and was eligible to begin levying a tax upon all taxable property within the City of North St. Paul pursuant to Minnesota Statutes § 469.033, subd. 5; and

WHEREAS, Ramsey County established its Housing and Redevelopment Authority on or about March 9, 1993 for purposes of ensuring sufficient supply of adequate, safe and sanitary housing, assist in the redevelopment and revitalization of blighted corridors and sites, and to remedy the shortage of housing of low and moderate income residents ; and

WHEREAS, to help support the preservation of existing and creation of new affordable housing developments as well as the redevelopment and revitalization of blighted corridors and sites across Ramsey County, including in the City of North St. Paul in 2022, the Ramsey County Housing and Redevelopment Board of Commissioners plans to begin levying a tax upon all taxable property within the County pursuant to Minnesota Statutes § 469.033, subd. 5 (the "County Levy"); and

WHERAS, funds collected through the County Levy would be used in the City of North St. Paul and across Ramsey County to expand homeownership programs, offer gap financing and land acquisition funds, and to allocate resources to increase the competitiveness of City and Ramsey County housing projects when applying for state grants; and

WHEREAS, the Ramsey County Housing and Redevelopment Authority will also be involved in broader development and redevelopment efforts in the City of North St. Paul and the entire County that advance the County's goals; and

WHEREAS, the County Levy could collect up to $11.6 million each year to fund affordable housing and broader development and redevelopment efforts that advance the County's goals, with a portion of that amount supporting projects in the City of North St. Paul; and

WHEREAS, the Ramsey County Housing and Redevelopment Authority would seek authorization from the City of North St. Paul to implement a project in the City's jurisdiction; and

WHEREAS, because the City of North St. Paul established its HRA in 1971, in order to participate in the County Levy, pursuant to Minnesota Statutes § 469.012, subd. 3, the City of North St. Paul may adopt a resolution authorizing the Ramsey County Housing and Redevelopment Authority to exercise the County HRA's powers within the City of North St. Paul at the same time that the City of North St. Paul is exercising its own powers; and NOW, THERFORE, BE IT

RESOLVED, the City Council for the City of North St. Paul authorizes the Ramsey County Housing and Redevelopment Authority to include the City of North St. Paul in its area of operation to both levy funding and create and support projects within the City of North St. Paul.

NORTH ST. PAUL
extraordinary.

Agenda Information Memorandum

To	Date
Honorable Mayor Furlong and City Council	June 1, 2021

Agenda Placement # IV.B

Topic(s)

Subject

Purchasing Policy Updates

Background/Facts

As part of the 2020 audit performed by the City's independent auditors, Malloy, Montague, Karnowski, Radosevich & Co., P.A. (MMKR), the City received recommendations on page 4 of the attached Management Report to include the following in our Purchasing Policy:

- All increases to the contract price, whether through change orders or otherwise, be approved by the City Council; and
- When the City Council approves an increase to a contract price, also consider requiring additional contractor's bonds, and votes to require or waive such bonds.

Staff has attached an updated draft of the Purchasing Policy that meets these recommendations. Staff requests that City Council review the red text updates on pages 3, 12, and 15 of the attached Purchasing Policy and provide feedback.

Recommendation:

Staff requests that City Council provide feedback on updates to the Purchasing Policy to meet the auditors recommendations.

Attachments

1. 2020 Management Report
2. June 2021 NSP Purchasing Policy

Respectfully submitted,
Kyle Stasica, Accountant

Management Report

for

City of North St. Paul, Minnesota

December 31, 2020

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PRINCIPALS
Thomas A. Karnowski, CPA
Paul A. Radosevich, CPA
William J. Lauer, CPA
James H. Eichten, CPA
Aaron J. Nielsen, CPA
Victoria L. Holinka, CPA/CMA
Jaclyn M. Huegel, CPA
Kalen T. Karnowski, CPA

To the City Council and Management
City of North St. Paul, Minnesota

We have prepared this management report in conjunction with our audit of the City of North St. Paul, Minnesota's (the City) financial statements for the year ended December 31, 2020. We have organized this report into the following sections:

- Audit Summary
- Governmental Funds Overview
- Enterprise Funds Overview
- Government-Wide Financial Statements
- Legislative Updates
- Accounting and Auditing Updates

We would be pleased to further discuss any of the information contained in this report or any other concerns that you would like us to address. We would also like to express our thanks for the courtesy and assistance extended to us during the course of our audit.

The purpose of this report is solely to provide those charged with governance of the City, management, and those who have responsibility for oversight of the financial reporting process comments resulting from our audit process and information relevant to city finances in Minnesota. Accordingly, this report is not suitable for any other purpose.

Malloy, Montague, Karnowski, Radosevich & Co., P.A.

Minneapolis, Minnesota
April 22, 2021

Malloy, Montague, Karnowski, Radosevich & Co., P.A.
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AUDIT SUMMARY

The following is a summary of our audit work, key conclusions, and other information that we consider important or that is required to be communicated to the City Council, administration, or those charged with governance of the City.

OUR RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, *GOVERNMENT AUDITING STANDARDS*, AND TITLE 2 U.S. CODE OF FEDERAL REGULATIONS (CFR) PART 200, *UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS (*UNIFORM GUIDANCE*)*

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2020. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Uniform Guidance, as well as certain information related to the planned scope and timing of our audit. We have communicated such information to you verbally and in our audit engagement letter. Professional standards also require that we communicate the following information related to our audit.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously discussed and coordinated in order to obtain sufficient audit evidence and complete an effective audit.

AUDIT OPINION AND FINDINGS

Based on our audit of the City's financial statements for the year ended December 31, 2020:

- We have issued an unmodified opinion on the City's basic financial statements.
- We reported one matter involving the City's internal control over financial reporting that we considered to be a significant deficiency. This finding, as further detailed in the City's Special Purpose Audit Reports, includes the following:

    1. City Policies and Procedures

- The results of our testing disclosed no instances of noncompliance required to be reported under *Government Auditing Standards.*
- We reported that the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements.
- The results of our tests indicate that the City has complied, in all material respects, with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.
- We reported no deficiencies in the City's internal controls over compliance that we considered to be material weaknesses with the types of compliance requirements that could have a direct and material effect on each of its major federal programs.

- We reported three findings based on our testing of the City's compliance with Minnesota laws and regulations. These findings, as further detailed in the City's Special Purpose Audit Reports, include the following:

  1. Claims and Disbursements
  2. Contracting and Quote Laws Compliance
  3. Credit Cards

FOLLOW-UP ON PRIOR YEAR FINDINGS AND RECOMMENDATIONS

As a part of our audit of the City's financial statements for the year ended December 31, 2020, we performed procedures to follow-up on the findings and recommendations that resulted from our prior year audit. We reported the following findings that were corrected by the City in the current year:

- One important element of internal accounting controls is an adequate segregation of duties such that no one individual should have responsibility to execute a transaction, have physical access to the related assets, and have responsibility or authority to record the transaction. A lack of segregation of duties subjects the City to a higher risk that errors or fraud could occur and not be detected in a timely manner in the normal course of business. The City had limited segregation of duties in fiscal year 2019. We are pleased to report this is not a finding in the current year.

- Minnesota Statutes require any taxes imposed on solid waste management services to be itemized separately by the City on each customer's bill. The City was not in compliance with these statutes in fiscal year 2019. We are pleased to report this is not a finding in the current year.

- Minnesota Statutes require that when any claim for wages listed on a payroll is paid, the employee shall sign a declaration, which may be a part of the payroll, to the effect that the employee has received the wages and done the work for which the wages have been paid. Each employee claiming payment from the City is required to make the following written declaration: "I declare under penalties of law that I have received the wages stated on this payroll opposite my name and have done the work for which the wages were paid." This declaration was not obtained for certain employees tested in fiscal year 2019. We are pleased to report this is not a finding in the current year.

OTHER OBSERVATIONS AND RECOMMENDATIONS

- **Electronic Funds Transfers Fraud** – As the use of electronic funds transfers and payment methods has become more prevalent, we have seen increases in both the incidences of fraud related to these transactions and the dollar amounts involved. Operational changes related to the COVID-19 pandemic, including greater reliance on technology and more employees working remotely, have tended to increase risk in this area. We urge cities to carefully review controls over these transactions, and consider best practices to address these risks, such as:

  - Ensuring segregation of duties over these transactions by involving more than one employee in the process.
  - Requiring multi-factor authentication of requests for electronic payments from new vendors or for changes in wiring instructions for existing vendors. It is recommended that changes for existing vendors be verified through trusted contact information used previously for that vendor, not as provided in the change request, to verify the accuracy of the change.

- Educate employees on the controls in place to protect the organization's financial assets and ensure management is supportive and accepting of the processes in place. Attempted fraudulent transactions are often initiated using the profile of a supervisor. Employees must be comfortable questioning unusual transactions or requests, and instructed not to circumvent internal control procedures regardless of whom they believe initiated the transaction.
- Recommended cyber security measures, such as limiting network access and requiring robust passwords that are changed regularly, should be implemented and followed by all city employees, not just those directly involved with financial transactions.
- Review insurance policies to understand the coverage provided for financial losses due to cybersecurity risks and evaluate whether they provide adequate coverage based on management's assessment of these risks.

- **Uniform Guidance Written Controls and Federal Micro-Purchase Threshold** – Federal Uniform Guidance requires that nonfederal entities must have and use documented procurement procedures consistent with 2CFR § 200.317-320 for the acquisition of property or services required under a federal award or sub-award. Effective August 31, 2020, the federal micro-purchase threshold, which is the threshold that allows for procurements without soliciting competitive price or rate quotations given certain conditions, was increased from $3,500 to $10,000 in the Federal Acquisition Regulations (FAR).

  Effective November 12, 2020, the Uniform Guidance was also revised to allow nonfederal entities to establish a micro-purchase threshold higher than the $10,000 threshold established in the FAR under certain circumstances. The nonfederal entity may self-certify a micro-purchase threshold up to $50,000 if the requirements in 2CFR § 200.320(a)(1)(iv) are followed. Requirements include an ***annual*** self-certification and clear documentation of the justification to support the increase in the threshold. Acceptable reasons for justification must meet ***one*** of the following criteria:

  - A qualification as a low-risk auditee, in accordance with the criteria in §200.520 for the most recent audit,
  - An annual internal institutional risk assessment to identify, mitigate, and manage financial risks, or,
  - A higher threshold consistent with state law.

  This flexibility would allow Minnesota local governments to increase and align their federal procurement procedures, specifically the micro-purchase threshold, with state law, which allows for procurements below $25,000 to be made without competitive price or rate quotations.

  We recommend that the City review its current federal procurement policy. If the micro-purchase threshold in your currently adopted policy is below the allowable FAR limit of $10,000, you would need to make a one-time amendment to the policy to adopt the $10,000 FAR limit before using it. If you prefer to increase your federal micro-purchase threshold to $25,000 to align it with state law, in addition to amending your federal procurement policy, you would need to annually certify the higher threshold and the justification for using the higher threshold.

- **Individual Fund Deficits** – As reported in the City's Comprehensive Annual Financial Report as of December 31, 2020, the City has three special revenue funds that have a deficit fund equity totaling $3,554,777, one capital projects fund deficit totaling $1,538,761, one enterprise fund deficit totaling $733,909, and two internal service fund deficits totaling $146,474. There are several reasons that may cause individual funds to end a given period in a deficit position. For instance, the timing of related funding resources (future levy authority) may lag behind related expenditures made. While we understand that the City approves all disbursements and reviews the cash and equity positions of all funds, we recommend that the City match the timing of related resources with related expenditures as much as possible to limit the deficit balances at any given moment.

The deficit in the three special revenue funds is in tax increment districts, which all have interfund borrowing outstanding at year-end. We comment on this subject to emphasize the importance of adequate planning, projecting, and monitoring of these funds, due to the significance of the deficit balances.

- **Fiber Optic Fund** – The Fiber Optic Fund has generated a significant deficit unrestricted net position balance, due to cash borrowings from the Surface Water and Waste Water Funds used to finance required debt payments and capital asset purchases. As of December 31, 2020, the Fiber Optic Fund's unrestricted component of net position has a deficit of $2,418,906. It is important that the City review potential revenue streams for future years to ensure that this fund will be self-sustaining and not put any additional burden on other funds of the City.

- **Deposit and Escrow Reconciliation** – Internal controls, processes, and procedures are never perfected and need to be continually reviewed. During our inquiries and testing, we noted that customer deposit and escrow accounts were not reconciled as of year-end. Control procedures, such as periodic and year-end account and subledger reconciliations must be performed regularly, accurately, and in a timely manner. We recommend the City review its policies and procedures over customer deposit and escrow accounts to verify proper reconciliations are completed.

- **Contract Change Orders and Contractor's Bond** – The City has seen an increase in development and construction activity in recent years. During our inquiries and testing, we noted the City's purchasing policy requires any purchase in excess of $20,000 be approved by the City Council, but does not require additional contractor's bonds. We recommend the City review its purchasing policy to include:
    - All increases to the contract price, whether through change orders or otherwise, be approved by the City Council; and
    - When the City Council approves an increase to a contract price, it also considers requiring additional contractor's bonds, and votes to require or waive such bonds.

- **Proper Public Purpose Documentation** – The Minnesota Constitution prohibits governments from passing any local or special law that authorizes public taxation for a private purpose. Thus, a public expenditure must always be for a public purpose. Public purpose is defined as an activity that will benefit the community as a body or is directly related to functions of government, and does not have a primary objective to benefit a private interest. Property held by the City was conveyed to a nonprofit organization during the year ended December 30, 2020. A transaction of this nature must have both a public purpose and specific statutory authority to complete. We recommend the City ensure all transactions have sufficient documentation of how it meets public purpose rules and which Minnesota Statutes provided authority to complete the transaction.

SIGNIFICANT ACCOUNTING POLICIES

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 of the notes to basic financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 2020.

We noted no transactions entered into by the City 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 AND MANAGEMENT JUDGMENTS

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 estimates affecting the financial statements were:

- **Total Other Post-Employment Benefit (OPEB) and Net Pension Liabilities** – The City has recorded liabilities and activity for other post-employment benefits (OPEB) and pension benefits. These obligations are calculated using actuarial methodologies described in the Governmental Accounting Standards Board (GASB) Statement Nos. 68 and 75. These actuarial calculations include significant assumptions, including projected changes, healthcare insurance costs, investment returns, retirement ages, proportionate share, and employee turnover.

- **Depreciation** – Management's estimates of depreciation expense are based on the estimated useful lives of the assets.

- **Compensated Absences** – Management's estimate is based on current rates of pay and unused compensated absence balances.

- **Value of Land Held for Resale** – Management's estimates of these assets are based on net realizable value (lower of cost or acquisition value).

We evaluated the key factors and assumptions used by management to develop these estimates in determining that they are reasonable in relation to the basic financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The disclosures included in the notes to the basic financial statements related to OPEB and pension benefits are particularly sensitive, due to the materiality of the liabilities, and the large and complex estimates involved in determining the disclosures.

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

DIFFICULTIES ENCOUNTERED IN PERFORMING THE AUDIT

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

CORRECTED AND UNCORRECTED MISSTATEMENTS

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. There were no misstatements detected as a result of audit procedures that were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

DISAGREEMENTS WITH MANAGEMENT

For purposes of this report, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

MANAGEMENT REPRESENTATIONS

We have requested certain representations from management that are included in the management representation letter dated April 22, 2021.

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 City's financial statements or a determination of the type of auditor's 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.

OTHER AUDIT FINDINGS OR ISSUES

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

OTHER MATTERS

We applied certain limited procedures to the management's discussion and analysis (MD&A) and the pension and OPEB-related required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the supplementary information accompanying the financial statements and the separately issued Schedule of Expenditures of Federal Awards, which are not RSI. With respect to this supplementary information, 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, 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 were not engaged to report on the introductory section and the statistical section, which accompany the financial statements, but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

GOVERNMENTAL FUNDS OVERVIEW

This section of the report provides you with an overview of the financial trends and activities of the City's governmental funds, which includes the General, special revenue, debt service, and capital project funds. These funds are used to account for the basic services the City provides to all of its citizens, which are financed primarily with property taxes. The governmental fund information in the City's financial statements focuses on budgetary compliance and the sufficiency of each governmental fund's current assets to finance its current liabilities.

PROPERTY TAXES

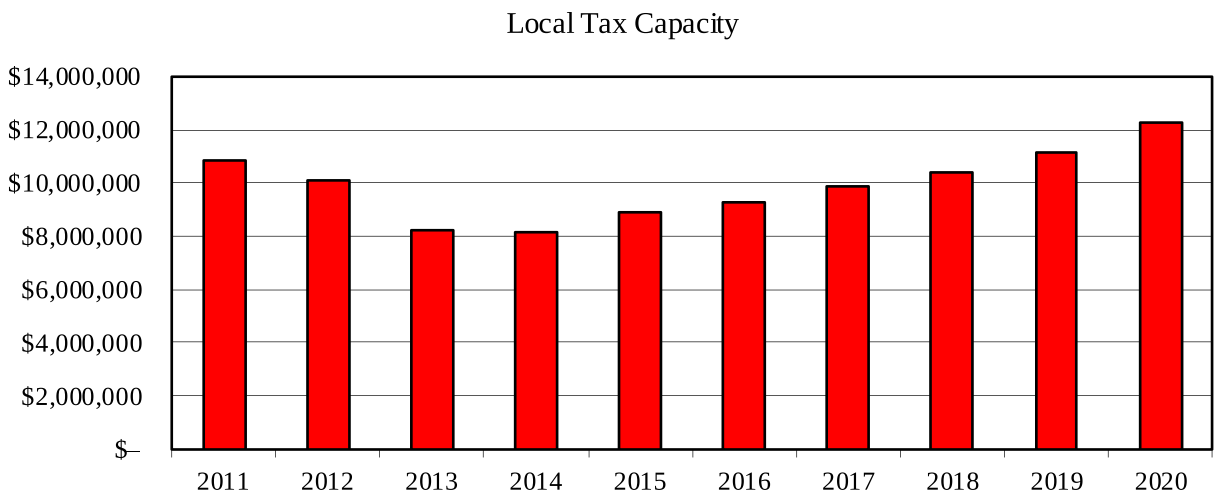
Minnesota cities rely heavily on local property tax levies to support their governmental fund activities. For the 2019 fiscal year, local ad valorem property tax levies provided 40.8 percent of the total governmental fund revenues for cities over 2,500 in population, and 37.6 percent for cities under 2,500 in population. Total property taxes levied by all Minnesota cities for taxes payable in 2020 increased 6.1 percent from the prior year.

The total tax capacity value of property in Minnesota cities increased about 6.5 percent for the 2020 levy year. The tax capacity values used for levying property taxes are based on the assessed market values for the previous fiscal year (e.g., tax capacity values for taxes levied in 2020 were based on assessed market values as of January 1, 2019), so the trend of change in these tax capacity values lags somewhat behind the housing market and economy in general.

The City's taxable market value increased 6.7 percent for taxes payable in 2019 and 10.7 percent for taxes payable in 2020. The following graph shows the City's changes in taxable market value over the past 10 years:

Tax capacity is considered the actual base available for taxation. It is calculated by applying the state's property classification system to each property's market value. Each property classification, such as commercial or residential, has a different calculation and uses different rates. Consequently, a city's total tax capacity will change at a different rate than its total market value, as tax capacity is affected by the proportion of its tax base that is in each property classification from year-to-year, as well as legislative changes to tax rates. The City's tax capacity increased 6.8 percent for 2019 and 10.0 percent for 2020.

The following graph shows the City's change in tax capacities over the past 10 years:



The following table presents the average tax rates applied to city residents for each of the last three levy years:

Rates Expressed as a Percentage of Net Tax Capacity

	City of North St. Paul		
	2018	2019	2020
Average tax rate			
City	42.5	43.8	40.7
County	53.9	52.9	52.3
School	30.3	29.2	32.7
Special taxing	12.3	13.4	12.6
Total	139.0	139.3	138.3

The total average tax rate was similar to the prior year. An increase in the school portion was offset by decreases in the city, county, and special taxing authority rates.

GOVERNMENTAL FUND BALANCES

The following table summarizes the changes in the fund balances of the City's governmental funds during the year ended December 31, 2020, presented both by fund balance classification and by fund:

Governmental Funds Change in Fund Balance

	Fund Balance as of December 31, 2020	Fund Balance as of December 31, 2019	Change
Fund balances of governmental funds			
Total by classification			
Nonspendable	$ 54,511	$ 154,851	$ (100,340)
Restricted	5,912,546	5,816,806	95,740
Committed	4,026,933	4,217,917	(190,984)
Assigned	2,032,097	1,776,404	255,693
Unassigned	(2,392,389)	611,211	(3,003,600)
Total governmental funds	$ 9,633,698	$ 12,577,189	$ (2,943,491)
Total by fund			
General	$ 2,843,542	$ 2,355,577	$ 487,965
TIF 4-8 7th and Margaret Street Tax Increment	186,069	(194,496)	380,565
TIF 4-10 Anchor Block North – Housing Tax Increment	(2,122,782)	543,969	(2,666,751)
Municipal State Aid	(1,538,761)	(485,077)	(1,053,684)
Nonmajor	10,265,630	10,357,216	(91,586)
Total governmental funds	$ 9,633,698	$ 12,577,189	$ (2,943,491)

In total, the fund balances of the City's governmental funds decreased by $2,943,491 during the year ended December 31, 2020. The decrease is due largely to the decrease in unassigned funds in the TIF 4-10 Anchor Block North – Housing Tax Increment Special Revenue Fund, as a result of increased activity in the current year and in the Municipal State Aid Capital Projects Fund, due to street construction projects in the current year, which is approved for municipal state aid funding.

GOVERNMENTAL FUND REVENUES

The following table presents the per capita revenue of the City's governmental funds for the past three years, along with state-wide averages.

We have included the most recent comparative state-wide averages available from the Office of the State Auditor to provide a benchmark for interpreting the City's data. The amounts received from the typical major sources of governmental fund revenue will naturally vary between cities based on factors such as a city's stage of development, location, size and density of its population, property values, services it provides, and other attributes. It will also differ from year-to-year, due to the effect of inflation and changes in its operation. Also, certain data in these tables may be classified differently than how they appear in the City's financial statements in order to be more comparable to the state-wide information, particularly in separating capital expenditures from current expenditures.

We have designed this section of our management report using per capita data in order to better identify unique or unusual trends and activities of the City. We intend for this type of comparative and trend information to complement, rather than duplicate, information in the MD&A. An inherent difficulty in presenting per capita information is the accuracy of the population count, which for most years is based on estimates.

Governmental Funds Revenue per Capita
With State-Wide Averages by Population Class

	State-Wide			City of North St. Paul		
Year	December 31, 2019			2018	2019	2020
Population	2,500–10,000	10,000–20,000	20,000–100,000	12,099	12,159	12,161
Property taxes	$ 514	$ 489	$ 512	$ 414	$ 443	$ 468
Tax increments	30	28	44	40	36	53
Franchise and other taxes	45	50	50	36	35	36
Special assessments	54	38	53	46	22	19
Licenses and permits	40	35	51	29	52	52
Intergovernmental revenues	342	297	201	221	243	318
Charges for services	135	108	115	13	18	11
Other	89	78	79	57	82	163
Total revenue	$ 1,249	$ 1,123	$ 1,105	$ 856	$ 931	$ 1,120

The City generated $13,620,859 of total revenue in its governmental funds in 2020, an increase of $2,320,481 (20.5 percent) from the prior year. The City's per capita governmental funds revenue for 2020 was $1,120, an increase of $189, from the prior year, including the effect of a change in estimated population. The largest changes occurred with increases in other revenues, intergovernmental revenues, and property taxes. The increase in other revenues was due to a gain on the sale of assets held for resale in the tax increment districts. Intergovernmental revenues increased by $75 per capita, due to the recognition of the City's portion of Coronavirus Relief Funds (CRF). Property taxes increased in the current year, mainly due to the increased general property tax levy.

GOVERNMENTAL FUND EXPENDITURES

The expenditures of governmental funds will also vary from state-wide averages and from year-to-year, based on the City's circumstances. Expenditures are classified into three types as follows:

- **Current** – These are typically the general operating type expenditures occurring on an annual basis and are primarily funded by general sources, such as taxes and intergovernmental revenues.

- **Capital Outlay and Construction** – These expenditures do not occur on a consistent basis, more typically fluctuating significantly from year-to-year. Many of these expenditures are project-oriented and are often funded by specific sources that have benefited from the expenditure, such as special assessment improvement projects.

- **Debt Service** – Although the expenditures for debt service may be relatively consistent over the term of the respective debt, the funding source is the important factor. Some debt may be repaid through specific sources, such as special assessments or redevelopment funding, while other debt may be repaid with general property taxes.

The City's expenditures per capita of its governmental funds for the past three years, together with comparative state-wide averages, are presented in the following table:

Governmental Funds Expenditures per Capita
With State-Wide Averages by Population Class

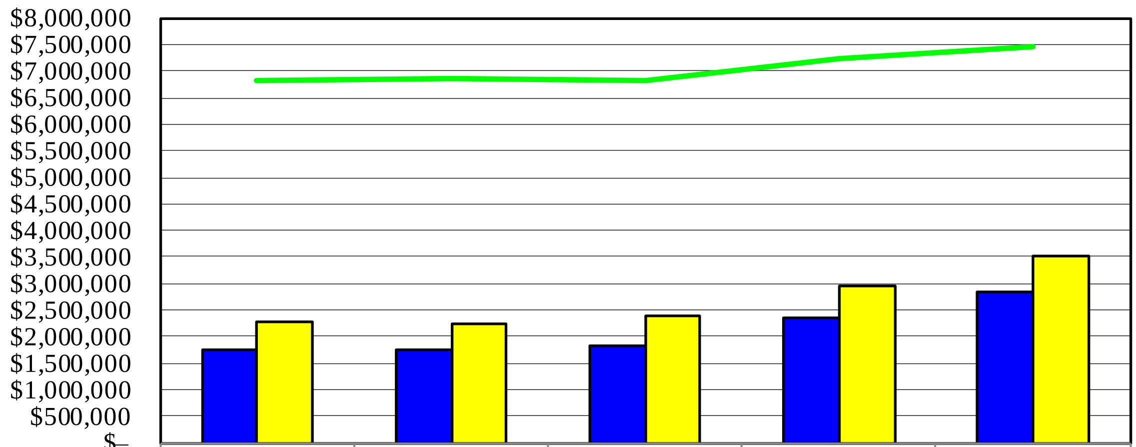
	State-Wide			City of North St. Paul		
Year	December 31, 2019			2018	2019	2020
Population	2,500–10,000	10,000–20,000	20,000–100,000	12,099	12,159	12,161
Current						
General government	$ 152	$ 128	$ 107	$ 119	$ 109	$ 125
Public safety	300	282	306	326	356	380
Streets and highways	146	149	119	84	90	88
Parks and recreation	103	124	106	43	42	47
All other	74	75	97	39	250	584
	775	758	735	611	847	1,224
Capital outlay and construction	438	376	355	137	354	466
Debt service						
Principal	168	182	88	105	111	226
Interest and fiscal	43	41	28	36	38	55
	211	223	116	141	149	281
Total expenditures	$ 1,424	$ 1,357	$ 1,206	$ 889	$ 1,350	$ 1,971

Total expenditures in the City's governmental funds for 2020 were $23,978,261, an increase of $7,574,994 (46.2 percent). The City's per capita governmental funds total expenditures increased $621, or 46.0 percent. This increase was mainly in all other, debt service, and capital outlay and construction. All other expenditures increased $334 per capita, due to increased economic development activity within the City's tax increment financing districts. The $132 per capita increase in debt service is due to principal and interest payments on bond issues in recent years. Capital outlay and construction increased $112 per capita, due to increased street improvement projects in the current year.

General Fund

The City's General Fund accounts for the financial activity of the basic services provided to the community. The primary services included within this fund are the administration of the municipal operation, police and fire protection, building inspection, streets and highway maintenance, and parks and recreation. The graph below illustrates the change in the General Fund financial position over the last five years. We have also included a line representing annual expenditures to reflect the change in the size of the General Fund operation over the same period.

General Fund Financial Position
Years Ended December 31,



	2016	2017	2018	2019	2020
Fund Balance	$1,761,874	$1,757,749	$1,832,826	$2,355,577	$2,843,542
Cash (Net)	$2,261,283	$2,224,485	$2,378,154	$2,942,024	$3,528,848
Expenditures	$6,814,126	$6,854,703	$6,845,264	$7,257,555	$7,453,828

The City's General Fund cash and investment balance (net of borrowing) at December 31, 2020 was $3,528,848, an increase of $586,824 from the previous year. Total fund balance at December 31, 2020 was $2,843,542, an increase of $487,965 from the prior year.

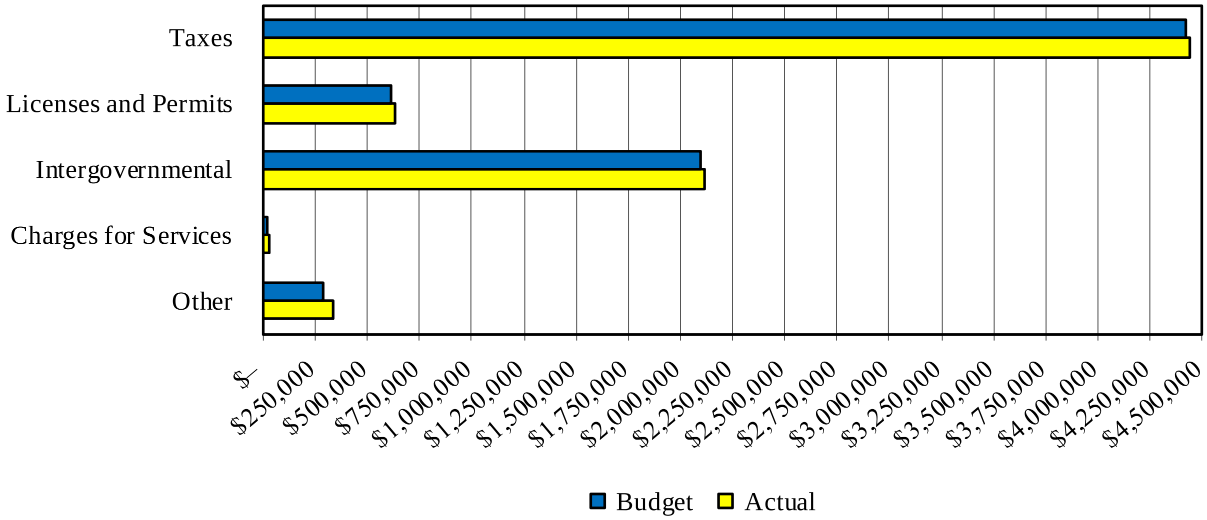
The level of General Fund balance is greatly attributed to the City's fund balance policies, as well as the general budgeting policies. These policies have allowed the City to provide funding for the General Fund operations, as well as equipment replacement and street improvement programs without disrupting the General Fund's financial position or having to issue debt for these types of projects.

As the graph illustrates, the City has generally been able to maintain stable cash and fund balance levels as the volume of financial activity has fluctuated. This is an important factor because a government, like any organization, requires a certain amount of equity to operate. A healthy financial position allows the City to avoid volatility in tax rates; helps minimize the impact of state funding changes; allows for the adequate and consistent funding of services, repairs, and unexpected costs; and is a factor in determining the City's bond rating and resulting interest costs. Maintaining an adequate fund balance has become increasingly important given the fluctuations in state funding for cities in recent years.

Current city policy allows fund balance in the General Fund to grow to 35 percent of the subsequent year's budgeted expenditures, while the State Auditor recommends that cities maintain an unrestricted fund balance that is between 35 percent and 50 percent of total current expenditures. At December 31, 2020, the unassigned fund balance for the General Fund was 36 percent of the subsequent year's budgeted expenditures. The City should review the level of fund balance on an ongoing basis to determine the optimal level for efficient operations.

The following graph reflects the City's General Fund revenue sources compared to budget for 2020:

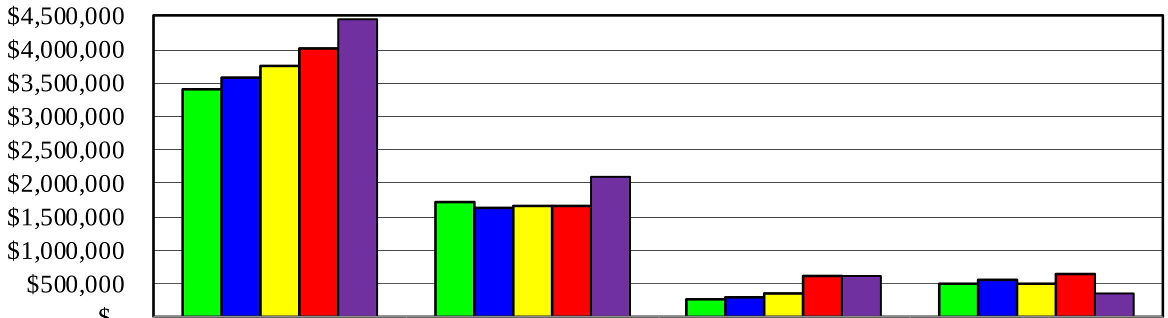
General Fund Revenue



Total General Fund revenues for 2020 were $7,557,360, an increase of $611,171 from the previous year, and were $116,906 (1.6 percent) over budget. Revenues were more than projected in each category as presented above. The largest variances were in other revenue, taxes, and licenses and permits, which were $51,510, $24,668, and $20,386, respectively, above anticipated levels, due in part to conservative budgeting.

The following graph presents the City's General Fund revenue by source for the last five years:

General Fund Revenue by Source
Years Ended December 31,

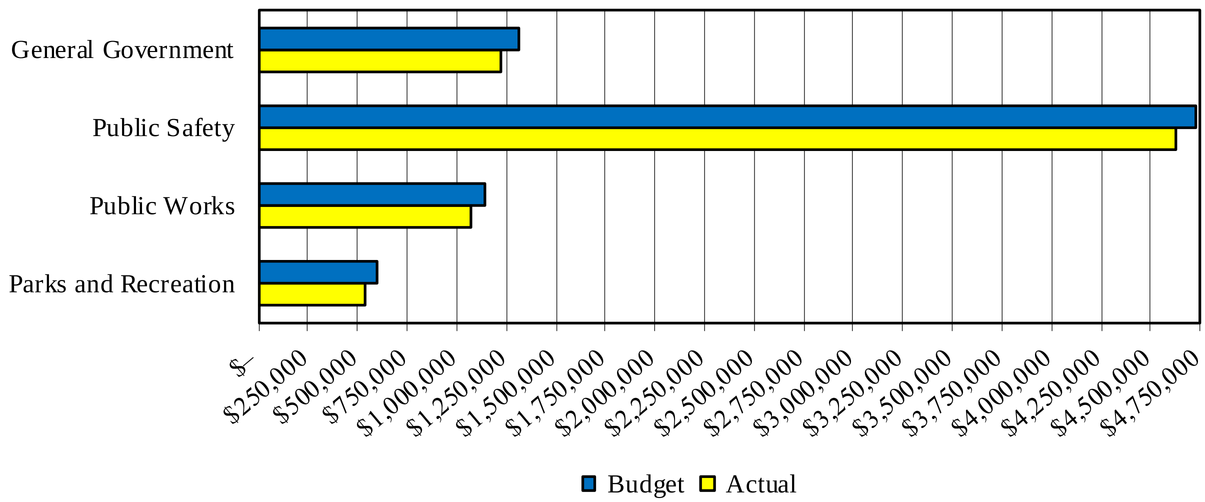


	Taxes	Intergovernmental	Licenses and Permits	All Other
2016	$3,403,580	$1,710,429	$275,704	$487,624
2017	$3,587,226	$1,647,917	$302,716	$554,067
2018	$3,762,372	$1,664,846	$355,448	$495,175
2019	$4,010,984	$1,670,594	$631,259	$633,352
2020	$4,444,352	$2,113,531	$630,386	$369,091

The General Fund is primarily financed by property and other taxes, along with local government aid, to operate activities in this fund. The largest changes occurred in intergovernmental and tax sources, which increased by $442,937 and $433,368, respectively, from the prior year. Intergovernmental revenues increased, due to the receipt of the CRF as previously mentioned. The increase in taxes is a result of an increase in the general property tax levy approved by the City Council for 2020.

The following graph reflects the City's General Fund expenditures compared to budget for 2020:

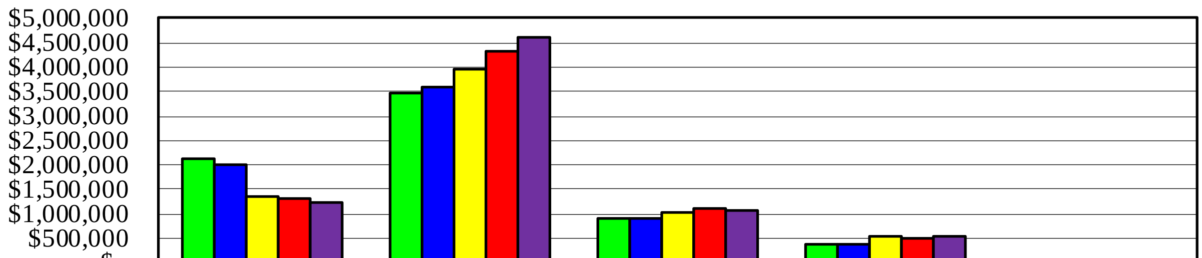
General Fund Expenditures



Total General Fund expenditures for 2020 were $7,453,828, an increase of $196,273, or 2.7 percent, from the previous year, and $329,242, or 4.2 percent, under budget. Expenditures were less than projected in each category as presented above, with the largest variances in public safety and general government. Public safety expenditures were $97,947 under budget, mainly in police protection and inspections. General government expenditures were $87,293 under budget, mainly in contractual services in the administration and community services departments.

The following graph provides you with the components of the City's General Fund spending for the past five years:

General Fund Expenditures by Function
Years Ended December 31,



	General Government	Public Safety	Public Works	Parks and Recreation	Other
2016	$2,106,720	$3,453,098	$902,417	$351,891	$–
2017	$2,013,213	$3,582,496	$884,974	$374,020	$–
2018	$1,343,042	$3,939,799	$1,021,445	$522,972	$18,006
2019	$1,325,646	$4,329,204	$1,093,499	$509,206	$–
2020	$1,224,966	$4,625,463	$1,069,926	$533,473	$–

Typical to other cities we audit, public safety costs comprise the largest portion of General Fund spending. The largest increase in the current year was in public safety, which increased $296,259, mainly in the police protection department, due to the increased personal service costs.

ENTERPRISE FUNDS OVERVIEW

The City maintains several enterprise funds to account for services the City provides that are financed primarily through fees charged to those utilizing the service. This section of the report provides you with an overview of the financial trends and activities of the City's enterprise funds, which include the Electric, Water, Surface Water, Waste Water, Fiber Optic, and Solid Waste Funds.

The utility funds comprise a considerable portion of the City's activities. These funds help to defray overhead and administrative costs and provide additional support to general government operations by way of annual transfers. We understand that the City is proactive in reviewing these activities on an ongoing basis and we want to reiterate the importance of continually monitoring these operations. Over the years, we have emphasized to our city clients the importance of these utility operations being self-sustaining, preventing additional burdens on general government funds. This would include the accumulation of net position for future capital improvements and to provide a cushion in the event of a negative trend in operations.

ENTERPRISE FUNDS FINANCIAL POSITION

The following table summarizes the changes in the financial position of the City's enterprise funds during the year ended December 31, 2020, presented both by classification and by fund:

Enterprise Funds Change in Financial Position

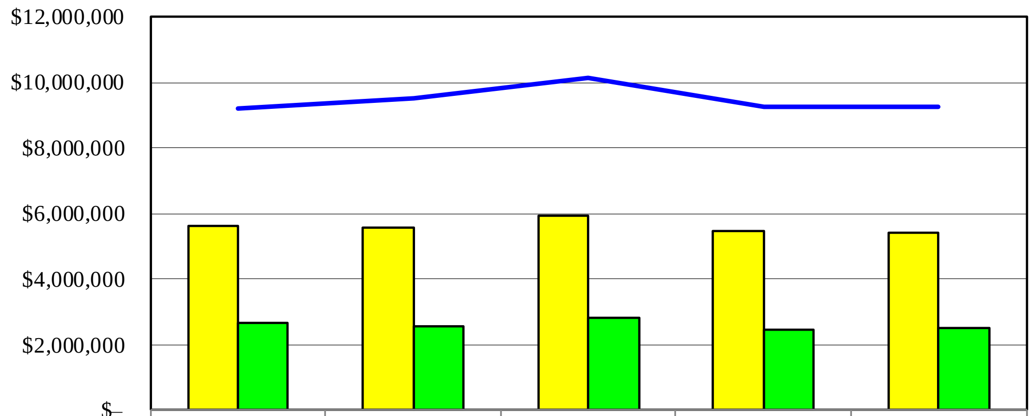
	Net Position as of December 31, 2020	Net Position as of December 31, 2019	Change
Net position of enterprise funds			
Total by classification			
Net investment in capital assets	$ 6,715,226	$ 5,230,430	$ 1,484,796
Unrestricted	14,151,279	11,955,979	2,195,300
Total enterprise funds	$ 20,866,505	$ 17,186,409	$ 3,680,096
Total by fund			
Electric	$ 8,102,101	$ 7,029,448	$ 1,072,653
Water	5,614,691	4,813,514	801,177
Surface Water	3,837,942	2,735,672	1,102,270
Waste Water	3,359,766	2,787,231	572,535
Fiber Optic	(733,909)	(807,091)	73,182
Solid Waste	685,914	627,635	58,279
Total enterprise funds	$ 20,866,505	$ 17,186,409	$ 3,680,096

In total, the net position of the City's enterprise funds increased by $3,680,096 during the year ended December 31, 2020. Net investment in capital assets increased $1,484,796, due to continued investment in utility infrastructure and other capital assets. The increase of $2,195,300 in unrestricted net position was due to positive operating results in the enterprise funds.

ELECTRIC FUND

The following graph and table present comparative data for Electric Fund operations:

Electric Fund Operations
Years Ended December 31,



	2016	2017	2018	2019	2020
Purchased Utilities	$5,612,907	$5,598,551	$5,934,267	$5,492,106	$5,441,693
Other Operating Expenses	$2,676,080	$2,575,595	$2,847,699	$2,449,878	$2,527,008
Net Sales	$9,215,980	$9,533,890	$10,148,273	$9,282,934	$9,261,964

	2016	2017	2018	2019	2020
Total operating revenue	$ 9,215,980	$ 9,533,890	$ 10,148,273	$ 9,282,934	$ 9,261,964
Purchased utilities	5,612,907	5,598,551	5,934,267	5,492,106	5,441,693
Gross profit	3,603,073	3,935,339	4,214,006	3,790,828	3,820,271
Other operating expenses	(2,676,080)	(2,575,595)	(2,847,699)	(2,449,878)	(2,527,008)
Depreciation	(71,606)	(73,602)	(85,306)	(101,290)	(103,739)
Interest expense	(74,761)	(66,894)	(64,256)	(55,443)	(52,352)
Other income (loss)	69,321	75,077	97,891	244,957	235,481
Income (loss) before transfers	849,947	1,294,325	1,314,636	1,429,174	1,372,653
Net transfers in (out)	(959,000)	(556,800)	(351,130)	(372,932)	(300,000)
Change in net position	$ (109,053)	$ 737,525	$ 963,506	$ 1,056,242	$ 1,072,653
Income (loss) before transfers as a percentage of net sales	9.2 %	13.6 %	13.0 %	15.4 %	14.8 %

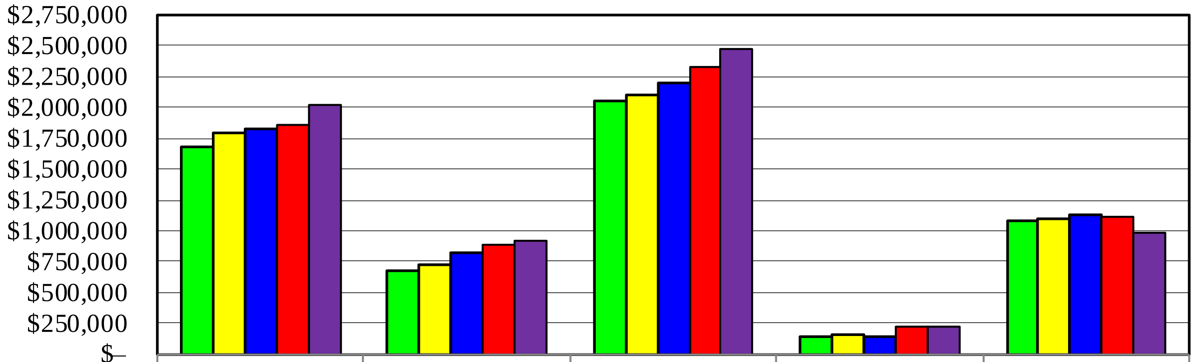
Gross profit results for the City's Electric Fund increased by $29,443 from the prior year. This increase was mainly due to increased rates in the current year, as approved by the City Council.

The Electric Fund ended fiscal 2020 with a total net position of $8,102,101, of which $6,887,124 was unrestricted, with the remaining balance being classified as net investment in capital assets. At December 31, 2020, unrestricted cash and investments totaled $3,606,042 and advances to other funds totaled $4,223,151.

OTHER ENTERPRISE UTILITY FUNDS

The graph below shows operating revenue of the other enterprise utility funds over the last five years:

Utility Revenue
Years Ended December 31,



	Water	Surface Water	Waste Water	Fiber Optic	Solid Waste
2016	$1,676,387	$669,380	$2,060,406	$145,673	$1,084,284
2017	$1,787,727	$727,237	$2,105,749	$148,684	$1,099,506
2018	$1,823,416	$820,017	$2,194,476	$141,209	$1,135,528
2019	$1,852,700	$881,196	$2,325,937	$218,655	$1,106,983
2020	$2,015,436	$925,883	$2,477,861	$213,804	$985,699

As the graph displays, utility revenue will fluctuate from year-to-year, which is common as a result of changes for rate adjustments, as well as external factors, such as the weather, which may impact usage levels.

With the exception of the Fiber Optic Fund, these enterprise utility funds have typically experienced positive operating results. The positive operating results of these funds are important because the revenue is being used to pay debt service on the City's Utility Revenue Bonds.

WATER FUND

The following table presents five years of comparative operating results for the City's Water Fund:

	2016	2017	2018	2019	2020
Operating revenue	$ 1,676,387	$ 1,787,727	$ 1,823,416	$ 1,852,700	$ 2,015,436
Operating expenses	(825,720)	(532,654)	(642,292)	(827,869)	(746,874)
Depreciation	(162,915)	(167,070)	(194,217)	(205,280)	(205,280)
Operating income	687,752	1,088,003	986,907	819,551	1,063,282
Nonoperating revenue (expenses)	(111,442)	(42,463)	(50,743)	32,357	(57,105)
Income before transfers	576,310	1,045,540	936,164	851,908	1,006,177
Net transfers in (out)	(205,000)	(205,000)	(205,000)	(205,000)	(205,000)
Change in net position	$ 371,310	$ 840,540	$ 731,164	$ 646,908	$ 801,177
Income before transfers as a percentage of operating revenue	34.4 %	58.5 %	51.3 %	46.0 %	49.9 %

The Water Fund ended 2020 with a net position of $5,614,691, an increase of $801,177 from the prior year. Of this, $1,276,888 represents the net investment in capital assets, while $4,337,803 is considered unrestricted.

Operating revenue increased $162,736 from the previous year, or about 8.8 percent. Increased rates and consumption resulted in this overall increase in operating revenue. Operating expenses decreased $80,995, or about 9.8 percent, from the prior year, primarily in personal services and professional services. Personal services decreased, due to OPEB and pension expense. Professional services were down, with less building maintenance, utilities, and water main repairs.

During the current year, this utility operation also made transfers to other funds totaling $205,000.

SURFACE WATER FUND

The following table presents five years of comparable operating results for the City's Surface Water Fund:

	2016	2017	2018	2019	2020
Operating revenue	$ 669,380	$ 727,237	$ 820,017	$ 881,196	$ 925,883
Operating expenses	(301,498)	(413,569)	(457,275)	(317,898)	(313,785)
Depreciation	(99,533)	(106,553)	(127,752)	(137,772)	(137,772)
Operating income	268,349	207,115	234,990	425,526	474,326
Nonoperating revenue (expense)	(23,831)	(11,740)	(14,690)	47,707	(45,904)
Income before contributions and transfers	244,518	195,375	220,300	473,233	428,422
Capital contributions	–	–	–	–	930,628
Net transfers in (out)	(80,000)	(80,000)	(80,000)	(80,000)	(256,780)
Change in net position	$ 164,518	$ 115,375	$ 140,300	$ 393,233	$ 1,102,270
Income before transfers as a percentage of operating revenue	36.5 %	26.9 %	26.9 %	53.7 %	46.3 %

The Surface Water Fund ended 2020 with a net position of $3,837,942, an increase of $1,102,270 from the prior year. Of this, $1,574,165 represents the net investment in capital assets, while $2,263,777 is considered unrestricted.

Operating revenues increased $44,687 from the previous year, or about 5.1 percent, due to the increased rates. Operating expenses decreased $4,113, or about 1.3 percent, from the previous year.

During the current year, this utility operation received $930,628 in capital contributions, mainly due to municipal state aid funds received for capital-related projects. This operation also made transfers to other funds totaling $256,780.

WASTE WATER FUND

The following table presents five years of comparative operating results for the City's Waste Water Fund:

	2016	2017	2018	2019	2020
Operating revenue	$ 2,060,406	$ 2,105,749	$ 2,194,476	$ 2,325,937	$ 2,477,861
Operating expenses	(1,362,513)	(1,298,095)	(1,474,719)	(1,536,494)	(1,556,133)
Depreciation	(106,296)	(108,295)	(156,383)	(205,103)	(206,816)
Operating income	591,597	699,359	563,374	584,340	714,912
Nonoperating revenue (expenses)	(32,810)	(89,755)	(84,975)	164,720	(100,164)
Income before transfers	558,787	609,604	478,399	749,060	614,748
Net transfers in (out)	(145,000)	(145,000)	(145,000)	(145,000)	(42,213)
Change in net position	$ 413,787	$ 464,604	$ 333,399	$ 604,060	$ 572,535
Income before transfers as a percentage of operating revenue	27.1 %	29.0 %	21.8 %	32.2 %	24.8 %

The Waste Water Fund ended 2020 with a net position of $3,359,766, an increase of $572,535 from the prior year. Of this, $964,199 represents the net investment in capital assets, while the unrestricted portion has a balance of $2,395,567.

Operating revenue increased $151,924 from the previous year, or about 6.5 percent, largely due to the increase in rates applied in fiscal 2020. Operating expenses increased $19,639, or about 1.3 percent.

Nonoperating revenue (expenses) decreased $264,884 from the previous year, mainly due to the City receiving a Metropolitan Council inflow and infiltration grant in the prior year.

During the current year, this utility operation also made transfers to other funds totaling $145,000. This fund also received a transfer in for equipment totaling $102,787.

FIBER OPTIC FUND

The following table presents five years of comparable operating results for the City's Fiber Optic Fund:

	2016	2017	2018	2019	2020
Operating revenue	$ 145,673	$ 148,684	$ 141,209	$ 218,655	$ 213,804
Operating expenses	(121,364)	(109,781)	(136,660)	(93,984)	(96,183)
Depreciation	(44,440)	(44,440)	(44,439)	(44,439)	(44,439)
Operating income (loss)	(20,131)	(5,537)	(39,890)	80,232	73,182
Nonoperating revenue (expenses)	(24,000)	(36,221)	(41,642)	(14,936)	–
Change in net position	(44,131)	(41,758)	(81,532)	65,296	73,182
Net position					
Beginning of year	(704,966)	(749,097)	(790,855)	(872,387)	(807,091)
End of year	$ (749,097)	$ (790,855)	$ (872,387)	$ (807,091)	$ (733,909)
Net position					
Net investment in capital assets	$ 1,862,754	$ 1,818,314	$ 1,773,875	$ 1,729,436	$ 1,684,997
Unrestricted	(2,611,851)	(2,609,169)	(2,646,262)	(2,536,527)	(2,418,906)
Total net position	$ (749,097)	$ (790,855)	$ (872,387)	$ (807,091)	$ (733,909)

The Fiber Optic Fund ended 2020 with a net position deficit of $733,909, an improvement of $73,182 from the prior year. Of this, $1,684,997 represents the net investment in capital assets, while the unrestricted portion has a deficit balance of $2,418,906.

As discussed earlier in this report, it is critical for the City to review the operations of this fund. This analysis would need to consider the City's plans to cover repair and replacement costs as the operating results include a charge for depreciation expense, which is a noncash expense. Cash flow management for this fund is also important for repayment on interfund borrowing.

SOLID WASTE FUND

The following table presents five years of comparable operating results for the City's Solid Waste Fund:

	2016	2017	2018	2019	2020
Operating revenue	$ 1,084,284	$ 1,099,506	$ 1,135,528	$ 1,106,983	$ 985,699
Operating expenses	(826,275)	(979,914)	(984,930)	(1,486,953)	(902,143)
Operating income	258,009	119,592	150,598	(379,970)	83,556
Nonoperating revenue (expenses)	27,545	28,887	37,730	163,661	34,723
Income (loss) before transfers	285,554	148,479	188,328	(216,309)	118,279
Net transfers in (out)	(20,000)	(60,000)	(60,000)	(60,000)	(60,000)
Change in net position	$ 265,554	$ 88,479	$ 128,328	$ (276,309)	$ 58,279
Income (loss) before transfers as a percentage of operating revenue	26.3 %	13.5 %	16.6 %	(19.5) %	12.0 %

The Solid Waste Fund ended 2020 with a net position of $685,914, an increase of $58,279 from the prior year, all of which is reported as unrestricted net position.

Operating revenue decreased $121,284 from the previous year, or about 11.0 percent, due to the decreased garbage rates. Operating expenses decreased $584,810, or about 39.3 percent, due to the purchase of new city-owned garbage and recycling containers for city residents in the prior year.

Nonoperating revenue (expenses) decreased $128,938 from the previous year, mainly due to a grant received for the purchase of the city-owned garbage and recycling containers in the prior year.

During the current year, this utility operation also made transfers to other funds totaling $60,000.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

In addition to fund-based information, the current reporting model for governmental entities also requires the inclusion of two government-wide financial statements designed to present a clear picture of the City as a single, unified entity. These government-wide financial statements provide information on the total cost of delivering services, including capital assets and long-term liabilities.

STATEMENT OF NET POSITION

The Statement of Net Position essentially tells you what the City owns and owes at a given point in time, the last day of the fiscal year. Theoretically, net position represents the resources the City has leftover to use for providing services after its debts are settled. However, those resources are not always in spendable form, or there may be restrictions on how some of those resources can be used. Therefore, net position is divided into three components: net investment in capital assets, restricted, and unrestricted.

- **Net Investment in Capital Assets** – The portion of net position reflecting equity in capital assets (i.e., capital assets minus related debt).
- **Restricted Net Position** – The portion of net position equal to resources whose use is legally restricted minus any noncapital-related liabilities payable from those same resources.
- **Unrestricted Net Position** – The residual balance of net position after the elimination of *net investment in capital assets* and *restricted net position*.

The following table presents the components of the City's net position as of December 31, 2020 and 2019 for governmental activities, business-type activities (utility fund operations), and the Economic Development Authority (EDA) component unit:

	As of December 31,		
	2020	2019	Change
Net position			
Primary government			
Governmental activities			
Net investment in capital assets	$ 23,925,494	$ 20,896,337	$ 3,029,157
Restricted	6,750,568	6,313,242	437,326
Unrestricted	(3,329,638)	1,913,208	(5,242,846)
Total governmental activities	27,346,424	29,122,787	(1,776,363)
Business-type activities			
Net investment in capital assets	6,715,226	5,230,430	1,484,796
Unrestricted	14,631,165	12,047,528	2,583,637
Total business-type activities	21,346,391	17,277,958	4,068,433
Total primary government	48,692,815	46,400,745	2,292,070
Component unit			
Economic Development Authority			
Restricted	369,804	246,189	123,615
Total net position	$ 49,062,619	$ 46,646,934	$ 2,415,685

The City (including the EDA) ended 2020 with a combined total net position of $49,062,619, an increase of $2,415,685 from the prior year. The increase in governmental activities net investment in capital assets is due to continued investment in infrastructure and other capital assets. The decrease in governmental activities unrestricted net position is largely due to economic development activity in the current year.

The business-type activities net position increased in the current year as previously discussed.

STATEMENT OF ACTIVITIES

The Statement of Activities tracks the City's yearly revenues and expenses, as well as any other transactions that increase or reduce total net position. These amounts represent the full cost of providing services. The Statement of Activities provides a more comprehensive measure than just the amount of cash that changed hands, as reflected in the fund-based financial statements. This statement includes the cost of supplies used, depreciation of long-lived capital assets, and other accrual-based expenses.

The following table presents the change in the net position of the City and the EDA for the years ended December 31, 2020 and 2019:

	2020			2019
	Expenses	Program Revenues	Net Change	Net Change
Net (expense) revenue				
Primary government				
Governmental activities				
General government	$ 1,484,870	$ 360,872	$ (1,123,998)	$ (1,060,411)
Public safety	4,298,332	842,985	(3,455,347)	(3,568,844)
Public works	1,712,876	1,636,847	(76,029)	(807,640)
Parks and recreation	577,988	194,967	(383,021)	(322,055)
Economic development	7,263,908	1,685,313	(5,578,595)	(2,897,543)
Interest and fiscal charges	701,700	–	(701,700)	(383,719)
Business-type activities				
Electric	7,950,155	9,294,218	1,344,063	1,206,004
Water	1,008,677	2,031,037	1,022,360	747,940
Surface water	462,958	1,680,041	1,217,083	401,310
Waste water	1,814,166	2,478,197	664,031	696,116
Fiber optic	140,622	213,804	73,182	80,232
Solid waste	906,762	1,015,014	108,252	(251,129)
Total primary government	28,323,014	21,433,295	(6,889,719)	(6,159,739)
Component unit				
Economic Development Authority	45,999	–	(45,999)	(48,435)
Total net (expense) revenue	$ 28,369,013	$ 21,433,295	(6,935,718)	(6,208,174)
General revenues				
Property and franchise taxes			6,952,791	6,387,353
Grants and contributions not restricted to specific programs			1,800,995	1,843,392
Other general revenues			72,043	84,374
Investment earnings			515,726	1,061,765
Gain on sale of assets			9,848	40,158
Total general revenues			9,351,403	9,417,042
Change in net position			$ 2,415,685	$ 3,208,868

One of the goals of this statement is to provide a side-by-side comparison to illustrate the difference in the way the City's governmental and business-type operations are financed. The table clearly illustrates the dependence of the City's governmental operations on general revenues, such as property taxes and unrestricted grants. It also shows that, for the most part, the City's business-type activities are generating sufficient program revenues (service charges and program-specific grants) to cover expenses. This is critical given the current downward pressures on the general revenue sources.

LEGISLATIVE UPDATES

The 2020 legislative session, coming in the second half of the state's fiscal biennium, was expected to be a typical short session focused primarily on making relatively minor modifications to the biennial budget. Given a projected budget surplus of $1.5 billion going into the session, consideration of a substantial capital investment and bonding bill was also a potential focus.

The start of the legislative session in February was followed by a series of significant events that changed the course of the session, including a world-wide health pandemic, the death of George Floyd while in police custody and the ensuing protests and unrest, and a hotly contested national election. On March 13, 2020, the Governor issued an executive order declaring a peacetime emergency, giving his administration the ability to quickly impose restrictions and measures aimed at mitigating the COVID-19 outbreak. By early May, the state's budget outlook had changed from a robust surplus to a projected deficit of $2.4 billion. The legislative session ultimately encompassed an unprecedented seven special sessions, more than double the previous state record of three, with the final special session in mid-December.

In the end, a $1.87 billion omnibus bonding bill was passed that included $1.36 billion in general obligation state bonding for capital improvements, $31.0 million in supplemental General Fund budget spending, and provisions for tax relief and economic assistance. The session also yielded a new Police Accountability Act, and a $217.0 million economic relief package to help businesses negatively impacted by the pandemic. The following is a brief summary of legislative changes from the 2020 session or previous legislative sessions potentially impacting Minnesota cities.

Coronavirus Aid, Relief, and Economic Security (CARES) Act – The CARES Act provided federal economic relief to protect the American people from the public health and economic impacts of COVID-19. Minnesota received approximately $2.2 billion in funding under the CARES Act.

When the first legislative special session ended without an agreement on the distribution of approximately $841.5 million of federal Coronavirus Relief Fund (CRF) funding earmarked for Minnesota local governments, the Governor distributed the funds by executive order based on the framework of the legislative agreement debated during the first special session. This resulted in $350.4 million being distributed directly to Minnesota cities with populations equal to or greater than 200. The funds were authorized for use for unbudgeted costs related to the COVID-19 pandemic, but not to replace lost revenues. In accordance with CARES Act provisions, the CRF funding was available to cover costs that; 1) were necessary expenditures incurred due to the public health emergency related to COVID-19; 2) were not accounted for in the entity's budget most recently approved as of March 27, 2020; and 3) were incurred during the period from March 1, 2020 through December 31, 2020 (the availability period end date was revised by the state to November 15, 2020 for Minnesota cities).

Emergency Small Business Assistance Program – The Legislature created a program to appropriate $60.0 million of federal CRF funding to make grants available through the Minnesota Department of Employment and Economic Development for eligible small businesses impacted by COVID-19. Small businesses employing up to 50 full-time employees are eligible to receive grants of up to $10,000. The allocation is split between the metro area and greater Minnesota, with specific allocations for businesses owned by minorities, veterans, and women. $18.0 million of the allocation is earmarked for businesses with 6 or less employees.

Workers' Compensation Claims – COVID-19 Presumption – The Legislature adopted several new provisions to state unemployment statutes related to COVID-19, including a presumption that an employee who contracts COVID-19 has an "occupational disease" arising out of, and in the course of, employment if the employee works in one of the specified occupations and has a confirmed case of COVID-19. Covered occupations include nurses, healthcare workers, and workers required to provide childcare for first responders and healthcare workers under Executive Orders 20-02 and 20-19. The COVID-19 presumption provision sunsets on May 1, 2021.

Bonding Bill – The 2020 bonding bill provided financing for approximately $1.36 billion of projects. Some of the more significant appropriations for local infrastructure included: $105 million in undesignated grants for local road improvement and bridge replacement; $100 million for water infrastructure and point source implementation grants; $25 million for state match of federal grants for public facilities improvements, $20 million for natural resource asset preservation, $17 million for flood control mitigation, $15 million for the Local Government Roads Wetlands Replacement Program; $5 million for Metropolitan Council inflow and infiltration grants; and $5 million for metropolitan regional parks and trails. The bill also included funding for a number of state initiatives, including: $300 million in trunk highway bonds for the improvement of the state trunk highway system; $145 million in appropriation bonds to fund the infrastructure and capital needs of the Minnesota Housing Finance Agency, Minnesota Pollution Control Agency, and Minnesota Public Television; $30 million for state agency projects aimed at promoting racial equity, $29.5 million for the state Emergency Operations Center; and $16 million for the Minnesota Housing Finance Agency.

The bill provides authority for eligible local governments to own and operate childcare facilities, and permits local governments to enter into management agreements with licensed childcare providers to operate in publicly-owned facilities. It also makes cities, counties, school districts, and joint powers boards located outside of the seven-county metro area eligible to apply for grants through the Greater Minnesota Childcare Facility Capital Grant Program.

The bill also included a provision extending the equal pay certificate of compliance requirement to contracts by any public entity, including political subdivisions, using state general obligation bond proceeds for all or part of a capital project. Local governments will be responsible for requiring that bids include proper certification on applicable projects, which applies to projects for goods or services valued at more than $1 million utilizing appropriated bond proceeds on or after January 1, 2022.

Elections – A number of measures were passed to help ensure the safe and secure conduct of the 2020 state primary and general elections, including; allowing for the processing of absentee ballots to begin 14 days prior to the date of the election, extending the period during which absentee ballots could be processed for 2 days following the election, accepting electronic filings for affidavits of candidacy or nominating petitions, and specifying that municipalities were to use schools as polling places only when no other public or private location was reasonably available. Funds from the federal Help America Vote Act were made available for modernizing, securing, and improving election facilities, a portion of which was made available for grants to local governments to fund activities prescribed by this program.

Minors Operating Lawn Care Equipment – Effective May 28, 2020, Minnesota Statutes lowered the employment age for operating lawn care equipment to age 16. Minors aged 16 and 17 must be trained in the safe operation of the equipment and wear appropriate personal protective equipment when operating the lawn care equipment. The exception under this statute applies only to minors directly employed by golf courses, resorts, rental property owners, or municipalities to perform lawn care on golf courses, resort grounds, rental property, or municipal grounds,

Open Meeting Law Exception – The interactive television provision of the Minnesota Open Meeting Law was amended to allow for participation in meetings by interactive electronic means, such as Skype or Zoom, without requiring that an elected official be advised to do so by a healthcare professional for personal or family medical reasons. This allowance is available only when a national security or peacetime emergency has been declared and may be used up to 60 days after the emergency declaration has been lifted. Whenever public meetings are held via interactive electronic means of this type, votes must be conducted by roll call and be recorded in the minutes.

Expanded Authority for Electronic Signatures During COVID-19 – Effective May 17, 2020, cities are allowed to accept certain documents, signatures, or filings electronically, by mail, or facsimile during the COVID-19 pandemic, including; planning and zoning applications and permits; land use documents; documents requiring the signature of licensed architects, engineers, land surveyors, geoscientists, or interior designers; applications for birth or death certificates; or recording notary commissions. This accommodation expires January 16, 2021, or 60 days following the termination of the peacetime public health emergency.

Solid Waste Recycling Exemption – The requirement that not more than 15 percent of mixed municipal solid waste received by recycling or composting facilities be disposed of, rather than recycled or composted, is suspended as long as the need for the exception is triggered by operational changes implemented to address the COVID-19 pandemic.

Pension Changes – Effective January 1, 2021, the maximum lump-sum pension amount for volunteer firefighters is increased from $10,000 to $15,000 per year of service. Municipalities are permitted to split state fire aid received between its career firefighters and its affiliated volunteer firefighters, but only if the amount allocated to the career firefighters is approved by the membership of the volunteer firefighter relief association. Any aid allocated to career firefighters must be used to pay the Public Employees Retirement Association (PERA) employer contributions on their behalf within 18 months of the transfer or be returned to the relief association.

Police Accountability Act – The Legislature passed the Police Accountability Act, which enacted a number of changes to laws governing police conduct, training, and oversight. Among the more significant changes adopted were:

- Defined and authorized “public safety peer counseling” and “critical incident stress management,” and classifies information shared in these settings as private data.
- Established an Independent Use of Force Investigations Unit within the Bureau of Criminal Apprehension to investigate all officer-involved deaths in the state, as well as criminal sexual assault allegations against peace officers, effective August 1, 2020.
- Authorized statutory or home rule charter cities to offer incentives to encourage a person hired as a peace officer to be a resident of the city.
- Limited the use of certain restraint methods by peace officer unless the use of deadly force is authorized in a given situation.
- Established and modified provisions related to law enforcement use of deadly force.
- Defined and prohibited “warrior-style” training for peace officers.
- Established a 15-member “Ensuring Police Excellence and Improving Community Relations Advisory Council” under the Police Officer Standards and Training (POST) Board, to assist the POST Board in maintaining policies and regulating peace officers in a manner that ensures the protection of civil and human rights.
- Established a duty for peace officers to intercede when another officer is using excessive force and report incidents of excessive force to supervisors.

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ACCOUNTING AND AUDITING UPDATES

The following is a summary of Governmental Accounting Standards Board (GASB) standards expected to be implemented in the next few years. Due to the COVID-19 pandemic, the GASB has delayed the original implementation dates of these and other standards as described below.

GASB Statement No. 87, *Leases*

A lease is a contract that transfers control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this statement.

Governments enter into leases for many types of assets. Under the previous guidance, leases were classified as either capital or operating depending on whether the lease met any of the four tests. In many cases, the previous guidance resulted in reporting lease transactions differently than similar nonlease financing transactions.

The goal of this statement is to better meet the information needs of users by improving accounting and financial reporting for leases by governments. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement increases the usefulness of financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

Under this statement, a lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

To reduce the cost of implementation, this statement includes an exception for short-term leases, defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract. The requirements of this statement are effective for reporting periods beginning after June 15, 2021.

GASB Statement No. 91, *Conduit Debt Obligations*

The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures.

A conduit debt obligation is defined as a debt instrument having all of the following characteristics:

- There are at least three parties involved: (1) an issuer, (2) a third party obligor, and (3) a debt holder or a debt trustee.
- The issuer and the third party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

This statement also addresses arrangements, often characterized as leases, that are associated with conduit debt obligations. In those arrangements, capital assets are constructed or acquired with the proceeds of a conduit debt obligation and used by third party obligors in the course of their activities.

This statement requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

The requirements of this statement are effective for reporting periods beginning after December 15, 2021. Earlier application is encouraged.

GASB Statement No. 92, *Omnibus 2020*

The objectives of this statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. This statement addresses a variety of topics and includes specific provisions about the following:

- The effective date of Statement No. 87, *Leases*, and Implementation Guide No. 2019-3, *Leases*, for interim financial reports
- Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit other post-employment benefit (OPEB) plan
- The applicability of Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, as amended, and No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, to reporting assets accumulated for post-employment benefits
- The applicability of certain requirements of Statement No. 84, *Fiduciary Activities*, to post-employment benefit arrangements
- Measurement of liabilities (and assets, if any) related to asset retirement obligations in a government acquisition
- Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers
- Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature
- Terminology used to refer to derivative instruments

The requirements of this statement are effective for fiscal years beginning after June 15, 2021. Earlier application is encouraged.

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*

This statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

An SBITA is defined as a contract that conveys control of the right to use another party's (an SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. Under this statement, a government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability.

This statement provides an exception for short-term SBITAs with a maximum possible term under the SBITA contract of 12 months, including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

The requirements of this statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No. 97, ***Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an Amendment of GASB Statement No. 14 and No. 84, and a Supersession of GASB Statement No. 32***

The primary objectives of this statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution OPEB plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans.

The requirements of this statement that (1) exempt primary governments that perform the duties that a government board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans, and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately.

The requirements of this statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this statement.

PURCHASING POLICY

City of North St. Paul

Adopted on August 4, 2020
Amended on June ___, 2021

Purpose

In order to have consistency and uniformity in the purchasing practices of the City, it is essential for those authorized to purchase goods or services to have a clear understanding of the purchasing policy and the requirements thereof.

The following information is intended to serve as a guide for purchasing practices.

This purchasing policy was created to:

- Clarify and reconcile the complex requirements of state purchasing law, departmental procedures, and the Finance Department processes
- Provide a comprehensive resource book for staff to be effective and efficient when making purchases
- Standardize purchasing and payment methods to expedite the purchasing process
- Assure the City Council and City Manager that adequate controls over purchasing are well established and adhered to.

The standards in this policy are minimum standards to ensure fiscal responsibility. Departments may set more restrictive procedures to meet their own budgetary accountability.

Quick Reference Guide

Value of Purchase	Quotations Needed	Payment Request Options	Approvals Needed Prior to Purchasing	
Less than $2,000	Pursue an open Market best price purchase	Credit Card Charge Account Check Request	Department Finance City Manager City Council	X
$2,000-$9,999	Pursue an open Market best price purchase	Check Request	Department Finance City Manager City Council	X
$10,000-$19,999	Two Written Quotes or RFPs	Check Request	Department Finance City Manager City Council	X X X
$20,000-$174,999	Two Written Quotes or RFPs	Check Request	Department Finance City Manager City Council	X X X X
Greater than $175,000	Sealed Bids	Check Request	Department Finance City Manager City Council	X X X X

Notes:

- If a cooperative purchasing agreement is in place, quotations are not needed.
- All purchases must be approved as part of the annual budget or within the CIP. The level of budgetary control is established at the department level. Expenditures for departments that exceed appropriations are not authorized unless additional revenue sources, unspent appropriations, or fund balances are identified and available.
- Departments are responsible for collection and retention of all bids, quotes and cooperative purchasing agreements used in the purchasing process.
- As a plan B city, State Statute 421.691 designates the manager shall be the chief purchasing agent of the city. All purchases for the city and all contracts shall be made or let by the manager when the amount of the purchase or contract does not exceed $20,000 unless a lower limit is provided by the city council; but all claims resulting therefrom shall be audited and approved by the council as provided in section 412.271. All other purchases shall be made and all other contracts let by the council after the recommendation of the manager has first been obtained.
- Purchasing procedures for federal grants are outlined in Appendix C.
- All subsequent increases to approved prices are required to go through the same approval process as the original purchase.

Public Purpose Expenditures

All expenditures made by City employees using City funds must be for a public purpose. An expenditure is made for a public purpose if it meets all of the following criteria.

- It will benefit the community as a body;
- It is directly related to functions of government; and
- It does not have as its primary objective the benefit of a private interest.

Guidelines Regarding Certain Employee Expenditures

To ensure City funds are only used for public purposes in regard to certain employee expe nditures, City employees must observe the following guidelines:

- Expenses Related to Work Assignments
  - The City may pay reasonable expenses directly related to the performance of an official City activity including expenses for travel, lodging, meals, and appropriate incidental expenses that are directly related to the performance of an employee's official job duties for the City.
- Employee Safety Programs
  - The City may pay reasonable expenses directly related to the operation of an employee safety program when the program is required by law or the benefit of the program is clearly demonstrated and a written outline of the program is approved by the City Council.
- Employee Training and Development Programs
  - The City may pay reasonable registration, tuition, and travel expenses for a conference, seminar, workshop or similar employee training (internal or external) or development opportunity when it is directly related to the performance of the employee's official job duties for the City.
- Employee Wellness and Recognition Programs
  - The City may pay reasonable expenses related to employee wellness and recognition programs, including non-monetary service awards to recognize

employee performance and length of service. Any such program shall be outlined in writing and approved by the City Council. A program primarily of a social nature, however, does not qualify. Further, the City shall not pay for spouses or third parties to attend any wellness or recognition event.

- Meals and Refreshments
  - The City may pay reasonable meal and refreshment expenses when the meals or refreshments are provided:
    - As part of a structured agenda of a conference, workshop, seminar or meeting when the employee is authorized by the City to attend and the topic relates to the official business of the City.
    - As part of a City sponsored meeting, conference, or workshop when the employee is required by the City to attend and the majority of the participants are not City employees.
    - As part of a City-sponsored event where registration fees are charged and the majority of the participants are not City employees.
    - During an official meeting of the City Council or any official meetings of City Council committees, task forces, work group, or advisory committees, provided the provision of meals or refreshments is necessary to sustain the flow of the meeting and to assist the participation of the attendees.
    - As part of a formal meeting that consists primarily of City employees when the meals or refreshments are an integral part of the formal meeting or training and are necessary to sustain the flow of the meeting, to retain the captive audience, and to assist the participation of those employees and attendees, but only if the meeting is a City or department-wide staff meeting for all City or department employees, as applicable.

<u>Prohibited Expenditures</u>

Following is a list of specifically prohibited expenditures. Note this is not a complete listing.

Alcoholic Beverages	Dues to Social Clubs
Personal Purchases	Greeting/Sympathy cards
Pictures, Artwork, Décor	Employee Parties (including holiday parties)
Gifts of any kind	Refreshments for Routine Meetings
Holiday Decorations	Entertainment
Decorations for office	Contributions or Donations
Flowers	Lobbying

<u>Cooperative Purchasing</u>

The City may increase savings from bulk discounts by making purchases jointly with one or more governmental units through joint powers agreements. Under these programs, several governmental units can enter into an agreement to authorize one party to solicit bids and provide for the purchase at the option of each participating governmental unit. Once the governmental units agree on the specifications of the item, one party may advertise for bids on behalf of all the parties that participate in the agreement. Rather than specify a specific number of items, the advertising participant will advertise for a range of quantities estimated for the entire group. Each participating unit can make the final decision on whether to purchase the items from the successful bidder.

Emergency Purchases

Emergency situations may arise where the normal purchasing process cannot be followed for the procurement of goods and services. Emergency purchases are those made by department managers where an immediate purchase is necessary to correct a situation, which would adversely affect the life, health, or safety of the citizens.

Whenever possible the current purchasing policies and procedures should be followed even when an emergency is declared, but as described above if the emergency requires speedy action essential to the health, safety, and welfare of the community and if there has been an emergency declaration, the standard purchasing policies and procedures can be waived in accordance with Minnesota Statute §12.37.

Every effort shall be made to contact the City Manager whether the emergency occurs during or after normal working hours. On the next business day, such emergency shall be documented with the City Manager & Finance Director.

In the evet of a prolonged emergency, Minnesota Statute §12.29 gives the Mayor the authority to declare a local emergency for up to three days, which period may be extended by the City Council. During such an emergency, if authorized by City Council, the City is not required to use the typically mandated procedures for purchasing and contracts. During that time, the governing body may waive compliance with the prescribed purchasing guidelines, including compliance with Minnesota Statute §471.345, Uniform Municipal Contracting Law.

Preapproved Purchases

The City Council has pre-approved payment for items such as utility accounts and payroll transfers that occur in the normal course of business even though they may exceed $20,000. These are contractual accounts for services that are approved as part of the budget process. The exceptions that fall under this situation include:

- Utility Bills (fuel, natural gas, telephone)
- Metropolitan Council Environmental Services
- Fringe benefits and other payroll related items
- Investments
- Liability insurance
- Refuse hauler and tipping fees
- Automotive gasoline and diesel fuel
- Professional services under contract approval by the City Council
- Copier Leases
- Mandated licenses, permits, and fees to the State and Federal Government
- Electric wholesaler
- Fiber Optic wholesaler
- Debt Service Payments as listed in the Debt Service Schedule in bond documents

Decentralized Purchasing

The City of North St. Paul has a “decentralized” purchasing program where individual departments are responsible for making their own purchases. There are a few exceptions including State Bid vehicles and other similar state or cooperative purchasing agreements. All other purchases should follow the rules below:

- Determine the need for commodities or services.
- Research the cost of the purchase and determine proper purchasing alternative.
- Determine the appropriate account coding and whether there are sufficient funds available in that budget line item.
- Follow the quick reference matrix to determine preapproval process. If bids / quotes are required, ensure these are included with the preapproval process.
- Code the invoice for processing.
- Accounts payable listing is approved by City Council.
- Payment is made by the Finance Department.

<u>Local Vendors</u>

City employees will make every effort to purchase goods and services from local vendors and award purchases to those vendors when cost effective. This can be accomplished by insuring that local and state vendors who have goods or services available are included in the competitive shopping process that will precede most purchases.

<u>Ethics / Relations with Vendors</u>

The City of North St. Paul holds its employees to the highest ethical standards. Purchases shall be conducted so they foster public confidence in the integrity of the City's procurement system, and open and free competition among prospective suppliers. In keeping with this value, employees should avoid the following practices when making purchases on behalf of the City:

- Circumventing competitive bidding requirements – Examples include:
  - Splitting purchases so that they can be made through several small purchases
  - Using the emergency procedure process when no true emergency exists
  - Using a "sole source" exemption when competition is available
- Denying one or more vendors the opportunity to bid on a contract – Examples include:
  - Using unnecessarily restrictive specifications
  - Pre-qualifying bidders on a discriminatory basis
  - Removing companies from a bidders list without just cause
  - Requiring unnecessarily high bonding
- Giving favored vendors an unfair advantage – Examples include:
  - Providing vendors with information regarding their competition's offers in advance of a bid opening
  - Making information available to favored vendors and not to others
  - Giving un-favored vendors inaccurate or misleading information
- Accepting gifts from vendors
  - Minnesota Statutes §471.895 prohibits government employees from receiving gifts except where they are included as part of the cost of a product, good, or service provided

<u>Training & Travel</u>

- All training and travel, budgeted or unbudgeted, must be pre-approved by the City manager.

Credit Cards

- See Appendix A and Attachments A & B

State of Minnesota Bid, Quote and Contract Laws

- See Appendix B

Federal Grant Procurement Requirements

- See Appendix C

Professional / Technical Contract Single Source Procurement

- See Attachment C

Appendix A:

Credit Cards

The City has the authority to make purchases using credit cards under Minnesota Statute §471.382. The use of credit cards (purchasing cards) by staff for City business is an authorized payment method, and not a method of creating debt, therefore all credit card balances shall be paid off on a monthly basis without delinquency fees or finance charges. Failure to avoid finance fees will require the discontinued use of the respective credit account. This guideline is intended that an employee neither gain nor lose financially from the use of credit cards. All employees shall be responsible for complying with these directives.

Authorized Employees

The City Manager has delegated himself as the City CFO with the bank and is the only individual with the authority to assign, remove or modify users and account balances for the City credit card program. All cards authorized to employees must sign an affidavit noting card policy, procedures for use, and card holder responsibility. The City Manager will maintain a listing of accounts, limits, and personnel authorized to purchase with the respective credit cards. Credit cards will be kept in a secure location by employees when not in use.

The only person entitled to use a Purchasing Card is the person whose name appears on the face of the card. Do not lend the Purchasing Card to another person. Providing the card to anyone other than the cardholder is prohibited.

Suppliers

The Purchasing Card is a Visa Card product. Any supplier or merchant who accepts Visa Card can accept the Purchasing Card.

Lost or Stolen Cards

Keep the Purchasing Card in a secure location. It needs to be accessible only to the cardholder. If the Purchasing Card is lost or stolen, notify Customer Service immediately at the 24-hour telephone number (1-866-552-8855), and call the City Manager. The card will be closed and monitored. A new card will be issued if necessary.

Authorized Purchases

Since use of the purchasing credit card is restricted to purchases for the City, no personal use is permitted and all purchases must be for a public purpose. State Statute provides that if officers and employees make purchases for the City that are not authorized by the City Council, they become personally liable for the amount of the purchase.

State Statute provides that claims presented for payment must be in writing and itemized. Department managers will be responsible for ensuring receipts and invoices meet this requirement and provide them to the finance department for prompt payment of the credit card statement.

Monthly Statements

Monthly statements will be sent to the main account holder/department. Detailed receipts along with general ledger coding must be provided to the finance department by the 15th day of each month.

Detailed Receipts

- Any items that do not have a receipt will be the personal responsibility of the card user.
- Missing receipt affidavit must be signed by both the employee and department manager with a complete explanation of the expense and the reason for the missing receipt;
- Failure to complete affidavit will result in disciplinary action up to and including termination of employment

Loss of Privileges

Failure to comply with the requirements of this policy will result in immediate revocation of Purchasing Card privileges if any of the following occur:

- Splitting of charges to avoid the single purchase dollar limit.
- Lending the card to another employee for use.
- Failure to submit itemized receipts.
- Fraud or misuse for personal benefit
- Termination of Employment with the City

Attachment A

NORTH ST. PAUL
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Credit Card User Agreement

I agree to the following regarding the use of the Credit Card Policy:

1. I understand that I am making financial commitments on behalf of the City of North St. Paul and will strive to obtain the best value for the City.

2. I understand that under no circumstances will I use the credit card to make personal purchases, whether for myself or for others.

3. I understand the use of the credit card to obtain cash is expressly prohibited.

4. I have been given a copy of the Purchasing Policy, which I have read and understand the requirements for credit card use.

5. I will follow the established procedures for use of the credit card. Failure to do so may result in either loss of privileges or other disciplinary actions, including termination of my employment.

6. I agree that should I willfully violate the terms of this agreement, I will reimburse the City of North St. Paul for all incurred charges and any fees related to the collection of those charges.

7. I understand that any fees or interest charged by the card company because of late payments due to untimely submission of record to the Finance Department will be my responsibility and will not be paid from City funds.

____
Employee Name (Print)

____
Employee Signature

____
Date

Attachment B

NORTH ST. PAUL
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Credit Card Request Form

To: City Manager

From:________________________________
(Department Head)

Re: Request for Credit Card

The following employee is authorized to be issued a City of North St. Paul Credit Card for the department indicated. The employee is fully aware of the Credit Card Policy and has provided a signed Credit Card User Agreement form.

Full Name (print):____

Signature:____

Title:____

Department:____

Single Purchase Limit:____

30-Day Purchase Limit:____

I have read the City of North St. Paul Credit Card Use Policy and I understand the responsibility of purchasing services and supplies using the City of North St. Paul Credit Card Program. I agree to abide by the policy for the use of a credit card. I also understand that misuse of the card can result in disciplinary action or may be cause for dismissal.

____ ________________
Signature of the Employee Date

____ ________________
Signature of the Department Head Date

Appendix B:

State of Minnesota Bid, Quote, and Contract Requirements

The Uniform Municipal Contracting Law, Minnesota State Statute Section 471.345 sets out procedures that cities must follow for contracts to sell, purchase or rent supplies, materials, or equipment, or to construct, alter, repair or maintain real or personal property. The procedures to follow depend on the estimated amount of the contract. Of course, estimates should be reasonable. ***For example, if a city asks for quotations because it estimates the value of a contract will be below the bid threshold but all of the quotations are substantially over the threshold, the city should solicit formal bids.***

Contracts estimated to have a value over $175,000 must be made by sealed bids, solicited by public notice, and awarded to the lowest responsible bidder. Bids should be retained for the period specified in the City's records retention schedule.

The requirement that the successful bidder be "responsible" protects cities from having to choose unqualified or unscrupulous low bidders. It allows a city council to consider factors such as the bidder's financial responsibility, integrity, skill and ability, and the likelihood that the bidder will do satisfactory work. A city can even include evaluation criteria for "responsible" bidders in the bid specifications.

The Minnesota state statute above deems that contracts estimated to be worth more than $25,000, up to $175,000, can be made either by sealed bids or by direct negotiation based on quotations. Per this policy, City Council has chosen to be more restrictive and reduced this threshold to $20,000 and will be noted as such through the rest of this document. Two or more quotes must be obtained if possible, and the quotations must be kept on file for at least 18 months. *Each Department is responsible for managing these records.*

Contracts with estimated values of $20,000 or less may be made either upon quotation or in the open market. If quotations are used, at least two quotations must be obtained if practicable, and the quotations must be kept on file for at least 18 months.

For any approved purchases that have subsequent increases in cost (i.e. change orders), the increases are required to go through the same approval process as the original purchase.

"Best Value" Procurement Alternative

In 2007, the Minnesota Legislature authorized cities and other government entities to use a "best value" procurement process for "construction, building, alteration, improvement or repair contracts." This alternative procurement process is being phased in for various types of local governmental entities. For cities, counties and large school districts, best value procurement became available on July 1, 2007.

Best value procurement is a process based on competitive proposals (as an alternative to bids) that awards the contract to "the vendor or contractor offering the best value, taking into account the specifications of the request for proposals, the price and performance criteria as set forth in Minn. Stat. § 16C.02, subd. 4a and described in the solicitation document."

The price and performance criteria mentioned in the previous paragraph may include, but are not limited to:

(1) the quality of the vendor's or contractor's performance on previous projects;
(2) the timeliness of the vendor's or contractor's performance on previous projects;
(3) the level of customer satisfaction with the vendor's or contractor's performance on previous projects;
(4) the vendor's or contractor's record of performing previous projects on budget and ability to minimize cost overruns;
(5) the vendor's or contractor's ability to minimize change orders;
(6) the vendor's or contractor's ability to prepare appropriate project plans;
(7) the vendor's or contractors technical capacities;
(8) the individual qualifications of the contractor's key personnel; or
(9) the vendor's or contractor's ability to assess and minimize risks.

"Performance on previous projects" does not include the exercise or assertion of a person's legal rights.

The solicitation document must state the relative weight of price and other selection criteria. The award must be made to the vendor or contractor offering the best value applying the weighted selection criteria. If an interview of the vendor’s or contractor’s personnel is one of the selection criteria, the relative weight of the interview must be stated in the solicitation document and applied accordingly.

Notice of Solicitation of Bids

The notice that bids are being solicited must be published once in the City’s official newspaper at least ten days before the last day for the submission of bids. As an alternative to publishing the notice in a newspaper, a city may put the bid notice on its website or in a recognized industry trade journal if certain steps (described below) are followed. Additional public notice and hearing requirements for public improvements ordered and specially assessed are provided in Minn. Stat. Chapter 429.

Alternative Dissemination of Bids and Requests for Proposals

As an alternative to publishing them in a newspaper, a city may post solicitations of bids, requests for information or requests for proposals by using a website or recognized industry trade journals. Printed and digital publications and websites that contain building and construction news of interest to contractors in Minnesota or that publish project advertisements or bids for review by contractors or potential bidders in the regular course of business are “recognized industry trade journals.” The City must simultaneously publish, either in minutes or separately in a notice published in the official newspaper, a description of all solicitations or requests so distributed, along with the means by which the publication occurred. The publication by alternative means must be in substantially the same format and for the same period of time as a publication in a qualified newspaper.

For the first six months after the political subdivision designates an alternative means of publication, it must continue to publish solicitations of bids, requests for information, and requests for proposals in the official newspaper in addition to the alternative method. The publication in the official newspaper must indicate where to find the designated alternative methods.

If, in the normal course of its business, a qualified newspaper maintains a website, then as a condition of accepting and publishing public notices, the newspaper must agree to post all the notices on its website during the notice's full publication period.

Electronic Bidding

Municipalities now have authority for the following procedures related to purchases and sales:

1. Reverse Auction Purchases—Minn. Stat. § 471.345, subd. 16
   i. municipality may contract to purchase supplies, materials and equipment (but not services),

   ii. using an electronic purchasing process in which vendors compete to provide the supplies, materials, or equipment at the lowest price in an open and interactive environment.

2. Electronic Sales—Minn. Stat. § 471.345, subd. 17

   i. municipality may contract to sell supplies, materials, and equipment which is surplus, obsolete, or used,

   ii. using an electronic selling process in which purchasers compete to purchase the supplies, materials, or equipment at the highest purchase price in an open and interactive environment.

The Cooperative Purchasing Venture ("State Contract")

As part of marketing, vendors sometimes say cities can purchase from them without bidding because they are on the "state contract" or they will sell at the state contract price. Cities should beware of this approach. The real name of the state contract is the Cooperative Purchasing Venture. It is a members-only joint powers program operated by the Minnesota Department of Administration. To purchase through it, cities must join. Cities cannot avoid the normal bidding requirements by simply purchasing at the state contract price or from a state contract vendor without joining the program and following its requirements. For additional information, visit the Cooperative Purchasing Venture website at http://www.mmd.admin.state.mn.us/cpv2.htm.

Cooperative Purchasing

A municipality may contract for the purchase of supplies, materials, or equipment without regard to the competitive bidding requirements of Minnesota State Statute Section 371.345 (as described in this policy) if the purchase is through a national municipal association's purchasing alliance or cooperative created by a joint powers agreement that purchases items from more than one source on the basis of competitive bids or competitive quotations.

Responsible Contractor Minimum Requirements

The Responsible Contractor Requirements apply to construction contracts over $50,000 that are awarded on the basis of bidding or “best value.” The threshold for formal bidding is $175,000 and the best value alternative is available for contracts over $20,000. Between $50,000 and $175,000 the City does not have to use the formal bidding process, however if the City does use formal bidding or “best value” procurement for these contracts they will have to comply with the Responsible Contractor Requirements.

The statute sets forth “minimum criteria” for contractors which include such things as compliance with state workers compensation laws and unemployment insurance laws, federal tax I.D number, authority to transact business in Minnesota, compliance with Federal Wage and Hour requirements, etc.

A contractor responding to the City’s contract solicitation must submit a signed statement under oath of compliance with the minimum criteria identified in this statute.

If that contractor is awarded the contract, then a supplemental verification under oath must be presented to the City that the contractor has received from all subcontractors’ statements under oath that they also meet the minimum requirements under this statute.

Prompt Payment to Subcontractors

City contracts that involve a prime contractor must require the prime contractor to pay subcontractors within ten days of the prime contractor’s receipt of payment from the City for undisputed services provided by the subcontractor.

The contract must require the prime contractor to pay interest of 1.5 percent per month or any part of a month to the subcontractor on any undisputed amount not paid on time.

Performance and Payment Bonds

For some contracts, cities must require contractors to provide a performance bond and a payment bond. This requirement applies to contracts over $175,000 for the performance of public work. The required performance bond benefits the City by ensuring that the work is completed according to the terms of the contract, while the required payment bond benefits subcontractors and people who provide labor and materials, by seeing that their claims for labor and materials are paid. For any increases, such as change orders, to contracts with performance and payment bonds, City Council review is required to determine if additional performance and payment bonds are required. City Council will vote to require or waive such additional bonds.

Retainage

For a contract for public improvement, a public contracting agency may withhold up to five percent of any progress payment as retainage to ensure satisfactory performance. If it does so, it must release the retainage no more than 60 days after substantial completion.

"Substantial completion" is the date when construction is sufficiently completed so that the owner can occupy or use the improvement for the intended purpose. For streets, highways, and bridges, "substantial completion" is defined as the date when construction-related traffic devices and ongoing inspections are no longer required.

The City is permitted to continue to withhold up to 250 percent of the cost to correct or complete known work at the time of substantial completion, and the greater of $500 or one percent of the value of the contract pending submission of final paperwork.

The amount withheld for cost to correct or complete must be released within 60 days of work completion. The amount withheld pending submission of final paperwork must be released within 60 days of submission of final paperwork.

Withholding Certificates

Before a city makes the final payment to a contractor under a contract requiring the employment of employees for wages, it must make sure the contractor and any subcontractors have complied with withholding tax laws. Contractors and subcontractors show compliance by submitting a withholding affidavit to the Minnesota Department of Revenue. This can be done electronically or by mailing a completed Form IC134, "Withholding Affidavit for Contractors." If a contractor or subcontractor has withheld taxes as required, the Department of Revenue will return an electronic confirmation or sign and return the Form IC134, certifying compliance.

Exceptions to Competitive Bidding

The following are some of the most common exceptions to the competitive-bidding requirements:

- **Non-contracts**. An agreement that does not meet the definition of a contract under the competitive-bidding law is exempt from the competitive-bidding requirements. For example, an agreement in which a company supplied a special scoreboard system in exchange for the right to sell or lease advertising space on it was found to be exempt from the competitive-bidding requirements because it was not a contract for "materials, supplies or equipment." Likewise, contracts for refuse hauling and janitorial services were also found to be exempt from the competitive-bidding requirements because they were not considered to be contracts within the definition of the competitive-bidding law.
- **Contracts of $20,000 or less**. If a contract is estimated to be $20,000 or less, the City has the choice of making the contract upon quotation or in the open market. If the City makes the contract upon quotation, the City must obtain at least two quotations and keep them on file for at least one year after their receipt.
- **Contracts below the competitive-bidding threshold, but above $20,000**. Contracts that are estimated to cost more than $20,000, but not more than $175,000, may be made in two different ways. The City may make the contract using the competitive-bidding process or by direct negotiation. If direct negotiation is used, the City Council must seek at least two quotations and keep them on file for at least one year after receipt.
- **Electronic reverse-auction purchases**. Cities may use an electronic reverse-auction procedure to contract for the purchase of supplies, materials, and equipment

regardless of their cost. This procedure allows vendors to compete to provide the requested supplies, materials or equipment at the lowest selling price in an open and interactive electronic environment.

- **Electronic sales of surplus supplies, materials, and equipment**. Cities may contract to sell supplies, materials, and equipment, which are surplus, obsolete, or unused, regardless of their cost, using an electronic selling process in which purchasers compete to offer the highest purchase price in an open and interactive environment.
- **Best value contracting**. Under certain circumstances, cities may use best value contracting for construction projects. Best value contracting requires cities to consider two factors as part of a request-for-proposals process: price and performance. There are additional factors that may be considered.
- **Intergovernmental contracts**. Contracts between governmental entities for the sale, lease or purchase of real or personal property between federal, state or political subdivisions.
- **Professional services contracts**. Professional services, such as those provided by doctors, engineers, lawyers, architects, accountants, and other services requiring technical, scientific or professional training.
- **Some group-insurance contracts**. Group insurance for 25 or more employees. This type of insurance must be solicited through requests for proposals. The request for proposals must be in writing and must include the coverage to be provided, the criteria for evaluation of carrier proposals, and the aggregate- claims records for the appropriate period. The request for proposals must be published in a newspaper or trade journal for at least 21 days before the final day for submitting proposals.
- **Real estate contracts**. The purchase or sale of real property is generally not required to be competitively bid.
- **Emergency contracts**. The emergency-management statutes give cities the ability to declare an emergency for a limited period of time. During such an emergency, cities are not required to use mandated contracting procedures. If the facts of the situation do not indicate that a true emergency exists, such a contract would likely be void.
- **Some intergovernmental construction contracts**. A cooperative agreement to construct a project with the state or with another political subdivision of the state when the other unit does the construction. This applies only where there is an agreement prior to the initial advertising for bids on the project.
- **Some municipal electric power construction contracts**. A city may contract for the planning, acquisition, construction, reconstruction, operation, maintenance, repair, extension, and improvement of generation and transmission facilities without using the competitive-bidding process. The facilities must be located outside of the City's corporate limits.
- **Some fuel contracts**. Fuel contracts for generation of municipal power may be made using direct quotations or competitive bidding.

Appendix C:

Federal Grant Procurement Requirements

The OMB Uniform Guidance went into effect on December 26, 2014 and applies to awards or funding increments issued on or after that date. Purchases funded by federal grant funds must adhere to regulations found in Uniform Guidance as a condition of receiving funds and to meet annual audit compliance. The OMB Memo M-18-18 increased the micro-purchase threshold to $10,000 and the simplified acquisition threshold to $250,000 (note, since the State of Minnesota threshold is $175,000, the City will follow the lower threshold from the State of Minnesota).

Methods of Procurement (see CFR §200.320):

- **Micro-purchases** - the acquisition of supplies or services, the aggregate dollar amount of which does not exceed $10,000. Use your own judgment in identifying potential suppliers. Federal guidance asks that, if possible, spread purchases between multiple suppliers. When possible, attempt to get discounts. If you are uncertain as to whether or not a purchase qualifies as a micro purchase or a small purchase, please contact the Finance department prior to making the purchase. For example, installment payments less than $10,000 towards a total purchase price greater than $10,000 do not count as micro purchases
- **Small purchase** - the acquisition of supplies, services or equipment in the range of $10,001 to $175,000. Price or rate quotations must be obtained from an adequate number or qualified sources prior to making a purchase. A purchase order documenting at least 2 price quotes and the basis for vendor selection prior to making a purchase is required. Documentation needs to be in writing from the vendors and can include screen shots from websites, copies of published price lists and advertised pricing in established magazines or journals. This documentation should be attached to the purchase order and the buyer should not make the purchase until the purchase order has been fully approved. If a purchase order is not received prior to an accounts payable voucher, the Finance department will have the authority to reject the invoice from being paid against federal funds. If you require assistance in obtaining 2 quotes, please contact the Finance department.
- **Sealed bids** - For acquisitions costing more than $175,000, bids are publicly solicited and a firm fixed price contract is awarded to the responsible bidder whose bid is the lowest price. See appendix B for more detail.
- **Competitive proposals** - For acquisitions costing more than $175,000, conducted with more than one source submitting an offer, and either a fixed price or cost-reimbursement type contract is awarded. Contracts must be awarded to the responsible firm whose proposal is most advantageous to the City with price and other factors considered.
- **Noncompetitive proposals** - procurement through solicitation of a proposal from only one source. A waiver must be granted by submitting the Sole Source Justification Form (see attachment C).

<u>Sole Source Justification Form (see Attachment C for template):</u>

There may be times when competitive bids are not appropriate and the requirement for obtaining them is waived. Failing to anticipate needs resulting from poor planning is not an exception to the bidding policy. For an exception to be valid, a clear statement of justification for waiving the competitive bidding process must be submitted in writing for approval by completing the Sole Source Justification Form.

Situations that would justify purchases without the competitive bid process are:

- The supplier is obviously a sole source for the item. Examples:
  - Artwork
  - Unusual and not generally available used equipment
  - A very specialized piece of scientific equipment
  - A specialized service (lobbyist, consultant) when the supplier has a one-of-a-kind ability to provide the required service due to demonstrably unique circumstances (knowledge, contacts, experience)
- There is an undeniable compatibility requirement. The item will be hooked up to existing equipment or the purchase is an upgrade to existing equipment/software.
- There has been an unpredictable emergency and there is no time to bid. Examples:
  - Human life, health or City property is in jeopardy
  - Repairs are immediately needed for equipment where delay would lead to higher expense.
- Subcontracts whereby the agreement to work with another individual or institution was written into the grant award.

Situations that would NOT justify purchases without the competitive bid process are:

- We did some looking around and this supplier is offering a very good deal. While this may be true, federal guidelines require a competitive bidding process that demonstrates that due diligence was used.
- I waited so long to work on this that now I need it tomorrow. Busy schedules do not excuse the City from following federal regulations
- It would be so much more convenient if we could just use this supplier. Convenience is not a strong enough factor to allow the granting of a waiver from the process. An emergency situation must be present.
- The company already started the work. Making such agreements or purchases at a departmental level is contrary to this policy and federal regulations.

Attachment C

PROFESSIONAL/TECHNICAL CONTRACT SINGLE SOURCE REQUEST FORM

Submit form to: City of North St. Paul Finance Department

Submit with: Detailed Quote/Scope of Work

DEPARTMENT	
PROPOSED CONTRACTOR **Name of company:** **Address:** **Telephone:** **Web Address (if available):**	**CONTRACT PERIOD** ____________to____________ *The term of the contract must not exceed two years unless the Council determines that a longer duration is in the best interest of the City. If you are requesting that the original contract length be longer than two years, please attach a written justification. **CONTRACT PRICE** $_____________
DESCRIPTION OF SERVICE REQUIRED:	

SINGLE SOURCE CATEGORY **(Check applicable box, attach documentation or provide explanation below)**	
☐ Legislation or appropriation mandates use of contractor (Legislation attached)	☐ Software license renewals, additions or upgrades available from only one source
☐ Expert witness required by AGO (attach documentation)	☐ Brand compatibility available from only one source
☐ Mailing lists, subscriptions or media advertising	☐ Other proprietary situation
☐ Warranty voided if service provided by other contractor	☐ Other
THIS PROCURMENT IS A SINGLE SOURCE BECAUSE (attach additional page if needed):	

NOTE: The following are unlikely to be sufficient single source justifications:

- Personal or agency preference for a contractor
- Agency perception that the vendor is the best qualified (this should be determined through a competitive process)
- Lack of agency planning resulting in limited time to conduct a competitive procurement
- Past or existing relationship with the vendor
- Special incentive or deal offered (can be assessed in open and competitive solicitation)
- Agency convenience

SEARCH (Check applicable boxes and describe as indicated)	
☐ No search was conducted or necessary because (explain): A search was conducted consisting of: (check all that apply) ☐ Market research ☐ Other vendors contacted ☐ Public notice given ☐ Other	**RESULTS** AFTER THE SEARCH… ☐ no alternatives were identified ☐ no alternatives were deemed acceptable (explain below)
Description of search identified above:	

PRICE (Check applicable boxes and provide description below)	
Price has been fairly and reasonably established by: ☐ Independent estimate ☐ Comparison to public sector contract pricing ☐ Comparison to previous comparable pricing	☐ Discount off published price ☐ Market survey ☐ Other
Describe methodology and results (attach any written supporting data, e.g. survey or market analysis):	

CERTIFICATIONS	
I certify: 1) I recognize that state law requires the use of competitive solicitations unless exempted by law. I have reviewed the information and materials relevant to this procurement of services and am requesting approval of an exception to the competitive process for the reasons described. 2) the price to be paid to the proposed single source contractor is fair, reasonable, and provides the best value to the City of North St. Paul; and 3) this request for an exception to the competitive solicitation process is not the result of inadequate advance planning or for purposes of securing the services of a preferred contractor	
Department Head Signature	**Date**

NORTH ST. PAUL
extraordinary.

Agenda Information Memorandum

To	Date
Honorable Mayor Furlong and City Council	June 1, 2021

Agenda Placement # IV.C

Topic(s)

Subject

CivicClerk Implementation

Background/Facts

Staff is currently working on the implementation of our new meeting management software CivicClerk. This new tool will improve our agenda and packet creation and workflows for our councils and commissions. As soon as staff training is complete we will set up accounts for all council members and commissioners and provide training.

Recommendation:

Attachments

1. CivicClerk Project Status

Respectfully submitted,
Kari Erpenbach, Communications

CivicClerk Project Status

Staff training currently underway

Meeting templates being created for the following:

- City Council
- Housing & Redevelopment Authority
- Arts & Culture Commission
- Economic Development Authority
- Parks & Recreation Commission
- Planning Commission
- Fire Department
- Police Department

Council & Commission Access:

- Early June
- Watch your email for a link to access your account and set up your password
- Staff will work with Council and Commission members with any access/training concerns. A training video and other resources will be posted here https://www.northstpaul.org/1062/CivicClerk-Training
- As soon as everyone has accessed their account we will begin posting agendas and packets to the portal.
- Council and Commission members will access agendas and packets from this link northstpaulmn.civicclerk.com/Boardview
- Once the transition is complete we will no longer post agenda packets to the SharePoint.

Resident Communications:

- Encourage residents to subscribe for Council and Commission Updates
- Staff will export existing subscriber information and provide instructions how to subscribe/receive updates from CivicClerk
- Instructions/information provided:
    - On the website
    - In the City e-news
    - In our Social media channels

Website meeting module upgrade:

- Agendas and packets will be posted for public access
- Our system provider will move agendas and minutes for all meetings from 2019 to present