

Watertown City Council
Work Session
Tuesday, May 25th
5:30 p.m.

Mayor Steve Washburn
Lindsay Guetzkow
Adam Pawelk
Michael Walters
Dan Schuette

1. Call To Order And Roll Call
2. New Business
 - 2.I. Transition Items

Documents:

[WORKSESSION MEMO 5.25.21.PDF](#)

3. Adjournment

309 Lewis Avenue South; P.O. Box 279, Watertown, MN 55388



To: Honorable Mayor & City Council
From: Shane Fineran, City Administrator
Date: May 25, 2021
Re: Transition Items

In preparation for my transition out of the organization, I would like for the Council to coalesce around items of focus and efforts for the interim administrator that I can discuss and prepare them for prior to my departure as well as set-up the 2022 budget process. The work schedule will be 20-30 hours per week depending upon need, and primarily Tuesday through Thursday during the work week or as needed or determined by the organization.

Focus of Interim.

1. Manage staff and prioritize day to day operational items, serve as resource for department heads on operational or policy questions and concerns.
2. Manage and resolve customer or resident conflicts.
3. Work with consultant staffing on management and oversight of projects, to include planning, engineering, legal, and law enforcement.
4. Develop and manage City Council action items, workshops, and preparation of documents to complete these items. Attend City Council meetings
5. Support and work with City Council and Lockridge, Grinnel, & Nauen on wastewater treatment plant governmental relations efforts. This could include working with engineering staff on assembly materials for legislative hearings or 2022 legislative bonding tours.
6. Manage and coordinate the staffing and compensation study efforts as well as the organizational development efforts.
7. Work with and coordinate with Mark Kaltsas on EDA action items and preparation of documents. Attend EDA meetings.
8. Work with and coordinate with staff on Park Commission action items and preparation of documents. Items to include Adopt a Park Clean-Up on June 16th, Kings Meadows Park turf to native concept, and Wildflower Playground replacement neighborhood meeting.

2022 Budget

Staff has prepared the 2022 budget development calendar and is attached. Staff has also contacted Abdo, Eck, & Myers to discuss consultant services to assist the interim administrator and Lynn Tschudi, Administrative Services Director in shepherding the budget process through the late summer and fall months in consultation and cooperation with City staff. Lynn is competent and comfortable in utilizing the tools such as the Financial Management Plan, capital fund transfer strategies, special debt levy needs, accessing and performing data

analysis, providing budget worksheets with staff, etc. AEM can be tapped to help package all of these items, providing narrative around strategies and direction for City Council to consider. Staff have been reviewing the Capital Investment Plan for the past month and will hold a meeting prior to my departure to develop the draft plan for Council discussion according to the proposed budget schedule. Staff have marked up the scope of work where we have internal capacity or comfort with certain items, maintaining the assistance of AEM for higher level consultant work.

Staff have also updated the Financial Model with some early budget forecasts related to staffing. In the model, we provided for forecasted potential staff wage increases utilizing the latest wage study we did, however this will be fluid based on the DDR work and Council decisions but was provided for illustrative purposes only. We also planned for an FTE in the Public Services Department in 2022 while reducing some of the PT seasonal staff hours allocated. Another staffing discussion point the Council should consider in 2022 is a full-time Fire Chief position, but this has not been included in the forecast financial management plan as of yet.

The Financial Management Plan is a “way to early” document and the Council should not commit too early to financial impacts at this time. None of the key metrics such as market value, taxable market value, TIF reductions, fiscal disparities, etc. are available and our forecasts in the plan are very conservative. One item to note that may provide some flexibility is the planned capital funds transfer based on our debt cap. We retired or restricted significant debt in 2021 and the Council could use some of those funds to offset any levy increase reflected here or impact to the average valued home by utilizing cash reserves on hand.



2022 Budget Schedule

Tuesday, July 13th	<i>Discussion of 2022 financial outlook and budget goals</i>
Tuesday, July 27th	<i>City Council Work Session #1-Long Range Financial Plan/Capital Investment Plan Draft</i>
Week of August 2nd	Staff meet with the City Administrator to review draft General Fund budget
Tuesday, August 10th	<i>City Council Work Session #2-Long Range Financial Plan/Capital Improvement Plan</i>
Week of August 16th	General Fund budgets due to City Administrator from staff
Tuesday, August 24th	<i>City Council Work Session #3-General Fund Budget Draft</i>
Week of August 30th	Staff meet with the City Administrator to review draft Enterprise Fund budgets
Week of September 13th	Enterprise Fund budgets due to City Administrator from staff
Tuesday, September 7th	<i>City Council Work Session #4-General Fund Budget Draft</i>
Tuesday, September 21st	<i>City Council Work Session #5-General Fund Budget (if needed)</i> City Council Meeting-Adopt 2022 Preliminary Levy
Tuesday, October 12th	<i>City Council Work Session #6-Enterprise Fund Budget</i>
Tuesday, October 26th	<i>City Council Work Session #7-Capital Improvement Plan</i>
Week of November 1st	Staff review existing budget and fiscal conditions.
Tuesday, November 9th	<i>City Council Work Session #8-General Fund & Enterprise Fund Budget Wrap-Up</i>
Tuesday, November 23rd	<i>City Council Work Session #9-Review 2022 budget and fiscal conditions</i>
Tuesday, November 30th	Hold 2022 Public Budget Information Meeting
Tuesday, December 7th	Adopt 2022 Budget, and Certify 2022 Tax Levy

Budget Development Proposal

City of Watertown

May 19, 2021



May 19, 2021

Shane Fineran, City Administrator
City of Watertown
309 Lewis Avenue South
Watertown, Minnesota 55388

Dear Shane,

Thank you for the opportunity to submit this proposal to the City of Watertown, Minnesota (the City) for budget development services. Based on our past experience with cities of comparable size and complexity, we believe our structured contract with defined outcomes offered through AEM Financial Solutions, LLC (AEMFS) would provide the City with excellent accounting services.

We believe our solution will continue to result in the Council receiving high level information and continuity of process during the City's search for a new administrator. Our proposal is based on the needs of the City laid out in the request for proposal and the experiences we have had working with other cities. The proposal outlines the scope of services we believe will address the needs of the City.

The term of this contract shall be from June 1, 2021 through December 31, 2021.

An AEMFS representative will perform services remotely through the use of Team Viewer or a VPN provided by the City. In person attendance at budget workshops, City Council meetings and the annual budget public hearing are laid out in our Scope of Services.

Investment by the City for services is indicated in the financial page.

AEMFS would like to thank the City for the opportunity. We look forward to exceeding your expectations and continuing our long-term, mutually beneficial relationship.

Sincerely,

AEM Financial Solutions, LLC
an Abdo, Eick & Meyers, LLP Company

Victoria Holthaus, CPA
Partner

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Government Experience

You can have confidence in our 10 years of consulting services, over 55 years of quality accounting services and partnership in the government space. Since 1963, we've served cities just like yours. With an unwavering commitment to streamlining processes, training staff, and finding technology-based solutions, we proudly offer excellence in city consulting and auditing.

Out of our 160-strong, talented staff, over 40 team members are 100% focused on government clients, including services for over 100 cities and other governmental entities. By serving cities across Minnesota, we have become experts in the nuances of how to best support your city.

Our expertise affords you a consulting experience that is painless. We do this by communicating up front, coming better prepared, and being available throughout the year to support you.

Our Process

Our methods are centered around incorporating technology to deliver unparalleled solutions for government organizations. In addition to our consulting experience, our firm expertly performs outsourcing for governments giving us a wealth of experience in a consulting role. We don't believe in a one-size-fits-all mentality. So together, we'll focus on the needs that are relevant to your city and provide the right services to meet them with a customized methodology based on your needs. We're focused on developing creative, customized solutions to help your city mitigate costs and boost efficiency.

Our Focus

Through continuous training and growth opportunities, we've established an environment with a focus on serving city governments. We spend more than 100 hours training and onboarding to ensure success for our clients.

We truly hope that you allow us to be your partner. Together, we'll go beyond the numbers to best support your city.

Our Financial Management and Consulting Services Include:

- Arbitrage compliance
- Budget process development
- Capital improvement planning
- Cash flow analysis
- Cost containment processes
- Debt management plans
- ERP system consulting
- Finance Director services
- Financial management plans
- Financial reporting and analysis
- Fleet: Operations and replacement rate analysis
- Interim accounting and financial services
- Internal control evaluation
- Long-term strategic planning
- Payroll processing
- Policy development
- Process flows and efficiencies
- Project management
- Quarterly and monthly reporting to management
- Reconciliations
- Software implementation
- Utility/fee analysis
- Year-end audit preparation and financial statement preparation

Our Qualifications

- ✓ GFOA and MnGFOA Association members
- ✓ Government operations training
- ✓ MSRB Municipal Advisor Qualified Representatives (Series 50)
- ✓ Consulting services for over 100 cities
- ✓ We've assisted many municipalities in preparing for the GFOA's Certificate of Achievement for Excellence awards in financial reporting



Outsourced Finance Director

Building relationships to become a valuable extension of your organization is what our Financial Solutions team will be ardently focused on when we work with you. When you employ our team, you gain a fresh perspective on a broad range of topics — you'll have one point of contact but a whole team of people bringing you value. With that said, we've had the opportunity to over 100 clients in the Midwest. Among the support we provide, Outsourced Finance Director Services are a primary focus of our team. We offer this service for a broad range of cities with populations ranging from 800-25,000 in size.

Acting as outsourced finance directors and controllers requires a broad ranges of skills and experience. We bring a unique set of skills and experience as former government auditors, finance directors and controllers.. Through this lens, we implement processes and procedures to improve your organization's daily operations. Our experience translates to insights that streamline the audit and budget process and internal controls, consequently reducing audit findings and improving efficiencies. Ultimately, this will save your community time and money.

Process

When you select our team, our process is made simple — for you and for your employees. First, we meet with your city administration to understand the challenges you face. We then analyze your financial statements, review budgets, and connect with your auditors to understand your financial position from their perspective. This give us a holistic view to formulate a plan and propose how we can best support you.

Once our proposal is accepted, we'll work with key stakeholders to understand cash flow, investments, and begin fulfilling proposal initiatives. Together we'll identify priorities and begin implementation.

Qualifications

Our people make the difference- we have seven members on our team who have passed the Series 50 exam. These registered municipal advisors will manage your bonds, investments, and strategic planning initiatives. Out of 14 members in our Financial Solutions group, 60% of their work is focused on outsourced Finance Director services.

The majority of our team members have worked in government organizations and public accounting bringing you a fresh perspective backed by relevant experience. We're confident that AEM has the right expertise, team support, and recommendations to help your city grow. We look forward to supporting you and your team.





Technology

AEM Technology

We believe technology should enhance our service offerings, making our work less intrusive, our time with you more productive and keep everyone's data more secure. Our use of technology in providing financial accounting services enables us to streamline our work.. It also helps us to automate certain functions of accounting services so we are free to spend more time analyzing our results and working directly with you.

AEM takes the security of our data and our clients data very seriously. A number of systems are in place to ensure the safety of your organization's data with us. We operate in a completely remote hosted environment. This not only allows us to work from any computer, anywhere, any time, but also provides large scale, cutting edge technology and security for your data. Your data is housed in a secure data warehouse, not on laptops or local servers.

It also means:

- ✓ All firm staff use dual authentication for every login to our remote environment
- ✓ Our data is saved on redundant servers so if one server fails, another server immediately takes over
- ✓ Our data is backed up continually
- ✓ All email and embedded links are scanned for viruses prior to landing in our inbox

Our remote host vendor works exclusively with public accounting firms. Their client base includes approximately 300 firms. They maintain a Service Organization Control 2 (SOC 2) report covering their organizational controls over security, processing integrity, etc. This report is available if you'd like to review it.



Your Team

In assembling our team to serve the City of Watertown, we have assigned experienced individuals who know and understand your unique financial accounting needs. Our proposed delivery team has substantial experience working with cities similar to Watertown. Our team members and their respective experience are briefly profiled below. Full biographies for the team are located on the following pages.

Team Member



Victoria Holthaus

Partner, CPA

15 Years of Experience



Brenda Davitt

Senior Supervisor

30+ Years of Experience



MaryEllen Stuk

Associate

2 Years of Experience



Team Bios

Team Member

Background & Expertise



Victoria Holthaus, CPA

Partner

Registered Municipal Advisor

victoria.holthaus@aemfs.com

Direct Line (952) 715.3069

Victoria joined the firm in 2013. Her past experience includes service to Minnesota municipalities and joint ventures where she held finance and administrative roles. Victoria is licensed to practice as a CPA in Minnesota. Ms. Holthaus works for the Financial Solutions group providing financial management services and customized solutions for local governments and nonprofit agencies.

Education

- Master of Arts in Public Administration, Hamline University
- Bachelor of Science in Accounting, National American University
- Minnesota Certified Municipal Clerk
- Continuing professional education

Professional Memberships

- Government Finance Officers Association of the United States and Canada
- Minnesota Government Finance Officers Association
- Minnesota Society of Certified Public Accountants
- American Institute of Certified Public Accountants (AICPA)

Affiliations

- Hamline School of Business, Accounting Board Member

Qualifications

- 15 years of experience working with local governments in finance and administration
- MSRB Municipal Advisor Qualified Representation (Series 50)
- Experience with budgeting, capital planning and debt management
- Process evaluation and process improvement engagement lead



AEM Financial Solutions™



Team Bios

Team Member

Background & Expertise



Brenda Davitt

Senior Supervisor

brenda.davitt@aemfs.com

Direct Line (952) 939.3210

Brenda joined the AEM Financial Solutions group in 2020 bringing with her over 30 years of governmental experience. Her past includes working for Washington County as an Accountant, Budget Analyst and Finance Supervisor. She then moved on to become the Assistant Finance Director for the City of Roseville and later as the Finance Director for the City of New Brighton.

Education

- Bachelor of Science in Finance, St. Cloud State University
- Advanced Governmental Institute, University of Madison & Government Finance Officers Association
- Advanced Police Budgeting and Cost Analysis, Northwestern University

Professional Memberships

- Minnesota Government Finance Officers Association (MNGFOA)
- Government Finance Officers Association of the United States and Canada

Qualifications

- Over 30 years of experience working in governmental accounting
- Project management with ERP system implementation
- Policy development and internal control evaluations
- Experience in long range utility rate studies, Capital Improvement, Debt Management, and Financial Analysis Plans
- Management of cash flows and compliance to legislative statutes and OSA regulations for Tax Increment Districts



Team Bios

Team Member

Background & Expertise



MaryEllen Stuk

Associate

maryellen.stuk@aemcpas.com

Direct Line (952) 939.3205

MaryEllen joined the firm in 2020 as a Government Audit intern after graduating with a Bachelor of Science in Accounting from the University of Northwestern – St. Paul. Her work experience includes audit and accounting for many of the Firm's governmental clients.

Education

- Bachelor of Science in Accounting, University of Northwestern – St. Paul
 - Graduated Magna Cum Laude
 - Dean's List
- Currently working to become a licensed CPA
- Continuing professional education

Qualifications

- Experience in auditing local governments
- Experience in Account Reconciliation and General Ledger Transactions
- Works extensively with Microsoft Word and Excel, as well as accounting software like Banyon and QuickBooks



Value

We at AEM help cities achieve their financial goals.

Our fees range from \$155 to \$385 per hour based upon the experience and level of the individuals to be assigned to perform your work. Fees are also based on the assumption and limitations outlined in the scope of work that follows below. Below are the fees for our services.

Services Period: June 1, 2021 – December 31, 2021

<u>Staff Level</u>	<u>Hourly Rate</u>
Partner	\$385
Senior Manager	\$280
Senior	\$190
Associate	\$155

Initial invoice will be sent within 10 days of the execution of this agreement. Monthly installment fees will be invoiced throughout the remainder of this contract.

Travel will be charged at ½ the staff bill rate and mileage at the current IRS rate.

We do not believe in charging for phone calls or emails during the year. When our communications identify additional service needs we will provide you with an expected fee range.

Scope of Services

AEMFS Contract Task	Client Responsibility	Frequency
Annual Budget Preparation (FY 2022)		
Preliminary meeting with City management on budget objectives and strategy (virtual)	Co-facilitation from City administration; participation and input from Departments and the City Council. Also review and accept our work.	June 15
Prepare personnel budget		June 30
Facilitate budget development with City departments (virtual)		June 30
Prepare City management's recommended property tax levy along with a general outline of the City's budgeted funds including any potential budget funding gaps. This will include the all funds summary and preparation of all budget documents.		July 31
Assist in presenting preliminary budget to Council (in person)		August 31
Prepare preliminary budget and tax levy resolution for City Council's consideration and adoption.		September 10
Assist in the certification of the final of the preliminary levy and final budget public hearing date with the County.		September 30
Additional revisions to preliminary budget in preparation for the final budget hearing (may include attendance at one additional council workshop).		October - November
Prepare final budget and tax levy resolution for City Council's consideration and adoption.		November 30
Assist in presenting final budget to Council at the public hearing (in person).		December 28
Assist in the certification of the final of the tax levy to the County and Minnesota Department of Revenue		December 28
Tie out final budget in Banyon to the budget approved by the City Council.		December 28
Property Tax Levy Report to the Minnesota Department of Revenue		December 28
TNT 20XX Report to the Minnesota Department of Revenue		December 28
Summary Budget Report to the Minnesota Office of the State Auditor		January 31
Summary budget publication for the newspaper	12	January 31



What Our Clients Say

Client References

We have long-term relationships with many cities in Minnesota. Our clients listed below serve as a sample of references of those we serve as their Finance Director. Additional references are available upon request.

City of New Hope

Kirk McDonald | 763.531.5112

Engagement partner – Jean McGann

City of Crystal

Anne Norris | 763.531.1140

Engagement partner – Jean McGann

City of Oak Grove

Loren Wickham | 763.404.7075

Engagement partner – Jean McGann

City of Independence

Mark Kaltsas | 763.479.0527

Engagement partner – Jean McGann



AEM Financial Solutions™



Why AEM?

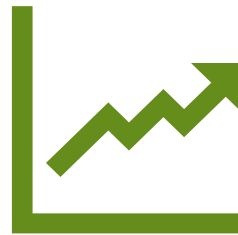
Abdo, Eick & Meyers, LLP, established in 1963, has a professional staff of more than 150 in its Edina and Mankato offices. The two offices serve clients of all sizes and industries. Our services include audits, reviews and compilations, monthly accounting, tax planning and preparation, management advisory services and HR Outsourcing, to name a few. In addition, Abdo, Eick & Meyers, LLP is recognized as one of the Top 150 firms in the United States and the 13th largest firm in Minnesota.

We're here because our clients need solutions to their challenges--not a commodity product. Through our dedication to teamwork, development and relationships, we will help our clients thrive. The investments into our People + Process make a difference for you, our valued client. We focus on the challenges and needs that are relevant to your business or government agency. This allows us to be thoughtful in our approach in providing you with the best solutions, and leave you assured in the value of our deliverable.

The Firm is a member of the American Institute of Certified Public Accountants Division of Firms and has received an unmodified opinion on its Peer Review. Our Peer Review, which included nonprofit, was completed in 2020 and resulted in a pass rating.

The Firm has not had any federal or state desk reviews or field reviews of its audits in the last three years. We have had no disciplinary action taken or pending against the Firm during the past three years with state regulatory bodies or professional organizations.

We maintain library facilities which include current professional literature and specific information for the industries we serve. The Firm library is also reviewed as part of the external quality review program. The Firm has in-house training programs specific to our nonprofit clients. We also perform auditing and accounting updates for our clients that are organized by our staff. These practices ensure the quality of our staff over the term of engagement.



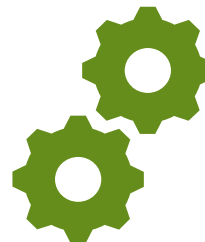
We Listen

You will know you're in the right hands well before delivery, but be assured that we will get you a great value for the investment of your time.



We Engage

Active engagement with DFK International and domestic industry associations allows us to provide maximum value to your organization.



We Deliver

Combining our internal expertise and technological resources with what we've learned about you allows us to deliver a solution that exceeds your expectations.



Appendix A



Agreement for Financial Services

THIS AGREEMENT, is made and entered into on May 19, 2021 by and between the City of Watertown, Minnesota (hereinafter referred to as the “City”), and AEM Financial Solutions LLC (hereinafter referred to as the “Contractor”).

Articles of Agreement & Recitals

WHEREAS, the City is authorized and empowered to secure from time to time certain professional services through contracts with qualified consultants; and

WHEREAS, the Contractor understands and agrees that:

1. The Contractor will act as an Independent Contractor in the performance of all duties under this Agreement. Accordingly, the Contractor shall be responsible for payment of all taxes, including federal, state and local taxes and professional/business license fees arising out of the Contractor’s activities;
2. The Contractor shall have no authority to bind the City for the performance of any services or to obligate the City. The Contractor is not an agent, servant, or employee of the City and shall not make any such representations or hold himself/herself out as such;
3. The Contractor shall be the exclusive outsourced accounting service provider for the City during the term of this Agreement;
4. The Contractor shall perform all professional services in a competent and professional manner, acting in the best interests of the City at all times.
5. The Contractor shall not accrue any continuing contract rights for the services performed under this contract.

NOW THEREFORE, in consideration of the mutual covenants and promises contained herein, it is agreed as follows:

ARTICLE I

INCORPORATION OF RECITALS

The recitals and agreement set forth above are hereby incorporated into this Agreement.

ARTICLE II

LIABILITY INSURANCE

Section 1 Liability Insurance: The Contractor shall obtain professional liability insurance, at their expense with liability insurance coverage minimums in the amount of \$2,000,000, which Contractor must secure and maintain during the term of this Agreement. Contractor will provide City with proof of liability insurance coverage under this Agreement in writing upon request by the City.

AGREEMENT FOR FINANCIAL SERVICES - CONTINUED

ARTICLE III

DURATION OF THE AGREEMENT

Section 1 Duration: This Agreement shall commence upon date of execution by all parties and will remain in effect until December 31, 2021 unless earlier terminated as provided in Sections 2 and 3.

Section 2 City's Termination Rights: City may terminate this Agreement upon sixty (60) days written notice in the event the City determines in its sole discretion that it is not in the City's best interest to continue using Contractor's services. The City may terminate on ten (10) days written notice if the Contractor fails to perform its obligations under this Agreement.

Section 3 Contractor's Termination Rights: Contractor may terminate this Agreement upon thirty (30) days written notice to City in the event City does not pay Contractor compensation as required under Article 5, Section 9 within fifteen (15) days after invoice is received by City. In the event of non-payment within thirty (30) days, Contractor shall give City an opportunity to cure the default by giving a notice of such non-payment and an additional five (5) days after the City's receipt of the notice to remit such payment, prior to giving a notice of termination. Contractor can also terminate the Agreement with one hundred twenty (120) days written notice if the Contractor believes it is in its best interests to terminate the Agreement.

ARTICLE IV

RENEWAL OF THE AGREEMENT

Section 1 Renewal Period: Not less than ninety (90) days prior to the expiration of this Agreement, the City may provide written notice of intent to renew this Agreement for an additional term of up to three years upon terms and conditions agreed upon by both parties to the Agreement. If no such renewal agreement is executed by the parties, the Agreement terminates without further action of either party on December 31, 2021.

ARTICLE V

GENERAL

Section 1 Authorized City Agent: The City's authorized agent for the purpose of administration of this Agreement is the City Administrator. Said agent shall have final authority for approval and acceptance of the Contractor's services performed under this Agreement and shall further have responsibility for administration of the terms and conditions of this Agreement. All notices under this Agreement shall be sent to the person and address indicated below on the signature lines.

Section 2 Amendments: No amendments or variations of the terms and conditions of this Agreement shall be valid unless in writing and signed by the parties.

Section 3 Assignability: The Contractor's rights and obligations under this Agreement are not assignable or transferable.

AGREEMENT FOR FINANCIAL SERVICES - CONTINUED

ARTICLE V - CONTINUED

GENERAL - CONTINUED

Section 4 Data: Any data or materials, including, but not limited to, reports, studies, photographs, negatives, or any and all other documents prepared by the Contractor or its outside consultants in the performance of the Contractor's obligations under this Agreement shall be the exclusive property of the City, and any such data and materials shall be remitted to the City by the Contractor upon completion, expiration, or termination of this Agreement. Further, any such data and materials shall be treated and maintained by the Contractor and its outside consultants in accordance with applicable federal, state and local laws. Further, Contractor will have access to data collected or maintained by the City to the extent necessary to perform Contractor's obligations under this Agreement. Contractor agrees to maintain all data obtained from the City in the same manner as the City is required under the Minnesota Government Data Practices Act, Minnesota Statutes Chapter 13 or other applicable law (hereinafter referred to as the "Act"). Contractor will not release or disclose the contents of data classified as not public to any person except at the written direction of the City. Upon receipt of a request to obtain and/or review data as defined in the Act, Contractor will immediately notify the City. The City shall provide written direction to Contractor regarding the request within a reasonable time, not to exceed fifteen (15) days. The City agrees to indemnify, hold harmless and defend Contractor for any liability, expense, cost, damages, claim, and action, including attorneys' fees, arising out of or related to Contractor's complying with the City's direction. Subject to the aforementioned, Contractor agrees to defend and indemnify the City from any claim, liability, damage or loss asserted against the City as a result of Contractor's failure to comply with the requirements of the Act. Upon termination and/or completion of this Agreement, Contractor agrees to return all data to the City, as requested by the City.

Section 5 Entire Agreement: This Agreement is the entire agreement between the City and the Contractor and it supersedes all prior written or oral agreements. There are no other covenants, promises, undertakings, or understandings outside of this Agreement other than those specifically set forth. Any term, condition, prior course of dealing, course of performance, usage of trade, understanding, or agreement purporting to modify, vary, supplement, or explain any provision of this Agreement is null and void and of no effect unless in writing and signed by representatives of both parties authorized to amend this Agreement.

Section 6 Severability: All terms and covenants contained in this Agreement are severable. In the event any provision of this Agreement shall be held invalid by any court of competent jurisdiction, this Agreement shall be interpreted as if such invalid terms or covenants were not contained herein and such holding shall not invalidate or render unenforceable any other provision hereof.

Section 7 Contractor Fiscal Decision Waiver: Contractor is responsible for providing the City with timely and accurate financial recommendations and information that allows City Council the ability to make final financial decisions. Contractor will provide final financial recommendations, but is not responsible for the final decisions made regarding financial matters.

Section 8 City Employment of Contractor's Employees; Should the City desire to employ the Contractor's employee that is assigned to the City during the term of this Agreement, it must have the written consent of the Contractor to enter into a City employee contract with the Contractor's employee. Should the Contractor agree to such arrangement, the agreement will include a payment equal to 150% of the annual contracted cost, in addition to the annual contracted cost already paid to the Contractor. This restriction on employment applies during the term of this agreement and for six months thereafter.

AGREEMENT FOR FINANCIAL SERVICES - CONTINUED

ARTICLE V - CONTINUED

GENERAL - CONTINUED

Section 9 Compensation: The parties agree that the Contractor shall be paid compensation for the services provided hereunder, payable for work performed in accordance with this Agreement, based on the fees indicated in Table 1 and under the attached scope of services. Additional fees will not be incurred without prior approval of the City.

Table 1

Services Period: June 1, 2021 – December 31, 2021

<u>Staff Level</u>	<u>Hourly Rate</u>
Partner	\$285
Senior Manager	\$280
Senior	\$190
Associate	\$155

Initial invoice will be sent within 10 days of the execution of this agreement. Monthly installment fees will be invoiced throughout the remainder of this contract.

Travel will be charged at ½ the staff bill rate and mileage at the current IRS rate.

We do not believe in charging for phone calls or emails during the year. When our communications identify additional service needs we will provide you with an expected fee range.

Section 10 Additional Services: Should the City request additional services in addition to the Contracted Services, the Contractor will provide the City with proposed fees for the services to be provided. The City shall provide a written or electronic confirmation prior to the proposed services implementation.

Section 11 Outside Contractors: It shall be the responsibility of Contractor to compensate any other outside consultants retained or hired by Contractor to fulfill their obligations under this Agreement and shall be responsible for their work and Contractor, by using outside contractors, shall not be relieved of its obligations under this Agreement.



Appendix B



Agreement for the Provision of Professional Services

WHEREFORE, this Agreement was entered into on the date set forth below and the undersigned, by execution hereof, represent that they are authorized to enter into this Agreement on behalf of the respective parties and state that this Agreement has been read by them and that the undersigned understand and fully agree to each, all and every provision hereof, and hereby, acknowledge receipt of a copy hereof.

City of Watertown
309 Lewis Avenue South
Watertown, Minnesota 55388

Name _____

Title _____

Name _____

Title _____

Date _____

AEM Financial Solutions, LLC
5201 Eden Ave. Suite 250
Edina, Minnesota 55436

Name *Vitona Holtz*

Title Partner

Date May 19, 2021



WATERTOWN
FINANCIAL MANAGEMENT PLAN
5/21/2021

GENERAL FUND	2021 Proposed	2022 Preliminary	2023 Forecast	2024 Forecast	2025 Forecast	2026 Forecast	2027 Forecast	2028 Forecast	2029 Forecast	2030 Forecast	2031 Forecast	2032 Forecast
1 REVENUE												
2 GENERAL PROPERTY TAX LEVY	2,164,000	2,398,396	2,491,933	2,589,119	2,690,094	2,795,008	2,904,013	3,017,270	3,134,944	3,257,206	3,384,237	3,516,223
3 Potential for Uncollectible Taxes	-	(47,968)	(49,839)	(51,782)	(53,802)	(55,900)	(58,080)	(60,345)	(62,699)	(65,144)	(67,685)	(70,229)
4 LOCAL GOVERNMENT AID (LGA)	-	-	-	-	-	-	-	-	-	-	-	-
5 TRANSFERS IN - ENTERPRISE	-	-	-	-	-	-	-	-	-	-	-	-
6 ADMINISTRATION, FINANCE, TECH	245,096	249,998	254,998	260,097	265,299	270,605	276,018	281,538	287,169	292,912	298,770	304,746
7 PLANNING & INSPECTIONS	72,770	74,225	75,710	77,224	78,769	80,344	81,951	83,590	85,262	86,967	88,706	90,480
8 CENTRAL FACILITIES	-	-	-	-	-	-	-	-	-	-	-	-
9 FIRE	-	-	-	-	-	-	-	-	-	-	-	-
10 LAW ENFORCEMENT	20,000	20,400	20,808	21,224	21,649	22,082	22,523	22,974	23,433	23,902	24,380	24,867
11 STREETS	-	-	-	-	-	-	-	-	-	-	-	-
12 PARKS	-	-	-	-	-	-	-	-	-	-	-	-
13 RECREATION	2,000	2,040	2,081	2,122	2,165	2,208	2,252	2,297	2,343	2,390	2,438	2,487
14 TOTAL REVENUE	2,503,866	2,697,091	2,795,691	2,898,005	3,004,174	3,114,347	3,228,677	3,347,323	3,470,451	3,598,233	3,730,847	3,798,154
15	-33.2%	7.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	3.7%	1.8%
16 EXPENDITURES												
17 Comparable Reductions for Levy	-	-	-	-	-	-	-	-	-	-	-	-
18 ADMINISTRATION, FINANCE, TECH, COUNCIL	754,247	773,013	788,473	804,243	820,327	836,734	853,469	870,538	887,949	905,708	923,822	942,298
19 PARKS	213,593	264,421	269,709	275,104	280,606	286,218	291,942	297,781	303,737	309,811	316,008	322,328
20 FIRE	375,000	382,500	390,150	397,953	405,912	414,030	422,311	430,757	439,372	448,160	457,123	466,265
21 LAW ENFORCEMENT	379,838	387,435	395,183	403,087	411,149	419,372	427,759	436,314	445,041	453,942	463,020	472,281
22 PUBLIC SERVICES	474,929	520,181	530,585	541,196	552,020	563,061	574,322	585,808	597,524	609,475	621,664	634,098
23 COMMUNITY SERVICES	70,789	72,105	73,649	75,122	76,624	78,157	79,720	81,314	82,941	84,599	86,291	88,017
24 RECREATION	-	-	-	-	-	-	-	-	-	-	-	-
25 CENTRAL FACILITIES	65,600	66,912	68,250	69,615	71,008	72,428	73,876	75,354	76,861	78,398	79,966	81,565
26 TRANSFERS OUT- Capital Investment Support	90,000	218,120	310,000	330,000	335,000	435,000	435,000	435,000	-	-	-	-
27 TRANSFERS OUT-Park Fund Support	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000	65,000
28 TRANSFERS OUT- Water Fund Support	-	-	-	-	-	-	-	-	-	-	-	-
29 TRANSFERS OUT - Sewer Fund Support	-	-	-	-	-	-	-	-	-	-	-	-
31 TRANSFERS OUT-Downtown Development Support	93,309	93,085	-	-	-	-	-	-	-	-	-	-
TRANSFERS OUT-EDA Fund Support	20,643	-	-	-	-	-	-	-	-	-	-	-
32 TOTAL EXPENDITURES	2,602,948	2,842,871	2,891,000	2,961,320	3,017,646	3,169,999	3,223,399	3,277,867	2,898,424	2,955,093	3,012,895	3,071,853
33 Operating % Change	-23.2%	9.2%	1.7%	2.4%	1.9%	5.0%	1.7%	-11.6%	2.0%	2.0%	2.0%	
35 INCREASE(DECREASE) IN FUND BALANCE	(99,082)	(145,780)	(95,309)	(63,315)	(13,472)	(55,652)	5,278	69,456	572,027	643,140	717,952	726,301
36 EFFECT on Fund Balance												
37 Fund Balance - January 1	1,749,007	1,399,925	1,254,145	1,158,836	1,095,521	1,082,049	1,026,397	1,031,675	1,101,132	1,673,159	2,316,299	3,034,251
38 Budgeted Increase(Decrease)	(99,082)	(145,780)	(95,309)	(63,315)	(13,472)	(55,652)	5,278	69,456	572,027	643,140	717,952	726,301
39 Unassigned Fund Balance Transfer from Audit	(250,000)	-	-	-	-	-	-	-	-	-	-	-
40 Projected Fund Balance - December 31	1,399,925	1,254,145	1,158,836	1,095,521	1,082,049	1,026,397	1,031,675	1,101,132	1,673,159	2,316,299	3,034,251	3,760,553
41 % of Operating	54%	44%	40%	37%	36%	32%	32%	34%	58%	78%	101%	122%
42												
43 PRELIMINARY LEVY												
44 PROPOSED GENERAL LEVY ADJUSTMENTS												
45 GENERAL OPERATING LEVY	2,164,000	2,398,396	2,491,933	2,589,119	2,690,094	2,795,008	2,904,013	3,017,270	3,134,944	3,257,206	3,384,237	3,516,223
46 % Change	4.1%	9.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%	3.8%
47 SPECIAL DEBT LEVY	455,000	331,880	246,197	244,517	224,342	136,331	139,061	136,331	133,601	136,121	138,431	140,531
48 % Change	-1.1%	-37.1%	-34.8%	-0.7%	-9.0%	-64.6%	2.0%	-2.0%	-2.0%	1.9%	1.7%	1.5%
49 EDA MARKET VALUE LEVY	58,575	59,747	60,941	62,160	63,403	64,672	65,965	67,284	68,630	70,003	71,403	72,831
50 % Change	0%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
51 PROPOSED GENERAL TAX LEVY (Operating & Debt)	2,619,000	2,730,276	2,738,130	2,833,636	2,914,436	2,931,339	3,043,074	3,153,601	3,268,545	3,393,327	3,522,668	3,656,754
54 LESS FISCAL DISPARITIES	574,106	574,106	574,106	574,106	574,106	574,106	574,106	574,106	574,106	574,106	574,106	574,106
55 NET LEVY TO TAXPAYERS (General, Debt)	2,044,894	2,156,170	2,164,024	2,259,530	2,340,330	2,357,233	2,468,968	2,579,495	2,694,439	2,819,221	2,948,562	3,082,648
56 Overall Levy % Change	5%	5%	0%	4%	4%	1%	5%	4%	4%	5%	5%	5%
58 Existing Tax Base Value Change Assumptions	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%	2.0%
60 TAXABLE MARKET VALUE	359,085,000	363,076,448	367,147,644	371,300,180	375,535,682	379,855,808	384,262,250	388,756,733	393,341,015	398,016,892	402,786,194	407,650,789
61 Change in Market Value	2.90%	1.10%	1.11%	1.12%	1.13%	1.14%	1.15%	1.16%	1.17%	1.17%	1.18%	1.19%
64 EXISTING TAX CAPACITY	3,826,906	3,717,227	3,664,071	3,695,657	3,727,042	3,758,205	3,789,127	3,819,783	3,850,152	3,880,210	3,909,932	3,939,292
63 TIF Reduction	-8,732	-25,000	0	0	0	0	0	0	0	0	0	1
65 TAX CAPACITY Revisions from FD Changes	-173,834	-150,000	-40,878	-41,694	-42,527	-43,375	-44,241	-45,124	-46,025	-46,944	-47,881	-48,836
66 NET TOTAL TAX CAPACITY	3,644,340	3,592,227	3,623,193	3,653,962	3,684,515	3,714,830	3,744,886	3,774,659	3,804,127	3,833,266	3,862,051	3,890,455
67 Tax Capacity Change	2%	-1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%
69 Residential & Commercial Valuation Assumptions												
70 Number of Anticipated New Residential Homes	17	17	17	17	17	17	17	17	17	17	17	17
71 Average Valued Home	233,826	238,503	243,273	248,138	253,101	258,163	263,326	268,593	273,965	279,444	285,033	290,734
72 Anticipated New Residential Home Market Value	3,975,047	4,054,548	4,135,639	4,218,351	4,302,718	4,388,773	4,476,548	4,566,079	4,657,401	4,750,549	4,845,560	4,942,471
73 Anticipated New Commercial Market Value	16,402	16,648	16,897	17,151	17,408	17,669	17,934	18,203	18,476	18,753	19,035	19,320
74 Equivalent Anticipated New Tax Capacity	\$ 40,078.50	\$ 40,878.43	\$ 41,694.33	\$ 42,526.53	\$ 43,375.35	\$ 44,241.11	\$ 45,124.17	\$ 46,024.86	\$ 46,943.53	\$ 47,880.56	\$ 48,836.29	\$ 49,811.12
75												
76 TAX RATE ON TAX CAPACITY	56.112%	60.023%	59.727%	61.838%	63.518%	63.455%	65.929%	68.337%	70.829%	73.546%	76.347%	79.236%
77 TAX RATE % CHANGE	3.23%	6.97%	-0.49%	3.53%	2.72%	-0.10%	3.90%	3.65%	3.84%	3.65%	3.81%	3.78%
79 Average Valued Home	\$ 233,826	\$ 238,503	\$ 243,273	\$ 248,138	\$ 253,101	\$ 258,163	\$ 263,326	\$ 268,593	\$ 273,965	\$ 279,444	\$ 285,033	\$ 290,734
80 Estimated Annual City Portion of Tax Bill	\$ 1,312.03	\$ 1,431.57	\$ 1,453.00	\$ 1,534.43	\$ 1,607.65	\$ 1,638.17	\$ 1,736.09	\$ 1,835.49	\$ 1,940.47	\$ 2,055.20	\$ 2,176.14	\$ 2,303.66
81 Estimated Annual EDA Portion of Tax Bill	\$ 43.87	\$ 44.75	\$ 45.64	\$ 46.55	\$ 47.49	\$ 48.44	\$ 49.40	\$ 50.39	\$ 51.40	\$ 52.43	\$ 53.48	\$ 54.55
	\$ 1,355.90	\$ 1,476.32	\$ 1,498.64	\$ 1,580.99	\$ 1,655.13	\$ 1,686.60	\$ 1,785.49	\$ 1,885.88	\$ 1,991.87	\$ 2,107.63	\$ 2,229.62	\$ 2,358.21
82 Amount Increase or (Decrease)	\$ 19.35	\$ 120.41	\$ 142.73	\$ 104.67	\$ 156.50	\$ 105.61	\$ 130.36	\$ 199.28	\$ 206.38	\$ 221.75	\$ 237.74	\$ 250.58
83 Percent Increase or (Decrease)	1.43%	8.35%	1.47%	5.31%	4.55%	1.86%	5.64%	5.42%	5.41%	5.58%	10.83%	10.79%