

CITY OF WILLMAR

FINANCE COMMITTEE MEETING
5:15 PM, THURSDAY, AUGUST 22, 2019
CONFERENCE ROOM NO. 1
CITY OFFICE BUILDING

AGENDA

1. Meeting Called to Order
2. Public Comment
3. Action Items
 - a. Resolution to accept Federal Grant for Runway and Taxiway Rehabilitation
 - b. Resolution to Adopt Final Budget
 - c. Resolution to accept the Warhawks Rental and Advertising Agreements
4. Discussion Items
 - a. July monthly Financial Report
 - b. 2018 Financial Report
 - c. Review Meeting Schedule
 - d. Future Agenda Items
5. Adjourn



CITY COUNCIL AGENDA REPORT

To: Mayor and City Council	Date: August 22, 2019
From: Eric Rudningen, Airport Manager	Subject: Resolution to accept the grant for the Airport Runway 13/31, Taxiway A, and West Taxilanes Pavement Maintenance project

AGENDA ITEM: Resolution to accept the grant for the Airport Runway 13/31, Taxiway A, and West Taxilanes Pavement Maintenance project, contingent on the availability of funds.

INTRODUCTION/REQUEST: Acceptance of the US Department of Transportation Federal Aviation Administration grant.

HISTORY: Runway 13/31, Taxiway A, and the West Taxilanes were originally constructed in 2007. Since that time no substantial pavement rehabilitation has been completed. In order to preserve the pavement, crack repair and seal coating has been recommended. City staff along with Bolton & Menk met with FAA officials to review the project and request Federal discretionary funding for the project on November 20, 2018.

The City Council of Willmar approved a resolution on December 17th, 2018 to enter into Work Order # 2 with Bolton and Menk for a professional services contract for airport design, bidding, and construction administration services for the project.

CURRENT CIRCUMSTANCE: Bids were opened on June 12, 2019. We received one bid for \$868,266.50. A Grant Application was submitted to MnDOT and the FAA by June 28, 2019 and Council action is required to accept the grant. The grant will cover 90% of the allowable costs incurred accomplishing the project.

RECOMMENDATION: Staff recommends accepting the grant agreement from the US Federal Aviation Administration for the Airport Runway 13/31, Taxiway A, and West Taxilanes Pavement Maintenance project.

ISSUES: Runway 13/31 and Runway 3/21 will be closed during certain periods of the construction. A Construction Phasing Plan has been developed to minimize the closure periods and disruption to pilots. During any Runway closure, Life Link III will still be allowed to operate.

FINANCIAL IMPACT: The total estimated cost of the project is \$1,008,254.50, which is split 90% Federal, 5% State, and 5% local. The estimated City of Willmar cost for the project is \$50,112.73

REVIEWED BY: Eric Rudningen, Airport Manager

COMMITTEE MEETING DATE: August 22, 2019

COUNCIL MEETING DATE: September 3, 2019



**WILLMAR MUNICIPAL AIRPORT – RICE FIELD (BDH)
AIRPORT COMMISSION MEETING**

June 15th, 2019
5:00 P.M.



1. Master Plan and Airport Layout Plan

- a. Final Draft of Master Plan and ALP submitted to MnDOT and FAA for review on April 12, 2018.
- b. Gina Mitchell, FAA Community Planner, stated at CIP meeting on November 20, 2018 that review will not occur until summer/fall of 2019.

2. 2019 Runway, Taxiway, and Taxilanes Pavement Rehabilitation Project

- a. Bids opened on June 12, 2019.
- b. One bid received for the project from Duininck, Inc.
 - i. \$ 868,266.50.
- c. FAA and MnDOT Grant Application submitted on June 25, 2019.
 - i. Award of project is contingent upon receipt of additional Federal funding outside of entitlement funding.
 - ii. Additional Federal funding projects are announced in late August.
- d. Construction anticipated to begin after Labor Day.
- e. Total Project Cost: \$ 1,008,254.50
 - i. FAA (90%) \$ 907,429.05
 - ii. MnDOT (5%) \$ 50,412.73
 - iii. City (5%) \$ 50,412.73

3. Capital Improvement Program

- a. See attached draft 20-year CIP.
- b. Proposed FFY 2021 Project:
 - i. Apron Expansion (290'x75') \$ 451,445
 1. FAA (39%) \$ 173,938
 2. MnDOT (42%) \$ 190,390
 3. City (19%) \$ 87,117
- c. Future Projects to add to CIP?

Contact: Silas Parmar, P.E.
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phone: (612) 987-0138



U.S. Department
of Transportation
Federal Aviation
Administration

GRANT AGREEMENT

PART I – OFFER

Date of Offer	<u>August 30, 2019</u>
Airport/Planning Area	<u>Willmar Municipal-John L Rice Field</u>
AIP Grant Number	<u>3-27-0115-012-2019</u>
DUNS Number	<u>084487289</u>
TO:	<u>City of Willmar</u> (herein called the "Sponsor")

FROM: **The United States of America** (acting through the Federal Aviation Administration, herein called the "FAA")

WHEREAS, the Sponsor has submitted to the FAA a Project Application dated June 24, 2019, for a grant of Federal funds for a project at or associated with the Willmar Municipal-John L Rice Field Airport, which is included as part of this Grant Agreement; and

WHEREAS, the FAA has approved a project for the Willmar Municipal-John L Rice Field Airport (herein called the "Project") consisting of the following:

**"Rehabilitate (Crack Seal & Slurry Seal) Runway 13/31 (5,500'x 100');
Taxiway A (5,500'); Taxiway J,K, and L (800' each)"**

which is more fully described in the Project Application.

NOW THEREFORE, According to the applicable provisions of the former Federal Aviation Act of 1958, as amended and recodified, 49 U.S.C. § 40101, et seq., and the former Airport and Airway Improvement Act of 1982 (AAIA), as amended and recodified, 49 U.S.C. § 47101, et seq., (herein the AAIA grant statute is referred to as "the Act"), the representations contained in the Project Application, and in consideration of (a) the Sponsor's adoption and ratification of the Grant Assurances dated March 2014, as applied and interpreted consistent with the FAA Reauthorization Act of 2018 (see 2018 FAA Reauthorization grant condition.), (b) and the Sponsor's acceptance of this Offer; and, (c) the benefits to accrue to the United States and the public from the accomplishment of the Project and compliance with the Grant Assurances and conditions as herein provided.

THE FEDERAL AVIATION ADMINISTRATION, FOR AND ON BEHALF OF THE UNITED STATES, HEREBY OFFERS AND AGREES to pay ninety (90) percent of the allowable costs incurred accomplishing the Project as the United States share of the Project.

This Offer is made on and **SUBJECT TO THE FOLLOWING TERMS AND CONDITIONS:**

CONDITIONS

- 1. Maximum Obligation.** The maximum obligation of the United States payable under this Offer is **\$907,429.**

The following amounts represent a breakdown of the maximum obligation for the purpose of establishing allowable amounts for any future grant amendment, which may increase the foregoing maximum obligation of the United States under the provisions of 49 U.S.C. § 47108(b):

\$0 for planning

\$907,429 airport development or noise program implementation; and,

\$0 for land acquisition.

The source of this Grant may include funding from the Small Airport Fund.

2. **Period of Performance.** The period of performance begins on the date the Sponsor formally accepts this agreement. Unless explicitly stated otherwise in an amendment from the FAA, the end date of the period of performance is 4 years (1,460 calendar days) from the date of formal grant acceptance by the Sponsor.

The Sponsor may only charge allowable costs for obligations incurred prior to the end date of the period of performance (2 CFR §200.309). Unless the FAA authorizes a written extension, the sponsor must submit all project closeout documentation and liquidate (pay off) all obligations incurred under this award no later than 90 calendar days after the end date of the period of performance (2 CFR §200.343).

The period of performance end date does not relieve or reduce Sponsor obligations and assurances that extend beyond the closeout of a grant agreement.
3. **Ineligible or Unallowable Costs.** The Sponsor must not include any costs in the project that the FAA has determined to be ineligible or unallowable.
4. **Indirect Costs - Sponsor.** Sponsor may charge indirect costs under this award by applying the indirect cost rate identified in the project application as accepted by the FAA, to allowable costs for Sponsor direct salaries and wages.
5. **Determining the Final Federal Share of Costs.** The United States' share of allowable project costs will be made in accordance with the regulations, policies, and procedures of the Secretary. Final determination of the United States' share will be based upon the final audit of the total amount of allowable project costs and settlement will be made for any upward or downward adjustments to the Federal share of costs.
6. **Completing the Project Without Delay and in Conformance with Requirements.** The Sponsor must carry out and complete the project without undue delays and in accordance with this agreement, and the regulations, policies, and procedures of the Secretary. Per 2 CFR § 200.308, the Sponsor agrees to report to the FAA any disengagement from performing the project that exceeds three months. The report must include a reason for the project stoppage. The Sponsor also agrees to comply with the assurances which are part of this agreement.
7. **Amendments or Withdrawals before Grant Acceptance.** The FAA reserves the right to amend or withdraw this offer at any time prior to its acceptance by the Sponsor.
8. **Offer Expiration Date.** This offer will expire and the United States will not be obligated to pay any part of the costs of the project unless this offer has been accepted by the Sponsor on or before September 9, 2019, or such subsequent date as may be prescribed in writing by the FAA.
9. **Improper Use of Federal Funds.** The Sponsor must take all steps, including litigation if necessary, to recover Federal funds spent fraudulently, wastefully, or in violation of Federal antitrust statutes, or misused in any other manner for any project upon which Federal funds have been expended. For the purposes of this grant agreement, the term "Federal funds" means funds however used or dispersed by the Sponsor, that were originally paid pursuant to this or any other Federal grant agreement. The Sponsor must obtain the approval of the Secretary as to any determination of the amount of the Federal share of such funds. The Sponsor must return the recovered Federal share, including funds recovered by settlement, order, or judgment, to the Secretary. The Sponsor must furnish to the Secretary, upon request, all documents and records pertaining to the determination of the amount of the Federal share or to any

settlement, litigation, negotiation, or other efforts taken to recover such funds. All settlements or other final positions of the Sponsor, in court or otherwise, involving the recovery of such Federal share require advance approval by the Secretary.

- 10. United States Not Liable for Damage or Injury.** The United States is not responsible or liable for damage to property or injury to persons which may arise from, or be incident to, compliance with this grant agreement.
- 11. System for Award Management (SAM) Registration And Universal Identifier.**
- A. Requirement for System for Award Management (SAM): Unless the Sponsor is exempted from this requirement under 2 CFR 25.110, the Sponsor must maintain the currency of its information in the SAM until the Sponsor submits the final financial report required under this grant, or receives the final payment, whichever is later. This requires that the Sponsor review and update the information at least annually after the initial registration and more frequently if required by changes in information or another award term. Additional information about registration procedures may be found at the SAM website (currently at <http://www.sam.gov>).
- B. Data Universal Numbering System: DUNS number means the nine-digit number established and assigned by Dun and Bradstreet, Inc. (D & B) to uniquely identify business entities. A DUNS number may be obtained from D & B by telephone (currently 866-705-5771) or on the web (currently at <http://fedgov.dnb.com/webform>).
- 12. Electronic Grant Payment(s).** Unless otherwise directed by the FAA, the Sponsor must make each payment request under this agreement electronically via the Delphi eInvoicing System for Department of Transportation (DOT) Financial Assistance Awardees.
- 13. Informal Letter Amendment of AIP Projects.** If, during the life of the project, the FAA determines that the maximum grant obligation of the United States exceeds the expected needs of the Sponsor by \$25,000 or five percent (5%), whichever is greater, the FAA can issue a letter amendment to the Sponsor unilaterally reducing the maximum obligation.
- The FAA can also issue a letter to the Sponsor increasing the maximum obligation if there is an overrun in the total actual eligible and allowable project costs to cover the amount of the overrun provided it will not exceed the statutory limitations for grant amendments. The FAA's authority to increase the maximum obligation does not apply to the "planning" component of condition No. 1.
- The FAA can also issue an informal letter amendment that modifies the grant description to correct administrative errors or to delete work items if the FAA finds it advantageous and in the best interests of the United States.
- An informal letter amendment has the same force and effect as a formal grant amendment.
- 14. Air and Water Quality.** The Sponsor is required to comply with all applicable air and water quality standards for all projects in this grant. If the Sponsor fails to comply with this requirement, the FAA may suspend, cancel, or terminate this agreement.
- 15. Financial Reporting and Payment Requirements.** The Sponsor will comply with all federal financial reporting requirements and payment requirements, including submittal of timely and accurate reports.
- 16. Buy American.** Unless otherwise approved in advance by the FAA, the Sponsor will not acquire or permit any contractor or subcontractor to acquire any steel or manufactured products produced outside the United States to be used for any project for which funds are provided under this grant. The Sponsor will include a provision implementing Buy American in every contract.
- 17. Maximum Obligation Increase For Nonprimary Airports.** In accordance with 49 U.S.C. § 47108(b), as amended, the maximum obligation of the United States, as stated in Condition No. 1 of this Grant Offer:

- A. May not be increased for a planning project;
- B. May be increased by not more than 15 percent for development projects;
- C. May be increased by not more than 15 percent or by an amount not to exceed 25 percent of the total increase in allowable costs attributable to the acquisition of land or interests in land, whichever is greater, based on current credible appraisals or a court award in a condemnation proceeding.

18. Audits for Public Sponsors. The Sponsor must provide for a Single Audit or program specific audit in accordance with 2 CFR part 200. The Sponsor must submit the audit reporting package to the Federal Audit Clearinghouse on the Federal Audit Clearinghouse's Internet Data Entry System at <http://harvester.census.gov/facweb/>. Provide one copy of the completed audit to the FAA if requested.

19. Suspension or Debarment. When entering into a "covered transaction" as defined by 2 CFR §180.200, the Sponsor must:

- A. Verify the non-federal entity is eligible to participate in this Federal program by:
 - 1. Checking the excluded parties list system (EPLS) as maintained within the System for Award Management (SAM) to determine if the non-federal entity is excluded or disqualified; or
 - 2. Collecting a certification statement from the non-federal entity attesting they are not excluded or disqualified from participating; or
 - 3. Adding a clause or condition to covered transactions attesting individual or firm are not excluded or disqualified from participating.
- B. Require prime contractors to comply with 2 CFR §180.330 when entering into lower-tier transactions (e.g. Sub-contracts).
- C. Immediately disclose to the FAA whenever the Sponsor (1) learns they have entered into a covered transaction with an ineligible entity or (2) suspends or debar a contractor, person, or entity.

20. Ban on Texting While Driving.

- A. In accordance with Executive Order 13513, Federal Leadership on Reducing Text Messaging While Driving, October 1, 2009, and DOT Order 3902.10, Text Messaging While Driving, December 30, 2009, the Sponsor is encouraged to:
 - 1. Adopt and enforce workplace safety policies to decrease crashes caused by distracted drivers including policies to ban text messaging while driving when performing any work for, or on behalf of, the Federal government, including work relating to a grant or subgrant.
 - 2. Conduct workplace safety initiatives in a manner commensurate with the size of the business, such as:
 - a. Establishment of new rules and programs or re-evaluation of existing programs to prohibit text messaging while driving; and
 - b. Education, awareness, and other outreach to employees about the safety risks associated with texting while driving.
- B. The Sponsor must insert the substance of this clause on banning texting while driving in all subgrants, contracts and subcontracts.

21. AIP Funded Work Included in a PFC Application.

Within 90 days of acceptance of this award, Sponsor must submit to the Federal Aviation Administration an amendment to any approved Passenger Facility Charge (PFC) application that contains an approved PFC project also covered under this grant award. The airport sponsor may not make any expenditure under

this award until project work addressed under this award is removed from an approved PFC application by amendment.

22. Exhibit "A" Property Map. The Exhibit "A" Property Map dated March 14, 2011, is incorporated herein by reference or is submitted with the project application and made part of this grant agreement.

23. Employee Protection from Reprisal.

A. Prohibition of Reprisals –

1. In accordance with 41 U.S.C. § 4712, an employee of a grantee or subgrantee may not be discharged, demoted, or otherwise discriminated against as a reprisal for disclosing to a person or body described in sub-paragraph (A)(2), information that the employee reasonably believes is evidence of:
 - i. Gross mismanagement of a Federal grant;
 - ii. Gross waste of Federal funds;
 - iii. An abuse of authority relating to implementation or use of Federal funds;
 - iv. A substantial and specific danger to public health or safety; or
 - v. A violation of law, rule, or regulation related to a Federal grant.
2. Persons and bodies covered: The persons and bodies to which a disclosure by an employee is covered are as follows:
 - i. A member of Congress or a representative of a committee of Congress;
 - ii. An Inspector General;
 - iii. The Government Accountability Office;
 - iv. A Federal office or employee responsible for oversight of a grant program;
 - v. A court or grand jury;
 - vi. A management office of the grantee or subgrantee; or
 - vii. A Federal or State regulatory enforcement agency.
3. Submission of Complaint – A person who believes that they have been subjected to a reprisal prohibited by paragraph A of this grant term may submit a complaint regarding the reprisal to the Office of Inspector General (OIG) for the U.S. Department of Transportation.
4. Time Limitation for Submittal of a Complaint - A complaint may not be brought under this subsection more than three years after the date on which the alleged reprisal took place.
5. Required Actions of the Inspector General – Actions, limitations and exceptions of the Inspector General's office are established under 41 U.S.C. § 4712(b)
6. Assumption of Rights to Civil Remedy - Upon receipt of an explanation of a decision not to conduct or continue an investigation by the Office of Inspector General, the person submitting a complaint assumes the right to a civil remedy under 41 U.S.C. § 4712(c).

24. 2018 FAA Reauthorization. This grant agreement is subject to the terms and conditions contained herein including the terms known as the Grant Assurances as they were published in the Federal Register on April 3, 2014. On October 5, 2018, the FAA Reauthorization Act of 2018 made certain amendments to 49 U.S.C. chapter 471. The Reauthorization Act will require FAA to make certain amendments to the assurances in order to best achieve consistency with the statute. Federal law requires that FAA publish any amendments to the assurances in the Federal Register along with an opportunity to comment. In order not to delay the offer of this grant, the existing assurances are attached herein; however, FAA shall interpret and apply these assurances consistent with the Reauthorization Act. To the extent there is a conflict between the assurances and Federal statutes, the statutes shall apply. The full text of the Act is at <https://www.congress.gov/bill/115th-congress/house-bill/302/text>.

SPECIAL CONDITIONS

25. **Disadvantaged Business Enterprise (DBE)/Airport Concessions Disadvantaged Business Enterprise (ACDBE) Program.** The Sponsor understands and agrees that the FAA will not make nor be obligated to make any payments on this grant until the Sponsor has received from the FAA Office of Civil Rights approval of its DBE Program (reflecting compliance with 49 CFR Part 26), and if applicable its ACDBE program.
26. **State Highway Specifications.** The Sponsor agrees that because State highway specifications will be used for airfield pavement construction instead of FAA standard specifications, it will not seek AIP grant funds for the rehabilitation or reconstruction of airfield pavement included in this grant agreement for a period of 10 years after construction is completed unless the FAA determines that the rehabilitation or reconstruction is required for safety reasons, per 49 USC § 47114(d)(5)(A).

The Sponsor's acceptance of this Offer and ratification and adoption of the Project Application incorporated herein shall be evidenced by execution of this instrument by the Sponsor, as hereinafter provided, and this Offer and Acceptance shall comprise a Grant Agreement, as provided by the Act, constituting the contractual obligations and rights of the United States and the Sponsor with respect to the accomplishment of the Project and compliance with the assurances and conditions as provided herein. Such Grant Agreement shall become effective upon the Sponsor's acceptance of this Offer.

**UNITED STATES OF AMERICA
FEDERAL AVIATION ADMINISTRATION**

(Signature)

(Typed Name)

(Title of FAA Official)

PART II - ACCEPTANCE

The Sponsor does hereby ratify and adopt all assurances, statements, representations, warranties, covenants, and agreements contained in the Project Application and incorporated materials referred to in the foregoing Offer, and does hereby accept this Offer and by such acceptance agrees to comply with all of the terms and conditions in this Offer and in the Project Application.

I declare under penalty of perjury that the foregoing is true and correct.¹

Executed this _____ day of _____, _____.

City of Willmar

(Name of Sponsor)

(Signature of Sponsor's Authorized Official)

By:

(Typed Name of Sponsor's Authorized Official)

Title:

(Title of Sponsor's Authorized Official)

CERTIFICATE OF SPONSOR'S ATTORNEY

I, _____, acting as Attorney for the Sponsor do hereby certify:

That in my opinion the Sponsor is empowered to enter into the foregoing Grant Agreement under the laws of the State of _____. Further, I have examined the foregoing Grant Agreement and the actions taken by said Sponsor and Sponsor's official representative has been duly authorized and that the execution thereof is in all respects due and proper and in accordance with the laws of the said State and the Act. In addition, for grants involving projects to be carried out on property not owned by the Sponsor, there are no legal impediments that will prevent full performance by the Sponsor. Further, it is my opinion that the said Grant Agreement constitutes a legal and binding obligation of the Sponsor in accordance with the terms thereof.

Dated at _____ (location) this _____ day of _____, _____

By:

(Signature of Sponsor's Attorney)

¹Knowingly and willfully providing false information to the Federal government is a violation of 18 U.S.C. Section 1001 (False Statements) and could subject you to fines, imprisonment, or both.

ASSURANCES

AIRPORT SPONSORS

A. General.

- a. These assurances shall be complied with in the performance of grant agreements for airport development, airport planning, and noise compatibility program grants for airport sponsors.
- b. These assurances are required to be submitted as part of the project application by sponsors requesting funds under the provisions of Title 49, U.S.C., subtitle VII, as amended. As used herein, the term "public agency sponsor" means a public agency with control of a public-use airport; the term "private sponsor" means a private owner of a public-use airport; and the term "sponsor" includes both public agency sponsors and private sponsors.
- c. Upon acceptance of this grant offer by the sponsor, these assurances are incorporated in and become part of this grant agreement.

B. Duration and Applicability.

1. Airport development or Noise Compatibility Program Projects Undertaken by a Public Agency Sponsor.

The terms, conditions and assurances of this grant agreement shall remain in full force and effect throughout the useful life of the facilities developed or equipment acquired for an airport development or noise compatibility program project, or throughout the useful life of the project items installed within a facility under a noise compatibility program project, but in any event not to exceed twenty (20) years from the date of acceptance of a grant offer of Federal funds for the project. However, there shall be no limit on the duration of the assurances regarding Exclusive Rights and Airport Revenue so long as the airport is used as an airport. There shall be no limit on the duration of the terms, conditions, and assurances with respect to real property acquired with federal funds. Furthermore, the duration of the Civil Rights assurance shall be specified in the assurances.

2. Airport Development or Noise Compatibility Projects Undertaken by a Private Sponsor.

The preceding paragraph 1 also applies to a private sponsor except that the useful life of project items installed within a facility or the useful life of the facilities developed or equipment acquired under an airport development or noise compatibility program project shall be no less than ten (10) years from the date of acceptance of Federal aid for the project.

3. Airport Planning Undertaken by a Sponsor.

Unless otherwise specified in this grant agreement, only Assurances 1, 2, 3, 5, 6, 13, 18, 25, 30, 32, 33, and 34 in Section C apply to planning projects. The terms, conditions, and assurances of this grant agreement shall remain in full force and effect during the life of the project; there shall be no limit on the duration of the assurances regarding Exclusive Rights and Airport Revenue so long as the airport is used as an airport.

C. Sponsor Certification.

The sponsor hereby assures and certifies, with respect to this grant that:

1. General Federal Requirements.

It will comply with all applicable Federal laws, regulations, executive orders, policies, guidelines, and requirements as they relate to the application, acceptance and use of Federal funds for this project including but not limited to the following:

FEDERAL LEGISLATION

- a. Title 49, U.S.C., subtitle VII, as amended.
- b. Davis-Bacon Act - 40 U.S.C. 276(a), et seq.¹
- c. Federal Fair Labor Standards Act - 29 U.S.C. 201, et seq.
- d. Hatch Act – 5 U.S.C. 1501, et seq.²
- e. Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 Title 42 U.S.C. 4601, et seq.^{1,2}
- f. National Historic Preservation Act of 1966 - Section 106 - 16 U.S.C. 470(f).¹
- g. Archeological and Historic Preservation Act of 1974 - 16 U.S.C. 469 through 469c.¹
- h. Native Americans Grave Repatriation Act - 25 U.S.C. Section 3001, et seq.
- i. Clean Air Act, P.L. 90-148, as amended.
- j. Coastal Zone Management Act, P.L. 93-205, as amended.
- k. Flood Disaster Protection Act of 1973 - Section 102(a) - 42 U.S.C. 4012a.¹
- l. Title 49, U.S.C., Section 303, (formerly known as Section 4(f))
- m. Rehabilitation Act of 1973 - 29 U.S.C. 794.
- n. Title VI of the Civil Rights Act of 1964 (42 U.S.C. § 2000d et seq., 78 stat. 252) (prohibits discrimination on the basis of race, color, national origin);
- o. Americans with Disabilities Act of 1990, as amended, (42 U.S.C. § 12101 et seq.), prohibits discrimination on the basis of disability).
- p. Age Discrimination Act of 1975 - 42 U.S.C. 6101, et seq.
- q. American Indian Religious Freedom Act, P.L. 95-341, as amended.
- r. Architectural Barriers Act of 1968 -42 U.S.C. 4151, et seq.¹
- s. Power plant and Industrial Fuel Use Act of 1978 - Section 403- 2 U.S.C. 8373.¹
- t. Contract Work Hours and Safety Standards Act - 40 U.S.C. 327, et seq.¹
- u. Copeland Anti-kickback Act - 18 U.S.C. 874.1
- v. National Environmental Policy Act of 1969 - 42 U.S.C. 4321, et seq.¹
- w. Wild and Scenic Rivers Act, P.L. 90-542, as amended.
- x. Single Audit Act of 1984 - 31 U.S.C. 7501, et seq.²
- y. Drug-Free Workplace Act of 1988 - 41 U.S.C. 702 through 706.
- z. The Federal Funding Accountability and Transparency Act of 2006, as amended (Pub. L. 109-282, as amended by section 6202 of Pub. L. 110-252).

EXECUTIVE ORDERS

- a. Executive Order 11246 - Equal Employment Opportunity¹
- b. Executive Order 11990 - Protection of Wetlands
- c. Executive Order 11998 –Flood Plain Management

- d. Executive Order 12372 - Intergovernmental Review of Federal Programs
- e. Executive Order 12699 - Seismic Safety of Federal and Federally Assisted New Building Construction¹
- f. Executive Order 12898 - Environmental Justice

FEDERAL REGULATIONS

- a. 2 CFR Part 180 - OMB Guidelines to Agencies on Governmentwide Debarment and Suspension (Nonprocurement).
- b. 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. [OMB Circular A-87 Cost Principles Applicable to Grants and Contracts with State and Local Governments, and OMB Circular A-133 - Audits of States, Local Governments, and Non-Profit Organizations].^{4, 5, 6}
- c. 2 CFR Part 1200 – Nonprocurement Suspension and Debarment
- d. 14 CFR Part 13 - Investigative and Enforcement Procedures 14 CFR Part 16 - Rules of Practice For Federally Assisted Airport Enforcement Proceedings.
- e. 14 CFR Part 150 - Airport noise compatibility planning.
- f. 28 CFR Part 35- Discrimination on the Basis of Disability in State and Local Government Services.
- g. 28 CFR § 50.3 - U.S. Department of Justice Guidelines for Enforcement of Title VI of the Civil Rights Act of 1964.
- h. 29 CFR Part 1 - Procedures for predetermination of wage rates.¹
- i. 29 CFR Part 3 - Contractors and subcontractors on public building or public work financed in whole or part by loans or grants from the United States.¹
- j. 29 CFR Part 5 - Labor standards provisions applicable to contracts covering federally financed and assisted construction (also labor standards provisions applicable to non-construction contracts subject to the Contract Work Hours and Safety Standards Act).¹
- k. 41 CFR Part 60 - Office of Federal Contract Compliance Programs, Equal Employment Opportunity, Department of Labor (Federal and federally assisted contracting requirements).¹
- l. 49 CFR Part 18 - Uniform administrative requirements for grants and cooperative agreements to state and local governments.³
- m. 49 CFR Part 20 - New restrictions on lobbying.
- n. 49 CFR Part 21 – Nondiscrimination in federally-assisted programs of the Department of Transportation - effectuation of Title VI of the Civil Rights Act of 1964.
- o. 49 CFR Part 23 - Participation by Disadvantage Business Enterprise in Airport Concessions.
- p. 49 CFR Part 24 – Uniform Relocation Assistance and Real Property Acquisition for Federal and Federally Assisted Programs.^{1, 2}
- q. 49 CFR Part 26 – Participation by Disadvantaged Business Enterprises in Department of Transportation Programs.
- r. 49 CFR Part 27 – Nondiscrimination on the Basis of Handicap in Programs and Activities Receiving or Benefiting from Federal Financial Assistance.¹

- s. 49 CFR Part 28 –Enforcement of Nondiscrimination on the Basis of Handicap in Programs or Activities conducted by the Department of Transportation.
- t. 49 CFR Part 30 - Denial of public works contracts to suppliers of goods and services of countries that deny procurement market access to U.S. contractors.
- u. 49 CFR Part 32 –Governmentwide Requirements for Drug-Free Workplace (Financial Assistance)
- v. 49 CFR Part 37 –Transportation Services for Individuals with Disabilities (ADA).
- w. 49 CFR Part 41 - Seismic safety of Federal and federally assisted or regulated new building construction.

SPECIFIC ASSURANCES

Specific assurances required to be included in grant agreements by any of the above laws, regulations or circulars are incorporated by reference in this grant agreement.

FOOTNOTES TO ASSURANCE C.1.

- ¹ These laws do not apply to airport planning sponsors.
- ² These laws do not apply to private sponsors.
- ³ 49 CFR Part 18 and 2 CFR Part 200 contain requirements for State and Local Governments receiving Federal assistance. Any requirement levied upon State and Local Governments by this regulation and circular shall also be applicable to private sponsors receiving Federal assistance under Title 49, United States Code.
- ⁴ On December 26, 2013 at 78 FR 78590, the Office of Management and Budget (OMB) issued the Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards in 2 CFR Part 200. 2 CFR Part 200 replaces and combines the former Uniform Administrative Requirements for Grants (OMB Circular A-102 and Circular A-110 or 2 CFR Part 215 or Circular) as well as the Cost Principles (Circulars A-21 or 2 CFR part 220; Circular A-87 or 2 CFR part 225; and A-122, 2 CFR part 230). Additionally it replaces Circular A-133 guidance on the Single Annual Audit. In accordance with 2 CFR section 200.110, the standards set forth in Part 200 which affect administration of Federal awards issued by Federal agencies become effective once implemented by Federal agencies or when any future amendment to this Part becomes final. Federal agencies, including the Department of Transportation, must implement the policies and procedures applicable to Federal awards by promulgating a regulation to be effective by December 26, 2014 unless different provisions are required by statute or approved by OMB.
- ⁵ Cost principles established in 2 CFR part 200 subpart E must be used as guidelines for determining the eligibility of specific types of expenses.
- ⁶ Audit requirements established in 2 CFR part 200 subpart F are the guidelines for audits.

2. Responsibility and Authority of the Sponsor.

a. Public Agency Sponsor:

It has legal authority to apply for this grant, and to finance and carry out the proposed project; that a resolution, motion or similar action has been duly adopted or passed as an official act of the applicant's governing body authorizing the filing of the application, including all understandings and assurances contained therein, and directing and authorizing the person identified as the official representative of the applicant to act in connection with the application and to provide such additional information as may be required.

b. Private Sponsor:

It has legal authority to apply for this grant and to finance and carry out the proposed project and comply with all terms, conditions, and assurances of this grant agreement. It shall designate an official representative and shall in writing direct and authorize that person to file this application, including all understandings and assurances contained therein; to act in connection with this application; and to provide such additional information as may be required.

3. Sponsor Fund Availability.

It has sufficient funds available for that portion of the project costs which are not to be paid by the United States. It has sufficient funds available to assure operation and maintenance of items funded under this grant agreement which it will own or control.

4. Good Title.

- a. It, a public agency or the Federal government, holds good title, satisfactory to the Secretary, to the landing area of the airport or site thereof, or will give assurance satisfactory to the Secretary that good title will be acquired.
- b. For noise compatibility program projects to be carried out on the property of the sponsor, it holds good title satisfactory to the Secretary to that portion of the property upon which Federal funds will be expended or will give assurance to the Secretary that good title will be obtained.

5. Preserving Rights and Powers.

- a. It will not take or permit any action which would operate to deprive it of any of the rights and powers necessary to perform any or all of the terms, conditions, and assurances in this grant agreement without the written approval of the Secretary, and will act promptly to acquire, extinguish or modify any outstanding rights or claims of right of others which would interfere with such performance by the sponsor. This shall be done in a manner acceptable to the Secretary.
- b. It will not sell, lease, encumber, or otherwise transfer or dispose of any part of its title or other interests in the property shown on Exhibit A to this application or, for a noise compatibility program project, that portion of the property upon which Federal funds have been expended, for the duration of the terms, conditions, and assurances in this grant agreement without approval by the Secretary. If the transferee is found by the Secretary to be eligible under Title 49, United States Code, to assume the obligations of this grant agreement and to have the power, authority, and financial resources to carry out all such obligations, the sponsor shall insert in the contract or document transferring or disposing of the sponsor's interest, and make binding upon the transferee all of the terms, conditions, and assurances contained in this grant agreement.
- c. For all noise compatibility program projects which are to be carried out by another unit of local government or are on property owned by a unit of local government other than the sponsor, it will enter into an agreement with that government. Except as otherwise specified by the Secretary, that agreement shall obligate that government to the same terms, conditions, and assurances that would be applicable to it if it applied directly to the FAA for a grant to undertake the noise compatibility program project. That agreement and changes thereto must be satisfactory to the Secretary. It will take steps to enforce this agreement against the local government if there is substantial non-compliance with the terms of the agreement.

- d. For noise compatibility program projects to be carried out on privately owned property, it will enter into an agreement with the owner of that property which includes provisions specified by the Secretary. It will take steps to enforce this agreement against the property owner whenever there is substantial non-compliance with the terms of the agreement.
- e. If the sponsor is a private sponsor, it will take steps satisfactory to the Secretary to ensure that the airport will continue to function as a public-use airport in accordance with these assurances for the duration of these assurances.
- f. If an arrangement is made for management and operation of the airport by any agency or person other than the sponsor or an employee of the sponsor, the sponsor will reserve sufficient rights and authority to insure that the airport will be operated and maintained in accordance Title 49, United States Code, the regulations and the terms, conditions and assurances in this grant agreement and shall insure that such arrangement also requires compliance therewith.
- g. Sponsors of commercial service airports will not permit or enter into any arrangement that results in permission for the owner or tenant of a property used as a residence, or zoned for residential use, to taxi an aircraft between that property and any location on airport. Sponsors of general aviation airports entering into any arrangement that results in permission for the owner of residential real property adjacent to or near the airport must comply with the requirements of Sec. 136 of Public Law 112-95 and the sponsor assurances.

6. Consistency with Local Plans.

The project is reasonably consistent with plans (existing at the time of submission of this application) of public agencies that are authorized by the State in which the project is located to plan for the development of the area surrounding the airport.

7. Consideration of Local Interest.

It has given fair consideration to the interest of communities in or near where the project may be located.

8. Consultation with Users.

In making a decision to undertake any airport development project under Title 49, United States Code, it has undertaken reasonable consultations with affected parties using the airport at which project is proposed.

9. Public Hearings.

In projects involving the location of an airport, an airport runway, or a major runway extension, it has afforded the opportunity for public hearings for the purpose of considering the economic, social, and environmental effects of the airport or runway location and its consistency with goals and objectives of such planning as has been carried out by the community and it shall, when requested by the Secretary, submit a copy of the transcript of such hearings to the Secretary. Further, for such projects, it has on its management board either voting representation from the communities where the project is located or has advised the communities that they have the right to petition the Secretary concerning a proposed project.

10. Metropolitan Planning Organization.

In projects involving the location of an airport, an airport runway, or a major runway extension at a medium or large hub airport, the sponsor has made available to and has provided upon request to the metropolitan planning organization in the area in which the airport is located, if any, a copy

of the proposed amendment to the airport layout plan to depict the project and a copy of any airport master plan in which the project is described or depicted.

11. Pavement Preventive Maintenance.

With respect to a project approved after January 1, 1995, for the replacement or reconstruction of pavement at the airport, it assures or certifies that it has implemented an effective airport pavement maintenance-management program and it assures that it will use such program for the useful life of any pavement constructed, reconstructed or repaired with Federal financial assistance at the airport. It will provide such reports on pavement condition and pavement management programs as the Secretary determines may be useful.

12. Terminal Development Prerequisites.

For projects which include terminal development at a public use airport, as defined in Title 49, it has, on the date of submittal of the project grant application, all the safety equipment required for certification of such airport under section 44706 of Title 49, United States Code, and all the security equipment required by rule or regulation, and has provided for access to the passenger enplaning and deplaning area of such airport to passengers enplaning and deplaning from aircraft other than air carrier aircraft.

13. Accounting System, Audit, and Record Keeping Requirements.

- a. It shall keep all project accounts and records which fully disclose the amount and disposition by the recipient of the proceeds of this grant, the total cost of the project in connection with which this grant is given or used, and the amount or nature of that portion of the cost of the project supplied by other sources, and such other financial records pertinent to the project. The accounts and records shall be kept in accordance with an accounting system that will facilitate an effective audit in accordance with the Single Audit Act of 1984.
- b. It shall make available to the Secretary and the Comptroller General of the United States, or any of their duly authorized representatives, for the purpose of audit and examination, any books, documents, papers, and records of the recipient that are pertinent to this grant. The Secretary may require that an appropriate audit be conducted by a recipient. In any case in which an independent audit is made of the accounts of a sponsor relating to the disposition of the proceeds of a grant or relating to the project in connection with which this grant was given or used, it shall file a certified copy of such audit with the Comptroller General of the United States not later than six (6) months following the close of the fiscal year for which the audit was made.

14. Minimum Wage Rates.

It shall include, in all contracts in excess of \$2,000 for work on any projects funded under this grant agreement which involve labor, provisions establishing minimum rates of wages, to be predetermined by the Secretary of Labor, in accordance with the Davis-Bacon Act, as amended (40 U.S.C. 276a-276a-5), which contractors shall pay to skilled and unskilled labor, and such minimum rates shall be stated in the invitation for bids and shall be included in proposals or bids for the work.

15. Veteran's Preference.

It shall include in all contracts for work on any project funded under this grant agreement which involve labor, such provisions as are necessary to insure that, in the employment of labor (except in executive, administrative, and supervisory positions), preference shall be given to Vietnam era veterans, Persian Gulf veterans, Afghanistan-Iraq war veterans, disabled veterans, and small business concerns owned and controlled by disabled veterans as defined in Section 47112 of Title

49, United States Code. However, this preference shall apply only where the individuals are available and qualified to perform the work to which the employment relates.

16. Conformity to Plans and Specifications.

It will execute the project subject to plans, specifications, and schedules approved by the Secretary. Such plans, specifications, and schedules shall be submitted to the Secretary prior to commencement of site preparation, construction, or other performance under this grant agreement, and, upon approval of the Secretary, shall be incorporated into this grant agreement. Any modification to the approved plans, specifications, and schedules shall also be subject to approval of the Secretary, and incorporated into this grant agreement.

17. Construction Inspection and Approval.

It will provide and maintain competent technical supervision at the construction site throughout the project to assure that the work conforms to the plans, specifications, and schedules approved by the Secretary for the project. It shall subject the construction work on any project contained in an approved project application to inspection and approval by the Secretary and such work shall be in accordance with regulations and procedures prescribed by the Secretary. Such regulations and procedures shall require such cost and progress reporting by the sponsor or sponsors of such project as the Secretary shall deem necessary.

18. Planning Projects.

In carrying out planning projects:

- a. It will execute the project in accordance with the approved program narrative contained in the project application or with the modifications similarly approved.
- b. It will furnish the Secretary with such periodic reports as required pertaining to the planning project and planning work activities.
- c. It will include in all published material prepared in connection with the planning project a notice that the material was prepared under a grant provided by the United States.
- d. It will make such material available for examination by the public, and agrees that no material prepared with funds under this project shall be subject to copyright in the United States or any other country.
- e. It will give the Secretary unrestricted authority to publish, disclose, distribute, and otherwise use any of the material prepared in connection with this grant.
- f. It will grant the Secretary the right to disapprove the sponsor's employment of specific consultants and their subcontractors to do all or any part of this project as well as the right to disapprove the proposed scope and cost of professional services.
- g. It will grant the Secretary the right to disapprove the use of the sponsor's employees to do all or any part of the project.
- h. It understands and agrees that the Secretary's approval of this project grant or the Secretary's approval of any planning material developed as part of this grant does not constitute or imply any assurance or commitment on the part of the Secretary to approve any pending or future application for a Federal airport grant.

19. Operation and Maintenance.

- a. The airport and all facilities which are necessary to serve the aeronautical users of the airport, other than facilities owned or controlled by the United States, shall be operated at all times in a safe and serviceable condition and in accordance with the minimum standards as may be

required or prescribed by applicable Federal, state and local agencies for maintenance and operation. It will not cause or permit any activity or action thereon which would interfere with its use for airport purposes. It will suitably operate and maintain the airport and all facilities thereon or connected therewith, with due regard to climatic and flood conditions. Any proposal to temporarily close the airport for non-aeronautical purposes must first be approved by the Secretary. In furtherance of this assurance, the sponsor will have in effect arrangements for-

- 1) Operating the airport's aeronautical facilities whenever required;
 - 2) Promptly marking and lighting hazards resulting from airport conditions, including temporary conditions; and
 - 3) Promptly notifying airmen of any condition affecting aeronautical use of the airport. Nothing contained herein shall be construed to require that the airport be operated for aeronautical use during temporary periods when snow, flood or other climatic conditions interfere with such operation and maintenance. Further, nothing herein shall be construed as requiring the maintenance, repair, restoration, or replacement of any structure or facility which is substantially damaged or destroyed due to an act of God or other condition or circumstance beyond the control of the sponsor.
- b. It will suitably operate and maintain noise compatibility program items that it owns or controls upon which Federal funds have been expended.

20. Hazard Removal and Mitigation.

It will take appropriate action to assure that such terminal airspace as is required to protect instrument and visual operations to the airport (including established minimum flight altitudes) will be adequately cleared and protected by removing, lowering, relocating, marking, or lighting or otherwise mitigating existing airport hazards and by preventing the establishment or creation of future airport hazards.

21. Compatible Land Use.

It will take appropriate action, to the extent reasonable, including the adoption of zoning laws, to restrict the use of land adjacent to or in the immediate vicinity of the airport to activities and purposes compatible with normal airport operations, including landing and takeoff of aircraft. In addition, if the project is for noise compatibility program implementation, it will not cause or permit any change in land use, within its jurisdiction, that will reduce its compatibility, with respect to the airport, of the noise compatibility program measures upon which Federal funds have been expended.

22. Economic Nondiscrimination.

- a. It will make the airport available as an airport for public use on reasonable terms and without unjust discrimination to all types, kinds and classes of aeronautical activities, including commercial aeronautical activities offering services to the public at the airport.
- b. In any agreement, contract, lease, or other arrangement under which a right or privilege at the airport is granted to any person, firm, or corporation to conduct or to engage in any aeronautical activity for furnishing services to the public at the airport, the sponsor will insert and enforce provisions requiring the contractor to-
 - 1) furnish said services on a reasonable, and not unjustly discriminatory, basis to all users thereof, and
 - 2) charge reasonable, and not unjustly discriminatory, prices for each unit or service,

provided that the contractor may be allowed to make reasonable and nondiscriminatory discounts, rebates, or other similar types of price reductions to volume purchasers.

- a.) Each fixed-based operator at the airport shall be subject to the same rates, fees, rentals, and other charges as are uniformly applicable to all other fixed-based operators making the same or similar uses of such airport and utilizing the same or similar facilities.
- b.) Each air carrier using such airport shall have the right to service itself or to use any fixed-based operator that is authorized or permitted by the airport to serve any air carrier at such airport.
- c.) Each air carrier using such airport (whether as a tenant, non-tenant, or subtenant of another air carrier tenant) shall be subject to such nondiscriminatory and substantially comparable rules, regulations, conditions, rates, fees, rentals, and other charges with respect to facilities directly and substantially related to providing air transportation as are applicable to all such air carriers which make similar use of such airport and utilize similar facilities, subject to reasonable classifications such as tenants or non-tenants and signatory carriers and non-signatory carriers. Classification or status as tenant or signatory shall not be unreasonably withheld by any airport provided an air carrier assumes obligations substantially similar to those already imposed on air carriers in such classification or status.
- d.) It will not exercise or grant any right or privilege which operates to prevent any person, firm, or corporation operating aircraft on the airport from performing any services on its own aircraft with its own employees [including, but not limited to maintenance, repair, and fueling] that it may choose to perform.
- e.) In the event the sponsor itself exercises any of the rights and privileges referred to in this assurance, the services involved will be provided on the same conditions as would apply to the furnishing of such services by commercial aeronautical service providers authorized by the sponsor under these provisions.
- f.) The sponsor may establish such reasonable, and not unjustly discriminatory, conditions to be met by all users of the airport as may be necessary for the safe and efficient operation of the airport.
- g.) The sponsor may prohibit or limit any given type, kind or class of aeronautical use of the airport if such action is necessary for the safe operation of the airport or necessary to serve the civil aviation needs of the public.

23. Exclusive Rights.

It will permit no exclusive right for the use of the airport by any person providing, or intending to provide, aeronautical services to the public. For purposes of this paragraph, the providing of the services at an airport by a single fixed-based operator shall not be construed as an exclusive right if both of the following apply:

- a. It would be unreasonably costly, burdensome, or impractical for more than one fixed-based operator to provide such services, and
- b. If allowing more than one fixed-based operator to provide such services would require the reduction of space leased pursuant to an existing agreement between such single fixed-based operator and such airport. It further agrees that it will not, either directly or indirectly, grant or permit any person, firm, or corporation, the exclusive right at the airport to conduct any aeronautical activities, including, but not limited to charter flights, pilot training, aircraft rental

and sightseeing, aerial photography, crop dusting, aerial advertising and surveying, air carrier operations, aircraft sales and services, sale of aviation petroleum products whether or not conducted in conjunction with other aeronautical activity, repair and maintenance of aircraft, sale of aircraft parts, and any other activities which because of their direct relationship to the operation of aircraft can be regarded as an aeronautical activity, and that it will terminate any exclusive right to conduct an aeronautical activity now existing at such an airport before the grant of any assistance under Title 49, United States Code.

24. Fee and Rental Structure.

It will maintain a fee and rental structure for the facilities and services at the airport which will make the airport as self-sustaining as possible under the circumstances existing at the particular airport, taking into account such factors as the volume of traffic and economy of collection. No part of the Federal share of an airport development, airport planning or noise compatibility project for which a grant is made under Title 49, United States Code, the Airport and Airway Improvement Act of 1982, the Federal Airport Act or the Airport and Airway Development Act of 1970 shall be included in the rate basis in establishing fees, rates, and charges for users of that airport.

25. Airport Revenues.

- a. All revenues generated by the airport and any local taxes on aviation fuel established after December 30, 1987, will be expended by it for the capital or operating costs of the airport; the local airport system; or other local facilities which are owned or operated by the owner or operator of the airport and which are directly and substantially related to the actual air transportation of passengers or property; or for noise mitigation purposes on or off the airport. The following exceptions apply to this paragraph:
 - 1) If covenants or assurances in debt obligations issued before September 3, 1982, by the owner or operator of the airport, or provisions enacted before September 3, 1982, in governing statutes controlling the owner or operator's financing, provide for the use of the revenues from any of the airport owner or operator's facilities, including the airport, to support not only the airport but also the airport owner or operator's general debt obligations or other facilities, then this limitation on the use of all revenues generated by the airport (and, in the case of a public airport, local taxes on aviation fuel) shall not apply.
 - 2) If the Secretary approves the sale of a privately owned airport to a public sponsor and provides funding for any portion of the public sponsor's acquisition of land, this limitation on the use of all revenues generated by the sale shall not apply to certain proceeds from the sale. This is conditioned on repayment to the Secretary by the private owner of an amount equal to the remaining unamortized portion (amortized over a 20-year period) of any airport improvement grant made to the private owner for any purpose other than land acquisition on or after October 1, 1996, plus an amount equal to the federal share of the current fair market value of any land acquired with an airport improvement grant made to that airport on or after October 1, 1996.
 - 3) Certain revenue derived from or generated by mineral extraction, production, lease, or other means at a general aviation airport (as defined at Section 47102 of title 49 United States Code), if the FAA determines the airport sponsor meets the requirements set forth in Sec. 813 of Public Law 112-95.
 - a.) As part of the annual audit required under the Single Audit Act of 1984, the sponsor will direct that the audit will review, and the resulting audit report will provide an opinion concerning, the use of airport revenue and taxes in paragraph (a), and indicating whether funds paid or transferred to the owner or operator are paid or transferred in a

manner consistent with Title 49, United States Code and any other applicable provision of law, including any regulation promulgated by the Secretary or Administrator.

- b.) Any civil penalties or other sanctions will be imposed for violation of this assurance in accordance with the provisions of Section 47107 of Title 49, United States Code.

26. Reports and Inspections.

It will:

- a. submit to the Secretary such annual or special financial and operations reports as the Secretary may reasonably request and make such reports available to the public; make available to the public at reasonable times and places a report of the airport budget in a format prescribed by the Secretary;
- b. for airport development projects, make the airport and all airport records and documents affecting the airport, including deeds, leases, operation and use agreements, regulations and other instruments, available for inspection by any duly authorized agent of the Secretary upon reasonable request;
- c. for noise compatibility program projects, make records and documents relating to the project and continued compliance with the terms, conditions, and assurances of this grant agreement including deeds, leases, agreements, regulations, and other instruments, available for inspection by any duly authorized agent of the Secretary upon reasonable request; and
- d. in a format and time prescribed by the Secretary, provide to the Secretary and make available to the public following each of its fiscal years, an annual report listing in detail:
 - 1) all amounts paid by the airport to any other unit of government and the purposes for which each such payment was made; and
 - 2) all services and property provided by the airport to other units of government and the amount of compensation received for provision of each such service and property.

27. Use by Government Aircraft.

It will make available all of the facilities of the airport developed with Federal financial assistance and all those usable for landing and takeoff of aircraft to the United States for use by Government aircraft in common with other aircraft at all times without charge, except, if the use by Government aircraft is substantial, charge may be made for a reasonable share, proportional to such use, for the cost of operating and maintaining the facilities used. Unless otherwise determined by the Secretary, or otherwise agreed to by the sponsor and the using agency, substantial use of an airport by Government aircraft will be considered to exist when operations of such aircraft are in excess of those which, in the opinion of the Secretary, would unduly interfere with use of the landing areas by other authorized aircraft, or during any calendar month that –

- a. by gross weights of such aircraft) is in excess of five million pounds Five (5) or more Government aircraft are regularly based at the airport or on land adjacent thereto; or
- b. The total number of movements (counting each landing as a movement) of Government aircraft is 300 or more, or the gross accumulative weight of Government aircraft using the airport (the total movement of Government aircraft multiplied).

28. Land for Federal Facilities.

It will furnish without cost to the Federal Government for use in connection with any air traffic control or air navigation activities, or weather-reporting and communication activities related to air traffic control, any areas of land or water, or estate therein, or rights in buildings of the sponsor as the Secretary considers necessary or desirable for construction, operation, and maintenance at

Federal expense of space or facilities for such purposes. Such areas or any portion thereof will be made available as provided herein within four months after receipt of a written request from the Secretary.

29. Airport Layout Plan.

- a. It will keep up to date at all times an airport layout plan of the airport showing:
- 1) boundaries of the airport and all proposed additions thereto, together with the boundaries of all offsite areas owned or controlled by the sponsor for airport purposes and proposed additions thereto;
 - 2) the location and nature of all existing and proposed airport facilities and structures (such as runways, taxiways, aprons, terminal buildings, hangars and roads), including all proposed extensions and reductions of existing airport facilities;
 - 3) the location of all existing and proposed nonaviation areas and of all existing improvements thereon; and
 - 4) all proposed and existing access points used to taxi aircraft across the airport's property boundary. Such airport layout plans and each amendment, revision, or modification thereof, shall be subject to the approval of the Secretary which approval shall be evidenced by the signature of a duly authorized representative of the Secretary on the face of the airport layout plan. The sponsor will not make or permit any changes or alterations in the airport or any of its facilities which are not in conformity with the airport layout plan as approved by the Secretary and which might, in the opinion of the Secretary, adversely affect the safety, utility or efficiency of the airport.
 - a.) If a change or alteration in the airport or the facilities is made which the Secretary determines adversely affects the safety, utility, or efficiency of any federally owned, leased, or funded property on or off the airport and which is not in conformity with the airport layout plan as approved by the Secretary, the owner or operator will, if requested, by the Secretary (1) eliminate such adverse effect in a manner approved by the Secretary; or (2) bear all costs of relocating such property (or replacement thereof) to a site acceptable to the Secretary and all costs of restoring such property (or replacement thereof) to the level of safety, utility, efficiency, and cost of operation existing before the unapproved change in the airport or its facilities except in the case of a relocation or replacement of an existing airport facility due to a change in the Secretary's design standards beyond the control of the airport sponsor.

30. Civil Rights.

It will promptly take any measures necessary to ensure that no person in the United States shall, on the grounds of race, creed, color, national origin, sex, age, or disability be excluded from participation in, be denied the benefits of, or be otherwise subjected to discrimination in any activity conducted with, or benefiting from, funds received from this grant.

- a. Using the definitions of activity, facility and program as found and defined in §§ 21.23 (b) and 21.23 (e) of 49 CFR § 21, the sponsor will facilitate all programs, operate all facilities, or conduct all programs in compliance with all non-discrimination requirements imposed by, or pursuant to these assurances.
- b. Applicability
 - 1) Programs and Activities. If the sponsor has received a grant (or other federal assistance) for any of the sponsor's program or activities, these requirements extend to all of the

sponsor's programs and activities.

- 2) Facilities. Where it receives a grant or other federal financial assistance to construct, expand, renovate, remodel, alter or acquire a facility, or part of a facility, the assurance extends to the entire facility and facilities operated in connection therewith.
- 3) Real Property. Where the sponsor receives a grant or other Federal financial assistance in the form of, or for the acquisition of real property or an interest in real property, the assurance will extend to rights to space on, over, or under such property.

c. Duration.

The sponsor agrees that it is obligated to this assurance for the period during which Federal financial assistance is extended to the program, except where the Federal financial assistance is to provide, or is in the form of, personal property, or real property, or interest therein, or structures or improvements thereon, in which case the assurance obligates the sponsor, or any transferee for the longer of the following periods:

- 1) So long as the airport is used as an airport, or for another purpose involving the provision of similar services or benefits; or
- 2) So long as the sponsor retains ownership or possession of the property.

d. Required Solicitation Language. It will include the following notification in all solicitations for bids, Requests For Proposals for work, or material under this grant agreement and in all proposals for agreements, including airport concessions, regardless of funding source:

"The **(Name of Sponsor)**, in accordance with the provisions of Title VI of the Civil Rights Act of 1964 (78 Stat. 252, 42 U.S.C. §§ 2000d to 2000d-4) and the Regulations, hereby notifies all bidders that it will affirmatively ensure that any contract entered into pursuant to this advertisement, disadvantaged business enterprises and airport concession disadvantaged business enterprises will be afforded full and fair opportunity to submit bids in response to this invitation and will not be discriminated against on the grounds of race, color, or national origin in consideration for an award."

e. Required Contract Provisions.

- 1) It will insert the non-discrimination contract clauses requiring compliance with the acts and regulations relative to non-discrimination in Federally-assisted programs of the DOT, and incorporating the acts and regulations into the contracts by reference in every contract or agreement subject to the non-discrimination in Federally-assisted programs of the DOT acts and regulations.
- 2) It will include a list of the pertinent non-discrimination authorities in every contract that is subject to the non-discrimination acts and regulations.
- 3) It will insert non-discrimination contract clauses as a covenant running with the land, in any deed from the United States effecting or recording a transfer of real property, structures, use, or improvements thereon or interest therein to a sponsor.
- 4) It will insert non-discrimination contract clauses prohibiting discrimination on the basis of race, color, national origin, creed, sex, age, or handicap as a covenant running with the land, in any future deeds, leases, license, permits, or similar instruments entered into by the sponsor with other parties:
 - a.) For the subsequent transfer of real property acquired or improved under the applicable activity, project, or program; and

- b.) For the construction or use of, or access to, space on, over, or under real property acquired or improved under the applicable activity, project, or program.
- f. It will provide for such methods of administration for the program as are found by the Secretary to give reasonable guarantee that it, other recipients, sub-recipients, sub-grantees, contractors, subcontractors, consultants, transferees, successors in interest, and other participants of Federal financial assistance under such program will comply with all requirements imposed or pursuant to the acts, the regulations, and this assurance.
- g. It agrees that the United States has a right to seek judicial enforcement with regard to any matter arising under the acts, the regulations, and this assurance.

31. Disposal of Land.

- a. For land purchased under a grant for airport noise compatibility purposes, including land serving as a noise buffer, it will dispose of the land, when the land is no longer needed for such purposes, at fair market value, at the earliest practicable time. That portion of the proceeds of such disposition which is proportionate to the United States' share of acquisition of such land will be, at the discretion of the Secretary, (1) reinvested in another project at the airport, or (2) transferred to another eligible airport as prescribed by the Secretary. The Secretary shall give preference to the following, in descending order, (1) reinvestment in an approved noise compatibility project, (2) reinvestment in an approved project that is eligible for grant funding under Section 47117(e) of title 49 United States Code, (3) reinvestment in an approved airport development project that is eligible for grant funding under Sections 47114, 47115, or 47117 of title 49 United States Code, (4) transferred to an eligible sponsor of another public airport to be reinvested in an approved noise compatibility project at that airport, and (5) paid to the Secretary for deposit in the Airport and Airway Trust Fund. If land acquired under a grant for noise compatibility purposes is leased at fair market value and consistent with noise buffering purposes, the lease will not be considered a disposal of the land. Revenues derived from such a lease may be used for an approved airport development project that would otherwise be eligible for grant funding or any permitted use of airport revenue.
- b. For land purchased under a grant for airport development purposes (other than noise compatibility), it will, when the land is no longer needed for airport purposes, dispose of such land at fair market value or make available to the Secretary an amount equal to the United States' proportionate share of the fair market value of the land. That portion of the proceeds of such disposition which is proportionate to the United States' share of the cost of acquisition of such land will, (1) upon application to the Secretary, be reinvested or transferred to another eligible airport as prescribed by the Secretary. The Secretary shall give preference to the following, in descending order: (1) reinvestment in an approved noise compatibility project, (2) reinvestment in an approved project that is eligible for grant funding under Section 47117(e) of title 49 United States Code, (3) reinvestment in an approved airport development project that is eligible for grant funding under Sections 47114, 47115, or 47117 of title 49 United States Code, (4) transferred to an eligible sponsor of another public airport to be reinvested in an approved noise compatibility project at that airport, and (5) paid to the Secretary for deposit in the Airport and Airway Trust Fund.
- c. Land shall be considered to be needed for airport purposes under this assurance if (1) it may be needed for aeronautical purposes (including runway protection zones) or serve as noise buffer land, and (2) the revenue from interim uses of such land contributes to the financial self-sufficiency of the airport. Further, land purchased with a grant received by an airport operator or owner before December 31, 1987, will be considered to be needed for airport purposes if the Secretary or Federal agency making such grant before December 31, 1987, was

notified by the operator or owner of the uses of such land, did not object to such use, and the land continues to be used for that purpose, such use having commenced no later than December 15, 1989.

- d. Disposition of such land under (a) (b) or (c) will be subject to the retention or reservation of any interest or right therein necessary to ensure that such land will only be used for purposes which are compatible with noise levels associated with operation of the airport.

32. Engineering and Design Services.

It will award each contract, or sub-contract for program management, construction management, planning studies, feasibility studies, architectural services, preliminary engineering, design, engineering, surveying, mapping or related services with respect to the project in the same manner as a contract for architectural and engineering services is negotiated under Title IX of the Federal Property and Administrative Services Act of 1949 or an equivalent qualifications-based requirement prescribed for or by the sponsor of the airport.

33. Foreign Market Restrictions.

It will not allow funds provided under this grant to be used to fund any project which uses any product or service of a foreign country during the period in which such foreign country is listed by the United States Trade Representative as denying fair and equitable market opportunities for products and suppliers of the United States in procurement and construction.

34. Policies, Standards, and Specifications.

It will carry out the project in accordance with policies, standards, and specifications approved by the Secretary including, but not limited to, the advisory circulars listed in the Current FAA Advisory Circulars for AIP projects, dated January 24, 2017 and included in this grant, and in accordance with applicable state policies, standards, and specifications approved by the Secretary.

35. Relocation and Real Property Acquisition.

- a. It will be guided in acquiring real property, to the greatest extent practicable under State law, by the land acquisition policies in Subpart B of 49 CFR Part 24 and will pay or reimburse property owners for necessary expenses as specified in Subpart B.
- b. It will provide a relocation assistance program offering the services described in Subpart C and fair and reasonable relocation payments and assistance to displaced persons as required in Subpart D and E of 49 CFR Part 24.
- c. It will make available within a reasonable period of time prior to displacement, comparable replacement dwellings to displaced persons in accordance with Subpart E of 49 CFR Part 24.

36. Access By Intercity Buses.

The airport owner or operator will permit, to the maximum extent practicable, intercity buses or other modes of transportation to have access to the airport; however, it has no obligation to fund special facilities for intercity buses or for other modes of transportation.

37. Disadvantaged Business Enterprises.

The sponsor shall not discriminate on the basis of race, color, national origin or sex in the award and performance of any DOT-assisted contract covered by 49 CFR Part 26, or in the award and performance of any concession activity contract covered by 49 CFR Part 23. In addition, the sponsor shall not discriminate on the basis of race, color, national origin or sex in the administration of its DBE and ACDBE programs or the requirements of 49 CFR Parts 23 and 26. The sponsor shall take all necessary and reasonable steps under 49 CFR Parts 23 and 26 to ensure

nondiscrimination in the award and administration of DOT-assisted contracts, and/or concession contracts. The sponsor's DBE and ACDBE programs, as required by 49 CFR Parts 26 and 23, and as approved by DOT, are incorporated by reference in this agreement. Implementation of these programs is a legal obligation and failure to carry out its terms shall be treated as a violation of this agreement. Upon notification to the sponsor of its failure to carry out its approved program, the Department may impose sanctions as provided for under Parts 26 and 23 and may, in appropriate cases, refer the matter for enforcement under 18 U.S.C. 1001 and/or the Program Fraud Civil Remedies Act of 1936 (31 U.S.C. 3801).

38. Hangar Construction.

If the airport owner or operator and a person who owns an aircraft agree that a hangar is to be constructed at the airport for the aircraft at the aircraft owner's expense, the airport owner or operator will grant to the aircraft owner for the hangar a long term lease that is subject to such terms and conditions on the hangar as the airport owner or operator may impose.

39. Competitive Access.

- a. If the airport owner or operator of a medium or large hub airport (as defined in section 47102 of title 49, U.S.C.) has been unable to accommodate one or more requests by an air carrier for access to gates or other facilities at that airport in order to allow the air carrier to provide service to the airport or to expand service at the airport, the airport owner or operator shall transmit a report to the Secretary that-
 - 1) Describes the requests;
 - 2) Provides an explanation as to why the requests could not be accommodated; and
 - 3) Provides a time frame within which, if any, the airport will be able to accommodate the requests.
- b. Such report shall be due on either February 1 or August 1 of each year if the airport has been unable to accommodate the request(s) in the six month period prior to the applicable due date.



**FAA
Airports**

Current FAA Advisory Circulars Required for Use in AIP Funded and PFC Approved Projects

Updated: 4/18/2019

View the most current versions of these ACs and any associated changes at:

http://www.faa.gov/airports/resources/advisory_circulars and
http://www.faa.gov/regulations_policies/advisory_circulars/

NUMBER	TITLE
70/7460-1L Change 2	Obstruction Marking and Lighting
150/5000-9A	Announcement of Availability Report No. DOT/FAA/PP/92-5, Guidelines for the Sound Insulation of Residences Exposed to Aircraft Operations
150/5000-17	Critical Aircraft and Regular Use Determination
150/5020-1	Noise Control and Compatibility Planning for Airports
150/5070-6B Changes 1- 2	Airport Master Plans
150/5070-7 Change 1	The Airport System Planning Process
150/5100-13B	Development of State Standards for Nonprimary Airports
150/5200-28F	Notices to Airmen (NOTAMS) for Airport Operators
150/5200-30D Change 1	Airport Field Condition Assessments and Winter Operations Safety
150/5200-31C Changes 1-2	Airport Emergency Plan
150/5210-5D	Painting, Marking, and Lighting of Vehicles Used on an Airport
150/5210-7D	Aircraft Rescue and Fire Fighting Communications

NUMBER	TITLE
150/5210-13C	Airport Water Rescue Plans and Equipment
150/5210-14B	Aircraft Rescue Fire Fighting Equipment, Tools and Clothing
150/5210-15A	Aircraft Rescue and Firefighting Station Building Design
150/5210-18A	Systems for Interactive Training of Airport Personnel
150/5210-19A	Driver's Enhanced Vision System (DEVS)
150/5220-10E	Guide Specification for Aircraft Rescue and Fire Fighting (ARFF) Vehicles
150/5220-16E Changes 1	Automated Weather Observing Systems (AWOS) for Non-Federal Applications
150/5220-17B	Aircraft Rescue and Fire Fighting (ARFF) Training Facilities
150/5220-18A	Buildings for Storage and Maintenance of Airport Snow and Ice Control Equipment and Materials
150/5220-20A	Airport Snow and Ice Control Equipment
150/5220-21C	Aircraft Boarding Equipment
150/5220-22B	Engineered Materials Arresting Systems (EMAS) for Aircraft Overruns
150/5220-23	Frangible Connections
150/5220-24	Foreign Object Debris Detection Equipment
150/5220-25	part Airport Avian Radar Systems
150/5220-26 Changes 1-2	Airport Ground Vehicle Automatic Dependent Surveillance - Broadcast (ADS-B) Out Squitter Equipment
150/5300-13A Change 1	Airport Design
150/5300-14C	Design of Aircraft Deicing Facilities
150/5300-16A	General Guidance and Specifications for Aeronautical Surveys: Establishment of Geodetic Control and Submission to the National Geodetic Survey
150/5300-17C Change 1	Standards for Using Remote Sensing Technologies in Airport Surveys
150/5300-18B Change 1	General Guidance and Specifications for Submission of Aeronautical Surveys to NGS: Field Data Collection and Geographic Information System (GIS) Standards

NUMBER	TITLE
150/5320-5D	Airport Drainage Design
150/5320-6F	Airport Pavement Design and Evaluation
150/5320-12C Changes 1-8	Measurement, Construction, and Maintenance of Skid Resistant Airport Pavement Surfaces
150/5320-15A	Management of Airport Industrial Waste
150/5235-4B	Runway Length Requirements for Airport Design
150/5335-5C	Standardized Method of Reporting Airport Pavement Strength - PCN
150/5340-1L	Standards for Airport Markings
150/5340-5D	Segmented Circle Airport Marker System
150/5340-18F	Standards for Airport Sign Systems
150/5340-26C	Maintenance of Airport Visual Aid Facilities
150/5340-30J	Design and Installation Details for Airport Visual Aids
150/5345-3G	Specification for L-821, Panels for the Control of Airport Lighting
150/5345-5B	Circuit Selector Switch
150/5345-7F	Specification for L-824 Underground Electrical Cable for Airport Lighting Circuits
150/5345-10H	Specification for Constant Current Regulators and Regulator Monitors
150/5345-12F	Specification for Airport and Heliport Beacons
150/5345-13B	Specification for L-841 Auxiliary Relay Cabinet Assembly for Pilot Control of Airport Lighting Circuits
150/5345-26D	FAA Specification For L-823 Plug and Receptacle, Cable Connectors
150/5345-27E	Specification for Wind Cone Assemblies
150/5345-28G	Precision Approach Path Indicator (PAPI) Systems
150/5345-39D	Specification for L-853, Runway and Taxiway Retro reflective Markers
150/5345-42H	Specification for Airport Light Bases, Transformer Housings, Junction Boxes, and Accessories
150/5345-43H	Specification for Obstruction Lighting Equipment

NUMBER	TITLE
150/5345-44K	Specification for Runway and Taxiway Signs
150/5345-45C	Low-Impact Resistant (LIR) Structures
150/5345-46E	Specification for Runway and Taxiway Light Fixtures
150/5345-47C	Specification for Series to Series Isolation Transformers for Airport Lighting Systems
150/5345-49D	Specification L-854, Radio Control Equipment
150/5345-50B	Specification for Portable Runway and Taxiway Lights
150/5345-51B	Specification for Discharge-Type Flashing Light Equipment
150/5345-52A	Generic Visual Glideslope Indicators (GVGI)
150/5345-53D	Airport Lighting Equipment Certification Program
150/5345-54B	Specification for L-884, Power and Control Unit for Land and Hold Short Lighting Systems
150/5345-55A	Specification for L-893, Lighted Visual Aid to Indicate Temporary Runway Closure
150/5345-56B	Specification for L-890 Airport Lighting Control and Monitoring System (ALCMS)
150/5360-12F	Airport Signing and Graphics
150/5360-13A	Airport Terminal Planning
150/5360-14A	Access to Airports By Individuals With Disabilities
150/5370-2G	Operational Safety on Airports During Construction
150/5370-10H	Standards for Specifying Construction of Airports
150/5370-11B	Use of Nondestructive Testing in the Evaluation of Airport Pavements
150/5370-13A	Off-Peak Construction of Airport Pavements Using Hot-Mix Asphalt
150/5370-15B	Airside Applications for Artificial Turf
150/5370-16	Rapid Construction of Rigid (Portland Cement Concrete) Airfield Pavements
150/5370-17	Airside Use of Heated Pavement Systems
150/5390-2C	Heliport Design

NUMBER	TITLE
150/5395-1A	Seaplane Bases

THE FOLLOWING ADDITIONAL APPLY TO AIP PROJECTS ONLY

Updated: 3/22/2019

NUMBER	TITLE
150/5100-14E Change 1	Architectural, Engineering, and Planning Consultant Services for Airport Grant Projects
150/5100-17 Changes 1 - 7	Land Acquisition and Relocation Assistance for Airport Improvement Program Assisted Projects
150/5300-15A	Use of Value Engineering for Engineering Design of Airport Grant Projects
150/5320-17A	Airfield Pavement Surface Evaluation and Rating Manuals
150/5370-12B	Quality Management for Federally Funded Airport Construction Projects
150/5380-6C	Guidelines and Procedures for Maintenance of Airport Pavements
150/5380-7B	Airport Pavement Management Program
150/5380-9	Guidelines and Procedures for Measuring Airfield Pavement Roughness

RESOLUTION NO. _____
FINAL AIRPORT SEAL COAT BUDGET
Fund/Dept Airport-
ESTIMATED TOTAL COST \$ 1,008,254.50

*Budget Amounts are Essential

Dated: _____

Code

PERSONNEL SERVICES		_____
0110*	Salaries Reg. Employees	_____
0111*	Overtime Reg. Employees	_____
0112*	Salaries Temp. Employees	_____
0113*	Employer Pension Contr.	_____
0114*	Employer Ins. Contr.	_____
	TOTAL	\$0.00

RECEIVABLES		_____
	Federal	\$907,429.00
	County	_____
	State	\$50,413.00
	City	_____
	City	\$50,413.00
	Other	_____
	TOTAL	\$1,008,255.00

SUPPLIES		_____
0220*	Office Supplies	_____
0221*	Small Tools	_____
0222*	Motor Fuels & Lubricants	_____
0223*	Postage	_____
0224	Mtce. of Equipment	_____
0225	Mtce. of Structures	_____
0226	Mtce. of Other Improvements	_____
0227	Subsistence of Persons	_____
0228	Cleaning & Waste Removal	_____
0229*	General Supplies	_____
	TOTAL	\$0.00

FINANCING		_____
	Federal	\$907,429.00
	State	\$50,413.00
	City	\$50,413.00
	City	_____
	Other	_____
	TOTAL	\$1,008,255.00

GRAND TOTAL **\$1,008,255.00**

Dated: _____

OTHER SERVICES		_____
0330	Communications	_____
0331*	Printing & Publishing	_____
0332	Utilities	_____
0333*	Travel-Conf.-Schools	_____
0334	Mtce. of Equipment	_____
0335	Mtce. of Structures	_____
0336*	Mtce. of Other Impr.	\$868,267.00
0337	Subsistence of Persons	_____
0338	Cleaning & Waste Removal	_____
0339*	Other Services	\$86,826.00
	TOTAL	\$955,093.00

Mayor

Attest:

OTHER CHARGES		_____
0440	Rents	_____
0441*	Insurance & Bonds	_____
0442	Awards & Indemnities	_____
0443	Subscription/Memberships	_____
0444	Interest	_____
0445	Licenses & Taxes	_____
0446*	Prof. Serv.	\$53,162.00
0447*	Advertising	_____
0448*	Adm. OH (Transfer)	_____
0449	Other Charges	_____
	TOTAL	\$53,162.00

City Clerk/Treasurer

GRAND TOTAL **\$1,008,255.00**



WILLMAR

City Office Building
333 SW 6th Street
Willmar, MN 56201
Main Number 320-235-4913
Fax Number 320-235-4917

CITY COUNCIL AGENDA REPORT

To: Mayor and City Council	Date: August 28, 2018
From: Rob Baumgarn, Recreation Director	Subject: Willmar Warhawks Rental/ Advertising Agreement

AGENDA ITEM: Willmar Warhawks Rental and Advertising Agreements

INTRODUCTION/REQUEST: This request is to approve the lease and advertising agreements for the Willmar Warhawks Lease for the 2019-2020 hockey season.

HISTORY: This will be the 4th year the Willmar Warhawks have been in Willmar. Each lease prior has been a one year agreement.

CURRENT CIRCUMSTANCE: The current agreement will expire soon. Staff has met with the Willmar Warhawk owners to go over the terms of the renewals.

RECOMMENDATION: It is the recommendation from the Parks and Recreation Board to renew the Willmar Warhawks rental and advertising agreement lease for one year.

ISSUES: None

FINANCIAL IMPACT: The City will receive \$44,500 for ice rental, office and locker room space. This a \$1,000.00 increase from the previous year. The City will also receive an additional \$8,000 from the Willmar Warhawks for the advertising rights for the in-ice logos and wall/dasher board signs. The advertising agreement is a separate agreement from their lease agreement. The advertising agreement is a one year agreement.

ALTERNATIVES:

1. Adjust rental rates
2. Seek longer lease agreement

RECOMMENDED MOTION: It is the recommendation from the Parks and Recreation board to renew the Willmar Warhawks rental and advertising agreement lease for one year.

REVIEWED BY: Brian Gramentz, City Administrator

COMMITTEE MEETING DATE: Aug 22, 2019

COUNCIL MEETING DATE: Sept 3, 2019

LEASE AGREEMENT

THIS RENTAL AGREEMENT is made this _____ day of _____, 2019, between the City of Willmar (Owner) and The Blizzard, LLC d/b/a the (Team) and Chris Canavati and Mitri Canavati, Individually (Tenant).

PREAMBLE

WHEREAS, the City of Willmar is the owner of the Willmar Civic Center in the City of Willmar, Minnesota, and

WHEREAS, Tenant desires to rent ice time and certain related facilities of the Willmar Civic Center Arena for (Team) hockey games, including administrative office space, and locker room facilities.

NOW, THEREFORE, it is agreed as follows:

ARTICLE I.

Premises

Owner will rent to Tenant the herein defined facilities of the Willmar Civic Center at the defined times and for the amounts as more fully described herein.

ARTICLE II.

Term of Agreement

The terms and conditions of this agreement shall be binding upon the parties for a period of one year commencing June 1, 2019, and for each year thereafter until terminated by either party, upon giving in writing, at least ninety (90) days' notice. The ice season will be from September until March with office/storage space for the whole calendar year.

ARTICLE III.

Office Space

Owner agrees to lease to Tenant such other office space as may be designated by Owner prior to the term of this lease agreement, or any renewal thereof, provided that the designated space is of adequate size and agreed to by the Tenant. The use of the office will be for the calendar year of June 1, 2019 - May 31, 2020. All office space equipment and technology needs will be the responsibility of the Tenant.

ARTICLE IV.
Spectator Suite

The suite area will be available for public use upon arrangement between the Owner and Tenant, excluding Willmar Warhawk games and other events sponsored by the Tenant and scheduled with the Owner.

ARTICLE V.
Locker Room Facilities

Owner shall provide Tenant with the use of one team locker room located within the Willmar Civic Center Arena for the exclusive use of the Tenant as designated by Owner prior to the commencement of this lease term or any renewal thereof, provided that the designated space is adequate in size and agreed to by the Tenant. For each home game, Owner will provide Tenant with a visiting team locker room, and an official's room during the (Team) season from September 1, 2019 through April 1, 2020. Storage beyond the season in these areas will be addressed in the rent section of this document.

ARTICLE VI.
Ice Time

Owner agrees to rent to Tenant and Tenant shall be obligated to pay for ice time as follows:

1. Approximately 200 hours of ice time each annual lease term at the ice rink designated by the Owner's manager during non-prime ice rental hours (between 5:00 am and 2:45 pm) for use as hockey practice times. The 200 hours of practice time provided for in this agreement is to be used between Monday - Friday September 1, 2019 through March 30, 2020. Weekend ice times for practice are available for the Tenant at the discretion of the Owner and must be pre-scheduled.

2. The ice time at the main (Cardinal) ice rink, together with associated facilities, to accommodate up to 22 home hockey games, (estimated to consist of four (4) hours for each game). In the event there are postponements of scheduled hockey games and Tenant agrees that it will use reasonable diligence in rescheduling hockey games so as not to conflict with other scheduled Willmar Civic Center Arena activities. City provides a Zamboni driver and 2 maintenance staff for all home games. The Tenant provides staff for other areas including but not limited to security, scoreboard operators and game support staff. Game times will be 7:30 pm with the Tenant having access to the ice 40 minutes before game time.

The scheduling of ice time usage shall at all times and under all circumstances be coordinated by and between Owner, acting through its Manager, and the designated person in charge of scheduling for Tenant.

ARTICLE VII.

Rent

Tenant covenants and agrees to pay to Owner for the office facility, locker room facility, and the ice time defined in Article VI, 1 and 2 the amount of \$44,500 for the period June 1, 2019 thru May 31, 2020. Separate agreement for advertising.

In the event (Team) is eligible for home playoff games, (Team shall pay additional rent in amount consistent with agreed upon regular season home game).

NOTICE must be given by April 15, 2020 if tenant has any changes to this lease. Tenant must put his changes in writing and must be in before April 15, 2020.

It is agreed that the tenant and the Willmar Civic Center Arena will meet yearly during the month of April to review this contract.

ARTICLE VIII.

Payment of Rent

The rent payments for ice time, office space, locker room, the spectator suite, or any other rent contemplated within this lease agreement shall be paid in installments as follows:

1. September 1, 2019 thru March 31, 2020 – 8 equal payments of \$5,562.50.

Tenant shall also be permitted to charge admission to its ice related events and home games and Tenant shall retain all gate receipts from such events and be obligated to pay all sales tax thereon.

ARTICLE IX.

Use of Premises

Tenant shall use the premises for the operation of a Junior "A" Tier III hockey team, its office, locker room, regular season and playoff games, tryouts and associated activities. No part of the rented premises shall be used by Tenant for any other purpose without the prior express written consent of Owner. Tenants will be billed for any maintenance issues related directly to their uses beyond normal wear and tear of the facility as used for normal purposes related to this agreement. The reimbursement rate for the use of Owner Staff will be \$25.00 per hour. The owner will have a service request form to be filled out for any maintenance requests.

Tenant shall use and occupy the rented premises in a careful, safe and responsible manner. Tenant shall comply with all laws, ordinances and regulations affecting the rented premises. Tenant agrees to defend, indemnify and hold Owner harmless from any and all loss, claim, liability or damage incurred as a result of Tenant's failure to comply with such laws, ordinances or regulations, or through Tenant's failure to occupy the rental premises in a careful, safe and responsible manner.

ARTICLE X.
Assigning and Subletting

Tenant may not assign, sublet, or mortgage this lease or any right hereunder without the express written consent of Owner.

ARTICLE XI.
Maintenance, Responsibilities of Owner and Tenant

Owner shall be responsible for general building maintenance, janitorial services, ice resurfacing, and routine operation and maintenance of the Willmar Civic Center Arena during the rental times subject to this agreement. Owner shall keep the foundation, exterior walls, roof and other items which may be considered structural in nature in good repair but shall not be otherwise obligated to repair or replace any parts of the Willmar Civic Center Arena. Owner shall furnish electricity, water, heat and other utilities at Owner's expense, except for telephone to the Tenant's office which shall be Tenant's responsibility.

Tenant will not deface, injure or damage the premises and will not do or permit to be done on the premises or adjoining ways anything that would constitute a nuisance. Tenant shall, at its own expense, keep the portions of the premises over which they have exclusive use during the term of the lease period, including equipment, fixtures, and appliances located thereon in good repair and in good sanitary condition. If Tenant does not repair or replace any portions of the premises as required by this lease, Owner may repair the same at its discretion, after having given written notice of such need to Tenant. In such event, Tenant shall pay the Owner the cost of such repairs as additional rent.

Tenant shall be responsible for providing necessary ticket sellers, ticket takers, announcers, parking lot attendants, officials as needed, goal judges, scorekeepers, plus not less than one supervisory person on duty for all activities conducted during the times subject to this agreement. Tenant shall be responsible for the sound system and playing of all music before, during and after home games.

ARTICLE XII.
Concessions and Hospitality

Owner shall operate a concession stand in the lobby of facility during all (Team) home games. Owner and tenant agree that profits from sale of concessions shall be shared with 50% of net profit going to WCCA and 50% net profit going to (Team). Owner agrees to grant tenant the right to operate Merchandise and sell alcoholic beverages. Tenants have the right to keep all profits from all sales of Merchandise and Alcoholic beverages. Tenant shall have the right to operate a hospitality area with the ability to provide food, beverages, and alcoholic beverages. During a (Tenant) home game there should be no other concessions or vending machines in operation in the Cardinal Arena.

ARTICLE XIII.
Sales of Alcoholic Beverages

Alcohol may be sold during (Team) games by an establishment that has obtained the necessary liquor license. Tenant shall not allow the consumption of any alcoholic beverages in the Willmar Civic Center, except in accordance with such liquor license and subject to all conditions thereof and applicable Willmar ordinances and state laws. Tobacco products may not be advertised, sold or used on the premises.

Tenant agrees that it or the licensed establishment will, at all times when it is engaged in liquor sales on the premises, maintain in full force and effect a “dram shop” insurance policy meeting the requirements of the State of Minnesota for an on-sale intoxicating liquor license, written by a company licensed to do business in the State of Minnesota, and shall name the City an additional insured on the policy.

Security and signage related to the sale of alcohol is the responsibility of the Tenant, the staffing should be sufficient to deter any negative behaviors by the users of the facility. No alcohol will be allowed outside the Cardinal Arena at any time.

ARTICLE XIV.
Insurance

Tenant, at its expense, shall obtain and keep in force during the term of this Agreement, the following insurance coverages in at least the listed minimum amounts:

- A. Worker’s Compensation coverage in statutorily required amounts.
- B. Employees Liability coverage in limits of One Hundred Thousand Dollars (\$100,000.00) per employee.
- C. Comprehensive General Liability coverage in limits of not less than Two Million Dollars (\$2,000,000.00) per occurrence for personal bodily

injury and death, and limits of Two Million Dollars (\$2,000,000.00) for leased premises damages liability. Such liability insurance shall additionally cover:

1. Public liability, including premises and operations coverage.
2. Independent contractors—protective contingent liability.
3. Personal injury.
4. Owned, non-owned and hired vehicles.
5. Contractual liability covering the indemnity obligations set forth herein.
6. Dram Shop liability, if applicable under Article XIII.

All policies listed above shall be written on an “occurrence” form (“claims made” and “modified occurrence” forms are not acceptable) and shall apply on a “per occurrence” basis.

With the exception of the Worker’s Compensation policies, all policies listed above shall insure the defense and indemnity obligations assumed by Tenant under this Agreement, and shall name Owner as an additional insured under the policy.

All policies listed above shall contain a provision that coverages afforded thereunder shall not be canceled or non-renewed, nor shall coverage limits be reduced by endorsement, without thirty (30) days prior written notice to Owner.

ARTICLE XV.

Indemnity

- A. Indemnification of Owner. Tenant shall indemnify, protect, save, hold harmless and insure Owner, and its respective officers, employees and members and agents, from and against any and all claims and demands for, or litigation with respect to, all damages which may arise out of or be caused by Tenant or its agents, employees, contractors or subcontractors with respect to Tenant’s performance of its obligations under this Agreement or its presence on or use of the Premises, or that of Tenant’s employees, members, board, officers, agents, volunteers, clients and invitees. Tenant shall defend Owner against the foregoing, or litigation in connection with the foregoing, at Tenant’s expense, with counsel reasonably acceptable to Owner. Owner, at its expense, shall have the right to participate in the defense of any Claims or litigation and shall have the right to approve any settlement, which approval shall not be unreasonably withheld. The indemnification provision of this Section shall not apply to damages or other losses

proximately caused by or resulting from the negligence or willful misconduct of Owner. All indemnification obligations shall survive termination, expiration or cancellation of this Agreement.

- B. Assumption of Risk. Tenant knows, understands and acknowledges the risks and hazards associated with using the Premises for the purposes stated herein and hereby assumes any and all risks and hazards associated therewith. Tenant hereby irrevocably waives any and all claims against the Owner or any of its officials, employees or agents for any bodily injury (including death), loss or property damage incurred by Tenant as a result of Tenant's use of the Premises, and hereby irrevocably releases and discharges the Landlord and any of its officials, employees or agents from any and all claims of liability.

ARTICLE XVI.

Alterations

Tenant shall make no alterations, changes, or improvements to the rental premises without the written consent of Owner's representative (Willmar Civic Center Manager).

ARTICLE XVII.

Security

Tenant shall provide security for all games sufficient to maintain order and provide adequate safety for all people attending games.

ARTICLE XVIII.

Damage to Willmar Civic Center Arena

Any damage to the Willmar Civic Center Arena, interior or exterior, occurring as a result of Tenant's use of the premises will be repaired at the expense of Tenant unless caused solely by the negligence of Owner.

ARTICLE XIX.

Damage or Destruction

If the Willmar Civic Center Arena shall be destroyed or damaged by fire or other casualty to any extent which prevents the WCCA from being used for the purposes intended by this agreement, Owner may elect to rebuild/repair or give notice terminating this lease. Owner shall give written notice to Tenant of its election within thirty (30) days after damage or destruction. If Tenant is unable to use WCCA facilities, a proportionate

part of the rent shall be abated for any time during which Tenant is unable to utilize the rental premises.

In the event of damage by fire or other casualty resulting in damage to Tenant's property, Tenant shall be obligated to fully repair or replace all its exterior or interior signs, trade fixtures, furniture, equipment, display cases, advertising and other personal property and improvements originally installed by Tenant at its expense.

ARTICLE XX.

Liens

Tenant shall not permit any mechanic's or other lien against the rental property or the Owner arising out of any act or omission of Tenant. Tenant may contest the validity or amount of any lien if Tenant shall give Owner security required by Owner to insure payment or prevent any forfeiture of the property. Tenant shall pay any judgments and have all liens released or judgments satisfied at Tenant's expense.

ARTICLE XXI.

Default

If Tenant shall default on any of the provisions of this lease, or if Tenant shall make an assignment for the benefit of creditors, enter bankruptcy, receivership or insolvency, Owner, at its election, may give notice to Tenant in writing specifying the default. Tenant shall have thirty (30) days after notice is sent to cure the default. If default continues thereafter, Owner may declare the term of this lease ended and re-enter the premises and the lease shall thereupon terminate. In such event, Owner may, either with or without process of law, enter the premises and expel Tenant and all other persons on the premises using such force as may be necessary to repossess and enjoy the premises without prejudice to any other remedy which might be available.

If Owner is in default under this lease, Tenant, at its election, may give notice to Owner in writing specifying the default. Owner shall have thirty (30) days after notice is sent to cure default.

In the event of a catastrophic failure, Owner agrees to discuss possible solutions with Tenant to cure default. Owner also notifies Tenant that Owner has no insurance coverage for Tenant's loss of revenue due to catastrophic failure.

Owner requires a copy of Certificate of Renter's Insurance or letter declining such insurance.

ARTICLE XXII.
Non-Waiver

No waiver by Owner of any breach by Tenant of its obligations hereunder shall be a waiver of any other subsequent or continuing breach. Forbearance by Owner to seek a remedy for any breach by Tenant shall not be a waiver of its rights or remedies with respect to the breach.

ARTICLE XXIII.
Surrender

At the termination of this lease for any reason, Tenant shall quit and surrender the premises in a good condition as when received, reasonable wear and tear and damages by the elements or causes beyond Tenant's control excepted.

Tenant may remove its trade fixtures, equipment and other personal property owned by Tenant at its expense, provided it shall repair all damage caused by removal.

ARTICLE XXIV.
Obligation of Parties

The agreements in this lease shall be binding upon and enforceable by the parties, personal representatives, successors and assigns.

ARTICLE XXV.
Relationship of Parties

Nothing contained in this lease shall be construed to create a relationship of principal and agent, partnership, joint venture or association between Owner and Tenant. Neither the method of computing rent nor any act of the parties, shall create any relationship between the parties other than the relationship of Landlord and Tenant.

ARTICLE XXVI.
Advertising

Tenant, with Owner's consent, may place advertising within the rental premises as more fully specified within a separate agreement made between Owner and Tenant, and any separate agreement allowing Tenant to place advertising within the rental premises shall be made a part of this lease by reference.

ARTICLE XXVII.
Attorney's Fees

In the event either party hereto institutes legal action or proceedings arising out of or in any way connected with this lease agreement, the non-prevailing party shall reimburse the prevailing party for all reasonable expenses incurred in connection therewith, including attorney fees and costs.

ARTICLE XXVIII
Catastrophic Failure

In the event of catastrophic failure, owner agrees to discuss possible solutions with tenant to cure default.

ARTICLE XXIX
Modification of Agreement

Any agreement made between the parties shall be ineffective in changing, modifying, or discharging this lease agreement in whole or in part unless the agreement is in writing and signed by the party against whom enforcement of the change, modification, or discharge is sought. An oral agreement for the modification of the lease agreement in any manner shall be void and of no force and effect.

IN WITNESS WHEREOF, the Owner, acting through the Willmar Civic Center Arena, and Tenant have caused this agreement to be signed as of the date and year first above written.

CITY OF WILLMAR,
WILLMAR CIVIC CENTER ARENA

THE BLIZZARD, LLC
D/B/A THE BLIZZARD

By _____
Marvin Calvin, Mayor

By _____
Chris Canavati, President

By _____
Brian Gramentz, Administrator

By _____
Mitri Canavati, Vice-President

**AGREEMENT FOR THE DELEGATION OF ADVERTISING SALES
AT THE WILLMAR CIVIC CENTER ARENA**

THIS AGREEMENT, is made this __ day of _____, 2019 between the City of Willmar (Owner of the Willmar Civic Center Arena (WCCA)) and The Blizzard, LLC d/b/a/ the (Team) and Chris Canavati, and Mitri Canavati, Individually (Tenant).

PREAMBLE

WHEREAS, its primary tenant is the Blizzard, LLC d/b/a/ the (Team), and

WHEREAS, the Blizzard (Team) desires to arrange for and manage more efficiently the sale of advertising in the Main Cardinal Rink portion of the Willmar Civic Center Arena which is rented by the Blizzard (Team) for its yearlong lease agreement from June 1, 2019 until May 31, 2020.

WHEREAS, the Willmar Civic Center Arena finds it desirable to delegate to the Blizzard (Team) specific authority to serve as the WCCA's agent for the purpose of arranging the sale of advertising space for the portion of the facility known as the "Cardinal Rink", to be sold on the walls, the floors, the goal crease, the ice surface itself and dasher boards, and the viewing area in the Cardinal Rink of the Willmar Civic Center Arena.

NOW THEREFORE, it is agreed as follows:

**SECTION I.
ADVERTISING RIGHTS**

In consideration of the benefits recited herein, the City of Willmar delegates and gives authority to the Blizzard, the right to arrange for, promote and sell advertising space within the Cardinal Rink of the Willmar Civic Center Arena upon the walls, the floors, the ice surface, and dasher boards for the Cardinal Rink. This agreement expressly includes and reserves to the City of Willmar all rights to sell and arrange for advertising upon the scoreboards in the Cardinal Rink and the equipment operated by the WCCA in the Cardinal Rink. Game day signs (1-game) may be put up, but must be removed by 8:00 am the following morning. Installation may need to be at pre-game time depending on schedule of rink.

SECTION II.
TERM OF AGREEMENT

This agreement shall be in full force and effect for one (1) year starting June 1, 2019 until May 31, 2020. Termination by either party is needed in writing at least ninety (90) days prior to June 1st of each year.

SECTION III.
SCOPE OF AUTHORITY DELEGATED

The City of Willmar delegates to the Blizzard (Team) the right to sell, arrange for, and contract for the advertising defined herein in the Cardinal Rink during the term of this agreement.

SECTION IV.
RESERVED RIGHTS

The City of Willmar reserves the right to specifically approve all ice rink advertising sold by the Blizzard (Team) during the term of this agreement.

SECTION V
INSTALLATION

No advertising signs shall be erected or placed until approval from Arena Manager has been given.

SECTION VI
PAYMENT

In consideration of the privileges delegated by this agreement, the Blizzard (Team) will pay to the City of Willmar a base fee in the sum of \$8,000. Payment of \$4,000 fee shall be made by the Blizzard (Team) to the City of Willmar on or before November 15th for each season and payment of \$4,000 shall be made by the Blizzard (Team) to City of Willmar on or before February 15th of each season.

The Blizzard (Team) shall be responsible for and pay all costs for design, fabrication and preparation of all advertising signs, placards, and images to be installed or placed in the Cardinal Rink at the Willmar Civic Center Arena.

**SECTION VII
INSTALLATION AND REMOVAL OF ADVERTISING**

The City of Willmar shall reserve authority to approve the specific placement of all advertising during the term of this agreement and shall be responsible for installation, removal, and return to the Blizzard (Team) of all advertising at the expiration of this agreement.

IN WITNESS WHEREOF, the City of Willmar and the Blizzard (Team) have caused this agreement to be signed as of the date and year first above written.

CITY OF WILLMAR,
WILLMAR CIVIC CENTER ARENA

THE BLIZZARD, LLC
D/B/A THE TEAM

By _____
Marv Calvin, Mayor

By _____
Matt Johnson, General Manager

By _____
Brian Gramentz, City Administrator

By _____
Chris Canavati, Individually

By _____
Rob Baumgarn, Parks and Recreation Director

By _____
Mitri Canavati, Individually

RESOLUTION NO. ____

**AUTHORIZATION TO EXECUTE LEASE AGREEMENT WITH BLIZZARD, LLC
FOR USE OF THE CIVIC CENTER FOR WARHAWKS**

Motion By: _____

Second By: _____

WHEREAS the City of Willmar desires to enter into a Lease Agreement with The Blizzard, LLC d/b/a the (Team) and Chris Canavati and Mitri Canvati, Individually (Tenant) for the rent of ice time and certain related facilities of the Willmar Civic Center Arena for (Team) hockey games, including administrative office space and locker room facilities; and

WHEREAS an agreement has been prepared detailing the terms of the lease;

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Willmar that said agreement be approved and that the Mayor and City Administrator be authorized to execute the same.

Dated this 3rd day of September, 2019

Mayor

Attest:

City Clerk

RESOLUTION NO. _____

**AUTHORIZATION TO EXECUTE ADVERTISING AGREEMENT WITH BLIZZARD, LLC
FOR MAIN CARDINAL RINK OF THE WILLMAR CIVIC CENTER ARENA**

Motion By: _____

Second By: _____

WHEREAS the City of Willmar desires to enter into An Advertising Agreement with The Blizzard, LLC d/b/a the Team and Chris Canavati and Mitri Canvati, Individually (Tenant) for the sale of advertising in the Main Cardinal Rink portion of the Willmar Civic Center Arena for the period of June 1, 2019 until May 31, 2020

WHEREAS an agreement has been prepared detailing the terms of the advertising;

NOW THEREFORE BE IT RESOLVED by the City Council of the City of Willmar that said agreement be approved and that the Mayor and City Administrator be authorized to execute the same.

Dated this 3rd day of September, 2019

Mayor

Attest:

City Clerk

City of Willmar

Financial Report
As of July 31, 2019

Capital Improvement Expenditures As Of July 31, 2019

<u>MAJOR PROJECTS - BONDING</u>	<u>BUDGET</u>	<u>EXPENDED</u>	<u>BALANCE</u>
CITY HALL			
* City Hall/Community Center	\$ 8,500,000.00	\$ 20,000.00	\$ 8,480,000.00
CIVIC CENTER			
Refrigeration System	2,450,000.00	2,190,165.31	259,834.69
PAVEMENT MANAGEMENT			
* 2018 Pavement Mgmt/Storm Sewer	3,080,000.00	4,433,499.25	(1,353,499.25)
* 2017 Pavement Mgmt	3,450,000.00	3,106,408.06	343,591.94
TOTAL MAJOR PROJECTS - BONDING	\$ 17,480,000.00	\$ 9,750,072.62	\$ 7,729,927.38
 <u>COOPERATIVE PROJECTS - SHARED FUNDING</u>			
AIRPORT			
Runway and Taxilane Rehab/Constr.	\$ 923,000.00	\$ 62,293.77	\$ 860,706.23
LEISURE SERVICES			
* Ampitheatre	375,000.00	-	375,000.00
* Robbins Island	856,347.00	24,421.03	831,925.97
TOTAL COOP. PROJECTS - SHARED FUNDING	\$ 2,154,347.00	\$ 86,714.80	\$ 2,067,632.20

Capital Improvement Expenditures As Of July 31, 2019

<u>PROJECTS - WASTE WATER FUNDE</u>	<u>BUDGET</u>	<u>EXPENDED</u>	<u>BALANCE</u>
MAJOR PROJECTS - BONDING			
* Gorton Avenue L.S. / Arr	\$ 1,015,000.00	\$ 1,665,245.35	
* Phase II Fairgrounds L.S.	600,000.00		
	<u>\$ 1,615,000.00</u>	<u>\$ 1,665,245.35</u>	<u>\$ (50,245.35)</u>
OPERATING PROJECTS			
* Computers	\$ 10,450.00	\$ -	\$ 10,450.00
* Infrared Breaker Testing	30,000.00	-	30,000.00
* HVAC Admin Building	30,000.00	16,668.71	13,331.29
* Computer Software Upgrades	146,000.00	262,641.79	
* Computer Hardware	87,000.00	-	
	<u>\$ 233,000.00</u>	<u>\$ 262,641.79</u>	<u>\$ (29,641.79)</u>
Portable Generator with Trailer	\$ 70,000.00	\$ -	\$ 70,000.00
Portable Pump with Trailer	70,000.00	-	70,000.00
New Pumps-Sperryville Lift Station	20,000.00	-	20,000.00
Eagle Lake System Improvement	200,000.00	-	200,000.00
	<u>\$ 2,278,450.00</u>	<u>\$ 1,944,555.85</u>	<u>\$ 333,894.15</u>
TOTAL WASTE TREATMENT CAPITAL			
<u>VEHICLE REPLACEMENT</u>			
<u>WASTE TREATMENT - VEHICLE REPLACEMENT</u>			
* Repl. 2006 Int'l Tractor	\$ 175,049.00	\$ 85,120.46	\$ 89,928.54
* Repl. 2006 Ford F-350	47,741.00	53,195.36	(5,454.36)
Tractor	230,000.00	-	230,000.00
Under 1-Ton Pickup (1)	56,227.00	-	56,227.00
<u>GENERAL FUND - VEHICLE REPLACEMENT</u>			
POLICE DEPARTMENT	144,000.00	-	144,000.00
Squad Car Replacement 2 3			
CSO Dodge Caravan			
PUBLIC WORKS	299,325.00	59,269.52	240,055.48
Mowers (3)			
ProPatch Pothole Trailer			
Rake-O-Vac Sweeper			
	<u>\$ 952,342.00</u>	<u>\$ 197,585.34</u>	<u>\$ 754,756.66</u>
TOTAL VEHICLE REPLACEMENT			

Capital Improvement Expenditures As Of July 31, 2019

<u>GENERAL CAPITAL</u>	<u>BUDGET</u>	<u>EXPENDED</u>	<u>BALANCE</u>
CITY HALL			
Short Term Improvements	\$ 90,000.00	\$ -	\$ 90,000.00
INFORMATION TECHNOLOGY			
New Servers	60,000.00	17,400.00	42,600.00
New Storage Array	30,000.00	15,495.00	14,505.00
POLICE DEPARTMENT			
* Search Robot	18,000.00	-	18,000.00
FIRE DEPARTMENT			
* Outdoor Warning Siren	25,000.00	-	25,000.00
Outdoor Warning Siren	25,000.00	-	25,000.00
Repl. Backup Generator	-	22,832.00	(22,832.00)
Auto Extrication Equipment	45,000.00	-	45,000.00
Thermal Imaging Cameras	12,000.00	-	12,000.00
HVAC Replacement (Office Area)	13,500.00	-	13,500.00
HVAC Replacement (Trng Room)	12,500.00	-	12,500.00
PUBLIC WORKS			
* Brush Site Gate System	15,000.00	14,846.49	153.51
Brine Mixing Station	75,000.00	-	75,000.00
Pavement Management (Fund 419)	5,175,000.00	82,212.80	5,092,787.20
AUDITORIUM			
ADA Requirements - Elevator/Restroom	500,000.00	-	500,000.00
PARK & RECREATION			
Playground Equipment	100,000.00	100,000.00	-
Sperry/Hilltop Tennis Court Mill/Overlay	150,000.00	-	150,000.00
* Playground Equipment	100,000.00	71,634.69	28,365.31
* Playground Equipment	90,800.00	70,691.46	20,108.54
* Miller Park Improvements	370,000.00	378,438.34	(8,438.34)
CIVIC CENTER			
Bleacher Replacement	300,000.00	15,389.00	284,611.00
Cardinal Arena Wall Rehab	50,000.00	35,000.00	15,000.00
AQUATIC CENTER			
Resurface Pool Bottom	200,000.00	-	200,000.00
TOTAL GENERAL CAPITAL	\$ 7,456,800.00	\$ 823,939.78	\$ 6,632,860.22

General Fund Revenue As Of July 31, 2019

<u>Revenues</u>	<u>2018 Actual</u>	<u>2019 Annual Budget</u>	<u>2019 Actual Year-To-Date</u>	<u>% of 2019 Budget</u>
General Property Taxes	\$ 5,162,105.56	\$ 5,600,000.00	\$ 2,934,192.11	52.40%
Licenses and Permits	552,059.46 *	463,860.00	375,986.85	81.06%
Intergovernmental	5,512,872.07 *	5,408,230.00	2,755,496.36	50.95%
Service Charges	680,065.09	750,000.00	463,323.63	61.78%
Fines and Forfeits	151,545.80	165,000.00	83,568.91	50.65%
Special Assessments	972.64	2,500.00	824.40	32.98%
Miscellaneous Revenue	1,145,836.88 *	1,308,409.00	803,373.10	61.40%
Other Financing Sources	2,452,562.01	2,489,079.00	1,068,421.00	42.92%
Total Revenues	\$ 15,658,019.51	\$ 16,187,078.00	\$ 8,485,186.36	52.42%

General Fund Expenditures -General Government- As Of July 31, 2019

<u>Expenditures</u>	<u>2018 Actual</u>		<u>2019 Annual Budget</u>	<u>2019 Actual Year-To-Date</u>	<u>% of 2019 Budget</u>
City Administrator	\$ 368,587.09		\$ 296,327.00	\$ 203,887.44	68.80%
Mayor and Council	174,409.82		185,700.00	110,611.98	59.56%
Planning/Development Services	564,776.51	*	594,254.00	391,671.04	65.91%
City Clerk	162,749.06	*	202,307.00	110,867.96	54.80%
Assessing	110,014.00		113,400.00	112,325.00	99.05%
Finance Department	404,961.39		452,594.00	259,426.20	57.32%
Legal	252,656.57	*	250,000.00	161,320.67	64.53%
City Hall	147,204.85		154,052.00	90,341.76	58.64%
Information Technology	505,260.05		605,483.00	291,996.69	48.23%
Office Services	29,120.68		29,960.00	12,295.18	41.04%
Human Resources	-		151,356.00	64,456.16	42.59%
Elections	66,320.20		38,843.00	22,080.15	56.84%
Non-Departmental/Gen.Gov't.	898,365.86	*	819,916.00	217,293.32	26.50%
Sub-Total General Gov't.	3,684,426.08	*	3,894,192.00	2,048,573.55	52.61%

General Fund Expenditures (Con't)

-Public Safety and Streets/Highways-

As Of July 31, 2019

<u>Expenditures</u>	<u>2018 Actual</u>		<u>2019 Annual Budget</u>	<u>2019 Actual Year-To-Date</u>	<u>% of 2019 Budget</u>
Police Department	4,602,826.18	*	4,907,284.00	2,869,320.82	58.47%
Fire Protection	661,489.44		771,413.00	392,053.00	50.82%
Non-Departmental/Pub.Safety	15,140.95		15,500.00	1,337.50	8.63%
Sub-Total Public Safety	5,279,456.57		5,694,197.00	3,262,711.32	57.30%
Transit System	20,000.00		20,500.00	20,500.00	100.00%
Engineering	516,973.76		710,930.00	285,477.78	40.16%
Storm Water	31,087.00		55,000.00	32,487.06	59.07%
Public Works	2,611,921.52		2,876,215.00	1,707,112.55	59.35%
Non-Departmental/Pub.Works	806.00		1,000.00	-	0.00%
Sub-Total Streets/Highways	3,180,788.28		3,663,645.00	2,045,577.39	55.83%

General Fund Expenditures (Con't)

–Culture/Recreation and Transfers–

As Of July 31, 2019

<u>Expenditures</u>	<u>2018 Actual</u>		<u>2019 Annual Budget</u>	<u>2019 Actual Year-To-Date</u>	<u>% of 2019 Budget</u>
WRAC	122,447.53	*	128,660.00	70,084.06	54.47%
Library	474,796.00		542,512.00	380,589.00	70.15%
Auditorium	60,253.57		121,251.00	23,700.41	19.55%
Non-Departmental/Culture-Recr.	59,133.00	*	96,000.00	76,500.00	79.69%
Parks & Recreation	481,711.21	*	730,107.00	291,138.59	39.88%
Civic Center	650,691.98		661,462.00	335,417.89	50.71%
Community Center	108,128.08		162,194.00	87,392.98	53.88%
Aquatic Center	208,596.02	*	250,671.00	105,692.79	42.16%
Sub-Total Culture/Recreation	2,165,757.39		2,692,857.00	1,370,515.72	50.89%
Transfers	2,133,399.00		1,691,267.00	-	0.00%
Total Expenditures	\$ 16,443,827.32		\$ 17,636,158.00	\$ 8,727,377.98	49.49%

* Indicates Over Budget

Waste Treatment Plant Revenues and Expenditures As Of July 31, 2019

	<u>2018 Actual</u>		<u>2019 Annual Budget</u>	<u>2019 Actual Year-To-Date</u>	<u>% of 2019 Budget</u>
<u>Revenues</u>					
Intergovernmental	\$ 73,126.90	*	\$ 72,000.00	\$ 43,141.56	59.92%
Service Charges	9,006,196.10		10,275,000.00	5,040,319.51	49.05%
Miscellaneous Revenue	480,195.69	*	250,000.00	426,683.47	170.67%
Other Financing Sources	315,262.32	*	-	-	N/A
Total Revenues	\$ 9,874,781.01		\$ 10,597,000.00	\$ 5,510,144.54	52.00%
<u>Expenditures</u>					
Waste Treatment - Treatment	\$ 9,323,540.10		\$ 10,128,796.00	\$ 6,271,540.62	61.92%
Waste Treatment - Collections	564,903.21		529,563.00	224,821.71	42.45%
Waste Treatment - Biosolids	300,537.74		354,930.00	209,973.91	59.16%
Waste Treatment - Eagle Lake	14,187.73	*	-	48,037.97	N/A
Total Expenditures	\$ 10,203,168.78		\$ 11,013,289.00	\$ 6,754,374.21	61.33%

* Indicates Over Budget

Investment and Cash Balances As Of July 31, 2019

	As of 12/31/2018		As of 07/31/2019	
	Percentage of Booked Market Value	Booked Market Value	Percentage of Booked Market Value	Booked Market Value
Morgan Stanley Smith Barney (RK)		\$ 4,674,043.05		
Morgan Stanley Smith Barney (NN)		\$ 2,991,240.00		
Total Morgan Stanley Smith Barney	16.5178%	\$ 7,665,283.05	0.0000%	\$ -
Bremer Bank	10.8255%	\$ 5,023,723.42	10.9629%	\$ 5,075,629.17
Bremer Wealth Mgmt	0.0000%	\$ -	14.7233%	\$ 6,816,605.52
Multi-Bank Securities	19.4054%	\$ 9,005,289.99	18.9652%	\$ 8,780,532.64
UBS Financial Services	19.2837%	\$ 8,948,825.81	20.1097%	\$ 9,310,430.20
Wells Fargo	16.4510%	\$ 7,634,272.00	17.1102%	\$ 7,921,711.00
Wells Fargo Advisors	17.5167%	\$ 8,128,825.30	18.1286%	\$ 8,393,181.80
Total Investments	100.0000%	\$ 46,406,219.57	100.0000%	\$ 46,298,090.33
Heritage Bank	Cash	\$ 8,975,904.94	Cash	\$ 5,213,037.61
Bremer Wealth Management	Cash	\$ -	Cash	\$ 1,010,269.85
Total Cash and Investments		\$ 55,382,124.51		\$ 52,521,397.79

Questions?

**MANAGEMENT DISCUSSION AND
ANALYSIS**

CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018

This section of the basic financial statements of the City of Willmar (the City) presents a discussion and analysis of the City's financial performance during the fiscal year ended December 31, 2018. Please read it in conjunction with the City's basic financial statements following this section.

Financial Highlights

- The assets of the City exceeded liabilities by \$146,838,215 (net position). Of this amount, \$46,193,596 (in Committed and Unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the City's fund designations and fiscal policies.
- The City's governmental funds reported combined ending fund balances of \$42,322,205. Of this total amount, approximately 2% is Nonspendable, 32% is Restricted, and 66% is Committed.
- At the end of the current fiscal year, committed fund balance for the General Fund was \$12,857,239, or 91% of the total General Fund expenditures of \$14,185,628.

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements are presented after the Statement of Net Position. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's funds. The notes to the basic financial statements provide information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This report also contains other supplementary information in addition to the basic financial statements.

The City as a whole: Statement of Net Position and Statement of Activities

Our analysis of the City of Willmar begins with the Statement of Net Position and the Statement of Activities. One of the most important questions asked about the City's finances is, "Is the City as a whole better off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities both report information about the City as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid. These two statements report the City's net position and changes thereto. You can think of the City's net position – the difference between assets and liabilities – as one way to measure the City's financial health. Over time, increases and decreases in the City's net position is one indicator of whether the City's financial health is improving or deteriorating.

You will need to consider other nonfinancial factors, however, to assess the overall health of the City of Willmar.

In the Statement of Net Position and the Statement of Activities, we divide the City into two kinds of activities:

Governmental Activities - Most of the City's basic services are reported here, including the police, public works, parks departments and general administration. Property taxes, franchise fees, and state and federal grants finance most of these activities.

Business-Type Activities – The City charges a fee to customers to help cover all or most of the cost of certain services it provides. The City's waste treatment fund and internal service fund are reported here.

**CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018**

The City's Most Significant Funds: Fund Financial Statements

Our analysis of the City of Willmar's major funds begins with the fund financial statements. These statements provided detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by state law and by bond covenants. However, the City Council establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The City of Willmar's two kinds of funds – governmental and proprietary – use different accounting approaches.

Governmental Funds – Most of the City of Willmar's basic services are reported in governmental funds. Governmental funds focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps the reader of the statements determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in reconciliation after the fund financial statements.

The governmental fund financial statements can be found on pages 15-21 of this report.

Proprietary Funds – When the City of Willmar charges customers for the services it provides – whether to outside customers or to other units of the City – these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. In fact, the City's enterprise funds are the same as the business-type activities we report in the government-wide statements, but provide more detail and additional information, such as cash flows, for proprietary funds.

The proprietary fund financial statements can be found on pages 22-25 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26-63 of this report.

Statement of Net Position

The City of Willmar's net position increased from a year ago. Our analysis below focuses on the net position (Table 1) and changes in net position (Table 3) of the City's governmental and business-type activities.

**CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018**

**Table 1
Condensed Statement of Net Position**

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2016
Current and other assets	\$ 48,182,878	\$ 41,216,818	\$ 14,830,038	\$ 13,138,642	\$ 63,012,916	\$ 54,355,460
Net capital assets	<u>140,531,952</u>	<u>94,836,865</u>	<u>83,249,870</u>	<u>83,602,554</u>	<u>223,781,822</u>	<u>178,439,419</u>
Total Assets	<u>188,714,830</u>	<u>136,053,683</u>	<u>98,079,908</u>	<u>96,741,196</u>	<u>286,794,738</u>	<u>232,794,879</u>
Deferred Outflows	<u>6,459,162</u>	<u>6,830,963</u>	<u>168,183</u>	<u>262,931</u>	<u>6,627,345</u>	<u>90,433,517</u>
Other liabilities	4,577,456	2,464,246	228,009	180,741	4,805,465	2,644,987
Long-term liabilities	<u>67,313,626</u>	<u>20,298,475</u>	<u>67,385,745</u>	<u>68,914,218</u>	<u>134,699,371</u>	<u>89,212,693</u>
Total Liabilities	<u>71,891,082</u>	<u>22,762,721</u>	<u>67,613,754</u>	<u>69,094,959</u>	<u>139,504,836</u>	<u>91,857,680</u>
Deferred Inflows	<u>6,857,598</u>	<u>7,857,913</u>	<u>221,434</u>	<u>257,191</u>	<u>7,079,032</u>	<u>8,115,104</u>
Net Position						
Net Investment in						
Capital Assets	84,025,108	84,374,561	16,619,511	15,291,890	100,644,619	99,666,451
Restricted	28,083,490	21,250,871	491,873	667,804	28,575,363	21,918,675
Unrestricted	<u>4,316,714</u>	<u>6,638,581</u>	<u>13,301,519</u>	<u>11,692,283</u>	<u>17,618,233</u>	<u>18,330,864</u>
Total Net Position	<u>\$116,425,312</u>	<u>\$112,264,013</u>	<u>\$ 30,412,903</u>	<u>\$ 27,651,977</u>	<u>\$146,838,215</u>	<u>\$139,915,990</u>

Governmental Activities

The net position of the City's governmental activities increased by \$5,986,026 in 2018. The increase was mainly due to the lease of Rice Hospital to Carris Health.

Business-Type Activities

The total net position of the City's business-type activities increased by \$2,980,033 in 2018. The increase was due to rates being set to handle the pending increase in debt service payments and future capital expenditure needs.

**Table 2
Condensed Statement of Net Position
Component Unit**

	Municipal Utilities	
	2018	2017
Current and other assets	\$ 38,845,812	\$ 34,488,463
Net capital assets	<u>33,873,096</u>	<u>31,280,870</u>
Total Assets	<u>72,718,908</u>	<u>65,769,333</u>
Deferred Outflows	<u>715,853</u>	<u>944,351</u>
Current and other liabilities	4,391,089	4,457,272
Long-term liabilities	<u>10,108,353</u>	<u>9,690,106</u>
Total Liabilities	<u>14,499,442</u>	<u>14,147,378</u>
Deferred Inflows	<u>1,067,678</u>	<u>849,783</u>
Net Position		
Net Investment in		
capital assets	29,063,473	25,898,387
Restricted	1,567,028	1,567,028
Unrestricted	<u>27,237,140</u>	<u>24,051,108</u>
Total Net Position	<u>\$ 57,867,641</u>	<u>\$ 51,516,523</u>

**CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018**

Primary Government

**Table 3
Condensed Statement of Activities**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2016</u>
Revenues						
Program revenues:						
Charges for services	\$ 5,451,281	\$ 1,689,893	\$ 9,993,551	\$ 10,255,479	\$ 15,444,832	\$ 11,945,372
Operating grants and contributions	1,085,623	1,093,828	-	-	1,085,623	1,093,828
Capital grants and contributions	1,747,725	3,747,878	-	-	1,747,725	3,747,878
General revenues:						
Property and other taxes	5,518,574	5,328,601	-	-	5,518,574	5,328,601
Grants and contributions not restricted to specific program	4,647,836	4,686,694	-	-	4,647,836	4,686,694
Other	1,489,975	1,635,515	138,963	292,770	1,628,938	1,928,285
Intergovernmental	-	-	-	-	-	-
Total Revenues	<u>19,941,014</u>	<u>18,182,409</u>	<u>10,132,514</u>	<u>10,548,249</u>	<u>30,073,528</u>	<u>28,730,658</u>
Expenses						
General Government	3,387,796	3,704,457	-	-	3,387,796	3,704,457
Public safety	5,664,498	5,735,917	-	-	5,664,498	5,735,917
Public works	7,111,707	8,216,746	-	-	7,111,707	8,216,746
Health & Welfare	3,548,429	-	-	-	3,548,429	-
Culture and recreation	2,753,642	2,889,721	-	-	2,753,642	2,889,721
Economic development	147,444	34,108	-	-	147,444	34,108
Capital projects	-	-	-	-	-	-
Debt service	3,487,611	230,050	-	-	3,487,611	230,050
Waste treatment	-	-	6,717,743	6,544,284	6,717,743	6,544,284
Total Expenses	<u>26,101,127</u>	<u>20,810,999</u>	<u>6,717,743</u>	<u>6,544,284</u>	<u>32,818,870</u>	<u>27,355,283</u>
Changes in Net Position						
Before Transfers	(6,160,113)	(2,628,590)	3,414,771	4,003,965	(2,745,342)	1,375,375
Transfers	<u>12,146,139</u>	<u>3,208,187</u>	<u>(434,738)</u>	<u>(730,260)</u>	<u>11,711,401</u>	<u>2,477,927</u>
Changes in Net Position	5,986,026	579,597	2,980,033	3,273,705	8,966,059	3,853,302
Net Position, Beg. of Year	112,264,013	111,684,416	27,651,977	24,378,272	139,915,990	136,062,688
Prior period adjustment	<u>(1,824,727)</u>	<u>-</u>	<u>(219,107)</u>	<u>-</u>	<u>(2,043,834)</u>	<u>-</u>
Net Position, End of Year	<u>\$ 116,425,312</u>	<u>\$ 112,264,013</u>	<u>\$ 30,412,903</u>	<u>\$ 27,651,977</u>	<u>\$ 146,838,215</u>	<u>\$ 139,915,990</u>

**CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018**

Component Unit

Component Unit

The total net position of the City's component unit, the Willmar Municipal Utilities, increased by \$7,217,920 in 2018.

**Table 4
Condensed Statement of Activities**

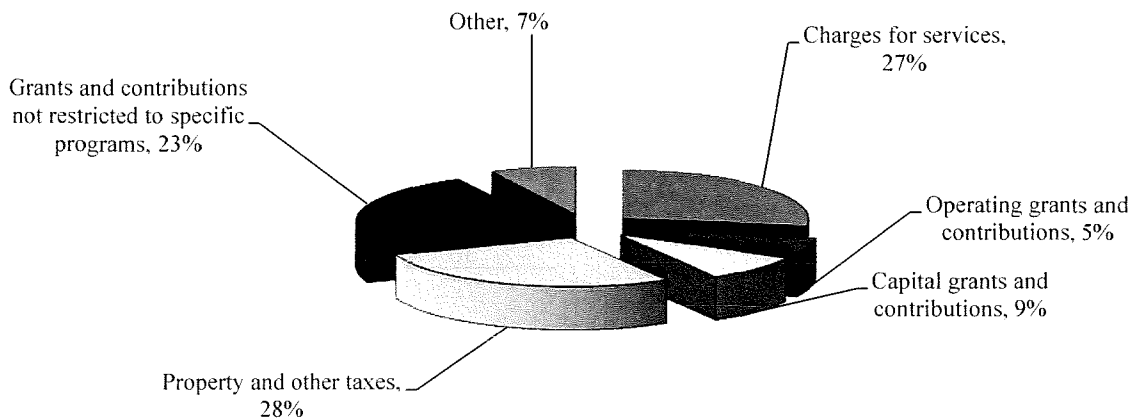
	Municipal Utilities	
	2018	2017
Revenues		
Municipal Utility	\$ 36,302,825	\$ 33,950,617
Interest Earnings	569,246	173,775
Gain (Loss) on sale of Capital Assets	(88,731)	(326,302)
Miscellaneous	-	185
Total Revenues	<u>36,783,340</u>	<u>33,798,275</u>
Expenses		
Municipal Utility	<u>27,428,578</u>	<u>26,257,777</u>
Total Expenses	<u>27,428,578</u>	<u>26,257,777</u>
Changes in Net Position		
Before transfers	9,354,762	7,540,498
Transfers	<u>(2,136,842)</u>	<u>(2,136,842)</u>
Changes in Net Position	7,217,920	5,403,656
Net Position, Beginning	51,516,523	46,336,970
Prior Period Adjstmt	(866,802)	(224,103)
Net Pos., Beg. Restated	<u>50,649,721</u>	<u>46,112,867</u>
Net Position, Ending	<u>\$ 57,867,641</u>	<u>\$ 51,516,523</u>

**CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018**

Governmental Activities

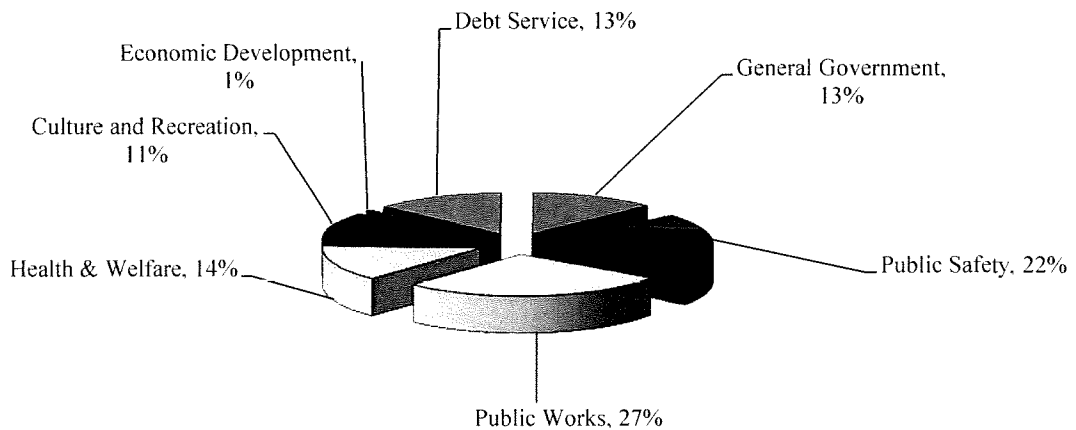
Revenues – The following chart visually illustrates the City's revenues by source for its governmental activities:

Revenue by Source - Governmental Activities



Expenses – The following chart visually illustrates the City's expenses by source for its governmental activities:

Expenses by Source - Governmental Activities



**CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018**

Financial Analysis of the City's Funds

General Fund – The City's General Fund Balance decreased by \$657,648 in 2018 which is \$794,289 less of a decrease than the final budget projection which reflected a decrease of \$1,451,937. More revenue was received for License/Permits, Intergovernmental revenue, and Service Charges than anticipated. Further, there was a decrease in overall expenditures, with the top most reductions in Public Works, General Government, and Culture/Recreation respectively.

Special Revenue Fund – The Community Investment Fund Balance increased by \$226,034 in 2018. The increase was mainly due to lump sum proceeds of special assessments received from forfeited property sales.

Debt Service Funds – The Special Assessments Bond Debt Service Fund Balance increased by \$200,232 in 2018. Most of this increase was attributable to transfers from finalized street project funds. Rice Hospital Debt Service Funds are now being reported under Primary Government and no longer shown as a component unit.

Special Revenue Fund – The Industrial Development Fund Balance decreased by \$6,258 in 2018. The decrease was due to a decrease in market values.

Capital Projects Fund – The Street, Water/Sewer Capital Projects Fund Balance decreased by \$392,735 in 2018. The fund decrease was mostly due to transfers to associated Special Assessments Bond Debt Service Funds because street projects have been finalized.

GENERAL FUND BUDGETARY HIGHLIGHTS:

The City approved the 2018 general fund budget anticipating expenditures would exceed revenues by \$1,451,937. There was no difference between the original and final budget totals, however, there were budget adjustments throughout the year transferring revenues and costs from one area to another.

At the end of the year, revenues exceeded the final budget by \$217,564 and expenditures were less than the final budget by \$316,710. Transfers in were less than the final budget by \$531,980 and transfers out were less than the final budget by \$791,995. The most significant positive variance for revenues occurred in Licenses and Permits and Intergovernmental Revenue. Positive variances in expenditures were reflected in General Government, Public Safety, Public Works, and Culture/Recreation.

**CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018**

Capital Assets

At the end of 2018, the Primary Government of the City of Willmar had over \$223,000,000 (net of accumulated depreciation) invested in a broad range of capital assets. In addition, the Component Unit had over \$33,800,000 (net of accumulated depreciation) invested in capital assets. Refer to Note 3.A.2 of the Notes to the Financial Statements for a schedule showing the City's capital asset activity.

Primary Government

**Table 5
Capital Assets**

	Government Activities		Business-Type Activities	
	2018	2017	2018	2017
Land and improvements	\$ 13,200,931 *	\$ 8,585,806	\$ 2,005,122	\$ 2,005,122
Buildings	117,153,089 *	14,126,226	63,740,458	63,705,752
Furniture and equipment	3,646,458	3,484,594	434,173	434,173
Machinery and auto	10,494,926	9,672,141	6,606,882	6,606,882
Other improvements	141,435,688	128,923,694	27,921,332	27,882,552
Construction in progress	5,840,749	11,927,886	2,466,241	747,952
Less: Depreciation	<u>(151,239,889) *</u>	<u>(81,883,482)</u>	<u>(19,924,338)</u>	<u>(17,779,879)</u>
	<u>\$ 140,531,952 *</u>	<u>\$ 94,836,865</u>	<u>\$ 83,249,870</u>	<u>\$ 83,602,554</u>

* Includes Addition of Rice Memorial Hospital Assets totaling a Net of \$42,361,921.

Component Unit

**Table 6
Capital Assets**

	Willmar Municipal Utilities	
	2018	2017
Land	\$ 1,385,906	\$ 1,385,906
Buildings	3,932,564	3,910,460
Furniture and equipment	80,633,800	80,383,366
Machinery and auto	-	-
Other improvements	-	-
Utility Plant in Service	-	-
Construction in progress	4,034,908	773,582
Less: Depreciation	<u>(56,114,082)</u>	<u>(55,172,444)</u>
	<u>\$ 33,873,096</u>	<u>\$ 31,280,870</u>

**CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018**

Long-Term Debt

At year-end, the City of Willmar's Primary Government had over \$120,000,000 in bonds outstanding and its Component Unit had over \$4,800,000 in bonds outstanding. Refer to Note 3.C.2 of the Notes to the Financial Statements for a schedule showing the City's long-term debt activity.

Primary Government

Table 7

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Governmental Activities			
G.O. Special Assessment Bonds	\$ 10,572,000	\$ 9,348,000	\$ 1,224,000
G.O. Bonds	\$ 2,780,000	\$ -	2,780,000
G.O. Revenue Bonds	32,295,000 *	520,000	31,775,000
Revenue Bonds	7,332,100 *	-	7,332,100
Note Payable - TIF	497,491	594,304	(96,813)
	<u>\$ 53,476,591</u>	<u>\$ 10,462,304</u>	<u>\$ 43,014,287</u>
Business-Type Activities			
G.O. Revenue Bonds	\$ 120,000	\$ 235,000	\$ (115,000)
G.O. Revenue Notes	66,510,358	68,075,664	(1,565,306)
	<u>\$ 66,630,358</u>	<u>\$ 68,310,664</u>	<u>\$ (1,680,306)</u>

* 2018 Includes Addition of Rice Hospital Debt of \$31,940,000 in G.O. Revenue Bonds plus \$7,332,100 in Revenue Bonds

Component Unit

Table 8

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Willmar Municipal Utilities			
Municipal Utility Revenue Bond 2009	\$ 4,825,000	\$ 5,400,000	\$ (575,000)
	<u>\$ 4,825,000</u>	<u>\$ 5,400,000</u>	<u>\$ (575,000)</u>

**CITY OF WILLMAR, MINNESOTA
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2018**

Economic Factors and Next Year's Budget

In the City adopted budget for 2019, expenditures were forecast to exceed revenue by approximately \$2,130,160, of which the General Fund expenditures were forecast to exceed revenue by approximately \$1,449,080. The major difference again is the use of excess fund balances in the General Fund.

Contacting the City's Financial Management

This financial report is designated to provide our residents, customers, and creditors with a general overview of the City of Willmar's finances and to show the City's accountability for the money it receives. If you have any questions about this report or need additional information, contact the City of Willmar, 333 6th St SW, Willmar, MN 56201 or by phone at (320) 235-4913.

**NOTES TO FINANCIAL
STATEMENTS**

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Willmar's financial statements are prepared in accordance with generally accepted accounting principles (GAAP) as of and for the year ended December 31, 2018. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (statements and interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

The City of Willmar was established in 1901 and is governed under a charter. The governing body consists of an eight member council, and mayor elected by eligible voters of the City. Four members are elected every two years for a four year term. The Mayor's office is for four years. The accompanying financial statements present the City's primary government and component units over which the City exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the City (as distinct from legal relationships).

1. Component Unit

a. Discretely presented component units

The component unit columns in the government-wide financial statements includes the financial data of the City's other component units. The units are reported in separate columns to emphasize that they are legally separate from the City but are included because the primary government is financially accountable and is able to impose its will on the organizations.

Willmar Municipal Utilities

The Willmar Municipal Utilities (WMU) is responsible for the operation and management of the electric, water and district heating systems of the City of Willmar. WMU is governed by the Municipal Utilities Commission which is appointed by the Willmar City Council. The City also has the power to overrule any decision, motion, resolution, rule, regulation, or order of the board and the legal liability for the general obligation portion of any debt remains with the City. The rates for user charges and bond issuance authorizations are approved by the City Council. Complete financial statements for Willmar Municipal Utilities may be obtained at 700 Litchfield Avenue SW, Willmar, MN 56201.

b. Excluded: Firefighters Association

This association is organized as a non-profit organization by its members to provide pension and other benefits to such members in accordance with Minnesota Statutes. Their board of directors is appointed by the membership of the organization. All funding is conducted in accordance with Minnesota Statutes whereby State Aids flow to the association, tax levies are determined by the association and are only reviewed by the City, and the association pays benefits directly to its members.

B. Basic Financial Statements

1. Government-Wide Statements

The government-wide financial statements (the statement of net position and the statement of activities) display information about the primary government and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external parties for support.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

1. Government-Wide Statements (continued)

In the government-wide statement of net position, both the governmental and business-type activities columns: (a) are presented on a consolidated basis by column; and (b) are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net position is reported in three parts: (1) invested in capital assets, net of related debt; (2) restricted net position; and (3) unrestricted net position.

The statement of activities demonstrates the degree to which the direct expenses of each function of the City's governmental activities and its business-type activities are offset by program revenues. Direct expenses are those clearly identifiable with a specific function or activity. Program revenues include: (1) fees, fines, and charges paid by the recipients of goods, services, or privileges provided by a given function or activity; and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function or activity. Revenues not classified as program revenues, including all taxes, are presented as general revenues.

2. Fund Financial Statements

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements.

The fund financial statements provide information about the City's funds. Separate statements for each fund category-governmental, proprietary and fiduciary-are presented. The emphasis of governmental and proprietary fund financial statements is on major individual governmental and enterprise funds, with each displayed in a separate column in the fund financial statements. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

a. Governmental Funds

The City reports the following major governmental funds:

General Fund

The General Fund is the primary operating fund of the City and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Special Revenue Fund – Community Investment

This fund is used to account for surplus money in each separate improvement fund and in the improvement bond redemption fund which remain after the costs of each improvement have been fully funded.

Debt Service Funds

This fund accounts for the accumulation of financial resources for the payment of principal and interest on the City's general obligation special assessment bonds and Rice Hospital G.O. Revenue and Revenue Bonds.

Capital Project Fund – Street, Water and Sewer

This fund is used to account for capital acquisition, construction and improvement projects related to streets, water and sewer.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

b. Enterprise Funds

The City reports the following major enterprise fund:

Waste Treatment Fund

This fund is used to account for activities related to providing sewer services to the public.

c. Internal Service Fund

This fund is used to account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis.

d. Agency Funds

Financial statements of agency funds, which are used to account for assets held by the City as an agent for individuals, private organizations, other governments, and/or other funds, are reported using the economic resources measurement focus and the accrual basis of accounting. Agency funds' assets, liabilities, and net assets are included in the fiduciary statement of net assets.

C. Measurement Focus and Basis of Accounting

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. The City considers all revenues as available if collected within 60 days after the end of the current period, except for reimbursement (expenditure driven) grants for which the period is 90 days. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent that they have matured. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales taxes, hotel-motel taxes, licenses and permits, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the City.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

C. Measurement Focus and Basis of Accounting (continued)

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. *Operating* revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing business operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. *Operating* expenses for the City's enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

1. Cash and Cash Equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Additionally, each fund's equity in the City's investment pool is treated as a cash equivalent because the City can deposit or effectively withdraw cash at any time without prior notice or penalty.

2. Deposits and Investments

The cash balances of substantially all funds are pooled and invested by the City in certificates of deposit and other authorized investments. Earnings on cash accounts are allocated to individual funds based upon an average of month-end balances.

Investments are stated at fair value based on quoted market prices at the reporting date.

3. Receivables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds". Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectibles.

Property taxes are levied by the City Council in December of each year and are certified to Kandiyohi County for collection in the following year. The property taxes attach an enforceable lien on taxable property within the City on January 1 and are payable by the property owners in two installments in May and October. The County collects the taxes and periodically remits them to the City. The majority of these remittances are made in June and November.

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

3. Receivables (continued)

Taxes that are not received by the end of the year are classified as delinquent taxes receivable. Delinquent taxes receivable are offset by a deferred inflow of resources in the governmental funds of the fund financial statements because they are not available to finance current expenditures.

Assessments are levied at various times upon City Council resolution for property owner improvements made by the City. Generally, assessment collections are deferred over periods ranging from one to ten years. Revenue from these assessments is recognized when assessed in the government-wide financial statements and as the annual installments become collectible in the governmental funds of the fund financial statements. Annual installments not collected as of each December 31 are classified as delinquent assessments receivable. Delinquent assessments receivable are offset by a deferred inflow of resources in the governmental funds of the fund financial statements because they are not available to finance current expenditures.

4. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid items in both government-wide and fund financial statements.

5. Capital Assets

Capital assets include property, plant, equipment, and infrastructure assets (such as roads, bridges, sidewalks, and similar items), and are reported in the applicable governmental or business-type activities column in the government-wide financial statements and in the proprietary funds. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. During the current period, the City did not have any capitalized interest.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	25 - 50
Building improvements	25 - 50
Infrastructure	10 - 20
Furniture, equipment, and vehicles	3 - 20

6. Compensated Absences

It is the City's policy to permit employees to accumulate earned vacation and sick pay benefits. The liability for compensated absences is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the government funds only if they have matured. The City typically liquidates the liability for compensated absences to the fund where employees' salaries were originally charged.

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

7. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and fund financial statements will sometimes report a separate section for deferred outflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The City of Willmar has two items that qualify for reporting in this category – a deferred outflow relating to pension activity, reported in government-wide statement of net position and proprietary statement of net position. A deferred outflow relating to pension activity results from the net effect of the change in proportionate share and employer contributions. The other deferred outflow relates to bond interest refunding.

In addition to liabilities, the statement of financial position and fund financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City of Willmar has one item that qualifies for reporting in this category under full accrual basis of accounting. Accordingly, the item, deferred inflow is reported in the government-wide statement of financial position and proprietary statement of net position. A deferred inflow relating to pension activity is a result of the net difference between projected and actual earning on plan investments. The City of Willmar also has one item that qualifies for reporting in this category under modified accrual basis of accounting. Accordingly, the item, unavailable revenue is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from the following sources; taxes, special assessments and notes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

8. Long-Term Obligations

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

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

9. Pensions

For purposes of measuring the net pension liability or asset, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA except that PERA's fiscal year end is June 30. For this purpose, plan contributions are recognized as of employer payroll paid dates and benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

10. Postemployment Benefits Other Than Pensions

Under Minnesota statute 471.61, subdivision 2b., public employers must allow retirees and their dependents to continue coverage indefinitely in an employer-sponsored health care plan, under the following conditions: 1) Retirees must be receiving (or eligible to receive) an annuity from a Minnesota public pension plan, 2) Coverage must continue in group plan until age 65, and retirees must pay no more than the group premium, and 3) Retirees

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

10. Postemployment Benefits Other Than Pensions (continued)

may obtain dependent coverage immediately before retirement. All premiums are funded on a pay-as-you-go basis. The liability was actuarially determined, in accordance with GASB Statement 75, at January 1, 2018. For the most part, the General fund is typically used to liquidate governmental OPEB liabilities.

11. Net Position/Fund Balances

The government-wide and business-type activities fund financial statements use a net position presentation. Net position is categorized as net investment in capital assets (net of related debt), restricted and unrestricted:

Net Investment in Capital Assets - This category includes all capital assets, net of accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets.

Restricted net position - This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position – This category represents net position of the City, not restricted for any project or other purpose.

In the governmental fund financial statements, fund balance is divided into five classifications based primarily on the extent to which the City is bound to observe constraints imposed upon the use of resources reported in governmental funds. These classifications are as follows:

Nonspendable – Consists of amounts that cannot be spent because they are either not in spendable form or are legally or contractually required to be maintained intact, such as, inventories and prepaid items.

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

Committed – Consists of amounts that are constrained for specific purposes that are internally imposed by formal action of the City Council. Those committed amounts cannot be used for any other purpose unless the Council removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

Assigned – Consists of amounts intended for specific purposes set by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to the City's fund balance policy, the City Administrator is authorized to establish assignments of fund balance.

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

The City of Willmar uses unrestricted amounts to be spent first when both restricted and unrestricted fund balance is available. Additionally, the City would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balances when expenditures are made.

12. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

12. Use of Estimates (continued)

assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgets

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds and special revenue funds except some capital projects funds, which adopt project-length budgets. All annual appropriations except those for capital outlay lapse at fiscal year-end.

On or before the first Tuesday in August of each year, all agencies of the government submit request for appropriations to the Mayor so that a budget may be prepared. In September, the proposed budget is presented to the City's council for review. The council holds public hearings and a final budget must be prepared and adopted no later than December 31.

The appropriated budget is prepared by fund, function and department. The government's City Administrator may make transfers of appropriations within a department. Transfers of appropriations between departments require the approval of the governing council. The legal level of budgetary control is the department level. All supplemental budgetary appropriations in all funds were approved by the City Council.

B. Deficit Fund Balances

There were no funds with a deficit fund balance as of December 31, 2018.

NOTE 3 DETAILED NOTES ON ALL FUNDS

A. Assets

1. Deposits and Investments

Cash and cash equivalents		\$ 21,569,465
Investments		68,663,067
		<u>\$ 90,232,532</u>
Primary Government		
Cash and cash equivalents		\$ 8,828,879
Investments		46,406,222
Temporarily Restricted Cash		86,220
		<u>\$ 55,321,321</u>
Discretely Presented Component Unit		
Willmar Municipal Utilities:		
Cash and cash equivalents		\$ 12,654,366
Investments		20,689,817
Restricted investments		1,567,028
		<u>\$ 34,911,211</u>
Total		<u>\$ 90,232,532</u>

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

1. Deposits and Investments (continued)

a. Deposits

Minn. Stat. §118A.02 and §118A.04 authorize the City to designate a depository for public funds and to invest in certificates of deposit. Minn. Stat. § 118A.03 requires that all City deposits be protected by insurance, surety bond, or collateral. The market value of collateral pledged shall be at least ten percent more than the amount on deposit plus accrued interest at the close of the financial institution's banking day, not covered by insurance or bonds.

Authorized collateral includes treasury bills, notes, and bonds; issues of U.S. government agencies; general obligations rated "A" or better, and revenue obligations rated "AA" or better; irrevocable standby letters of credit issued by the Federal Home Loan Bank; and certificates of deposit. Minnesota statutes require that securities pledged as collateral be held in safekeeping in a restricted account at the Federal Reserve Bank or in an account at a trust department of a commercial bank or other financial institution that is not owned or controlled by the financial institution furnishing the collateral.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. It is the City's policy that collateral or bonds will be required for all uninsured amounts on deposit and the additional insurance will be documented to show compliance with state law and a perfected security interest under federal law. As of December 31, 2018, the City's deposits were entirely covered by federal depository insurance or by collateral held by the City or its agent in the City's name.

b. Investments

Minn. Stat. §118A.04 and §118A.05 generally authorize the following types of investments as available to the City:

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

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Interest Rate Risk

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of an investment. It is the City's policy to minimize its exposure to interest rate risk by investing in both shorter and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time, taking into account the City's investment risk constraints, cash flow characteristics of the portfolio, and prudent investment principles.

	Fair Value	Investment Maturities in Years		
		Less than 1	1-5 Years	6-10 Years
Certificates of Deposit	\$ 2,916,111	\$ 1,420,201	\$ 1,043,733	\$ 452,177
Farmer Mac	1,867,066	-	-	1,867,066
Federal Farm Credit Banks	4,830,760	-	3,896,540	934,220
Federal Home Loan Banks	18,531,802	-	973,852	17,557,950
Federal Home Loan Mortgage Corporation	8,181,395	-	996,300	7,185,095
Federal National Mortgage Association	5,055,362	-	980,640	4,074,722
Money Market	5,023,723	5,023,723	-	-
	<u>\$ 46,406,219</u>	<u>\$ 6,443,924</u>	<u>\$ 7,891,065</u>	<u>\$ 32,071,230</u>

Credit Risk

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

	Rating
Commerical Paper	A1/P1 and A1+/P1
US Government Securities	AAA
Mutual/Bond Funds	Not Rated

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities in the possession of an outside party. The City's policy is that brokers may hold City investments only to the extent that there is SIPC and excess SIPC coverage available.

The issuers and amounts that exceed five percent of the City's investments are as follows:

Issuer	Amount	Percent
Bremer Bank	\$ 5,023,723	11%
Morgan Stanley Smith Barney	\$ 7,665,283	17%
Multi-Bank Securities	\$ 9,005,290	19%
United Bank Services	\$ 8,948,826	19%
Wells Fargo	\$ 7,634,272	16%
Wells Fargo Advisors	\$ 8,128,825	18%

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

Concentration of Credit Risk

The concentration of credit risk is the risk of loss that may be caused by the City's investment in a single issuer. The City's investment policy dictates that it will diversify its investments by security type and by institution. The security types and amounts that exceed five percent of the City's total investments are as follows:

<u>Security Type</u>	<u>Amount</u>	<u>Percent</u>
Certificates of Deposit	\$ 2,916,111	6%
Federal Farm Credit Banks	\$ 4,830,760	10%
Federal Home Loan Banks	\$ 18,531,802	40%
Federal Home Loan Mortgage Corporation	\$ 8,181,395	18%
Federal National Mortgage Association	\$ 5,055,362	11%
Money Market	\$ 5,023,723	11%

Fair Value Measurements

Accounting guidance provides a framework for measuring fair value of certain assets and liabilities and requires certain disclosures about fair value measurements. As defined in GASB Statement No. 72, *Fair Value Measurement and Application* (GASB No. 72), fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB No. 72 establishes a fair value hierarchy that prioritizes the inputs used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy defined by GASB No. 72 and description of the valuation methodologies used for instruments measured at fair value are as follows:

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities as of the reporting date.

Level 2: Pricing inputs are other than quoted prices included in Level 1 that are observable for an asset or liability, either directly or indirectly.

Level 3: Pricing inputs include those that are significant to the fair value measurement of the financial asset or liability and are not observable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value.

The City's assets and liability measured at fair value on a recurring basis are limited to investments. The fair values of the City's investments in mutual funds, corporate debt and notes, government and agency obligations and equity securities included in Level 1 were determined through unadjusted, quoted prices in active markets. The fair values of the Level 2 investments are recorded based on securities with similar characteristics in active markets. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could materially affect the City's investments and the amounts reported in the statements of revenues, expenses and changes in net position.

These methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of the future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

The following table sets forth, by level within the fair value hierarchy, the City's financial assets measured at fair value on a recurring basis at December 31, 2018:

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

Fair Value Measurements (continued)

	Fair Value	Fair Value Measurements at Reporting Date Using:		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Financial Assets:				
Certificates of Deposit	\$ 2,916,111	\$ -	\$ 2,916,111	\$ -
Farmer Mac	1,867,066	1,867,066	-	-
Federal Farm Credit Banks	4,830,760	4,830,760	-	-
Federal Home Loan Banks	18,531,802	18,531,802	-	-
Federal Home Loan Mortgage Corporation	8,181,395	8,181,395	-	-
Federal National Mortgage Association	5,055,362	5,055,362	-	-
Money Market	5,023,723	-	5,023,723	-
	<u>\$ 46,406,219</u>	<u>\$ 38,466,385</u>	<u>\$ 7,939,834</u>	<u>\$ -</u>

The financial assets disclosed in the fair value hierarchy above are reported in investments and restricted investments on the statement of net position.

2. Capital Assets

Capital asset activity for the year ended December 31, 2018, included the addition of Rice Memorial Hospital Assets which appears separately below:

Governmental Activities

	Balance January 1, 2018	Additions	Deletions	Balance December 31, 2018
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 8,585,806	\$ 2,917,830 *	\$ -	\$ 11,503,636
Construction in progress	11,927,886	6,023,351	12,110,488	5,840,749
Total	<u>20,513,692</u>	<u>8,941,181</u>	<u>12,110,488</u>	<u>17,344,385</u>
Capital assets being depreciated				
Land Improvements	\$ -	\$ 1,697,295 *	\$ -	\$ 1,697,295
Buildings and structures	14,126,226	103,026,863 *	-	117,153,089
Furniture and equipment	3,484,594	194,118	32,254	3,646,458
Machinery and auto	9,672,141	1,009,285	186,500	10,494,926
Other improvements	128,923,694	12,514,256	2,262	141,435,688
Total	<u>156,206,655</u>	<u>118,441,817</u>	<u>221,016</u>	<u>274,427,456</u>
Less accumulated depreciation for:				
Land Improvements	-	1,499,755 *	-	1,499,755
Buildings	5,221,061	63,043,401 *	-	68,264,462
Furniture and equipment	1,933,753	135,027	22,405	2,046,375
Machinery and equipment	4,503,887	692,396	145,512	5,050,771
Other improvements	70,224,781	4,154,593	848	74,378,526
Total	<u>81,883,482</u>	<u>69,525,172</u>	<u>168,765</u>	<u>151,239,889</u>
Net property and equipment	<u>\$ 94,836,865</u>	<u>\$ 57,857,826</u>	<u>\$ 12,162,739</u>	<u>\$ 140,531,952</u>

* Includes Addition of Rice Memorial Hospital Assets totaling a Net of \$42,361,921. See Table below detailing this amount.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. Capital Assets/Governmental Activities (continued)

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2018</u>
*Rice Memorial Hospital Detail				
Capital assets not being depreciated				
Land Transferred 01/01/2018	\$ -	\$ 2,917,830	\$ -	\$ 2,917,830
Land Activity 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>2,917,830</u>	<u>-</u>	<u>2,917,830</u>
Capital assets being depreciated				
Land Improvements Transferred 01/01/18	-	1,697,296	-	1,697,296
Land Improvements Activity 2018	-	-	-	-
Buildings Transferred 01/01/2018	-	1,019,723,387	-	1,019,723,387
Buildings Activity 2018	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>-</u>	<u>1,036,669,683</u>	<u>-</u>	<u>1,036,669,683</u>
Less accumulated depreciation for:				
Land Improvements Transferred 01/01/2018	-	1,456,369	-	1,456,369
Land Improvements Activity 2018	-	43,386	-	43,386
Buildings Transferred 01/01/2018	-	59,220,794	-	59,220,794
Buildings Activity 2018	<u>-</u>	<u>3,505,043</u>	<u>-</u>	<u>3,505,043</u>
Total	<u>-</u>	<u>64,225,592</u>	<u>-</u>	<u>64,225,592</u>
Net property and equipment	<u>\$ -</u>	<u>\$ 42,361,921</u>	<u>\$ -</u>	<u>\$ 42,361,921</u>

Business-Type Activities

	<u>Balance January 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance December 31, 2018</u>
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 2,005,122	\$ -	\$ -	\$ 2,005,122
Construction in progress	<u>747,952</u>	<u>1,718,289</u>	<u>-</u>	<u>2,466,241</u>
Total	<u>2,753,074</u>	<u>1,718,289</u>	<u>-</u>	<u>4,471,363</u>
Capital assets being depreciated				
Buildings and structures	63,705,752	34,705	-	63,740,457
Furniture and equipment	434,173	-	-	434,173
Machinery and auto	6,606,882	-	-	6,606,882
Other improvements	<u>27,882,552</u>	<u>38,780</u>	<u>-</u>	<u>27,921,332</u>
Total	<u>98,629,359</u>	<u>73,485</u>	<u>-</u>	<u>98,702,844</u>
Less accumulated depreciation for:				
Buildings	10,841,676	1,254,772	-	12,096,448
Furniture and equipment	317,763	16,618	-	334,381
Machinery and auto	2,424,534	324,879	-	2,749,413
Other improvements	<u>4,195,906</u>	<u>548,189</u>	<u>-</u>	<u>4,744,095</u>
Total	<u>17,779,879</u>	<u>2,144,458</u>	<u>-</u>	<u>19,924,337</u>
Net property and equipment	<u>\$ 83,602,554</u>	<u>\$ (352,684)</u>	<u>\$ -</u>	<u>\$ 83,249,870</u>

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

2. Capital Assets (continued)

Component Unit

	Willmar Municipal Utilities	
	2018	2017
Land	\$ 1,385,906	\$ 1,385,906
Buildings	3,932,564	3,910,460
Furniture and equipment	80,633,800	80,383,366
Machinery and auto	-	-
Other improvements	-	-
Utility Plant in Service	-	-
Construction in progress	4,034,908	773,582
Less: Depreciation	(56,114,082)	(55,172,444)
	\$ 33,873,096	\$ 31,280,870

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities		
General Government	\$	62,069
Public Safety		296,700
Public Works		4,641,897
Health/Welfare		3,548,429
Culture/Recreation		298,914
Total Depreciation Expense - Governmental Activities		\$ 8,848,009
Business-Type Activities		
Waste treatment		\$ 2,144,458
Total Depreciation Expense - Business-Type Activities		\$ 2,144,458

Construction Commitments

The City has active construction projects as of December 31, 2018. The projects include street improvements, airport turf runway improvements, and wastewater treatment improvements and storm water upgrades. At year end the City's commitments with contractors were as follows:

Construction Projects	Remaining Commitment
Street Projects	\$ 5,840,749
Waste Treatment Plant	2,466,241
Total	\$ 8,306,990

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

B. Interfund Receivables, Payables and Transfers

1. Due from/Due to

<u>Receivable fund</u>	<u>Payable fund</u>	<u>Amount</u>
General Fund	NonMajor Debt Service - Misc Tax Increment	\$ 4,887
Nonmajor Special Revenue - CVB	Fiduciary Fund - Governor's Fishing Opener	\$ 67,680
Debt Service - Special Assessment Bonds	Special Revenue - Community Investment	\$ 84,131
Debt Service - Special Assessment Bonds	Capital Projects - Street, Water, Sewer	\$ 594,702
Nonmajor Debt Service	NonMajor Capital Project Fund	\$ 38,670
Capital Projects - Street, Water, Sewer	NonMajor Capital Project Fund	\$ 142,891
Capital Projects - Capital Improvements	NonMajor Capital Project Fund	\$ 47,918
Capital Projects - Capital Improvements	Internal Services Fund - Office Services	\$ 174,681
Nonmajor Special Revenue - Fire Dept Expl	Fiduciary Fund - Donation Fund	\$ 500
		<u>\$ 1,156,060</u>

2. Transfers

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

<u>Funds transferred to</u>		<u>Funds transferred from</u>	
General Fund	\$ 320,607	Nonmajor Special Revenue	\$ 9,850
		Enterprise Fund Waste Treatment	300,000
		Nonmajor Debt Service	10,757
			<u>320,607</u>
Special Revenue - Community Investm.	468,000	Nonmajor Special Revenue Fund	468,000
			<u>468,000</u>
Nonmajor Special Revenue Funds	803,747	General Fund	286,067
		Enterprise Fund - Waste Treatment	450,000
		Fiduciary Fund - Governor's Fishing Op.	67,680
			<u>803,747</u>
Special Assessments Bonds	1,276,710	Special Revenue - Community Investment	675,768
		Capital Projects - Street, Water, Sewer	600,942
			<u>1,276,710</u>
Nonmajor Debt Service Fund	195,320	Nonmajor Special Revenue Fund	195,320
Capital Projects - Street, Water, Sewer	651,143	Special Assessments Bonds	1,143
		Nonmajor Special Revenue	650,000
			<u>651,143</u>
Nonmajor Capital Projects	2,057,263	General Fund	1,847,332
		Nonmajor Special Revenue Fund	35,250
		Internal Services Fund	174,681
			<u>2,057,263</u>
Total	<u>\$ 5,772,790</u>	Total	<u>\$ 5,772,790</u>

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

C. Liabilities

1. Deferred Inflows of Resources

Deferred Inflows of Resources consists of taxes and special assessments receivable that are not collected soon enough after year-end to pay liabilities of the current period and prepayments that have been received but not earned.

Deferred Inflows of Resources

Unavailable Taxes	\$ 108,994
Unavailable Special Assessments	3,467,875
Unavailable Notes Receivable	473,311
Unavailable Interfund Loans	69,848
Unavailable Intergovernmental Revenue	62,896
	<u>\$ 4,182,924</u>

2. Long-Term Debt

Primary Government

Please note that the remainder of this page is intentionally left blank with the long-term debt obligations outstanding at year end summarized on the following page:

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

**C. Liabilities (continued)
2. Long-Term Debt (continued)
Primary Government (continued)**

Obligations Outstanding at the end of the Year

<u>Governmental Activities</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Date Matures</u>	<u>Original Issue</u>	<u>Outstanding at 12/31/2018</u>
<u>G.O. Special Assessments</u>					
2008 Improvement Bond	3.00-4.00	2008	2019	\$ 1,530,000	\$ 150,000
2010 Improvement Bond	2.00-3.00	2010	2021	1,785,000	525,000
2011 Improvement Bond	.60-2.85	2011	2022	1,825,000	720,000
2012B Improvement Bond	2.00-2.25	2012	2023	1,460,000	655,000
2013A Improvement Bond	2.00-3.00	2013	2024	1,910,000	1,140,000
2014B Improvement Bond	2.17	2014	2025	1,000,000	722,000
2015A Improvement Bond	2.625	2015	2026	1,400,000	1,162,000
2016A Improvement Bond	2.50	2016	2027	1,600,000	1,468,000
2017A Improvement Bond	3.25	2017	2028	1,100,000	1,100,000
2018B Improvement Bond	2.75-3.00	2018	2029	<u>2,930,000</u>	<u>2,930,000</u>
Total Special Assessment Bonds				<u>16,540,000</u>	<u>10,572,000</u>
<u>G.O. Bonds</u>					
2018A Bond	2.75-3.50	2018	2038	<u>2,780,000</u>	<u>2,780,000</u>
Total G.O. Bonds				<u>2,780,000</u>	<u>2,780,000</u>
<u>G.O. Revenue Bonds</u>					
2004C Airport Bond	2.00-4.05	2004	2020	2,100,000	355,000
2012A Hospital Bond	2.00-4.00	2012	2032	<u>40,910,000</u>	<u>31,940,000</u>
Total G.O. Revenue Bonds				<u>43,010,000</u>	<u>32,295,000</u>
<u>Revenue Bonds</u>					
2013B Hospital Care Center	3.65-15.00	2013	2034	<u>9,100,000</u>	<u>7,332,100</u>
Total Revenue Bonds				<u>9,100,000</u>	<u>7,332,100</u>
<u>Tax Increment Financing Notes</u>					
2015 Jennie-O Turkey Store		2015		<u>594,304</u>	<u>497,491</u>
Total Tax Increment Financing Notes				<u>594,304</u>	<u>497,491</u>
Total Governmental Activities				<u>\$ 72,024,304</u>	<u>\$ 53,476,591</u>

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

**C. Liabilities (continued)
2. Long-Term Debt (continued)**

Obligations Outstanding at the end of the Year

<u>Primary Government (Con't)</u>	<u>Interest Rates</u>	<u>Date Issued</u>	<u>Date Matures</u>	<u>Original Issue</u>	<u>Outstanding at 12/31/2018</u>
Total Governmental Activities (Carried Forward)				\$ 72,024,304	\$ 53,476,591
Business-Type Activities					
<u>G.O. Revenue Notes and Bonds</u>					
2008 Waste Treatment Note	3.275	2008	2028	\$ 42,001,362	\$ 29,876,000
2008 Waste Treatment Note	0	2008	2030	7,000,000	7,000,000
2009 Waste Treatment Note	2.457	2009	2029	1,711,867	1,041,151
2009 Waste Treatment Note	3.44	2009	2038	27,663,530	22,321,000
2013 Waste Treatment Note	1.124	2013	2042	1,582,219	1,545,000
2014 Waste Treatment Note	1.00	2014	2034	2,835,054	2,533,000
2016 Waste Treatment Note	1.035	2016	2036	1,046,528 *	921,052
2018 Waste Treatment Note	1.119	2018	2038	1,558,505 ^	1,273,155
Total G.O. Revenue Notes				<u>85,399,065</u>	<u>66,510,358</u>
2004 Waste Treatment Bond	1.45-4.15	2004	2019	<u>1,410,000</u>	<u>120,000</u>
Total G.O. Revenue Notes and Bonds				<u>86,809,065</u>	<u>66,630,358</u>
Total Business-Type Activities				\$ 86,809,065	\$ 66,630,358
Total Primary Government				\$ 158,833,369	\$ 120,106,949
* Includes Undrawn Proceeds of \$56,948. Loan not finalized as of 12/31/18					
^ Includes Undrawn Proceeds of \$285,349. Loan not finalized as of 12/31/18					
Component Unit					
Municipal Utilities					
<u>Revenue Bonds</u>					
2009 Utility Revenue Bond	3.50-5.00	2009	2025	\$ 8,120,000	\$ 4,825,000
Total Revenue Bonds				<u>8,120,000</u>	<u>4,825,000</u>
Total Municipal Utilities				\$ 8,120,000	\$ 4,825,000

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

C. Liabilities (continued)

3. Long-Term Debt Maturities

Long-Term Debt maturities are as follows:

Governmental Activities

<u>Year</u>	<u>G. O. Special Assessment Bonds</u>		<u>G. O. Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,309,000	\$ 283,671	\$ -	\$ 98,237
2020	1,419,000	237,853	110,000	86,543
2021	1,446,000	198,855	115,000	83,167
2022	1,295,000	161,377	115,000	79,717
2023	1,079,000	128,799	120,000	76,192
2024-2028	3,694,000	272,908	660,000	324,123
2029-2033	330,000	4,950	760,000	217,654
2034-2038	-	-	900,000	79,907
Total	<u>\$ 10,572,000</u>	<u>\$ 1,288,413</u>	<u>\$ 2,780,000</u>	<u>\$ 1,045,540</u>

<u>Year</u>	<u>G. O. Revenue Bonds</u>		<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 1,855,000	\$ 1,329,665	\$ 483,200	\$ 254,394
2020	1,945,000	1,236,395	500,900	236,273
2021	1,855,000	1,142,250	472,400	395,584
2022	1,925,000	1,071,813	363,000	369,821
2023	2,000,000	997,750	387,000	344,675
2024-2028	11,615,000	3,367,775	2,284,000	1,536,011
2029-2033	11,100,000	896,300	2,188,700	1,319,351
2034-2038	-	-	652,900	24,484
Total	<u>\$ 32,295,000</u>	<u>\$ 10,041,948</u>	<u>\$ 7,332,100</u>	<u>\$ 4,480,593</u>

Business-Type Activities

<u>Year</u>	<u>G. O. Revenue Notes</u>		<u>G. O. Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,955,505	\$ 1,834,414	\$ 120,000	\$ 2,490
2020	3,108,000	1,752,569	-	-
2021	3,089,000	1,659,175	-	-
2022	3,182,000	1,564,103	-	-
2023	3,302,000	1,466,187	-	-
2024-2028	27,586,000	5,288,973	-	-
2029-2033	14,979,151	2,022,759	-	-
2034-2038	8,347,000	810,698	-	-
2039-2043	304,000	8,576	-	-
Total	<u>\$ 66,852,656</u>	<u>\$ 16,407,454</u>	<u>\$ 120,000</u>	<u>\$ 2,490</u>

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

3. Long-Term Debt Maturities (continued)

Long-Term Debt maturities (continued):

Component Unit - Municipal Utilities

<u>Utility Revenue Bonds</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 600,000	\$ 229,156
2020	625,000	202,156
2021	655,000	174,031
2022	685,000	143,738
2023	720,000	111,200
2024-2028	<u>1,540,000</u>	<u>116,500</u>
Total	<u>\$ 4,825,000</u>	<u>\$ 976,781</u>

4. Changes in Long-Term Liabilities

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>01/01/2018</u>	<u>Increases</u>	<u>Decreases</u>	<u>12/31/2018</u>	<u>One Year</u>
<u>Primary Government</u>					
<u>Governmental Activities</u>					
G.O. Special Assessment Bonds	\$ 9,348,000	\$ 2,930,000	\$ 1,706,000	\$ 10,572,000	\$ 1,309,000
G.O. Bonds	-	2,780,000	-	2,780,000	-
G.O. Revenue Bonds	520,000	33,545,000	1,770,000	32,295,000	1,855,000
Revenue Bonds	-	7,798,400	466,300	7,332,100	483,200
Hospital Bond Premium	-	3,260,401	230,148	3,030,253	230,148
TIF Note Payable-Jennie-O	594,304	-	96,813	497,491	-
Compensated Absences	3,362,884	24,115	20,740	3,366,259	-
Net OPEB Liability	471,187	1,954,005	142,866	2,282,326	-
Net Pension Liability	6,002,100	-	843,903	5,158,197	-
Total Governmental Activities	<u>20,298,475</u>	<u>52,291,921</u>	<u>5,276,770</u>	<u>67,313,626</u>	<u>3,877,348</u>
<u>Business-Type Activities</u>					
G.O. Revenue Notes	68,075,664	1,273,156	2,838,461	66,510,359	2,955,505
G.O. Revenue Bonds	235,000	-	115,000	120,000	120,000
Compensated Absences	219,107	6,829	-	225,936	-
Net Pension Liability	603,554	-	74,104	529,450	-
Total Business-Type Activities	<u>69,133,325</u>	<u>1,279,985</u>	<u>3,027,565</u>	<u>67,385,745</u>	<u>3,075,505</u>
Total Primary Government	<u>\$ 89,431,800</u>	<u>\$ 53,571,906</u>	<u>\$ 8,304,335</u>	<u>\$ 134,699,371</u>	<u>\$ 6,952,853</u>
<u>Component Units</u>					
<u>Municipal Utilities</u>					
Revenue Bonds	\$ 5,400,000	\$ -	\$ 575,000	\$ 4,825,000	\$ 600,000
Bond Discount	(17,517)	2,140	-	(15,377)	-
Compensated Absences	972,306	426,441	459,151	939,596	-
OPEB Liability	216,117	988,188	23,940	1,180,365	-
Net Pension Liability	3,894,200	-	715,431	3,178,769	-
Total Municipal Utilities	<u>10,465,106</u>	<u>1,416,769</u>	<u>1,773,522</u>	<u>10,108,353</u>	<u>600,000</u>
<u>Rice Memorial Hospital</u>					
G.O. Revenue Bonds	33,545,000	-	33,545,000	-	-
Revenue Notes	7,798,400	-	7,798,400	-	-
Capital Lease Payable	1,892,004	-	1,892,004	-	-
Total Rice Memorial Hospital	<u>43,235,404</u>	<u>-</u>	<u>43,235,404</u>	<u>-</u>	<u>-</u>
Total Component Units	<u>\$ 53,700,510</u>	<u>\$ 1,416,769</u>	<u>\$ 45,008,926</u>	<u>\$ 10,108,353</u>	<u>\$ 600,000</u>

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

D. Fund Balance Detail

The following is a detail of Governmental Fund Balances at December 31, 2018:

<u>Fund</u>	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>
General Fund			
Prepays/Deposits	\$ 166,609	\$ -	\$ -
Working Capital	-	-	4,000,000
Year 2019	-	-	1,512,717
Year 2020	-	-	840,664
Retirees Sick Leave Held	-	-	133,948
Self-Insurance	-	-	1,000,000
Petty Cash	-	-	3,650
Current Employees Ins Buy Out	-	-	1,008,006
Current Employees Sick Leave	-	-	1,473,095
Current Employees Vacation	-	-	437,529
Retiree Insurance Buy Out	-	-	447,630
Next Year's Budget	-	-	1,000,000
Current Year Emergency	-	-	1,000,000
Special Revenue Funds			
Industrial Development	-	-	591,457
Industrial Development-CP Airport	-	-	17,110
Industrial Development-P.I.R.	-	-	1,000,000
CVB-Prepays	10,241	-	-
CVB	-	-	315,186
CVB-Petty Cash	-	-	50
Willmar Municipal Airport	241	-	217,287
Library Improvement Reserve	-	-	163,729
Community Investment	-	-	8,629,538
Community Investment-PIR	-	-	750,000
Public Works Reserve	-	-	291,552
Law Enforcement Forfeiture Fund	-	38,351	-
Law Enforcement Explorer Fund	-	8,773	-
Law Enforcement CERT Fund	-	4,051	-
Fire Department Explorer Fund	-	500	-
Debt Service Funds			
Special Assessments Funds	-	7,107,750	-
Rice Memorial Hospital	550,105	6,151,860	-
Nonmajor Airport Debt Service	182,145	-	-
Nonmajor G.O. Bond R22 Refrigerator	-	37,620	-
Capital Projects Funds			
Street Projects	-	-	238,185
Nonmajor Capital Improvements			
Airport	-	-	129,910
G.O. Bond R22 Refrigeration	-	-	1,663,161
Year 2018	-	-	52,789
Fire Department	-	-	321,600
Public Works	-	-	130,000
Auditorium	-	-	100,000
Leisure Services	-	-	385,746
Office Equipment	-	-	174,681
Permanent Funds	30,000	4,739	-
Totals	\$ 939,341	\$ 13,353,644	\$ 28,029,220

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 DEFINED BENEFIT PENSION PLANS

A. Plan Description

The City of Willmar participates in the following cost-sharing multiple-employer defined benefit pension plans administered by the Public Employees Retirement Association of Minnesota (PERA). PERA's defined benefit pension plans are established and administered in accordance with Minnesota Statutes, Chapters 353 and 356. PERA's defined benefit pension plans are tax qualified plans under Section 401(a) of the Internal Revenue Code.

1. General Employees Retirement Fund

All full-time and certain part-time employees of the City of Willmar are covered by the General Employees Plan. General Employees Plan members belong to either the Coordinated Plan. Coordinated Plan members are covered by Social Security.

2. Public Employees Police and Fire Fund

The Police and Fire Plan, originally established for police officers and firefighters not covered by a local relief association, now covers all police officers and firefighters hired since 1980. Effective July 1, 1999, the Police and Fire Plan also covers police officers and firefighters belonging to local relief associations that elected to merge with and transfer assets and administration to PERA.

B. Benefits Provided

PERA provides retirement, disability, and death benefits. Benefits provision are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits, but are not receiving them yet, are bound by the provisions in effect at the time they last terminated their public service.

1. General Employees Plan Benefits

General Employees Plan benefits are based on a member's highest average salary for any five successive years of allowable service, age, and years of credit at termination of service. Two methods are used to compute benefits for PERA's Coordinated and Basic Plan members. Members hired prior to July 1, 1989, receive the higher of Method 1 or Method 2 formulas. Only Method 2 is used for members hired after June 30, 1989. Under Method 1, the accrual rate for Coordinated members is 1.2% of average salary for each of the first 10 years of service and 1.7% of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7% of average salary for all years of service. For members hired prior to July 1, 1989, a full annuity is available when age plus years of service equal 90 and normal retirement age is 65. For members hired on or after July 1, 1989, normal retirement age is the age for unreduced Social Security benefits capped at 66.

Benefit increases are provided to benefit recipients each January. Increases are related to the funding ratio of the plan. If the General Employees Plan is at least 90% funded for two consecutive years, benefit recipients are given a 2.5% increase. If the plan has not exceeded 90% funded, or have fallen below 80%, benefit recipients are given a one percent increase. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30, will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30, will receive a pro rata increase.

2. Police and Fire Plan Benefits

Benefits for Police and Fire Plan members first hired after June 30, 2010, but before July 1, 2014, vest on a prorated basis from 50% after five years up to 100% after ten years of credited service. Benefits for Police and Fire Plan members first hired after June 30, 2014, vest on a prorated basis from 50% after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3% of average salary for each year of service. A full, unreduced pension is earned when members are age 55 and vested, or for members who were first hired prior to July 1, 1989, when age plus years of service equal at least 90.

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

Benefit increases are provided to benefit recipients each January. Police and Fire Plan benefit recipients receive a future annual 1% increase. An annual adjustment will equal 2.50% any time the plan exceeds a 90% funded ratio for two consecutive years. If the adjustment is increased to 2.50% and the funded ratio falls below 80% for one year or 85% for two consecutive years, the post-retirement benefit increase will be lowered to one percent. A benefit recipient who has been receiving a benefit for at least 12 full months as of June 30 will receive a full increase. Members receiving benefits for at least one month but less than 12 full months as of June 30 will receive a pro rata increase. For retirements after May 31, 2014, the first increase will be delayed two years.

C. Contributions

Minnesota Statutes Chapter 353 sets the rates for employer and employee contributions. Contribution rates can only be modified by the state legislature.

1. General Employees Fund Contributions

Coordinated Plan members were required to contribute 6.50%, of their annual covered salary in calendar year 2018. The City of Willmar was required to contribute 7.50% for Coordinated Plan members. The City of Willmar's contributions to the General Employees Fund for the year ended December 31, 2018, were \$293,842. The City of Willmar's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Plan members were required to contribute 10.80% of their annual covered salary in calendar year 2018. The City of Willmar was required to contribute 16.20% of pay for members in fiscal year 2018. The City of Willmar's contributions to the Police and Fire Fund for the year ended December 31, 2018, were \$415,490. The City of Willmar's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Cost

At December 31, 2018, the City of Willmar reported a liability of \$3,145,484 for its proportionate share of the General Employees Fund's net pension liability. The City of Willmar's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million to the fund in 2018. The State of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of Willmar's totaled \$103,072. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Willmar's proportion of the net pension liability was based on the City of Willmar's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017, through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City of Willmar's proportion share was .0567% which was an increase of .0006% from its proportion measured as of June 30, 2017.

City's proportionate share of the net pension liability	\$ 3,145,484
State of Minnesota's proportionate share of the net pension liability associated with the City	<u>103,072</u>
Totals	<u>\$ 3,248,556</u>

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

For the year ended December 31, 2018, the City of Willmar recognized pension expense of \$182,418 for its proportionate share of the General Employees Plan's pension expense. In addition, the City of Willmar recognized an additional \$24,036 as pension expense (and grant revenue) for its proportionate share of the State of Minnesota's contribution of \$16 million to the General Employees Fund.

At December 31, 2018, the City of Willmar reported its proportionate share of the General Employees Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ 82,414	\$ 94,976
Changes in actuarial assumptions	311,072	350,868
Difference between projected and actual investment earnings	419,752	718,676
Changes in proportion	28,728	141,832
Contributions paid to PERA subsequent to the measurement date	<u>151,610</u>	<u>-</u>
Totals	<u>\$ 993,576</u>	<u>\$ 1,306,352</u>

The City of Willmar contributed \$151,610 subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31:</u>	<u>Pension Expense Amount</u>
2019	\$ 50,270
2020	\$ (204,977)
2021	\$ (244,027)
2022	\$ (65,652)

2. Police and Fire Fund Pension Costs

At December 31, 2018, the City of Willmar reported a liability of \$2,542,164 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City of Willmar's proportion of the net pension liability was based on the City of Willmar's contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2017 through June 30, 2018, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2018, the City of Willmar's proportion was .2385% which was an increase of .0145% from its proportion measured as of June 30, 2017. The City of Willmar also recognized \$21,465 for the year ended December 31, 2018 as revenue and an offsetting reduction of net pension liability for its proportionate share of the State of Minnesota's on-behalf contributions to the Police and Fire Fund. Legislation passed in 2013 required the State of Minnesota to begin contributing \$9 million to the Police and Fire Fund each year, starting in fiscal year 2014.

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

For the year ended December 31, 2018, the City of Willmar recognized pension expense of \$230,269 for its proportionate share of the Police and Fire Plan's pension expense.

At December 31, 2018, the City of Willmar reported its proportionate share of the Police and Fire Plan's deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 98,859	\$ 618,190
Changes in actuarial assumptions	3,114,161	3,520,045
Difference between projected and actual investment earnings	\$ 663,936	\$ 1,157,186
Change in proportion	163,139	351,506
Contributions paid to PERA subsequent to the measurement date	<u>207,904</u>	<u>-</u>
Totals	<u>\$ 4,247,999</u>	<u>\$ 5,646,927</u>

The City of Willmar contributed \$207,904 subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	Pension Expense Amount
2019	\$ (73,424)
2020	\$ (192,206)
2021	\$ (361,937)
2022	\$(1,003,511)
2023	\$ 24,246

E. Actuarial Assumptions

The total pension liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Active Member Payroll Growth	3.25% per year
Investment Rate of Return	7.50%

Salary increases were based on a service-related table. Mortality rates for active members, retirees, survivors, and disabilitants for all plans were based on RP 2014 tables for males or females, as appropriate, with slight adjustments to fit PERA's experience. Cost of living benefit increases after retirement for retirees are assumed to be 1.25% per year for the General Employees Plan, 1.00% per year for the Police and Fire Plan.

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

Actuarial assumptions used in the June 30, 2018 valuation were based on the results of actuarial experience studies. The most recent six-year experience study in the General Employees Plan was completed in 2015. The most recent four-year experience study for Police and Fire Plan was completed in 2016. Economic assumptions were updated in 2017 based on a review of inflation and investment return assumptions.

The following changes in actuarial assumptions occurred in 2018:

General Employees Fund

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

Police and Fire Fund

- The morality projection scale was changed from MP-2016 to MP-2017.
- As set by statute, the assumed post-retirement benefit increase was changed from 1.00% per year through 2064 and 2.50% per year, thereafter, to 1.00% for all years, with no trigger.

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

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	36%	5.10%
International Stocks	17%	5.30%
Bonds	20%	0.75%
Alternative Assets	25%	5.90%
Cash	2%	0.00%
	100%	

F. Discount Rate

The discount rate used to measure the total pension liability in 2018 was 7.50%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund and the Police and Fire Fund were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City of Willmar's proportionate share of the net pension liability for all plans it participates in, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City of

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 4 DEFINED BENEFIT PENSION PLANS (continued)

Willmar’s proportionate share of the net pension liability would be if it were calculated using a discount rate one percentage point lower or one percentage point higher than the current discount rate:

	General Employees Fund		Police and Fire Fund	
1% Lower	6.50%	\$ 5,111,813	6.50%	\$ 5,450,560
Current Discount Rate	7.50%	\$ 3,145,484	7.50%	\$ 2,542,164
1% Higher	8.50%	\$ 1,522,334	8.50%	\$ 137,042

H. Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org; by writing to PERA at 60 Empire Drive #200, St. Paul, Minnesota, 55103-2088; or by calling (651) 296-7460 or 1-800-652-9026.

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER FIREFIGHTERS FUND

A. Plan Description

The Willmar Fire Department participates in the Statewide Volunteer Firefighter Retirement Plan (SVF), an agent multiple-employer lump-sum defined benefit pension plan administered by the Public Employees Retirement Association of Minnesota (PERA). The Volunteer Firefighter Plan covers volunteer firefighters of municipal fire departments or independent nonprofit firefighting corporations that have elected to join the plan. As of December 31, 2017, the plan covered 41 active firefighters and 8 vested terminated fire fighters whose pension benefits are deferred. The plan is established and administered in accordance with Minnesota Statutes, Chapter 353 G.

B. Benefits Provided

The Volunteer Firefighter Plan provides lump-sum retirement, death, and supplemental benefits to covered firefighters and survivors. Benefits are paid based on the number of years of service multiplied by a benefit level per year of service approved by the City. The benefit is selected from 71 possible levels in \$100 increments ranging from \$500 to \$7,500 per year of service. Members are eligible for a lump-sum retirement benefit at 50 years of age with five years of service. Plan provisions include a pro-rated vesting schedule that increases from 5 years at 40% through 20 years at 100%.

C. Contributions

The Volunteer Firefighter Plan is funded by fire state aid, investment earnings and, if necessary, employer contributions as specified in Minnesota Statutes. The State of Minnesota contributed \$106,874 in fire state aid to the fund for the year ended December 31, 2018. Required employer contributions are calculated annually based on statutory provisions. The City’s statutorily-required contributions to the Volunteer Firefighter Fund for the year ended December 31, 2017, was \$0. The City’s contributions were equal to the required contributions as set by state statute.

D. Pension Costs

At December 31, 2018, the City reported a net pension asset of \$282,658 for the Volunteer Firefighter Fund. The net pension asset was measured as of December 31, 2017. The total pension liability used to calculate the net pension asset in accordance with GASB 68 was determined by PERA applying an actuarial formula to specific census data certified by the fire department. The following table presents the changes in net pension liability (asset) during the year:

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER FIREFIGHTERS FUND (continued)

	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability (Asset)
Beginning Balance 12/31/16	\$ 1,149,894	\$ 1,383,233	\$ (233,339)
Changes for the Year			
Service Cost	63,091	-	63,091
Interest on Pension Liability	71,053	-	71,053
Actuarial Experience (Gains)/Losses	(20,947)	-	(20,947)
Projected Investment Earnings	-	82,994	(82,994)
Changes in Benefit Level	124,619	-	124,619
Contributions (Employer)	-	-	-
Contributions (State)	-	106,874	(106,874)
Asset (Gain)/Loss	-	98,792	(98,792)
Benefit Payouts	(57,532)	(57,532)	-
PERA Administrative Fee	-	(1,525)	1,525
Net Changes	<u>180,284</u>	<u>229,603</u>	<u>(49,319)</u>
Balance End of Year 12/31/17	<u>\$ 1,330,178</u>	<u>\$ 1,612,836</u>	<u>\$ (282,658)</u>

There were no benefit provision changes during the measurement period.

For the year ended December 31, 2018, the City recognized pension expense of \$153,347.

At December 31, 2017, the City reported deferred outflows and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ 12,725	\$ 39,100
Difference between projected and actual investment earnings	27,207	86,653
Contributions paid to plan subsequent to measurement date	107,761	-
State revenue received for the plan subsequent to measurement date	-	107,761
Totals	<u>\$ 147,693</u>	<u>\$ 233,514</u>

\$107,761 reported as deferred outflows of resources related to pensions resulting from City contributions to the pension plan subsequent to the measurement date will be recognized as an addition to the net pension liability (asset) in the year ended December 31, 2018. \$107,761 reported as deferred inflows of resources related to pensions resulting from state revenue received by the City for the pension plan subsequent to the measurement date will be recognized as a reduction to the net pension liability (asset) in the year ended December 31, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

**NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER FIREFIGHTERS
FUND (continued)**

Year ended December 31:	Pension Expense Amount
2019	\$ (10,033)
2020	\$ (22,070)
2021	\$ (29,767)
2022	\$ (23,951)

E. Actuarial Assumptions

The total pension liability at December 31, 2017, was determined using the entry age normal actuarial cost method and the following actuarial assumptions:

- Retirement eligibility at the later of age 50 or 20 years of service
- Investment rate of return of 6.00%
- Inflation rate of 3.00%

There were no changes in actuarial assumptions in 2018.

F. Discount Rate

The discount rate used to measure the total pension liability was 6.00%. The projection of cash flows used to determine the discount rate assumed that contributions to the Volunteer Firefighter Fund will be made as specified in statute. Based on that assumption and considering the funding ratio of the plan, the fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

G. Pension Liability Sensitivity

The following presents the City's net pension asset for the SVF plan, calculated using the discount rate disclosed in the preceding paragraph, as well as what the City's net pension asset would be if it were calculated using a discount rate 1% lower or 1% higher than the current discount rate:

	1% Decrease in Discount Rate (5.0%)	Discount Rate (6.0%)	1% Increase in Discount Rate (7.0%)
Net Pension Asset	\$ (243,984)	\$ (282,658)	\$ (320,055)

H. Plan Investments

Investment Policy

The Minnesota State Board of Investment (SBI) is established by Article XI of the Minnesota Constitution to invest all state funds. Its membership as specified in the Constitution is comprised of the Governor (who is designated as chair of the Board), State Auditor, Secretary of State and State Attorney General.

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

**NOTE 5 DEFINED BENEFIT PENSION PLANS – STATEWIDE VOLUNTEER FIREFIGHTERS
FUND (continued)**

All investments undertaken by the SBI are governed by the prudent person rule and other standards codified in *Minnesota Statutes*, Chapter 11A and Chapter 356A.

Within the requirements defined by state law, the SBI, with assistance of the SBI staff and the Investment Advisory Council, establishes investment policy for all funds under its control. These investments policies are tailored to the particular needs of each fund and specify investment objectives, risk tolerance, asset allocation, investment management structure and specific performance standards. Studies guide the on-going management of the funds and are updated periodically.

Asset Allocation

To match the long-term nature of the pension obligations, the SBI maintains a strategic asset allocation for the Statewide Volunteer Firefighter Plan that includes allocations to domestic equity, international equity, bonds and cash equivalents. The long-term target asset allocation and long-term expected real rate of return is the following:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Stocks	35%	5.10%
International Stocks	15%	5.30%
Bonds	45%	0.75%
Cash	5%	0.00%
	100%	

The 6.00% long-term expected rate of return on pension plan investments was determined using a building-block method. Best estimates for expected future real rates of return (expected returns, net of inflation) were developed for each asset class using both long-term historical returns and long-term capital market expectations. The asset class estimates and the target allocations were then combined to produce a geometric, long-term expected real rate of return for the portfolio. Inflation expectations were applied to derive the nominal rate of return for the portfolio.

Description of significant investment policy changes during the year

The SBI made no significant changes to their investment policy during Fiscal Year 2018 for the Volunteer Firefighter Fund

I. Pension Plan Fiduciary Net Position

Detailed information about the Volunteer Firefighter Fund’s fiduciary net position as of June 30, 2018, is available in a separately-issued PERA financial report that includes financial statements and required supplementary information. That report may be obtained on the Internet at www.mnpera.org.

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 6 DEFINED CONTRIBUTION PLAN

Nine council members and mayor, of the City of Willmar are covered by the Public Employees Defined Contribution Plan (PEDCP), a multiple-employer deferred compensation plan administered by PERA. The PEDCP is a tax qualified plan under Section 401(a) of the Internal Revenue Code and all contributions by or on behalf of employees are tax deferred until time of withdrawal.

Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses. Minnesota Statutes, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes 5% of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives 2% of employer contributions and twenty-five hundredths of 1% (.0025) of the assets in each member's account annually.

Total contributions made by the City of Willmar during fiscal year 2018 were: \$-0-

NOTE 7 POST EMPLOYMENT BENEFIT OTHER THAN PENSIONS

Primary Government

A. Plan Description

Qualified employees may choose to participate in the City's health, dental, and/or life insurance plans. Benefit and eligibility provisions are established through negotiations between the City Council and employee groups including three unions. The union contracts are renegotiated periodically. There are no separate financial statements issued for the plan.

At December 31, 2017, the following employees were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	15
Active Plan Members	<u>102</u>
 Total Plan Members	 <u><u>117</u></u>

B. Funding Policy

The City contributes to the cost of current year premiums for certain eligible retired plan members. For fiscal year 2018, the City contributed \$96,353 to the plan and the implicit contributions totaled \$98,652.

C. Actuarial Methods and Assumptions

The City's total OPEB liability of \$2,282,326 was measured as of January 1, 2018 and was determined by an actuarial valuation as of that date.

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS/Primary Government (continued)

The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.30%
20-Year Municipal Bond Yield	3.30%
Inflation Rate	2.50%
Salary Increases	3.00%
Medical Trend Rate	6.25% in 2018 grading to 5.00% over 6 years

The discount rate used to measure the total OPEB liability was 3.30%. Since the plan is not funded (Has no assets), the discount rate was developed by estimating the long-term investment yield on the employer funds that will be used to pay benefits as they come due.

Mortality rates were based on the RP-2014 White Collar Mortality Tables with MP-2016 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).

Economic assumptions are based on input from a variety of published sources of historical and projected future financial data. Each assumption was reviewed for reasonableness with the source information as well as for consistency with the other economic assumptions.

D. Changes in the Total OPEB Liability

	Total OPEB Liability
Beginning Balance 12/31/17	<u>\$ 2,246,613</u>
Changes for the Year	
Service Cost	103,368
Interest Cost	75,211
Benefit Payments	<u>(142,866)</u>
Net Changes	<u>35,713</u>
Balance End of Year 12/31/18	<u><u>\$ 2,282,326</u></u>

Since the prior measurement date, the following assumptions changed:

- The health care trend rates were changed to better anticipate short term and long-term medical increases.
- The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2015 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables with MP-2017 Generational Improvement Scale (with Blue Collar adjustment for Police and Fire Personnel).
- The retirement and withdrawal tables for all employees were updated.
- The discount rate was changed from 3.50% to 3.30%.

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 7 OTHER POST EMPLOYMENT BENEFITS/Primary Government (continued)

E. Sensitivity of the Total OPEB Liability

The following presents the total OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.30%) or 1-percentage-point higher (4.30%) than the current discount rate:

Sensitivity of Net OPEB Liability at Current Single Discount Rate		
1% Lower	2.30%	\$ 2,423,234
Current Discount Rate	3.30%	\$ 2,282,326
1% Higher	4.30%	\$ 2,149,192

The following presents the total OPEB liability of the City, as well as what the City's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.50% decreasing to 4.00%) or 1-percentage-point higher (7.50% decreasing to 6.00%) than the current healthcare cost trend rates:

Sensitivity of OPEB Liability at Current Single Discount Rate		
1% Lower	4.00%	\$ 2,153,727
Current Discount Rate	5.00%	\$ 2,282,326
1% Higher	6.00%	\$ 2,433,391

F. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended December 31, 2018, the City recognized OPEB expense of \$178,579. On December 31, 2018 the City reported deferred outflows of resources and deferred inflows of resource related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions to OPEB Subsequent to the Measurement Date	\$ 195,005	\$ -
Totals	\$ 195,005	\$ -

Deferred outflows of resources to OPEB, resulting from the City's contributions subsequent to the measurement date of \$195,005, will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. There were no other amounts reported as deferred outflows and inflows of resources related to OPEB.

Component Unit – Willmar Municipal Utilities

The Utilities adopted Governmental Accounting Standards Board (GASB) Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. This implementation allows the Utilities to report its total OPEB liability, deferred inflows of resources, deferred outflows of resources, and OPEB expense and to reflect an actuarially-determined liability for the present value of projected future benefits for retired and active employees less the OPEB plan's fiduciary net position on the financial statements.

Plan Description

The Utilities operates a single-employer defined benefit plan ("the Plan") that provides health, dental, and life insurance to eligible employees and their spouses through the Utilities commercial insurance plans. There are 51

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

**NOTE 7 OTHER POST EMPLOYMENT BENEFITS/Component Unit –
Willmar Municipal Utilities (continued)**

active participants and 13 retired participants. Benefit and eligibility provisions are established through negotiations between the Utilities and employee groups including a union. The union contract is renegotiated each two-year bargaining period. The Plan does not issue a publicly available financial report. No assets are accumulated in a trust that meets all of the criteria in GASB Statement No. 75, Paragraph 4.

Total OPEB Liability

The Utilities total OPEB liability of \$1,180,365 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date.

Changes in Total OPEB Liability

Changes in the total OPEB liability of the Utilities were as follows:

	<u>Total OPEB Liability</u>
Balance at December 31, 2017	\$ 1,204,305
Changes for the year:	
Service Cost	27,807
Interest	44,631
Changes of assumptions or other inputs	25,008
Benefit Payments	(121,386)
Net changes	(23,940)
Balance at December 31, 2018	\$ 1,180,365

Changes of assumptions and other inputs reflect a change in the discount rate from 3.50% in 2017 to 3.31% in 2018.

Sensitivity of the total OPEB liability to changes in the discount rate was also calculated. The following presents the total OPEB liability of the Utilities as well as what the Utilities' total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.31%) or 1-percentage-point higher (4.31%) than the current discount rate:

	<u>1.0% Decrease in Discount Rate to 2.31%</u>	<u>Discount Rate of 3.31%</u>	<u>1.0% Increase in Discount Rate to 4.31%</u>
Total OPEB Liability	\$ 1,232,607	\$ 1,180,365	\$ 1,131,090

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates was calculated as well. The following presents the total OPEB liability of the Utilities as well as what the Utilities' total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.80% decreasing to 3.40%) or 1-percentage-point higher (7.80% decreasing to 5.40%) than the current healthcare cost trend rates:

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

**NOTE 7 OTHER POST EMPLOYMENT BENEFITS/Component Unit –
Willmar Municipal Utilities (continued)**

	1.0% Decrease (5.80%) decreasing to 3.40%)	Healthcare Cost Trend Rates (6.80%) decreasing to 4.40%)	1.0% Increase (7.80%) decreasing to 5.40%)
Total OPEB Liability	\$ 1,113,036	\$ 1,180,365	\$ 1,256,473

OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2018, the Utilities recognized OPEB expense of \$61,687). At December 31, 2018, the Utilities reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions paid subsequent to measurement date	\$ 159,124	\$ -

Actuarial Methods and Assumptions

The total OPEB liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs and applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.75%
Salary Increases	Based on the most recently disclosed assumptions for the pension plan in which the employee participates.
Healthcare Cost Trend Rates	6.80% for 2017, decreasing on average 0.04% per year to an ultimate rate of 4.40% for 2074 and later years.
Retirees' Share of Benefit-Related Costs	Assumed to increase with healthcare trend rates.

A discount rate of 3.31% was applied in the measurement of the total OPEB liability. The discount rate is based on the index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.

Mortality rates were based on the RP-2000 Health Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of an actuarial experience study for the period January 1, 2017, to December 31, 2017.

NOTE 8 RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the City carries insurance. The City obtains insurance through participation in the League of Minnesota Cities Insurance Trust (LMCIT) which is a risk sharing pool with approximately 800 other governmental units. This City pays an annual premium to LMCIT for its workers compensation and property and casualty insurance. The LMCIT is self-sustaining through member premiums and will reinsure for claims above a prescribed dollar amount for each insurance event. Settled claims have not exceeded the City's coverage in any of the past three fiscal years.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 8 RISK MANAGEMENT (continued)

The workers' compensation policy is a retrospectively rated policy with premiums that accrue based on the ultimate cost of the experience to date. There is no way to estimate what the change in premium may be. Generally, it has been minimal.

NOTE 9 CONTINGENCIES

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

NOTE 10 LEASE AGREEMENTS

The City has entered into an agreement with Kandiyohi County to lease space for the Willmar Police Department. The term of the lease is 20 years commencing October 2000. The agreement requires annual payments of \$175,000.

Future minimum lease payments are:

2019	175,000
2020	<u>175,000</u>
	<u>\$ 350,000</u>

NOTE 11 JOINTLY-GOVERNED ORGANIZATIONS

Kandiyohi County and City of Willmar Economic Development Commission

The EDC was established on July 1, 2003, by a joint-powers agreement between Kandiyohi County and the City of Willmar by resolution pursuant to Minn. Laws 1989, First Special Session, ch. 1, Art. 17, § 21. The EDC was set up to encourage, attract, promote, and develop economically sound industry and commerce within the County and City. The EDC has six members. Kandiyohi County appoints three members, and the City of Willmar appoints three members of the EDC. Each member is appointed to serve for three years. Complete financial information for the EDC can be obtained at Kandiyohi County and City of Willmar Economic Development Commission, 333 Litchfield Avenue S.W., P. O. Box 1783, Willmar, Minnesota 56201.

Central Community Transit (CCT)

Kandiyohi Area Transit was established on October 20, 1998 by a joint powers agreement between Kandiyohi County and the City of Willmar. Effective January 1, 2015, Kandiyohi Area Transit combined with Renville County Heartland Express to form Central Community Transit (CCT). The CCT Board is made up of two members appointed by Kandiyohi County, two members appointed by the City of Willmar, one elected official from other local governments in Kandiyohi County, and two members appointed from Renville County. Complete financial information for CCT can be obtained at Central Community Transit, 1320 22nd Street SW, Willmar, Minnesota 56201.

NOTE 12 SUBSEQUENT EVENTS

In preparing these financial statements, the City of Willmar, Minnesota, has evaluated events and transactions for the potential recognition or disclosure through August 15, 2019, the date the financial statements were available to be issued.

CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018

NOTE 12 SUBSEQUENT EVENTS (continued)

Willmar Municipal Utilities – Component Unit of the City of Willmar

The Utilities has agreed to decommission the heating division effective July 1, 2020. The heating division generated 2.2% of total operating revenues for 2018.

Rice Memorial Hospital – Component Unit of the City of Willmar

The City of Willmar, Rice Memorial Hospital Board of Directors (Rice Board), CentraCare Health System (CentraCare) and Carris Health, LLC (Carris) (collectively, the Parties) entered into an Affiliation Agreement and an Operating Lease Agreement dated December 31, 2017, effective January 1, 2018. These and other related agreements set forth the actions, terms, conditions, limitations, and responsibilities of the Parties for the transfer of the operations of the Hospital, which includes the Rice Care Center, Rice Home Medical and Rice Hospice (Rice Facilities). All tangible and intangible assets of the Hospital activities (see Note 1) will be leased or transferred, and liabilities (excluding Hospital bonded debt and pension liability) were transferred or assigned to Carris Health, LLC. Carris, as an affiliated of CentraCare, will operate the Rice Facilities for the residents of the City and the surrounding area. In consideration of the terms of the leased assets, income earned on assets transferred and operations, Carris will pay rent to the City in amounts equal to the principal and interest due on the Hospital bonds. The City will apply all payments to the outstanding Hospital bonds when due. Additionally, Carris shall make monthly payments to the City in the initial amount of \$300,000 per annum over the 30-year lease term.

NOTE 13 CHANGE IN ACCOUNTING PRINCIPLE

During fiscal year 2018, the City implemented a new accounting pronouncement issued by the Government Accounting Standards Board (GASB), Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. These standards required a retroactive implementation which resulted in the restatement of beginning balances in the December 31, 2018 financial statements. Changes related to these standards are reflected in the financial statements and schedules and related disclosures are included in Note 1.

As a result of the beginning balance of the governmental activities net position was decreased by \$1,775,426.

NOTE 14 PRIOR PERIOD ADJUSTMENT

The Governmental Activities Net Position and General Fund reported a prior period adjustment of \$49,302 for the second half payment of 2017 for the Library maintenance costs, thereby reducing the Net Position.

The Business Activities Net Position reported a prior period adjustment of \$219,107 for the Compensated Absences Liability, thereby reducing the Net Position.

The City's Component Unit of the Municipal Utilities reported a prior period adjustment of \$866,802 decreasing the beginning net position in 2017 to reflect a change in accounting principle. The Utilities implemented GASB 75 which records the Utilities total other post-employment benefits liability, deferred inflows of resources and deferred outflows of resources, and other post-employment benefits expense on the Utilities financial statements.

**CITY OF WILLMAR, MINNESOTA
NOTES TO FINANCIAL STATEMENTS
December 31, 2018**

NOTE 15 TAX ABATEMENTS

The City of Willmar negotiates property tax abatement agreements on an individual basis. The City has tax abatement agreements with five entities as of December 31, 2018:

Purpose	Amount of Taxes Abated During 2018	Notes
MinnWest Technology Campus	41,600	Expires 2025
Torgerson Properties	23,000	Expires 2025
Willmar Redevelopment	1,830	Expires 2024
William & Deborah Donner	2,971	Expires 2022
RockStep Willmar	-	Expires 2026

The City of Willmar enters into these agreements under authority of Minnesota Statutes Section 1165.993 through 1165.995 and 469.1812 through 469.1815. Businesses must fulfill all requirements of approved development agreements and state statutes in order to receive the allowed amount of their tax abatements.

BUDGET AND ACTUAL SCHEDULES

City of Willmar, Minnesota
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
GENERAL PROPERTY TAXES				
Current Ad Valorem	\$ 4,974,245	\$ 4,974,245	\$ 4,903,714	\$ (70,531)
Delinquent Ad Valorem	85,000	85,000	66,136	(18,864)
Franchise Fees	260,000	260,000	257,840	(2,160)
TOTAL TAXES	<u>5,319,245</u>	<u>5,319,245</u>	<u>5,227,690</u>	<u>(91,555)</u>
LICENSES/PERMITS				
Business License/Permit	68,360	68,360	51,723	(16,637)
Non-Business License/Permit	390,500	390,500	500,753	110,253
TOTAL LICENSES & PERMITS	<u>458,860</u>	<u>458,860</u>	<u>552,476</u>	<u>93,616</u>
INTERGOVERNMENTAL				
FEDERAL GOVERNMENT				
Federal Grant	500	500	2,450	1,950
STATE GRANTS				
Local Government Aid	4,616,342	4,616,342	4,616,342	-
Police Department Aid	250,000	250,000	269,703	19,703
P.E.R.A. Aid	172,146	31,494	31,494	-
State Grant	-	-	65,800	65,800
Fire Department Aid	-	-	-	-
Shared Highway User Tax	281,000	281,000	306,603	25,603
COUNTY GRANTS				
Kandiyohi County Highways	3,795	3,795	3,795	-
Kandiyohi County	15,000	15,000	19,309	4,309
SCHOOL DISTRICT #347				
School Liaison Officer	153,000	153,000	211,531	58,531
TOTAL INTERGOVERNMENTAL	<u>5,491,783</u>	<u>5,351,131</u>	<u>5,527,027</u>	<u>175,896</u>
SERVICE CHARGES				
General Government	19,730	19,730	9,930	(9,800)
Public Safety	172,000	172,000	186,499	14,499
Buildings & Grounds	24,000	24,000	28,833	4,833
Civic Center	341,500	341,500	363,747	22,247
Parks & Recreation	146,650	146,650	132,042	(14,608)
Highways & Streets	11,250	11,250	18,224	6,974
Community Center	12,500	12,500	14,469	1,969
Rental Income	20,000	20,000	28,796	8,796
TOTAL SERVICE CHARGES	<u>747,630</u>	<u>747,630</u>	<u>782,540</u>	<u>34,910</u>
FINES AND FORFEITS				
Other Fines and Forfeits	-	-	-	-
Court Fines	115,000	115,000	98,405	(16,595)
Parking Violations	18,000	18,000	18,523	523
Solid Waste Citations	-	-	-	-
Impounding Fees	34,000	34,000	42,327	8,327
TOTAL FINES & FORFEITS	<u>167,000</u>	<u>167,000</u>	<u>159,255</u>	<u>(7,745)</u>
SPECIAL ASSESSMENTS				
Special Assessments	2,500	2,500	973	(1,527)
TOTAL SPECIAL ASSESSMENTS	<u>2,500</u>	<u>2,500</u>	<u>973</u>	<u>(1,527)</u>

See notes to required supplementary information.

City of Willmar, Minnesota
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance With</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES (Con't)				
MISCELLANEOUS REVENUE				
Miscellaneous	260,000	260,000	58,594	(201,406)
Interest Earnings	150,000	150,000	191,813	41,813
Sale of Fixed Assets	30,000	30,000	18,651	(11,349)
Sale of Materials	50,000	50,000	79,207	29,207
City Auditorium Rents	-	-	150	150
Carris Health Transfer Rent	-	-	346,015	346,015
Market Value Increase/(Decrease)	100,000	100,000	(63,828)	(163,828)
Insurance Reimbursements	50,000	50,000	25,234	(24,766)
Insurance Pass Through	300,000	300,000	298,133	(1,867)
TOTAL MISCELLANEOUS	<u>940,000</u>	<u>940,000</u>	<u>953,969</u>	<u>13,969</u>
TOTAL REVENUES	<u>13,127,018</u>	<u>12,986,366</u>	<u>13,203,930</u>	<u>217,564</u>
EXPENDITURES				
GENERAL GOVERNMENT				
City Administrator				
Personal Services	364,506	373,300	359,509	13,791
Supplies	3,500	3,500	1,935	1,565
Other Services & Charges	17,700	17,700	14,643	3,057
Total	<u>385,706</u>	<u>394,500</u>	<u>376,087</u>	<u>18,413</u>
Mayor and Council				
Personal Services	78,650	78,650	78,234	416
Supplies	3,550	3,550	6,081	(2,531)
Other Services & Charges	105,000	105,000	90,095	14,905
Total	<u>187,200</u>	<u>187,200</u>	<u>174,410</u>	<u>12,790</u>
Planning & Development				
Personal Services	501,044	455,967	509,289	(53,322)
Supplies	8,050	8,050	4,775	3,275
Other Services & Charges	44,050	44,050	49,715	(5,665)
Total	<u>553,144</u>	<u>508,067</u>	<u>563,779</u>	<u>(55,712)</u>
City Clerk/Treasurer				
Personal Services	142,568	149,259	154,389	(5,130)
Supplies	4,050	4,050	2,694	1,356
Other Services & Charges	7,820	7,820	6,353	1,467
Total	<u>154,438</u>	<u>161,129</u>	<u>163,436</u>	<u>(2,307)</u>
Assessing				
Other Services & Charges	122,100	122,100	110,014	12,086
Total	<u>122,100</u>	<u>122,100</u>	<u>110,014</u>	<u>12,086</u>
Accounting				
Personal Services	355,424	376,145	375,452	693
Supplies	4,850	4,850	5,128	(278)
Other Services & Charges	33,100	33,100	26,001	7,099
Total	<u>393,374</u>	<u>414,095</u>	<u>406,581</u>	<u>7,514</u>

See notes to required supplementary information.

City of Willmar, Minnesota
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Con't)				
GENERAL GOVERNMENT (Con't)				
Legal				
Other Services & Charges	250,000	250,000	252,657	(2,657)
Total	<u>250,000</u>	<u>250,000</u>	<u>252,657</u>	<u>(2,657)</u>
City Hall				
Personal Services	67,059	71,927	69,446	2,481
Supplies	39,150	39,150	17,523	21,627
Other Services & Charges	76,000	76,000	60,570	15,430
Total	<u>182,209</u>	<u>187,077</u>	<u>147,539</u>	<u>39,538</u>
Information Technology				
Personal Services	157,294	236,690	193,750	42,940
Supplies	55,350	55,350	71,917	(16,567)
Other Services & Charges	286,130	286,130	248,558	37,572
Total	<u>498,774</u>	<u>578,170</u>	<u>514,225</u>	<u>63,945</u>
Office Services				
Supplies	26,000	26,000	20,858	5,142
Other Services & Charges	5,700	5,700	8,263	(2,563)
Total	<u>31,700</u>	<u>31,700</u>	<u>29,121</u>	<u>2,579</u>
Human Resources				
Personal Services	-	-	372	(372)
Total	<u>-</u>	<u>-</u>	<u>372</u>	<u>(372)</u>
Elections & Voters Registration				
Personal Services	50,055	50,970	52,528	(1,558)
Supplies	1,920	1,920	3,640	(1,720)
Other Services & Charges	14,620	14,620	10,216	4,404
Total	<u>66,595</u>	<u>67,510</u>	<u>66,384</u>	<u>1,126</u>
Non-Departmental Expenses				
Personal Services	158,000	33,876	731	33,145
Other Charges/Services	188,871	90,000	103,343	(13,343)
Severance	-	-	475	(475)
Re-Employment Insurance	3,000	3,000	1,416	1,584
Retired Employees Insurance	92,000	92,000	96,353	(4,353)
Insurance Pass Through	300,000	300,000	321,947	(21,947)
Insurance Deductible	100,000	100,000	54,584	45,416
Refunds Paid	200,000	59,348	118,297	(58,949)
Total	<u>1,041,871</u>	<u>678,224</u>	<u>697,146</u>	<u>(18,922)</u>
TOTAL GENERAL GOVERNMENT	<u>3,867,111</u>	<u>3,579,772</u>	<u>3,501,751</u>	<u>78,021</u>
PUBLIC SAFETY				
Police Department				
Personal Services	3,807,814	3,930,987	3,987,921	(56,934)
Supplies	258,150	249,068	216,042	33,026
Other Services & Charges	209,595	209,595	241,829	(32,234)
Lease Payments	175,000	175,000	175,000	-
Total	<u>4,450,559</u>	<u>4,564,650</u>	<u>4,620,792</u>	<u>(56,142)</u>

See notes to required supplementary information.

City of Willmar, Minnesota
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
EXPENDITURES (Con't)				
PUBLIC SAFETY (Con't)				
Fire Department				
Personal Services	491,036	523,646	490,318	33,328
Supplies	105,400	105,400	93,258	12,142
Other Services & Charges	115,450	115,450	90,704	24,746
Total	<u>711,886</u>	<u>744,496</u>	<u>674,280</u>	<u>70,216</u>
Non-Departmental Expenses				
Civil Defense	7,500	7,500	7,060	440
Safety Program	12,000	12,000	8,081	3,919
Total	<u>19,500</u>	<u>19,500</u>	<u>15,141</u>	<u>4,359</u>
TOTAL PUBLIC SAFETY	<u>5,181,945</u>	<u>5,328,646</u>	<u>5,310,213</u>	<u>18,433</u>
PUBLIC WORKS				
Engineering				
Personal Services	554,412	537,717	467,854	69,863
Supplies	17,750	17,750	10,198	7,552
Other Services & Charges	78,350	78,350	39,177	39,173
Total	<u>650,512</u>	<u>633,817</u>	<u>517,229</u>	<u>116,588</u>
Storm Water				
Supplies	5,000	5,000	-	5,000
Other Services & Charges	50,000	50,000	31,087	18,913
Total	<u>55,000</u>	<u>55,000</u>	<u>31,087</u>	<u>23,913</u>
Public Works				
Personal Services	1,631,372	1,769,242	1,833,993	(64,751)
Supplies	539,700	539,700	432,758	106,942
Other Services & Charges	331,600	331,600	355,229	(23,629)
Total	<u>2,502,672</u>	<u>2,640,542</u>	<u>2,621,980</u>	<u>18,562</u>
Transit				
Other Services & Charges	20,000	20,000	20,000	-
Total	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Non-Departmental Expenses				
Other Services & Charges	1,000	1,000	806	194
Total	<u>1,000</u>	<u>1,000</u>	<u>806</u>	<u>194</u>
TOTAL PUBLIC WORKS	<u>3,229,184</u>	<u>3,350,359</u>	<u>3,191,102</u>	<u>159,257</u>
CULTURE & RECREATION				
WRAC 8				
Personal Services	138,950	91,313	104,275	(12,962)
Supplies	6,040	6,040	3,583	2,457
Other Services & Charges	15,495	15,495	13,509	1,986
Total	<u>160,485</u>	<u>112,848</u>	<u>121,367</u>	<u>(8,519)</u>
Library				
Other Services & Charges	526,594	526,594	474,796	51,798
Total	<u>526,594</u>	<u>526,594</u>	<u>474,796</u>	<u>51,798</u>
Auditorium				
Personal Services	-	-	849	(849)
Supplies	21,300	21,300	12,681	8,619
Other Services & Charges	52,451	52,451	46,402	6,049
Total	<u>73,751</u>	<u>73,751</u>	<u>59,932</u>	<u>13,819</u>

See notes to required supplementary information.

City of Willmar, Minnesota
General Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance With Final Budget Positive (Negative)
	Original	Final		
EXPENDITURES (Con't)				
CULTURE & RECREATION (Con't)				
Non-Department Expenses				
Civic Promotion	53,647	53,647	59,133	(5,486)
Total	53,647	53,647	59,133	(5,486)
Parks & Recreation				
Personal Services	169,337	174,153	204,722	(30,569)
Supplies	25,950	25,950	25,411	539
Other Services & Charges	267,422	267,422	267,130	292
Total	462,709	467,525	497,263	(29,738)
Civic Center - Ice Arena				
Personal Services	311,461	305,026	301,487	3,539
Supplies	104,900	104,900	107,054	(2,154)
Other Services & Charges	243,500	243,500	242,022	1,478
Total	659,861	653,426	650,563	2,863
Community Center				
Personal Services	89,557	89,557	58,168	31,389
Supplies	33,200	33,200	20,969	12,231
Other Services & Charges	33,500	33,500	31,578	1,922
Total	156,257	156,257	110,715	45,542
Aquatics Center				
Personal Services	113,240	117,003	142,002	(24,999)
Supplies	49,300	49,300	42,219	7,081
Other Services & Charges	33,210	33,210	24,572	8,638
Total	195,750	199,513	208,793	(9,280)
TOTAL CULTURE & RECREATION	2,289,054	2,243,561	2,182,562	60,999
TOTAL EXPENDITURES	14,567,294	14,502,338	14,185,628	316,710
Excess of Revenues Over Expenditures	(1,440,276)	(1,515,972)	(981,698)	534,274
OTHER FINANCING SOURCES (USES)				
Transfers In	2,989,429	2,989,429	2,457,449	(531,980)
Transfers Out	(3,001,090)	(2,925,394)	(2,133,399)	791,995
Total Other Financing Sources (Uses)	(11,661)	64,035	324,050	260,015
Net Change in Fund Balances	(1,451,937)	(1,451,937)	(657,648)	794,289
Fund Balances - Beginning, as originally stated	13,730,798	13,730,798	13,730,798	-
Prior Period Adjustment - See Note 14	(49,302)	(49,302)	(49,302)	-
Fund Balances - Beginning, Restated	13,681,496	13,681,496	13,681,496	-
Fund Balances - Ending	<u>\$ 12,229,559</u>	<u>\$ 12,229,559</u>	<u>\$ 13,023,848</u>	<u>\$ 794,289</u>

See notes to required supplementary information.

City of Willmar, Minnesota
Industrial Development Special Revenue Fund
Schedule of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
For the Year Ended December 31, 2018

	<u>Budget Amounts</u>		<u>Actual</u>	<u>Variance With Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Licenses & Permits				
Pond Fees	\$ -	\$ -	\$ 50	\$ 50
Service Charges				
Rental of Land	-	-	87,804	87,804
Miscellaneous Revenue				
Land Sales	-	-	38,533	38,533
Interest Earnings	20,000	20,000	30,401	10,401
Market Value Incr/(Decr)	-	-	(15,852)	(15,852)
Miscellaneous	-	-	250	250
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>141,186</u>	<u>121,186</u>
EXPENDITURES				
Other Services/Charges	-	-	147,444	(147,444)
Total Expenditures	<u>-</u>	<u>-</u>	<u>147,444</u>	<u>(147,444)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>20,000</u>	<u>20,000</u>	<u>(6,258)</u>	<u>(26,258)</u>
OTHER FINANCING SOURCES (USES)				
Transfer In	-	-	-	-
Transfer Out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	20,000	20,000	(6,258)	(26,258)
Fund Balance - Beginning	<u>1,614,825</u>	<u>1,614,825</u>	<u>1,614,825</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 1,634,825</u>	<u>\$ 1,634,825</u>	<u>\$ 1,608,567</u>	<u>\$ (26,258)</u>

See notes to required supplementary information.

June 6th & 20th

June 6th – Tax Abatement/Tax Increment discussion
Deferred/Suspense-Assessment
Budget Calendar Review

June 20th – May Monthly Report
Comprehensive Assessment Policy Discussion

July No Meeting 4th & 18th

July 4th – NO MEETING

July 18th - June Monthly Report

August 8th & 22nd

August 8th –

August 22nd – July Monthly Report

September 5th & 19th

September 5th –

September 19th – August Monthly Report

October 10th & 24th

October 10th –

October 24th – September Monthly Report

November 7th & 21st

November 7th –

November 21st – October Monthly Report

December 5th & 19th

December 5th –

December 19th – November Monthly Report