



**REGULAR CITY COUNCIL MEETING
RICHFIELD MUNICIPAL CENTER, COUNCIL CHAMBERS
JUNE 27, 2023
7:00 PM**

INTRODUCTORY PROCEEDINGS

Call to order

Pledge of Allegiance

Open forum

Call into the open forum by dialing 1-415-655-0001 Use webinar access code: 2632 966 9599 and password: 1234.

Please refer to the Council Agenda & Minutes web page for additional ways to submit comments.

Approval of the Minutes of the (1) City Council Work Session of June 13, 2023; (2) City Council Meeting of June 13, 2023; (3) Special Closed Meeting of June 13, 2023; and (4) Special Closed Meeting of June 15, 2023.

PRESENTATIONS

1. 2023 Gene & Mary Jacobsen Citizen of the Year Presentation

AGENDA APPROVAL

2. Approval of the Agenda

OTHER BUSINESS

3. Receipt of the City of Richfield Annual Financial Report for the fiscal year ended December 31, 2022.
Staff Report No. 84

PUBLIC HEARINGS

4. Public hearing and consider the approval of a new On-Sale Wine and 3.2 Percent Malt Liquor license, with outside service, for Toma Richfield, LLC dba Toma Mojo Grill, located at 1700 66th Street East.
Staff Report No. 80
5. Approve the second reading and hold a public hearing for an ordinance approving renewal of cable television franchise with Comcast of Minnesota, Inc.
Staff Report No. 81

PROPOSED ORDINANCES

6. Second reading of a transitory ordinance providing funding for certain capital improvements from the Liquor Contribution Special Revenue Fund.
Staff Report No. 82

RESOLUTIONS

7. Approval of a resolution amending the allocation of the 2022 General Fund Budget.
Staff Report No. 85
8. Summary of the City Manager's annual performance evaluation for the period of July 2022 to June 2023, held on June 13 and June 15, 2023, as required by Minn. Statutes 13D.05 Subd. 3(a), and consider a resolution amending the employment agreement between the City of Richfield and City Manager Katie Rodriguez.

Staff Report No. 83

CITY MANAGER'S REPORT

9. City Manager's Report

CLAIMS AND PAYROLLS

10. Claims and Payroll

COUNCIL DISCUSSION

11. Hats Off to Hometown Hits
12. Adjournment

Auxiliary aids for individuals with disabilities are available upon request. Requests must be made at least 96 hours in advance to the City Clerk at 612-861-9739.



CITY COUNCIL MEETING MINUTES

Richfield, Minnesota

City Council Work Session

June 13, 2023

CALL TO ORDER

Mayor Supple called the work session to order at 5:30 p.m. in the Bartholomew Room.

Council Members Present: Mary Supple, Mayor; Sean Hayford O'leary; Sharon Christensen; Simon Trautmann; and Ben Whalen

Staff Present: Katie Rodriguez, City Manager; Dustin Leslie, City Clerk; Amy Markle, Recreation Services Director; Karl Huemiller, Recreation Programming Manager; Rachel Lindholm, Sustainability Specialist.

ITEM #1	DISCUSSION OF DONALDSON PARK IMPROVEMENTS
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Director Markle provided a presentation about Donaldson Park and spoke about the following: park history, park usage, user groups, challenges, resident needs, reinvestment opportunities, proposed process, and budget considerations. She stated the playground between the fields would be moved from the middle of the fields to make room for a new building. Council Member Trautmann preferred keeping it between the fields and finding a different solution for the building. Director Markle spoke about the location of the playground limiting the building design but would revisit.

Council Member Whalen asked if the plans were being funded through CIP funds. Director Markle confirmed.

Mayor Supple asked if these plans were already included in the budget. Director Markle replied that they were already included in the budget approved by Council.

City Manager Rodriguez and Council Member Whalen discussed debt being used to fund projects and the plan for it going forward.

City Manager Rodriguez spoke about the need to reinvest assets and avoiding facilities falling into disrepair as there were a lot of facilities in the city that needed to be fixed.

Council Member Whalen spoke about allocating more funding to park maintenance and was willing to put more into the budget using the regular budget rather than just CIP funds.

Council Member Trautmann stated the importance of playgrounds in the city for kids and spoke about finding more ways to get people in the parks, such as food trucks.

Council Member Hayford Oleary asked how full the east parking lot would usually get. Director Markle replied that the parking lot was usually full during games. Council Member Hayford Oleary stated staff could look at reducing parking spaces in the future when considering renovations.

Council Member Whalen stated he supported the process and agreed with Council Member Trautmann that the playground should stay in the middle of the fields if possible. He further stated that staff could look at reconfiguring the paths.

ITEM #2	DISCUSSION OF LOCAL SALES TAX AUTHORIZATION AND REFERENDUM PLANNING
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Director Markle provided an update to Council stating the question would have to go on the ballot in 2024. She also spoke about the planned education campaign for residents.

Council and staff discussed needs for projects that would be funded by the proposed local sales tax.

ITEM #3	SUSTAINABILITY PROJECT UPDATES
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Sustainability Specialist Lindholm gave a presentation to Council focusing on ARPA Municipal Building Energy Improvements and the Community Garden Pilot Project.

Council Member Whalen asked if there were reports to go with the ARPA improvements and if there were high level lists of improvements that could be easily shared. Sustainability Specialist Lindholm replied that there were reports for each building and that a spreadsheet of improvements was being maintained.

Mayor Supple stated that lighting should be focused on the buildings and away from neighborhoods. Sustainability Specialist Lindholm stated they would make sure of that and that the lighting generally faces down.

Council Member Whalen asked if empty plots in the community gardens were due to lack of interest or residents backing out. Sustainability Specialist Lindholm spoke about the community gardens being a pilot project and expected more participation in the future.

Council Member Whalen asked if there were plans to expand the community gardens or continue the pilot project as-is. Sustainability Specialist Lindholm replied the current garden has room for expansion.

Council Member Trautmann stated he heard concerns from residents about community gardens causing an increase in crime. He asked staff if there were any crime issues due to the garden. Sustainability Specialist Lindholm stated there have been no issues related to crime.

ADJOURNMENT

Mayor Supple adjourned the work session at 6:30 pm

Date Approved: June 27, 2023

Mary B. Supple
Mayor

Dustin Leslie
City Clerk

Katie Rodriguez
City Manager



CITY COUNCIL MEETING MINUTES

Richfield, Minnesota

Regular Council Meeting

June 13, 2023

CALL TO ORDER

The meeting was called to order by Mayor Supple at 7:00 p.m. in the Council Chambers.

Council Members Present: Mary Supple, Mayor; Sharon Christensen; Simon Trautmann; Sean Hayford Oleary; and Ben Whalen

Staff Present: Katie Rodriguez, City Manager; Mary Tietjen, City Attorney; Amy Markle, Recreation Services Director; Rachel Lindholm, Sustainability Specialist; Melissa Poehlman, Community Development Director; Jay Henthorne, Public Safety Director/Police Chief; and Dustin Leslie, City Clerk

PLEDGE OF ALLEGIANCE

Mayor Supple led the Pledge of Allegiance.

Mayor Supple noted the Open Forum would be held after the Presentations.

APPROVAL OF MINUTES

M/Whalen, S/Trautmann to approve the minutes of the: (1) City Council Work Session of May 23, 2023; (2) City Council Meeting of May 23, 2023.

Motion carried: 5-0

ITEM #1	MINNESOTA PARKS AND RECREATION ASSOCIATION (MRPA) PRESENTATION TO RICHFIELD RECREATION
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Stephanie Schutta stated it was an honor to be at the meeting on behalf of the MRPA to present the Minnesota Parks and Recreation Association 2022 Award of Excellence to the City of Richfield Recreation Department on the project of Augsburg Adventure Park inclusive playground. She stated the MRPA award committee would also like to recognize Amy Markle, who nominated this project.

Director Markle indicated this project brought the community together during the pandemic and it meant a lot to so many people, including herself. She thanked the many people who made this project happen. She stated they wanted to build a playground where everyone could play regardless of age or ability. She thanked the Minnesota Recreation and Parks association for recognizing the board and to the community for supporting it.

Council Member Trautmann thanked the MRPA and he was glad Director Markle was able to be recognized in this way. He congratulated everyone who made this possible.

ITEM #2	PROCLAMATION CELEBRATING LGBTQ+ PRIDE MONTH
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Mayor Supple read aloud the proclamation.

Mara Glubka thanked the Mayor and the City for being a good ally to the LGBTQ community. She indicated there was still a lot of work to be done as evidenced by nearly 500 anti LGBTQ Bills that had been introduced with many of them passing this year. She highlighted some of the areas where there was a lot of misinformation going on about transgender youth, including gender ideology and the idea that children were being indoctrinated or groomed.

Council Member Whalen thanked her for setting the record straight and he was proud to live in a State where the State Legislature had been aligned with the set of values that had been making Minnesota a safer place.

ITEM #3	PROCLAMATION CELEBRATING JUNETEENTH
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Mayor Supple read aloud the proclamation.

Council Member Whalen stated there would be an event this coming Saturday at noon at the bandshell with food and live music.

ITEM #4	PROCLAMATION CELEBRATING ELSÉN BROTHERS GARAGE
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Mayor Supple invited the Elséns to accept the proclamation and read aloud the proclamation.

Joe Elsen thanked the city for the Proclamation. He did not think his grandfather knew that 132 years later they would still be there.

Joe stated on behalf of the entire Elsen family, they were proud to be a part of this community. And a lot of the credit went to his father and his brothers, his grandfather, and his great grandfather.

ITEM #5	APPROVAL OF THE AGENDA
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M/Trautmann, S/Whalen to approve the agenda.

Motion carried: 5-0

OPEN FORUM

Mayor Supple reviewed the options to participate:

- Participate live by calling 1-415-655-0001 during the open forum portion
- Call prior to meeting 612-861-9711
- Email prior to meeting kwynn@richfieldmn.gov

Ruane Onesirosan, 2421 W 65th Street, read a letter to the Mayor and Councilmembers regarding Section 147(f) of the IRS code of 1986 as revised on approvals being preceded by a public hearing. She believed the \$10,000 bonding issue transaction and approvals were unlawful and unbinding under that IRS section. She indicated the open meeting laws existed to ensure the absence of discussions prior to a meeting. She stated the public was being railroaded and the resident’s concerns and opinions were being discarded and ignored.

Larry Ernster, 6727 Elliott Avenue South, questioned why Best Buy originally requested a minimum assessment agreement when their headquarters was valued at over \$150 million and real estate properties were rising. He believed Best Buy wanted a minimum assessment agreement to keep their property taxes down when property taxes were going higher. He presented a graph that described what would happen in the last 2 years of the TIF at \$60 million. He asked how would the drop in commercial property tax be accommodated without shifting the tax burden to the taxpayers.

Mary Best, 6727 Elliott Avenue South, stated she had lived in Richfield her entire life and had always been proud of the Richfield, but she wasn’t so sure anymore. She indicated Richfield had many changes in the last 25 years and the City was not same as then the TIF agreement was signed by Best Buy 23 plus years ago. She stated she was a concerned citizen who was disputing the Best Buy information. She asked how would they keep her taxes from going up every year, sometimes by double digits. She noted property values were going up all over the country, but Best Buy was asking for a decrease in their value so they don’t have to pay so much. She asked if they could manipulate their property value, how much was the Best Buy land really worth, and how does the evaluation change so quickly, and who changes the value. She stated she did not want her taxes to go up.

Isaac Contreras stated he was the Twin Cities chapter past president and current Director of Governmental Affairs Committee of NAHREP Twin Cities, the National Association of Hispanic real estate professionals. He indicated he wanted to dispel some misconceptions about being on their Board or a member of their association. He stated they looked for members who were interested in their mission which was to advance sustainable Hispanic home ownership. He noted the Latino population in Richfield had grown and was in the top 5 cities in the State in terms of Latino population and the Latino’s wanted to make a better life for themselves and their families.

Dave Kunert stated he owned the building at 6621 Penn and he wanted to have a CBD business there. He asked what the council was feeling about having a business at that location. He asked if the moratorium would be revisited.

Mike Gowlik stated he was the CEO of Nature and Wellness, which was a cannabis company. He indicated he empowered people to open up their own businesses, while advocating for wellness in this industry. He indicated he took the business seriously and if the City was going to award anybody a position to have a professional environment within the City, he encouraged them to line themselves up with his management system and franchise. He stated he would ensure they were run at the highest level of professionalism possible.

ITEM #5	CONSENT CALENDAR
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City Manager Rodriguez presented the consent calendar.

- A. Consider approval of an extension to the temporary easement grated to Hennepin County for the Country State Aid Highway No. 52/Nicollet Avenue Safety Improvement Project at 70th Street. (Staff Report No. 67)
- B. Consider the approval of setting a public hearing to be held on June 27, 2023, to consider the issuance of new On-Sale Wine and 3.2 Percent Malt Liquor licenses for Toma Richfield, LLC dba Toma Mojo Grill, located at 1700 66th Street East. (Staff Report No. 68)
- C. Consider the approval of an agreement for Prosecution Services in the City of Richfield and H/J Law. (Staff Report No. 69)
- D. Consider a two-part request: Site plan review and a two-stall parking variance for Afghan Halal Supermarket at 6626 Penn Avenue South. (Staff Report No. 70)

RESOLUTION NO. 12099

**RESOLUTION APPROVING A SITE PLAN AND A TWO STALL PARKING
VARIANCE AT 6626 PENN AVENUE SOUTH**

- E. Consider adoption of a resolution authorizing the City of Richfield to accept grant funds in the amount of \$2,962.40 and enter into a Source Water Protection Grant Agreement with the Minnesota Department of Health (MDH) to develop, distribute, and make available a packet of information specific to the City's Wellhead Protection Plan. (Staff Report No. 71)

RESOLUTION NO. 12100

**RESOLUTION AUTHORIZING THE CITY OF RICHFIELD TO ACCEPT
GRANT FUNDS IN THE AMOUNT OF \$2,962.40 AND ENTER INTO A
SOURCE WATER PROTECTION GRANT AGREEMENT (SWIFT
CONTRACT NUMBER 229726) WITH MINNESOTA DEPARTMENT OF
HEALTH TO DEVELOP, DISTRIBUTE, AND MAKE AVAILABLE A
PACKET OF INFORMATION SPECIFIC TO THE CITY'S WELLHEAD
PROTECTION PLAN**

- F. Consider Approval of a resolution updating the Public Purpose Expenditure Policy. (Staff Report No. 72)

RESOLUTION NO. 12101

RESOLUTION APPROVING THE PUBLIC PURPOSE EXPENDITURE POLICY

- G. Consider a resolution authorizing submittal of a grant application by Beacon Interfaith Housing Collaborative to Minnesota Brownfields for environmental investigation at 6613-25 Portland Avenue. (Staff Report No. 73)

RESOLUTION NO. 12102

**RESOLUTION AUTHORIZING SUBMITTAL OF A GRANT APPLICATION
TO MINNESOTA BROWNFIELDS FOR ENVIRONMENTAL
INVESTIGATION AT 6513-25 PORTLAND AVENUE**

- H. Authorize a first reading of an ordinance approving renewal of a cable television franchise with Comcast of Minnesota, Inc., and schedule a public hearing and second reading for June 27, 2023. (Staff Report No. 74)

- I. Consider adoption of a resolution authorizing the City to affirm the monetary limits on statutory municipal tort liability. (Staff Report No. 75)

RESOLUTION NO. 12103

RESOLUTION AFFIRMING MUNICIPAL TORT LIABILITY LIMITS ESTABLISHED BY MINNESOTA STATUTES 466.04

- J. First reading of a transitory ordinance providing funding for certain capital improvements from the Liquor Contribution Special Revenue Fund. (Staff Report No. 76)

M/Whalen, S/Hayford Oleary to approve the consent calendar.

Council Member Hayford Oleary stated he did not have any concerns and welcomed the Afghan Halal Supermarket on Penn. He indicated this was an interesting example of parking issues he had raised in the past and with no off-street parking here. He believed the variance was justified and he was glad they went out of their way to make it work. He stated he was excited to welcome the supermarket to the community and thanked them for their willingness to be a useful test case on minimal parking.

Council Member Trautmann expressed excitement to have the supermarket come into Ward One. He recognized Masehullah Sahil and his business partner and welcomed them to the City.

Maria Lata Hill indicated they were the first Afghans to come to Minneapolis and now there are over 2,000 Afghan individuals living in Minnesota. She thanked every Minnesotan who came forward to help the new Afghan community members and she thanked the City of Richfield for supporting them in their plan.

Council Member Trautmann believed this business was an incredible asset in addition to the authentic Afghan food.

Motion carried: 5-0

ITEM #7	CONSIDERATION OF ITEMS, IF ANY, REMOVED FROM CONSENT CALENDAR
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None.

ITEM #8	CONSIDER A REQUEST TO MODIFY (2024) AND THEN TERMINATE (2025) BEST BUY'S MINIMUM ASSESSMENT AGREEMENT.
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Council Member Trautmann presented the Staff Report.

Director Poehlman explained why the minimum assessment agreement was in place, and what its intended purpose was. She noted the base taxes were paid on the \$20 million and that would stay regardless of what was done tonight and the residents were not being asked to make up any loss as a result of what was done at this meeting. She stated property values were set by the County and the City did not have anything to do with the property values. She indicated the agreement before the Council at this meeting was a compromise and staff believed this protected the HRA and the City going forward from litigation, it maintained the HRA, the City's budget throughout the life of the test TIF District, the money they were able to recoup, and make sure that in the next 2.5 years they were not seeing a

reduction of the work that the HRA could do. She stated they were actually coming out ahead. With respect to Best Buy, this would allow them to go to the County and discuss what the true value of their property was. She stated the staff and Best Buy had worked hard to come to this compromise and staff was recommending this be approved because they believed it was a good path forward for everyone.

Council Member Trautmann asked if the \$1,000 valuation of the property didn't change the total valuation, but it was recognizing the increase of the land at the same price, so it was not a tax break. Director Poehlman responded that was correct and the property value was broken down by the value of the land and the value of the structure and it has simply shifted the value of the structure to the land. She noted the value of the land had gone up over the past several years.

M/Trautmann, S/Hayford Oleary to approve Resolution Approving Agreements with Best Buy Co., Inc.

RESOLUTION NO. 12104

RESOLUTION APPROVING AGREEMENTS WITH BEST BUY CO., INC.

Council Member Hayford Oleary noted a resident at the Open Forum had shown a graph that seemed to suggest that agreeing to a lower amount would have a permanent decades long effect on the level at which it would be assessed, but it was his understanding that no matter when the TIF district was up, the minimum assessment agreement went away no matter what was decided tonight and in 2030 the assessed value would be the fair market value of that property with or without a change to the assessment agreement. Director Poehlman responded that was true and the TIF District would be decertified on December 21, 2025 and going forward from there, the City would have no say in what the value would be.

Council Member Whalen pointed out when this is done, the share of City taxes paid by anyone other than Best Buy compared to the percentage they are paying, will shift and will be receiving more from Best Buy. He acknowledged no one disagreed that the market had changed and the Best Buy property was not worth what it was at the start of the TIF, but the City would still be receiving more money. He clarified that the minimum assessment agreement was just a minimum and it was never arbitrarily lowering the property value; it only stopped it from going lower. He appreciated all of the work that went into this compromise and he believed it was reasonable.

Mayor Supple asked if Best Buy's property value went to 60 million, and the assessor came out and said it was worth 80 million, would Best Buy pay taxes on the 80 million. Director Poehlman responded that was correct and explained the amount coming to the City would not change and what was changing was the amount of the increment.

Mayor Supple noted while the County, the School District, and the City amounts would not change, there were other governmental entities such as the State of Minnesota that receives money and was not a part of the TIF agreement. Director Poehlman responded that was correct and the State was paid the full value, so the State has been reaping the full benefit of the minimum assessment agreement. If the value dropped below that minimum assessment the taxes that went to the State will drop.

Mayor Supple inquired about the timeline. Director Poehlman stated State Statute said that in order to modify or terminate a minimum assessment agreement, the City, the County, and the school board must approve that agreement, and it must be recorded by June 30 of that year, in order to be effective for the following tax valuations.

Mayor Supple asked if Best Buy had requested the school board or the County go forward. Tracy Smith, an employee of Best Buy approached the podium. Ms. Smith responded they were not on any of those agendas yet but they had had conversations and they are waiting to see what happened at this meeting.

Council Member Hayford O'Leary believed staff and Best Buy had reached what seemed to be a reasonable agreement. He acknowledged there was an estimated loss, but as noted this was a compromise and it was not perfect however litigation and staff time was not free either, so in the end he believed this was a better deal for the City and other possible outcomes and he would be supporting this.

Council Member Trautmann thanked staff and Best Buy for this compromise. He acknowledged not everyone was thrilled with it, but it was a good settlement. He stated he had made a comment a couple of weeks ago about bad faith and he wanted to make it clear that he never meant to question anyone's integrity in this process and he believed everyone conducted themselves in good faith.

Mayor Supple thanked the staff for all of the time that was spent on behalf of the City in the good faith negotiations with Best Buy. She stated her top priority had always been what was best for the City as a whole and it had been made clear earlier in the negotiation process that there should be no financial loss to the HRA and this proposal did a better job of meeting that criterion. She indicated they worked to make sure local taxpayers were protected, but it was also fair to Best Buy, who was the City's largest employer and Best Buy's success helped the community as a whole. She indicated reaching a fair agreement mitigated many risks and uncertainty while allowing them to move forward as a community.

Motion carried: 5-0

ITEM #9	CONSIDER THE APPROVAL OF RECOMMENDED CLIMATE ACTION PLAN (CAP), PRIORITIZED ACTIONS FOR IMPLEMENTATION FROM 2023-2026 AND THE RELATED AMENDMENT IN THE CITY'S STRATEGIC PLAN. (STAFF REPORT NO. 77)
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Council Member Whalen presented Staff Report 77.

M/Whalen, S/Trautman to approve the three recommended cap actions and amend them into the strategic plan. Staff recommend counsel and executive leadership establish clear guidance and direction for the participation in support of the cap implementation actions by all city of Richfield departments.

Council Member Whalen thanked staff and he had not anticipated how helpful this would be. He was excited this was one of the City's top priorities and they have a plan to work across all of the departments.

Mayor Supple lifted up and thanked the Sustainability Commission who gave staff a lot of feedback.

Motion carried: 5-0

ITEM #10	CITY MANAGER'S REPORT
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City Manager Rodriguez stated she had no report.

Council Member Hayford O'Leary requested staff give an update at the next meeting on the question of the moratorium for the CBD business that was brought up at the Open Forum.

ITEM #11	CLAIMS AND PAYROLL
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M/Whalen, S/Trautmann that the following claims and payrolls be approved:

<u>U.S. BANK</u>	<u>06/13/2023</u>
A/P Checks: 314569 – 314951	\$2,175,444.49
Payroll: 179035 – 179373 43646	<u>\$748,220.04</u>
TOTAL	\$2,923,664.53

Motion carried: 5-0

ITEM #12	HATS OFF TO HOMETOWN HITS
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Council Member Hayford Oleary stated the neighborhood at 64th and Grand welcomed the Mayor and himself last week to discuss some of their concerns about development and traffic. He thanked them for a productive discussion. He thanked the City staff who had come with. He stated he was excited about the State law changes to traffic laws for bikes.

Council Member Trautmann gave hats off to Masehullah Sahil, the new Halal Supermarket owner, for his vision on the functionality of Main Street on the west side of Richfield.

Council Member Christensen stated she had the opportunity to go with a group of people this past weekend to Fireside Foundry at 6736 Penn where the food and service was excellent, even though they were short staffed.

Council Member Whalen stated tonight was the kickoff for music at the bandshell at Veterans Park. He reminded residents not to water their yard in the middle of the day, which was technically illegal in the City. He recommended residents water before 10 or 11 a.m. or after dinner. He thanked and gave hats off to the water utility staff for emailing him when he accidentally left a sprinkler on in his garden overnight.

Mayor Supple gave hats off to the Class of 2023 and the graduates. She lifted up the Juneteenth Celebration and noted before the celebration there would be a Freedom Walk at 11:30 a.m. at Veteran’s Park Memorial which would end at the bandshell where there would be a celebration with live music, guest speakers, community resources, and local vendors from noon until 4 p.m.

ITEM #13	CLOSED EXECUTIVE SESSION REGARDING THE CITY MANAGER’S ANNUAL PERFORMANCE EVALUATION. (STAFF REPORT NO. 78)
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M/Hayford Oleary, S/Trautmann to recess the meeting to enter and hold a closed meeting for the purposes of conducting a performance evaluation of City Manager Katie Rodriguez, pursuant to Minnesota Statutes Section 13D.05, subd. 3(a).

Motion carried: 5-0.

M/Hayford Oleary, S/Whalen, to go back into the Open Meeting.

Motion carried: 5-0.

Mayor Supple stated the Council just conducted a closed session for a performance evaluation of the City Manager. The Council would be holding another closed performance evaluation meeting on June 15, 2023. And as required by law the Council would be providing a summary of the performance evaluation at its next regular meeting on June 27, 2023.

ITEM #14	ADJOURNMENT
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M/Trautmann, S/Hayford Oleary to adjourn the meeting at 9:50 p.m.

Motion carried: 5-0

Date Approved: June 27, 2023

Mary B. Supple
Mayor

Dustin Leslie
City Clerk

Katie Rodriguez
City Manager



CITY COUNCIL MEETING MINUTES

Richfield, Minnesota

Special Closed City Council Meeting

June 13, 2023

CALL TO ORDER

The special closed meeting was called to order by Mayor Mary Supple at 8:34 p.m. in the Babcock Room.

Council Members Present: Mary Supple, Mayor; Simon Trautmann; Sean Hayford O'leary; Ben Whalen; Sharon Christensen

Staff Present: None

ITEM #1	CONDUCT A PERFORMANCE EVALUATION OF CITY MANAGER KATIE RODRIGUEZ, PURSUANT TO MINN. STAT. 13D.05, SUBD. 3(A).
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The Special Closed Session was conducted pursuant to Minnesota State Statute 13D.05, subd. 3(a).

ADJOURNMENT

The special closed meeting was adjourned by unanimous consent at 9:35 p.m.

Date Approved: June 27, 2023

Mary B. Supple
Mayor

Dustin Leslie
City Clerk

Katie Rodriguez
City Manager



CITY COUNCIL MEETING MINUTES

Richfield, Minnesota

Special Closed City Council Meeting

June 15, 2023

CALL TO ORDER

The special closed meeting was called to order by Mayor Mary Supple at 4:00 p.m. in the Babcock Room.

Council Members Present: Mary Supple, Mayor; Sean Hayford O'leary; Ben Whalen; Sharon Christensen

Council Members Absent: Simon Trautmann

Staff Present: Katie Rodriguez, City Manager

ITEM #1	CONDUCT A PERFORMANCE EVALUATION OF CITY MANAGER KATIE RODRIGUEZ, PURSUANT TO MINN. STAT. 13D.05, SUBD. 3(A).
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The Special Closed Session was conducted pursuant to Minnesota State Statute 13D.05, subd. 3(a).

ADJOURNMENT

The special closed meeting was adjourned by unanimous consent at 5:06 p.m.

Date Approved: June 27, 2023

Mary B. Supple
Mayor

Dustin Leslie
City Clerk

Katie Rodriguez
City Manager



CITY COUNCIL MEETING 6/27/2023

REPORT PREPARED BY: Jay Henthorne, Director of Public Safety/Chief of Police

DEPARTMENT DIRECTOR REVIEW: Jay Henthorne, Director of Public Safety/Chief of Police
6/20/2023

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
6/22/2023

ITEM FOR COUNCIL CONSIDERATION:

2023 Gene & Mary Jacobsen Citizen of the Year Presentation

EXECUTIVE SUMMARY:

The Richfield Human Rights Commission has selected a Citizen of the Year award recipient since 1971. The award is given to a family, group, organization, business or individual who lives or works in Richfield and whose actions demonstrate an awareness and commitment to the attitudes and practices that foster human understanding, tolerance and the spirit of human relations.

The Human Rights Commission has awarded the 2023 Gene and Mary Jacobsen Outstanding Citizen award to Joe Carr.

Joe is a well known figure in Richfield and the Twin Cities, due to his annual lemonade stand that has raised funds for Gillette Children's' Hospital. In the five years of the stand, he has raised over \$40,000 to benefit patients and their families.

Joe, has been a tireless advocate for those with Cerebral Palsy and various other cognitive and physical challenges. Joe, a lifetime resident and proud product of the Richfield School District, has been a friend, example, and advocate for his fellow students throughout his academic career. Joe's charismatic personality, sense of humor and determination has been an inspiration to those who may be uncomfortable with those unlike themselves. Joe gives back by using social media to raise thousands of dollars more to support those and other activities to allow him and others a plethora of activities to choose from. Joe is committed to promoting the human right of those with physical and cognitive challenges to be treated with the respect they deserve. As Joe often says: people with special needs don't want anything extra, we want to be treated the same as everyone else.

RECOMMENDED ACTION:

BASIS OF RECOMMENDATION:

A. **HISTORICAL CONTEXT**

See Executive Summary

B. **POLICIES (resolutions, ordinances, regulations, statutes, etc):**

C. **CRITICAL TIMING ISSUES:**

D. **FINANCIAL IMPACT:**

E. **LEGAL CONSIDERATION:**

ALTERNATIVE RECOMMENDATION(S):

PRINCIPAL PARTIES EXPECTED AT MEETING:

Kim Jacobsen Joe Carr



STAFF REPORT NO. 84
CITY COUNCIL MEETING
6/27/2023

REPORT PREPARED BY: Kumud Verma, Finance Director

DEPARTMENT DIRECTOR REVIEW:

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
6/22/2023

ITEM FOR COUNCIL CONSIDERATION:

Receipt of the City of Richfield Annual Financial Report for the fiscal year ended December 31, 2022.

EXECUTIVE SUMMARY:

As required by state law all general purpose local governments must be audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants.

In addition, state law also requires that local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformance with U.S. generally accepted accounting standards unless a formal extension is applied for and accepted.

Accordingly, the City's auditing firm, BerganKDV, Ltd. has completed the annual audit of the City's financial records and has issued an unmodified opinion on those records for the fiscal year ended December 31, 2022.

The financial statements will be published locally and will be submitted to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting program. In addition, the annual report will be filed to the Office of the State Auditor pursuant to State law.

Therefore, staff presents to the City Council, the Annual Financial Report for fiscal year ended December 31, 2022.

RECOMMENDED ACTION:

By Motion: Accept the Annual Financial Report of the City for the year ended December 31, 2022.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

The City's auditing firm, BerganKDV, Ltd. has completed the annual audit of the City's financial records for the fiscal year ended December 31, 2022.

As part of the audit, BerganKDV, LTD. has issued an unmodified opinion on the City's financial statements for the year ending December 31, 2022.

A representative of BerganKDV, LTD. will be present at the tonight's Council meeting to make a brief presentation on the 2022 financial information and answer questions.

In addition, the Annual Report will be submitted to the State of Minnesota pursuant to State law and to the Government Finance Officers Association for the Certificate of Achievement for Excellence in Financial Reporting program.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

The action that should be taken at the June 27, 2023 City Council meeting is the official receipt of the December 31, 2022 City of Richfield Annual Financial Report by the City Council.

The City's auditor has performed an audit of the City's financial records for the year ended December 31, 2022 and prepared reports to the City Council concerning legal compliance and internal controls.

C. CRITICAL TIMING ISSUES:

Action on this item is requested at the June 27, 2023 City Council meeting as there is a reporting deadline with the State of Minnesota.

D. FINANCIAL IMPACT:

E. LEGAL CONSIDERATION:

The Annual Report will be submitted to the State of Minnesota, pursuant to State law.

The Annual Report will be published in the Sun Current in July.

ALTERNATIVE RECOMMENDATION(S):

None

PRINCIPAL PARTIES EXPECTED AT MEETING:

Representative from BerganKDV

ATTACHMENTS:

	Description	Type
□	2022 Annual Comprehensive Financial Report	Backup Material
□	2022 Audit Communications Letter	Backup Material
□	2022 Schedule of Expenditures of Federal Awards and Independent Auditor's Reports	Backup Material

CITY OF RICHFIELD
RICHFIELD, MINNESOTA

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2022

PREPARED BY:

FINANCE DEPARTMENT

Member GFOA of U.S. and Canada

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INTRODUCTORY SECTION

CITY OF RICHFIELD
RICHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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Finance Department

June 20, 2023

The Honorable Mayor,
Members of the City Council, and
Citizens of the City of Richfield, Minnesota

MAYOR

MARIA REGAN
GONZALEZ

CITY COUNCIL

SEAN HAYFORD OLEARY
MARY SUPPLE
SIMON TRAUTMANN
BEN WHALEN

CITY MANAGER

KATIE RODRIGUEZ

State law requires that all general-purpose local governments publish within six months of the close of each fiscal year a complete set of financial statements presented in conformance with U.S. generally accepted accounting principles (GAAP) and audited in accordance with U.S. generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the annual comprehensive financial report of the City of Richfield for the fiscal year ended December 31, 2022.

This report consists of management's representations concerning the finances of the City of Richfield. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Richfield has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, misuse and to compile sufficient reliable information for the preparation of the City of Richfield's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City of Richfield's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

The City of Richfield's financial statements have been audited by BerganKDV, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Richfield for the fiscal year ended December 31, 2022, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unmodified opinion that the City of Richfield's financial statements for the fiscal year ended December 31, 2022, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The independent audit of the financial statements of the City of Richfield was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. Those reports are available in the City of Richfield's separately issued Special Purpose Audit Reports.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The City of Richfield's MD&A can be found immediately following the report of the independent auditors.

Profile of the Government

The City was incorporated on February 26, 1908. Since 1964, the City has operated under a council/manager form of government, as authorized by its charter, and exists under the laws of the State of Minnesota.

The City has a population of 36,994 (2020 Census) and covers an area of approximately seven square miles. Located in Hennepin County, Richfield is the first suburb south of Minneapolis. Richfield is bordered on the north by the Crosstown Highway 62; bordered on the east by the Minneapolis-St. Paul International Airport; bordered on the south by Interstate 494; and bordered on the west by Xerxes Avenue and the City of Edina. In addition, Interstate 35W, the major north/south thoroughfare in the Twin City area, runs north/south through the middle of Richfield.

The city of Richfield provides a full range of services, including police and fire protection; the construction and maintenance of streets and other infrastructure; and recreational activities and cultural events. The City of Richfield also operates four municipal liquor stores, water and sewer utility, storm water utility, a two-sheet ice arena, a municipal swimming pool and a mini golf course.

The annual budget serves as the foundation for the City of Richfield's financial planning and control. All departments of the City are required to submit requests for appropriation to the City Manager. The City Manager uses these requests as the starting point for developing a proposed budget. The City Manager then presents this proposed budget to the City Council for review prior to September 15. The Council is required to hold public hearings on the proposed budget and to adopt a final budget by no later than the last date established by law for the County Auditor to levy taxes. Budget-to-actual comparisons are provided in this report for each individual governmental fund for which an appropriated annual budget has been adopted. For the general fund and the ice arena fund this comparison is presented in the Required Supplementary Information section. For nonmajor governmental funds with appropriated annual budgets, this comparison is presented in the combining and individual fund statements and schedules.

Factors Affecting Financial Condition

Richfield was initially developed as a residential community. Many residents work at the adjacent airport, in the downtown Minneapolis-St. Paul area or on the I-494 strip. Richfield's commercial/industrial base is comparatively small when looking at other Twin City metropolitan area communities. When viewing the total estimated market value of the community, approximately 68% of the market value is comprised of residential properties, 17% apartments, and only 15% commercial/industrial property. Despite the limited commercial/industrial tax base, approximately 15,500 workers commute into the city compared to 19,100 who work outside the city according to 2019 U.S. Census Bureau data.

The City continues to build a more diversified tax base, including more commercial development. However, over 99% of the land area in Richfield is already developed. Commercial development in Richfield is a more complex process that requires extensive redevelopment and often the use of tax increment financing assistance.

Since 1975, the City has created twenty-one tax increment districts. These tax increment districts were formed to help transform areas which are becoming market obsolete into a more vital commercial tax base. The City has transformed itself as a result of this redevelopment which includes not only commercial, but residential developments. Consequently, as the tax increment districts decertify, the City will realize the full market value benefit of these districts. The City has had one district decertified in 1993, one in 1996, one in 2002, a fourth district decertified in 2010, with a fifth district decertified in 2012,

and two more decertified in 2019. In the current TIF districts, the market value has increased by 460%.

In addition to the City's efforts in commercial redevelopment, several housing programs have been established to encourage reinvestment in the City's housing stock. The City enjoys an AA+ bond rating and an Aa2 bond rating from Standard and Poor's and Moody's respectively.

Long-term Financial Planning

The Metropolitan Council requires all cities in the seven-county metropolitan area to have a Comprehensive Plan and State law requires cities to update their plans every 10 years. The Comprehensive Plan guides development and redevelopment and addresses changes likely to occur due to various social and market forces. The City's 2040 Comprehensive Plan was adopted in 2020.

In addition, the City engages in long-term financial and capital planning on an annual basis. The objective of this process is to provide a framework for decision making required to identify and implement strategies that will assure long-term community viability. Accordingly, outcomes of the process include promotion of long-term community affordability and livability, reinvesting in the City's housing stock to position the City to compete with other communities, addressing transportation impacts within the City, establish a financial framework to maintain and replace the City's physical and technical infrastructure, and review options and opportunities to improve delivery of City services.

Relevant Financial Policies

The City has adopted a set of financial management policies that focus on such areas as capital budgeting, revenue policies, debt management, general fund balances, cash and investments, risk management and operating budgets.

The City has established a fund balance policy for the general fund with a goal of maintaining an unassigned fund balance of 40% of general fund expenditures. At the end of 2022, the unassigned fund balance of the general fund is at 40% of general fund expenditures.

Major Initiatives

Major initiatives in 2022 included the following:

Right Of Way Improvements:

- 77th Street Underpass - This project will extend 77th Street under Trunk Highway 77, connecting to the 24th Avenue Interchange at I-494. This project will provide regional access to the Minneapolis-St. Paul International Airport and to the Mall of America. The project also completes the last link in the local ring route that, together with the additional access, is needed for access changes along I-494. The total estimated cost is \$24,210,000. Construction began in 2021 and is estimated to be completed in 2023.
- 65th Street Reconstruction – This project will include reconstruction of 65th Street from 66th Street to Nicollet Avenue including renewal/replacement of underground utilities and additional storm water capacity to improve system response to substantial rain events. The streetscape improvements include the addition of a sidewalk on the south side of the road and a trail on the north side, as well as a boulevard to allow for winter snow clearing of those features. The total estimated project cost is \$12,900,000. Construction began in 2022 and is estimated to be completed in 2023.
- Sanitary Sewer Lining - The wastewater collection system was installed in the late 1950's and mainly consists of VCP (Vitrified Clay Pipe). As staff performs ongoing

maintenance and television inspections, they encounter areas with tree root intrusion and/or pipes that have cracks. To preserve the level of service to our users these pipes should be lined which consists of the installation of a coating in the existing clay pipe which extends the life of the line to 100 years. In 2022 the city completed \$734,274 in lining.

Commercial Redevelopment and Housing Initiatives

- 2022 saw the planning and development of several large projects:
 - Construction of the RF64 townhome project (along 17th Avenue between 63rd and 65th Street) continued. Completion of all 64 townhomes is expected by summer 2023.
 - The apartment component of the RF64 development, Rya Apartments, is immediately west of Target and Home Depot on Richfield Parkway. Construction of the two apartment buildings (237 total units) began in 2021 was completed in summer 2022.
 - Construction of the Landsby at Penn, a new 132-unit apartment building in the northwest corner of the Lunds parking lot (6228 Penn Avenue), was completed in spring 2022.
 - The mixed-use project at 101 66th Street East (Emi) was sold to North Bay Companies. Revised plans for a 5-story project with approximately 80 apartments and 2,600 square feet of ground floor retail was approved in January 2022 and is expected to be under construction in summer of 2023.
 - The Riley apartment project at 64th and Lyndale Avenue, includes the construction of 82 apartments and the rehabilitation of 22 existing apartments in an adjacent existing apartment building. Construction was completed in summer 2022.
 - Construction on the Lynvue began in 2022 and is expected to be completed by fall 2023. The building includes 157 new apartments and 8,000 square feet of ground floor retail space.
 - Richfield Flats, a proposal for 55 low-income housing tax credit units was approved in 2022, but was not awarded tax credits. The developer is resubmitting the application in 2023.
- The City continues to operate several very successful programs that encourage reinvestment in the City's housing stock. These programs include, but are not limited to, incentive loan programs for remodeling homes to higher values, funding assistance for the replacement of small substandard homes with larger new construction, partnerships with non-profit builders and developers like Habitat for Humanity, and a first-time homebuyer program specifically targeted at current renters.
- In 2022, the Richfield Economic Development Authority continued to partner with the Center for Energy and Efficiency and provide grant funding totaling \$15,525 to 11 local businesses to make energy-related improvements. The EDA also hired a consultant to prepare an analysis of available opportunities for future business programming.

Awards and Acknowledgments

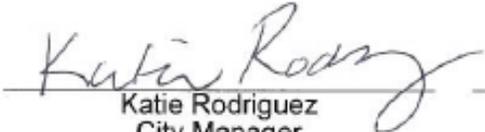
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement in Financial Reporting to the City of Richfield, Minnesota for its annual report for the fiscal year ended December 31, 2021. This was the thirty- fifth consecutive year that the City has achieved this prestigious award.

To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized annual report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current annual report continues to meet the Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report would not have been accomplished without the efficient and dedicated services of the entire staff of the finance department. We express our appreciation to all members of the department who assisted and contributed to its preparation. We also thank the Mayor and members of the City Council for their interest and support in planning and conducting the financial operations for the City of Richfield in a responsible and progressive manner.

Respectfully submitted,


Katie Rodriguez
City Manager



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Richfield
Minnesota**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

December 31, 2021

Christopher P. Morill

Executive Director/CEO

**CITY OF RICHFIELD, MINNESOTA
CITY OFFICIALS
FOR THE YEAR ENDED DECEMBER 31, 2022**

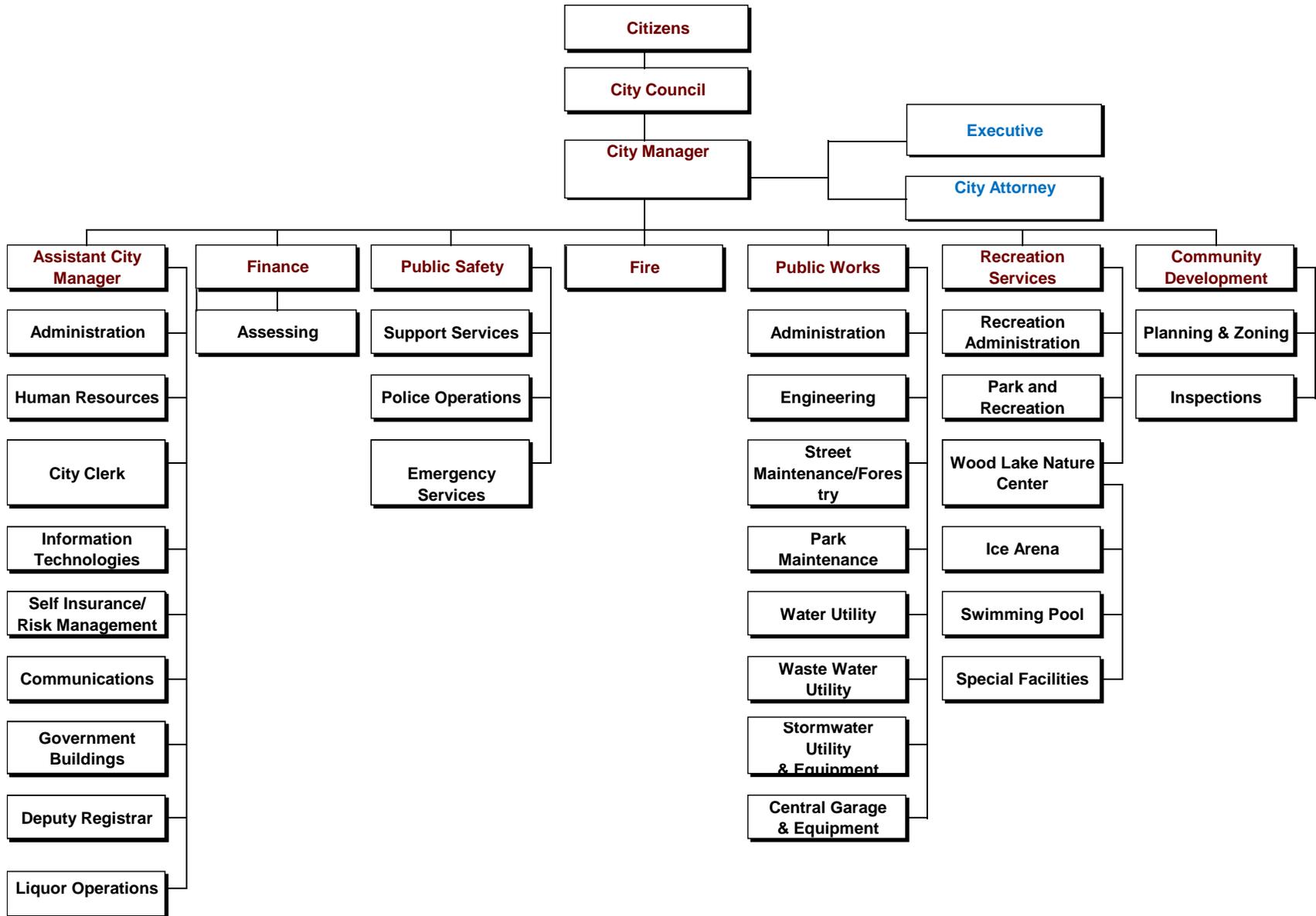
City Officials

Name	Title	Term Ends
Maria Regan Gonzalez	Mayor	1/2/2023
Mary Supple	Council Member	1/2/2023
Simon Trautmann, Ward 1	Council Member	1/14/2025
Sean Hayford Oleary, Ward 2	Council Member	1/14/2025
Ben Whalen, Ward 3	Council Member	1/14/2025

Administrative Staff

Name	Title
Katie Rodriguez	City Manager
Kumud Verma	Finance Manager - started on 5/18/2022
Dustin Leslie	City Clerk

**CITY OF RICHFIELD
ADMINISTRATIVE ORGANIZATION CHART**



FINANCIAL SECTION
CITY OF RICHFIELD
RICHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richfield, Minnesota, as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the City of Richfield's basic financial statements as listed in the Table of Contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richfield, Minnesota, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof, and the budgetary comparison for the General Fund, Ice Arena Special Revenue Fund, and Elections Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Emphasis of Matter – Implementation of GASB 87

The City has adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

Responsibilities of Management for the Financial Statements (Continued)

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, which follows this report letter, and Required Supplementary information as listed in the Table of Contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the GASB, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Richfield's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the Annual Comprehensive Financial Report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 20, 2023, on our consideration of the City of Richfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Richfield's internal control over financial reporting and compliance.



Minneapolis, Minnesota
June 20, 2023

Management's Discussion and Analysis

As management of the City of Richfield, we offer readers of the City of Richfield's financial statements this narrative overview and analysis of the financial activities of the City of Richfield for the fiscal year ended December 31, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 9 through 13 of this report.

Financial Highlights

- The assets and deferred outflows of resources of the City of Richfield exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$98,320,887 (net position). Of this amount, \$16,076,177 may be used to meet the governments ongoing obligations to citizens and creditors.
- The government's total net position increased by \$6,281,911.
- As of the close of the current fiscal year, the City of Richfield's governmental funds reported combined ending fund balances of \$30,260,783. Of this total amount, \$69,738 is classified as nonspendable, \$2,121,557 as restricted, \$14,448,057 as committed by City Council action, \$5,839,195 as assigned and \$7,782,236 as unassigned.
- At the end of the current fiscal year, the general fund balance of \$10,990,390 included \$66,984 as nonspendable and \$10,923,406 as unassigned.
- The City of Richfield's total bonded debt increased by \$5,443,789 (8.6 percent) during the current fiscal year from \$62,897,509 to \$68,341,298.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Richfield's basic financial statements. The City of Richfield's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Richfield's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City of Richfield's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Richfield is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Richfield that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Richfield include general government, public safety, fire, community development, public works, and parks and recreation. The business-type activities of the City of Richfield include a municipal liquor operation, water and sewer utility, and a storm sewer utility.

The government-wide financial statements include not only the City of Richfield itself (known as the *primary government*), but also the Richfield Housing and Redevelopment Authority and the Richfield Economic Development Authority, both discretely presented component units. Financial information for these *component units* is reported separately from the financial information presented for the primary government itself.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Richfield, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Richfield can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Richfield maintains twenty five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, ice arena fund, elections fund, improvement bonds fund, and capital improvements fund, all of which are considered to be major funds. Data from the other seventeen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Richfield adopts an annual appropriated budget for its general and special revenue funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

Proprietary Funds. The City of Richfield maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City of Richfield uses enterprise funds to account for its liquor operation, water and sewer utility and for its storm sewer utility, all of which are considered to be major funds of the City. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Richfield's various functions. The City of Richfield uses internal service funds to account for its central garage & equipment, for its information technology systems, its self-insurance program, its building services function, and its compensated absences liability. Because all of these services predominantly benefit governmental rather than business-type functions, they have been included within *governmental activities* in the government-wide financial statements.

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City of Richfield's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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.

Other Information. Required supplementary information can be found following the Notes to the Financial Statements.

The combining statements referred to earlier in connection with nonmajor governmental funds, internal service funds and fiduciary funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Richfield, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$98,320,887 at the close of the most recent fiscal year.

By far the largest portion of the City of Richfield's net position (80 percent) reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment); less any related debt used to acquire those assets that is still outstanding. The City of Richfield uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending. Although the City of Richfield's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF RICHFIELD'S NET POSITION

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Assets						
Current and other assets	\$ 62,798,500	\$ 60,944,546	\$ 1,853,954	\$ 17,291,509	\$ 10,247,875	\$ 7,043,634
Capital assets, net of depreciation	94,992,988	81,737,616	13,255,372	33,081,958	34,166,369	(1,084,411)
Total Assets	157,791,488	142,682,162	15,109,326	50,373,467	44,414,244	5,959,223
Deferred Outflows of Resources						
Deferred other postemployment benefits resources	804,805	281,160	523,645	43,149	25,586	17,563
Deferred pension resources	21,953,287	12,291,368	9,661,919	884,709	1,129,745	(245,036)
Total Deferred Outflows of Resources	22,758,092	12,572,528	10,185,564	927,858	1,155,331	(227,473)
Liabilities						
Long-term liabilities outstanding	94,602,990	64,891,931	29,711,059	19,823,849	14,924,543	4,899,306
Other liabilities	8,269,309	5,784,574	2,484,735	1,635,277	1,456,950	178,327
Total Liabilities	102,872,299	70,676,505	32,195,794	21,459,126	16,381,493	5,077,633
Deferred Inflows of Resources						
Deferred pension resources	647,365	16,864,766	(16,217,401)	57,193	1,453,758	(1,396,565)
Deferred other postemployment benefits resources	1,075,740	768,281	307,459	57,675	69,915	(12,240)
Deferred lease resources	6,127,033	-	6,127,033	-	-	-
Advanced appropriations - State shared tax	1,233,587	2,570,571	(1,336,984)	-	-	-
Total Deferred Inflows of Resources	9,083,725	20,203,618	(11,119,893)	114,868	1,523,673	(1,408,805)
Net Position						
Net investment in capital assets	64,217,643	51,429,664	12,787,979	21,550,313	21,303,212	247,101
Restricted	3,964,804	16,485,325	(12,520,521)	-	-	-
Unrestricted	411,109	(3,540,422)	3,951,531	8,177,018	6,361,197	1,815,821
Total Net Position	\$ 68,593,556	\$ 64,374,567	\$ 4,218,989	\$ 29,727,331	\$ 27,664,409	\$ 2,062,922

An additional portion of the City of Richfield's net position represents resources that are subject to external restrictions on how they may be used. At December 31, 2022, the City had restricted net position of \$3,964,804. The remaining balance of *unrestricted net position* (\$16,076,177) may be used to meet government's ongoing obligations to citizens and creditors.

The government's net position reflects an increase of \$6,281,911. The increase can be attributed to increases in charges for services of \$972,118 mostly related to the business-type activities (\$438,500 increase in Water and Sewer Utility charges due to increase in rates), interest earnings of \$588,703 and the City realized increased property tax collections of \$1,215,140 in 2022.

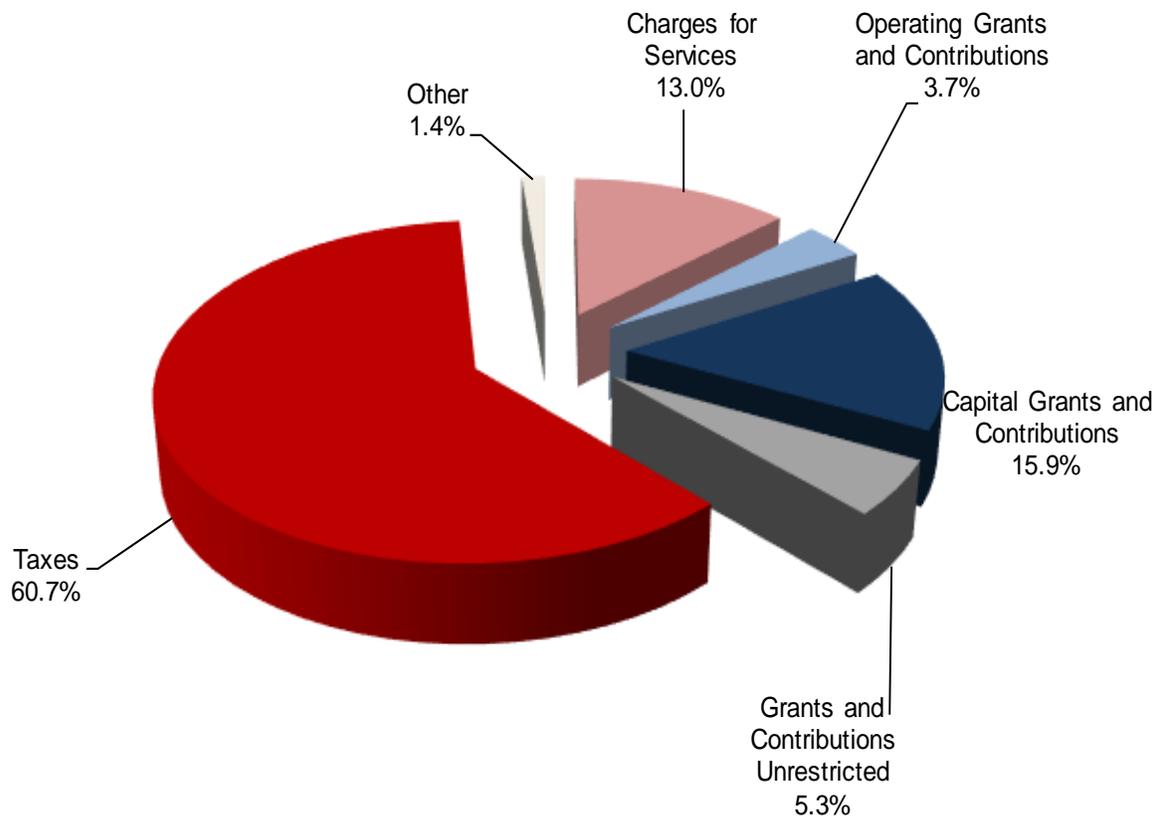
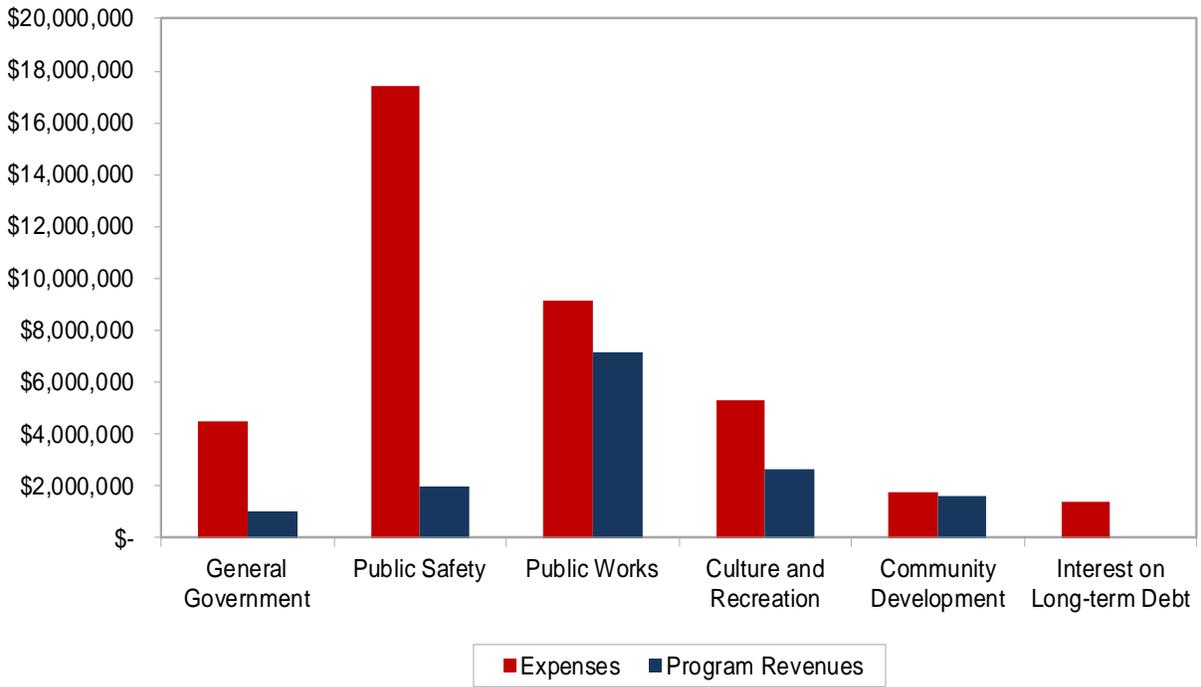
Governmental Activities. Governmental activities increased the City of Richfield's net position by \$4,218,989 in 2022. The key elements of this increase are as follows:

CITY OF RICHFIELD'S CHANGES IN NET POSITION

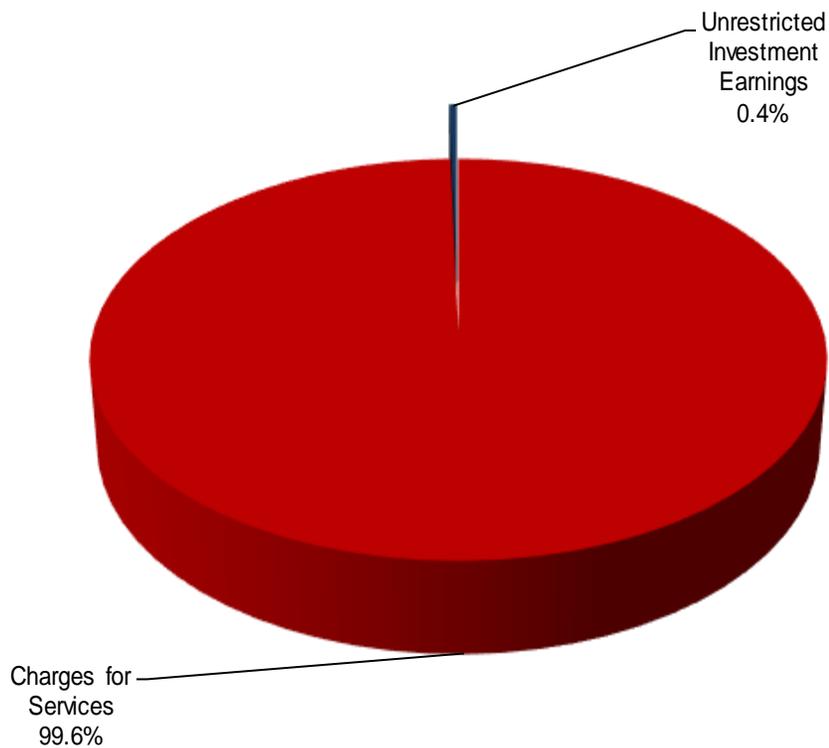
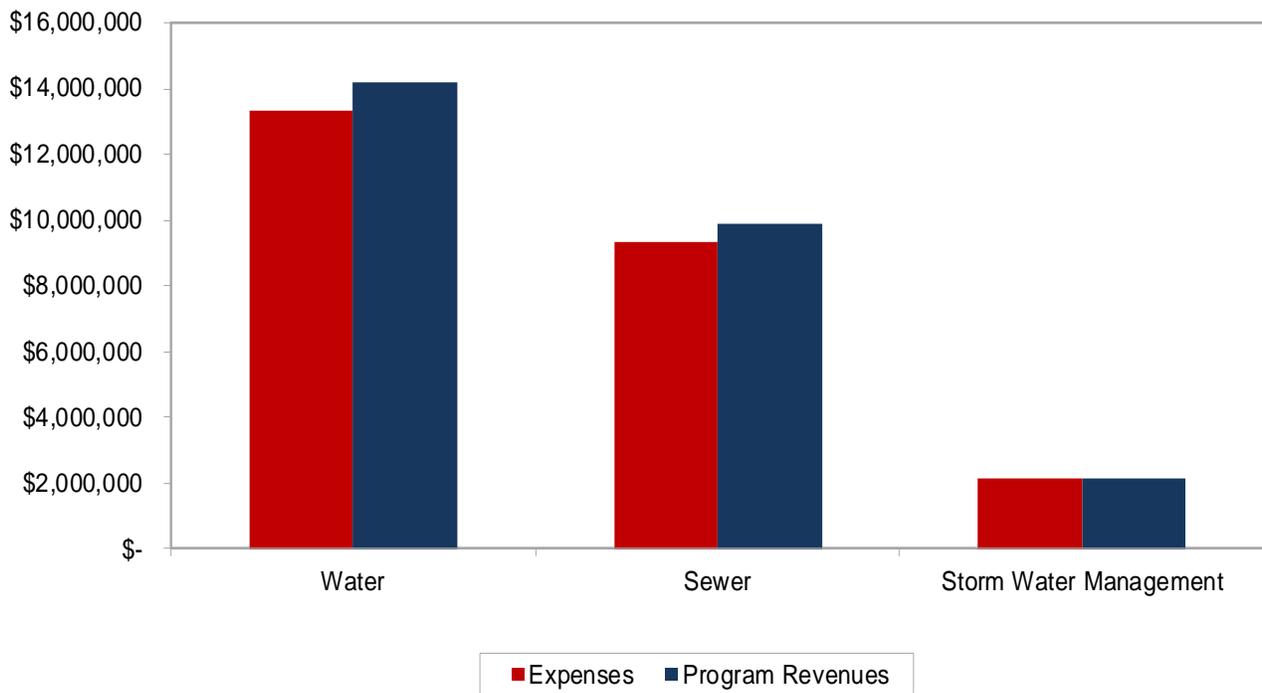
	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Revenues						
Program Revenues						
Charges for services	\$ 5,770,345	\$ 5,856,283	\$ (85,938)	\$ 26,257,435	\$ 25,199,379	\$ 1,058,056
Operating grants and contributions	1,614,601	1,456,035	158,566	-	-	-
Capital grants and contributions	7,027,935	17,781,877	(10,753,942)	-	-	-
General Revenues						
Taxes						
Property taxes	24,547,157	23,332,017	1,215,140	-	-	-
Other taxes	2,249,423	2,246,806	2,617	-	-	-
Grants and contributions not restricted to specific programs	2,334,669	2,104,750	229,919	18,992	1,837	17,155
Unrestricted investment earnings	580,838	48,946	531,892	104,503	47,692	56,811
Gain on sale of capital assets	26,625	91,592	(64,967)	7,176	18,000	(10,824)
Miscellaneous	85,525	76,472	9,053	-	-	-
Total Revenues	<u>44,237,118</u>	<u>52,994,778</u>	<u>(8,757,660)</u>	<u>26,388,106</u>	<u>25,266,908</u>	<u>1,121,198</u>
Expenses						
General government	4,535,832	3,591,071	944,761	-	-	-
Public safety	17,406,811	14,455,290	2,951,521	-	-	-
Public works	9,179,955	8,969,332	210,623	-	-	-
Culture and recreation	5,308,282	4,666,522	641,760	-	-	-
Community development	1,758,662	1,730,362	28,300	-	-	-
Interest on long-term debt	1,380,404	1,317,337	63,067	-	-	-
Municipal Liquor	-	-	-	13,299,880	12,979,538	320,342
Water and Sewer Utility	-	-	-	9,343,582	8,380,422	963,160
Storm Sewer	-	-	-	2,129,905	2,043,408	86,497
Total Expenses	<u>39,569,946</u>	<u>34,729,914</u>	<u>4,840,032</u>	<u>24,773,367</u>	<u>23,403,368</u>	<u>1,369,999</u>
Excess before Transfers	4,667,172	18,264,864	(13,597,692)	1,614,739	1,863,540	(248,801)
Transfers	(448,183)	827,770	(1,275,953)	448,183	(827,770)	1,275,953
Change in Net Position	4,218,989	19,092,634	(14,873,645)	2,062,922	1,035,770	1,027,152
Net Position, January 1	<u>64,374,567</u>	<u>45,281,933</u>	<u>19,092,634</u>	<u>27,664,409</u>	<u>26,628,639</u>	<u>1,035,770</u>
Net Position, December 31	<u>\$ 68,593,556</u>	<u>\$ 64,374,567</u>	<u>\$ 4,218,989</u>	<u>\$ 29,727,331</u>	<u>\$ 27,664,409</u>	<u>\$ 2,062,922</u>

Increase in property tax revenues of \$1,215,140.

- Total expenses increased by \$4,840,032 primarily due to an increase in GASB 68 PERA pension expense of \$1,259,528.
- The large decrease in capital grants relates to Federal and State grants earned in 2021 for multiple projects, those were one time grants and no major projects like that for 2022.



Business-type Activities. Business-type activities increased the City's net position by \$2,062,922 in 2022. The increase can be attributed to improved operating performance of all business-type activities in 2022 and transfer in from the Capital Improvements fund of \$1,282,713.



Financial Analysis of the Government's Funds

As noted earlier, the City of Richfield uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the City of Richfield's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the City of Richfield's financing requirements. Fund balances are identified based on a hierarchy of the constraints placed on the use of financial resources within governmental funds. Accordingly, fund balances are classified as: nonspendable, restricted, committed, assigned, and unassigned.

As of the end of the current fiscal year, the City of Richfield's governmental funds reported combined ending fund balances of \$30,260,783 an increase of \$1,223,250 from 2021. This increase can be attributed to an increase in property tax revenue of \$1,241,476 and grant revenue of \$6,394,137 for projects. The year-end balance consists of the following: 0.23 percent (\$69,738) are amounts that are not in spendable form such as prepaid items. 7.01 percent (\$2,121,557) constitutes restricted fund balances which limits the spending of these balances to externally imposed constraints, i.e. debt service covenants. 47.75 percent (\$14,448,057) represents committed fund balances which are determined by resolution of the City Council. 19.30 percent (\$5,839,195) is classified as assigned. These amounts represent intended uses established by the City Council or by an official designated by the City Council. Finally, 25.72 percent or (\$7,782,236) consists of balances classified as unassigned, which includes the fund balance of the General Fund and deficit fund balances of other governmental funds.

The general fund is the chief operating fund of the City of Richfield. At the end of the current year, the unassigned fund balance of the general fund was \$10,923,406 while total fund balance was \$10,990,390. As a measure of the general fund liquidity, it may be useful to compare unassigned fund balance to total general fund revenues. Unassigned fund balance represents approximately 40.19 percent of total general fund revenues and 40.17 percent of total general fund expenditures. Moreover, the State Auditor has set a standard that unrestricted, unassigned fund balance should be between 35 and 50 percent of yearly general fund revenues. The City has adopted a policy that strives to maintain a minimum fund balance equal to 40 percent of total general fund expenditures. At December 31, 2022 the City of Richfield the City is just over the fund balance goal.

The City's fund balance for its general fund increased by \$425,461 in 2022. The increase is due to improved tax revenue received in 2022, general fund expenditures being below budget projections and a transfer in from the Capital Improvements Fund.

The Ice Arena fund reflects an increase in fund balance of \$333,213 in 2022. The increase is due to transfers from the General Fund and Capital Improvements Fund.

The Elections fund reflects an increase in fund balance of \$142,459 in 2022. The increase is primarily due to GASB 87 requirement for the recording of lease revenue.

The G.O. Improvement Bonds fund has a fund balance of \$5,775,047. The fund balance increased in 2022 by \$367,663 due to the Series 2022A bond issued and no payments made yet.

The Capital Improvement fund accounts for public improvements and road right-of-way projects undertaken by the City. This fund's fund balance decreased by \$1,178,649. The decrease can be attributed to construction costs for the 77th Street projects.

The nonmajor governmental funds consist of the City's Special Revenue funds, the Parks Capital Projects fund and the Redevelopment Bond fund. The combined total of these funds increased by \$1,133,103 in 2022. The increase can be attributed to one-time large donations to the Woodlake Nature Center, stronger revenue and positive Ice Arena and Swimming Pool operations, and transfers from the Contributions-Liquor fund for park improvements.

Proprietary Funds. The City of Richfield's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position of the liquor operation at the end of the year amounted to \$1,334,161, for the water and sewer utility \$3,103,156, and for the storm sewer utility \$6,118,375. The total increase in net position for liquor operation, the water and sewer utility, and the storm sewer utility was \$167,107, \$1,160,962, and \$1,008,667 respectively.

Budgetary Highlights

General Fund

At the end of 2022 the City's General Fund realized a surplus of \$425,461 to its fund balance. This was accomplished through increased tax revenue received in 2022, general fund expenditures being below budget projections and a transfer in from the Capital Improvements Fund of \$354,962.

Capital Asset and Debt Administration

Capital Assets. The City of Richfield's investment in capital assets for its governmental and business type activities as of December 31, 2022 amounts to \$128,074,946 (net of accumulated depreciation/amortization). This investment in capital assets includes land, buildings and structures, other improvements, machinery and equipment, infrastructure, and construction in progress.

Major capital asset events during 2022 included the following:

- Construction progress on the 65th Street reconstruction of \$3,150,342.
- Construction progress on the 77th Street project of \$13,034,282.
- Completion of the 2022 Sanitary Sewer Lining of \$376,959.
- The purchase of a 2022 Mack Truck of \$217,982.

CITY OF RICHFIELD'S CAPITAL ASSETS (Net of Depreciation)

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
Land	\$ 9,353,605	\$ 9,353,605	\$ -	\$ 638,673	\$ 638,673	\$ -
Leased equipment (Intangible Right to Use Asset)	98,545	-	98,545	-	-	-
Buildings and structures	30,727,613	31,918,173	(1,190,560)	2,825,545	3,055,343	(229,798)
Machinery and equipment	8,203,931	8,950,952	(747,021)	4,806,595	5,310,665	(504,070)
Other improvements	3,136,659	3,304,926	(168,267)	24,484,278	25,146,275	(661,997)
Streets (infrastructures)	19,286,880	21,546,020	(2,259,140)	-	-	-
Construction in progress	24,185,755	6,663,940	17,521,815	326,867	15,413	311,454
Total	<u>\$ 94,992,988</u>	<u>\$ 81,737,616</u>	<u>\$ 13,255,372</u>	<u>\$ 33,081,958</u>	<u>\$ 34,166,369</u>	<u>\$ (1,084,411)</u>

Additional information on the City's capital assets can be found in Note 1N and Note 4 Capital Assets in the accompanying notes to the basic financial statements.

Long-term Debt

At the end of the current fiscal year, the City of Richfield had total bonded debt outstanding of \$68,341,298. The debt service for the general obligation redevelopment bonds is provided through the collection of tax increments from Hennepin County. On an annual basis tax increment proceeds are transferred to meet annual debt service requirements. The general obligation improvement bonds are serviced by special assessment collections and tax levies.

CITY OF RICHFIELD'S OUTSTANDING DEBT General Obligation and Revenue Bonds

	Governmental Activities			Business-type Activities		
	2022	2021	Increase (Decrease)	2022	2021	Increase (Decrease)
G.O. Redevelopment Bonds	\$ 1,925,000	\$ 2,715,000	\$ (790,000)	\$ -	\$ -	\$ -
G.O. Improvement Bonds	48,690,000	46,095,000	2,595,000	-	-	-
Revenue Bonds	-	-	-	15,855,000	12,380,000	3,475,000
Bond Premium	1,293,779	1,224,352	69,427	577,519	483,157	94,362
Total	\$ 51,908,779	\$ 50,034,352	\$ 1,874,427	\$ 16,432,519	\$ 12,863,157	\$ 3,569,362

The City of Richfield maintains an AA+ rating from Standard & Poor's and an "Aa2" rating from Moody's Investor Service, for general obligation debt.

State Statutes limit the amount of general obligation debt a governmental entity may issue to 3 percent of its total assessed valuation. The current debt limitation for the City of Richfield is \$145,454,940, which is in excess of the City of Richfield's outstanding general obligation debt.

Additional details of the City's long-term debt activity can be found in Note 6, Long-Term Liabilities, in the accompanying notes to the basic financial statements.

Economic Factors and Next Year's Budgets and Rates

The following items are an integral part of the City's planning for and dealing with near-term financial issues:

- Over the past several years, the City has seen market values increase substantially and redevelopment interest has been exceptionally intense. In 2022, as interest rates rose and material and labor costs continued to be challenging, redevelopment activity has slowed. A number of projects will be completed in 2023 and various affordable housing projects continue to work through the process, however, going forward into 2024 we expect a decrease in permit revenues and redevelopment activities.
- Rates for the Utility operations increased for 2022. For 2022 water rates will increase across the three tier levels by 5.02 percent or less. Tier 1 will increase by 0.21 cents per thousand gallons (5.02%), Tier 2 will increase by 0.25 cents per thousand gallons (4.98% increase), and Tier 3 rates will increase by 0.30 cents per thousand gallons (4.96% increase). In addition, wastewater rates will increase by 2 percent or 0.12 cents per thousand gallons. Finally, rates for the Storm Sewer Utility will increase by 5 percent or 1.04 per quarter over 2021 levels.

Requests for Information

This financial report is designed to provide a general overview of the City of Richfield's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the Finance Director, City of Richfield, 6700 Portland Avenue South, Richfield, MN 55423.

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CITY OF RICHFIELD
RICHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

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CITY OF RICHFIELD, MINNESOTA
STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Authority	Economic Development Authority
Assets					
Cash and temporary investments	\$ 45,174,508	\$ 14,879,060	\$ 60,053,568	\$ 16,130,125	\$ 1,061,678
Receivables					
Accrued interest	159,731	24,398	184,129	24,449	1,345
Taxes	232,298	-	232,298	5,697	5,800
Accounts	1,390,791	2,807,522	4,198,313	2,844	-
Leases - due within one year	367,100	-	367,100	-	-
Leases - due in more than one year	5,819,115	-	5,819,115	-	-
Special assessments	426,373	378,626	804,999	-	-
Due from other governments	5,869,156	10,021	5,879,177	311,786	2,420
Internal balances	2,378,674	(2,378,674)	-	-	-
Due from component unit	605,786	-	605,786	-	-
Inventories	-	1,539,190	1,539,190	-	-
Prepaid items	374,968	31,366	406,334	-	-
Assets held for resale	-	-	-	4,579,786	-
Long term second mortgage receivable	-	-	-	2,572,808	824,000
Allowance for uncollectible accounts	-	-	-	(2,572,808)	(824,000)
Capital assets					
Land and construction in progress	33,539,360	965,541	34,504,901	-	-
Depreciable assets (net of accumulated depreciation/amortization)	61,453,628	32,116,417	93,570,045	-	-
Total Assets	<u>157,791,488</u>	<u>50,373,467</u>	<u>208,164,955</u>	<u>21,054,687</u>	<u>1,071,243</u>
Deferred Outflows of Resources					
Deferred other postemployment benefits resources	804,805	43,149	847,954	-	-
Deferred pension resources	21,953,287	884,709	22,837,996	-	-
Total Deferred Outflows of Resources	<u>22,758,092</u>	<u>927,858</u>	<u>23,685,950</u>	<u>-</u>	<u>-</u>
Liabilities					
Accounts and contracts payable	2,913,696	1,116,873	4,030,569	336,674	71,205
Accrued salaries payable	777,015	125,235	902,250	-	-
Due to other governments	393,869	189,350	583,219	42,557	-
Due to component unit	-	-	-	605,786	-
Accrued interest payable	633,466	203,819	837,285	-	-
Deposits payable	678,835	-	678,835	41,933	-
Unearned revenue	2,872,428	-	2,872,428	20,000	-
Long-term liabilities					
Due within one year					
Long-term liabilities	4,500,552	1,106,298	5,606,850	-	-
Due in more than one year					
Long-term liabilities	51,509,450	15,639,021	67,148,471	-	-
Net pension liability	36,584,212	2,970,831	39,555,043	-	-
Other postemployment benefits liability	2,008,776	107,699	2,116,475	-	-
Total Liabilities	<u>102,872,299</u>	<u>21,459,126</u>	<u>124,331,425</u>	<u>1,046,950</u>	<u>71,205</u>
Deferred Inflows of Resources					
Deferred pension resources	647,365	57,193	704,558	-	-
Deferred other postemployment benefit resources	1,075,740	57,675	1,133,415	-	-
Deferred lease resources	6,127,033	-	6,127,033	-	-
Advanced appropriations - State shared tax	1,233,587	-	1,233,587	-	-
Total Deferred Inflows of Resources	<u>9,083,725</u>	<u>114,868</u>	<u>9,198,593</u>	<u>-</u>	<u>-</u>
Net Position					
Net investment in capital assets	64,217,643	21,550,313	78,279,906	-	-
Restricted for					
Debt service	709,834	-	709,834	-	-
Capital projects	-	-	-	4,467,090	-
Grants and donations	3,254,970	-	3,254,970	112,696	-
Unrestricted	411,109	8,177,018	16,076,177	15,427,951	1,000,038
Total Net Position	<u>\$ 68,593,556</u>	<u>\$ 29,727,331</u>	<u>\$ 98,320,887</u>	<u>\$ 20,007,737</u>	<u>\$ 1,000,038</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF RICHFIELD, MINNESOTA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2022**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 4,535,832	\$ 1,027,491	\$ 3,200	\$ 4,726
Public safety	17,406,811	675,771	1,285,687	-
Public works	9,179,955	324,499	9,728	6,786,125
Culture and recreation	5,308,282	2,123,558	315,986	237,084
Community development	1,758,662	1,619,026	-	-
Interest on long-term debt	1,380,404	-	-	-
Total Governmental Activities	<u>39,569,946</u>	<u>5,770,345</u>	<u>1,614,601</u>	<u>7,027,935</u>
Business-type Activities				
Municipal Liquor	13,299,880	14,209,724	-	-
Water and Sewer Utility	9,343,582	9,892,777	-	-
Storm Sewer	2,129,905	2,154,934	-	-
Total Business-type Activities	<u>24,773,367</u>	<u>26,257,435</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 64,343,313</u>	<u>\$ 32,027,780</u>	<u>\$ 1,614,601</u>	<u>\$ 7,027,935</u>
Component Unit				
Housing and Redevelopment Authority	\$ 8,070,803	\$ 1,765	\$ 2,424,996	\$ -
Economic Development Authority	364,586	-	-	-
Total Component Unit	<u>\$ 8,435,389</u>	<u>\$ 1,765</u>	<u>\$ 2,424,996</u>	<u>\$ -</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Tax increments

Lodging taxes

Franchise taxes

Grants and contributions not restricted to specific programs

Unrestricted investment earnings (loss)

Gain on sale of capital assets

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in Net Position

Net position, January 1

Net Position, December 31

The notes to the financial statements are an integral part of this statement.

Net (Expenses) Revenues and
Changes in Net Position

Governmental Activities	Business-type Activities	Total	Housing and Redevelopment Authority	Economic Development Authority
\$ (3,500,415)	\$ -	\$ (3,500,415)		
(15,445,353)	-	(15,445,353)		
(2,059,603)	-	(2,059,603)		
(2,631,654)	-	(2,631,654)		
(139,636)	-	(139,636)		
(1,380,404)	-	(1,380,404)		
<u>(25,157,065)</u>	<u>-</u>	<u>(25,157,065)</u>		
-	909,844	909,844		
-	549,195	549,195		
-	25,029	25,029		
<u>-</u>	<u>1,484,068</u>	<u>1,484,068</u>		
<u>(25,157,065)</u>	<u>1,484,068</u>	<u>(23,672,997)</u>		
			\$ (5,644,042)	\$ -
			<u>-</u>	<u>(364,586)</u>
			<u>(5,644,042)</u>	<u>(364,586)</u>
20,887,150	-	20,887,150	647,682	554,870
3,660,007	-	3,660,007	-	-
-	-	-	6,305,705	-
6,603	-	6,603	-	-
2,242,820	-	2,242,820	-	-
2,334,669	18,992	2,353,661	-	-
580,838	104,503	685,341	209,777	8,837
26,625	7,176	33,801	-	-
85,525	-	85,525	13,454	2,779
(448,183)	448,183	-	-	-
<u>29,376,054</u>	<u>578,854</u>	<u>29,954,908</u>	<u>7,176,618</u>	<u>566,486</u>
4,218,989	2,062,922	6,281,911	1,532,576	201,900
<u>64,374,567</u>	<u>27,664,409</u>	<u>92,038,976</u>	<u>18,475,161</u>	<u>798,138</u>
<u>\$ 68,593,556</u>	<u>\$ 29,727,331</u>	<u>\$ 98,320,887</u>	<u>\$ 20,007,737</u>	<u>\$ 1,000,038</u>

The notes to the financial statements are an integral part of this statement.

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FUND FINANCIAL STATEMENTS

CITY OF RICHFIELD
RICHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

**CITY OF RICHFIELD, MINNESOTA
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	Special Revenue			Debt Service	Capital Project	Other Governmental Funds	Total Governmental Funds
	General	Ice Arena	Elections	Improvement Bonds	Capital Improvements		
Assets							
Cash and temporary investments	\$ 9,295,621	\$ -	\$ 1,712,313	\$ 5,759,399	\$ 11,266,358	\$ 6,156,842	\$ 34,190,533
Receivables							
Accrued interest	17,325	1,653	75,921	4,376	35,801	9,981	145,057
Taxes	193,448	-	-	35,604	3,246	-	232,298
Accounts	160,000	233,568	300,177	-	-	627,855	1,321,600
Special assessments	88,992	-	-	165,266	172,115	-	426,373
Leases	-	674,024	5,221,090	-	-	291,101	6,186,215
Due from other governments	200,329	-	-	15,072	5,600,121	53,634	5,869,156
Due from other funds	2,556,568	-	-	-	-	-	2,556,568
Advances to other funds	-	-	-	-	-	482,010	482,010
Prepaid items	66,984	847	-	-	-	1,907	69,738
Total Assets	\$ 12,579,267	\$ 910,092	\$ 7,309,501	\$ 5,979,717	\$ 17,077,641	\$ 7,623,330	\$ 51,479,548
Liabilities							
Accounts and contracts payable	\$ 297,148	\$ 52,732	\$ -	\$ 3,800	\$ 2,359,022	\$ 39,371	\$ 2,752,073
Accrued salaries payable	699,470	23,727	-	-	-	6,473	729,670
Due to other governments	303,102	12,926	-	-	-	24,348	340,376
Due to other funds	-	2,329,779	-	-	-	226,789	2,556,568
Advances from other funds	-	811,016	-	-	-	182,665	993,681
Deposits payable	-	-	34,924	-	636,339	7,572	678,835
Unearned revenue	6,717	-	-	-	2,838,779	26,932	2,872,428
Total Liabilities	1,306,437	3,230,180	34,924	3,800	5,834,140	514,150	10,923,631
Deferred Inflows of Resources							
Unavailable revenues - delinquent taxes	193,448	-	-	35,604	3,246	-	232,298
Unavailable revenues - special assessments	88,992	-	-	165,266	172,115	-	426,373
Deferred inflows of resources related to lease receivables	-	672,009	5,158,877	-	-	296,147	6,127,033
Advance appropriations - State shared taxes	-	-	-	-	1,233,587	-	1,233,587
Unavailable revenue - State shared taxes	-	-	-	-	2,275,843	-	2,275,843
Total Deferred Inflows of Resources	282,440	672,009	5,158,877	200,870	3,684,791	296,147	10,295,134
Fund Balances							
Nonspendable	66,984	847	-	-	-	1,907	69,738
Restricted	-	-	-	1,142,430	-	979,127	2,121,557
Committed	-	-	2,115,700	4,142,150	2,209,982	5,980,225	14,448,057
Assigned	-	-	-	490,467	5,348,728	-	5,839,195
Unassigned	10,923,406	(2,992,944)	-	-	-	(148,226)	7,782,236
Total Fund Balances	10,990,390	(2,992,097)	2,115,700	5,775,047	7,558,710	6,813,033	30,260,783
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 12,579,267	\$ 910,092	\$ 7,309,501	\$ 5,979,717	\$ 17,077,641	\$ 7,623,330	\$ 51,479,548

The notes to the financial statements are an integral part of this statement.

**CITY OF RICHFIELD, MINNESOTA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

Amounts reported for the governmental activities in the statement of net position are different because

Total Fund Balances - Governmental Funds	\$ 30,260,783
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.	
Cost of capital assets	183,490,181
Less: accumulated depreciation/amortization	(92,685,225)
The assets and deferred outflows of resources and liabilities and deferred inflows of resources of certain Internal Service Funds are included in governmental activities in the statement of net position.	
Net position of internal service funds	10,979,395
Allocation of reflect consolidation of internal service fund activities related to enterprise funds	2,378,674
Allocation of reflect consolidation of internal service fund activities related to component unit	605,786
Noncurrent liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Noncurrent liabilities at year-end consist of	
Bonds payable	(50,615,000)
Plus premium on bonds issued	(1,293,779)
Financed purchased arrangement	(98,827)
Other postemployment benefits payable	(1,975,311)
Net pension liability	(35,488,448)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes	232,298
Special assessments	426,373
State shared taxes	2,275,843
Governmental funds do not report long-term amounts related to pensions and OPEB.	
Deferred outflows other postemployment benefit resources	791,397
Deferred inflows other postemployment benefit resources	(1,057,819)
Deferred outflows of pension resources	21,626,971
Deferred inflows of pension resources	(626,270)
Governmental funds do not report a liability for accrued interest until due and payable.	(633,466)
Total Net Position - Governmental Activities	\$ 68,593,556

The notes to the financial statements are an integral part of this statement.

CITY OF RICHFIELD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Special Revenue		Debt Service	Capital Project	Other Governmental Funds	Total Governmental Funds	
	General	Ice Arena	Elections	Improvement Bonds			Capital Improvements
Revenues							
Taxes	\$ 20,052,150	\$ -	\$ -	\$ 3,655,175	\$ 835,000	\$ 2,249,423	\$ 26,791,748
Licenses and permits	1,379,973	-	-	-	-	-	1,379,973
Intergovernmental	3,419,575	-	-	-	12,744,613	1,126,941	17,291,129
Charges for services	1,969,877	1,094,993	-	-	-	507,541	3,572,411
Fines and forfeitures	175,056	-	-	-	-	91,737	266,793
Special assessments	4,726	-	-	45,252	96,270	-	146,248
Interest earnings (loss)	114,044	7,026	93,476	28,756	170,098	60,776	474,176
Miscellaneous	63,217	100,261	411,073	-	121,850	692,454	1,388,855
Total Revenues	<u>27,178,618</u>	<u>1,202,280</u>	<u>504,549</u>	<u>3,729,183</u>	<u>13,967,831</u>	<u>4,728,872</u>	<u>51,311,333</u>
Expenditures							
Current							
Legislative/executive	990,581	-	-	-	-	-	990,581
Administrative services	959,929	-	362,090	-	-	418,521	1,740,540
Finance	1,005,251	-	-	-	-	-	1,005,251
Public safety	10,437,293	-	-	-	-	194,541	10,631,834
Fire	5,314,355	-	-	-	-	-	5,314,355
Community development	1,616,827	-	-	-	-	-	1,616,827
Public works	4,884,218	-	-	-	114,934	-	4,999,152
Recreation services	1,985,326	1,188,101	-	-	-	977,589	4,151,016
Capital outlay							
Public works	-	-	-	-	18,411,027	-	18,411,027
Recreation services	-	-	-	-	-	244,641	244,641
Debt service							
Principal	-	-	-	2,970,000	-	790,000	3,760,000
Interest and other charges	-	10,966	-	1,263,657	-	86,053	1,360,676
Bond issuance costs	-	-	-	-	110,227	-	110,227
Total Expenditures	<u>27,193,780</u>	<u>1,199,067</u>	<u>362,090</u>	<u>4,233,657</u>	<u>18,636,188</u>	<u>2,711,345</u>	<u>54,336,127</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(15,162)</u>	<u>3,213</u>	<u>142,459</u>	<u>(504,474)</u>	<u>(4,668,357)</u>	<u>2,017,527</u>	<u>(3,024,794)</u>
Other Financing Sources (Uses)							
Transfers in	722,317	330,000	-	745,997	2,353,397	1,908,215	6,059,926
Proceeds from sale of capital assets	500	-	-	-	-	-	500
Transfers out	(282,194)	-	-	-	(4,498,276)	(2,792,639)	(7,573,109)
Bonds issued	-	-	-	126,140	5,438,860	-	5,565,000
Premium on bonds issued	-	-	-	-	195,727	-	195,727
Total Other Financing Sources (Uses)	<u>440,623</u>	<u>330,000</u>	<u>-</u>	<u>872,137</u>	<u>3,489,708</u>	<u>(884,424)</u>	<u>4,248,044</u>
Net Change in Fund Balances	425,461	333,213	142,459	367,663	(1,178,649)	1,133,103	1,223,250
Fund Balances, January 1	<u>10,564,929</u>	<u>(3,325,310)</u>	<u>1,973,241</u>	<u>5,407,384</u>	<u>8,737,359</u>	<u>5,679,930</u>	<u>29,037,533</u>
Fund Balances, December 31	<u>\$ 10,990,390</u>	<u>\$ (2,992,097)</u>	<u>\$ 2,115,700</u>	<u>\$ 5,775,047</u>	<u>\$ 7,558,710</u>	<u>\$ 6,813,033</u>	<u>\$ 30,260,783</u>

The notes to the financial statements are an integral part of this statement.

**CITY OF RICHFIELD, MINNESOTA
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

Amounts reported for governmental activities in the statement of activities are different because

Total Net Change in Fund Balances - Governmental Funds	\$ 1,223,250
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over the estimated useful lives as depreciation expense.</p>	
Capital outlays	17,529,690
Depreciation/amortization expense	(4,116,760)
<p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts and similar items when debt is first issued, whereas these amounts are amortized in the statement of activities.</p>	
Principal repayments	3,760,000
Bonds issued	(5,565,000)
Current year amortization of bond premium	126,300
Premium on bonds issued	(195,727)
Lease principal payments	24,878
<p>Interest on long-term debt in the statement of activities differs from the amount reported in the governmental fund because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.</p>	
	(60,679)
<p>Internal service funds are used by the City to charge the cost of certain activities, such as insurance and telecommunication to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities</p>	
Investment earnings	106,662
Consolidation of internal service fund activities related to governmental activities	(1,175,852)
Transfer in	1,065,000
Gain on sale of capital assets	26,125
<p>Certain revenues are recognized as soon as they are earned. Under the modified accrual basis of accounting, certain revenues cannot be recognized until they are available to liquidate liabilities of the current period.</p>	
Special assessments	89,399
Property taxes	4,832
State shared taxes	(7,600,315)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.</p>	
Other postemployment benefits	(87,028)
<p>Long-term pension activity is not reported in governmental funds.</p>	
Pension expense	(1,259,528)
Pension revenue from State contributions	323,742
	323,742
Change in Net Position - Governmental Activities	\$ 4,218,989

The notes to the financial statements are an integral part of this statement.

CITY OF RICHFIELD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 19,866,602	\$ 19,866,390	\$ 20,052,150	\$ 185,760
Licenses and permits	1,212,288	1,269,500	1,379,973	110,473
Intergovernmental	3,461,170	3,585,750	3,419,575	(166,175)
Charges for services	2,142,260	1,843,550	1,969,877	126,327
Fines and forfeitures	220,000	220,000	175,056	(44,944)
Special assessments	-	-	4,726	4,726
Interest earnings (loss)	20,000	25,000	114,044	89,044
Miscellaneous	47,830	43,100	63,217	20,117
Total Revenues	<u>26,970,150</u>	<u>26,853,290</u>	<u>27,178,618</u>	<u>325,328</u>
Expenditures				
Current				
Legislative/executive	1,113,300	1,067,967	990,581	77,386
Administrative services	973,080	1,042,317	959,929	82,388
Finance	769,760	1,015,664	1,005,251	10,413
Public safety	10,926,920	10,755,360	10,437,293	318,067
Fire	5,130,730	5,130,731	5,314,355	(183,624)
Community development	1,802,120	1,651,380	1,616,827	34,553
Public works	4,751,100	4,716,520	4,884,218	(167,698)
Recreation services	2,151,320	2,150,070	1,985,326	164,744
Total Expenditures	<u>27,618,330</u>	<u>27,530,009</u>	<u>27,193,780</u>	<u>336,229</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(648,180)</u>	<u>(676,719)</u>	<u>(15,162)</u>	<u>661,557</u>
Other Financing Sources (Uses)				
Transfers in	898,180	926,719	722,317	(204,402)
Proceeds from sale of capital assets	-	-	500	500
Transfers out	(250,000)	(250,000)	(282,194)	(32,194)
Total Financing Sources (Uses)	<u>648,180</u>	<u>676,719</u>	<u>440,623</u>	<u>(236,096)</u>
Net Change in Fund Balances	-	-	425,461	425,461
Fund Balances, January 1	<u>10,564,929</u>	<u>10,564,929</u>	<u>10,564,929</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 10,564,929</u>	<u>\$ 10,564,929</u>	<u>\$ 10,990,390</u>	<u>\$ 425,461</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RICHFIELD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ICE ARENA SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 1,154,560	\$ 1,154,560	\$ 1,094,993	\$ (59,567)
Interest earnings (loss)	-	-	7,026	7,026
Miscellaneous	8,140	8,140	100,261	92,121
Total Revenues	<u>1,162,700</u>	<u>1,162,700</u>	<u>1,202,280</u>	<u>39,580</u>
Expenditures				
Current				
Recreation services				
Personnel services	577,920	577,920	613,791	(35,871)
Other services and charges	452,340	447,550	574,310	(126,760)
Capital outlay				
Culture and recreation	-	-	-	-
Debt service				
Interest and other charges	10,970	10,970	10,966	4
Total Expenditures	<u>1,041,230</u>	<u>1,036,440</u>	<u>1,199,067</u>	<u>(162,627)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	121,470	126,260	3,213	(123,047)
Other Financing Sources				
Transfers in	<u>330,000</u>	<u>340,000</u>	<u>330,000</u>	<u>(10,000)</u>
Net Change in Fund Balances	451,470	466,260	333,213	(133,047)
Fund Balances, January 1	<u>(3,325,310)</u>	<u>(3,325,310)</u>	<u>(3,325,310)</u>	<u>-</u>
Fund Balances, December 31	<u>\$ (2,873,840)</u>	<u>\$ (2,859,050)</u>	<u>\$ (2,992,097)</u>	<u>\$ (133,047)</u>

The notes to the financial statements are an integral part of this statement.

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CITY OF RICHFIELD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
ELECTIONS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest earnings (loss)	\$ 4,000	\$ 4,000	\$ 93,476	\$ 89,476
Miscellaneous	253,580	265,183	411,073	145,890
Total Revenues	<u>257,580</u>	<u>269,183</u>	<u>504,549</u>	<u>235,366</u>
Expenditures				
Current				
Administrative services				
Personnel services	105,100	101,836	102,163	(327)
Other services and charges	55,360	34,170	259,927	(225,757)
Total Expenditures	<u>160,460</u>	<u>136,006</u>	<u>362,090</u>	<u>(226,084)</u>
Net Change in Fund Balances	97,120	133,177	142,459	9,282
Fund Balances, January 1	<u>1,973,241</u>	<u>1,973,241</u>	<u>1,973,241</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,070,361</u>	<u>\$ 2,106,418</u>	<u>\$ 2,115,700</u>	<u>\$ 9,282</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RICHFIELD, MINNESOTA
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Municipal Liquor	Water and Sewer Utility	Storm Sewer	Total	Internal Service Funds
Assets					
Current Assets					
Cash and temporary investments	\$ 1,434,842	\$ 7,423,164	\$ 6,021,054	\$ 14,879,060	\$ 10,983,975
Receivables					
Accrued interest	2,224	9,806	12,368	24,398	14,674
Accounts	50	2,279,683	527,789	2,807,522	69,191
Special assessments	-	47,604	-	47,604	-
Due from other governments	1,029	-	8,992	10,021	-
Advances to other funds	-	-	-	-	68,788
Inventories	1,539,190	-	-	1,539,190	-
Prepaid items	22,471	8,090	805	31,366	305,230
Total Current Assets	<u>2,999,806</u>	<u>9,768,347</u>	<u>6,571,008</u>	<u>19,339,161</u>	<u>11,441,858</u>
Long-term Assets					
Advances to other funds	-	-	-	-	442,883
Special assessments	-	331,022	-	331,022	-
Capital assets					
Land	499,188	53,550	85,935	638,673	-
Construction in progress	25,175	251,640	50,053	326,868	311,975
Buildings and systems	6,411,779	18,693,371	839,481	25,944,631	12,214,057
Distribution and collection systems	-	27,026,843	24,169,363	51,196,206	-
Total Capital Assets	<u>6,936,142</u>	<u>46,025,404</u>	<u>25,144,832</u>	<u>78,106,378</u>	<u>12,526,032</u>
Less accumulated depreciation	<u>(3,336,991)</u>	<u>(27,830,284)</u>	<u>(13,857,145)</u>	<u>(45,024,420)</u>	<u>(8,338,000)</u>
Net Capital Assets	<u>3,599,151</u>	<u>18,195,120</u>	<u>11,287,687</u>	<u>33,081,958</u>	<u>4,188,032</u>
Total Long-term Assets	<u>3,599,151</u>	<u>18,526,142</u>	<u>11,287,687</u>	<u>33,412,980</u>	<u>4,630,915</u>
Total Assets	<u>6,598,957</u>	<u>28,294,489</u>	<u>17,858,695</u>	<u>52,752,141</u>	<u>16,072,773</u>
Deferred Outflows of Resources					
Deferred other postemployment benefits resources	17,363	25,786	-	43,149	13,408
Deferred pension resources	374,513	478,354	31,842	884,709	326,316
Total Deferred Outflows of Resources	<u>391,876</u>	<u>504,140</u>	<u>31,842</u>	<u>927,858</u>	<u>339,724</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RICHFIELD, MINNESOTA
STATEMENT OF NET POSITION (CONTINUED)
PROPRIETARY FUNDS
DECEMBER 31, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Municipal Liquor	Water and Sewer Utility	Storm Sewer	Total	Internal Service Funds
Liabilities					
Current Liabilities					
Accounts and contracts payable	\$ 393,056	\$ 688,295	\$ 35,522	\$ 1,116,873	\$ 161,623
Accrued salaries payable	50,158	68,533	6,544	125,235	47,345
Due to other governments	144,202	45,148	-	189,350	53,493
Accrued interest payable	-	94,528	109,291	203,819	-
Compensated absences payable - current portion	41,371	63,652	1,275	106,298	605,573
Bonds payable - current portion	-	555,000	445,000	1,000,000	-
Total Current Liabilities	<u>628,787</u>	<u>1,515,156</u>	<u>597,632</u>	<u>2,741,575</u>	<u>868,034</u>
Long-term Liabilities					
Compensated absences payable	80,370	123,655	2,477	206,502	1,782,483
Claims and judgements	-	-	-	-	1,614,340
Bonds payable	-	7,090,583	8,341,936	15,432,519	-
Net pension liability	1,257,607	1,606,301	106,923	2,970,831	1,095,764
Other postemployment benefits payable	43,338	64,361	-	107,699	33,465
Total Long-term Liabilities	<u>1,381,315</u>	<u>8,884,900</u>	<u>8,451,336</u>	<u>18,717,551</u>	<u>4,526,052</u>
Total Liabilities	<u>2,010,102</u>	<u>10,400,056</u>	<u>9,048,968</u>	<u>21,459,126</u>	<u>5,394,086</u>
Deferred Inflows of Resources					
Deferred other postemployment benefit resources	23,208	34,467	-	57,675	17,921
Deferred pension resources	24,211	30,924	2,058	57,193	21,095
Total Deferred Inflows of Resources	<u>47,419</u>	<u>65,391</u>	<u>2,058</u>	<u>114,868</u>	<u>39,016</u>
Net Position					
Net investment in capital assets	3,599,151	15,230,026	2,721,136	21,550,313	4,188,032
Unrestricted	1,334,161	3,103,156	6,118,375	10,555,692	6,791,363
Total Net Position	<u>\$ 4,933,312</u>	<u>\$ 18,333,182</u>	<u>\$ 8,839,511</u>	<u>32,106,005</u>	<u>\$ 10,979,395</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(2,378,674)</u>	
Net position of business-type activities				<u>\$ 29,727,331</u>	

The notes to the financial statements are an integral part of this statement.

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CITY OF RICHFIELD, MINNESOTA
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Municipal Liquor	Water and Sewer Utility	Storm Sewer	Total	Internal Service Funds
Operating Revenues					
Charges for services	\$ 14,200,736	\$ 9,659,149	\$ 2,004,767	\$ 25,864,652	\$ -
Less: cost of sales	(10,659,157)	-	-	(10,659,157)	4,755,224
Total Operating Revenues	<u>3,541,579</u>	<u>9,659,149</u>	<u>2,004,767</u>	<u>15,205,495</u>	<u>4,755,224</u>
Operating Expenses					
Personnel services	1,629,918	2,706,590	517,134	4,853,642	1,881,084
Other services and charges	699,016	4,809,345	586,266	6,094,627	3,360,163
Depreciation	236,612	1,488,482	762,883	2,487,977	1,002,096
Total Operating Expenses	<u>2,565,546</u>	<u>9,004,417</u>	<u>1,866,283</u>	<u>13,436,246</u>	<u>6,243,343</u>
Operating Income (loss)	<u>976,033</u>	<u>654,732</u>	<u>138,484</u>	<u>1,769,249</u>	<u>(1,488,119)</u>
Nonoperating Revenues (Expenses)					
Intergovernmental	-	-	18,992	18,992	-
Interest earnings (loss)	14,615	46,423	43,465	104,503	106,662
Miscellaneous revenues	8,988	233,628	150,167	392,783	539
Gain on sale of capital assets	2,001	-	5,175	7,176	26,125
Interest and amortization expense	-	(184,437)	(219,713)	(404,150)	-
Total Nonoperating Revenues (Expenses)	<u>25,604</u>	<u>95,614</u>	<u>(1,914)</u>	<u>119,304</u>	<u>133,326</u>
Income (Loss) Before Contributions and Transfers	<u>1,001,637</u>	<u>750,346</u>	<u>136,570</u>	<u>1,888,553</u>	<u>(1,354,793)</u>
Transfers In	-	410,616	872,097	1,282,713	1,121,500
Transfers Out	(834,530)	-	-	(834,530)	(56,500)
Total Transfers and Contributions	<u>(834,530)</u>	<u>410,616</u>	<u>872,097</u>	<u>448,183</u>	<u>1,065,000</u>
Change in Net Position	167,107	1,160,962	1,008,667	2,336,736	(289,793)
Net Position - January 1	<u>4,766,205</u>	<u>17,172,220</u>	<u>7,830,844</u>	<u>29,769,269</u>	<u>11,269,188</u>
Net Position, December 31	<u>\$ 4,933,312</u>	<u>\$ 18,333,182</u>	<u>\$ 8,839,511</u>	32,106,005	<u>\$ 10,979,395</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds				<u>(273,814)</u>	
Change in net position of business-type activities				<u>\$ 2,062,922</u>	

The notes to the financial statements are an integral part of this statement.

**CITY OF RICHFIELD, MINNESOTA
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Municipal Liquor	Water and Sewer Utility	Storm Sewer	Total	Internal Service Funds
Cash Flows from Operating Activities					
Receipts from customers and users	\$ 14,201,429	\$ 9,618,483	\$ 1,917,780	\$ 25,737,692	\$ 4,731,750
Other operating receipts	8,988	233,628	150,167	392,783	539
Payments to suppliers	(11,414,388)	(4,870,860)	(594,442)	(16,879,690)	(3,073,699)
Payments to employees	(1,678,931)	(2,533,613)	(484,774)	(4,697,318)	(1,761,926)
Net Cash Provided (Used) by Operating Activities	<u>1,117,098</u>	<u>2,447,638</u>	<u>988,731</u>	<u>4,553,467</u>	<u>(103,336)</u>
Cash Flows from Noncapital Financing Activities					
Receipts on interfund balances	-	-	-	-	67,426
Increase (decrease) in due to other funds	-	(379)	-	(379)	-
Increase (decrease) in due from component unit	(256)	-	-	(256)	-
Transfers from other funds	-	410,616	872,097	1,282,713	1,121,500
Transfers to other funds	(834,530)	-	-	(834,530)	(56,500)
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(834,786)</u>	<u>410,237</u>	<u>872,097</u>	<u>447,548</u>	<u>1,132,426</u>
Cash Flows from Capital and Related Financing Activities					
Acquisition of capital assets	(15,840)	(1,146,309)	(241,417)	(1,403,566)	(720,833)
Proceeds from sale of capital assets	2,001	-	5,175	7,176	26,125
Intergovernmental	-	-	18,992	18,992	-
Proceeds from bonds issued, net of issuance costs	-	1,469,620	3,121,342	4,590,962	-
Interest paid on debt	-	(200,515)	(193,656)	(394,171)	-
Principal paid on bonds	-	(535,000)	(425,000)	(960,000)	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(13,839)</u>	<u>(412,204)</u>	<u>2,285,436</u>	<u>1,859,393</u>	<u>(694,708)</u>
Cash Flows from Investing Activities					
Investment receipts	<u>14,301</u>	<u>42,702</u>	<u>34,085</u>	<u>91,088</u>	<u>110,429</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>282,774</u>	<u>2,488,373</u>	<u>4,180,349</u>	<u>6,951,496</u>	<u>444,811</u>
Cash and Cash Equivalents, January 1	<u>1,152,068</u>	<u>4,934,791</u>	<u>1,840,705</u>	<u>7,927,564</u>	<u>10,539,164</u>
Cash and Cash Equivalents, December 31	<u>\$ 1,434,842</u>	<u>\$ 7,423,164</u>	<u>\$ 6,021,054</u>	<u>\$ 14,879,060</u>	<u>\$ 10,983,975</u>

The notes to the financial statements are an integral part of this statement.

CITY OF RICHFIELD, MINNESOTA
STATEMENT OF CASH FLOWS (CONTINUED)
PROPRIETARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Business-type Activities - Enterprise Funds				Governmental Activities -
	Municipal Liquor	Water and Sewer Utility	Storm Sewer	Total	Internal Service Funds
Reconciliation of Operating Income (Loss)					
to Net Cash Provided (Used) by Operating Activities					
Operating income (loss)	\$ 976,033	\$ 654,732	\$ 138,484	\$ 1,769,249	\$ (1,488,119)
Adjustments to reconcile operating income (loss)					
to net cash provided (used) by operating activities					
Depreciation	236,612	1,488,482	762,883	2,487,977	1,002,096
Other income related to operations	8,988	233,628	150,167	392,783	539
(Increase) decrease in assets/deferred					
outflows of resources					
Receivables					
Accounts receivable	41	(43,181)	(77,995)	(121,135)	(31,957)
Due from other governments	652	997	(8,992)	(7,343)	8,483
Special assessments	-	1,518	-	1,518	-
Inventories	(233,982)	-	-	(233,982)	-
Prepaid items	6,077	2,926	(342)	8,661	(287,827)
Deferred OPEB resources	(6,246)	(11,317)	-	(17,563)	(3,542)
Deferred pension resources	148,189	100,447	(3,600)	245,036	92,910
Increase (decrease) in liabilities/deferred					
inflows of resources					
Accounts and contracts payable	169,414	(61,278)	(7,834)	100,302	55,637
Accrued salaries payable	(5,766)	11,300	2,178	7,712	369
Due to other governments	2,276	(3,163)	-	(887)	17,958
Compensated absences payable	(34,902)	15,293	403	(19,206)	71,640
Claims and judgements	-	-	-	-	500,696
Net pension liability	530,982	801,691	67,663	1,400,336	512,984
Other postemployment benefits payable	(25,697)	(25,489)	-	(51,186)	(27,799)
Deferred pension resources	(641,233)	(708,808)	(34,284)	(1,384,325)	(518,366)
Deferred OPEB resources	(14,340)	(10,140)	-	(24,480)	(9,038)
Net Cash Provided (Used) by					
Operating Activities	<u>\$ 1,117,098</u>	<u>\$ 2,447,638</u>	<u>\$ 988,731</u>	<u>\$ 4,553,467</u>	<u>\$ (103,336)</u>
Schedule of Noncash Capital and					
Related Financing Activities					
Amortization of bond premium	\$ -	\$ 35,800	\$ 25,800	\$ 61,600	\$ -

The notes to the financial statements are an integral part of this statement.

**CITY OF RICHFIELD, MINNESOTA
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
DECEMBER 31, 2022**

	Custodial Fund
Assets	
Cash and temporary investments	\$ 493,369
Receivables	
Accrued interest	13,810
	13,810
Total Assets	\$ 507,179
Liabilities	
Accounts and contracts payable	\$ 19,442
Due to other governments	394,714
	414,156
Total Liabilities	414,156
Net Position	
Restricted	93,023
Total Net Position	\$ 93,023

The notes to the financial statements are an integral part of this statement.

**CITY OF RICHFIELD, MINNESOTA
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FIDUCIARY FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Custodial Fund
Additions	
Interest earnings (loss)	\$ 90,735
License fee collections for State of Minnesota	21,213,436
Miscellaneous	2,394
Total Additions	21,306,565
Deductions	
Payments to State of Minnesota	21,213,436
Current	
General government	
Other services and charges	211
Total Deductions	21,213,647
Net Increase (Decrease) in Fiduciary Net Position	92,918
Net Position - Beginning	105
Net Position - Ending	\$ 93,023

The notes to the financial statements are an integral part of this statement.

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**CITY OF RICHFIELD, MINNESOTA
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2022**

1. Summary of Significant Accounting Policies

The City of Richfield (the City) was incorporated February 26, 1908. Since 1964, the City has operated under a Council-Manager form of government, as authorized by its City Charter.

The accounting policies of the City conform to generally accepted accounting principles, as applied to governmental units by the U.S. Governmental Accounting Standards Board (GASB). The following is a summary of the more significant policies:

A. Reporting Entity

The financial statements present the City and its component units. The City includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate from such. Component units are legally separate organizations for which the elected officials of the City are financially accountable and are included within the general purpose financial statements of the City because of the significance of their operational or financial relationships with the City.

The City is considered financially accountable for a component unit if it appoints a voting majority of the organization's governing body and it is able to impose its will on the organization by significantly influencing the programs, projects, activities, or level of services performed or provided by the organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the City.

As a result of applying the component unit definition criteria above, certain organizations have been defined and are presented in this report as follows:

- *Blended Component Units - Reported as if they were part of the City.*
- *Discretely Presented Component Units - Entails reporting the component unit financial data in a column separate from the financial data of the City.*
- *Related Organizations - The relationship of the City with the entity is disclosed.*

For each of the categories above, the specific entities are identified as follows:

- *Blended Components Units:* The City has no blended component units.
- *Discretely Presented Component Units:* - Housing and Redevelopment Authority (HRA) in and for the City of Richfield and Economic Development Authority (EDA) in and for the City of Richfield

The HRA was established on November 12, 1974, per Minnesota State Statute 462.426 (Minnesota Housing and Redevelopment Act of 1947), and is governed by a five-member commission appointed by the Mayor. The HRA was formed by the City to provide housing and redevelopment assistance to Richfield citizens and businesses. The HRA provides this assistance through the general taxes, the use of Community Development Block Grants, and the establishment of tax increment and tax abatement financing districts. The HRA also operates the Section 8 rental subsidy program as a direct recipient from the Department of Housing and Urban Development. As the City appoints the HRA commission and has the ability to hire or dismiss those persons responsible for its day-to-day operations, the HRA is considered a component unit of the City.

The EDA was established May 9, 2017 per Minnesota State Statutes, Sections 469.090 through 469.108 and some but not all of the powers of a housing and redevelopment authority under Minnesota Statutes, Sections 469.001 through 469.047. The EDA is governed by a five-member commission. Two commissioners shall be members of the City Council and three commissioners shall be members at large. The three at large commissioners shall be the three at large commissioners of the Housing and Redevelopment Authority in and for the City of Richfield, Minnesota. The EDA was formed to provide resources for economic development in Richfield, including the Kids @ Home program, Transformation Loan program, apartment remodeling programs and business development programing.

Financial statements of the HRA can be obtained from the administrative offices at City Hall:

Richfield Housing and Redevelopment Authority
6700 Portland Avenue South
Richfield, Minnesota 55423

Financial Statements of the EDA can be obtained from the administrative offices at City Hall

Richfield Economic Development Authority
6700 Portland Avenue South
Richfield, Minnesota 55423

- *Related Organizations* - The City has no related organizations.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the Proprietary Fund and Fiduciary 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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The custodial funds report using the economic resources measurement focus and the accrual basis of accounting.

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

Property taxes, special assessments, intergovernmental revenues, charges for services 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 government.

The government reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Ice Arena Fund accounts for the revenues earned and other resources generated by the operation of the City's two sheet ice arena facility.

The Elections Fund was established to isolate the large fluctuation over time in election costs from year to year. The fund provides voter registration services, voter information services and election administration. Funding for the costs of elections services is derived from rental revenues from cellular telephone carriers who rent space for their antennas on City infrastructure.

The Improvement Bond Debt Service Fund is used for the accumulation of resources for payment of principal and interest for outstanding general obligation issues.

The Capital Improvement Capital Projects Fund is used to account for projects related to public improvement within the City.

The government reports the following major proprietary funds:

The Municipal Liquor Fund accounts for the operations of the four municipal liquor stores operated by the City.

The Water and Sewer Utility Fund accounts for the water and sewer service charges which are used to finance the water system and sanitary sewer system operating expenses.

The Storm Sewer Fund accounts for storm sewer user fees, which are used to finance storm sewer system operating expenses.

Additionally, the government reports the following fund types:

Internal Service Funds account for fleet management, data processing, risk management, building maintenance services, and compensated absences, provided to other funds or departments on a cost reimbursement basis.

Custodial Funds are used to account for the City's collection of fees to be remitted to the State of Minnesota such as building permit-surcharges, snowmobile-boat license fees, and motor vehicle license fees.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are transactions that would be treated as revenues, expenditures or expenses if they involved external organizations, such as buying goods and services or payments in lieu of taxes, are similarly treated when they involve other funds of the City of Richfield. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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 operations. The principal operating revenues of the City's enterprise funds, the liquor, water & sewer, and storm sewer funds, and the City's internal service funds are from the sale of product and charges to customers for services. Operating expenses for 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 an allowable use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Budgets

Budgets for the General Fund and Special Revenue Funds, excluding the Liquor Contributions Fund, Recreation Special Program, Opioid Settlement and Wood Lake Endowment Fund, are adopted on a basis consistent with generally accepted accounting principles. Budgetary control for Capital Projects Funds is accomplished through the use of project controls and for the Debt Service Funds by bond indentures.

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditures of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General, Special Revenue, and Capital Projects Funds. Encumbrances outstanding at year-end are reported within restrictions, commitments, or assignments of fund balance, as appropriate, since they do not constitute expenditures or liabilities. At December 31, 2022 there are no significant encumbrances outstanding in any major or nonmajor fund.

E. Legal Compliance - Budgets

The City follows these procedures in establishing the budgetary data reflected in the financial statement and set forth in Sections 7.05 and 7.06 of the City Charter.

1. The City Manager shall, at a special budget meeting of the Council on or before September 15, submit to the Council a proposed budget and an explanatory budget message in a form and manner as prescribed by the City Charter.
2. At the City Council meeting, where the proposed budget and tax levy is submitted for adoption, the Council shall determine the place and time of the public hearing on the budget. Public hearings are conducted to obtain taxpayer comments.
3. The Council shall adopt the budget no later than the last date established by law for the County Auditor to levy taxes. The budget shall set forth the total for each budgeted fund and each department with such segregation as to objects and purposes of expenditures as the Council deems necessary for purposes of budget control for the General and Special Revenue Funds.
4. Reported budget amounts are as originally adopted or as amended by Council-approved budget transfers. During 2022 the General Fund budget was amended to decrease budgeted revenues by \$116,860, decrease budgeted expenditures by \$88,321 and increase budgeted transfer in by \$28,539. The City Manager is authorized to transfer budgeted amounts between divisions within any department; however, any revisions that alter the total expenditures of any department must be approved by the City Council with formal adoption by resolution. All budgeted appropriations lapse at the end of the year.
5. Expenditures may not legally exceed budgeted appropriations at the total department level. Monitoring of budgets is maintained at the expenditure category (i.e., salaries, wages, and benefits; material, supplies, and services; and capital outlay) within each activity. Budgetary monitoring, by departments or divisions and by category, is required by the City Charter.

F. Excess of Expenditures Over Appropriations

Expenditures exceeded appropriations (budget) in the following individual funds for the year ended December 31, 2022:

<u>Fund</u>	<u>Budget</u>	<u>Actual</u>	<u>Excess of Expenditures Over Appropriations</u>
Major			
Ice Arena	\$ 1,036,440	\$ 1,199,067	\$ 162,627
Elections			
Nonmajor	136,006	362,090	226,084
Swimming Pool	506,210	582,544	76,334

G. Deficit Fund Equity

The following funds had fund equity deficits as December 31, 2022:

<u>Fund</u>	<u>Amount</u>
Major	
Ice Arena	\$ 2,992,097
Nonmajor Governmental	
Swimming pool	147,802

H. Cash, Cash Equivalents, and Investments

Cash and investment balances from all funds are pooled and invested to the extent available in authorized investments, with the exception of non-pooled investments related to the 2020A bond issuance. Earnings from such pooled investments are allocated to the respective funds on the basis of applicable cash balance participation by each fund.

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

Investment income is accrued at the balance sheet date. For purposes of the statement of cash flows, the Proprietary Funds consider investments held in the City's cash management pool to be cash equivalents because this pool is used essentially as a demand deposit account.

Short-Term Interfund and Primary Government/Component Unit Receivable/Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "advances to other funds" or "advances from other funds" on the balance sheet. Payables/receivables between the primary government and its component unit are classified as "due to/from component unit" on the primary government's balance sheet and "due to/from primary government" on the component unit's balance sheet.

Property taxes and special assessments have been reported net of estimated uncollectible accounts. (See Note 1H and I.) Because utility bills are considered liens on property, no estimated uncollectible amounts are established. Uncollectible amounts are not material for other receivables and have not been reported.

I. Property Tax Revenue Recognition

The City Council annually adopts a tax levy and certifies it to the County in December (levy/assessment date) of each year for collection in the following year. The County is responsible for billing and collecting all property taxes for itself, the City, the local School District and other taxing authorities. Such taxes become a lien on January 1 and are recorded as receivables by the City at that date. Real property taxes are payable (by property owners) on May 15 and October 15 of each calendar year. Personal property taxes are payable by taxpayers on February 28 and June 30 of each year. These taxes are collected by the County and remitted to the City on or before July 5 and December 5 of the same year. Delinquent collections for November and December are received the following January. The City has no ability to enforce payment of property taxes by property owners. The County possesses this authority.

Government-Wide Financial Statements

The City recognizes property tax revenue in the period for which the taxes were levied. Uncollectible property taxes are not material and have not been reported.

Governmental Fund Financial Statements

The City recognizes property tax revenue when it becomes both measurable and available to finance expenditures of the current period. In practice, current and delinquent taxes and State credits received by the City in July, December and January are recognized as revenue for the current year. Taxes collected by the County by December 31 (remitted to the City the following January) and taxes and credits not received at the year-end are classified as delinquent and due from County taxes receivable. The portion of delinquent taxes not collected by the City in January is fully offset by deferred inflows of resources because they are not available to finance current expenditures.

J. Special Assessment Revenue Recognition

Special assessments are levied against benefited properties for the cost or a portion of the cost of special assessment improvement projects in accordance with State Statutes. These assessments are collectible by the City over a term of years usually consistent with the term of the related bond issue. Collection of annual installments (including interest) is handled by the County Auditor in the same manner as property taxes. Property owners are allowed to (and often do) prepay future installments without interest or prepayment penalties.

Once a special assessment roll is adopted, the amount attributed to each parcel is a lien upon that property until full payment is made or the amount is determined to be excessive by the City Council or court action. If special assessments are allowed to go delinquent, the property is subject to tax forfeit sale. Proceeds of sales from tax forfeit properties are allocated first to the County's costs of administering all tax forfeit properties. Pursuant to State Statutes, a property shall be subject to a tax forfeit sale after three years unless it is homesteaded, agricultural or seasonal recreational land in which event the property is subject to such sale after five years.

Government-Wide Financial Statements

The City recognizes special assessment revenue in the period that the assessment roll was adopted by the City Council. Uncollectible special assessments are not material and have not been reported.

Governmental Fund Financial Statements

Revenue from special assessments is recognized by the City when it becomes measurable and available to finance expenditures of the current fiscal period. In practice, current and delinquent special assessments received by the City are recognized as revenue for the current year. Special assessments that are collected by the County by December 31 (remitted to the City the following January) and are also recognized as revenue for the current year. All remaining delinquent, deferred and special deferred assessments receivable in governmental funding are completely offset by deferred inflows of resources of revenues.

K. Inventories

Inventories are valued at cost, on a first-in, first-out basis. The cost of inventory in the Proprietary Funds is recognized as cost of sales or expense of operation at the time the inventory is sold or used.

L. Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Accordingly, prepaid items are accounted for using the consumption method, where expense is recognized in the periods that the service or benefit is provided.

M. Lease Receivable

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

N. Land Held for Resale

Land held for resale represents property purchased by the City with the intent to resell in the future for redevelopment. These assets are stated at the lower of cost or net realizable value.

O. Capital Assets

Capital assets, which include property, plant, equipment and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Infrastructure assets that are reported within the government-wide financial statements include assets that were acquired on or after 1960. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art and similar items, and capital assets received in a service concession arrangement are reported at acquisition value.

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.

Property, plant and equipment of the primary government, as well as the component units, is depreciated using the straight-line method, while infrastructure assets are depreciated using the composite method. Capital assets are depreciated over the following estimated useful lives:

<u>Assets</u>	
Buildings and Structures	20 - 50 years
Machinery and Equipment	3 - 15 years
Furniture and Fixtures	10 years
Other Improvements	10 - 50 years
Storm Sewers	25 - 30 years
Streets	25 years
Street Lights	25 years
Distribution and Collection Systems	30 - 50 years

P. Compensated Absences

It is the City's policy to permit employees to accumulate earned but unused vacation and personal leave pay benefits. In addition, the fire employees are paid one-third of their unused sick pay upon termination. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for governmental fund employees is accrued in the Compensated Absences Fund as they are incurred. In accordance with the provisions of Statement of Government Accounting Standards No. 16, *Accounting for Compensated Absences*, no liability is recorded for nonvesting accumulating rights to receive sick pay benefits. However, a liability is recognized for that portion of accumulating sick leave benefits that is vested as severance pay. Compensated absences for governmental funds are accounted for in the Compensated Absences Internal Service Fund.

Q. 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.

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 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.

R. Pensions

For purposes of measuring the net pension liability, deferred outflows/inflows of resources, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA 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.

S. Fund Equity

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

Nonspendable - Consists of amounts that are not in spendable form, such as prepaid items, inventory, and other long-term assets.

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

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

Assigned - Consists of internally imposed constraints. These constraints consist of amounts intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In governmental funds, assigned amounts represent intended uses established by the governing body itself or by an official to which the governing body delegates the authority. Pursuant to City Council resolution, the City's Finance Manager is authorized to establish assignments of fund balance.

Unassigned - The residual classification for the General Fund which also reflects negative residual amounts in other funds.

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

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

T. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net assets 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 has two items that qualifies for reporting in this category. The City presents deferred outflows of resources on the Statement of Net Position for deferred outflows or resources related to pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

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 assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has seven items that qualify for reporting in this category. Five of the items reported arise under the modified accrual basis of accounting and are reported in the Governmental Fund Balance Sheet as unavailable revenue, deferred inflows of resources related to lease receivables, and advanced appropriations - state shared taxes. The governmental funds report unavailable revenues from three sources: delinquent property taxes, special assessments, and state shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City presents deferred inflows or resources on the Statement of Net Position for deferred inflows of resources related to state shared taxes, lease receivable, pensions and OPEB for various estimate differences that will be amortized and recognized over future years.

U. Net Position

In the government-wide and proprietary fund financial statements, net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. A reclassification of \$7,488,050 was made between the net investment in capital assets net position class and unrestricted net position in the total column of the Statement of Net Position to recognize the portion of debt attributable to capital assets donated from governmental activities to business-type activities. Net position is displayed in three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation reduced by any outstanding debt attributable to acquire capital assets.

Restricted Net Position –Consists of net position restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Unrestricted Net Position –All other net positions that do not meet the definition of “restricted” or “invested in capital assets.”

V. Targeted Fund Balance

The City has established a targeted fund balance policy for its General Fund where it will strive to maintain an unassigned fund balance of an amount not less than 40% of the current year end actual General Fund expenditures. The dollar amount of the target may fluctuate with each year’s actual results.

W. Interfund Transactions

Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Interfund loans are reported as an interfund loan receivable or payable which offsets the movement of cash between funds. All other interfund transactions are reported as transfers.

X. Reclassified

Certain 2021 amounts have been reclassified to conform to the 2022 presentation.

Y. Use of Estimates

The preparation of financial statements, in accordance with accounting principles generally accepted in the United States of America, requires management to make estimates that affect amounts reported in the financial statements during the reporting period. Actual results could differ from such estimates.

2. Deposits and Investments

A. Deposits

Minnesota Statutes require that all deposits with financial institutions must be collateralized in an amount equal to 110% of deposits in excess of FDIC insurance.

B. Investments

The City, HRA and EDA are authorized by Minnesota Statutes Chapter 118A to invest in the following:

- a) Direct obligations or obligations guaranteed by the United States or its agencies.
- b) Shares of investment companies registered under the Federal Investment Company Act of 1940 and whose only investments are in securities described in a) above.
- c) General obligations of the State of Minnesota or any of its municipalities.
- d) Bankers' acceptances of United States banks eligible for purchase by the Federal Reserve System.
- e) Commercial paper, issued by United States corporations of their Canadian subsidiaries, of the highest quality, and maturing in 270 days or less.
- f) Repurchase or reverse repurchase agreements with banks that are members of the Federal Reserve System with capitalization exceeding \$10,000,000, a primary reporting dealer in U.S. government securities in the Federal Reserve Bank of New York, or certain Minnesota securities broker-dealers.
- g) Guaranteed investment contracts (GIC) issued or guaranteed by a United States commercial bank or domestic branch of a foreign bank or a United States insurance company or its Canadian or United States subsidiary.
- h) Mortgage-backed securities that are direct obligations or guaranteed or insured issues of the United States, its agencies, and its instrumentality's, or organizations created by an act of Congress.

The City's investments are categorized by level of risk as provided in GASB Statement No. 40, *Deposit and Investment Risk Disclosures*, in the following manner:

Custodial Credit Risk - For investments, this is the risk that in the event of a failure of the counterparty to an investment transaction (typically a broker-dealer) the City would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's investment policies do not formally address this risk, but the City typically limits its exposure by purchasing insured or registered investments, or by the control of who holds the securities. To protect against potential fraud and embezzlement, the investments of the City, HRA and EDA are secured through a third party custody and safekeeping arrangement.

Interest Rate Risk - To control the risk of market price changes, the City's formal investment policy recommends investment maturities shall match the City's projected cash flows. Investments in securities with maturities in excess of two years shall be placed with the intention to hold the security until maturity.

Credit Risk - To control credit risk, investments purchased shall include those authorized by Minnesota Statutes, such as U.S. Government Securities and the highest quality commercial paper. The ratings assigned to these securities are noted in the table below. The City's investment policy does not further address credit risk.

The City participates in the Minnesota Municipal Money Market Fund (the 4M Fund) which is regulated by Minnesota statutes and the Board of Directors of the League of Minnesota Cities and is a customized cash management and investment program for Minnesota public funds. Sponsored and governed by the League of Minnesota Cities since 1987, the 4M Fund is a unique investment alternative designed to address the daily and long term investment needs of Minnesota cities and other municipal entities. Allowable under Minnesota statutes, the 4M Fund is comprised of top quality, rated investments.

The Minnesota Municipal Money Market Fund operates in accordance with appropriate State laws and regulations. The 4M Fund is an external investment pool not registered with the Securities and Exchange Commission (SEC); however, it follows the same regulatory rules of the SEC under rule 2a7. The reported value of the pool is the same as the fair value of the pool share. The City's investment in the 4M Fund at December 31, 2022 is \$22,149,048.

In accordance with GASB Statement No. 79, the Minnesota Municipal Investment Pool securities are valued at amortized cost, which approximates fair value. There are no restrictions or limitations on withdrawals from the 4M Liquid Asset Fund. Investments in the 4M Plus must be deposited for a minimum of 14 calendar days. Withdrawal prior to the 14-day restriction period will be subject to a penalty equal to seven days interest on the amount withdrawn. Seven days' notice of redemption is required for withdrawals of investments in the 4M Term Series withdrawn prior to the maturity date of that series. A penalty could be assessed as necessary to recoup the Series for any charges, losses, and other costs attributable to the early redemption.

Money market mutual funds invested as part of the City's trust arrangement at Wells Fargo are consist entirely of money market funds and is unrated.

Concentration of Credit Risk – The City's investment policy places no limit on the amount the City may invest in any one issuer. Investments in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association government securities exceed 5% of pooled investments.

The following is a summary of the City's, HRA's and EDA's investments, stated at fair value. The majority of the HRA and EDA investments are in the investment pool of the City. Therefore, the HRA and EDA investments are not segregated for disclosure. Nonpooled investments relate to the 2020A bond issuance.

As of December 31, 2022, the City, HRA and EDA had the following investments and maturities:

<u>Investment Maturities (In Years)</u>						
Types of Investments	Moody's Ratings	% of Total	Fair Value	Less Than 1 Year	Years 1 - 5	Years 6 - 10
Pooled Investments						
U.S. Agencies						
Federal Home Loan Mortgage Corporation	AAA	1.24%	\$ 963,430	\$ 963,430	\$ -	\$ -
Federal Home Loan Mortgage Corporation	AA+	0.56%	430,940	430,940	-	-
Federal Home Loan Bank	AA+	4.81%	3,724,279	3,724,279	-	-
Federal Farm Credit	AA+	3.30%	2,556,372	2,556,372	-	-
U.S. Treasury Securities	A1+	1.38%	1,069,094	1,069,094	-	-
U.S. Treasury Bonds	AAA	13.37%	10,359,876	9,368,910	990,966	-
U.S. Treasury Bonds	AA+	0.93%	722,706	722,706	-	-
Municipal Bonds	AA	0.61%	475,486	475,486	-	-
Municipal Bonds	AA+	0.48%	368,653	368,653	-	-
Municipal Bonds	NR	1.00%	778,188	778,188	-	-
Commercial Paper	A1	0.64%	497,927	497,927	-	-
Negotiable Certificates of Deposits	NR	2.22%	1,718,519	873,120	845,399	-
Money Markets						
Money Market Mutual Fund Investments	NR	40.87%	31,665,383	31,665,383	-	-
External Investment Pool	NR	28.59%	22,149,047	22,149,047	-	-
Total Pooled Investments		<u>100.00%</u>	<u>77,479,900</u>	<u>75,643,535</u>	<u>1,836,365</u>	<u>-</u>
Non-pooled Investment						
External Investment Pool	NR	<u>100.00%</u>	<u>258,840</u>	<u>258,840</u>	<u>-</u>	<u>-</u>
Total Investments			<u>\$ 77,738,740</u>	<u>\$ 75,902,375</u>	<u>\$ 1,836,365</u>	<u>\$ -</u>

The City has the following recurring fair value measurements as of December 31, 2022:

- \$31,668,660 of investments are valued using a quoted market prices (Level 1 inputs)
- \$23,665,469 of investments are valued using a matrix pricing model (Level 2 inputs)

3. Lease Receivable

As of December 31, 2022 the City had the following lease receivable:

Description	Issue Date	Discount Rate	Current Year Inflow of Resources	Balance at Year End
NLTT Hockey Ventures, LLC (Minnesota Whitecaps) - Locker Room Rental Agreement	9/1/2022	3.20 %	\$ 603,842	\$ 605,187
Woodlawn Terrace Cooperative - Property Lease	1/1/2022	1.55	102,981	104,222
ETS South Central LLC - Training Room Lease	1/1/2022	0.69	68,167	68,836
Wheel Fun Rentals, LLC - Management Services Agreement	1/1/2022	1.27	160,147	160,526
E-Clan Inc (B&J Trees) - Property Lease	11/1/2022	3.24	33,019	26,353
Sprint - Site Lease Agreement (City Hall)	1/1/2022	0.69	163,911	166,524
Sprint - Site Lease Agreement (Penn)	1/1/2022	0.55	124,348	126,420
Sprint - Site Lease Agreement (Logan)	1/1/2022	1.34	606,830	614,285
T-Mobile - Site Lease Agreement (Penn)	1/1/2022	0.98	270,059	273,946
T-Mobile - Site Lease Agreement (Logan)	1/1/2022	1.52	770,796	779,455
AT&T - Site Lease Agreement (Penn)	1/1/2022	1.41	703,880	712,200
Verizon - Site Lease Agreement (City Hall)	1/1/2022	1.41	759,917	764,287
Verizon - Site Lease Agreement (Penn)	1/1/2022	1.59	1,295,886	1,314,965
American - Site Lease Agreement (66th)	1/1/2022	1.31	463,250	469,009
			<u>\$ 6,127,033</u>	<u>\$ 6,186,215</u>

For the NLTT Hockey Ventures, LLC lease, the vendor pays the City \$4,166 a month to rent 2,000 square feet of locker room space at the Richfield Ice Arena Building. Either party may terminate the agreement at the end of each five year interval upon giving a written 90-day notice.

For the Woodlawn Terrace Cooperative lease, the vendor paid the City \$5,286 in 2022 and this will increase by 3 percent each year to lease ten feet of the City's property. This lease can be renews for up to two successive five year terms.

For the ETS South Central LLC lease, the vendor paid the City \$1,500 per month up until October 1, 2022, then increased to \$1,550 per month to lease office space from the City. The lease will automatically extend for three additional twelve month periods, expiring on September 30, 2026.

For the Wheel Fund Rentals, LLC lease, the vendor pays the City \$4,000 quarterly for renting the City owed Mini-Golf facility. The City will also be paid ten percent of gross revenues from the operation, concessions and bike rentals, after \$200,000 of gross revenues is received.

For the E-Clan Inc. (B&J Trees) lease, the vendor paid the City \$8,500 in 2022 and will increase by five percent each year to use property owned by the City for storing, displaying and selling of Christmas trees. The City may terminate this agreement without cause by giving notice of termination.

For the Sprint lease, the vendor paid the City \$116,966 in 2022 and will increase by four percent each year to use property owned by the City for operating cell towers. Each term of five years and can be extend for three additional five year periods.

For the T-Mobile lease, the vendor paid the City \$75,286 in 2022 and will increase by four percent each year to use property owned by the City for operating cell towers. Each term of five years and can be extend for three additional five year periods.

For the AT&T lease, the vendor paid the City \$38,605 in 2022 and will increase by four percent each year to use property owned by the City for operating cell towers. Each term of five years and can be extend for three additional five year periods.

For the Verizon lease, the vendor paid the City \$90,638 in 2022 and will increase by three percent each year to use property owned by the City for operating cell towers. Each term of five years and can be extend for three additional five year periods.

For the American lease, the vendor paid the City \$32,846 in 2022 and will increase by four percent each year to use property owned by the City for operating cell towers. Each term of five years and can be extend for two additional five year periods.

4. Capital Assets

Capital asset activity for the year ended December 31, 2022:

	Restated Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital Assets not Being Depreciated/Amortized				
Land	\$ 9,353,605	\$ -	\$ -	\$ 9,353,605
Construction in progress	6,663,940	17,640,942	(119,127)	24,185,755
Total Capital Assets not Being Depreciated/Amortized	<u>16,017,545</u>	<u>17,640,942</u>	<u>(119,127)</u>	<u>33,539,360</u>
Capital Assets Being Depreciated/Amortized				
Leased equipment (Intangible Right to Use Asset)	123,705	-	-	123,705
Buildings and structures	50,005,128	-	-	50,005,128
Machinery and equipment	19,370,367	548,708	(138,726)	19,780,349
Other improvements	8,103,937	180,000	-	8,283,937
Streets (Infrastructures)	84,276,830	-	-	84,276,830
Total Capital Assets Being Depreciated/Amortized	<u>161,879,967</u>	<u>728,708</u>	<u>(138,726)</u>	<u>162,469,949</u>
Less Accumulated Depreciation/Amortization for				
Leased equipment (Intangible Right to Use Asset)	-	(25,160)	-	(25,160)
Buildings and structures	(18,086,955)	(1,190,560)	-	(19,277,515)
Machinery and equipment	(10,419,415)	(1,295,729)	138,726	(11,576,418)
Other improvements	(4,799,011)	(348,267)	-	(5,147,278)
Streets (Infrastructures)	(62,730,810)	(2,259,140)	-	(64,989,950)
Total Accumulated Depreciation/Amortization	<u>(96,036,191)</u>	<u>(5,118,856)</u>	<u>138,726</u>	<u>(101,016,321)</u>
Total Capital Assets Being Depreciated/Amortized, Net	<u>65,843,776</u>	<u>(4,390,148)</u>	<u>-</u>	<u>61,453,628</u>
Governmental Activities Capital Assets, Net	<u>\$ 81,861,321</u>	<u>\$ 13,250,794</u>	<u>\$ (119,127)</u>	<u>\$ 94,992,988</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type Activities				
Capital Assets not Being Depreciated				
Land	\$ 638,673	\$ -	\$ -	\$ 638,673
Construction in progress	15,413	508,894	(197,440)	326,867
Total Capital Assets not Being Depreciated	<u>654,086</u>	<u>508,894</u>	<u>(197,440)</u>	<u>965,540</u>
Capital Assets Being Depreciated				
Buildings and structures	10,496,348	-	-	10,496,348
Machinery and equipment	15,071,261	150,636	(26,760)	15,195,137
Other improvements	50,507,878	941,476	-	51,449,354
Total Capital Assets Being Depreciated	<u>76,075,487</u>	<u>1,092,112</u>	<u>(26,760)</u>	<u>77,140,839</u>
Less Accumulated Depreciation for				
Buildings and structures	(7,441,005)	(229,798)	-	(7,670,803)
Machinery and equipment	(9,760,596)	(654,706)	26,760	(10,388,542)
Other improvements	(25,361,603)	(1,603,473)	-	(26,965,076)
Total Accumulated Depreciation	<u>(42,563,204)</u>	<u>(2,487,977)</u>	<u>26,760</u>	<u>(45,024,421)</u>
Total Capital Assets Being Depreciated, Net	<u>33,512,283</u>	<u>(1,395,865)</u>	<u>-</u>	<u>32,116,418</u>
Business-type Activities Capital Assets, Net	<u>\$ 34,166,369</u>	<u>\$ (886,971)</u>	<u>\$ (197,440)</u>	<u>\$ 33,081,958</u>

Capital assets transferred from governmental activities to business-type activities are not reflected in the changes of capital assets because those assets were never capitalized as governmental assets prior to the transfer.

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

Governmental Activities	
General Government	\$ 496,739
Public Safety	121,464
Public Works, including depreciation of general infrastructure assets	2,602,191
Culture and Recreation	896,366
Internal service funds	<u>1,002,096</u>
Total Depreciation/Amortization Expense - Governmental Activities	<u>\$ 5,118,856</u>
Business-type Activities	
Municipal Liquor	\$ 236,612
Water and Sewer Utility	1,488,482
Storm Sewer	<u>762,883</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 2,487,977</u>

At December 31, 2022, the City had construction project contracts in progress. The commitments related to the remaining contract balances are summarized as follows:

<u>Project</u>	<u>Contract Amount</u>	<u>Remaining Commitment</u>
77th Street Phase III	\$ 22,647,569	\$ 5,283,572
65th Street Reconstruction	10,259,548	7,375,224
	<u>\$ 32,907,117</u>	<u>\$ 12,658,796</u>

5. Risk Management

The City is exposed to various risks such as loss related to: torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. It is the City’s policy to be self-insured for workers’ compensation, dental insurance and short-term disability insurance. Additionally, the City maintains a risk retention program for property, general liability, and auto liability insurance coverage by maintaining high deductibles. Accordingly, a Self-Insurance Fund (an Internal Service Fund) was established to account for and finance the City’s uninsured risk of loss. Under this program, the Self Insurance Fund provides coverage for up to a maximum of \$500,000 for each Workers’ Compensation claim, and \$50,000 (\$300,000 aggregate) for each general liability and property damage claim. The City purchases insurance from the League of Minnesota Cities Insurance Trust (LMCIT) for property and municipal liability and the Workers’ Compensation Reinsurance Association for claims in excess of coverage provided by the Fund and for all other risks of loss. The City has realized no significant reductions in insurance coverage during 2022. Finally, settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

Insurance reimbursements to the Self-Insurance Fund are charged back to the affected Governmental and Proprietary funds in the form of an insurance charge to fund future premiums and estimated prior and current year claims. The claims and judgments liability of \$1,614,340 reported in the fund at December 31, 2022 is based on the requirements of Governmental Accounting Standards Board Statement No. 10 which requires a liability for claims reported if it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated.

Liabilities of the fund are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNRs). The result of the process to estimate the claims liability is not an exact amount as it depends on many complex factors, such as inflation, changes in legal doctrines, and damage awards. Accordingly, claims are reevaluated periodically to consider the effects of inflation, recent claim settlement trends (including frequency and amount of pay-outs), and other economic and social factors. The estimate of the claims liability also includes amounts for incremental claim adjustment expenses related to specific claims and other claim adjustment expenses regardless of whether allocated to specific claims. Estimated recoveries, for example from salvage or subrogation, are another component of the claims liability estimate.

A summary of the claims and judgments liability amount at December 31, 2022 and 2021 are as follows:

	<u>Beginning of Fiscal Year Liability</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claim Payments-Net</u>	<u>Balance at Fiscal Year End</u>
2021	\$ 781,978	\$ 630,463	\$ (298,797)	\$ 1,113,644
2022	1,113,644	923,980	(423,284)	1,614,340

6. Long-term Liabilities

The City issues general obligation bonds and capital notes to provide funds for the acquisition and construction of capital projects. The reporting entity and long-term debt is segregated between the amounts repaid from governmental activities and amounts to be repaid from business-type activities.

Redevelopment bonds are paid primarily from tax increments derived from increases in the taxable valuation of property within a redevelopment area in the City. The full faith and credit of the City is pledged on the bonds. Improvement bonds are paid primarily from debt service tax levies and proceeds of special assessments levied against property owners benefiting from improvements made. The full faith and credit of the City is pledged on the bonds. The Water and Sewer Revenue Bonds debt requirements are paid from the revenues of the operation of Water and Sewer Utility Fund. The Storm Sewer Revenue Bonds debt requirements are paid from net revenue of the operation of the Storm Sewer Utility Fund.

The City entered into a lease agreement with Big Belly Solar, LLC for the purchase of hardware/software for the public works department. See the details below of the agreement.

Description	Total Lease Liability	Interest Rate	Issue Date	Payment Terms	Payment Amount	Current Year Additional Outflows
Connect Services Agreement - hardware/software for public works department	\$ 98,827	0.69 %	1/1/2022	59 months	\$2,132 monthly	\$ -

Governmental Activities

As of December 31, 2022, the governmental long-term bonded debt of the financial reporting entity consisted of the following:

	Net Interest Rate	Issue Date	Maturity Date	Authorized and Issued	Balance at Year End
Redevelopment Bonds					
G.O. Tax Increment Refunding Bonds, 2010B	3.05 %	12/30/10	02/01/24	\$ 6,355,000	\$ 1,170,000
G.O. Tax Increment Refunding Bonds, 2012B	2.25	09/06/12	02/01/25	2,970,000	755,000
Total Redevelopment Bonds					<u>1,925,000</u>
Improvement Bonds					
G.O. Improvement Bonds, Series 2013A	2.18	03/21/13	02/01/34	3,120,000	1,568,256
G.O. Street Reconstruction Bonds, Series 2015A	2.71	06/04/15	02/01/36	9,100,000	6,782,220
G.O. Refunding Bonds, Series 2016B	1.58	11/17/16	02/01/28	5,085,000	3,105,983
G.O. Refunding Bonds, Series 2016C	2.04	12/15/16	02/01/29	6,130,000	4,542,617
G.O. Street Reconstruction Bonds, Series 2017A	2.49	04/20/17	02/01/38	9,130,000	7,819,492
G.O. Capital Improvement Refunding Bonds, Series 2017B	2.17	12/14/17	02/01/29	3,045,000	2,203,653
G.O. Street Reconstruction Bonds, Series 2018A	3.10	05/31/18	02/01/39	9,770,000	8,758,785
G.O. Bonds, Series 2019A	2.63	06/06/19	02/01/40	5,290,000	5,162,025
G.O. Bonds, Series 2020A	1.91	05/14/20	02/01/41	2,995,000	2,978,077
G.O. Refunding Bonds, Series 2020B	1.09	11/19/20	02/01/33	1,370,000	1,311,244
G.O. Bonds, Series 2022A	4.00	07/07/22	02/01/43	5,565,000	5,751,427
Total Improvement Bonds					<u>49,983,779</u>
Lease Payable					
Connect Services Agreement - hardware/software for public works department	0.68	01/01/22	11/19/26	123,705	98,827
Total Governmental Indebtedness					<u>\$ 52,007,606</u>
Enterprise Bonds					
G.O. Refunding Bonds, Series 2015B	1.74	11/10/15	02/01/27	5,360,000	\$ 2,763,540
G.O. Storm Water Bonds, Series 2016A	2.18	05/19/16	02/01/37	2,970,000	2,422,481
G.O. Bonds, Series 2019A	2.63	06/06/19	02/01/40	3,035,000	2,964,709
G.O. Bonds, Series 2020A	1.91	05/14/20	02/01/41	2,125,000	2,025,732
G.O. Refunding Bonds, Series 2020B	1.09	11/19/20	02/01/33	1,740,000	1,672,595
G.O. Bonds, Series 2022A	4.00	07/07/22	02/01/43	4,435,000	4,583,462
Total Enterprise Bonds					<u>\$ 16,432,519</u>
Total City Indebtedness					<u>\$ 68,440,125</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

<u>Year Ending December 31,</u>	<u>Redevelopment Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 815,000	\$ 56,772	\$ 871,772
2024	850,000	24,256	874,256
2025	260,000	3,738	263,738
Total	<u>\$ 1,925,000</u>	<u>\$ 84,766</u>	<u>\$ 2,009,766</u>

<u>Year Ending December 31,</u>	<u>Improvement Bonds</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 3,055,000	\$ 1,283,309	\$ 4,338,309
2024	3,340,000	1,290,989	4,630,989
2025	3,450,000	1,191,944	4,641,944
2026	3,540,000	1,094,054	4,634,054
2027	3,645,000	996,929	4,641,929
2028 - 2032	14,325,000	3,644,742	17,969,742
2033 - 2037	11,615,000	1,821,213	13,436,213
2038 - 2042	5,325,000	426,241	5,751,241
2043	395,000	15,800	410,800
Total	<u>\$ 48,690,000</u>	<u>\$ 11,765,221</u>	<u>\$ 60,455,221</u>

<u>Year Ending December 31,</u>	<u>Lease Payable</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 24,979	\$ 589	\$ 25,568
2024	25,152	416	25,568
2025	25,326	241	25,567
2026	23,370	67	23,437
Total	<u>\$ 98,827</u>	<u>\$ 1,313</u>	<u>\$ 100,140</u>

<u>Year Ending December 31,</u>	<u>Water and Sewer</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 555,000	\$ 186,694	\$ 741,694
2024	628,000	193,418	821,418
2025	649,600	174,798	824,398
2026	661,200	157,564	818,764
2027	682,800	139,891	822,691
2028 - 2032	1,572,400	530,813	2,103,213
2033 - 2037	1,333,000	316,230	1,649,230
2038 - 2042	1,161,400	107,453	1,268,853
2043	100,800	4,032	104,832
Total	<u>\$ 7,344,200</u>	<u>\$ 1,810,893</u>	<u>\$ 9,155,093</u>

Year Ending December 31,	Storm Sewer		
	Principal	Interest	Total
2023	\$ 445,000	\$ 188,653	\$ 633,653
2024	557,000	228,477	785,477
2025	575,400	212,397	787,797
2026	588,800	197,331	786,131
2027	607,200	182,529	789,729
2028 - 2032	2,387,600	727,527	3,115,127
2033 - 2037	2,037,000	427,353	2,464,353
2038 - 2042	1,098,600	166,414	1,265,014
2043	214,200	8,568	222,768
Total	\$ 8,510,800	\$ 2,339,249	\$ 10,850,049

Change in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2022, was as follows:

	Restated Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental Activities					
Bonds Payable					
Redevelopment Bonds	\$ 2,715,000	\$ -	\$ (790,000)	\$ 1,925,000	\$ 815,000
Improvement Bonds	46,095,000	5,565,000	(2,970,000)	48,690,000	3,055,000
Bond premium	1,224,352	195,727	(126,300)	1,293,779	-
Total Bonds Payable	50,034,352	5,760,727	(3,886,300)	51,908,779	3,870,000
Lease payable	123,705	-	(24,878)	98,827	24,979
Claims and judgements	1,113,644	923,980	(423,284)	1,614,340	-
Compensated Absences Payable	2,316,416	2,586,565	(2,514,925)	2,388,056	605,573
 Governmental Activity Long-term Liabilities	 <u>\$ 53,588,117</u>	 <u>\$ 9,271,272</u>	 <u>\$ (6,849,387)</u>	 <u>\$ 56,010,002</u>	 <u>\$ 4,500,552</u>
Business-type Activities					
Bonds Payable					
Storm Sewer Revenue Bonds	\$ 2,490,000	\$ -	\$ (130,000)	\$ 2,360,000	\$ 130,000
G.O. Bonds	4,980,000	4,435,000	(225,000)	9,190,000	230,000
G.O. Refunding Bonds	4,910,000	-	(605,000)	4,305,000	640,000
Bond premium	483,157	155,962	(61,600)	577,519	-
Total Bonds Payable	12,863,157	4,590,962	(1,021,600)	16,432,519	1,000,000
Compensated Absences Payable	332,006	324,602	(343,808)	312,800	106,298
 Business-type Activity Long-term Liabilities	 <u>\$ 13,195,163</u>	 <u>\$ 4,915,564</u>	 <u>\$ (1,365,408)</u>	 <u>\$ 16,745,319</u>	 <u>\$ 1,106,298</u>

For the governmental activities, compensated absences are generally liquidated by the compensated absences fund. Net OPEB obligations and pensions are generally liquidated by the General Fund and Enterprise Funds. Claims and judgments are generally liquidated by the Self Insurance Fund. All long-term bonded indebtedness outstanding at December 31, 2022 is backed by the full faith and credit of the City, including special assessment and revenue bond issues. Special assessment receivable at December 31, 2022 totaled \$426,373.

Revenue Pledged

Future revenue pledged for the payment of long-term debt is as follows:

Bond Issue	Use of Proceeds	Revenue Pledged			Remaining Principal and Interest	Current Year	
		Type	Percent of Total Debt Service	Term of Pledge		Principal and Interest Paid	Pledged Revenue Received
G.O. Refunding Bonds, Series 2015B	Utility Infrastructure	Utility Charges	100%	2016-2027	\$ 2,832,550	\$ 556,275	\$ 6,627,629
G.O. Storm Water Bonds, Series 2016A	Utility Infrastructure	Utility Charges	100%	2017-2037	2,802,183	188,115	2,004,767
G.O. Bonds Series 2019A	Utility Infrastructure	Utility Charges	100%	2020-2040	3,677,300	204,400	11,663,916
G.O. Bonds, Series 2020A	Utility Infrastructure	Utility Charges	100%	2021-2041	2,302,268	166,350	4,622,862
G.O. Refunding Bonds, Series 2020B	Utility Infrastructure	Utility Charges	100%	2021-2033	1,762,715	148,930	2,004,767
G.O. Refunding Bonds, Series 2022A	Utility Infrastructure	Utility Charges	100%	2023-2043	6,628,127	-	11,663,916

7. Interfund Balances and Transactions

Interfund transfers as of December 31, 2022 are as follows:

Fund	Transfer In				
	General	Ice Arena	Improvement Bond	Capital Improvements	Nonmajor Governmental
Transfer Out					
General	\$ -	\$ 130,000	\$ -	\$ -	\$ 152,194
Capital Improvements	354,962	200,000	-	1,253,397	342,204
Nonmajor Governmental	32,825	-	745,997	1,100,000	913,817
Municipal Liquor	334,530	-	-	-	500,000
Internal Service	-	-	-	-	-
Total	<u>\$ 722,317</u>	<u>\$ 330,000</u>	<u>\$ 745,997</u>	<u>\$ 2,353,397</u>	<u>\$ 1,908,215</u>

Fund	Transfer In			
	Water and Sewer Utility	Storm Sewer	Internal Service Funds	Total
Transfer Out				
General	\$ -	\$ -	\$ -	\$ 282,194
Capital Improvements	410,616	872,097	1,065,000	4,498,276
Nonmajor Governmental	-	-	-	2,792,639
Municipal Liquor	-	-	-	834,530
Internal Service	-	-	56,500	56,500
Total	<u>\$ 410,616</u>	<u>\$ 872,097</u>	<u>\$ 1,121,500</u>	<u>\$ 8,464,139</u>

Interfund transfers allow the City to allocate financial resources to funds to provide funding for services to be provided or to provide financing for specific capital projects.

The City's Self Insurance Fund made an advance to the Ice Arena Fund to finance energy improvements for the City's Ice Arena. The term of the advance will be twenty (20) years with a beginning interest rate of 2%. The City Manager is authorized to adjust the interest rate as market conditions may dictate. At December 31, 2022 the balance of the respective advances (due in more than a year) was \$442,883. The portion of the advances that is due in one year is \$68,788.

In 2013, the City's Recreation Improvement Fund made an advance to the Park Capital Project Fund to finance the Honoring All Veterans Memorial monument located in Veterans Park. The advance will be repaid over the next five years using proceeds received from monument engravings at 0% interest. At December 31, 2022 the portion of the advance that is due in one year is \$7,000, and the portion due in more than one year is \$175,665.

In 2014, the City's Communications Fund made an advance to the Ice Arena Fund to finance the construction of a new locker room at Rink 1. The advance will be repaid over fifteen (15) years with rent received from the tenant of the locker room. At December 31, 2022, the portion of the advances that is due within one year is \$42,764. The portion of the loan due in more than one year is \$256,581.

At the end of 2022, the Ice Arena and the Swimming Pool have overdrawn their cash positions. As a result, the General Fund has advanced to the Ice Arena and Swimming Pool funds to cover the overdrawn cash position as of December 31, 2022. These advances are reflected in the financial statements as due to and due from other funds.

Individual fund advances to and advances from at year-end were as follows:

<u>Advances to other funds</u>	<u>Advances from other funds</u>	<u>Amount</u>
Nonmajor governmental	Ice Arena	\$ 299,345
Nonmajor governmental	Nonmajor governmental	182,665
Internal Service		
Self Insurance	Ice Arena	<u>511,671</u>
 Total		 <u><u>\$ 993,681</u></u>

Individual fund interfund receivables and payables balances at year-end were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Ice Arena	\$ 2,329,779
	Nonmajor governmental	<u>226,789</u>
 Total		 <u><u>\$ 2,556,568</u></u>

8. Fund Balances

The following is a breakdown of equity components of governmental funds which are defined earlier in the report. Any such restrictions which have an accumulated deficit rather than positive balance at December 31 are included in unassigned fund balance in the City's financial statements in accordance with generally accepted accounting principles.

At December 31, 2022, a summary of the City's governmental fund balance classifications are as follows:

	General	Ice Arena	Elections	Improvement Bonds	Capital Improvements	Other Governmental	Total
Nonspendable							
Prepaid items	\$ 66,984	\$ 847	-	-	-	\$ 1,907	\$ 69,738
Restricted for							
Future debt service	-	-	-	1,142,430	-	-	1,142,430
Law enforcement drug forfeitures	-	-	-	-	-	273,789	273,789
Recreation services donations	-	-	-	-	-	49,793	49,793
Wood Lake Nature Center donations	-	-	-	-	-	175,315	175,315
Public health assessment	-	-	-	-	-	122,092	122,092
Public health - opioid settlement	-	-	-	-	-	110,159	110,159
Wood Lake endowment	-	-	-	-	-	247,979	247,979
Total Restricted	-	-	-	1,142,430	-	979,127	2,121,557
Committed to							
Street improvements	-	-	-	4,142,150	-	-	4,142,150
Future capital projects	-	-	-	-	2,209,982	-	2,209,982
Park improvement projects	-	-	-	-	-	141,961	141,961
Tourism administration	-	-	-	-	-	48,124	48,124
Public cable TV and information activities	-	-	-	-	-	2,092,591	2,092,591
National, State and Local elections	-	-	2,115,700	-	-	-	2,115,700
Alcohol and tobacco compliance	-	-	-	-	-	239,731	239,731
Wood Lake half marathon	-	-	-	-	-	71,492	71,492
Street maintenance and forestry programs	-	-	-	-	-	1,592,555	1,592,555
Special facilities	-	-	-	-	-	50,115	50,115
Recreation special program	-	-	-	-	-	156,195	156,195
Park and recreation capital projects	-	-	-	-	-	1,587,461	1,587,461
Total Committed	-	-	2,115,700	4,142,150	2,209,982	5,980,225	14,448,057
Assigned to							
Debt service	-	-	-	490,467	-	-	490,467
Future capital projects	-	-	-	-	5,348,728	-	5,348,728
Total Assigned	-	-	-	490,467	5,348,728	-	5,839,195
Unassigned	10,923,406	(2,992,944)	-	-	-	(148,226)	7,782,236
Total	\$ 10,990,390	\$ (2,992,097)	\$ 2,115,700	\$ 5,775,047	\$ 7,558,710	\$ 6,813,033	\$ 30,260,783

9. Contingencies and Litigation

The City is currently involved in various pending litigation cases. After evaluation by the City's attorney it is believed that the resolution of these cases will not have a material impact on the financial statements.

The City has entered into an agreement with the Metropolitan Airports Commission (MAC), where the City will purchase certain right-of-way-properties as part of the 66th Street/17th Avenue intersection constructed in 2007. As part of the agreement, MAC will provide to the City the funds necessary to finance the right-of-way acquisitions. In addition, the City agrees to repay to MAC payments made by MAC to the City for the right-of-way acquisitions. However, within the agreements there are specific provisions that must be met in order for repayment to MAC to occur.

10. Defined Benefit Pension Plans

The City participates in various pension plans. For the year ended December 31, 2022 total pension expense was \$3,866,453 and the total net pension liability was \$39,555,043. The components of pension expense and net pension liability are noted in the following plan summaries.

Public Employees Retirement Association

A. Plan Description

The City of Richfield 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 Richfield are covered by the General Employees Plan. General Employees Plan members belong to 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. Benefit provisions are established by state statute and can only be modified by the state legislature. Vested, terminated employees who are entitled to benefits but are not receiving them yet are bound by the provisions in effect at the time they last terminated their public service.

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 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 percent of average salary for each of the first 10 years of service and 1.7 percent of average salary for each additional year. Under Method 2, the accrual rate for Coordinated members is 1.7 percent for 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. The postretirement increase is equal to 50 percent of the cost-of-living adjustment (COLA) announced by the SSA, with a minimum increase of at least 1 percent and a maximum of 1.5 percent. Recipients that have been receiving the annuity or benefit for at least a full year as of the June 30 before the effective date of the increase will receive the full increase. Recipients receiving the annuity or benefit for at least one month but less than a full year as of the June 30 before the effective date of the increase will receive a reduced prorated increase. For members retiring on January 1, 2024, or later, the increase will be delayed until normal retirement age (age 65 if hired prior to July 1, 1989, or age 66 for individuals hired on or after July 1, 1989). Members retiring under Rule of 90 are exempt from the delay to normal retirement.

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 percent after five years up to 100 percent 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 percent after ten years up to 100 percent after twenty years of credited service. The annuity accrual rate is 3 percent of average salary for each year of service. For Police and Fire Plan members who were first hired prior to July 1, 1989, a full annuity is available when age plus years of service equal at least 90.

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

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 percent of their annual covered salary in fiscal year 2022 and the City of Richfield was required to contribute 7.50 percent for Coordinated Plan members. The City of Richfield's contributions to the General Employees Fund for the year ended December 31, 2022, were \$869,515. The City of Richfield's contributions were equal to the required contributions as set by state statute.

2. Police and Fire Fund Contributions

Police and Fire members were required to contribute 11.80 percent of their annual covered salary in fiscal year 2022 and the City was required to contribute 17.70 percent for Police and Fire Plan members. The City of Richfield's contributions to the Police and Fire Fund for the year ended December 31, 2022, were \$1,383,252. The City of Richfield's contributions were equal to the required contributions as set by state statute.

D. Pension Costs

1. General Employees Fund Pension Costs

At December 31, 2022, the City of Richfield reported a liability of \$12,244,371 for its proportionate share of the General Employees Fund's net pension liability. The City of Richfield's net pension liability reflected a reduction due to the State of Minnesota's contribution of \$16 million. The state of Minnesota is considered a non-employer contributing entity and the state's contribution meets the definition of a special funding situation. The State of Minnesota's proportionate share of the net pension liability associated with the City of Richfield totaled \$359,121. The net pension liability was measured as of June 30, 2022, 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 Richfield's proportionate share of the net pension liability was based on the City of Richfield contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. The City of Richfield's proportion share was 0.1546 percent at the end of the measurement period and 0.1563 percent for the beginning of the period.

City's Proportionate Share of the Net Pension Liability	\$ 12,244,371
State of Minnesota's Proportionate Share of the Net Pension Liability Associated with the City	<u>359,121</u>
Total	<u><u>\$ 12,603,492</u></u>

For the year ended December 31, 2022, the City of Richfield recognized pension expense of \$1,705,127 for its proportionate share of the General Employees Plan's pension expense. Included in the amount, the City of Richfield recognized an additional \$53,661 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, 2022, the City of Richfield 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	\$ 102,273	\$ 131,988
Changes in Actuarial Assumptions	2,800,674	49,286
Net Collective Difference Between Projected and Actual Earnings on Plan Investments	155,815	-
Changes in Proportion	152,832	54,447
Contributions Paid to PERA Subsequent to the Measurement Date	<u>434,758</u>	<u>-</u>
Total	<u>\$ 3,646,352</u>	<u>\$ 235,721</u>

The \$434,758 reported as deferred outflows of resources related to pensions resulting from City of Richfield contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 1,150,194
2024	1,143,861
2023	(425,501)
2024	1,107,319
2025	<u>-</u>
Total	<u>\$ 2,975,873</u>

2. Police and Fire Fund Pension Costs

At December 31, 2022, the City of Richfield reported a liability of \$27,310,672 for its proportionate share of the Police and Fire Fund's net pension liability. The net pension liability was measured as of June 30, 2022, 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 Richfield's proportionate share of the net pension liability was based on the City of Richfield contributions received by PERA during the measurement period for employer payroll paid dates from July 1, 2021, through June 30, 2022, relative to the total employer contributions received from all of PERA's participating employers. At June 30, 2022, the City of Richfield's proportionate share was 0.6276 percent at the end of the measurement period and 0.6000 percent for the beginning of the period.

The State of Minnesota contributed \$18 million to the Police and Fire Fund in the plan fiscal year ended June 30, 2022. The contribution consisted of \$9 million in direct state aid that does meet the definition of a special funding situation and \$9 million in supplemental state aid that does not meet the definition of a special funding situation. The \$9 million direct state was paid on October 1, 2021. Thereafter, by October 1 of each year, the state will pay \$9 million to the Police and Fire Fund until full funding is reached or July 1, 2048, whichever is earlier. The \$9 million in supplemental state aid will continue until the fund is 90 percent funded, or until the State Patrol Plan (administered by the Minnesota State Retirement System) is 90 percent funded, whichever occurs later.

The State of Minnesota is included as a non-employer contributing entity in the Police and Fire Retirement Plan Schedule of Employer Allocations and Schedule of Pension Amounts by Employer, Current Reporting Period Only (pension allocation schedules) for the \$9 million in direct state aid. Police and Fire Plan employers need to recognize their proportionate share of the State of Minnesota's pension expense (and grant revenue) under GASB 68 special funding situation accounting and financial reporting requirements. For the year ended December 31, 2022, the City of Richfield recognized pension expense of \$2,161,326 for its proportionate share of the Police and Fire Plan's pension expense. Included in this amount, the City recognized an additional \$231,421 as pension expense (grant revenue) for its proportionate share of the State of Minnesota's contribution of \$9 million to the Police and Fire Fund.

The State of Minnesota is not included as a non-employer contributing entity in the Police and Fire Pension Plan pension allocation schedules for the \$9 million in supplemental state aid. The City of Richfield also recognized \$56,483 for the year ended December 31, 2022 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.

At December 31, 2022, the City of Richfield 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Economic Experience	\$ 1,644,273	\$ -
Changes in Actuarial Assumptions	15,826,040	163,412
Net Collective Difference Between Projected and Actual Earnings on Plan Investments	700,410	-
Changes in Proportion	329,295	305,425
Contributions Paid to PERA Subsequent to the Measurement Date	<u>691,626</u>	<u>-</u>
Total	<u>\$ 19,191,644</u>	<u>\$ 468,837</u>

The \$691,626 reported as deferred outflows of resources related to pensions resulting from City of Richfield contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

2023	\$ 3,555,810
2024	3,524,026
2023	3,110,347
2024	5,533,195
2025	<u>2,307,803</u>
Total	<u>\$ 18,031,181</u>

E. Long-term Expected Return on Investment

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Domestic Equity	33.5 %	5.10 %
Alternative Assets (Private Markets)	25.0	5.90
Bonds (Fixed Income)	25.0	0.75
International Equity	<u>16.5</u>	5.30
Total	<u>100.00 %</u>	

F. Actuarial Assumptions

The total pension liability in the June 30, 2022 actuarial valuation was determined using an individual entry-age normal actuarial cost method. The long-term rate of return on pension plan investments used in the determination of the total liability is 6.5 percent. This assumption is based on a review of inflation and investments return assumptions from a number of national investment consulting firms. The review provided a range of return investment return rates deemed to be reasonable by the actuary. An investment return of 6.5 percent was deemed to be within that range of reasonableness for financial reporting purposes.

Inflation is assumed to be 2.25 percent for the General Employees Plan and 2.25 percent for the Police and Fire Plan. Benefit increases after retirement are assumed to be 1.25 percent for the General Employees Plan. The Police and Fire Plan benefit increase is fixed at 1.00 percent per year and that increase was used in the valuation.

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

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

Actuarial assumptions used in the June 30, 2022 valuation were based on the results of actuarial experience studies. The most recent four-year experience study in the General Employees Plan was completed in 2019. The assumption changes were adopted by the Board and become effective with the July 1, 2020 actuarial valuation. The most recent four-year experience study for the Police and Fire Plan was completed in 2020 were adopted by the Board and became effective with the July 1, 2021 actuarial valuation.

The following changes in actuarial assumptions and plan provisions occurred in 2022:

General Employees Fund

Changes in Actuarial Assumptions:

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

Changes in Plan Provisions:

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

Police and Fire Fund

Changes in Actuarial Assumptions:

- The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.
- The single discount rate changed from 6.50 percent to 5.40 percent.

Changes in Plan Provisions:

- There have been no changes since the prior valuation.

G. Discount Rate

The discount rate used to measure the total pension liability in 2022 was 6.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at rates set in Minnesota Statutes. Based on these assumptions, the fiduciary net positions of the General Employees Fund was 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.

In the Police and Fire Fund, the fiduciary net position was projected to be available to make all projected future benefit payments of current plan members through June 30, 2060. Beginning in fiscal year ended June 30, 2061 for the Police and Fire Fund, projected benefit payments exceed the funds' projected fiduciary net position. Benefit payments projected after were discounted at the municipal bond rate of 3.69 percent (based on the weekly rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The resulting equivalent single discount rate of 5.40 percent for the Police and Fire Fund was determined to give approximately the same present value of projected benefits when applied to all years of projected benefits as the present value of projected benefits using 6.5 percent applied to all years of projected benefits through the point of asset depletion and 3.69 percent thereafter.

H. Pension Liability Sensitivity

The following presents the City of Richfield'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 Richfield's proportionate share of the net pension liability would be if it were calculated using a discount rate 1 percentage point lower or 1 percentage point higher than the current discount rate:

	City Proportionate Share of NPL		
	1 Percent Decrease (5.50%)	Current (6.50%)	1 Percent Increase (7.50%)
General Employees Fund	\$ 19,340,625	\$ 12,244,371	\$ 6,424,347
Police and Fire Fund	41,331,200	27,310,672	15,975,916

I. Pension Plan Fiduciary Net Position

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

11. Public Employees Defined Contribution Plan (Defined Contribution Plan)

Three council members of the City of Richfield 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.

The defined contribution plan consists of individual accounts paying a lump-sum benefit. Plan benefits depend solely on amounts contributed to the plan plus investment earnings, less administrative expenses; therefore, there is no future liability to the City. *Minnesota Statutes*, Chapter 353D.03, specifies plan provisions, including the employee and employer contribution rates for those qualified personnel who elect to participate. An eligible elected official who decides to participate contributes five percent of salary which is matched by the elected official's employer. For ambulance service personnel, employer contributions are determined by the employer, and for salaried employees contributions must be a fixed percentage of salary. Employer contributions for volunteer personnel may be a unit value for each call or period of alert duty. Employees who are paid for their services may elect to make member contributions in an amount not to exceed the employer share. Employer and employee contributions are combined and used to purchase shares in one or more of the seven accounts of the Minnesota Supplemental Investment Fund. For administering the plan, PERA receives two percent of employer contributions and twenty-five hundredths of one percent (0.25 percent) of the assets in each member's account annually.

Pension expense for the year is equal to the contributions made. Total contributions made by the City of Richfield during fiscal year 2022 were:

Contribution Amount		Percentage of Covered Payroll		Required Rate
Employee	Employer	Employee	Employer	
\$ 1,484	\$ 1,484	5.00%	5.00%	5.00%

12. Other Post Employments Benefits

A. Plan Description

The City provides a single-employer defined benefit health care plan to eligible retirees and their spouses. The plan offers medical coverage that is administered by Health Partners. It is the City's policy to periodically review its medical coverage and to obtain requests for proposals in order to provide the most favorable benefits and premiums for City employees and retirees. No assets are accumulated in a trust.

B. Benefits Provided

At retirement, employees of the City receiving a retirement or disability benefit, or eligible to receive a benefit, from a Minnesota public pension plan may continue to participate in the City's group health insurance plan.

C. Members

As of December 31, 2022, the following were covered by the benefit terms:

Inactive Plan Members or Beneficiaries Currently Receiving Benefit Payments	16
Active Plan Members	218
Total Plan Members	234

D. Contributions

Retirees and their spouses contribute to the health care plan at the same rate as City employees. This results in retirees receiving an implicit rate subsidy. Contribution requirements are established by the City, based on the contract terms with BlueCross BlueShield. The required contributions are based on projected pay-as-you-go financing requirements. For 2022, the City contributed \$144,967 to the plan.

E. Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of December 31, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.06%
Expected Long-term Investment Return	N/A
20-Year Municipal Bond Yield	2.06%
Inflation Rate	2.50%
Salary Increases	N/A
Medical Trend Rate	6.2% in 2022 grading to 5.2% in 2025

Mortality Rate

The mortality rates used are in the PERA plan of which the employee, retiree or beneficiary is a participant.

Coordinated

- Healthy Pre-Retirement

RP-2014 Employee Mortality Table, adjusted for white collar and mortality improvements using projection scale MP-2018, from a base year of 2014. Rates are set forward one year for males and set back one year for females.

- Healthy Post-Retirement

RP-2014 Healthy Annuitant Mortality Table, adjusted for white collar and mortality improvements using projection scale MP-2018, from a base year of 2014. Rates are set forward two years for males. Female rates are multiplied by a factor of 0.90.

- Disabled

RP-2014 Disabled Mortality Table, adjusted for mortality improvements using projection scale MP-2018, from a base year of 2014. Rates are set forward one year for males and set forward six years for females.

Police & Fire

- Healthy Pre-Retirement

RP-2014 employee generational mortality table projected with mortality improvement scale MP-2018, from a base year of 2006.

- Healthy Post-Retirement

RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2018 from a base year of 2006. Male rates are adjusted by a factor of 0.96.

- Disabled

RP-2014 annuitant generational mortality table projected with mortality improvement scale MP-2018 from a base year of 2006. Male rates are adjusted by a factor of 0.96

The discount rate used to measure the total OPEB liability was 2.06%.

F. Total OPEB Liability

The City's total OPEB liability of \$2,116,475 was measured as of December 31, 2022 and was determined by an actuarial analysis as of that date.

	Total OPEB Liability (a)
Balances at December 31, 2021	<u>\$ 1,904,826</u>
Changes for the Year:	
Service cost	214,592
Interest	43,201
Differences between expected and actual experience	585,621
Changes in assumptions or other inputs	(468,540)
Benefit payments	<u>(163,225)</u>
Net Changes	<u>211,649</u>
Balances at December 31, 2022	<u><u>\$ 2,116,475</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.12% as of December 31, 2021 to 2.06% as of December 31, 2022.

G. OPEB Liability Sensitivity

The following presents the City's total OPEB liability calculated using the discount rate of 2.06% as well as the liability measured using 1% lower and 1% higher than the current discount rate.

<u>1 Percent Decrease (1.06%)</u>	<u>Current (2.06%)</u>	<u>1 Percent Increase (3.06%)</u>
\$ 2,224,451	\$ 2,116,475	\$ 2,004,986

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using health care trend rates that are 1% lower and 1% higher than the current health care trend rates.

<u>1 Percent Decrease (5.2% Decreasing to 4%)</u>	<u>Healthcare Cost Trend Rates (6.2% Decreasing to 5%)</u>	<u>1 Percent Increase (7.2% Decreasing to 6%)</u>
\$ 1,890,248	\$ 2,116,475	\$ 2,387,002

H. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2022 the City recognized OPEB revenue of \$34,339. At December 31, 2022, the City 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>
Differences Between Expected and Actual Experience	\$ 538,341	\$ 654,850
Changes in Actuarial Assumptions	164,646	478,565
Contributions to OPEB Subsequent to the Measurement Date	<u>144,967</u>	<u>-</u>
Total	<u>\$ 847,954</u>	<u>\$ 1,133,415</u>

\$144,967 reported as deferred outflows of resources related to OPEB resulting from the City's contributions to OPEB subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the year ended December 31, 2023.

\$847,954 reported as deferred outflows of resources and \$1,133,415 reported as deferred inflows of resources related to OPEB resulting from changes in assumptions in the year ended December 31, 2022.

Amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended December 31:	
2023	\$ (80,176)
2024	(80,176)
2025	(80,176)
2026	(82,339)
2027	(81,842)
Thereafter	<u>(25,719)</u>
Total	<u>\$ (430,428)</u>

13. Right-of-Way

In 2002 the City acquired three properties for a total cost of \$7,000,000 for Interstate 494 widening right-of-way under the Metropolitan Council Right-of-Way Acquisition Loan Fund (RALF).

Under the RALF program, the City is obligated to return to the Metropolitan Council the proceeds of all RALF properties sold to the State of Minnesota. These RALF obligations and related properties have not been recorded since they do not represent true resources or liabilities of the City.

14. Conduit Debt

From time to time, the City has issued various industrial development revenue bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. Finally, the City does not track the remaining outstanding principal balances on conduit debt, as the City does not have any obligation toward the debt.

As of December 31, 2022 there were two bond issues outstanding with an estimated aggregate principal amount outstanding of approximately \$695,940.

15. Tax Increment Financing

The Richfield Housing and Redevelopment Authority (HRA) have entered into 10 Tax Increment Financing agreements which meet the criteria for disclosure under *Governmental Accounting Standards Board Statement No. 77 Tax Abatement Disclosures*. The HRA’s authority to enter into these agreements comes from *Minnesota Statute 469*. The HRA entered into these agreements for the purpose of economic development.

Under each agreement, the City and developer agree on an amount of development costs to be reimbursed to the developer by the HRA through tax revenues from additional taxable value of the property generated by the development (tax increment). A “pay-as-you-go” note is established for this amount, on which the HRA makes payments for a fixed period of time with available tax increment after deducting for certain administrative costs. The HRA has determined through its agreements with developers and state law to grant abatements of up to 90% of annual property taxes through a direct reduction of the entity’s property tax bill. There were no agreements in 2022 that exceeded this 90% threshold.

During the year ended December 31, 2022, the HRA generated \$6,305,705 in tax increment revenue and made \$3,695,012 in payments to developer.

The tax abatement agreements that the HRA has outstanding as of December 31, 2022 are the following:

<u>Purpose</u>	<u>Percentage of Taxes Abated During the Year</u>	<u>Amount of Taxes Abated During the Year</u>
Senior housing and market rate housing	75%	\$ 440,114
Business redevelopment	75	652,337
Rental housing	90	139,470
Mixed-use housing and retail	75	765,241
Mixed-use housing and retail	-	297,686
Mixed-use housing and retail	90	307,738
Mixed-use housing and retail	75	492,965
Senior housing	75	144,569
Rental housing	-	750,466
Townhomes	-	22,001

16. Federal and State Funds

The City received financial assistance from federal and state governmental agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with the terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the applicable fund. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the individual fund types included herein or on the overall financial position of the City at December 31, 2022.

17. Nature and Amount of Significant Transactions between City - HRA

As noted in note 1, the HRA was established for the purpose to provide housing and redevelopment assistance to Richfield residents and businesses. The structure of the HRA is that it has no employees per se; however, it has a contract with the City where the City’s Community Development department is to provide services as needed. Accordingly, the City charges the HRA for labor provided, data processing services, and office supplies, etc. In addition, to help fund redevelopment projects, the City will issue long term debt on behalf of the HRA. At the same time the HRA enters into a pledge agreement with the City whereby the HRA pledges future tax increment receipts generated by the redevelopment to service the debt issued.

During 2022, the HRA transferred to the City \$876,053 of tax increment receipts to fund debt service requirements for debt issued on behalf of the HRA.

Finally, during 2013, as part of the North Richfield Parkway project, the City purchased several properties with the future intent to convey the properties to the HRA for future redevelopment of the site. Funding for the property purchases was provided by the \$3,120,000 G.O. Improvement Bonds, Series 2013A. The bonds were issued with a debt service structure of 75% to be paid with a debt service tax levy and 25% to be paid by special assessments levied against the HRA, once the properties were conveyed to the HRA. The amount of the special assessment was \$780,000.

During 2014, the City conveyed the properties to the HRA at a value of \$704,639 and levied the planned special assessments against the HRA. As part of the special assessment process the HRA prepaid the \$780,000 with funding provided by the City in the form of an inter fund loan from the City's Capital Improvement Fund.

The term of the loan will be twenty (20) years with no principal and interest payments due the first two years and then payment beginning in year three with an interest rate of 1%. The repayment of the loan will have three sources in the following priority; land sale proceeds, tax increment revenues and funds of the HRA that are legally available to pay on the loan.

In 2016, the City conveyed several properties to the HRA at a book value of \$1,264,063. The City Council determined that since the HRA was the development agency of the City, it would be appropriate for ease of future development that the properties be legally owned by the HRA.

18. Joint Venture

Local Government Information Systems Association (LOGIS):

This consortium of approximately 30 government entities provides computerized data processing and support services to its members. LOGIS is legally separate; the City does not appoint a voting majority of its board, and the Consortium is fiscally independent of the City. The total amount recorded within the 2022 financial statements of the City was \$1,002,107 for services provided, which is allocated to the various funds based on applications. Complete financial statements may be obtained at the LOGIS offices located at 5750 Duluth Street, Golden Valley, Minnesota 55422.

19. Change in Accounting Principles

For fiscal year 2022, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. GASB Statement No. 87 enhances the relevance and consistency of information of the government's leasing activities. It establishes requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. These changes were incorporated in the City's 2022 financial statements. The City's recognition of the beginning balances related to the lease liability and the intangible right to use lease asset were equal balances and had no effect on the beginning net position of the Governmental Activities.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RICHFIELD
RICHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

**CITY OF RICHFIELD, MINNESOTA
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2022**

Note 1 Pensions Plans

Schedule of Employer's Share of PERA Net Pension Liability - General Employees Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.1546 %	\$ 12,244,371	\$ 359,121	\$ 12,603,492	\$ 11,581,413	105.7 %	76.7 %
06/30/21	0.1563	6,674,710	203,866	6,878,576	11,253,880	59.3	87.0
06/30/20	0.1530	9,173,049	282,832	9,455,881	10,910,907	84.1	79.0
06/30/19	0.1491	8,243,405	256,322	8,499,727	10,555,547	78.1	80.2
06/30/18	0.1520	8,432,337	276,621	8,708,958	10,214,587	82.6	79.5
06/30/17	0.1507	9,620,589	121,007	9,741,596	9,711,387	99.1	75.9
06/30/16	0.1587	12,885,653	168,215	13,053,868	9,846,133	130.9	68.9
06/30/15	0.1596	8,271,300	-	8,271,300	9,226,400	89.6	78.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - General Employees Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 869,515	\$ 869,515	\$ -	\$ 11,593,533	7.5 %
12/31/21	861,454	861,454	-	11,486,053	7.5
12/31/20	837,463	837,463	-	11,166,173	7.5
12/31/19	812,029	812,029	-	10,827,053	7.5
12/31/18	783,227	783,227	-	10,443,027	7.5
12/31/17	742,606	742,606	-	9,901,413	7.5
12/31/16	726,143	726,143	-	9,681,907	7.5
12/31/15	706,736	706,736	-	9,423,147	7.5

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Notes to the Required Supplementary Information - General Employees Fund

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The mortality improvement scale was changed from Scale MP-2019 to Scale MP-2020.

2020 - The price inflation assumption was decreased from 2.50% to 2.25%. The payroll growth assumption was decreased from 3.25% to 3.00%. Assumed salary increase rates were changed as recommended in the June 30, 2019 experience study. The net effect is assumed rates that average 0.25% less than previous rates. Assumed rates of retirement were changed as recommended in the June 30, 2019 experience study. The changes result in more unreduced (normal) retirements and slightly fewer Rule of 90 and early retirements. Assumed rates of termination were changed as recommended in the June 30, 2019 experience study. The new rates are based on service and are generally lower than the previous rates for years 2-5 and slightly higher thereafter. Assumed rates of disability were changed as recommended in the June 30, 2019 experience study. The change results in fewer predicted disability retirements for males and females. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 General Mortality table, with adjustments. The base mortality table for disabled annuitants was changed from the RP-2014 disabled annuitant mortality table to the PUB-2010 General/Teacher disabled annuitant mortality table, with adjustments. The mortality improvement scale was changed from Scale MP-2018 to Scale MP-2019. The assumed spouse age difference was changed from two years older for females to one year older. The assumed number of married male new retirees electing the 100% Joint & Survivor option changed from 35% to 45%. The assumed number of married female new retirees electing the 100% Joint & Survivor option changed from 15% to 30%. The corresponding number of married new retirees electing the Life annuity option was adjusted accordingly.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2015 to MP-2017. The assumed benefit increase was changed from 1.00 percent per year through 2044 and 2.50 percent per year thereafter to 1.25 percent per year.

2017 - The Combined Service Annuity (CSA) loads were changed from 0.8 percent for active members and 60 percent for vested and non-vested deferred members. The revised CSA loads are now 0.0 percent for active member liability, 15.0 percent for vested deferred member liability and 3.0 percent for non-vested deferred member liability. The assumed post-retirement benefit increase rate was changed from 1.0 percent per year for all years to 1.0 percent per year through 2044 and 2.5 percent per year thereafter.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2035 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 7.5 percent. Other assumptions were changed pursuant to the experience study dated June 30, 2015. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2035 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

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

2019 - The employer supplemental contribution was changed prospectively, decreasing from \$31.0 million to \$21.0 million per year. The state's special funding contribution was changed prospectively, requiring \$16.0 million due per year through 2031.

2018 - The augmentation adjustment in early retirement factors is eliminated over a five-year period starting July 1, 2019, resulting in actuarial equivalence after June 30, 2024. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Contribution stabilizer provisions were repealed. Postretirement benefit increases were changed from 1.00 percent per year with a provision to increase to 2.50 percent upon attainment of 90.00 percent funding ratio to 50.00 percent of the Social Security Cost of Living Adjustment, not less than 1.00 percent and not more than 1.50 percent, beginning January 1, 2019. For retirements on or after January 1, 2024, the first benefit increase is delayed until the retiree reaches normal retirement age; does not apply to Rule of 90 retirees, disability benefit recipients, or survivors. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - The State's contribution for the Minneapolis Employees Retirement Fund equals \$16,000,000 in 2017 and 2018, and \$6,000,000 thereafter. The Employer Supplemental Contribution for the Minneapolis Employees Retirement Fund changed from \$21,000,000 to \$31,000,000 in calendar years 2019 to 2031. The state's contribution changed from \$16,000,000 to \$6,000,000 in calendar years 2019 to 2031.

2016 - There were no changes in plan provisions since the previous valuation.

2015 - On January 1, 2015, the Minneapolis Employees Retirement Fund was merged into the General Employees Fund, which increased the total pension liability by \$1.1 billion and increased the fiduciary plan net position by \$892 million. Upon consolidation, state and employer contributions were revised.

Schedule of Employer's Share of PERA Net Pension Liability - Police and Fire Fund

Fiscal Year Ending	City's Proportion of the Net Pension Liability	City's Proportionate Share of the Net Pension Liability (a)	State's Proportionate Share of the Net Pension Liability Associated with the City (b)	Total (a+b)	City's Covered Payroll (c)	City's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll (a/c)	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
06/30/22	0.6276 %	\$ 27,310,672	\$ 1,193,051	\$ 28,503,723	\$ 7,624,186	358.2 %	70.5 %
06/30/21	0.6000	4,577,363	208,222	4,785,585	7,091,288	64.5	93.7
06/30/20	0.6287	8,230,357	195,222	8,425,579	7,092,654	116.0	87.2
06/30/19	0.6387	6,713,383	-	6,713,383	6,587,723	101.9	89.3
06/30/18	0.6046	6,389,999	-	6,389,999	6,371,512	100.3	88.8
06/30/17	0.5910	7,979,203	-	7,979,203	6,070,907	131.4	85.4
06/30/16	0.6560	26,326,421	-	26,326,421	6,317,469	416.7	63.9
06/30/15	0.6030	6,851,491	-	6,851,491	5,371,889	127.5	86.6

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Schedule of Employer's PERA Contributions - Police and Fire Fund

Year Ending	Statutorily Required Contribution (a)	Contributions in Relation to the Statutorily Required Contribution (b)	Contribution Deficiency (Excess) (a-b)	City's Covered Payroll (c)	Contributions as a Percentage of Covered Payroll (b/c)
12/31/22	\$ 1,383,252	\$ 1,383,252	\$ -	\$ 7,814,983	17.7 %
12/31/21	1,343,767	1,343,767	-	7,591,904	17.7
12/31/20	1,262,187	1,262,187	-	7,131,000	17.7
12/31/19	1,217,879	1,217,879	-	7,185,127	17.0
12/31/18	1,048,095	1,048,095	-	6,469,722	16.2
12/31/17	1,004,300	1,004,300	-	6,199,383	16.2
12/31/16	1,000,004	1,000,004	-	6,172,864	16.2
12/31/15	948,453	948,453	-	5,854,648	16.2

Note: Schedule is intended to show 10-year trend. Additional years will be reported as they become available.

Changes in Actuarial Assumptions

2022 - The mortality improvement scale was changed from Scale MP-2020 to Scale MP-2021. The single discount rate changed from 6.50 percent to 5.40 percent.

2021 - The investment return and single discount rates were changed from 7.50 percent to 6.50 percent, for financial reporting purposes. The inflation assumption was changed from 2.50 percent to 2.25 percent. The payroll growth assumption was changed from 3.25 percent to 3.00 percent. The base mortality table for healthy annuitants and employees was changed from the RP-2014 table to the Pub-2010 Public Safety Mortality table. The mortality improvement scale was changed from MP-2019 to MN-2020. The base mortality table for disabled annuitants was changed from the RP-2014 healthy annuitant mortality table (with future mortality improvement according to Scale MP-2019) to the Pub-2010 Public Safety disabled annuitant mortality table (with future mortality improvement according to Scale MP-2020). Assumed rates of salary increase were modified as recommended in the July 14, 2020 experience study. The overall impact is a decrease in gross salary increase rates. Assumed rates of retirement were changed as recommended in the July 14, 2020 experience study. The changes result in slightly more unreduced retirements and fewer assumed early retirements. Assumed rates of withdrawal were changed from select and ultimate rates to service-based rates. The changes result in more assumed terminations. Assumed rates of disability were increased for ages 25-44 and decreased for ages over 49. Overall, proposed rates result in more projected disabilities. Assumed percent married for active female members was changed from 60 percent to 70 percent. Minor changes to form of payment assumptions were applied.

2020 - The mortality projection scale was changed from MP-2018 to MP-2019.

2019 - The mortality projection scale was changed from MP-2017 to MP-2018.

2018 - The mortality projection scale was changed from MP-2016 to MP-2017.

2017 - Assumed salary increases were changed as recommended in the June 30, 2016 experience study. The net effect is proposed rates that average 0.34 percent lower than the previous rates. Assumed rates of retirement were changed, resulting in fewer retirements. The combined service annuity (CSA) load was 30.00 percent for vested and non-vested, deferred members. The CSA has been changed to 33.00 percent for vested members and 2.00 percent for non-vested members. The base mortality table for healthy annuitants was changed from the RP-2000 fully generational table to the RP-2014 fully generational table (with a base year of 2006), with male rates adjusted by a factor of 0.96. The mortality improvement scale was changed from Scale AA to Scale MP-2016. The base mortality table for disabled annuitants was changed from the RP-2000 disabled mortality table to the mortality tables assumed for healthy retirees. Assumed termination rates were decreased to 3.00 percent for the first three years of service. Rates beyond the select period of three years were adjusted, resulting in more expected terminations overall. Assumed percentage of married female members was decreased from 65.00 percent to 60.00 percent. Assumed age difference was changed from separate assumptions for male members (wives assumed to be three years younger) and female members (husbands assumed to be four years older) to the assumption that males are two years older than females. The assumed percentage of female members electing joint and survivor annuities was increased. The assumed postretirement benefit increase rate was changed from 1.00 percent for all years to 1.00 percent per year through 2064 and 2.50 percent thereafter. The single discount rate was changed from 5.60 percent per annum to 7.50 percent per annum.

2016 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2037 and 2.5 percent per year thereafter to 1.0 percent per year for all future years. The assumed investment return was changed from 7.9 percent to 7.5 percent. The single discount rate was changed from 7.9 percent to 5.6 percent. The assumed future salary increases, payroll growth and inflation were decreased by 0.25 percent to 3.25 percent for payroll growth and 2.50 percent for inflation.

2015 - The assumed post-retirement benefit increase rate was changed from 1.0 percent per year through 2030 and 2.5 percent per year thereafter to 1.0 percent per year through 2037 and 2.5 percent per year thereafter.

Changes in Plan Provisions

2022 - There were no changes in plan provisions since the previous valuation.

2021 - There were no changes in plan provisions since the previous valuation.

2020 - There were no changes in plan provisions since the previous valuation.

2019 - There were no changes in plan provisions since the previous valuation.

2018 - As set by statute, the assumed post-retirement benefit increase was changed from 1.0 percent per year through 2064 and 2.5 percent per year, thereafter, to 1.0 percent for all years, with no trigger. An end date of July 1, 2048 was added to the existing \$9.0 million state contribution. New annual state aid will equal \$4.5 million in fiscal years 2019 and 2020, and \$9.0 million thereafter until the plan reaches 100 percent funding, or July 1, 2048, if earlier. Member contributions were changed from 10.80 percent to 11.30 percent of pay, effective January 1, 2019 and 11.80 percent of pay, effective January 1, 2020. Employer contributions were changed from 16.20 percent to 16.95 percent of pay, effective January 1, 2019 and 17.70 percent of pay, effective January 1, 2020. Interest credited on member contributions decreased from 4.00 percent to 3.00 percent, beginning July 1, 2018. Deferred augmentation was changed to 0.00 percent, effective January 1, 2019. Augmentation that has already accrued for deferred members will still apply. Actuarial equivalent factors were updated to reflect revised mortality and interest assumptions.

2017 - There were no changes in the plan provisions since the previous valuation.

2016 - There were no changes in plan provisions since the previous valuation.

2015 - The post-retirement benefit increase to be paid after attainment of the 90 percent funding threshold was changed, from inflation up to 2.5 percent, to a fixed rate of 2.5 percent.

Schedule of Changes in the City's Total OPEB Liability and Related Ratios

	2022	2021	2020	2019	2018
Total OPEB Liability					
Service cost	\$ 214,592	\$ 183,028	\$ 146,639	\$ 202,165	\$ 184,122
Interest	43,201	49,990	100,980	84,039	83,730
Differences between expected and actual experience	585,621	18,865	(987,796)	-	-
Changes in assumptions	(468,540)	59,622	144,714	(110,794)	53,295
Benefit payments	(163,225)	(96,235)	(74,575)	(113,317)	(109,190)
Net Change in Total OPEB Liability	211,649	215,270	(670,038)	62,093	211,957
Total OPEB Liability - Beginning January 1,	1,904,826	1,689,556	2,359,594	2,297,501	2,085,544
Total OPEB Liability - Ending December 31,	<u>\$ 2,116,475</u>	<u>\$ 1,904,826</u>	<u>\$ 1,689,556</u>	<u>\$ 2,359,594</u>	<u>\$ 2,297,501</u>
Covered-Employee Payroll	\$ 18,800,000	\$ 17,100,000	\$ 16,600,000	\$ 16,500,000	\$ 15,900,000
City's total OPEB liability as a percentage of covered-employee payroll	11.26 %	11.14 %	10.18 %	14.30 %	14.45 %

Note: No assets are accumulated in a trust to pay related benefits.

Changes in Assumptions:

In 2022, the following assumptions changes:

The discount rate was changed from 2.12% to 2.06%

In 2021, the following assumptions changes:

The discount rate was changed from 2.74% to 2.12%

In 2020, the following assumptions changes:

The health care trend rates, mortality tables, and salary increase rates were updated.

The discount rate was changed from 3.80% to 2.90%

In 2019, the following assumptions changes:

The discount rate was changed from 3.30% to 3.80%

In 2018, the following assumptions changes:

The mortality tables were updated from the RP-2014 White Collar Mortality Tables with MP-2014 Generational Improvement Scale (Blue Collar Tables for Police and Fire Personnel) to the RP-2014 White Collar Mortality Tables (de-trended to 2006) and then projected beyond the valuation date using scale MP-2017 (Blue Collar Tables for Police and Fire Personnel).

The subsidized benefits for the officers injured in the line of duty are assumed to end after five years for the two individuals under age 40 as of the valuation date and at age 65 for the one individual over age 55 as of the valuation date.

The withdrawal and retirement tables for all employees were updated.

The discount rate was changed from 4.00% to 3.30%

COMBINING AND INDIVIDUAL FUND
FINANCIAL STATEMENTS AND SCHEDULES

CITY OF RICHFIELD
RICHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

**CITY OF RICHFIELD, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
DECEMBER 31, 2022**

	Special Revenue	Redevelopment Bonds	Park Capital Projects	Total Nonmajor Governmental Funds
Assets				
Cash and temporary investments	\$ 4,574,094	\$ 575	\$ 1,582,173	\$ 6,156,842
Receivables				
Accrued interest	8,591	-	1,390	9,981
Accounts	601,801	-	26,054	627,855
Leases	291,101	-	-	291,101
Due from other governments	47,859	-	5,775	53,634
Advances to other funds	299,345	-	182,665	482,010
Prepaid items	1,907	-	-	1,907
	<u>1,907</u>	<u>-</u>	<u>-</u>	<u>1,907</u>
Total Assets	<u><u>\$ 5,824,698</u></u>	<u><u>\$ 575</u></u>	<u><u>\$ 1,798,057</u></u>	<u><u>\$ 7,623,330</u></u>
Liabilities				
Accounts and contracts payable	\$ 10,865	\$ 575	\$ 27,931	\$ 39,371
Accrued salaries payable	6,473	-	-	6,473
Due to other governments	24,348	-	-	24,348
Due to other funds	226,789	-	-	226,789
Advances from other funds	-	-	182,665	182,665
Deposits payable	7,572	-	-	7,572
Unearned revenue	26,932	-	-	26,932
Total Liabilities	<u>302,979</u>	<u>575</u>	<u>210,596</u>	<u>514,150</u>
Deferred Inflows of Resources				
Deferred inflows of resources related to lease receivables	296,147	-	-	296,147
	<u>296,147</u>	<u>-</u>	<u>-</u>	<u>296,147</u>
Fund Balances				
Nonspendable	1,907	-	-	1,907
Restricted	979,127	-	-	979,127
Committed	4,392,764	-	1,587,461	5,980,225
Unassigned	(148,226)	-	-	(148,226)
Total Fund Balances	<u>5,225,572</u>	<u>-</u>	<u>1,587,461</u>	<u>6,813,033</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 5,824,698</u></u>	<u><u>\$ 575</u></u>	<u><u>\$ 1,798,057</u></u>	<u><u>\$ 7,623,330</u></u>

**CITY OF RICHFIELD, MINNESOTA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Special Revenue	Redevelopment Bonds	Park Capital Projects	Total Nonmajor Governmental Funds
Revenues				
Taxes	\$ 2,249,423	\$ -	\$ -	\$ 2,249,423
Intergovernmental	250,888	876,053	-	1,126,941
Charges for services	507,541	-	-	507,541
Fines and forfeitures	91,737	-	-	91,737
Interest earnings (loss)	51,649	-	9,127	60,776
Miscellaneous	679,679	-	12,775	692,454
Total Revenues	<u>3,830,917</u>	<u>876,053</u>	<u>21,902</u>	<u>4,728,872</u>
Expenditures				
Current				
Administrative services	418,521	-	-	418,521
Public safety	194,541	-	-	194,541
Recreation services	938,665	-	38,924	977,589
Capital outlay				
Recreation services	-	-	244,641	244,641
Debt service				
Principal	-	790,000	-	790,000
Interest and other charges	-	86,053	-	86,053
Total Expenditures	<u>1,551,727</u>	<u>876,053</u>	<u>283,565</u>	<u>2,711,345</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>2,279,190</u>	<u>-</u>	<u>(261,663)</u>	<u>2,017,527</u>
Other Financing Sources (Uses)				
Transfers in	1,074,398	-	833,817	1,908,215
Transfers out	<u>(2,612,639)</u>	<u>-</u>	<u>(180,000)</u>	<u>(2,792,639)</u>
Total Other Financing Sources (Uses)	<u>(1,538,241)</u>	<u>-</u>	<u>653,817</u>	<u>(884,424)</u>
Net Change in Fund Balances	740,949	-	392,154	1,133,103
Fund Balances, January 1	<u>4,484,623</u>	<u>-</u>	<u>1,195,307</u>	<u>5,679,930</u>
Fund Balances, December 31	<u>\$ 5,225,572</u>	<u>\$ -</u>	<u>\$ 1,587,461</u>	<u>\$ 6,813,033</u>

**CITY OF RICHFIELD, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
SUBCOMINING BALANCE SHEETS
DECEMBER 31, 2022**

	Liquor Contributions Fund	Tourism Admin	Communcations	Drug/ Forfeiture	Public Safety Compliance	Recreation Contribution	Nature Center Contribution
Assets							
Cash and temporary investments	\$ 141,736	\$ 59,364	\$ 1,724,079	\$ 248,362	\$ 232,567	\$ 55,399	\$ 175,681
Receivables							
Accrued interest	225	81	2,359	364	356	747	294
Accounts	-	7,971	78,063	25,063	7,452	-	-
Leases	-	-	-	-	-	104,222	-
Due from other governments	-	-	-	-	21,273	-	-
Advances to other funds	-	-	299,345	-	-	-	-
Prepaid items	-	-	635	-	-	-	-
	<u>141,961</u>	<u>67,416</u>	<u>2,104,481</u>	<u>273,789</u>	<u>261,648</u>	<u>160,368</u>	<u>175,975</u>
Total Assets	\$ 141,961	\$ 67,416	\$ 2,104,481	\$ 273,789	\$ 261,648	\$ 160,368	\$ 175,975
Liabilities							
Accounts and contracts payable	\$ -	\$ -	\$ 4,782	\$ -	\$ 2,411	\$ 168	\$ 659
Accrued salaries payable	-	-	6,473	-	-	-	-
Due to other governments	-	11,720	-	-	-	-	1
Due to other funds	-	-	-	-	-	-	-
Deposits payable	-	7,572	-	-	-	-	-
Unearned revenue	-	-	-	-	19,506	7,426	-
Total Liabilities	-	19,292	11,255	-	21,917	7,594	660
Deferred Inflows of Resources							
Deferred inflows of resources related to lease receivables	-	-	-	-	-	102,981	-
Fund Balances							
Nonspendable	-	-	635	-	-	-	-
Restricted	-	-	-	273,789	-	49,793	175,315
Committed	141,961	48,124	2,092,591	-	239,731	-	-
Unassigned	-	-	-	-	-	-	-
Total Fund Balances	141,961	48,124	2,093,226	273,789	239,731	49,793	175,315
	<u>141,961</u>	<u>48,124</u>	<u>2,093,226</u>	<u>273,789</u>	<u>239,731</u>	<u>49,793</u>	<u>175,315</u>
Total Liabilities and Fund Balances	\$ 141,961	\$ 67,416	\$ 2,104,481	\$ 273,789	\$ 261,648	\$ 160,368	\$ 175,975

Public Health Grants	Wood Lake Half Marathon	Utility Franchise Fees	Swimming Pool	Special Facilities	Recreation Special Program	Opioid Settlement	Wood Lake Endowment	Total
\$ 107,957	\$ 71,365	\$ 1,108,779	\$ 80,000	\$ 57,049	\$ 154,024	\$ 110,139	\$ 247,593	\$ 4,574,094
176	127	2,574	-	761	121	20	386	8,591
-	-	481,202	-	-	2,050	-	-	601,801
-	-	-	-	186,879	-	-	-	291,101
26,586	-	-	-	-	-	-	-	47,859
-	-	-	-	-	-	-	-	299,345
-	-	-	424	424	424	-	-	1,907
<u>\$ 134,719</u>	<u>\$ 71,492</u>	<u>\$ 1,592,555</u>	<u>\$ 80,424</u>	<u>\$ 245,113</u>	<u>\$ 156,619</u>	<u>\$ 110,159</u>	<u>\$ 247,979</u>	<u>\$ 5,824,698</u>
\$ -	\$ -	\$ -	\$ 1,437	\$ 1,408	\$ -	\$ -	\$ -	\$ 10,865
-	-	-	-	-	-	-	-	6,473
12,627	-	-	-	-	-	-	-	24,348
-	-	-	226,789	-	-	-	-	226,789
-	-	-	-	-	-	-	-	7,572
-	-	-	-	-	-	-	-	26,932
<u>12,627</u>	<u>-</u>	<u>-</u>	<u>228,226</u>	<u>1,408</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>302,979</u>
-	-	-	-	193,166	-	-	-	296,147
-	-	-	424	424	424	-	-	1,907
122,092	-	-	-	-	-	110,159	247,979	979,127
-	71,492	1,592,555	-	50,115	156,195	-	-	4,392,764
-	-	-	(148,226)	-	-	-	-	(148,226)
<u>122,092</u>	<u>71,492</u>	<u>1,592,555</u>	<u>(147,802)</u>	<u>50,539</u>	<u>156,619</u>	<u>110,159</u>	<u>247,979</u>	<u>5,225,572</u>
<u>\$ 134,719</u>	<u>\$ 71,492</u>	<u>\$ 1,592,555</u>	<u>\$ 80,424</u>	<u>\$ 245,113</u>	<u>\$ 156,619</u>	<u>\$ 110,159</u>	<u>\$ 247,979</u>	<u>\$ 5,824,698</u>

**CITY OF RICHFIELD, MINNESOTA
NONMAJOR SPECIAL REVENUE FUNDS
SUBCOMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Liquor Contributions Fund	Tourism Admin	Communications	Drug/ Forfeiture	Public Safety Compliance	Recreation Contribution	Nature Center Contribution
Revenues							
Taxes							
Franchise	\$ -	\$ -	\$ 319,166	\$ -	\$ -	\$ -	\$ -
Lodging	-	6,603	-	-	-	-	-
Intergovernmental	-	-	-	-	4,140	2,267	19,728
Charges for services	-	-	-	-	-	-	-
Fines and forfeitures	-	-	-	91,737	-	-	-
Interest earnings (loss)	1,478	531	15,504	2,393	2,340	2,136	1,935
Miscellaneous	-	-	3,200	780	55,507	74,842	302,408
Total Revenues	<u>1,478</u>	<u>7,134</u>	<u>337,870</u>	<u>94,910</u>	<u>61,987</u>	<u>79,245</u>	<u>324,071</u>
Expenditures							
Current							
Legislative/executive							
Administrative services							
Personnel services	-	5,440	204,856	-	-	-	-
Other services and charges	-	-	190,200	-	-	-	-
Public safety							
Personnel services	-	-	-	-	1,567	-	-
Other services and charges	-	-	-	55,768	45,836	-	-
Recreation services							
Personnel services	-	-	-	-	-	-	-
Other services and charges	-	-	-	-	-	81,094	47,629
Total Expenditures	<u>-</u>	<u>5,440</u>	<u>395,056</u>	<u>55,768</u>	<u>47,403</u>	<u>81,094</u>	<u>47,629</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,478</u>	<u>1,694</u>	<u>(57,186)</u>	<u>39,142</u>	<u>14,584</u>	<u>(1,849)</u>	<u>276,442</u>
Other Financing Sources (Uses)							
Transfers in	500,000	-	-	-	-	-	-
Transfers out	(500,000)	-	-	-	-	-	(233,817)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(233,817)</u>
Net Change in Fund Balances	<u>1,478</u>	<u>1,694</u>	<u>(57,186)</u>	<u>39,142</u>	<u>14,584</u>	<u>(1,849)</u>	<u>42,625</u>
Fund Balances, January 1	<u>140,483</u>	<u>46,430</u>	<u>2,150,412</u>	<u>234,647</u>	<u>225,147</u>	<u>51,642</u>	<u>132,690</u>
Fund Balances, December 31	<u>\$ 141,961</u>	<u>\$ 48,124</u>	<u>\$ 2,093,226</u>	<u>\$ 273,789</u>	<u>\$ 239,731</u>	<u>\$ 49,793</u>	<u>\$ 175,315</u>

Public Health Grants	Wood Lake Half Marathon	Utility Franchise Fees	Swimming Pool	Special Facilities	Recreation Special Program	Opioid Settlement	Wood Lake Endowment	Total
\$ -	\$ -	\$ 1,923,654	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,242,820
-	-	-	-	-	-	-	-	6,603
89,416	-	-	-	-	135,337	-	-	250,888
-	-	-	507,541	-	-	-	-	507,541
-	-	-	-	-	-	-	-	91,737
1,158	835	16,915	-	2,960	798	129	2,537	51,649
-	76,283	-	877	43,757	3,695	110,030	8,300	679,679
<u>90,574</u>	<u>77,118</u>	<u>1,940,569</u>	<u>508,418</u>	<u>46,717</u>	<u>139,830</u>	<u>110,159</u>	<u>10,837</u>	<u>3,830,917</u>
-	-	-	-	-	-	-	-	210,296
-	-	18,025	-	-	-	-	-	208,225
-	-	-	-	-	-	-	-	1,567
91,370	-	-	-	-	-	-	-	192,974
-	30,000	-	251,664	10,980	86,239	-	-	378,883
-	30,028	-	330,880	31,606	38,545	-	-	559,782
<u>91,370</u>	<u>60,028</u>	<u>18,025</u>	<u>582,544</u>	<u>42,586</u>	<u>124,784</u>	<u>-</u>	<u>-</u>	<u>1,551,727</u>
<u>(796)</u>	<u>17,090</u>	<u>1,922,544</u>	<u>(74,126)</u>	<u>4,131</u>	<u>15,046</u>	<u>110,159</u>	<u>10,837</u>	<u>2,279,190</u>
-	-	-	400,000	-	174,398	-	-	1,074,398
-	-	(1,845,997)	-	-	(32,825)	-	-	(2,612,639)
-	-	(1,845,997)	400,000	-	141,573	-	-	(1,538,241)
(796)	17,090	76,547	325,874	4,131	156,619	110,159	10,837	740,949
122,888	54,402	1,516,008	(473,676)	46,408	-	-	237,142	4,484,623
<u>\$ 122,092</u>	<u>\$ 71,492</u>	<u>\$ 1,592,555</u>	<u>\$ (147,802)</u>	<u>\$ 50,539</u>	<u>\$ 156,619</u>	<u>\$ 110,159</u>	<u>\$ 247,979</u>	<u>\$ 5,225,572</u>

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CITY OF RICHFIELD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
LIQUOR CONTRIBUTIONS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest earnings (loss)	\$ 300	\$ 300	\$ 1,478	\$ 1,178
Other Financing Sources (Uses)				
Transfers in	500,000	500,000	500,000	-
Transfers out	(500,000)	(500,000)	(500,000)	-
Total Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	300	300	1,478	1,178
Fund Balances, January 1	140,483	140,483	140,483	-
Fund Balances, December 31	<u>\$ 140,783</u>	<u>\$ 140,783</u>	<u>\$ 141,961</u>	<u>\$ 1,178</u>

CITY OF RICHFIELD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
TOURISM ADMIN SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 2,250	\$ 4,000	\$ 6,603	\$ 2,603
Interest earnings (loss)	200	75	531	456
Total Revenues	<u>2,450</u>	<u>4,075</u>	<u>7,134</u>	<u>3,059</u>
Expenditures				
Current				
Administrative services				
Personnel services	<u>5,440</u>	<u>5,440</u>	<u>5,440</u>	<u>-</u>
Net Change in Fund Balances	(2,990)	(1,365)	1,694	3,059
Fund Balances, January 1	<u>46,430</u>	<u>46,430</u>	<u>46,430</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 43,440</u>	<u>\$ 45,065</u>	<u>\$ 48,124</u>	<u>\$ 3,059</u>

CITY OF RICHFIELD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
COMMUNICATIONS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 361,420	\$ 300,000	\$ 319,166	\$ 19,166
Interest earnings (loss)	5,000	5,000	15,504	10,504
Miscellaneous	-	-	3,200	3,200
Total Revenues	<u>366,420</u>	<u>305,000</u>	<u>337,870</u>	<u>32,870</u>
Expenditures				
Current				
Administrative services				
Personnel services	224,860	234,125	204,856	29,269
Other services and charges	162,580	180,476	190,200	(9,724)
Capital outlay				
Administrative services	100,000	100,000	-	100,000
Total Expenditures	<u>487,440</u>	<u>514,601</u>	<u>395,056</u>	<u>119,545</u>
Net Change in Fund Balances	(121,020)	(209,601)	(57,186)	152,415
Fund Balances, January 1	<u>2,150,412</u>	<u>2,150,412</u>	<u>2,150,412</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 2,029,392</u>	<u>\$ 1,940,811</u>	<u>\$ 2,093,226</u>	<u>\$ 152,415</u>

CITY OF RICHFIELD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
DRUG/FORFEITURE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Fines and forfeitures	\$ 35,000	\$ 35,000	\$ 91,737	\$ 56,737
Interest earnings (loss)	750	750	2,393	1,643
Miscellaneous	400	-	780	780
Total Revenues	<u>36,150</u>	<u>35,750</u>	<u>94,910</u>	<u>59,160</u>
Expenditures				
Current				
Public safety				
Other services and charges	<u>30,000</u>	<u>74,930</u>	<u>55,768</u>	<u>19,162</u>
Net Change in Fund Balances	6,150	(39,180)	39,142	78,322
Fund Balances, January 1	<u>234,647</u>	<u>234,647</u>	<u>234,647</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 240,797</u></u>	<u><u>\$ 195,467</u></u>	<u><u>\$ 273,789</u></u>	<u><u>\$ 78,322</u></u>

CITY OF RICHFIELD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
PUBLIC SAFETY COMPLIANCE SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 14,000	\$ 25,000	\$ 4,140	\$ (20,860)
Interest earnings (loss)	500	500	2,340	1,840
Miscellaneous	7,500	21,000	55,507	34,507
Total Revenues	<u>22,000</u>	<u>46,500</u>	<u>61,987</u>	<u>15,487</u>
Expenditures				
Current				
Public safety				
Personnel services	3,750	3,000	1,567	1,433
Other services and charges	20,000	20,000	45,836	(25,836)
Total Expenditures	<u>23,750</u>	<u>23,000</u>	<u>47,403</u>	<u>(24,403)</u>
Net Change in Fund Balances	(1,750)	23,500	14,584	(8,916)
Fund Balances, January 1	<u>225,147</u>	<u>225,147</u>	<u>225,147</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 223,397</u>	<u>\$ 248,647</u>	<u>\$ 239,731</u>	<u>\$ (8,916)</u>

CITY OF RICHFIELD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
RECREATION CONTRIBUTION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 25,000	\$ -	\$ 2,267	\$ 2,267
Interest earnings (loss)	100	-	2,136	2,136
Miscellaneous	1,000	56,000	74,842	18,842
Total Revenues	<u>26,100</u>	<u>56,000</u>	<u>79,245</u>	<u>23,245</u>
Expenditures				
Current				
Recreation services				
Other services and charges	<u>20,000</u>	<u>45,000</u>	<u>81,094</u>	<u>(36,094)</u>
Net Change in Fund Balances	6,100	11,000	(1,849)	(12,849)
Fund Balances, January 1	<u>51,642</u>	<u>51,642</u>	<u>51,642</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 57,742</u></u>	<u><u>\$ 62,642</u></u>	<u><u>\$ 49,793</u></u>	<u><u>\$ (12,849)</u></u>

CITY OF RICHFIELD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
NATURE CENTER CONTRIBUTION SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ -	\$ 19,728	\$ 19,728
Interest earnings (loss)	250	-	1,935	1,935
Miscellaneous	55,000	55,000	302,408	247,408
Total Revenues	<u>55,250</u>	<u>55,000</u>	<u>324,071</u>	<u>269,071</u>
Expenditures				
Current				
Recreation services				
Other services and charges	18,780	-	47,629	(47,629)
Deficiency of Revenues				
Under Expenditures	36,470	55,000	276,442	221,442
Other Financing Sources (Uses)				
Transfers out	-	-	(233,817)	(233,817)
Net Change in Fund Balances	36,470	55,000	42,625	(12,375)
Fund Balances, January 1	<u>132,690</u>	<u>132,690</u>	<u>132,690</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 169,160</u>	<u>\$ 187,690</u>	<u>\$ 175,315</u>	<u>\$ (12,375)</u>

CITY OF RICHFIELD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
PUBLIC HEALTH GRANTS SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Intergovernmental	\$ 442,800	\$ 341,875	\$ 89,416	\$ (252,459)
Interest earnings (loss)	500	500	1,158	658
Total Revenues	<u>443,300</u>	<u>342,375</u>	<u>90,574</u>	<u>(251,801)</u>
Expenditures				
Current				
Public safety				
Other services and charges	<u>134,410</u>	<u>177,835</u>	<u>91,370</u>	<u>86,465</u>
Net Change in Fund Balances	308,890	164,540	(796)	(165,336)
Fund Balances, January 1	<u>122,888</u>	<u>122,888</u>	<u>122,888</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 431,778</u>	<u>\$ 287,428</u>	<u>\$ 122,092</u>	<u>\$ (165,336)</u>

CITY OF RICHFIELD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
WOOD LAKE HALF MARATHON SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest earnings (loss)	\$ 50	\$ -	\$ 835	\$ 835
Miscellaneous	69,000	67,000	76,283	9,283
Total Revenues	<u>69,050</u>	<u>67,000</u>	<u>77,118</u>	<u>10,118</u>
Expenditures				
Current				
Recreation services				
Personnel services	30,000	30,000	30,000	-
Other services and charges	32,000	30,000	30,028	(28)
Total Expenditures	<u>62,000</u>	<u>60,000</u>	<u>60,028</u>	<u>(28)</u>
Net Change in Fund Balances	7,050	7,000	17,090	10,090
Fund Balances, January 1	<u>54,402</u>	<u>54,402</u>	<u>54,402</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 61,452</u>	<u>\$ 61,402</u>	<u>\$ 71,492</u>	<u>\$ 10,090</u>

CITY OF RICHFIELD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
UTILITY FRANCHISE FEES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes	\$ 1,850,000	\$ 1,898,000	\$ 1,923,654	\$ 25,654
Interest earnings (loss)	6,500	6,500	16,915	10,415
Total Revenues	<u>1,856,500</u>	<u>1,904,500</u>	<u>1,940,569</u>	<u>36,069</u>
Expenditures				
Current				
Administrative services				
Other services and charges	45,000	45,000	18,025	26,975
Capital outlay				
Administrative services	50,000	-	-	-
Total Expenditures	<u>95,000</u>	<u>45,000</u>	<u>18,025</u>	<u>26,975</u>
Excess of Revenues Over Expenditures	1,761,500	1,859,500	1,922,544	63,044
Other Financing Uses				
Transfers out	<u>(1,746,000)</u>	<u>(1,846,000)</u>	<u>(1,845,997)</u>	<u>3</u>
Net Change in Fund Balances	15,500	13,500	76,547	63,047
Fund Balances, January 1	<u>1,516,008</u>	<u>1,516,008</u>	<u>1,516,008</u>	<u>-</u>
Fund Balances, December 31	<u><u>\$ 1,531,508</u></u>	<u><u>\$ 1,529,508</u></u>	<u><u>\$ 1,592,555</u></u>	<u><u>\$ 63,047</u></u>

CITY OF RICHFIELD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
SWIMMING POOL SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Charges for services	\$ 442,620	\$ 470,880	\$ 507,541	\$ 36,661
Miscellaneous	-	-	877	877
Total Revenues	<u>442,620</u>	<u>470,880</u>	<u>508,418</u>	<u>37,538</u>
Expenditures				
Current				
Recreation services				
Personnel services	231,000	230,800	251,664	(20,864)
Other services and charges	258,410	275,410	330,880	(55,470)
Total Expenditures	<u>489,410</u>	<u>506,210</u>	<u>582,544</u>	<u>(76,334)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(46,790)	(35,330)	(74,126)	(38,796)
Other Financing Sources				
Transfers in	<u>315,000</u>	<u>320,000</u>	<u>400,000</u>	<u>80,000</u>
Net Change in Fund Balances	268,210	284,670	325,874	41,204
Fund Balances, January 1	<u>(473,676)</u>	<u>(473,676)</u>	<u>(473,676)</u>	<u>-</u>
Fund Balances, December 31	<u>\$ (205,466)</u>	<u>\$ (189,006)</u>	<u>\$ (147,802)</u>	<u>\$ 41,204</u>

CITY OF RICHFIELD, MINNESOTA
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
SPECIAL FACILITIES SPECIAL REVENUE FUND
FOR THE YEAR ENDED DECEMBER 31, 2022

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Interest earnings (loss)	\$ 50	\$ 50	\$ 2,960	\$ 2,910
Miscellaneous	54,900	54,900	43,757	(11,143)
Total Revenues	<u>54,950</u>	<u>54,950</u>	<u>46,717</u>	<u>(8,233)</u>
Expenditures				
Current				
Recreation services				
Personnel services	10,980	10,980	10,980	-
Other services and charges	42,290	42,290	31,606	10,684
Total Expenditures	<u>53,270</u>	<u>53,270</u>	<u>42,586</u>	<u>10,684</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>1,680</u>	<u>1,680</u>	<u>4,131</u>	<u>2,451</u>
Other Financing Sources (Uses)				
Transfers in	5,000	15,000	-	(15,000)
Transfers out	-	-	-	-
Total Financing Sources (Uses)	<u>5,000</u>	<u>15,000</u>	<u>-</u>	<u>(15,000)</u>
Net Change in Fund Balances	6,680	16,680	4,131	(12,549)
Fund Balances, January 1	<u>46,408</u>	<u>46,408</u>	<u>46,408</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 53,088</u>	<u>\$ 63,088</u>	<u>\$ 50,539</u>	<u>\$ (12,549)</u>

**CITY OF RICHFIELD, MINNESOTA
GENERAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (CONTINUED ON THE FOLLOWING PAGES)
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Revenues				
Taxes				
Property taxes	\$ 19,866,602	\$ 19,866,390	\$ 16,692,391	\$ (3,173,999)
Fiscal disparities	-	-	3,359,759	3,359,759
Total taxes	19,866,602	19,866,390	20,052,150	185,760
Licenses and permits				
Business	277,788	335,000	333,309	(1,691)
Nonbusiness	934,500	934,500	1,046,664	112,164
Total licenses and permits	1,212,288	1,269,500	1,379,973	110,473
Intergovernmental				
Federal				
Other	236,590	236,590	121,014	(115,576)
State				
Local government aid	2,010,920	2,010,920	2,010,927	7
Police and fire aid	611,250	617,250	685,623	68,373
Municipal State aid	383,700	350,300	350,300	-
Community health services	177,830	177,835	177,835	-
Other	18,810	179,855	73,876	(105,979)
County	21,040	12,500	-	(12,500)
Local	1,030	500	-	(500)
Total intergovernmental	3,461,170	3,585,750	3,419,575	(166,175)
Charges for services				
General government	32,000	32,000	43,570	11,570
Deputy registrar	750,000	595,000	624,978	29,978
Public safety	27,500	25,550	34,003	8,453
Public works	320,000	318,500	317,658	(842)
Park and recreation	362,090	213,920	251,260	37,340
Nature center	79,670	87,580	108,185	20,605
Community development	571,000	571,000	590,223	19,223
Total charges for services	2,142,260	1,843,550	1,969,877	126,327
Fines and forfeitures	220,000	220,000	175,056	(44,944)
Special assessments	-	-	4,726	4,726
Interest earnings (loss)	20,000	25,000	114,044	89,044
Miscellaneous				
Refunds and reimbursements	-	-	682	682
Contributions and donations	-	-	2,550	2,550
Recovery - damage to City property	5,000	5,000	5,419	419
Rent	32,830	28,100	35,848	7,748
Other	10,000	10,000	18,718	8,718
Total miscellaneous	47,830	43,100	63,217	20,117
Total Revenues	26,970,150	26,853,290	27,178,618	325,328

**CITY OF RICHFIELD, MINNESOTA
GENERAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures				
Current				
Legislative/executive				
Mayor and City Council				
Personnel services	\$ 56,000	\$ 55,740	\$ 59,593	\$ (3,853)
Other services and charges	174,790	172,790	163,461	9,329
Total Mayor and City Council	<u>230,790</u>	<u>228,530</u>	<u>223,054</u>	<u>5,476</u>
Other agencies				
Personnel services	32,230	32,230	32,230	-
Other services and charges	72,600	72,600	72,600	-
Total other agencies	<u>104,830</u>	<u>104,830</u>	<u>104,830</u>	<u>-</u>
City manager				
Personnel services	381,430	309,018	276,017	33,001
Other services and charges	52,160	111,499	84,079	27,420
Total city manager	<u>433,590</u>	<u>420,517</u>	<u>360,096</u>	<u>60,421</u>
Legal				
Other services and charges	<u>344,090</u>	<u>314,090</u>	<u>302,601</u>	<u>11,489</u>
Total legislative/executive	<u>1,113,300</u>	<u>1,067,967</u>	<u>990,581</u>	<u>77,386</u>
Administrative services				
Administration				
Personnel services	78,560	61,701	31,990	29,711
Other services and charges	87,470	86,116	85,780	336
Total administration	<u>166,030</u>	<u>147,817</u>	<u>117,770</u>	<u>30,047</u>
Human resources				
Other services and charges	<u>72,160</u>	<u>186,032</u>	<u>204,406</u>	<u>(18,374)</u>
City clerk				
Personnel services	641,780	609,367	543,285	66,082
Other services and charges	93,110	99,101	94,468	4,633
Total city clerk	<u>734,890</u>	<u>708,468</u>	<u>637,753</u>	<u>70,715</u>
Total administrative services	<u>973,080</u>	<u>1,042,317</u>	<u>959,929</u>	<u>82,388</u>

**CITY OF RICHFIELD, MINNESOTA
GENERAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current (continued)				
Finance				
Finance				
Personnel services	\$ 280,330	\$ 71,816	\$ 49,205	\$ 22,611
Other services and charges	101,960	554,843	566,131	(11,288)
Total finance	<u>382,290</u>	<u>626,659</u>	<u>615,336</u>	<u>11,323</u>
Assessing				
Other services and charges	<u>387,470</u>	<u>389,005</u>	<u>389,915</u>	<u>(910)</u>
Total finance	<u>769,760</u>	<u>1,015,664</u>	<u>1,005,251</u>	<u>10,413</u>
Public safety				
Administrative support services				
Personnel services	564,720	532,098	500,954	31,144
Other services and charges	512,820	542,962	514,252	28,710
Total administrative support services	<u>1,077,540</u>	<u>1,075,060</u>	<u>1,015,206</u>	<u>59,854</u>
Police operations				
Personnel services	7,737,740	7,456,790	7,398,366	58,424
Other services and charges	2,075,150	2,183,900	2,004,617	179,283
Total police operations	<u>9,812,890</u>	<u>9,640,690</u>	<u>9,402,983</u>	<u>237,707</u>
Emergency services				
Personnel services	7,440	10,090	90	10,000
Other services and charges	29,050	29,520	19,014	10,506
Total emergency services	<u>36,490</u>	<u>39,610</u>	<u>19,104</u>	<u>20,506</u>
Total public safety	<u>10,926,920</u>	<u>10,755,360</u>	<u>10,437,293</u>	<u>318,067</u>
Fire				
Fire protection				
Personnel services	4,331,550	4,358,949	4,427,400	(68,451)
Other services and charges	799,180	771,782	886,955	(115,173)
Total fire protection	<u>5,130,730</u>	<u>5,130,731</u>	<u>5,314,355</u>	<u>(183,624)</u>
Community development				
Administration				
Other services and charges	<u>76,940</u>	<u>76,940</u>	<u>78,182</u>	<u>(1,242)</u>

**CITY OF RICHFIELD, MINNESOTA
GENERAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current (continued)				
Planning and zoning				
Personnel services	\$ 272,830	\$ 206,350	\$ 213,268	\$ (6,918)
Other services and charges	76,000	75,600	45,847	29,753
Total planning and zoning	348,830	281,950	259,115	22,835
Inspection				
Personnel services	1,086,880	1,005,060	1,001,457	3,603
Other services and charges	289,470	287,430	278,073	9,357
Total inspection	1,376,350	1,292,490	1,279,530	12,960
Total community development	1,802,120	1,651,380	1,616,827	34,553
Public works				
Administration				
Personnel services	155,700	154,070	155,326	(1,256)
Other services and charges	43,460	43,460	38,078	5,382
Total administration	199,160	197,530	193,404	4,126
Engineering				
Personnel services	381,550	332,530	344,482	(11,952)
Other services and charges	139,480	155,220	134,359	20,861
Total engineering	521,030	487,750	478,841	8,909
Streets				
Personnel services	1,361,850	1,315,200	1,350,383	(35,183)
Other services and charges	1,146,420	1,193,070	1,340,979	(147,909)
Total streets	2,508,270	2,508,270	2,691,362	(183,092)
Park maintenance				
Personnel services	868,910	865,750	776,051	89,699
Other services and charges	653,730	657,220	744,560	(87,340)
Total park maintenance	1,522,640	1,522,970	1,520,611	2,359
Total public works	4,751,100	4,716,520	4,884,218	(167,698)
Recreation services				
Recreation services administration				
Personnel services	288,550	309,310	300,751	8,559
Other services and charges	106,170	135,570	155,046	(19,476)
Total recreation services administration	394,720	444,880	455,797	(10,917)
Recreation programs				
Personnel services	753,370	740,270	650,843	89,427
Other services and charges	384,440	342,470	263,756	78,714
Total recreation programs	1,137,810	1,082,740	914,599	168,141

**CITY OF RICHFIELD, MINNESOTA
GENERAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL (CONTINUED)
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Budget Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
Expenditures (Continued)				
Current (continued)				
Wood Lake Nature Center				
Personnel services	\$ 484,390	\$ 467,130	\$ 484,707	\$ (17,577)
Other services and charges	134,400	155,320	130,223	25,097
Total Wood Lake Nature Center	<u>618,790</u>	<u>622,450</u>	<u>614,930</u>	<u>7,520</u>
Total recreation services	<u>2,151,320</u>	<u>2,150,070</u>	<u>1,985,326</u>	<u>164,744</u>
Total Expenditures	<u>27,618,330</u>	<u>27,530,009</u>	<u>27,193,780</u>	<u>336,229</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(648,180)</u>	<u>(676,719)</u>	<u>(15,162)</u>	<u>661,557</u>
Other Financing Sources (Uses)				
Transfers in	898,180	926,719	722,317	(204,402)
Proceeds from sale of capital assets	-	-	500	500
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(282,194)</u>	<u>(32,194)</u>
Total Other Financing Sources (Uses)	<u>648,180</u>	<u>676,719</u>	<u>440,623</u>	<u>(236,096)</u>
Net Change in Fund Balances	-	-	425,461	425,461
Fund Balances, January 1	<u>10,564,929</u>	<u>10,564,929</u>	<u>10,564,929</u>	<u>-</u>
Fund Balances, December 31	<u>\$ 10,564,929</u>	<u>\$ 10,564,929</u>	<u>\$ 10,990,390</u>	<u>\$ 425,461</u>

CITY OF RICHFIELD, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
DECEMBER 31, 2022

	Central Garage and Equipment	Information Technology	Self Insurance	Building Services	Compensated Absences	Total
Assets						
Current Assets						
Cash and temporary investments	\$ 1,765,870	\$ 558,320	\$ 5,282,941	\$ 1,118,064	\$ 2,258,780	\$ 10,983,975
Receivables						
Accrued interest	1,283	584	8,158	1,174	3,475	14,674
Accounts	100	-	69,091	-	-	69,191
Due from other governments	-	-	-	-	-	-
Advances to other funds	-	-	68,788	-	-	68,788
Prepaid items	301,842	1,906	-	1,482	-	305,230
Total Current Assets	<u>2,069,095</u>	<u>560,810</u>	<u>5,428,978</u>	<u>1,120,720</u>	<u>2,262,255</u>	<u>11,441,858</u>
Noncurrent Assets						
Advances to other funds	-	-	442,883	-	-	442,883
Capital assets						
Construction in progress	215,341	96,634	-	-	-	311,975
Buildings and equipment	10,951,740	820,189	-	442,128	-	12,214,057
Less accumulated depreciation	(7,208,415)	(765,656)	-	(363,929)	-	(8,338,000)
Total Capital Assets (Net of						
Accumulated Depreciation)	<u>3,958,666</u>	<u>151,167</u>	<u>-</u>	<u>78,199</u>	<u>-</u>	<u>4,188,032</u>
Total Noncurrent Assets	<u>3,958,666</u>	<u>151,167</u>	<u>442,883</u>	<u>78,199</u>	<u>-</u>	<u>4,630,915</u>
Total Assets	<u>6,027,761</u>	<u>711,977</u>	<u>5,871,861</u>	<u>1,198,919</u>	<u>2,262,255</u>	<u>16,072,773</u>
Deferred Outflows of Resources						
Deferred other postemployment benefits resources	1,472	7,713	-	4,223	-	13,408
Deferred pension resources	119,281	111,217	-	95,818	-	326,316
Total Deferred Outflows of Resources	<u>120,753</u>	<u>118,930</u>	<u>-</u>	<u>100,041</u>	<u>-</u>	<u>339,724</u>
Liabilities						
Current Liabilities						
Accounts and contracts payable	50,852	68,551	19,011	23,209	-	161,623
Accrued salaries payable	16,323	17,432	-	13,590	-	47,345
Due to other governments	38,684	-	14,809	-	-	53,493
Compensated absences payable - current	9,750	11,968	-	16,542	567,313	605,573
Total Current Liabilities	<u>115,609</u>	<u>97,951</u>	<u>33,820</u>	<u>53,341</u>	<u>567,313</u>	<u>868,034</u>
Noncurrent Liabilities						
Compensated absences payable	28,699	35,228	-	48,692	1,669,864	1,782,483
Claims and judgements	-	-	1,614,340	-	-	1,614,340
Net pension liability	400,544	373,464	-	321,756	-	1,095,764
Other postemployment benefits payable	3,673	19,251	-	10,541	-	33,465
Total Noncurrent Liabilities	<u>432,916</u>	<u>427,943</u>	<u>1,614,340</u>	<u>380,989</u>	<u>1,669,864</u>	<u>4,526,052</u>
Total Liabilities	<u>548,525</u>	<u>525,894</u>	<u>1,648,160</u>	<u>434,330</u>	<u>2,237,177</u>	<u>5,394,086</u>
Deferred Inflows of Resources						
Deferred other postemployment benefits resources	1,967	10,309	-	5,645	-	17,921
Deferred pension resources	7,711	7,190	-	6,194	-	21,095
Total Deferred Inflows of Resources	<u>9,678</u>	<u>17,499</u>	<u>-</u>	<u>11,839</u>	<u>-</u>	<u>39,016</u>
Net Position						
Net investment in capital assets	3,958,666	151,167	-	78,199	-	4,188,032
Unrestricted	1,631,645	136,347	4,223,701	774,592	25,078	6,791,363
Total Net Position	<u>\$ 5,590,311</u>	<u>\$ 287,514</u>	<u>\$ 4,223,701</u>	<u>\$ 852,791</u>	<u>\$ 25,078</u>	<u>\$ 10,979,395</u>

**CITY OF RICHFIELD, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Central Garage and Equipment	Information Technology	Self Insurance	Building Services	Compensated Absences	Total
Operating Revenues						
Charges for services	\$ 1,448,860	\$ 1,106,565	\$ 1,216,998	\$ 982,801	\$ -	\$ 4,755,224
Operating Expenses						
Personnel services	507,325	431,518	500,981	441,260	-	1,881,084
Other services and charges	971,463	730,415	1,067,151	591,134	-	3,360,163
Depreciation	938,216	35,924	-	27,956	-	1,002,096
Total Operating Expenses	<u>2,417,004</u>	<u>1,197,857</u>	<u>1,568,132</u>	<u>1,060,350</u>	<u>-</u>	<u>6,243,343</u>
Operating Income (Loss)	<u>(968,144)</u>	<u>(91,292)</u>	<u>(351,134)</u>	<u>(77,549)</u>	<u>-</u>	<u>(1,488,119)</u>
Nonoperating Revenues						
Interest earnings (loss)	7,714	3,837	64,563	7,718	22,830	106,662
Miscellaneous revenues	539	-	-	-	-	539
Gain on sale of capital assets	26,125	-	-	-	-	26,125
Total Nonoperating Revenues	<u>34,378</u>	<u>3,837</u>	<u>64,563</u>	<u>7,718</u>	<u>22,830</u>	<u>133,326</u>
Income (Loss) Before Transfers and Contributions	<u>(933,766)</u>	<u>(87,455)</u>	<u>(286,571)</u>	<u>(69,831)</u>	<u>22,830</u>	<u>(1,354,793)</u>
Transfers In	880,000	185,000	56,500	-	-	1,121,500
Transfers Out	<u>-</u>	<u>-</u>	<u>(56,500)</u>	<u>-</u>	<u>-</u>	<u>(56,500)</u>
Change in Net Position	<u>(53,766)</u>	<u>97,545</u>	<u>(286,571)</u>	<u>(69,831)</u>	<u>22,830</u>	<u>(289,793)</u>
Net Position, January 1	<u>5,644,077</u>	<u>189,969</u>	<u>4,510,272</u>	<u>922,622</u>	<u>2,248</u>	<u>11,269,188</u>
Net Position, December 31	<u>\$ 5,590,311</u>	<u>\$ 287,514</u>	<u>\$ 4,223,701</u>	<u>\$ 852,791</u>	<u>\$ 25,078</u>	<u>\$ 10,979,395</u>

**CITY OF RICHFIELD, MINNESOTA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	Central Garage and Equipment	Information Technology	Self Insurance	Building Services	Compensated Absences	Total
Cash Flows from Operating Activities						
Receipts from customers and users	\$ 1,486,078	\$ 1,106,642	\$ 1,147,907	\$ 991,123	\$ -	\$ 4,731,750
Other operating receipts	539	-	-	-	-	539
Payments to suppliers	(1,248,594)	(670,778)	(555,954)	(598,373)	-	(3,073,699)
Payments to employees	(466,053)	(463,918)	(500,981)	(406,947)	75,973	(1,761,926)
Net Cash Provided (Used) by Operating Activities	(228,030)	(28,054)	90,972	(14,197)	75,973	(103,336)
Cash Flows from Noncapital Financing Activities						
Receipts on interfund balances	-	-	67,426	-	-	67,426
Transfers from other funds	880,000	185,000	56,500	-	-	1,121,500
Transfers to other funds	-	-	(56,500)	-	-	(56,500)
Net Cash Provided (Used) by Noncapital Financing Activities	880,000	185,000	67,426	-	-	1,132,426
Cash Flows from Capital and Related Financing Activities						
Acquisition of capital assets	(624,199)	(96,634)	-	-	-	(720,833)
Proceeds from sale of capital assets	26,125	-	-	-	-	26,125
Net Cash Provided (Used) by and Related Financing Activities	(598,074)	(96,634)	-	-	-	(694,708)
Cash Flows from Investing Activities						
Investment receipts	8,022	3,951	66,553	7,981	23,922	110,429
Net Increase (Decrease) in Cash and Cash Equivalents	61,918	64,263	224,951	(6,216)	99,895	444,811
Cash and Cash Equivalents, January 1	1,703,952	494,057	5,057,990	1,124,280	2,158,885	10,539,164
Cash and Cash Equivalents, December 31	\$ 1,765,870	\$ 558,320	\$ 5,282,941	\$ 1,118,064	\$ 2,258,780	\$ 10,983,975
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	\$ (968,144)	\$ (91,292)	\$ (351,134)	\$ (77,549)	\$ -	\$ (1,488,119)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities						
Depreciation	938,216	35,924	-	27,956	-	1,002,096
Other income related to operations	539	-	-	-	-	539
(Increase) decrease in assets/deferred outflows of resources						
Accounts receivable	37,057	77	(69,091)	-	-	(31,957)
Due from other governments	161	-	-	8,322	-	8,483
Prepaid items	(290,178)	(610)	-	2,961	-	(287,827)
Deferred OPEB resources	2,134	(3,795)	-	(1,881)	-	(3,542)
Deferred pension resources	13,061	56,947	-	22,902	-	92,910
Increase (decrease) in liabilities/deferred inflows of resources						
Accounts payable	633	60,247	4,957	(10,200)	-	55,637
Accrued salaries payable	916	(1,226)	-	679	-	369
Due to other governments	12,414	-	5,544	-	-	17,958
Compensated absences payable	(2,218)	(9,339)	-	7,224	75,973	71,640
Claims and judgements	-	-	500,696	-	-	500,696
Net pension liability	216,571	139,693	-	156,720	-	512,984
Other postemployment benefits payable	(18,718)	(5,079)	-	(4,002)	-	(27,799)
Deferred OPEB resources	(7,887)	(397)	-	(754)	-	(9,038)
Deferred pension resources	(162,587)	(209,204)	-	(146,575)	-	(518,366)
Net Cash Provided (Used) by Operating Activities	\$ (228,030)	\$ (28,054)	\$ 90,972	\$ (14,197)	\$ 75,973	\$ (103,336)

**CITY OF RICHFIELD, MINNESOTA
SUMMARY FINANCIAL REPORT
GOVERNMENTAL FUNDS
REVENUES AND EXPENDITURES FOR GENERAL OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021**

	Total		Percent Increase (Decrease)
	2022	2021	
Revenues			
Taxes	\$ 26,791,748	\$ 25,550,272	4.86 %
Licenses and permits	1,379,973	1,695,431	(18.61)
Intergovernmental	17,291,129	10,896,992	58.68
Charges for services	3,572,411	3,383,966	5.57
Fines and forfeits	266,793	230,966	15.51
Special assessments	146,248	159,089	(8.07)
Investment earnings	474,176	27,564	1,620.27
Miscellaneous	1,388,855	969,270	43.29
	<u>\$ 51,311,333</u>	<u>\$ 42,913,550</u>	
Total Revenues			19.57 %
Per Capita	\$ 1,404	\$ 1,160	21.05 %
Expenditures			
Current			
General government	\$ 3,736,372	\$ 2,995,213	24.74 %
Public safety	15,946,189	15,587,368	2.30
Public works	4,999,152	12,153,261	(58.87)
Culture and recreation	4,151,016	3,773,805	10.00
Community development	1,616,827	1,796,086	(9.98)
Capital outlay			
General government	-	30,001	(100.00)
Public works	18,411,027	136,317	13,406.04
Culture and recreation	244,641	1,170,075	(79.09)
Debt service			
Principal	3,760,000	3,560,000	5.62
Interest and other charges	1,360,676	1,497,299	(9.12)
Bond issuance costs	110,227	-	N/A
	<u>\$ 54,336,127</u>	<u>\$ 42,699,425</u>	
Total Expenditures			27.25 %
Per Capita	\$ 1,487	\$ 1,154	28.82 %
Total Long-term Indebtedness	\$ 51,908,779	\$ 50,034,352	3.75 %
Per Capita	1,420	1,353	5.03
General Fund Balance - December 31	\$ 10,990,390	\$ 10,564,929	4.03 %
Per Capita	301	286	5.31

The purpose of this report is to provide a summary of financial information concerning the City of Richfield to interested citizens. The complete financial statements may be examined at City Hall, 6700 Portland Avenue, Richfield, MN 55423. Questions about this report should be directed to the Finance Department at (612) 861-9700.

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SUPPLEMENTARY FINANCIAL INFORMATION

CITY OF RICHFIELD
RICHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

**HOUSING AND REDEVELOPMENT AUTHORITY
OF RICHFIELD, MINNESOTA
COMBINED BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2022**

	General	Special Revenue	Capital Projects	Total
Assets				
Cash and temporary investments	\$ 2,057,346	\$ 2,817,208	\$ 11,255,571	\$ 16,130,125
Receivables				
Accrued interest	2,589	5,544	16,316	24,449
Taxes	5,697	-	-	5,697
Accounts	604	2,240	-	2,844
Due from other governments	2,728	40,087	268,971	311,786
Due from other funds	177,088	-	1,633,913	1,811,001
Long term second mortgage receivable	149,988	2,422,820	-	2,572,808
Allowance for uncollectible accounts	(149,988)	(2,422,820)	-	(2,572,808)
Assets held for resale	112,696	-	4,467,090	4,579,786
	<u>\$ 2,358,748</u>	<u>\$ 2,865,079</u>	<u>\$ 17,641,861</u>	<u>\$ 22,865,688</u>
Liabilities				
Accounts and contracts payable	\$ 139,778	\$ 21,745	\$ 175,151	\$ 336,674
Deposits Payables	-	-	41,933	41,933
Due to other governments	13	-	42,544	42,557
Due to other funds	-	54,821	1,756,180	1,811,001
Unearned revenue	-	20,000	-	20,000
Total Liabilities	<u>139,791</u>	<u>96,566</u>	<u>2,015,808</u>	<u>2,252,165</u>
Deferred Inflows of Resources				
Unavailable revenues - delinquent taxes	5,697	-	-	5,697
Fund Balances				
Restricted	112,696	-	4,467,090	4,579,786
Committed	-	910,736	-	910,736
Assigned	-	734,234	7,357,737	8,091,971
Unassigned	2,100,564	1,123,543	3,801,226	7,025,333
Total Fund Balances	<u>2,213,260</u>	<u>2,768,513</u>	<u>15,626,053</u>	<u>20,607,826</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,358,748</u>	<u>\$ 2,865,079</u>	<u>\$ 17,641,861</u>	<u>\$ 22,865,688</u>
Fund balance reported above				\$ 20,607,826
Allocation to reflect consolidation on internal service fund activities related to component unit				(605,786)
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.				
Delinquent taxes				5,697
Net position of component unit activities				<u>\$ 20,007,737</u>

**HOUSING AND REDEVELOPMENT AUTHORITY
OF RICHFIELD, MINNESOTA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2022**

	General	Special Revenue	Capital Projects	Total
Revenues				
Tax increments	\$ -	\$ -	\$ 6,305,705	\$ 6,305,705
Taxes	647,955	-	-	647,955
Intergovernmental	-	1,869,428	477,636	2,347,064
Interest earnings (loss)	71,611	30,959	107,207	209,777
Miscellaneous	31,148	60,238	1,765	93,151
Total Revenues	<u>750,714</u>	<u>1,960,625</u>	<u>6,892,313</u>	<u>9,603,652</u>
Expenditures				
Current				
General government				
Personal services	252,297	208,911	260,298	721,506
Other services and charges	199,750	1,996,867	258,374	2,454,991
Capital outlay				
General government	-	-	736,331	736,331
Debt service				
Principal	-	-	790,000	790,000
Interest and other	-	-	3,330,061	3,330,061
Total Expenditures	<u>452,047</u>	<u>2,205,778</u>	<u>5,375,064</u>	<u>8,032,889</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>298,667</u>	<u>(245,153)</u>	<u>1,517,249</u>	<u>1,570,763</u>
Other Financing Sources (Uses)				
Transfers in	-	844,219	5,268,285	6,112,504
Transfers out	<u>(12,236)</u>	<u>(85,000)</u>	<u>(6,015,268)</u>	<u>(6,112,504)</u>
Total Other Financing Sources (Uses)	<u>(12,236)</u>	<u>759,219</u>	<u>(746,983)</u>	<u>-</u>
Net Change in Fund Balances	286,431	514,066	770,266	1,570,763
Fund Balances, January 1	<u>1,926,829</u>	<u>2,254,447</u>	<u>14,855,787</u>	
Fund Balances, December 31	<u>\$ 2,213,260</u>	<u>\$ 2,768,513</u>	<u>\$ 15,626,053</u>	
Adjustment to reflect the consolidation of internal service fund activities related to component unit				(37,914)
Adjustment to reflect the change in other long-term assets not available to pay current period expenditures				<u>(273)</u>
Change in net position of component unit activities				<u>\$ 1,532,576</u>

**HOUSING AND REDEVELOPMENT AUTHORITY - HOUSING CHOICE VOUCHERS
OF RICHFIELD, MINNESOTA
FINANCIAL DATA SCHEDULES
BALANCE SHEET
DECEMBER 31, 2022**

Assets		
111	Cash - unrestricted	\$ 143,078
122	Accounts receivable - HUD	4,877
124	Accounts receivable - other governments	15,210
128	Fraud recovery	15,288
128.1	Allowance for doubtful accounts - fraud	(13,000)
129	Accrued interest receivable	<u>284</u>
290	Total Assets	<u><u>\$ 165,737</u></u>
Liabilities		
312	Accounts payable <= 90 days	\$ 100
347	Inter Program - Due To	<u>54,821</u>
	Total Liabilities	<u><u>54,921</u></u>
Net Position		
512.4	Unrestricted	<u>110,816</u>
513	Total Net Position	<u><u>110,816</u></u>
600	Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 165,737</u></u>

**HOUSING AND REDEVELOPMENT AUTHORITY - HOUSING CHOICE VOUCHERS
OF RICHFIELD, MINNESOTA
FINANCIAL DATA SCHEDULES
INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2022**

Revenues		
70600	HUD PHA operating grants	\$ 1,789,359
71100	Investment income - unrestricted	1,866
71500	Other revenue	736,474
70000	Total Revenues	<u>2,527,699</u>
Expenditures		
Administrative expenses		
91100	Administrative salaries	208,911
91400	Advertising and marketing	339
91600	Office expenses	19,454
91900	Other	18,162
91000	Total administrative expenses	<u>246,866</u>
General expenses		
96200	Other general expenses	38,674
96900	Total Expenditures	<u>285,540</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures		<u>2,242,159</u>
Other Expenses		
97300	Housing assistance payments	1,583,345
97350	HAP Portability-in	655,202
90000	Total Other Expenses	<u>2,238,547</u>
Net Increase (Decrease) in Net Position		3,612
Net Position, January 1		<u>107,204</u>
Net Position, December 31		<u>\$ 110,816</u>
Memo account information		
11170	Administrative fee equity	<u>\$ 96,987</u>
Total net position		<u>\$ 96,987</u>
11190	Unit months available	2,772
11210	Number of unit months leased	2,269

Notes: Financial Data Schedules - U.S. Department of Housing and Urban Development

The City has presented the financial data schedules for its Housing and Redevelopment Authority. These schedules are presented on a modified accrual basis of accounting. The information in these schedules is presented in accordance with the U.S. Department of Housing and Urban Development, Office of Public Housing (HUD) and Indian Housing, Real Estate Assessment Center and the Financial Assessment Subsystem - Public Housing (FASS-PH). Accordingly, some of the amounts presented in these schedules may differ from the amounts presented in, or used in the preparation of, the City's basic financial statements.

**ECONOMIC DEVELOPMENT AUTHORITY
OF RICHFIELD, MINNESOTA
BALANCE SHEET
GENERAL FUND
DECEMBER 31, 2022**

Assets	
Cash and temporary investments	\$ 1,061,678
Receivables	
Accrued interest	1,345
Taxes	5,800
Due from other governments	2,420
Deferred loan receivable	824,000
Allowance for uncollectible accounts	<u>(824,000)</u>
Total Assets	<u><u>\$ 1,071,243</u></u>
Liabilities	
Accounts and contracts payable	71,205
Deferred Inflows of Resources	
Unavailable revenues - delinquent taxes	5,800
Fund Balances	
Unassigned	<u>994,238</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 1,071,243</u></u>
Fund balance reported above	\$ 994,238
Some receivables are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
Delinquent taxes	<u>5,800</u>
Net position of component unit activities	<u><u>\$ 1,000,038</u></u>

**ECONOMIC DEVELOPMENT AUTHORITY
OF RICHFIELD, MINNESOTA
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GENERAL FUND
FOR THE YEAR ENDED DECEMBER 31, 2022**

Revenues	
Taxes	\$ 554,750
Interest earnings (loss)	8,837
Miscellaneous	2,779
Total Revenues	<u>566,366</u>
Expenditures	
Current	
General government	
Personal services	62,202
Other services and charges	302,384
Total Expenditures	<u>364,586</u>
Net Change in Fund Balances	201,780
Fund Balances, January 1	<u>792,458</u>
Fund Balances, December 31	<u>\$ 994,238</u>
Adjustment to reflect the change in other long-term assets not available to pay current period expenditures	<u>120</u>
Change in net position of component unit activities	<u>\$ 201,900</u>

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STATISTICAL SECTION (UNAUDITED)

CITY OF RICHFIELD
RICHFIELD, MINNESOTA

FOR THE YEAR ENDED
DECEMBER 31, 2022

**CITY OF RICHFIELD, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2013	2014	2015	2016
Governmental Activities				
Net investment in capital assets	\$ 48,633,166	\$ 53,868,489	\$ 53,489,119	\$ 51,478,014
Restricted	2,824,310	3,625,019	6,159,180	3,093,111
Unrestricted	20,321,278	17,269,452	5,339,294	(428,034)
Total Governmental Activities Net Position	<u>\$ 71,778,754</u>	<u>\$ 74,762,960</u>	<u>\$ 64,987,593</u>	<u>\$ 54,143,091</u>
Business-type Activities				
Net investment in capital assets	\$ 19,212,879	\$ 14,105,007	\$ 14,610,034	\$ 16,757,963
Restricted	272,507	-	-	-
Unrestricted	3,890,596	9,019,091	2,723,163	2,429,606
Total Business-type Activities Net Position	<u>\$ 23,375,982</u>	<u>\$ 23,124,098</u>	<u>\$ 17,333,197</u>	<u>\$ 19,187,569</u>
Total Primary Government				
Net investment in capital assets	\$ 67,846,045	\$ 67,973,496	\$ 68,099,153	\$ 68,235,977
Restricted	3,096,817	3,625,019	6,159,180	3,093,111
Unrestricted	24,211,874	26,288,543	8,062,457	2,001,572
Total Primary Government Net Position	<u>\$ 95,154,736</u>	<u>\$ 97,887,058</u>	<u>\$ 82,320,790</u>	<u>\$ 73,330,660</u>

TABLE 1

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 46,432,821	\$ 44,695,707	\$ 46,258,802	\$ 46,316,911	\$ 51,429,664	\$ 64,217,643
3,388,199	6,336,024	5,933,995	7,253,345	16,485,325	3,964,804
(4,174,406)	(8,092,783)	(16,378,793)	(8,288,323)	(3,540,422)	411,109
<u>\$ 45,646,614</u>	<u>\$ 42,938,948</u>	<u>\$ 35,814,004</u>	<u>\$ 45,281,933</u>	<u>\$ 64,374,567</u>	<u>\$ 68,593,556</u>
\$ 19,656,557	\$ 23,309,355	\$ 20,657,979	\$ 20,657,979	\$ 21,303,212	\$ 21,550,313
-	-	-	-	-	-
4,155,490	4,418,358	5,970,660	5,970,660	6,361,197	8,177,018
<u>\$ 23,812,047</u>	<u>\$ 27,727,713</u>	<u>\$ 26,628,639</u>	<u>\$ 26,628,639</u>	<u>\$ 27,664,409</u>	<u>\$ 29,727,331</u>
\$ 60,155,878	\$ 59,206,662	\$ 58,559,804	\$ 58,758,640	\$ 64,876,476	\$ 78,279,906
3,388,199	6,336,024	5,933,995	7,253,345	16,485,325	3,964,804
5,914,584	5,123,975	(3,108,970)	5,898,587	10,677,175	16,076,177
<u>\$ 69,458,661</u>	<u>\$ 70,666,661</u>	<u>\$ 61,384,829</u>	<u>\$ 71,910,572</u>	<u>\$ 92,038,976</u>	<u>\$ 98,320,887</u>

CITY OF RICHFIELD, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
CHANGES IN NET POSITION (CONTINUED ON THE FOLLOWING PAGES)
LAST TEN FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2013	2014	2015	2016
Expenses				
Governmental activities				
General government	\$ 3,042,891	\$ 3,102,253	\$ 3,112,271	\$ 3,503,975
Public safety	11,735,025	11,767,776	12,512,132	16,846,901
Community development	1,322,175	1,360,558	1,390,908	1,489,202
Public works	9,545,980	9,647,341	15,932,128	16,161,254
Culture and recreation	2,154,180	3,882,319	3,973,233	4,244,085
Interest on long-term debt	1,196,968	1,220,893	1,118,400	1,786,750
Total Governmental Activities Expenses	<u>28,997,219</u>	<u>30,981,140</u>	<u>38,039,072</u>	<u>44,032,167</u>
Business-type activities				
Liquor	10,308,021	10,639,175	10,246,033	10,018,719
Water and sewer utility	7,217,814	7,271,227	7,503,496	8,067,365
Storm sewer utility	1,260,211	1,220,584	1,263,819	1,462,684
Recreation fund	1,745,104	-	-	-
Total Business-type Activities Expenses	<u>20,531,150</u>	<u>19,130,986</u>	<u>19,013,348</u>	<u>19,548,768</u>
Total Primary Government Expenses	<u>\$ 49,528,369</u>	<u>\$ 50,112,126</u>	<u>\$ 57,052,420</u>	<u>\$ 63,580,935</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 545,092	\$ 672,182	\$ 795,899	\$ 830,145
Public safety	834,563	863,073	842,342	658,591
Community development	985,884	1,305,144	1,146,164	1,383,804
Public works	309,848	308,784	307,611	309,235
Culture and recreation	419,164	1,608,943	1,721,646	1,751,634
Operating grants and contributions	1,295,566	1,449,484	1,305,392	1,434,327
Capital grants and contributions	2,585,689	3,065,904	6,134,825	4,733,815
Total Governmental Activities Program Revenues	<u>6,975,806</u>	<u>9,273,514</u>	<u>12,253,879</u>	<u>11,101,551</u>
Business-type activities				
Charges for services				
Liquor	11,137,402	11,500,417	10,859,642	10,457,318
Water and sewer utility	7,008,087	7,222,179	7,314,887	7,647,683
Storm sewer utility	1,117,761	1,204,476	1,181,739	1,352,699
Recreation fund	1,120,189	-	-	-
Operating grants and contributions	-	-	-	-
Capital grants and contributions	-	-	200,000	-
Total Business-type Activities Program Revenues	<u>20,383,439</u>	<u>19,927,072</u>	<u>19,556,268</u>	<u>19,457,700</u>
Total Primary Government Program Revenues	<u>\$ 27,359,245</u>	<u>\$ 29,200,586</u>	<u>\$ 31,810,147</u>	<u>\$ 30,559,251</u>

TABLE 2

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 3,261,312	\$ 3,205,714	\$ 3,365,461	\$ 3,443,118	\$ 3,591,071	\$ 4,535,832
13,706,386	12,958,838	14,234,972	14,767,550	14,455,290	17,406,811
1,364,675	1,552,826	1,676,267	1,601,218	1,730,362	1,758,662
15,028,590	13,039,259	21,901,131	11,146,122	8,969,332	9,179,955
4,142,433	4,308,628	4,196,419	3,426,087	4,666,522	5,308,282
1,751,627	1,563,101	1,449,654	1,487,038	1,317,337	1,380,404
<u>39,255,023</u>	<u>36,628,366</u>	<u>46,823,904</u>	<u>35,871,133</u>	<u>34,729,914</u>	<u>39,569,946</u>
10,729,098	10,824,828	11,904,943	12,384,877	12,979,538	13,299,880
7,957,436	8,262,064	8,330,939	8,272,505	8,380,422	9,343,582
1,623,854	1,720,653	1,924,222	2,057,741	2,043,408	2,129,905
-	-	-	-	-	-
<u>20,310,388</u>	<u>20,807,545</u>	<u>22,160,104</u>	<u>22,715,123</u>	<u>23,403,368</u>	<u>24,773,367</u>
<u>\$ 59,565,411</u>	<u>\$ 57,435,911</u>	<u>\$ 68,984,008</u>	<u>\$ 58,586,256</u>	<u>\$ 58,133,282</u>	<u>\$ 64,343,313</u>
\$ 762,824	\$ 793,277	\$ 893,750	\$ 590,246	\$ 951,034	\$ 1,027,491
735,790	754,699	780,881	535,792	500,678	675,771
1,289,746	1,696,677	2,204,262	2,137,248	2,137,779	1,619,026
309,361	317,813	305,451	237,698	338,892	324,499
1,694,849	1,868,941	1,831,136	605,969	1,927,900	2,123,558
1,463,533	1,463,533	1,562,337	4,238,000	1,456,035	1,614,601
3,590,702	3,590,702	4,159,314	8,163,705	17,781,877	7,027,935
<u>9,846,805</u>	<u>10,485,642</u>	<u>11,737,131</u>	<u>16,508,658</u>	<u>25,094,195</u>	<u>14,412,881</u>
11,351,640	11,561,557	12,678,003	13,262,924	13,927,926	14,209,724
8,023,101	8,648,729	8,826,120	8,716,310	9,227,632	9,892,777
1,495,191	1,768,394	1,828,180	2,047,290	2,043,821	2,154,934
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>20,869,932</u>	<u>21,978,680</u>	<u>23,332,303</u>	<u>24,026,524</u>	<u>25,199,379</u>	<u>26,257,435</u>
<u>\$ 30,716,737</u>	<u>\$ 32,464,322</u>	<u>\$ 35,069,434</u>	<u>\$ 40,535,182</u>	<u>\$ 50,293,574</u>	<u>\$ 40,670,316</u>

CITY OF RICHFIELD, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
CHANGES IN NET POSITION (CONTINUED ON THE FOLLOWING PAGES)
CHANGES IN NET POSITION (CONTINUED)
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2013	2014	2015	2016
Net Revenues (Expenses)				
Governmental activities	\$ (22,021,413)	\$ (21,707,626)	\$ (25,755,193)	\$ (32,930,616)
Business-type activities	(147,711)	796,086	542,920	(91,068)
Total Primary Government Net Revenues (Expenses)	<u>\$ (22,169,124)</u>	<u>\$ (20,911,540)</u>	<u>\$ (25,212,273)</u>	<u>\$ (33,021,684)</u>
General Revenues and Other Changes in Net Position				
Governmental activities				
Taxes				
Property taxes	\$ 17,985,988	\$ 18,613,321	\$ 18,388,710	\$ 18,398,414
Franchise taxes	1,304,716	1,973,751	2,230,602	2,260,122
Grants and contributions not restricted to specific programs	1,223,981	1,937,907	2,054,379	2,084,057
Other general revenues	710,988	809,564	1,069,172	940,123
Transfers	661,300	866,460	1,009,749	(1,596,613)
Total Governmental Activities	<u>21,886,973</u>	<u>24,201,003</u>	<u>24,752,612</u>	<u>22,086,103</u>
Business-type activities				
Other general revenues	481,633	309,319	335,616	348,827
Transfers	(661,300)	(866,460)	(1,009,749)	1,596,613
Special item	-	-	-	-
Total Business-type Activities	<u>(179,667)</u>	<u>(557,141)</u>	<u>(674,133)</u>	<u>1,945,440</u>
Total Primary Government	<u>\$ 21,707,306</u>	<u>\$ 23,643,862</u>	<u>\$ 24,078,479</u>	<u>\$ 24,031,543</u>
Change in Net Position				
Governmental activities	\$ (134,440)	\$ 2,493,377	\$ (1,002,581)	\$ (10,844,502)
Business-type activities	(327,378)	238,945	(131,213)	1,854,372
Total Primary Government	<u>\$ (461,818)</u>	<u>\$ 2,732,322</u>	<u>\$ (1,133,794)</u>	<u>\$ (8,990,130)</u>

TABLE 2

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ (29,789,259)	\$ (26,142,724)	\$ (35,086,773)	\$ (19,272,475)	\$ (9,635,719)	\$ (25,157,065)
559,544	1,171,135	1,172,199	1,311,401	1,796,011	1,484,068
<u>\$ (29,229,715)</u>	<u>\$ (24,971,589)</u>	<u>\$ (33,914,574)</u>	<u>\$ (17,961,074)</u>	<u>\$ (7,839,708)</u>	<u>\$ (23,672,997)</u>
\$ 19,075,553	\$ 20,019,144	\$ 20,887,161	\$ 22,183,130	\$ 23,336,637	\$ 24,553,760
2,264,759	224,216	2,241,396	2,235,139	2,242,186	2,242,820
2,094,443	2,229,280	2,235,643	2,366,046	2,104,750	2,334,669
1,573,837	1,772,578	2,057,553	1,187,879	217,010	692,988
(3,715,810)	(2,727,229)	308,930	768,210	827,770	(448,183)
<u>21,292,782</u>	<u>21,517,989</u>	<u>27,730,683</u>	<u>28,740,404</u>	<u>28,728,353</u>	<u>29,376,054</u>
349,124	434,240	502,377	514,623	67,529	130,671
3,715,810	2,727,229	(308,930)	(768,210)	(827,770)	448,183
-	(93,263)	(335,943)	-	-	-
<u>4,064,934</u>	<u>3,068,206</u>	<u>(142,496)</u>	<u>(253,587)</u>	<u>(760,241)</u>	<u>578,854</u>
<u>\$ 25,357,716</u>	<u>\$ 24,586,195</u>	<u>\$ 27,588,187</u>	<u>\$ 28,486,817</u>	<u>\$ 27,968,112</u>	<u>\$ 29,954,908</u>
\$ (8,496,477)	\$ (2,606,735)	\$ (7,356,090)	\$ 9,467,929	\$ 19,092,634	\$ 4,218,989
4,624,478	4,239,341	1,029,703	1,057,814	1,035,770	2,062,922
<u>\$ (3,871,999)</u>	<u>\$ 1,632,606</u>	<u>\$ (6,326,387)</u>	<u>\$ 10,525,743</u>	<u>\$ 20,128,404</u>	<u>\$ 6,281,911</u>

**CITY OF RICHFIELD, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)**

	Fiscal Year			
	2013	2014	2015	2016
General Fund				
Nonspendable	\$ 4,399	\$ 57,292	\$ 3,667	\$ 15,799
Restricted	76,800	22,000	-	-
Unassigned	8,029,014	9,111,824	9,922,952	9,600,129
Total General Fund	<u>\$ 8,110,213</u>	<u>\$ 9,191,116</u>	<u>\$ 9,926,619</u>	<u>\$ 9,615,928</u>
All Other Governmental Funds				
Nonspendable	\$ 19,644	\$ 21,450	\$ 7,203	\$ 2,887
Restricted	3,088,157	4,137,256	10,128,899	18,332,804
Committed	1,038,100	1,023,281	955,348	720,397
Assigned	13,113,187	13,249,048	14,066,297	13,408,861
Unassigned	<u>(3,246,835)</u>	<u>(2,727,214)</u>	<u>(1,949,474)</u>	<u>(1,847,409)</u>
Total All Other Governmental Funds	<u>\$ 14,012,253</u>	<u>\$ 15,703,821</u>	<u>\$ 23,208,273</u>	<u>\$ 30,617,540</u>

TABLE 3

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 141,195	\$ 12,679	\$ 177,753	\$ 28,365	\$ 47,489	\$ 66,984
-	-	-	16,118	-	-
10,038,550	10,520,461	11,313,120	12,870,165	10,517,440	10,923,406
<u>\$ 10,179,745</u>	<u>\$ 10,533,140</u>	<u>\$ 11,490,873</u>	<u>\$ 12,914,648</u>	<u>\$ 10,564,929</u>	<u>\$ 10,990,390</u>
\$ 17,761	\$ 105,287	\$ 15,236	\$ 1,485	\$ 1,111	\$ 2,754
20,275,918	16,286,001	10,642,272	8,785,571	3,090,932	2,121,557
738,817	1,790,562	2,836,946	4,078,939	13,661,056	14,448,057
17,069,166	22,069,612	21,371,523	24,710,670	5,518,491	5,839,195
(3,741,559)	(6,573,705)	(4,101,728)	(1,749,993)	(3,798,986)	(3,141,170)
<u>\$ 34,360,103</u>	<u>\$ 33,677,757</u>	<u>\$ 30,764,249</u>	<u>\$ 35,826,672</u>	<u>\$ 18,472,604</u>	<u>\$ 19,270,393</u>

CITY OF RICHFIELD, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year			
	2013	2014	2015	2016
Revenues				
Taxes	\$ 18,116,437	\$ 18,370,724	\$ 18,407,060	\$ 18,357,209
Franchise taxes	1,304,716	1,973,751	2,230,602	2,260,122
Special assessments	295,384	975,724	222,667	194,607
Fines and forfeitures	467,095	493,947	442,278	279,437
License and permits	938,455	1,030,746	985,367	1,124,025
Intergovernmental	4,903,648	5,486,032	9,272,706	7,971,353
Charges for services	1,689,001	3,233,433	3,386,017	3,529,947
Interest earnings (loss)	35,355	62,931	56,206	157,444
Miscellaneous	638,488	726,303	980,395	719,430
Total Revenues	<u>28,388,579</u>	<u>32,353,591</u>	<u>35,983,298</u>	<u>34,593,574</u>
Expenditures				
Current				
General government	2,207,715	2,478,487	2,523,323	2,602,322
Public safety	11,724,644	11,322,841	11,781,433	12,367,364
Community development	1,215,361	1,297,986	1,337,103	1,330,766
Public works	7,244,947	7,424,484	13,814,201	13,457,283
Recreation services	1,795,561	3,207,929	3,282,355	3,382,122
Capital outlay	1,983,513	2,344,400	2,363,164	2,951,196
Debt service				
Principal	1,830,000	2,760,000	2,565,000	2,125,000
Interest and other charges	1,230,904	1,257,263	1,271,643	1,563,351
Bond issuance costs	-	-	-	-
Total Expenditures	<u>29,232,645</u>	<u>32,093,390</u>	<u>38,938,222</u>	<u>39,779,404</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(844,066)</u>	<u>260,201</u>	<u>(2,954,924)</u>	<u>(5,185,830)</u>
Other Financing Sources (Uses)				
Bond proceeds	3,120,000	-	9,100,000	11,215,000
Premium on bonds issued	76,365	-	278,526	516,582
Sale of capital assets	6,804	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Transfers in	5,773,029	3,333,711	11,965,883	4,368,205
Transfers out	(5,806,099)	(3,227,251)	(11,848,134)	(4,860,995)
Total Other Financing Sources (Uses)	<u>3,170,099</u>	<u>106,460</u>	<u>9,496,275</u>	<u>11,238,792</u>
Net Change in Fund Balances	<u>\$ 2,326,033</u>	<u>\$ 366,661</u>	<u>\$ 6,541,351</u>	<u>\$ 6,052,962</u>
Debt Service as a Percentage of Noncapital Expenditures	<u>11.2%</u>	<u>13.5%</u>	<u>10.5%</u>	<u>10.0%</u>

TABLE 4

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 19,112,961	\$ 20,041,028	\$ 20,876,291	\$ 22,201,245	\$ 23,308,086	\$ 24,548,928
2,264,759	2,242,216	2,241,396	2,235,139	2,242,186	2,242,820
206,140	202,308	232,098	229,692	159,089	146,248
345,143	363,806	401,118	202,012	230,966	266,793
1,061,107	1,385,288	1,734,871	1,743,695	1,695,431	1,379,973
6,526,885	6,995,230	7,532,797	14,493,527	10,896,993	17,291,129
3,386,320	3,682,313	3,879,491	2,251,246	3,383,966	3,572,411
247,818	685,353	689,997	265,483	27,564	474,176
1,254,319	951,055	1,197,637	833,164	969,270	1,388,855
<u>34,405,452</u>	<u>36,548,597</u>	<u>38,785,696</u>	<u>44,455,203</u>	<u>42,913,551</u>	<u>51,311,333</u>
2,633,435	2,652,810	2,757,627	2,900,167	2,995,213	3,736,372
12,471,350	12,993,392	14,018,093	14,599,965	15,587,368	15,946,189
1,349,571	1,471,067	1,586,564	1,640,111	1,796,086	1,616,827
12,643,244	10,834,054	19,635,955	8,907,229	12,153,261	4,999,152
3,379,327	3,615,978	3,567,386	2,724,828	3,773,805	4,151,016
4,636,951	4,441,313	9,773,296	4,642,849	1,336,393	18,655,668
8,140,000	2,365,000	8,870,000	3,290,000	3,560,000	3,760,000
1,699,998	1,597,997	1,658,046	1,615,536	1,497,299	1,360,676
-	-	-	-	-	110,227
<u>46,953,876</u>	<u>39,971,611</u>	<u>61,866,967</u>	<u>40,320,685</u>	<u>42,699,425</u>	<u>54,336,127</u>
<u>(12,548,424)</u>	<u>(3,423,014)</u>	<u>(23,081,271)</u>	<u>4,134,518</u>	<u>214,126</u>	<u>(3,024,794)</u>
12,175,000	9,770,000	5,290,000	4,365,000	-	5,565,000
319,366	151,774	314,825	170,520	-	195,727
-	-	-	-	-	500
(2,950,000)	-	-	-	(1,385,000)	-
5,333,223	11,296,324	12,196,655	11,766,403	5,532,754	6,059,926
(6,172,033)	(11,851,404)	(12,887,725)	(12,013,193)	(5,769,984)	(7,573,109)
<u>8,705,556</u>	<u>9,366,694</u>	<u>4,913,755</u>	<u>4,288,730</u>	<u>(1,622,230)</u>	<u>4,248,044</u>
<u>\$ (3,842,868)</u>	<u>\$ 5,943,680</u>	<u>\$ (18,167,516)</u>	<u>\$ 8,423,248</u>	<u>\$ (1,408,104)</u>	<u>\$ 1,223,250</u>
<u>23.3%</u>	<u>11.1%</u>	<u>20.2%</u>	<u>13.7%</u>	<u>14.3%</u>	<u>14.2%</u>

**CITY OF RICHFIELD, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

Table 5

Fiscal Year Ended December 31,	Tax Capacity			Total Taxable Assessed Value	Estimated Actual Value	Total Direct Tax Rate
	Residential Property	Commercial Property	Industrial Property			
2013	\$ 1,934,597	\$ 507,270	\$ 7,902	\$ 2,449,769	\$ 2,672,791	65.67 %
2014	1,971,484	548,560	7,859	2,527,903	2,736,099	66.17
2015	2,061,584	577,408	12,690	2,651,682	2,854,982	61.66
2016	2,260,137	605,362	13,567	2,879,066	3,091,380	62.66
2017	2,462,327	582,035	14,300	3,058,662	3,263,103	58.41
2018	2,768,600	612,983	18,206	3,399,789	3,566,514	59.34
2019	3,027,897	637,461	16,848	3,682,206	3,838,900	54.74
2020	3,316,198	660,222	16,482	3,992,902	3,992,899	54.73
2021	3,435,888	655,139	16,678	4,107,705	4,251,546	55.50
2022	4,041,025	682,349	18,395	4,741,769	4,848,498	55.07

(1) Includes both City and Housing and Redevelopment Authority Rates.

Source: Hennepin County Finance Department

**CITY OF RICHFIELD, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 LAST TEN FISCAL YEARS**

Table 6

Fiscal Year	Direct City Rates			Overlapping Rates (1)			Total Direct & Overlapping Rates	
	General	Debt	HRA	Total City	School District	Hennepin County		Metropolitan Agencies
2013	56.770 %	7.290 %	1.600 %	65.660 %	31.010 %	49.460 %	10.090 %	156.220 %
2014	56.790	7.670	1.710	66.170	34.140	49.950	10.580	160.840
2015	53.170	6.970	1.530	61.670	26.660	46.400	9.790	144.520
2016	53.190	7.800	1.670	62.660	28.770	45.360	9.530	146.320
2017	53.180	6.670	1.560	61.410	27.050	44.090	9.320	141.870
2018	49.580	8.150	1.610	59.340	37.050	42.810	8.970	148.170
2019	45.470	7.810	1.460	54.740	33.330	41.860	8.550	138.480
2020	45.120	8.170	1.440	54.730	32.660	41.080	8.220	136.690
2021	46.150	7.930	1.420	55.500	30.520	38.210	7.810	132.040
2022	45.843	7.838	1.385	55.066	28.708	37.716	7.849	129.339

Source: Hennepin County Assessing Office

**CITY OF RICHFIELD, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
PRINCIPAL PROPERTY TAXPAYERS
CURRENT AND NINE YEARS AGO**

Table 7

Taxpayer	2022			Taxpayer	2013		
	Net Tax Capacity	Rank	Percent of Total Net Tax Capacity		Net Tax Capacity	Rank	Percent of Total Net Tax Capacity
Best Buy Company, Inc.	\$ 2,369,250	1	5.07 %	BEST BUY CO INC	\$ 2,731,160	1	9.27 %
Meridian Crossings LLC	1,256,430	2	2.69	MERIDIAN CROSSINGS LLC	1,126,550	2	3.82
JRK Investors, Inc.	1,213,088	3	2.59				-
JIW Inc.	722,410	4	1.55				-
Ryan Companies	488,530	5	1.04				-
Morries Richfield JLR RE LL	412,270	6	0.88				-
Menard, Inc.	381,170	7	0.82				-
CSM Corporation	371,270	8	0.79	CSM CORPORATION	327,390	3	1.11
ROP Investment Co., LLC	360,338	9	0.77				-
Gina Fisher	358,810	10	0.77	THE GRAMERCY CLUB CITY BI	653935	4	2.22
			-	BRIXMOR SPE 5 LLC	432,610	5	1.47
			-	CROSSROADS AT PENN LLC	364,113	6	1.24
			-	CSM SHOPS INC	343,370	7	1.16
			-	WOODLAKE-VEF IV LLC	334,250	8	1.13
			-	SILVER CREST PROPERTIES L	299,458	9	1.02
			-	TARGET CORPORATION	299,310	10	1.02
Total	\$ 7,933,566		16.97 %		\$ 6,912,146		23.45 %

**CITY OF RICHFIELD, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
PROPERTY TAX LEVIES AND COLLETIONS
LAST TEN FISCAL YEARS**

Table 8

Fiscal Year	Total Tax Levy for Fiscal Year	Collection of Current Year's Levy	Percentage of Levy Collected	Delinquent Tax Collections	Total Collections	Outstanding Delinquent Taxes	Percentage of Total Collections to Levy
2013	\$ 17,744,951	\$ 17,631,536	99.36 %	\$ -	\$ 17,631,536	\$ -	99.36 %
2014	18,012,303	17,933,454	99.56	-	17,933,454	-	99.56
2015	18,745,569	18,685,167	99.68	-	18,685,167	-	99.68
2016	19,125,557	19,001,616	99.35	6,106	19,007,722	18,632	99.38
2017	19,664,285	19,568,641	99.51	3,830	19,572,471	8,282	99.53
2018	21,083,735	20,972,448	99.47	(17,311)	20,955,137	54,099	99.39
2019	22,089,350	21,973,828	99.48	(10,745)	21,963,083	27,946	99.43
2020	23,267,441	23,178,920	99.62	1,329	23,180,249	24,784	99.63
2021	23,735,662	23,567,746	99.29	-	23,567,746	105,371	99.29
2022	25,777,379	25,636,397	99.45	48,866	25,685,264	123,753	99.64

Source: Hennepin County Assessing Office

**CITY OF RICHFIELD, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Table 9

Fiscal Year	Governmental Activities			Business-type Activities					Total Primary Government	Percentage of Personal Income	Debt Per Capita
	Redevelopment Bonds	General Obligation (G.O.) Bonds	Lease Payable	Storm Sewer Bonds	Ice Arena Bonds	Water and Sewer Bonds	Water Bonds	Sewer Bonds			
2013	\$ 8,340,000	\$ 25,785,000	\$ -	\$ 4,790,431	\$ 780,000	\$ 4,730,000	\$ 1,428,526	\$ -	\$ 45,853,957	- %	\$ 1,274
2014	7,685,000	24,460,000	-	4,557,831	-	4,475,000	1,368,326	-	42,546,157	-	1,180
2015	7,020,000	31,989,510	-	5,983,079	-	4,210,000	5,273,618	-	54,476,207	-	1,507
2016	6,340,000	42,212,887	-	7,150,861	-	-	5,194,818	-	60,898,566	-	1,666
2017	5,645,000	44,228,837	-	6,896,061	-	-	4,846,018	-	61,615,916	-	1,696
2018	4,940,000	52,399,608	-	6,516,261	-	-	4,457,218	-	68,313,087	-	1,869
2019	4,220,000	49,747,831	-	6,950,730	-	-	5,304,682	1,141,176	67,364,419	-	1,821
2020	3,475,000	51,621,351	-	8,357,825	-	-	6,132,188	1,137,976	70,724,340	-	1,912
2021	2,715,000	47,319,352	123,705	6,116,394	-	-	5,651,987	1,094,776	63,021,214	-	1,700
2022	1,925,000	49,983,779	98,827	8,786,936	-	-	6,085,480	1,560,103	68,440,125	-	1,873

Details regarding the City's outstanding debt can be found in the notes to the financial statements.

Information on personal income is not available.

**CITY OF RICHFIELD, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

Table 10

Fiscal Year	General Obligation Bonds	Redevelopment Bonds	Lease Payable	Total	Less: Amounts Available in Debt Service Fund	Net Total	Percentage of Estimated Market Value of Taxable Property (1)	Per Capita (2)
2013	\$ 25,785,000	\$ 8,340,000	\$ -	\$ 34,125,000	\$ 1,680,344	\$ 32,444,656	1.32 %	\$ 947
2014	24,460,000	7,685,000	-	32,145,000	2,388,013	29,756,987	1.18	889
2015	31,989,510	7,020,000	-	39,009,510	1,653,862	37,355,648	1.41	1,067
2016	42,212,887	6,340,000	-	48,552,887	2,192,838	46,360,049	1.61	1,336
2017	44,228,837	5,645,000	-	49,873,837	1,904,043	47,969,794	1.57	1,372
2018	52,399,608	4,940,000	-	57,339,608	2,356,747	54,982,861	1.62	1,569
2019	49,747,831	4,220,000	-	53,967,831	3,039,324	50,928,507	1.50	1,481
2020	51,621,351	3,475,000	-	55,096,351	3,440,778	51,655,573	1.52	1,489
2021	47,319,352	2,715,000	123,705	50,158,057	5,067,755	45,090,302	1.18	1,356
2022	49,983,779	1,925,000	98,827	52,007,606	709,834	51,297,772	1.07	1,423

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) See the Schedule of Assessed Value and Estimated Actual Value of Taxable Property for property value data.

(2) Population data can be found in the Schedule of Demographic and Economic Statistics.

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**CITY OF RICHFIELD, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
DECEMBER 31, 2022**

Table 11

<u>Governmental Unit</u>	<u>Debt Outstanding (1)</u>	<u>Estimated Percentage Applicable (2)</u>	<u>Estimated Share of Overlapping Debt</u>
Hennepin County	\$ 1,439,270,000	1.83 %	\$ 18,645,614
Independent School District #280, Richfield, MN	135,165,000	68.39	86,554,898
Hennepin Suburb Park District	58,975,000	2.54	1,210,333
Hennepin Regional RR Authority	86,235,000	1.83	1,564,006
Metropolitan Council	<u>1,717,186,171</u>	1.00	<u>830,594</u>
 Total Overlapping Debt	 3,436,831,171		 108,805,445
 City of Richfield	 <u>52,007,606</u>	 100.00%	 <u>520,076</u>
 Total Direct and Overlapping Debt	 <u><u>\$ 3,488,838,777</u></u>		 <u><u>\$ 109,325,521</u></u>

Source: Hennepin County Assessing Office

note.

(1) Excludes Revenue bonds and special assessment bonds.

(2) The percentage applicable to the City of Richfield was determined by dividing the portion of the tax capacity within the City by the total tax capacity of the taxing jurisdiction.

**CITY OF RICHFIELD, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 LEGAL DEBT MARGIN INFORMATION
 LAST TEN FISCAL YEARS**

	Fiscal Year			
	2013	2014	2015	2016
Debt Limit	\$ 73,493	\$ 75,837	\$ 79,550	\$ 80,126
Total Net Debt Applicable to Limit	<u>24,151</u>	<u>22,875</u>	<u>30,910</u>	<u>29,522</u>
Legal Debt Margin	<u>\$ 49,342</u>	<u>\$ 52,962</u>	<u>\$ 48,640</u>	<u>\$ 50,604</u>
Total Net Debt Applicable to the Limit as a Percent of Debt Limit	32.86%	30.16%	38.86%	36.84%

Table 12

Fiscal Year					
2017	2018	2019	2020	2021	2022
\$ 91,760	\$ 101,994	\$ 110,466	\$ 115,105	\$ 123,231	\$ 142,253
<u>42,506</u>	<u>50,769</u>	<u>47,972</u>	<u>47,440</u>	<u>44,306</u>	<u>47,135</u>
<u>\$ 49,254</u>	<u>\$ 51,225</u>	<u>\$ 62,494</u>	<u>\$ 67,665</u>	<u>\$ 78,925</u>	<u>\$ 95,118</u>
46.32%	49.78%	43.43%	41.21%	35.95%	33.13%

Legal Debt Margin Calculation for Fiscal Year 2021

Taxable Market Value	\$ 4,741,769
Debt Limit (3 Percent of Market Value)	142,253
Debt Applicable to Limit	
General obligation bonds	<u>47,135</u>
Legal Debt Margin	<u>\$ 95,118</u>

**CITY OF RICHFIELD, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
REVENUE BOND COVERAGE
LAST TEN FISCAL YEARS**

Table 13

Fiscal Year	Gross Revenue		Direct Operating Expense (1)	Net Available Revenue	Debt Service Requirements (2)			Coverage
					Principal	Interest	Total	
2013	\$ 9,246,037	(4)	\$ 7,683,443	\$ 1,593,210	\$ 490,000	\$ 447,541	\$ 937,541	1.70 %
2014	8,426,655	(5)	6,532,437	1,047,689	515,000	399,985	914,985	1.15
2015	8,496,626	(5)	6,805,269	1,449,979	555,000	386,154	941,154	1.54
2016	4,929,871	(6)	3,520,861	1,305,812	570,000	364,299	934,299	1.40
2017	5,195,297	(6)	3,532,721	1,349,245	570,000	357,053	927,053	1.46
2018	5,771,247	(6)	3,943,875	1,126,957	735,000	324,269	1,059,269	1.06
2019	10,654,300	(7)	7,964,269	1,223,490	750,000	312,455	1,062,455	1.15
2020	10,763,600	(7)	7,807,898	1,318,264	1,760,000	416,995	2,176,995	0.61
2021	11,090,412	(7)	7,794,392	3,296,020	2,685,000	357,048	3,042,048	1.08
2022	11,663,916	(7)	8,619,335	3,044,581	960,000	394,171	1,354,171	2.25

Note: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

(1) Total operating expenses excluding depreciation.

(2) Include principal and interest of revenue bonds only.

(3) Storm sewer, Ice Arena, Water and Sewer revenue bonds.

(4) Storm sewer, Ice Arena, Water and Sewer revenue bonds, and Water revenue bonds.

(5) Storm sewer, Water and Sewer revenue bonds, and Water revenue bonds.

(6) Storm sewer and Water revenue bonds.

(7) Water, Sewer and storm sewer revenue bonds.

**CITY OF RICHFIELD, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS**

Table 14

Fiscal Year	Population	Personal Income	Per Capita Personal Income	Median Age	Education Level in Years of Schooling	School Enrollment	Unemployment Rate
2013	36,041	\$ -	\$ -	-	-	4,405	3.8 %
2014	36,154	-	-	-	-	4,396	3.0
2015	36,557	-	-	-	-	4,302	2.6
2016	36,338	-	-	-	-	4,235	3.2
2017	36,338	-	-	-	-	4,231	2.7
2018	36,554	-	-	-	-	4,127	2.7
2019	36,436	-	-	-	-	4,084	2.3
2020	36,993	-	-	-	-	4,010	4.9
2021	36,994	-	-	-	-	4,139	2.6
2022	36,543	-	-	-	-	4,151	2.6

Data Sources

Metropolitan Council (www.metrocouncil.org)

Minnesota Dept of Employment and Economic Development (www.deed.state.mn.us)

U.S. Census Bureau (www.factfinder2.census.gov)

Richfield School District #280

Note: Information on personal income, median age, and education levels is not available.

**CITY OF RICHFIELD, MINNESOTA
 STATISTICAL SECTION (UNAUDITED)
 PRINCIPAL EMPLOYERS
 CURRENT YEAR AND NINE YEARS AGO**

Table 15

Employer	2022			Employer	2013		
	Employees	Rank	Percent of City Employment (1)		Employees	Rank	Percent of City Employment (1)
Best Buy Corporate office	5,300	1	27.22	Best Buy Corporate office	4,300	1	22.54
U.S. Bancorp	1,350	2	6.93	U.S. Bancorp	1,560	2	8.18
Independent School District #280	1,057	3	5.43	Fraser	745	3	3.91
Super Target	350	4	1.80	Crystal Care Home Health	700	4	3.67
City of Richfield	327	5	1.68	Independent School District #280	587	5	3.08
Fraser	299	6	1.54	City of Richfield	339	6	1.78
Headway Emotional Health Services	250	7	1.28	Super Target	250	7	1.31
Menard, Inc.	200	8	1.03	Dicks Sporting Goods	200	8	1.05
Weis Builders	100	9	0.51	Rainbow Foods	200	8	1.05
Pizza Luce	60	10	0.31	Metro Sales, Inc	190	10	1.00
Total	<u>9,293</u>		<u>47.73</u> %		<u>9,071</u>		<u>47.57</u> %

Source: Ehlers, Minnesota State Business Directory, Richfield Chamber of Commerce, and the Minnesota Manufactures Register.

Note: Employee totals include only employees with full time status.

**CITY OF RICHFIELD, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**

Table 16

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
General Government										
Management services	3	3	3	3	3	3	3	3	3	3
Finance	5	6	5	6	6	5	6	5	2	4
City Clerk	8	9	9	10	9	9	10	10	10	10
Assessing	1	1	1	1	1	1	-	-	-	-
Others	10	11	12	11	12	12	11	11	11	13
Public Safety										
Police	46	46	48	48	48	48	48	48	48	46
Dispatchers	7	8	-	-	-	-	-	-	-	-
Others	14	14	14	14	14	14	14	14	15	15
Fire										
Firefighters and officers	26	26	27	27	26	26	26	26	26	30
Community Development										
Planning/zoning	2	2	2	2	2	2	2	2	2	2
Inspections	8	8	8	8	9	9	9	9	8	9
Others	8	8	6	7	8	8	8	10	9	8
Public Works										
Engineering	3	3	3	3	4	4	5	5	5	5
Street and park maintenance	20	20	19	20	18	23	23	24	23	23
Forestry	4	4	4	4	4	-	-	-	-	-
Others	5	5	6	6	6	6	6	6	6	6
Parks and recreation	18	33	33	32	32	34	35	30	34	18
Liquor	25	26	25	23	24	24	25	28	33	32
Water and wastewater	18	18	17	16	18	19	19	19	17	19
Storm water	1	1	1	1	1	1	1	1	1	1
Recreation funds	15	-	-	-	-	-	-	-	-	-
Total	247	252	243	242	245	248	251	251	253	244

Source: City budgets and personnel records.

**CITY OF RICHFIELD, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
OPERATING INDICATORS BY FUNCTION
LAST TEN FISCAL YEARS**

Table 17

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police										
Physical arrests	490	404	435	471	489	591	491	701	701	829
Total offenses cited	6,653	7,274	5,764	4,486	4,818	5,315	4,728	3,429	2,078	2,961
Fire										
Emergency responses	4,096	4,135	4,195	4,073	4,287	4,252	4,411	4,451	4,710	4,876
Fires extinguished	90	75	90	83	72	92	88	104	87	87
Other public works										
Streets resurfacing (miles)	0.20	-	14.30	15.00	16.00	14.40	15	14.25	3	1.5
Potholes repaired (tons of asphalt used)	732.00	306.46	100.79	81.40	18.64	84.93	98.2	138.52	97.32	69.9
Parks and recreation										
Athletic field permits issued	58	52	55	56	53	57	58	30	49	39
Water										
New connections	2	4	2	6	9	10	11	54	31	18
Connections eliminated (redevelopment)	-	17	4	18	3	-	6	-	2	3
Water main breaks	13	9	19	16	15	14	11	12	9	20
Average daily consumption (millions of gallons)	3.02	2.90	2.84	2.70	2.70	2.71	2.55	2.76	2.72	2.69
Peak daily consumption (millions of gallons)	6.24	6.01	4.97	4.80	5.23	5.26	3.88	3.03	4.94	4.40
Waste water										
Average daily sewage treatment (million of gallons)	3.13	3.16	3.16	3.14	3.02	2.42	1.70	2.60	2.65	2.28

Sources: Various city departments

Note: Indicators are not available for the general government function

**CITY OF RICHFIELD, MINNESOTA
STATISTICAL SECTION (UNAUDITED)
CAPITAL ASSET STATISTICS BY FUNCTION
LAST TEN FISCAL YEARS**

Table 18

Function	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Fire stations	2	2	2	2	2	2	2	2	2	2
Other public works										
Streets (miles)	123.43	123.43	123.43	123.43	123.43	123.43	123.43	123.43	123.43	123.67
Highway (miles)	7.17	7.17	7.17	7.17	7.17	7.17	7.17	7.17	7.17	7.17
Street lights	3,349	3,349	3,349	3,349	3,349	3,349	3,349	3,349	3,458	3,458
Traffic signals	49	49	49	49	49	47	43	43	43	43
Parks and recreation										
Acreage	461	461	461	461	461	461	461	461	461	461
Playgrounds	21	21	21	21	21	21	21	21	21	21
Baseball/softball diamonds	21	21	21	21	21	21	21	21	21	21
Soccer/football fields	4	4	4	4	4	4	4	4	4	4
Hockey rinks - indoor	2	2	2	2	2	2	2	2	2	2
Community Center	1	1	1	1	1	1	1	1	1	1
Nature Center	1	1	1	1	1	1	1	1	1	1
Water										
Water mains (miles)	121	121	121	121	120	120	120	120	120	118
Fire hydrants	1,047	1,048	1,052	1,050	1,053	1,053	1,073	1,073	1,074	1,074
Storage capacity (millions of gallons)	5	5	5	5	5	5	5	5	5	5
Wastewater										
Sanitary sewer (miles)	119.4	119.4	119.4	119.4	119.4	118.0	118.0	118.0	118.0	97.2
Storm sewer (miles)	59.9	59.9	59.9	59.9	59.9	59.9	59.9	59.9	59.9	86.0

Sources: Various city departments

Note: No capital asset indicators are available for the general governments

**City of Richfield
Hennepin County, Minnesota**

Communications Letter

December 31, 2022



**City of Richfield
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Report on Matters Identified as a Result of the Audit of the Basic Financial Statements

Honorable Mayor and Members
of the City Council and Management
City of Richfield
Richfield, Minnesota

In planning and performing our audit of the basic financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richfield, Minnesota, as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated June 20, 2023, on such statements.

This communication, which is an integral part of our audit, is intended solely for the information and use of the Members of the City Council and management and others within the City and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

Bergan KDV Ltd .

Minneapolis, Minnesota
June 20, 2023

City of Richfield Required Communication

We have audited the basic financial statements of the governmental activities, business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2022. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the basic financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the basic financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the basic financial statements are free of material misstatement. An audit of the basic financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our responsibility with respect to the other information in documents containing the audited basic financial statements and auditor's report does not extend beyond the basic financial information identified in the report. We have no responsibility for determining whether this other information is properly stated. This other information was not audited and we do not express an opinion or provide any assurance on it.

City of Richfield Required Communication

Our Responsibility in Relation to *Government Auditing Standards*

As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

Our Responsibility in Relation to Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*

As communicated in our engagement letter, in accordance with the Uniform Guidance, we examined on a test basis, evidence about the City's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the City's compliance with those requirements. While our audit provided a reasonable basis for our opinion, it did not provide a legal determination on the City's compliance with those requirements.

In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified

We have identified the following significant risks of material misstatements:

- Improper revenue recognition
 - Revenue recognition is considered a fraud risk on substantially all engagements as it generally has a significant impact on the results of the government operations. In addition, complexities exist surrounding the calculation and recording of various revenue sources.
- Management override of controls through journal entries
 - Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results.
- Lack of Segregation of Accounting Duties
 - If duties cannot be appropriately segregated within the accounting and finance department, there is a risk of incorrectly recording activity within the City.

City of Richfield Required Communication

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

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

Depreciation – The City is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Net/Total Other Post Employment Benefits (OPEB) Liability, Deferred Outflows of Resources Related to OPEB and Deferred Inflows of Resources Related to OPEB – These balances are based on an actuarial study using the estimates of future obligations of the City for post employment benefits.

Net Pension Liability, Deferred Outflows of Resources Relating to Pensions and Deferred Inflows of Resources relating to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

Land Held for Resale – Land held for resale is recorded using either the lower of historical cost or estimated resale value.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures

Certain basic financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The basic financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

City of Richfield Required Communication

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements taken as a whole and each applicable opinion unit.

Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material either individually or in the aggregate, to the basic financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the City, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditor.

Other Information Included in Annual Reports

Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

**City of Richfield
Required Communication**

Other Information Included in Annual Reports (Continued)

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

We were not engaged to report on the other information accompanying the basic financial statements but are not RSI. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

City of Richfield Financial Analysis

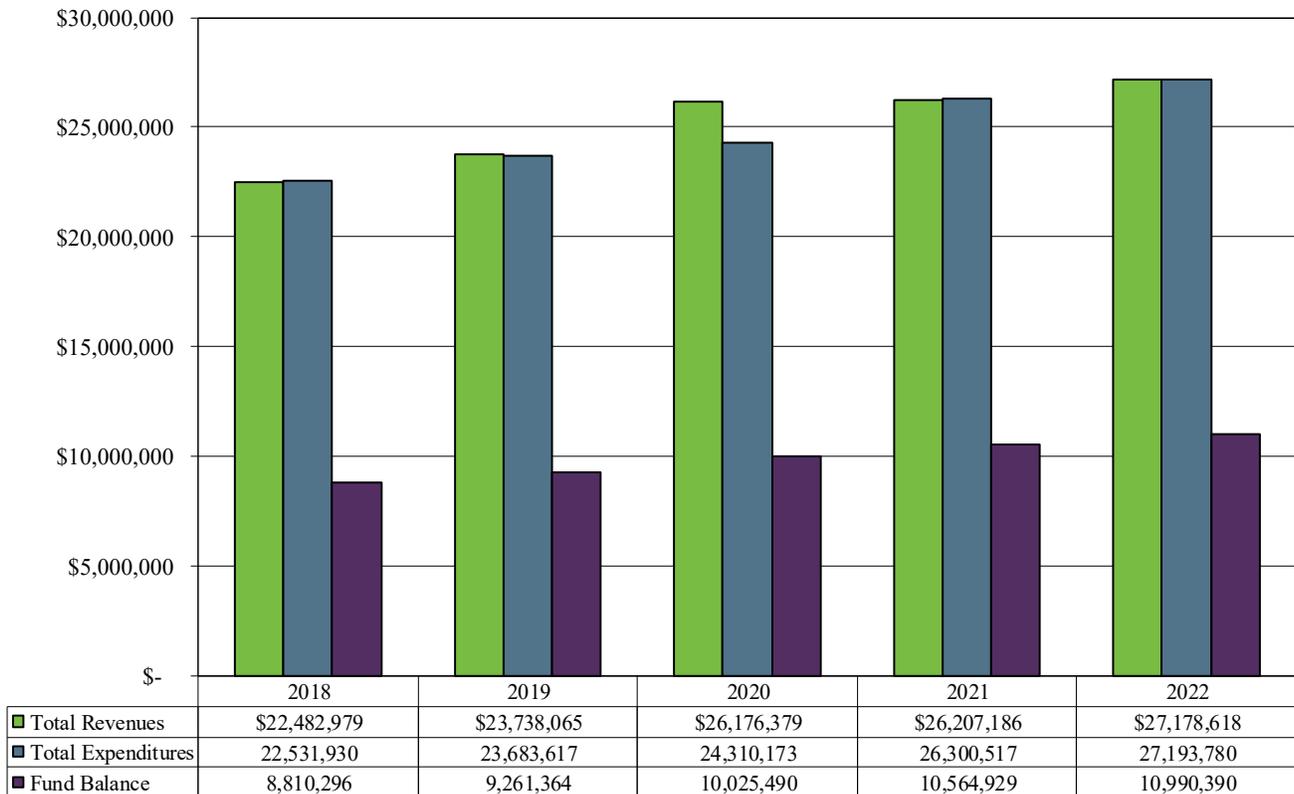
The following pages provide graphic representation of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours.

General Fund

As illustrated in the graph below, total expenditures exceeded total revenues in the General Fund in 2022. This deficit, combined with net transfers in of \$722,317 resulted in an increase in fund balance of \$425,461 in 2022. The City's total fund balance of \$10,990,390 at December 31, 2022, represents 40.4% of General Fund expenditures based on 2022 spending levels. The City relies on year-end fund balance to finance much of the subsequent year's expenditures, since major property tax settlements are not received until June.

The City's target General Fund balance is to maintain a minimum unassigned fund balance of 40% of the current year end actual General Fund expenditures. At December 31, 2022, the City's unassigned fund balance amounted to \$10,923,406, which excludes nonspendable fund balance for prepaid items of \$66,984. This amount equals 40.2% of the City's 2022 actual General Fund expenditures.

General Fund Revenues, Expenditures, and Fund Balance



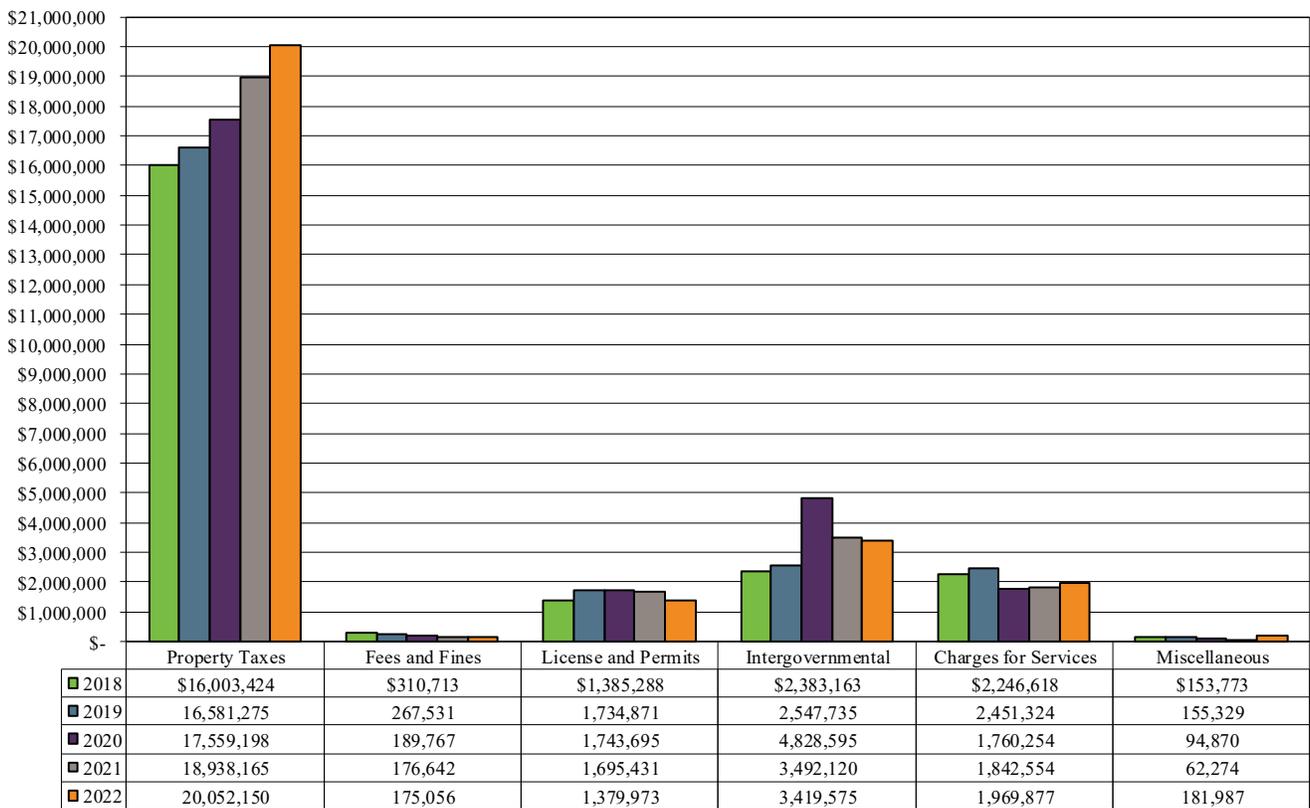
City of Richfield Financial Analysis

General Fund Revenues

Trends for each of the City's major revenue classifications over the past five years are portrayed in the bar graph below.

General Fund revenues increased \$971,432 from 2021. Property taxes increased \$1,113,985 because of an increase in the levy. Licenses and permits decreased \$315,458 as a result of less building permits during the year. All other categories remained consistent with the prior year.

General Fund Revenues

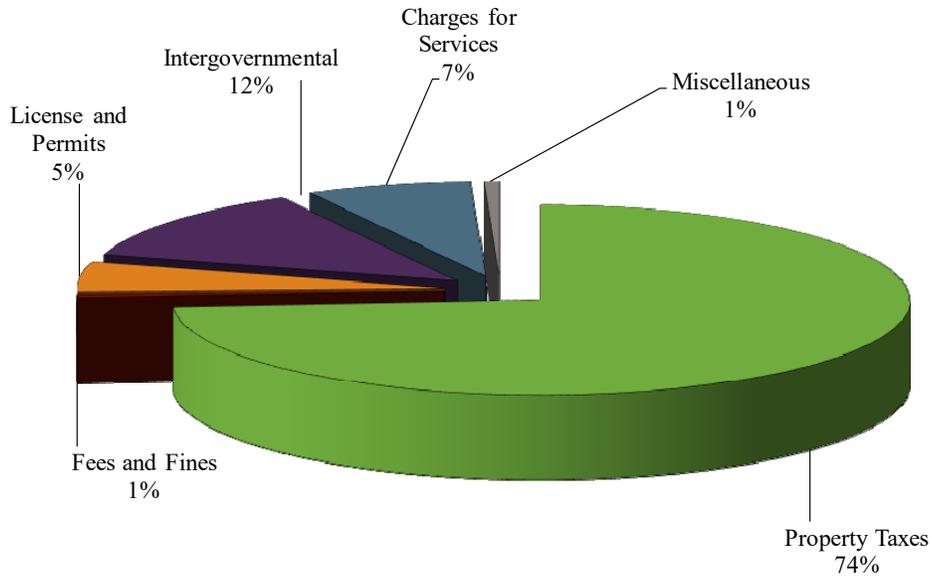


City of Richfield Financial Analysis

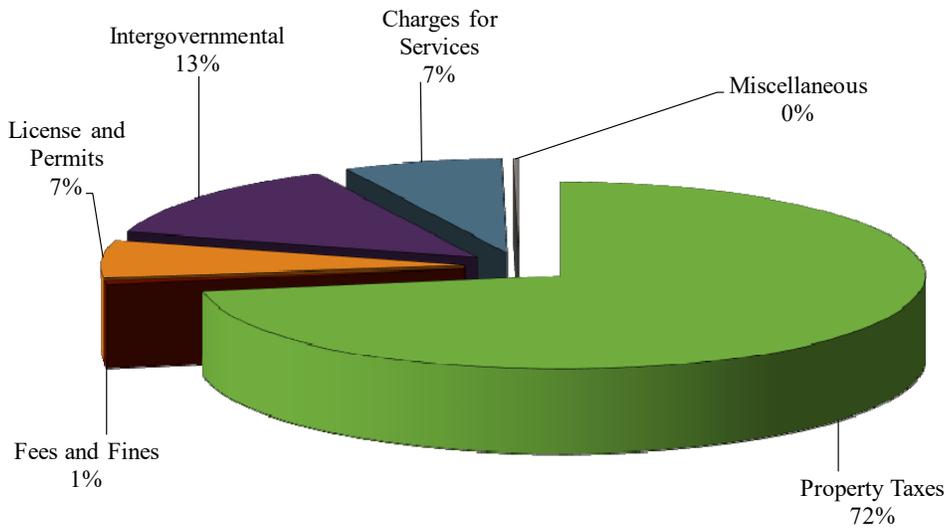
General Fund Revenues (Continued)

The City's revenues by source for 2022 and 2021 are shown below. As seen on the following graphs, the categories stay fairly consistent between the two years.

2022 General Fund Revenues



2021 General Fund Revenues

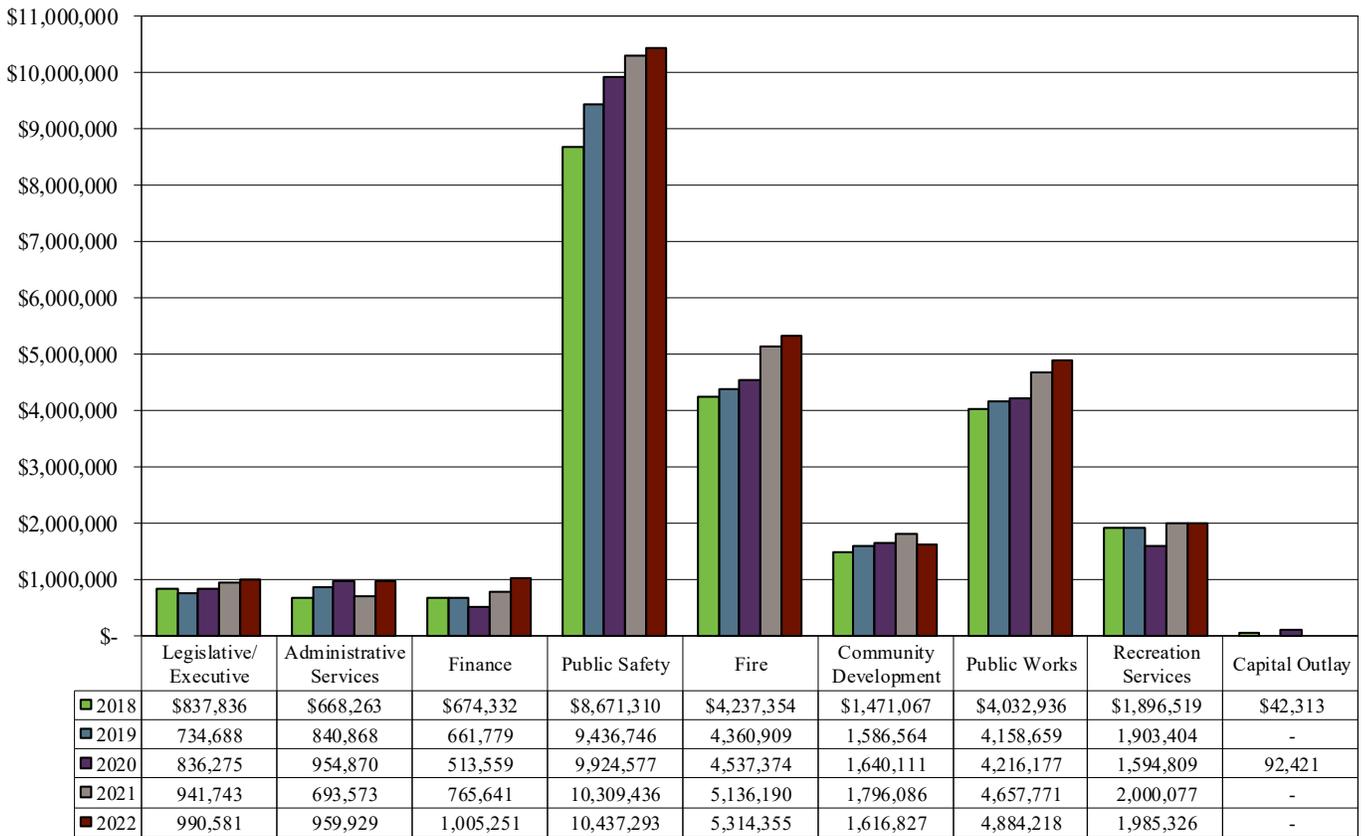


City of Richfield Financial Analysis

General Fund Expenditures

Total General Fund expenditures increased 3.4%, or \$893,263, from 2021 to 2022. The most significant increase by program was in administrative services and finance. Administrative services and finance expenditures increased in total by \$505,966 due to staff turnover in finance and human resources resulting in hiring outside consultants to support operations and the audit. Public works expenditures increased by \$226,447 due to Xcel Energy rates for electricity for street light, parks, building and lighting increasing substantially. Community development expenditures decreased \$179,259 as a result of significant staff turnover of senior positions that were replaced with lower level employees. Fire expenditures increased by \$178,165 due to more training for firefighters, new station recliners and new software purchases. Other programs' spending was consistent from 2021 to 2022.

General Fund Expenditures

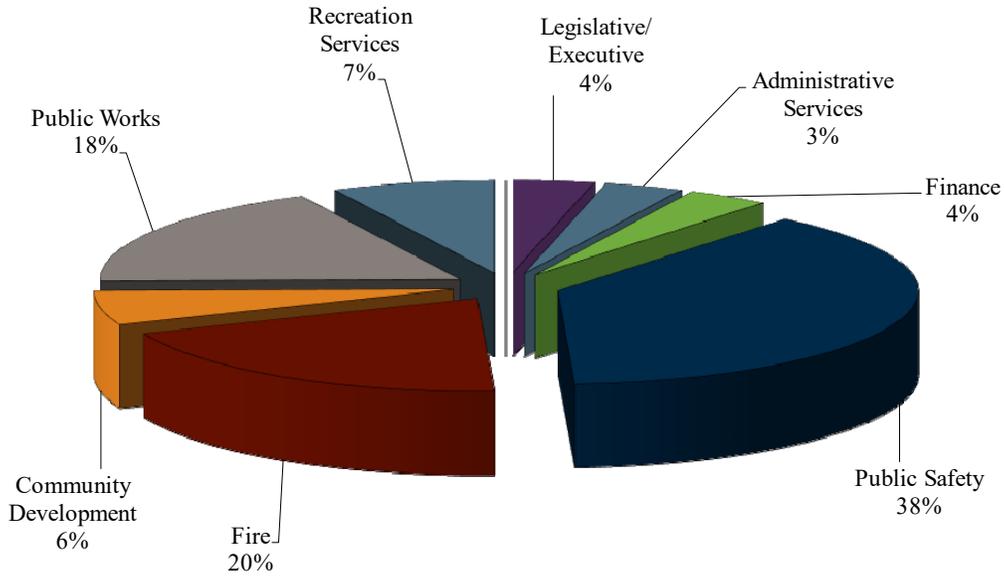


City of Richfield Financial Analysis

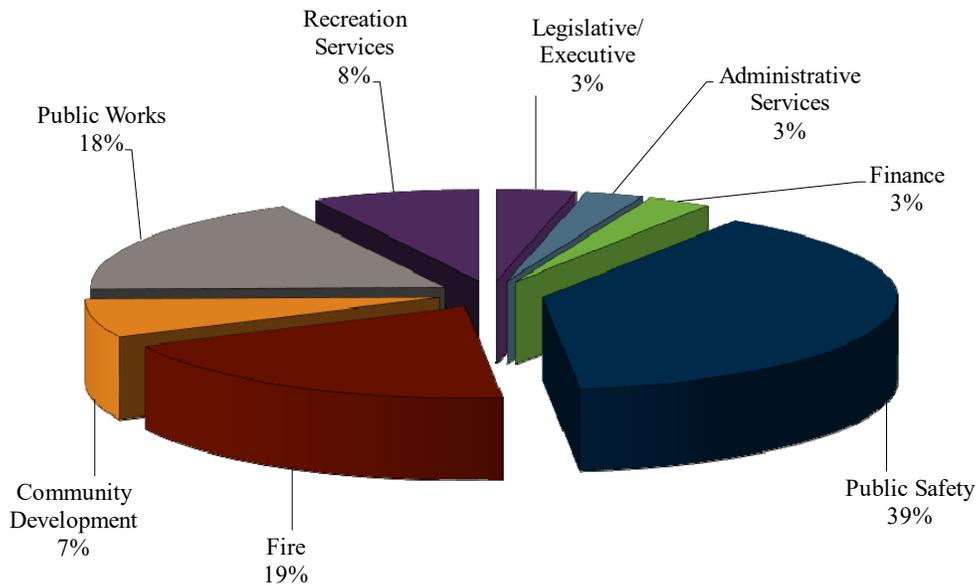
General Fund Expenditures (Continued)

The City's expenditures by program for 2022 and 2021 are shown below. As seen on the following graphs, expenditure by program remained consistent from 2021 to 2022.

2022 General Fund Expenditures



2021 General Fund Expenditures



**City of Richfield
Financial Analysis**

General Fund Revenues and Expenditures

	Final Budget	Actual Amounts	Variance Final Budget - Over (Under)
Revenues			
Property taxes	\$ 19,866,390	\$ 20,052,150	\$ 185,760
Fines and fees	220,000	175,056	(44,944)
Licenses and permits	1,269,500	1,379,973	110,473
Intergovernmental revenues	3,585,750	3,419,575	(166,175)
Charges for services	1,843,550	1,969,877	126,327
Special assessments	-	4,726	4,726
Investment income	25,000	114,044	89,044
Miscellaneous revenues	43,100	63,217	20,117
Total revenues	26,853,290	27,178,618	325,328
Expenditures			
Legislative/executive	1,067,967	990,581	(77,386)
Administrative services	1,042,317	959,929	(82,388)
Finance	1,015,664	1,005,251	(10,413)
Public safety	10,755,360	10,437,293	(318,067)
Fire	5,130,731	5,314,355	183,624
Community development	1,651,380	1,616,827	(34,553)
Public works	4,716,520	4,884,218	167,698
Recreation services	2,150,070	1,985,326	(164,744)
Total expenditures	27,530,009	27,193,780	(336,229)
Other financing sources (uses)			
Net transfers	676,719	440,623	(236,096)
Net change in fund balances	\$ -	\$ 425,461	\$ 425,461

For the year ended December 31, 2022, the City budgeted for revenues and transfers into the General Fund to equal expenditures and transfers out. Actual revenues and transfers in exceeded expenditures and transfers out by \$425,461.

Revenues were overall over budget by \$325,328, or 1.2%. Property taxes were over budget by \$185,760, or 0.9%, due to having better collections than budgeted for during the year.

Expenditures were \$336,229, or 1.2% under budget. The most significant variance was in public safety due to conservative budgeting. Fire was over budget \$183,624 as a result of more training for firefighters that was not anticipated for. Public works was over budget \$167,698 due to higher electricity fees than anticipated. Recreation services was under budget \$164,744 as a result of several positions being vacant during the year.

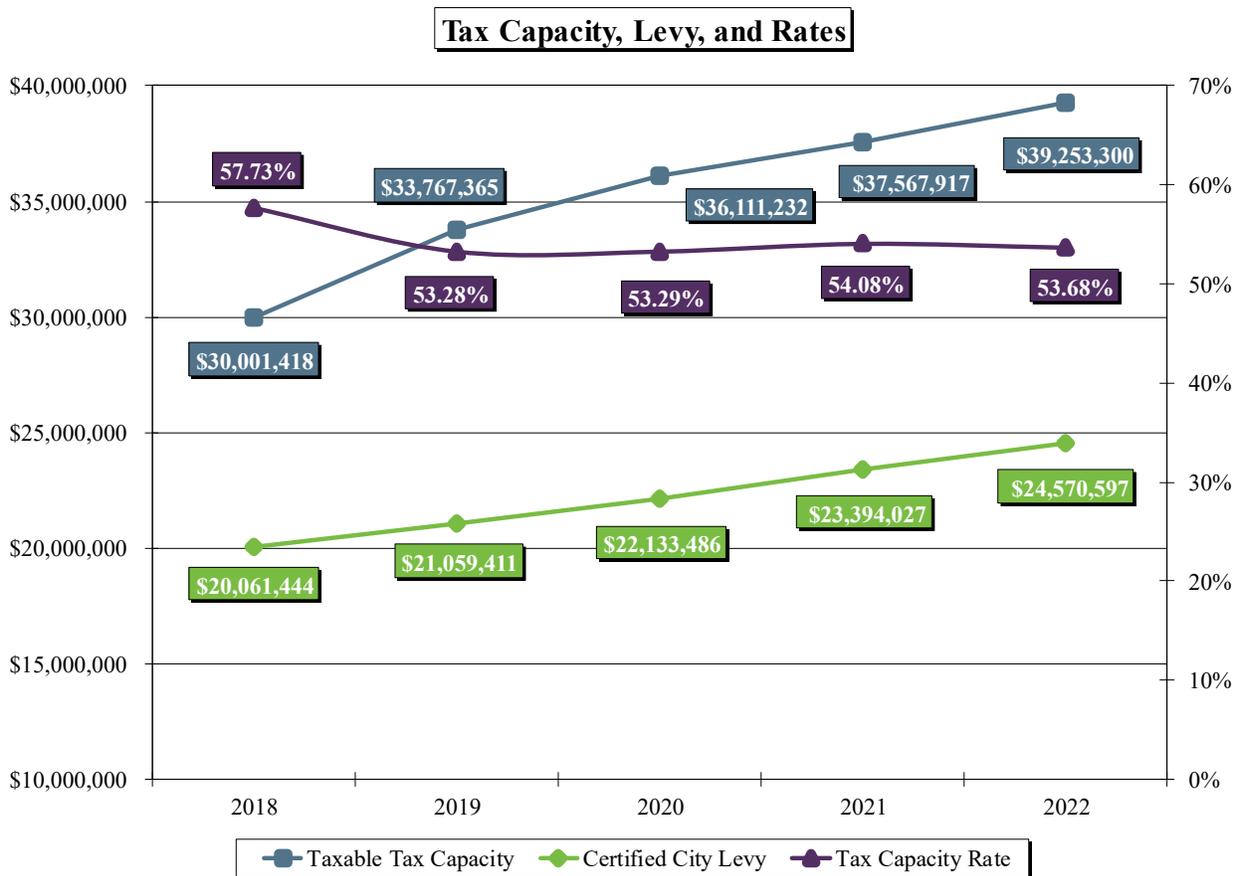
City of Richfield Financial Analysis

Tax Levy, Capacity, and Rates

The graph below presents information relating to the City's tax levy, tax capacity and rates.

The levy for 2022 includes the General Fund levy of \$20,067,061 plus a levy for the Debt Service and Capital Project Funds totaling \$4,503,536.

As illustrated below, the taxable tax capacity of the City has experienced a steady increase over the last five years. While the City has increased the levy during this period, the tax capacity rate has declined because of increases in market values and tax capacity.



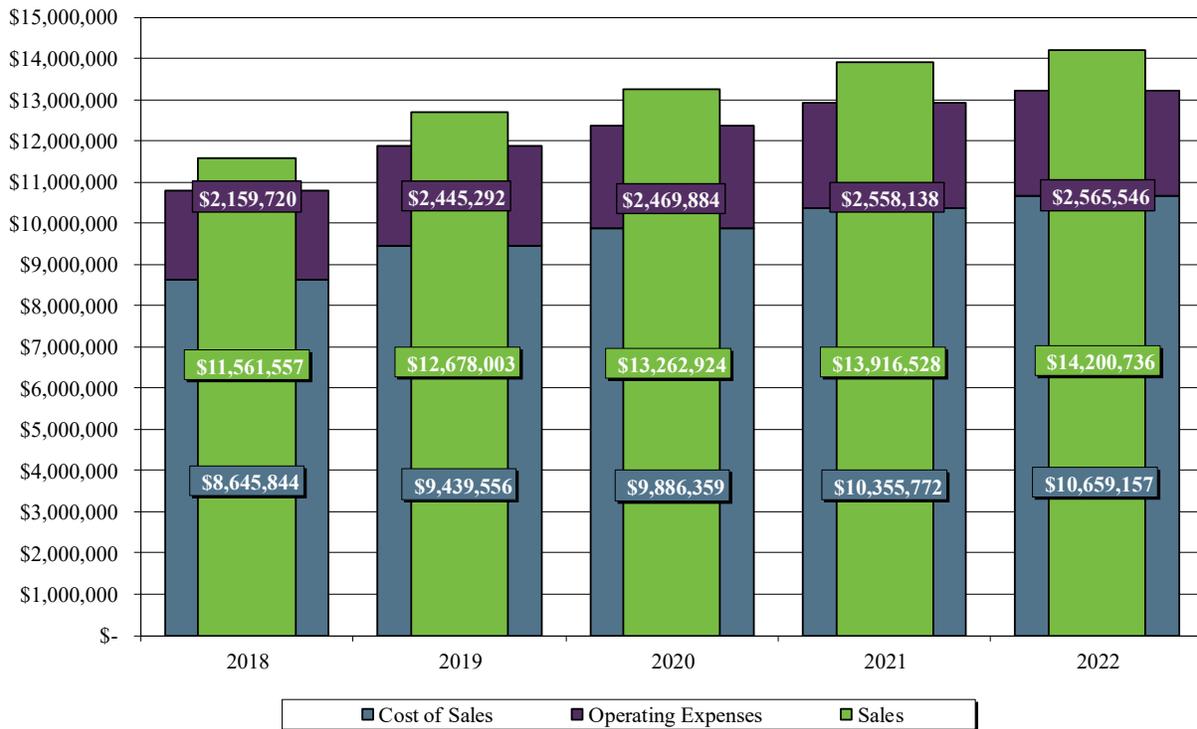
City of Richfield Financial Analysis

Liquor Fund

The City's liquor store reported an increase in sales from 2021 to 2022 of 2.0%. Cost of sales correspondingly increased by 2.9%. Operating expenses in the Liquor Fund increased 0.3%.

The City's gross profit percentage decreased from 2021 to 2022. The City's gross profit percentage is slightly below both comparable metro stores and the metro municipal average.

Liquor Fund



	2022		2021			
	City of Richfield	City of Richfield	City of Edina*	City of Eden Prairie*	City of Savage*	Metro Municipal Average*
Sales	\$ 14,200,736	\$ 13,916,528	\$ 14,313,232	\$ 11,923,359	\$ 7,025,084	\$ 7,307,865
Costs of sales	10,659,157	10,355,772	10,353,194	8,371,936	4,993,255	5,343,817
Gross profit	3,541,579	3,560,756	3,960,038	3,551,423	2,031,829	1,964,048
Operating expenses	2,565,546	2,558,138	3,166,585	2,545,548	1,464,105	1,468,415
Operating income	976,033	1,002,618	793,453	1,005,875	567,724	495,633
Gross profit percentage	24.9%	25.6%	27.7%	29.8%	28.9%	26.9%

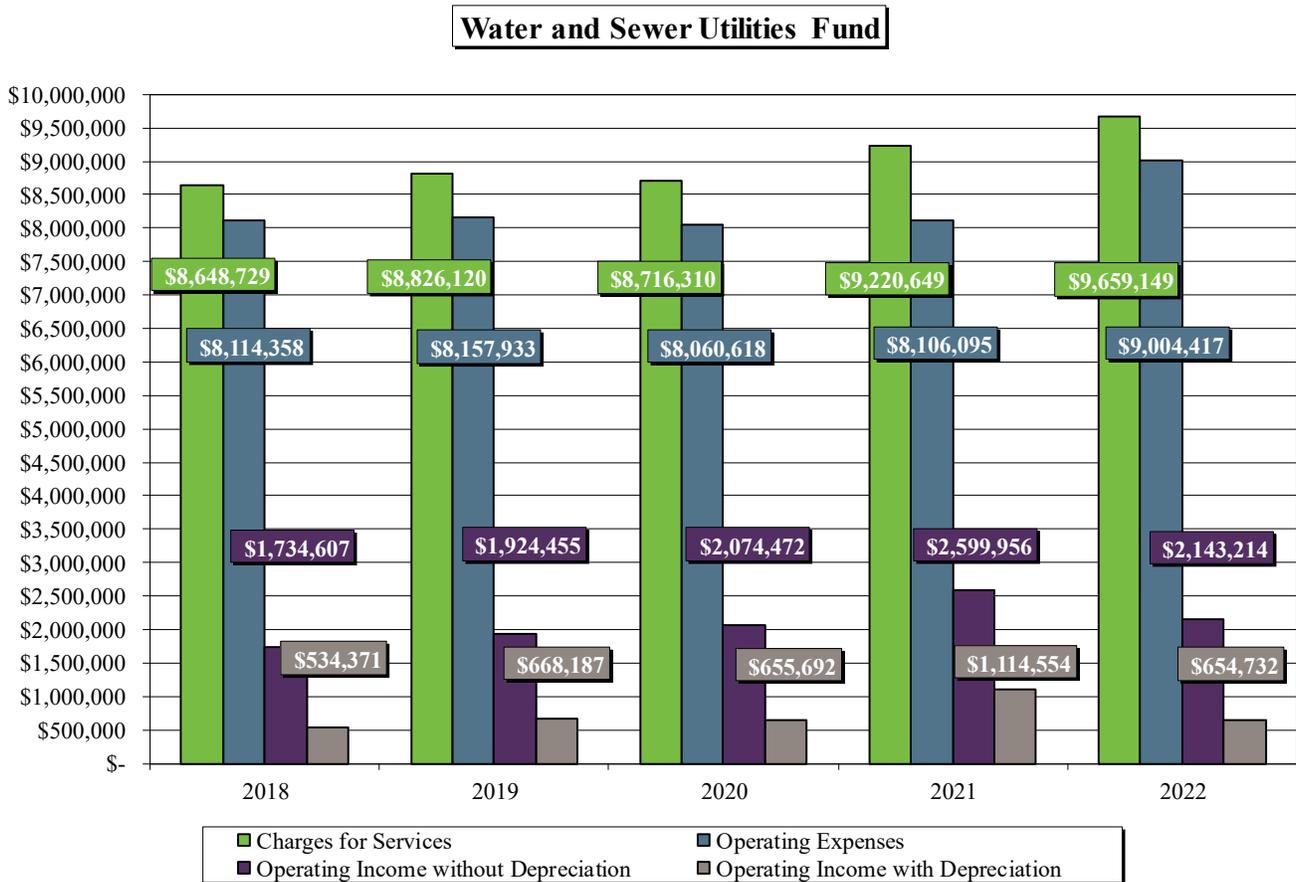
* Individual metro municipal and averages obtained from the Office of State Auditor, Analysis of Municipal Liquor Store Operations Report.

City of Richfield Financial Analysis

Water and Sewer Utilities Fund

Charges for services in the fund increased \$438,500 or 4.8% from 2021 to 2022. This increase was the result of increased rates. Operating expenses increased \$898,322 or 11.1% due to several water main breaks.

The Fund had operating income of \$654,732 in 2022 with depreciation. The Fund has fully funded depreciation expense since 2018.

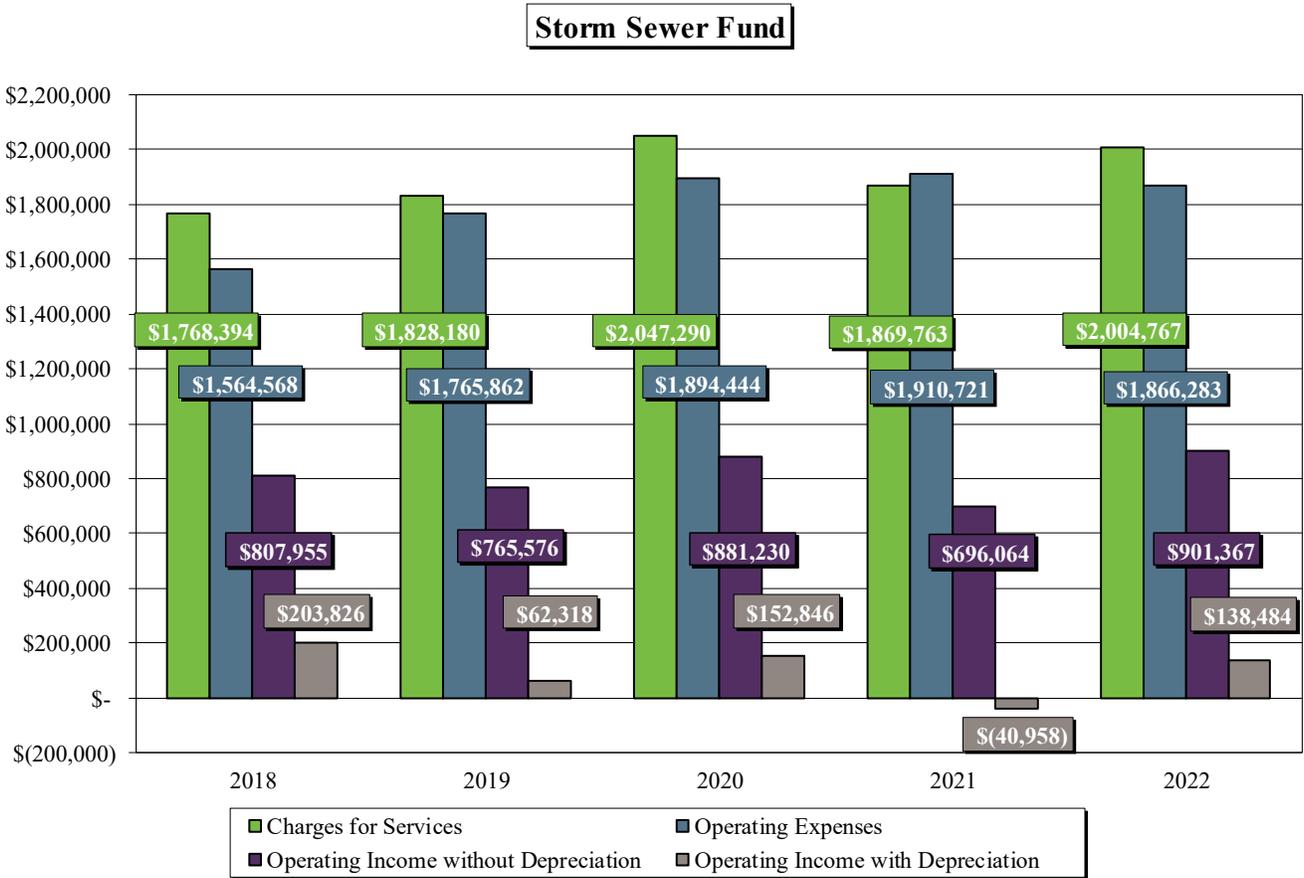


City of Richfield Financial Analysis

Storm Sewer Fund

Charges for services in the Fund increased \$135,044 from 2021 to 2022, or 7.2%. Operating expenses decreased \$44,438 or 2.3%.

The Fund reported an operating income of \$138,484 in 2022 with depreciation. The Fund has fully funded depreciation expense for all years presented besides 2021.



City of Richfield Financial Analysis

Governmental Funds

The tables below and on the following page illustrate the City's various sources of revenue and expenditures per capita over a three year period in comparison to 2021 data for Minnesota cities ranked by various sizes.

Year	State-Wide*			City of Richfield		
	December 31, 2021			2020	2021	2022**
Population	2,500-10,000	10,000-20,000	20,000-100,000	36,993	36,994	36,543
Property taxes	\$ 560	\$ 529	\$ 557	\$ 600	\$ 630	\$ 672
Tax increments	38	36	49	-	-	-
Franchise fees and other taxes	52	66	53	60	61	61
Special assessments	59	41	56	6	4	4
Licenses and permits	45	46	53	47	46	38
Intergovernmental revenues	421	293	202	393	295	473
Charges for services	135	111	110	61	91	98
Other	60	39	26	35	33	58
Total revenue	<u>\$ 1,370</u>	<u>\$ 1,161</u>	<u>\$ 1,106</u>	<u>\$ 1,202</u>	<u>\$ 1,160</u>	<u>\$ 1,404</u>

* State-wide data obtained from the Office of the State Auditor's *2021 Minnesota City Finances Report*.

** Population is estimated as of January 1, 2022, from the Met Council population data study; 2022 information is not yet available.

The City has few special assessments and, thus, has consistently shown higher tax revenues per capita and lower special assessments revenues per capita compared to the state averages. Total governmental revenues increased \$244 per capita from 2021. The most significant increase was in intergovernmental revenue. Intergovernmental revenue increased due to ARPA funds used in 2022. Property taxes increased due to an increase in the levy. Other revenue increased as a result of an increase in investment income.

**City of Richfield
Financial Analysis**

Governmental Funds (Continued)

Year	State-Wide*			City of Richfield		
	December 31, 2021			2020	2021	2022**
Population	2,500-10,000	10,000-20,000	20,000-100,000	36,993	36,994	36,543
Current						
Administration	\$ 168	\$ 131	\$ 116	\$ 78	\$ 81	\$ 102
Community development	81	58	59	44	49	44
Police	237	211	228	272	283	291
Fire and other public safety	89	85	99	123	139	145
Public works	144	124	112	241	329	137
Parks and recreation	108	124	107	74	102	114
Other	20	23	18	-	-	-
Total current	<u>\$ 847</u>	<u>\$ 756</u>	<u>\$ 739</u>	<u>\$ 832</u>	<u>\$ 983</u>	<u>\$ 833</u>
Capital outlay and construction	<u>\$ 525</u>	<u>\$ 407</u>	<u>\$ 317</u>	<u>\$ 126</u>	<u>\$ 36</u>	<u>\$ 511</u>
Debt service						
Principal	\$ 168	\$ 161	\$ 110	\$ 89	\$ 96	\$ 103
Interest and fiscal	48	41	34	44	40	40
Total debt service	<u>\$ 216</u>	<u>\$ 202</u>	<u>\$ 144</u>	<u>\$ 133</u>	<u>\$ 136</u>	<u>\$ 143</u>

* State-wide data obtained from the Office of the State Auditor's *2021 Minnesota City Finances Report*.

** Population is estimated as of January 1, 2022, from the Met Council population data study; 2022 information is not yet available.

The City's current expenditures and capital outlay and construction expenditures for 2022 were more than the state-wide average for a city of a comparable population, while debt service expenditures are less.

Overall, the City's governmental expenditures increased 28.7% from 2021 to 2022, or \$332 per capita. Current expenditures per capita decreased \$150 from 2021.

City of Richfield Emerging Issues

Executive Summary

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates include:

- **Accounting Standard Update – GASB Statement No. 96 – Subscription-Based Information Technology Arrangements**
GASB has issued GASB Statement No. 96 relating to accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements and providing uniform guidance for accounting and financial reporting for transactions that meet that definition.
- **Accounting Standard Update – GASB Statement No. 100 – Accounting Changes and Error Corrections**
GASB has issued GASB Statement No. 100 relating to accounting and financial reporting for accounting changes and error corrections. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability.
- **Accounting Standard Update – GASB Statement No. 101 – Compensated Absences**
GASB has issued GASB Statement No. 101 relating to accounting and financial reporting for compensated absences. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The following are extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss these issues with you further and its applicability to your City.

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*

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

**City of Richfield
Emerging Issues**

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (Continued)*

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, – which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

**City of Richfield
Emerging Issues**

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements (Continued)*

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

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

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

GASB Statement No. 96 is effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

Accounting Standard Update – GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting – understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement.

City of Richfield Emerging Issues

Accounting Standard Update – GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62 (Continued)*

This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB Statement No. 100 is effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

Accounting Standard Update – GASB Statement No. 101 – *Compensated Absences*

The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

City of Richfield
Emerging Issues

Accounting Standard Update – GASB Statement No. 101 – *Compensated Absences* (Continued)

This Statement requires that a liability for certain types of compensated absences – including parental leave, military leave, and jury duty leave – not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

GASB Statement No. 101 is effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

**City of Richfield
Hennepin County, Minnesota**

**Schedule of Expenditures of
Federal Awards and Independent
Auditor's Reports**

December 31, 2022



**City of Richfield
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City of Richfield
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2022

Federal Agency/Pass Through Agency/Program Title	Federal Assistance Listing Number	Federal Expenditures
U.S. Department of Housing and Urban Development		
Received Directly		
Section 8 Housing Choice Voucher Program	14.871	\$ 2,520,949
Passed through Hennepin County		
Community Development Block Grant - Entitlement Grant	14.218	<u>20,000</u>
Total U.S. Department of Housing and Urban Development		<u>2,540,949</u>
U.S. Department of Homeland Security		
Received directly		
Disaster Grants	97.036	<u>314</u>
Total U.S. Department of Homeland Security		<u>314</u>
U.S. Department of Health and Human Services		
Passed through the State of Minnesota		
Immunization Cooperative Agreements	93.268	25,631
Epidemiology and Laboratory Capacity for Infectious Diseases	93.323	16,183
Public Health Emergency Preparedness	93.069	<u>48,919</u>
Total U.S. Department of Health and Human Services		<u>90,733</u>
U.S. Department of Justice		
Received directly		
Bulletproof Vest Partnership Program	16.607	7,217
Passed through State of Minnesota		
Missing Children's Assistance	16.543	833
Passed through the Hennepin County		
Justice Assistance Grant	16.738	<u>9,900</u>
Total U.S. Department of Justice		<u>17,950</u>
U.S. Department of Transportation		
Passed through Metropolitan Airport Commission		
Towards Zero Deaths	20.608	13,915
DWI Enforcement	20.616	8,214
Distracted Vehicle Grant	20.600	6,970
Passed through the State of Minnesota		
Highway Planning and Construction	20.205	3,717,680
Towards Zero Deaths	20.608	46,016
DWI Enforcement	20.616	43,939
Distracted Vehicle Grant	20.600	<u>7,132</u>
Total U.S. Department of Transportation		<u>3,843,866</u>
U.S. Department of Agriculture		
Received directly		
Agricultural Worker Pandemic Relief and Protection Program	10.181	<u>2,267</u>
Total U.S. Department of Agriculture		<u>2,267</u>
U.S. Department of Treasury		
Passed through the State of Minnesota		
Coronavirus State and Local Fiscal Recovery Funds	21.027	<u>1,218,372</u>
Total U.S. Department of Treasury		<u>1,218,372</u>
Total Federal Expenditures		<u>\$ 7,714,451</u>

See notes to schedule of expenditures of federal awards.

City of Richfield
Notes to Schedule of Expenditures of Federal Awards

NOTE 1 – BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year-ended December 31, 2022. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE 2 – PASS-THROUGH GRANT NUMBERS

All pass-through entities listed previously use the same Assistance Listing numbers as the federal grantors to identify these grants and have not assigned any additional identifying numbers.

NOTE 3 – INDIRECT COST RATE

The City did not elect to use the 10 percent de minimis indirect cost rate, as allowed under the Uniform Guidance.

**Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with
*Government Auditing Standards***

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richfield, Minnesota, as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 2023.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

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

Purpose of this Report

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

A handwritten signature in cursive script that reads "BergankDV Ltd." followed by a period.

Minneapolis, Minnesota
June 20, 2023

**Report on Compliance for Each Major Federal Program and Report on Internal Control
over Compliance and on the Schedule of Expenditures of Federal Awards
in Accordance with the Uniform Guidance**

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited compliance of the City of Richfield, Minnesota, with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Example Entity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Report on Internal Control over Compliance (Continued)

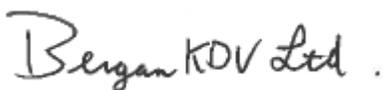
Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance . Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richfield, Minnesota, as of and for the year ended December 31, 2022, and have issued our report thereon dated June 20, 2023, which contained unmodified opinions on the financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditure of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Minneapolis, Minnesota
June 20, 2023

City of Richfield
Schedule of Findings and Questioned Costs

SECTION I – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued:	We issued an unmodified opinion on the fair presentation of the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information in accordance with accounting principles generally accepted in the United State of America (GAAP)
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Type of auditor's report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of Major Programs

Assistance Listing.:	20.205
Name of Federal Program or Cluster:	Highway Planning and Construction
Assistance Listing.:	21.027
Name of Federal Program or Cluster:	Coronavirus State and Local Fiscal Recovery Funds
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low risk auditee?	No

City of Richfield
Schedule of Findings and Questioned Costs

SECTION II – FINANCIAL STATEMENT FINDINGS

None

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

City of Richfield
Schedule of Findings and Questioned Costs

SECTION IV – PRIOR YEAR FINDINGS AND QUESTIONED COSTS

Audit Finding 2021-001

In the prior year audit, the City did not maintain support for the Ice Arena revenue. We noted the City implemented a new software system and was able to maintain support for the Ice Arena revenue in the current year.

Minnesota Legal Compliance

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Richfield, Minnesota as of and for the year ended December 31, 2022, and the related notes to financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 20, 2023.

In connection with our audit, nothing came to our attention that caused us to believe that the City failed to comply with the provisions of the contracting and bidding, deposits and investments, conflicts of interest, public indebtedness, claims and disbursements, miscellaneous provisions, and tax increment financing sections of the *Minnesota Legal Compliance Audit Guide for Cities*, promulgated by the State Auditor pursuant to *Minnesota Statute* § 6.65, insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the City's noncompliance with the above referenced provisions, insofar as they relate to accounting matters.

The purpose of this report is solely to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance. Accordingly, this communication is not suitable for any other purpose.

BerganKDV Ltd.

Minneapolis, Minnesota
June 20, 2023



STAFF REPORT NO. 80
CITY COUNCIL MEETING
6/27/2023

REPORT PREPARED BY: Jennifer Anderson, Support Services Manager

DEPARTMENT DIRECTOR REVIEW: Jay Henthorne, Director of Public Safety/Chief of Police
6/22/2023

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
6/22/2023

ITEM FOR COUNCIL CONSIDERATION:

Public hearing and consider the approval of a new On-Sale Wine and 3.2 Percent Malt Liquor license, with outside service, for Toma Richfield, LLC dba Toma Mojo Grill, located at 1700 66th Street East.

EXECUTIVE SUMMARY:

On April 13, 2023, the City received the application materials for new On-Sale Wine and 3.2 Percent Malt Liquor licenses, with outside service, for Toma Richfield, LLC, dba Toma Mojo Grill located at 1700 66th Street East.

All required information and documents have been received. All licensing fees have been paid.

The Public Safety background investigation has been completed. The Public Safety Director has reviewed the background investigation report and found nothing that would cause the denial of the requested licenses.

RECOMMENDED ACTION:

Conduct and close the public hearing and by motion: Approve the issuance of new On-Sale Wine and 3.2 Percent Malt Liquor licenses, with outside service, for Toma Richfield, LLC dba Toma Mojo Grill, located at 1700 66th Street East.

BASIS OF RECOMMENDATION:

A. **HISTORICAL CONTEXT**

The applicant has satisfied the following requirements for issuance of licenses:

- The required license fees have been paid
- Real estate taxes are current
- Proof of commercial and liquor liability insurance have been received showing Amtrust Insurance as affording coverage.

As a result of this being a new request for On-Sale Wine and 3.2 Percent Malt Liquor licenses, there is no need for an accountant's statement regarding food/alcohol ratio.

As stated in the Executive Summary, the Public Safety Director has reviewed the background information and sees no basis for denial.

On-Sale Wine and 3.2 Percent Malt Liquor licenses require owners of these establishments to comply with Resolution No. 9511, which outlines the discipline they can expect if any ongoing problems occur. A copy of this resolution has been given to the owner of the establishment.

There are no distance requirements to notify neighbors of the issuance of On-Sale Wine and 3.2 Percent Malt Liquor licenses.

The Notice of Public Hearing was published in the Richfield Sun Current on June 15, 2023.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

Richfield City Code Section 1202 requires owners of On-Sale Wine and 3.2 Percent Malt Liquor licensed establishments to comply with all the provisions of both City Code and State Statutes.

C. CRITICAL TIMING ISSUES:

There are no critical timing issues.

D. FINANCIAL IMPACT:

Licensing fees have been received.

E. LEGAL CONSIDERATION:

The requirements of Resolution No. 9511 must be met which outlines the discipline they can expect if any on-going problems occur. A copy of this resolution has been given to the owner of the establishment.

The Notice of Public Hearing was published in the Richfield Sun Current on June 15, 2023.

ALTERNATIVE RECOMMENDATION(S):

The Council could deny the requested licenses, which would mean the current applicants would not be able to serve On-Sale Wine and 3.2 Percent Malt Liquor; however Public Safety has found no basis to deny the license.

Schedule the hearing for another date; however, this will delay the licensing process.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Paul Backer, Toma Mojo Grill



STAFF REPORT NO. 81
CITY COUNCIL MEETING
6/27/2023

REPORT PREPARED BY: Chris Swanson, Management Analyst

DEPARTMENT DIRECTOR REVIEW:

OTHER DEPARTMENT REVIEW: Mary Tietjen, City Attorney

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
 6/22/2023

ITEM FOR COUNCIL CONSIDERATION:

Approve the second reading and hold a public hearing for an ordinance approving renewal of cable television franchise with Comcast of Minnesota, Inc.

EXECUTIVE SUMMARY:

The Southwest Suburban Cable Commission ("Commission") consists of the cities of Eden Prairie, Edina, Hopkins, Minnetonka and Richfield, Minnesota ("Member Cities"). The Commission administers and enforces the cable franchises on behalf of its Member Cities.

Effective August 1, 2012 each of the Member Cities granted a cable franchise to Comcast. The initial term of the franchise ran for ten (10) years and was extended by the Member Cities through January 31, 2023.

In 2019 Comcast requested renewal of the franchise and the Cable Commission has since been engaged in informal renewal negotiations with Comcast to reach mutually acceptable terms for a renewal cable franchise.

In response to Comcast's request for franchise renewal, the Cable Commission retained an outside consultant to conduct a needs assessment of the future cable-related needs and interests of the member cities for the next franchise term.

The final Needs Assessment Report and draft renewal franchise were sent to Comcast for review on July 5, 2022. The Commission and Comcast have exchanged draft documents and held multiple negotiation sessions to discuss the terms and conditions of the document in an effort to reach mutually acceptable language for the next cable franchise. On May 24, 2023, the Cable Commission adopted Resolution 2023-1 recommending that the renewal cable franchise be adopted by each Member City.

Final Results of the Franchise Negotiations:

Existing Franchise	Renewal Franchise
"Gross Revenue" definition	more clear definition
5% franchise fee	Same % as Existing Franchise – federal law (maximum allowed)
\$.65/subscriber/month PEG Fee	1.5% of gross revenues

3 PEG Channels	Same as Existing Franchise
Option for 1 HD PEG channel	All PEG channels will be provided in HD
Complimentary cable service at certain public buildings	Maintain status quo; however, FCC 621 Order adopted in 2019 allows Comcast to deduct "marginal costs" from franchise fees upon 120 days notice to Member City
PEG Transport	Maintain status quo and same comment as above regarding FCC 621 Order
10-year term	10-year term, effective date of adoption
Performance bond \$100,000 per Member City	Same as Existing Franchise
Security fund \$10,000 per Member City, upon violation notice	\$25,000 security fund per Member City

RECOMMENDED ACTION:

Conduct and close the public hearing and by motion:

- 1. Approve the attached ordinance approving renewal of cable television franchise with Comcast of Minnesota, Inc.,**
- 2. Approve a resolution authorizing summary publication of said ordinance.**

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

On or about January 1, 1997, each of the Member Cities granted a Cable Television Franchise to KBL Cable systems of the Southwest, Inc. At that same time the Member Cities each adopted a Cable Television Regulatory Ordinance to be incorporated into the city code of each Member City. In 2000, the Commission and Member Cities approved a transfer of the existing franchise to Time Warner, Inc. In June of 2005, Time Warner transferred the existing franchise to Comcast Communications. Comcast currently operates the cable systems in each of the Member Cities under authority granted in the existing franchise.

The initial term of the existing franchise ran for fifteen years and was extended by the Member Cities to expire on July 31, 2012. Each member city adopted a cable franchise in 2012 which granted Comcast a 10-year franchise with an effective date of August 1, 2012. In September of 2022, the city extended the existing franchise agreement with Comcast, set to expire on August 1, 2022, until January 31, 2023, to finalize negotiations.

In response to Comcast’s request for franchise renewal, the Cable Commission retained an outside consultant to conduct a needs assessment of the future cable-related needs and interests of the member cities for the next franchise term. The Commission identified 8 main goals for the next franchise agreement.

Cable Commission Goal:

The Cable Commission’s primary goals during renewal negotiations were:

1. Ensure each city’s right-of-way code is incorporated into the renewal franchise.
2. Retain ability to regulate noncable services provided by Comcast – broadband.
3. Ensure all local PEG (public, educational and governmental) access channels are provided in HD (high-definition).

4. Increase the level of capital support for PEG access channels.
5. Maintain the 5% franchise fee as consideration for use of the city's right-of-way.
6. Maintain strong customer service standards.
7. Renew for a 10-year term.
8. Adopt enforcement procedures and security to ensure compliance.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

A public hearing is required for this franchise under City Charter, Section 10.05. A notice of the public hearing will be posted in the Sun Current on June 15, 2023.

C. CRITICAL TIMING ISSUES:

The cable television franchise renewal should be extended as soon as possible because the existing franchise extension expired January 31, 2023.

D. FINANCIAL IMPACT:

The 5% franchise fee will stay the same as this is the maximum allowed under federal law. In 2022, Richfield collected \$286,730.31 from the franchise fee. The number of cable subscribers has been steadily declining, resulting in declining franchise revenue, as residents have more options to access content online.

However, staff anticipates the PEG Fee revenues to increase with the new franchise agreement as one key provision of the new franchise is an increase in the PEG fee to 1.5% of Comcast's gross revenues.

Actual 2022 \$.65/sub/mo PEG Fee: \$32,435.72 (Current Contract)
Estimated 1.5% annual PEG Fee: \$86,018.94 (Proposed Contract)

The revenues help replace technology for the benefit of broadcast production and support public access, and eliminate the need to increase the City's costs

E. LEGAL CONSIDERATION:

The franchise ordinance was negotiated and drafted by legal counsel for the Commission, Brian Grogan.

Under the City Charter, the new ordinance will not be effective until 30 days after publication of the ordinance.

The Commission has negotiated that the new rates will be applied retroactively to January 1, 2023. The attached draft ordinance amendment was reviewed and finalized by the City Attorney.

ALTERNATIVE RECOMMENDATION(S):

All five member cities are considering the renewal cable franchise simultaneously. Any proposed revisions from one of the cities may require the Commission to seek agreement, not only from Comcast, but also from the other four member cities. This is not to say further revisions are impossible, but to highlight the complex negotiation process undertaken to get to this final Franchise Agreement.

The City Council could choose to not adopt the proposed ordinance amendment; however, its adoption has been recommended by the Commission.

PRINCIPAL PARTIES EXPECTED AT MEETING:

Brian Grogan, Southwest Suburban Cable Commission Legal Counsel

ATTACHMENTS:

Description	Type
▢ Proposed Renewal with Comcast - SWSCC (Clean)	Ordinance
▢ Proposed Renewal with Comcast - SWSCC (REDLINE)	Cover Memo
▢ RESOLUTION NO. 2023-1 recommending approval of the Franchise agreement with Comcast	Backup Material
▢ Cable Franchise Renewal Presentation	Presentation
▢ 2023 Transitory Ordinance Summary- Comcast	Ordinance

City of Richfield, Minnesota

Ordinance Granting a Cable Television Franchise

to

Comcast of Minnesota, Inc.

June 1, 2023

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ORDINANCE NO. _____

AN ORDINANCE RENEWING THE GRANT OF A FRANCHISE TO COMCAST OF MINNESOTA, INC. TO OPERATE AND MAINTAIN A CABLE SYSTEM IN THE CITY OF RICHFIELD, MINNESOTA; SETTING FORTH CONDITIONS ACCOMPANYING THE GRANT OF THE FRANCHISE; PROVIDING FOR CITY REGULATION AND ADMINISTRATION OF THE CABLE SYSTEM; AND TERMINATING ORDINANCE NO. 2012-10

RECITALS

The City of Richfield, Minnesota (“City”) pursuant to applicable federal and state law, is authorized to grant one or more nonexclusive cable television franchises to construct, operate, maintain, and reconstruct cable television systems within the City limits.

Comcast of Minnesota, Inc. (“Grantee”) has operated a Cable System in the City, under a cable television franchise granted pursuant to Ordinance No. 2012-10.

Negotiations between Grantee and the City have been completed and the franchise renewal process followed in accordance with the guidelines established by the City Code, Minnesota Statutes Chapter 238, and the Cable Act (47 U.S.C. § 546).

The Franchise granted to Grantee by the City is nonexclusive and complies with existing applicable Minnesota Statutes, federal laws and regulations.

The City has exercised its authority under Minnesota law to enter into a Joint and Cooperative Agreement with other cities authorized to grant cable communications franchises and has delegated certain authority to the Southwest Suburban Cable Communications Commission to make recommendations to the City regarding this Franchise and to be responsible for the ongoing administration and enforcement of this Franchise as herein provided.

The City has determined that it is in the best interest of the City and its residents to renew the cable television franchise with Grantee.

NOW, THEREFORE, THE CITY OF RICHFIELD, MINNESOTA DOES ORDAIN that a franchise is hereby granted to Comcast of Minnesota, Inc., to operate and maintain a Cable System in the City upon the following terms and conditions:

**SECTION 1
DEFINITIONS**

For the purpose of this Franchise, the following terms, phrases, words, derivations, and their derivations shall have the meanings given herein. When not inconsistent with the context, words used in the present tense include the future tense, words in the plural number include the singular number and words in the singular number include the plural number. In the event the meaning of any word or phrase not defined herein is uncertain, the definitions contained in applicable local, state, or federal law shall apply.

1.1 “Access Channels” means any channel or portion of a channel utilized for public, educational, or governmental programming.

1.2 “Affiliate” or “Affiliated Entity” means any Person who owns or controls, is owned or controlled by, or is under common ownership or control with, Grantee and its successors.

1.3 “Applicable Laws” means any law, statute, charter, ordinance, rule, regulation, code, license, certificate, franchise, permit, writ, ruling, award, executive order, directive, requirement, injunction (whether temporary, preliminary, or permanent), judgment, decree or other order issued, executed, entered or deemed applicable by any governmental authority of competent jurisdiction.

1.4 “Basic Cable Service” means any service tier which includes the lawful retransmission of local television broadcast.

1.5 “Cable Act” means the Cable Communications Policy Act of 1984, 47 U.S.C. §§ 521 et seq., as amended by the Cable Television Consumer Protection and Competition Act of 1992, as further amended by the Telecommunications Act of 1996, as further amended from time to time.

1.6 “Cable Service” means (a) the one-way transmission to Subscribers of (i) Video Programming or (ii) Other Programming Service, and b) Subscriber interaction, if any, which is required for the selection or use of such Video Programming or Other Programming Service.

1.7 “Cable System” or “System” means a facility, consisting of a set of closed transmission paths and associated signal generation, reception and control equipment which is designed to provide Cable Service that includes Video Programming, and which is provided to multiple Subscribers within a community, but such term does not include:

(a) a facility that serves only to retransmit the television signals of one (1) or more television broadcast stations;

(b) a facility that serves Subscribers without using any Streets;

(c) a facility of a common carrier which is subject, in whole or in part, to the provisions of 47 U.S.C. § 201 et seq., except that such facility shall be considered a Cable System (other than for purposes of 47 U.S.C. § 541(c)) to the extent such facility is used in the transmission of Video Programming directly to Subscribers, unless the extent of such use is solely to provide interactive on-demand services;

(d) an open video system that complies with 47 U.S.C. § 573; or

(e) any facilities of any electric utility used solely for operating its electric utility system.

Unless otherwise specified, it shall in this document refer to the Grantee's Cable System constructed and operated in the City under this Franchise.

1.8 "Channel" means a portion of the electromagnetic frequency spectrum which is used in a Cable System, and which is capable of delivering a television channel as defined by the FCC by regulation.

1.9 "City" means the City of Richfield, a municipal corporation in the State of Minnesota.

1.10 "City Code" means the Municipal Code of the City of Richfield, Minnesota, as may be amended from time to time.

1.11 "Commission" means the Southwest Suburban Cable Communications Commission consisting of the cities of Eden Prairie, Edina, Hopkins, Minnetonka and Richfield, Minnesota.

1.12 "Connection" means the attachment of the Drop to the television set of the Subscriber.

1.13 "Converter" means an electronic device, including digital transport adapters, which converts signals to a frequency not susceptible to interference within the television receiver of a Subscriber, and by an appropriate Channel selector also permits a Subscriber to view Cable Service signals.

1.14 "Council" means the governing body of the City.

1.15 "Day" means a calendar day, unless otherwise specified.

1.16 "Drop" means the cable that connects the Subscriber terminal to the nearest feeder cable of the cable in the Street and any electronics on Subscriber property between the Street and Subscriber terminal.

1.17 "Effective Date" means February 1, 2023.

1.18 "FCC" means the Federal Communications Commission, or a designated representative.

1.19 "Franchise" means the right granted by this Ordinance and conditioned as set forth herein.

1.20 "Franchise Area" means the entire geographic area within the City as it is now constituted or may in the future be constituted.

1.21 "Franchise Fee" means the fee assessed by the City to Grantee, in consideration of Grantee's right to operate the Cable System within the City's Streets, determined in amount as a percentage of Grantee's Gross Revenues and limited to the maximum percentage allowed for

such assessment by federal law. The term Franchise Fee does not include the exceptions noted in 47 U.S.C. §542(g)(2)(A-E).

1.22 “GAAP” means generally accepted accounting principles as promulgated and defined by the Financial Accounting Standards Board (“FASB”), Emerging Issues Task Force (“EITF”) and/or the U.S. Securities and Exchange Commission (“SEC”).

1.23 “Gross Revenues” means, and shall be construed broadly to include, all revenues derived directly or indirectly by Grantee and/or an Affiliated Entity that is the cable operator of the Cable System, from the operation of Grantee’s Cable System to provide Cable Services within the City. Gross Revenues include, by way of illustration and not limitation:

- (a) monthly fees for Cable Services, regardless of whether such Cable Services are provided to residential or commercial customers, including revenues derived from the provision of all Cable Services (including but not limited to pay or premium Cable Services, pay-per-view, pay-per-event, and video-on-demand Cable Services);
- (b) fees paid to Grantee for Channels designated for commercial/leased access use and shall be allocated on a pro rata basis using total Cable Service Subscribers within the City;
- (c) Converter, digital video recorder, remote control, and other Cable Service equipment rentals, leases, or sales;
- (d) installation, disconnection, reconnection, change-in service, “snow-bird” fees;
- (e) Advertising Revenues as defined herein;
- (f) late fees, convenience fees, and administrative fees;
- (g) other service fees such as HD fees, convenience fees, broadcast fees, regional sports fees, home tech support fees, bill payment fees for in-person or phone payments, additional outlet fees, and related charges relating to the provision of Cable Service;
- (h) revenues from program guides and electronic guides;
- (i) Franchise Fees;
- (j) FCC regulatory fees;
- (k) except as provided in subsection (ii) below, any fee, tax or other charge assessed against Grantee by municipality, which Grantee chooses to pass through and collect from its Subscribers; and

(l) commissions from home shopping channels and other Cable Service revenue sharing arrangements, which shall be allocated on a pro rata basis using total Cable Service Subscribers within the City.

(i) “Advertising Revenues” shall mean revenues derived from sales of advertising that are made available to Grantee’s Cable System Subscribers within the City and shall be allocated on a pro rata basis using total Cable Service Subscribers reached by the advertising. Additionally, Grantee agrees that Gross Revenues subject to Franchise Fees shall include all commissions, representative fees, Affiliated Entity fees, or rebates paid to National Cable Communications and Comcast Spotlight, or their successors associated with sales of advertising on the Cable System within the City allocated according to this paragraph using total Cable Service Subscribers reached by the advertising.

(ii) “Gross Revenues” shall not include:

1. actual bad debt write-offs, except any portion which is subsequently collected, which shall be allocated on a pro rata basis using Cable Services revenue as a percentage of total Subscriber revenues within the City; and
2. unaffiliated third-party advertising sales agency fees which are reflected as a deduction from revenues.

(m) Grantee shall allocate fees and revenues generated from bundled packages and services to cable revenues pro rata based on the current published rate card for the packaged services delivered on a stand-alone basis as follows:

(i) To the extent revenues are received by Grantee for the provision of a discounted bundle of services which includes Cable Services and non-Cable Services, Grantee shall calculate revenues to be included in Gross Revenues using a GAAP methodology that allocates revenue, on a pro rata basis, when comparing the bundled service price and its components to the sum of the published rate card, except as required by specific Applicable Law (for example, it is expressly understood that equipment may be subject to inclusion in the bundled price at full rate card value). The City reserves its right to review and to challenge Grantee’s calculations.

(ii) Grantee reserves the right to change the allocation methodologies set forth in this section in order to meet the standards required by governing accounting principles as promulgated and defined by the Financial Accounting Standards Board (“FASB”), Emerging Issues Task Force (“EITF”) and/or the U.S. Securities and Exchange Commission (“SEC”). Grantee will explain and document the required changes to the City upon request or as part of any audit or review of Franchise Fee payments, and any such changes shall be subject to the next subsection below.

(iii) Resolution of any disputes over the classification of revenue should first be attempted by agreement of the parties, but should no resolution be reached, the parties agree that reference shall be made to GAAP as promulgated and defined by the Financial Accounting Standards Board (“FASB”), Emerging Issues Task Force (“EITF”) and/or the U.S. Securities and Exchange Commission (“SEC”). Notwithstanding the foregoing, the City reserves its right to challenge Grantee’s calculation of Gross Revenues, including the interpretation of GAAP as promulgated and defined by the FASB, EITF and/or the SEC.

1.24 “Normal Business Hours” means those hours during which most similar businesses in City are open to serve customers. In all cases, “Normal Business Hours” must include some evening hours, at least one (1) night per week and/or some weekend hours.

1.25 “Normal Operating Conditions” means those Service conditions which are within the control of Grantee. Those conditions which are not within the control of Grantee include, but are not limited to, natural disasters, civil disturbances, power outages, telephone network outages, and severe or unusual weather conditions. Those conditions which are ordinarily within the control of Grantee include, but are not limited to, special promotions, pay-per-view events, rate increases, regular peak or seasonal demand periods, and maintenance or upgrade of the Cable System.

1.26 “Other Programming Service” is information that a cable operator makes available to all Subscribers generally.

1.27 “PEG” means public, educational and governmental.

1.28 “Person” means any natural person and all domestic and foreign corporations, closely held corporations, associations, syndicates, joint stock corporations, partnerships of every kind, clubs, businesses, common law trusts, societies and/or any other legal entity.

1.29 “Section 621 Order” means the Third Report and Order in MB Docket No. 05-311 adopted by the FCC on August 1, 2019, as modified by any court of competent jurisdiction or any subsequent order of the FCC.

1.30 “Street” means the area on, below, or above a public roadway, highway, street, cartway, bicycle lane, and public sidewalk in which the City has an interest, including other dedicated rights-of-way for travel purposes and utility easements. A Street does not include the airwaves above a public right-of-way with regard to cellular or other non-wire telecommunications or broadcast service.

1.31 “Subscriber” means a Person who lawfully receives Cable Service.

1.32 “Twin Cities Region” shall mean the cities in Minnesota wherein Grantee or Affiliate hold a franchise agreement to provide Cable Service.

1.33 “Video Programming” means programming provided by, or generally considered comparable to programming provided by, a television broadcast station.

1.34 “Wireline MVPD” means any entity, including the City, that utilizes the Streets to install cable or fiber and is engaged in the business of making available for purchase, by Subscribers, multiple Channels of Video Programming in the City, which could also include the City. For purposes of this Franchise, the term “Wireline MVPD” shall not be limited to entities defined by the FCC as “multichannel video programming distributors” and shall include entities that provide multiple Channels of Video Programming via open video systems, as defined by the FCC, but it is the intent of the Grantee and the City that the term Wireline MVPD shall not include small cell providers, unless the City has the legal authority under Applicable Law to regulate or to impose cable franchise obligations upon such small cell providers.

SECTION 2 FRANCHISE

2.1 **Grant of Franchise.** The City hereby authorizes Grantee to occupy or use the City’s Streets subject to: 1) the provisions of this non-exclusive Franchise to provide Cable Service within the City; and 2) all applicable provisions of the City Code. Unless this Franchise has expired pursuant to Section 2.8 herein or this Franchise is otherwise terminated pursuant to Section 11.2 herein, this Franchise shall constitute both a right and an obligation to provide Cable Services as required by the provisions of this Franchise. Nothing in this Franchise shall be construed to prohibit Grantee from: (1) providing services other than Cable Services to the extent not prohibited by Applicable Law; or (2) challenging any exercise of the City’s legislative or regulatory authority in an appropriate forum. The City hereby reserves all of its rights to regulate such other services to the extent not prohibited by Applicable Law and no provision herein shall be construed to limit or give up any right to regulate.

2.2 **Reservation of Authority.** The Grantee specifically agrees to comply with the lawful provisions of the City Code and applicable regulations of the City. Subject to the police power exception below, in the event of a conflict between (A) the lawful provisions of the City Code or applicable regulations of the City and (B) this Franchise, the express provisions of this Franchise shall govern. Subject to express federal and state preemption, the material terms and conditions contained in this Franchise may not be unilaterally altered by the City through subsequent amendments to the City Code, ordinances, or any regulation of City, except in the lawful exercise of City’s police power. Grantee acknowledges that the City may modify its regulatory policies by lawful exercise of the City’s police powers throughout the term of this Franchise. Grantee agrees to comply with such lawful modifications to the City Code; however, Grantee reserves all rights it may have to challenge such modifications to the City Code whether arising in contract or at law. The City reserves all of its rights and defenses to such challenges whether arising in contract or at law. Nothing in this Franchise shall (A) abrogate the right of the City to perform any public works or public improvements of any description, (B) be construed as a waiver of any codes or ordinances of general applicability promulgated by the City, or (C) be construed as a waiver or release of the rights of the City in and to the Streets.

2.3 **Franchise Term.** The term of this Franchise shall be ten (10) years from the Effective Date, unless renewed, amended, or extended by mutual written consent in accordance with Section 17.7 or terminated sooner in accordance with this Franchise.

2.4 **Franchise Area.** This Franchise is granted for the Franchise Area defined herein. Grantee shall extend its Cable System to provide Service to any residential unit in the City in accordance with Section 6.6 herein. This Franchise governs any Cable Services provided by Grantee to residential and commercial Subscribers to Grantee's Cable System.

2.5 **Franchise Nonexclusive.** The Franchise granted herein shall be nonexclusive. The City specifically reserves the right to grant, at any time, such additional franchises for a Cable System as it deems appropriate provided, however, such additional grants shall not operate to materially modify, revoke, or terminate any rights previously granted to Grantee other than as described in Section 17.18. The grant of any additional franchise shall not of itself be deemed to constitute a modification, revocation, or termination of rights previously granted to Grantee. Any additional cable franchise grants shall comply with Minn. Stat. § 238.08 and any other applicable federal level playing field requirements.

2.6 **Periodic Public Review of Franchise.** Within sixty (60) Days of the third and sixth annual anniversary of the Effective Date of this Franchise, the City may conduct a public review of the Franchise. The purpose of any such review shall be to ensure, with the benefit of full opportunity for public comment, that the Grantee continues to effectively serve the public in the light of new developments in cable law and regulation, cable technology, cable company performance with the requirements of this Franchise, local regulatory environment, community needs and interests, and other such factors. Both the City and Grantee agree to make a full and good faith effort to participate in the review. So long as Grantee receives reasonable notice, Grantee shall participate in the review process and shall fully cooperate. The review shall not operate to modify or change any provision of this Franchise without mutual written consent in accordance with Section 17.7 of this Franchise.

2.7 **Transfer of Ownership.**

(a) No sale, transfer, assignment or "fundamental corporate change", as defined in Minn. Stat. § 238.083, of this Franchise shall take place until the parties to the sale, transfer, or fundamental corporate change files a written request with City for its approval, provided, however, that said approval shall not be required where Grantee grants a security interest in its Franchise and assets to secure an indebtedness.

(b) City shall reply in writing and indicate approval of the request or its determination that a public hearing is necessary due to potential adverse effect on Grantee's Subscribers resulting from the sale or transfer.

(c) If a public hearing is deemed necessary pursuant to (b) above, such hearing shall be handled in accordance with local law or fourteen (14) Days prior to the hearing by publishing notice thereof once in a newspaper of general circulation in City. The notice shall contain the date, time and place of the hearing and shall briefly state the substance of the action to be considered by City.

(d) After the closing of the public hearing, City shall approve or deny in writing the sale or transfer request. City shall set forth in writing with particularity its reason(s) for denying approval. City shall not unreasonably withhold its approval.

(e) The parties to the sale or transfer of the Franchise only, without the inclusion of the System in which substantial construction has commenced, shall establish that the sale or transfer of only the Franchise will be in the public interest.

(f) Any sale or transfer of stock in Grantee so as to create a new controlling interest in the System shall be subject to the requirements of this Section 2.7. The term “controlling interest” as used herein is not limited to majority stock ownership but includes actual working control in whatever manner exercised.

(g) In no event shall a transfer or assignment of ownership or control be approved without the transferee becoming a signatory to this Franchise and assuming all rights and obligations thereunder, and assuming all other rights and obligations of the transferor to the City.

(h) In accordance with Minn. Stat. § 238.084, Subd. 1(y), the City shall have the right to purchase the System in the event the Franchise or System is proposed to be transferred or sold on the same terms and conditions as the offer pursuant to which transfer notice was provided pursuant to this section.

(i) City shall be deemed to have waived its rights under this paragraph (h) in the following circumstances:

(i) If it does not indicate to Grantee in writing, within ninety (90) Days of notice of a proposed sale or assignment, its intention to exercise its right of purchase; or

(ii) It approves the assignment or sale of the Franchise as provided within this section.

2.8 **Expiration.** Upon expiration of the Franchise, the City shall have the right at its own election and subject to Grantee’s rights under Section 626 of the Cable Act to:

(a) extend the Franchise, though nothing in this provision shall be construed to require such extension;

(b) renew the Franchise, in accordance with Applicable Laws;

(c) invite additional franchise applications or proposals;

(d) terminate the Franchise subject to any rights Grantee has under Section 626 of the Cable Act; or

(e) take such other action as the City deems appropriate.

2.9 **Right to Require Removal of Property.** At the expiration of the term for which this Franchise is granted, provided no renewal is granted, or upon its forfeiture or revocation as provided for herein, the City shall have the right to require Grantee to remove at Grantee’s own expense all or any part of the Cable System from all Streets and public ways within the Franchise

Area within a reasonable time. If Grantee fails to do so, the City may perform the work and collect the cost thereof from Grantee. However, Grantee shall have no obligation under this Franchise to remove the Cable System where it utilizes the system to provide other non-Cable Services and has any other authority under Applicable Law to maintain facilities in the Streets, or where Grantee is able to find a purchaser of the Cable System who holds such authorization.

2.10 Continuity of Service Mandatory. It shall be the right of all Subscribers to receive Cable Service in accordance with the terms of this Franchise and Applicable Law. In the event that Grantee elects to overbuild, rebuild, modify, or transfer the Cable System in accordance with Section 2.7, or the City revokes or fails to renew the Franchise, Grantee shall make its best effort to ensure that all Subscribers receive continuous uninterrupted service, regardless of the circumstances, while the Franchise remains effective. In the event of expiration, purchase, lease-purchase, condemnation, acquisition, taking over or holding of plant and equipment, sale, lease, or other transfer to any other Person, including any other grantee of a cable franchise, the current Grantee shall cooperate fully to operate the Cable System in accordance with the terms and conditions of this Franchise for a temporary period sufficient in length to maintain continuity of Cable Service to all Subscribers.

SECTION 3 OPERATION IN STREETS AND RIGHTS-OF-WAY

3.1 Use of Streets.

(a) Grantee may, subject to the terms of this Franchise, erect, install, construct, repair, replace, reconstruct, and retain in, on, over, under, upon, across and along the Streets within the City such lines, cables, conductors, ducts, conduits, vaults, manholes, amplifiers, appliances, pedestals, attachments and other property and equipment as are necessary and appurtenant to the operation of a Cable System within the City. Without limiting the foregoing, Grantee expressly agrees that it will construct, operate, and maintain its Cable System in compliance with, and subject to, the requirements of the City Code, including by way of example and not limitation, those requirements governing the placement of Grantee's Cable System; and with other applicable City Codes, and will obtain and maintain all permits and bonds required by the City Code in addition to those required in this Franchise.

(b) All wires, conduits, cable and other property and facilities of Grantee shall be so located, constructed, installed, and maintained as not to endanger or unnecessarily interfere with the usual and customary trade, traffic, and travel upon, or other use of, the Streets of City. Grantee shall keep and maintain all of its property in good condition, order and repair so that the same shall not menace or endanger the life or property of any Person.

(c) All wires, conduits, cables and other property and facilities of Grantee, shall be constructed and installed in an orderly and workmanlike manner in accordance with the City Code and Applicable Law. All wires, conduits and cables shall be installed, where possible, parallel with electric and telephone lines. Multiple cable configurations shall be arranged in parallel and bundled with due respect for engineering considerations.

(d) Nothing in this Franchise shall be construed to prevent the City from constructing, maintaining, repairing, or relocating sewers; grading, paving, maintaining, repairing, relocating and/or altering any Street; constructing, laying down, repairing, maintaining, or relocating any water mains; or constructing, maintaining, relocating, or repairing any sidewalk or other public work.

3.2 **Construction or Alteration.** Grantee shall in all cases comply with the City Code, City resolutions and City regulations regarding the acquisition of permits and/or such other items as may be reasonably required in order to construct, alter, or maintain the Cable System. Grantee shall, upon request, provide information to the City regarding its progress in completing or altering the Cable System.

3.3 **Non-Interference.** Grantee shall exert its best efforts to construct and maintain a Cable System so as not to interfere with other use of Streets. Grantee shall, where possible in the case of above ground lines, make use of existing poles and other facilities available to Grantee. When residents receiving underground service or who will be receiving underground service will be affected by proposed construction or alteration, Grantee shall provide such notice as set forth in the permit or in City Code of the same to such affected residents.

3.4 **Consistency with Designated Use.** Notwithstanding the above grant to use Streets, no Street shall be used by Grantee if the City, in its sole opinion, determines that such use is inconsistent with the terms, conditions or provisions by which such Street was created or dedicated, or presently used under Applicable Laws.

3.5 **Undergrounding.**

(a) Grantee shall place underground all of its transmission lines which are located or are to be located above or within the Streets of the City in the following cases:

(i) all other existing utilities are required to be placed underground by statute, resolution, policy or other Applicable Law;

(ii) Grantee is unable to get pole clearance;

(iii) underground easements are obtained from developers of new residential areas; or

(iv) utilities are overhead but residents prefer underground (service provided at cost).

(b) If an ordinance is passed which involves placing underground certain utilities including Grantee's cable plant which is then located overhead, Grantee shall participate in such underground project and shall remove poles, cables and overhead wires if requested to do so and place facilities underground. Nothing herein shall mandate that City provide reimbursement to Grantee for the costs of such relocation and removal. However, if the City makes available funds for the cost of placing facilities underground, nothing herein shall preclude the Grantee from participating in such funding to the extent consistent with the City Code or Applicable Laws.

(c) Grantee shall use conduit or its functional equivalent to the greatest extent possible for undergrounding, except for Drops from pedestals to Subscribers' homes and for cable on other private property where the owner requests that conduit not be used. Cable and conduit shall be utilized which meets the highest industry standards for electronic performance and resistance to interference or damage from environmental factors. Grantee shall use, in conjunction with other utility companies or providers, common trenches for underground construction wherever available.

3.6 Maintenance and Restoration.

(a) Restoration. In case of disturbance of any Street, public way, paved area or public improvement, Grantee shall, at its own cost and expense and in accordance with the requirements of Applicable Law, restore such Street, public way, paved area or public improvement to substantially the same condition as existed before the work involving such disturbance took place. All requirements of this section pertaining to public property shall also apply to the restoration of private easements and other private property. Grantee shall perform all restoration work within a reasonable time and with due regard to seasonal working conditions. If Grantee fails, neglects, or refuses to make restorations as required under this section, then the City may do such work or cause it to be done, and the cost thereof to the City shall be paid by Grantee. If Grantee causes any damage to private property in the process of restoring facilities, Grantee shall repair such damage.

(b) Maintenance. Grantee shall maintain all above ground improvements that it places on City Streets pursuant to the City Code and any permit issued by the City. In order to avoid interference with the City's ability to maintain the Street, Grantee shall provide such clearance as is required by the City Code and any permit issued by the City. If Grantee fails to comply with this provision, and by its failure, property is damaged, Grantee shall be responsible for all damages caused thereby.

(c) Disputes. In any dispute over the adequacy of restoration or maintenance relative to this section, final determination shall be the prerogative of the City, Department of Public Works and consistent with the City Code and any permit issued by the City.

3.7 Work on Private Property. Grantee, with the consent of property owners, shall have the authority, pursuant to the City Code, to trim trees upon and overhanging Streets, alleys, sidewalks, and public ways so as to prevent the branches of such trees from coming in contact with the wires and cables of Grantee, except that at the option of the City, such trimming may be done by it or under its supervision and direction at the reasonable expense of Grantee.

3.8 Relocation.

(a) City Property. If, during the term of the Franchise, the City or any government entity elects or requires a third party to alter, repair, realign, abandon, improve, vacate, reroute or change the grade of any Street, public way or other public property; or to construct, maintain or repair any public improvement; or to replace, repair

install, maintain, or otherwise alter any cable, wire conduit, pipe, line, pole, wire-holding structure, structure, or other facility, including a facility used for the provision of utility or other services or transportation of drainage, sewage or other liquids, for any public purpose, Grantee shall, upon request, except as otherwise hereinafter provided, at its sole expense remove or relocate as necessary its poles, wires, cables, underground conduits, vaults, pedestals, manholes and any other facilities which it has installed. Nothing herein shall mandate that City provide reimbursement to Grantee for the costs of such relocation and removal. However, if the City makes available funds for the cost of placing facilities underground, nothing herein shall preclude the Grantee from participating in such funding to the extent consistent with the City Code or Applicable Laws.

(b) Utilities and Other Franchisees. If, during the term of the Franchise, another entity which holds a franchise or any utility requests Grantee to remove or relocate such facilities to accommodate the construction, maintenance or repair of the requesting party's facilities, or their more efficient use, or to "make ready" the requesting party's facilities for use by others, or because Grantee is using a facility which the requesting party has a right or duty to remove, Grantee shall do so. The companies involved may decide among themselves who is to bear the cost of removal or relocation, pursuant to City Code, and provided that the City shall not be liable for such costs.

(c) Notice to Remove or Relocate. Any Person requesting Grantee to remove or relocate its facilities shall give Grantee no less than forty-five (45) Days' advance written notice advising Grantee of the date or dates that removal or relocation is to be undertaken, provided that no advance written notice shall be required in emergencies or in cases where public health and safety or property is endangered.

(d) Failure by Grantee to Remove or Relocate. If Grantee fails, neglects or refuses to remove or relocate its facilities as directed by the City; or in emergencies or where public health and safety or property is endangered, the City may do such work or cause it to be done, and the cost thereof to the City shall be paid by Grantee. If Grantee fails, neglects, or refuses to remove or relocate its facilities as directed by another franchisee or utility, that franchisee or utility may do such work or cause it to be done, and if Grantee would have been liable for the cost of performing such work, the cost thereof to the party performing the work or having the work performed shall be paid by Grantee.

(e) Procedure for Removal of Cable. Grantee shall not remove any underground cable or conduit which requires trenching or other opening of the Streets along the extension of cable to be removed, except as hereinafter provided. Grantee may remove any underground cable from the Streets which has been installed in such a manner that it can be removed without trenching or other opening of the Streets along the extension of cable to be removed. Subject to Applicable Law, Grantee shall remove, at its sole cost and expense, any underground cable or conduit by trenching or opening of the Streets along the extension thereof or otherwise which is ordered to be removed by the City based upon a determination, in the sole discretion of the City, that removal is required in order to eliminate or prevent a hazardous condition. Underground cable and

conduit in the Streets which is not removed shall be deemed abandoned and title thereto shall be vested in the City.

(f) **Movement of Buildings.** Grantee shall, upon request by any Person holding a building moving permit, franchise or other approval issued by the City, temporarily remove, raise, or lower its wire to permit the movement of buildings. The expense of such removal, raising or lowering shall be paid by the Person requesting same, and Grantee shall be authorized to require such payment in advance. The City shall require all building movers to provide not less than fifteen (15) Days' notice to the Grantee to arrange for such temporary wire changes.

SECTION 4 REMOVAL OR ABANDONMENT OF SYSTEM

4.1 **Removal of Cable System.** In the event that: (1) the use of the Cable System is discontinued for any reason for a continuous period of twelve (12) months; or (2) the Cable System has been installed in a Street without complying with the requirements of this Franchise or the City Code, Grantee, at its expense shall, at the demand of the City remove promptly from the Streets all of the Cable System other than any which the City may permit to be abandoned in place. In the event of any such removal Grantee shall promptly restore to a condition as nearly as possible to its prior condition the Street or other public places in the City from which the System has been removed. However, Grantee shall have no obligation under this Franchise to remove the Cable System where it utilizes the system to provide other non-Cable Services and has any other authority under Applicable Law to maintain facilities in the Streets, or where Grantee is able to find a purchaser of the Cable System who holds such authorization.

4.2 **Abandonment of Cable System.** In the event of Grantee's abandonment of the Cable System, City shall have the right to require Grantee to conform to the state right-of-way rules, Minn. Rules, Ch. 7819. The Cable System to be abandoned in place shall be abandoned in the manner prescribed by the City. Grantee may not abandon any portion of the System without having first given three (3) months written notice to the City. Grantee may not abandon any portion of the System without compensating the City for damages resulting from the abandonment.

4.3 **Removal after Abandonment or Termination.** If Grantee has failed to commence removal of System, or such part thereof as was designated by City, within thirty (30) Days after written notice of City's demand for removal consistent with Minn. Rules, Ch. 7819, is given, or if Grantee has failed to complete such removal within twelve (12) months after written notice of City's demand for removal is given, City shall have the right to apply funds secured by the letter of credit and performance bond toward removal and/or declare all right, title, and interest to the Cable System for the City with all rights of ownership including, but not limited to, the right to operate the Cable System or transfer the Cable System to another for operation by it.

4.4 **City Options for Failure to Remove Cable System.** If Grantee has failed to complete such removal within the time given after written notice of the City's demand for removal is given, the City shall have the right to exercise one of the following options:

(a) Declare all right, title and interest to the System for the City or its designee with all rights of ownership including, but not limited to, the right to operate the System or transfer the System to another for operation by it; or

(b) Declare the System abandoned and cause the System, or such part thereof as the City shall designate, to be removed at no cost to the City. The cost of said removal shall be recoverable from the security fund, indemnity and penalty section provided for in this Franchise or from Grantee directly.

(c) Upon termination of service to any Subscriber, Grantee shall promptly remove all its facilities and equipment from within the dwelling of a Subscriber who owns such dwelling upon his or her written request, except as provided by Applicable Law. Such Subscribers shall be responsible for any costs incurred by Grantee in removing the facilities and equipment.

4.5 System Construction and Equipment Standards. The Cable System shall be installed and maintained in accordance with standard good engineering practices and shall conform, when applicable, with the National Electrical Safety Code, the National Electrical Code and the FCC's Rules and Regulations.

4.6 System Maps and Layout. In addition to any generally applicable mapping requirements included in the City Code and required of other utilities, Grantee shall maintain complete and accurate system maps and records of all of its wires, conduits, cables and other property and facilities located, constructed, and maintained in the City, which shall include trunks, distribution lines, and nodes. Such maps shall include up-to-date route maps showing the location of the Cable System adjacent to the Streets. Grantee shall make all maps and records available for review by the appropriate City personnel.

SECTION 5 SYSTEM DESIGN AND CAPACITY

5.1 Availability of Signals and Equipment.

(a) The Cable System utilizes a fiber to the fiber node architecture, with fiber optic cable deployed from Grantee's headend to Grantee's fiber nodes, tying into Grantee's coaxial Cable System serving Subscribers. The System shall pass a minimum of 750 MHz (with a minimum passband of between 50 and 750 MHz) and shall be maintained to provide to Subscribers a minimum of at least two hundred (200) or more activated downstream Cable Service Channels.

(b) The entire System shall be technically capable of transmitting industry-standard digital television signals in a manner and quality consistent with applicable FCC regulations.

(c) Grantee agrees to maintain the Cable System in a manner consistent with, or in excess of the specifications in Section 5.1 (a) and (b) throughout the term of the Franchise with sufficient capability and technical quality to enable the implementation and performance of all requirements of this Franchise, including the exhibits hereto, and

in a manner which meets or exceeds FCC technical quality standards at 47 C.F.R. § 76 Subpart K, regardless of the particular format in which a signal is transmitted.

5.2 Equal and Uniform Service. To the extent required by Applicable Law, Grantee shall provide access to equal and uniform Cable Service throughout the City.

5.3 System Specifications.

(a) **System Maintenance.** In all its construction and service provision activities, Grantee shall meet or exceed the construction, technical performance, extension, and service requirements set forth in this Franchise.

(b) **Emergency Alert Capability.** At all times during the term of this Franchise, Grantee shall provide and maintain an Emergency Alert System (EAS) consistent with Applicable Laws including 47 C.F.R., Part 11, and any Minnesota State Emergency Alert System requirements. The City may identify authorized emergency officials for activating the EAS consistent with the Minnesota State Emergency Statewide Plan (“EAS Plan”). The City may also develop a local plan, containing methods of EAS message distribution, subject to Applicable Laws and the EAS Plan. Nothing in this section is intended to expand Grantee’s obligations beyond that which is required by the EAS Plan and Applicable Law.

(c) **Standby Power.** Grantee shall provide standby power generating capacity at the Cable System control center and at all hubs. Grantee shall maintain standby power system supplies, rated at least at two (2) hours duration throughout the trunk and distribution networks. In addition, Grantee shall have in place throughout the Franchise term a plan, and all resources necessary for implementation of the plan, for dealing with outages of more than two (2) hours.

(d) **Technical Standards.** The technical standards used in the operation of the Cable System shall comply, at minimum, with the technical standards promulgated by the FCC relating to Cable Systems pursuant to Title 47, Section 76, Subpart K of the Code of Federal Regulations, as may be amended or modified from time to time, which regulations are expressly incorporated herein by reference. The Cable System shall be installed and maintained in accordance with standard good engineering practices and shall conform with the National Electrical Safety Code and all other Applicable Laws governing the construction of the Cable System.

(e) **System Upgrades.** The Cable System will be upgraded consistent with future System upgrades performed in Grantee’s other Twin Cities Region Cable Systems, when any other of Grantee’s Cable Systems in Hennepin County also receives a System upgrade, understanding that work on the Cable System is done based on Grantee’s construction schedules.

5.4 Performance Testing. Grantee shall perform all system tests at the intervals required by the FCC, and all other tests reasonably necessary to determine compliance with technical standards required by this Franchise. These tests shall include, at a minimum:

- (a) Initial proof of performance for any construction; and
- (b) Tests in response to Subscriber complaints; and
- (c) Tests requested by the City to demonstrate franchise compliance; and
- (d) Written records of all system test results performed by or for Grantee shall be maintained and shall be available for City inspection upon request.

5.5 Special Testing.

(a) Throughout the term of this Franchise, City shall have the right to inspect all construction or installation work performed pursuant to the provisions of the Franchise. In addition, City may require special testing of a location or locations within the System if there is a particular matter of controversy or unresolved complaints regarding such construction or installation work or pertaining to such location(s). Demand for such special tests may be made on the basis of complaints received or other evidence indicating an unresolved controversy or noncompliance. Such tests shall be limited to the particular matter in controversy or unresolved complaints. City shall endeavor to so arrange its request for such special testing so as to minimize hardship or inconvenience to Grantee or to the Subscribers caused by such testing.

(b) Before ordering such tests, Grantee shall be afforded thirty (30) Days following receipt of written notice to investigate and, if necessary, correct problems or complaints upon which tests were ordered. City shall meet with Grantee prior to requiring special tests to discuss the need for such and, if possible, visually inspect those locations which are the focus of concern. If, after such meetings and inspections, City wishes to commence special tests and the thirty (30) Days have elapsed without correction of the matter in controversy or unresolved complaints, the tests shall be conducted at Grantee's expense by Grantee's qualified engineer. The City shall have a right to participate in such testing by having an engineer of City's choosing, and at City's expense, observe and monitor said testing.

**SECTION 6
PROGRAMMING AND SERVICES**

6.1 Categories of Programming Service. Grantee shall provide Video Programming services in at least the following broad categories:

- Local Broadcast (subject to federal carriage requirements)
- Public Broadcast
- News and Information
- Sports
- General Entertainment
- Arts/Performance/Humanities
- Science/Technology
- Children/Family/Seniors
- Foreign Language/Ethnic Programming

PEG Programming (to the extent required by the Franchise)
Movies
Leased Access

6.2 **Changes in Programming Services.** As required by Applicable Law, Grantee shall provide at least thirty (30) Days' prior written notice to Subscribers and to the City of Grantee's request to effectively delete any broad category of programming or any Channel within its control, including all proposed changes in bandwidth or Channel allocation and any assignments including any new equipment requirements that may occur as a result of these changes.

6.3 **Parental Control Device.** Upon request by any Subscriber, Grantee shall make available for sale or lease a parental control or lockout device that will enable the Subscriber to block all access to any and all Channels without affecting those not blocked. Grantee shall inform Subscribers of the availability of the lockout device at the time of original subscription and annually thereafter.

6.4 **FCC Reports.** The results of any tests required to be filed by Grantee with the FCC shall also be copied to City within ten (10) Days of the conduct of the date of the tests.

6.5 **Annexation.** Unless otherwise provided by Applicable Law, including the City Code, upon the annexation of any additional land area by City, the annexed area shall thereafter be subject to all the terms of this Franchise upon sixty (60) Days written notification to Grantee of the annexation by City. Unless otherwise required by Applicable Laws, nothing herein shall require the Grantee to expand its Cable System to serve, or to offer Cable Service to any area annexed by the City if such area is then served by another Wireline MVPD franchised to provide multichannel video programming.

6.6 **Line Extension.**

(a) Grantee shall construct and operate its Cable System so as to provide Cable Service within the Franchise Area where there exists a density equivalent of seven (7) dwelling units per one-quarter (1/4) mile of feeder cable as measured from the nearest active plant of the Cable System if the extension is to be constructed using aerial plant, and nine (9) dwelling units per one-quarter (1/4) mile of feeder cable as measured from the nearest active plant if the extension is to be constructed using underground plant. The City, for its part, shall endeavor to exercise reasonable efforts to require developers and utility companies to provide the Grantee with at least fifteen (15) Days advance notice of an available open trench for the placement of necessary cable.

(b) Where the density is less than that specified above, Grantee shall inform Persons requesting Service of the possibility of paying for installation or a line extension and shall offer to provide them with a free written estimate of the cost, which shall be provided within fifteen (15) working days of such a request. Grantee may offer the Persons requesting Service the opportunity to "prepay" some or all of the necessary line extensions according to its regular business policies. Grantee shall at all times implement such line extension policy in a nondiscriminatory manner throughout the City.

(c) Any residential unit located within one hundred twenty-five (125) feet from the nearest point of access on the Street from which the Cable System is designed to serve the site shall be connected to the Cable System at no charge other than the standard installation charge. Grantee shall, upon request by any potential Subscriber residing in City beyond the one hundred twenty-five (125) foot limit, extend service to such Subscriber provided that the Subscriber shall pay the net additional Drop costs, unless the Grantee agrees to waive said costs. To the extent consistent with Applicable Laws, Grantee agrees that it shall impose installation costs for non-standard installations in a uniform and nondiscriminatory manner throughout the City.

6.7 Nonvoice Return Capability. Grantee is required to use cable and associated electronics having the technical capacity for nonvoice return communications

6.8 Free Cable Service to Public Buildings.

(a) The parties acknowledge that as of the Effective Date of this Franchise, Grantee continues to provide, free of charge, basic Cable Service (including the PEG Channels) to certain schools, libraries and public institutions within the Franchise Area as set forth in Exhibit A (“Complimentary Services”). In the event Grantee elects, to the extent permitted by Applicable Law, to invoice the City for the marginal cost of the Complimentary Services, the Grantee agrees that it will do so only after providing City with one hundred twenty (120) Days’ prior written notice.

(b) The City shall have right to discontinue receipt of all or a portion of the Complimentary Service provided by Grantee in the event Grantee elects to impose a charge to the City for the Complimentary Service as set forth in the preceding paragraph. Within ninety (90) days of receiving the aforementioned notice, the City will notify the Grantee whether, with respect to each identified Complimentary Service location, the Grantee is relieved, or temporarily relieved, of its obligations or is required to comply, subject either to the Grantee taking an offset to the Franchise Fee payments payable under Section 16.1 as may be permitted by the Section 621 Order or to the Grantee and the City agreeing to a separately negotiated charge payable by the City to the Grantee.

(c) Additional Subscriber network Drops and/or outlets will be installed at designated institutions by Grantee at the cost of Grantee’s time and material, or such other price as may be required to comply with Applicable Law. Alternatively, said institution may add outlets at its own expense as long as such installation meets Grantee’s standards. Grantee will complete construction of the additional Drop and outlet within three (3) months from the date of City’s designation of additional institution(s) unless weather or other conditions beyond the control of Grantee requires more time. The City may substitute locations listed on Exhibit A attached hereto as long as the number of locations to receive Complimentary Service remains the same as Exhibit A.

(d) The City or the building occupant shall have the right to extend Cable Service throughout the building to additional outlets without any fees imposed by Grantee for the provision of Complimentary Service to such additional outlets. If ancillary equipment, such as a Converter, is required to receive the signal at additional

outlets, Grantee will provide up to three (3) devices at no charge and will provide additional devices at Grantee's lowest residential rate charged within the Twin Cities Region.

(e) Notwithstanding anything to the contrary set forth in this section, Grantee shall not be required to provide Complimentary Service to such buildings unless it is technically feasible. Outlets and maintenance of said Complimentary Service shall be provided free of fees and charges.

SECTION 7 PUBLIC, EDUCATIONAL AND GOVERNMENTAL ACCESS

7.1 Number of PEG Access Channels.

(a) Grantee will make available three (3) PEG Access Channels in addition to Channels required by the State of Minnesota, such as Regional Channel 6, throughout the entire term of this Franchise and any extensions of the Franchise term.

(b) Grantee shall provide the PEG Access Channels on the Basic Cable Service tier, or such other most subscribed tier of Cable Service (within the Franchise Area) as may be offered by Grantee.

(c) For purposes of this Franchise, a high definition ("HD") format or signal refers to a PEG signal delivered by Grantee to Subscribers in a resolution that is either:

(i) the same as received by Grantee from City or the entity from which Grantee received the PEG signal, or

(ii) the highest resolution used for the delivery of the primary signals of local broadcast stations, if lower than the level described in subparagraph (c)(i) above.

7.2 HD PEG Carriage Requirements.

(a) No later than September 1, 2023, Grantee shall provide all three (3) PEG Access Channels in HD format and shall also simulcast all three (3) PEG Access Channels in standard definition ("SD") until SD is no longer offered by Grantee. The parties agree that PEG funding may be used to support streaming of PEG programming, provided the City does not permit PEG funding to be used for operational expenses except as permitted by Applicable Law.

(b) The City acknowledges that receipt of an HD format PEG Access Channel may require Subscribers to buy or lease special equipment or pay additional HD charges applicable to all HD services.

(c) Grantee agrees that it shall be responsible for costs associated with the provision of encoders or other equipment necessary to receive HD/SD signals at the

Grantees' headend, and to convert PEG HD signals to SD consistent with the historic practice between the parties related to the government PEG Access Channel.

7.3 Control of PEG Access Channels. The control and administration of the PEG Access Channels shall rest with the City and the City may delegate, from time to time over the term of this Franchise, such control and administration to various entities as determined in City's sole discretion.

7.4 Transmission of PEG Access Channels. PEG Access Channels may be used for transmission of non-video signals in compliance with Applicable Laws. This may include downstream transmission of data using a protocol such as TCP/IP or current industry standards. Should Grantee develop the capability to provide bi-directional data transmission, spectrum capacity shall be sufficient to allow Subscribers to transmit data to PEG facilities.

7.5 PEG Access Channel Locations.

(a) PEG Access Channels shall be carried on the Basic Cable Service tier to the extent required by Applicable Law and as set forth in Section 7.2 herein. Nothing herein precludes the Grantee from charging for equipment needed for Basic Cable Service. Grantee shall make every reasonable effort to coordinate the cablecasting of PEG access programming on the Cable System on the same Channel designations as such programming is currently cablecast within the City. In no event shall any Access Channel reallocations be made prior to ninety (90) Days written notice to the City by Grantee, except for circumstances beyond Grantee's reasonable control. The Access Channels will be located within reasonable proximity to other commercial video or broadcast Channels, excluding pay-per-view programming offered by Grantee in the City.

(b) Grantee agrees not to encrypt the Access Channels differently than other commercial Channels available on the Cable System.

(c) In conjunction with any occurrence of any Access Channel(s) relocation, Grantee shall provide a minimum of One Thousand Five Hundred Dollars (\$1,500) Thousand Five-Hundred Dollars (\$1,500) of reimbursement for costs incurred by City to promote the new Channel locations.

7.6 Navigation to PEG Access Channels and Electronic Programming Guide. Grantee agrees that if it utilizes any navigation interfaces, the PEG Access Channels shall be treated in a non-discriminatory fashion consistent with Applicable Laws so that Subscribers will have ready access to Access Channels. Grantee will maintain the existing ability of the City to place PEG Access Channel programming information on the interactive Channel guide via the electronic programming guide ("EPG") vendor ("EPG provider") that Grantee utilizes to provide the guide service. PEG programming provided by the City shall appear on the EPG for each Channel carried in the City. Grantee will be responsible for providing the designations and instructions necessary for the PEG Access Channels to appear on the EPG. Each programming stream will not be individually listed for narrowcast Channels unless technically feasible. All costs and operational requirements of the EPG provider shall be the responsibility of the City.

City acknowledges that the EPG may not be technically possible for all PEG programming, and that Grantee is not responsible for operations of the EPG provider.

7.7 Ownership of PEG Access Channels. Grantee does not relinquish its ownership of or ultimate right of control over a Channel by designating it for PEG use. A PEG access user – whether an individual, educational, or governmental user – acquires no property or other interest by virtue of the use of a Channel position so designated. Grantee shall not exercise editorial control over any public, educational, or governmental use of a Channel position, except Grantee may refuse to transmit any public access program or portion of a public access program that contains obscenity, indecency, or nudity in violation of Applicable Law.

7.8 PEG Monitoring. Grantee shall provide the capability, without charge, to the City and to the City of Edina (location of the Commission’s master control facility), to monitor and verify the audio and visual quality of PEG Access Channels received by Subscribers as well as the existing connections and equipment at the City and the City of Edina. This will include equipment comparable to that deployed to residential cable Subscribers that will allow the City and the City of Edina to verify the accuracy of EPG listings for the PEG Access Channels consistent with what is currently provided. Grantee shall also maintain one (1) feed to the City and one (1) additional feed to the City of Edina to provide the ability to monitor Subscriber services and address Subscriber concerns which feed shall include all cable boxes and platforms (i.e., Xfinity X1).

7.9 Noncommercial Use of PEG. Permitted noncommercial uses of the Access Channels shall include by way of example and not limitation: (1) the identification of financial supporters similar to what is provided on public broadcasting stations; or (2) the solicitation of financial support for the provision of PEG programming by the City or third party users for charitable, educational or governmental purposes; or (3) programming offered by accredited, non-profit, educational institutions which may, for example, offer telecourses over a Access Channel.

7.10 PEG Transport. Grantee will maintain all existing fiber paths in place as of the Effective Date to facilitate PEG origination/return capacity in the City. Such fiber returns paths are listed in Exhibit B attached hereto and will be provided by Grantee without additional charge, with no recurring, monthly costs or offsets, except that Grantee may invoice the Commission for any maintenance costs consistent with Applicable Law and the Section 621 Order. Grantee shall not be responsible for fiber “replacement” but will handle any damage and all maintenance on the existing fiber. Grantee anticipates, but cannot guarantee, that that this will result in minimal fiber expenditures by the City over the Franchise term.

7.11 Interconnection. To the extent technically feasible, Grantee will allow necessary interconnection with any newly constructed City and school fiber for noncommercial programming to be promoted and administered by the City as allowed under Applicable Laws and at no additional cost to the City or schools. This may be accomplished through a patch panel or other similar facility and each party will be responsible for the fiber on their respective sides of the demarcation point. Grantee reserves its right to review on a case-by-case basis the technical feasibility of the proposed interconnection. Based on this review, Grantee may condition the interconnection on the reasonable reimbursement of Grantee’s incremental costs,

with no markup for profit, to recoup Grantee's construction costs only. In no event will Grantee impose any type of recurring fee for said interconnection.

7.12 Ancillary Equipment. Any ancillary equipment operated by Grantee for the benefit of PEG Access Channels on Grantee's fiber paths or Cable System, whether referred to as switchers, routers, or other equipment, will be maintained by Grantee, free of charge and at no cost to the City, Commission or schools for the life of the Franchise. Grantee is responsible for any ancillary equipment on its side of the demarcation point and the City, Commission or school is responsible for all other production/playback equipment.

7.13 Future PEG Transport. At such time that the City determines:

(a) that the City desires the capacity to allow Subscribers in the City to receive PEG programming (video or character generated) which may originate from schools, City facilities, other government facilities or other designated facilities (other than those indicated in Exhibit B); or

(b) that the City desires to establish or change a location from which PEG programming is originated; or

(c) that the City desires to upgrade the Connection to Grantee from an existing signal point of origination,

the City will give Grantee written notice detailing the point of origination and the capability sought by the City. Grantee agrees to submit a cost estimate to implement the City's plan within a reasonable period of time but not later than September 1st in the year proceeding the request for any costs exceeding Twenty-five Thousand and No/100 Dollars (\$25,000). The cost estimate will be on a time and materials basis with no additional markup. After an agreement to reimburse Grantee for Grantee's out of pocket time and material costs, Grantee will implement any necessary Cable System changes within a reasonable period of time. Nothing herein prevents the City, or a private contractor retained by the City, from constructing said return fiber.

7.14 PEG Access Channel Carriage.

(a) Any and all costs associated with any modification of the PEG Access Channels or signals after the PEG Access Channels/signals leave the City's designated playback facilities, or any designated playback center authorized by the City shall be borne entirely by Grantee. Grantee shall not cause any programming to override PEG programming on any PEG Access Channel, except by oral or written permission from the City, with the exception of emergency alert signals.

(b) The City may request and Grantee shall provide an additional PEG Access Channel when the cumulative time on all the existing PEG Access Channels combined meets the following standard: whenever one of the PEG Access Channels in use during eighty percent (80%) of the weekdays, Monday through Friday, for eighty percent (80%) of the time during a consecutive three (3) hour period for six (6) weeks running, and there is a demand for use of an additional Channel for the same purpose, the Grantee has six (6) months in which to provide a new, PEG Access Channel for the same purpose;

provided that, the provision of the additional Channel or Channels does not require the Cable System to install Converters.

(c) Only to the extent mandated by Applicable Law, the VHF spectrum shall be used for one (1) of the public, educational, or governmental specially designated PEG Access Channels.

(d) The City or its designee shall be responsible for developing, implementing, interpreting, and enforcing rules for PEG Access Channel use.

(e) The Grantee shall monitor the PEG Access Channels for technical quality to ensure that they meet FCC technical standards including those applicable to the carriage of PEG Access Channels, provided however, that the Grantee is not responsible for the production quality of PEG programming productions. The City, or its designee, shall be responsible for the production and quality of all PEG access programming. Grantee shall carry all components of the standard definition of PEG Access Channel including, but not limited to, closed captioning, stereo audio and other elements associated with the programming.

7.15 Access Channel Support.

(a) No later than September 1, 2023, Grantee shall collect and remit to the City a minimum of one and one-half percent (1.5%) of Grantee's Gross Revenues in support of PEG ("PEG Fee") to be used by the City as permitted under Applicable Law.

(b) The PEG Fee is not part of the Franchise Fee and instead falls within one (1) or more of the exceptions in 47 U.S.C. § 542, unless the PEG Fee may be categorized, itemized, and passed through to Subscribers as permissible, in accordance with 47 U.S.C. §542 or other Applicable Laws.

(c) Grantee shall pay the PEG Fee to the City quarterly, on the same schedule as the payment of Franchise Fees as set forth in Section 16.1 of this Franchise. Grantee agrees that it will not offset or reduce its payment of past, present, or future Franchise Fees required as a result of its obligation to remit the PEG Fee.

(d) Any PEG Fee amounts owing pursuant to this Franchise which remain unpaid more than twenty-five (25) Days after the date the payment is due shall be delinquent and shall thereafter accrue interest at twelve percent (12%) per annum or the prime lending rate published by the Wall Street Journal on the Day the payment was due plus two percent (2%), whichever is greater.

7.16 PEG Technical Quality and Support.

(a) Grantee shall not be required to carry a PEG Access Channel in a higher quality format than that of the Channel signal delivered to Grantee, but Grantee shall not implement a change in the method of delivery of PEG Access Channels that results in a material degradation of signal quality or impairment of viewer reception of PEG Access Channels, provided that this requirement shall not prohibit Grantee from implementing

new technologies also utilized for commercial Channels carried on its Cable System. Grantee shall meet FCC signal quality standards when offering PEG Access Channels on its Cable System and shall continue to comply with closed captioning pass-through requirements. There shall be no significant deterioration in a PEG Access Channel signal from the point of origination upstream to the point of reception (hub or headend) or downstream to the Subscriber on the Cable System.

(b) Within twenty-four (24) hours of a written request from City to the Grantee identifying a technical problem with a PEG Access Channel and requesting assistance, Grantee will provide technical assistance or diagnostic services to determine whether or not a problem with a PEG signal is the result of matters for which Grantee is responsible and if so, Grantee will take prompt corrective action. If the problem persists and there is a dispute about the cause, then the parties shall meet with engineering representation from Grantee and the City in order to determine the course of action to remedy the problem.

7.17 Access Channel Promotion. If a PEG Access Channel is relocated, Grantee shall notify the Commission, City and Subscribers of the relocation in a manner consistent with Grantee's other normal Channel relocation notices.

7.18 Change in Technology. In the event Grantee makes any change in the Cable System and related equipment and facilities or in its signal delivery technology, which requires the City to obtain new equipment in order to be compatible with such change for purposes of transport and delivery of the PEG Access Channels, Grantee shall, at its own expense and free of charge to City or its designated entities, purchase such equipment as may be necessary to facilitate the cablecasting of the PEG Access Channels in accordance with the requirements of the Franchise.

7.19 Relocation of Grantee's Headend. In the event Grantee relocates its headend, Grantee will be responsible for replacing or restoring the existing dedicated fiber connections at Grantee's cost so that all the functions and capacity remain available, operate reliably and satisfy all applicable technical standards and related obligations of the Franchise free of charge to the City or its designated entities.

7.20 Regional Channel Six. Grantee shall make available Regional Channel Six as long as it is required to do so by the State of Minnesota.

7.21 Government Access Channel Functionality. Grantee and City agree that City will continue to have the following capability on the government Access Channel:

- (a) City can insert live Council meetings from City Hall;
- (b) City can replay government access programming from City Hall;
- (c) City can transmit character generated programming; and
- (d) City can schedule to replay City-provided programming in pre-arranged time slots on the government PEG Access Channel.

7.22 **Compliance with Minnesota Statutes Chapter 238.** In addition to the requirements contained in this Section 7 of this Franchise, Grantee and City shall comply with the PEG requirements mandated by Minn. Stat. § 238.084.

SECTION 8 REGULATORY PROVISIONS.

8.1 **Intent.** The City shall have the right to administer and regulate activities under the Franchise up to the full extent permitted by Applicable Law.

8.2 **Delegation of Authority to Regulate.** The City reserves the right to delegate its regulatory authority wholly or in part to agents of the City, including, but not limited to, an agency which may be formed to regulate several franchises in the region in a manner consistent with Applicable Laws. This may include but shall not be limited to the Commission or other entity as City may determine in its sole discretion. Any existing delegation in place at the time of the grant of this Franchise shall remain intact unless expressly modified by City.

8.3 Areas of Administrative Authority.

(a) In addition to any other regulatory authority granted to the City by law or franchise, the City shall have administrative authority in the following areas:

- (i) Administering and enforcing the provisions of this Franchise, including the adoption of administrative rules and regulations to carry out this responsibility; and
- (ii) Coordinating the operation of PEG Access Channels; and
- (iii) Formulating and recommending long-range cable communications policy for the Franchise Area; and
- (iv) Disbursing and utilizing Franchise revenues paid to the City; and
- (v) Administering the regulation of rates, to the extent permitted by Applicable Law; and
- (vi) All other regulatory authority permitted under Applicable Law.

(b) The City or its designee shall have continuing regulatory jurisdiction and supervision over the System and the Grantee's operations under the Franchise to the extent allowed by Applicable Law.

8.4 Regulation of Rates and Charges.

(a) **Right to Regulate.** The City reserves the right to regulate rates or charges for any Cable Service within the limits of Applicable Law, to enforce rate regulations prescribed by the FCC, and to establish procedures for said regulation or enforcement.

(b) **Notice of Change in Rates and Charges.** Throughout the term of this Franchise, Grantee shall give the City and all Subscribers within the City at least thirty (30) Days' notice of any intended modifications or additions to Subscriber rates or charges. Nothing in this subsection shall be construed to prohibit the reduction or waiving of rates or charges in conjunction with promotional campaigns for the purpose of attracting Subscribers or users.

(c) **Rate Discrimination Prohibited.** Within any category of Subscribers, Grantee shall not discriminate among Subscribers with regard to rates and charges made for any service based on considerations of race, color, creed, sex, marital or economic status, national origin, sexual preference, or (except as allowed by Applicable Law) neighborhood of residence, except as otherwise provided herein; and for purposes of setting rates and charges, no categorization of Subscribers shall be made by Grantee on the basis of those considerations. Nevertheless, Grantee shall be permitted to establish (1) discounted rates and charges for providing Cable Service to low-income, disabled, or low-income elderly Subscribers, (2) promotional rates, and (3) bulk rate and package discount pricing.

SECTION 9 BOND.

9.1 **Performance Bond.** Upon the Effective Date of this Franchise and at all times thereafter Grantee shall maintain with City a bond in the sum of One Hundred Thousand and No/100 Dollars (\$100,000.00) in such form and with such sureties as shall be acceptable to City, conditioned upon the faithful performance by Grantee of this Franchise and the acceptance hereof given by City and upon the further condition that in the event Grantee shall fail to comply with any law, ordinance or regulation, there shall be recoverable jointly and severally from the principal and surety of the bond, any damages or losses suffered by City as a result, including the full amount of any compensation, indemnification or cost of removal of any property of Grantee, including a reasonable allowance for attorneys' fees and costs (with interest at two percent (2%) in excess of the then prime rate), up to the full amount of the bond, and which bond shall further guarantee payment by Grantee of all claims and liens against City, or any public property, and taxes due to City, which arise by reason of the construction, operation, maintenance or use of the Cable System.

9.2 **Rights.** The rights reserved by City with respect to the bond are in addition to all other rights the City may have under this Franchise or any other law.

9.3 **Reduction of Bond Amount.** City may, in its sole discretion, reduce the amount of the bond.

SECTION 10 SECURITY FUND

10.1 **Security Fund.** If there is an uncured breach by Grantee of a material provision of this Franchise or a pattern of repeated violations of any provision(s) of this Franchise, then Grantee shall, upon written request, establish and provide to the City, as security for the faithful

performance by Grantee of all of the provisions of this Franchise, a letter of credit from a financial institution satisfactory to the City in the amount of Twenty-five Thousand and No/100 Dollars (\$25,000.00). In no event shall Grantee fail to post a Twenty-five Thousand and No/100 Dollar (\$25,000.00) letter of credit within thirty (30) days receipt of a notice of franchise violation pursuant to this Section 10.1. Failure to post said letter of credit shall constitute a separate material violation of this Franchise unless the breach is cured within such thirty (30) Day period or longer period allowed under the Franchise. The letter of credit shall serve as a common security fund for the faithful performance by Grantee of all the provisions of this Franchise and compliance with all orders, permits and directions of the City and the payment by Grantee of any claim, liens, costs, expenses, and taxes due the City which arise by reason of the construction, operation or maintenance of the Cable System. Interest on this deposit shall be paid to Grantee by the bank on an annual basis. The security may be terminated by the Grantee upon the resolution of the alleged noncompliance. The obligation to establish the security fund required by this paragraph is unconditional. The fund must be established in those circumstances where Grantee disputes the allegation that it is not in compliance and maintained for the duration of the dispute. If Grantee fails to establish the security fund as required, the City may take whatever action is appropriate to require the establishment of that fund and may recover its costs, reasonable attorneys' fees, and an additional penalty of Five Thousand and No/100 Dollars (\$5,000) in that action.

10.2 Withdrawal of Funds. The security fund shall permit the City to withdraw funds upon demand (sight draft). Grantee shall not use the security fund for other purposes and shall not assign, pledge, or otherwise use this security fund as security for any purpose.

10.3 Restoration of Funds. Within ten (10) Days after notice to it that any amount has been withdrawn by the City from the security fund pursuant to Section 10.4 of this Franchise, Grantee shall deposit a sum of money sufficient to restore such security fund to the required amount.

10.4 Liquidated Damages. In addition to recovery of any monies owed by Grantee to City or damages to City as a result of any acts or omissions by Grantee pursuant to the Franchise, City in its sole discretion may charge to and collect from the security fund the following liquidated damages:

(a) For failure to provide data, documents, reports, or information or to cooperate with City during an application process or System review, the liquidated damage shall be Two Hundred Fifty and No/100 Dollars (\$250.00) per Day for each Day, or part thereof, such failure occurs or continues.

(b) For failure to comply with any of the provisions of this Franchise for which a penalty is not otherwise specifically provided pursuant to this Paragraph 10.4, the liquidated damage shall be Two Hundred Fifty and No/100 Dollars (\$250.00) per Day for each Day, or part thereof, such failure occurs or continues.

(c) Forty-five (45) Days following notice from City of a failure of Grantee to comply with construction, operation or maintenance standards, the liquidated damage

shall be Five Hundred and No/100 Dollars (\$500.00) per Day for each Day, or part thereof, such failure occurs or continues.

(d) For failure to provide the services Grantee has proposed, including but not limited to the implementation and the utilization of the Access Channels the liquidated damage shall be Two Hundred Fifty and No/100 Dollars (\$250.00) per Day for each Day, or part thereof, such failure occurs or continues.

10.5 Each Violation a Separate Violation. Each violation of any provision of this Franchise shall be considered a separate violation for which separate liquidated damages can be imposed.

10.6 Maximum Draw Per Violation. Any liquidated damages for any given violation shall be imposed upon Grantee for a maximum of Twenty-five Thousand and No/100 Dollars (\$25,000). If after that amount of draw from the security fund Grantee has not cured or commenced to cure the alleged breach to the satisfaction of the City, the City may pursue all other remedies.

10.7 Withdrawal of Funds to Pay Taxes. If Grantee fails to pay to the City any taxes due and unpaid; or fails to repay to the City, any damages, costs or expenses which the City shall be compelled to pay by reason of any act or default of the Grantee in connection with this Franchise; or fails, after thirty (30) Days' notice of such failure by the City to comply with any provision of the Franchise which the City reasonably determines can be remedied by an expenditure of the security, the City may then withdraw such funds from the security fund. Payments are not Franchise Fees as defined in Section 16 of this Franchise.

10.8 Procedure for Draw on Security Fund. Whenever the City finds that Grantee has allegedly violated one (1) or more terms, conditions or provisions of this Franchise, a written notice shall be given to Grantee. The written notice shall describe in reasonable detail the alleged violation so as to afford Grantee an opportunity to remedy the violation. Grantee shall have thirty (30) Days subsequent to receipt of the notice in which to correct the violation before the City may require Grantee to make payment of damages, and further to enforce payment of damages through the security fund. Grantee may, within ten (10) Days of receipt of notice, notify the City that there is a dispute as to whether a violation or failure has, in fact, occurred. Such notice by Grantee shall specify with particularity the matters disputed by Grantee and shall stay the running of the above-described time.

(a) City shall hear Grantee's dispute at the next regularly scheduled or specially scheduled Council meeting. Grantee shall have the right to speak and introduce evidence. The City shall determine if Grantee has committed a violation and shall make written findings of fact relative to its determination. If a violation is found, Grantee may petition for reconsideration.

(b) If after hearing the dispute, the claim is upheld by the City, then Grantee shall have thirty (30) Days within which to remedy the violation before the City may require payment of all liquidated damages due it.

10.9 Time for Correction of Violation. The time for Grantee to correct any alleged violation may be extended by the City if the necessary action to collect the alleged violation is of such a nature or character as to require more than thirty (30) Days within which to perform provided Grantee commences corrective action within fifteen (15) Days and thereafter uses reasonable diligence, as determined by the City, to correct the violation.

10.10 Grantee's Right to Pay Prior to Security Fund Draw. Grantee shall have the opportunity to make prompt payment of any assessed liquidated damages and if Grantee fails to promptly remit payment to the City, the City may resort to a draw from the security fund in accordance with the terms of this Franchise.

10.11 Failure to so Replenish Security Fund. If any security fund is not so replaced, City may draw on said security fund for the whole amount thereof and hold the proceeds, without interest, and use the proceeds to pay costs incurred by City in performing and paying for any or all of the obligations, duties and responsibilities of Grantee under this Franchise that are not performed or paid for by Grantee pursuant hereto, including attorneys' fees incurred by the City in so performing and paying. The failure to so replace any security fund may also, at the option of City, be deemed a default by Grantee under this Franchise. The drawing on the security fund by City and use of the money so obtained for payment or performance of the obligations, duties and responsibilities of Grantee which are in default, shall not be a waiver or release of such default.

10.12 Collection of Funds Not Exclusive Remedy. The collection by City of any damages or monies from the security fund shall not affect any other right or remedy available to City, nor shall any act, or failure to act, by City pursuant to the security fund, be deemed a waiver of any right of City pursuant to this Franchise or otherwise. Notwithstanding this section, however, should the City elect to impose liquidated damages, that remedy shall remain the City's exclusive remedy up to Twenty-five Thousand and No/100 Dollars set forth in Section 10.6.

SECTION 11 DEFAULT

11.1 Basis for Default. City shall give written notice of default to Grantee if City, in its sole discretion, determines that Grantee has:

- (a) Violated any material provision of this Franchise or the acceptance hereto or any rule, order, regulation or determination of the City, state or federal government, not in conflict with this Franchise; or
- (b) Attempted to evade any material provision of this Franchise or the acceptance hereof; or
- (c) Practiced any fraud or deceit upon City or Subscribers resulting in material harm; or
- (d) Made a material misrepresentation of fact in the application for or negotiation of this Franchise.

11.2 Default Procedure. If Grantee fails to cure such default within thirty (30) Days after the giving of such notice (or if such default is of such a character as to require more than thirty (30) Days within which to cure the same, and Grantee fails to commence to cure the same within said thirty (30) Day period and thereafter fails to use reasonable diligence, in City's sole opinion, to cure such default as soon as possible), then, and in any event, such default shall be a substantial breach and City may elect to terminate the Franchise. The City may place the issue of revocation and termination of this Franchise before the governing body of City at a regular meeting. If City decides there is cause or reason to terminate, the following procedure shall be followed:

(a) City shall provide Grantee with a written notice of the reason or cause for proposed termination and shall allow Grantee a minimum of thirty (30) Days subsequent to receipt of the notice in which to correct the default.

(b) Grantee shall be provided with an opportunity to be heard at a public hearing prior to any decision to terminate this Franchise.

(c) If, after notice is given and an opportunity to cure, at Grantee's option, a public hearing is held, and the City determines there was a violation, breach, failure, refusal or neglect, the City may declare by resolution the Franchise revoked and of no further force and effect unless there is compliance within such period as the City may fix, such period may not be less than thirty (30) Days provided no opportunity for compliance need be granted for fraud or misrepresentation.

11.3 Mediation. If the Grantee and City are unable to resolve a dispute through informal negotiations during the period of thirty (30) Days following the submission of the claim giving rise to the dispute by one (1) party to the other, then unless that claim has been waived as provided in the Franchise, such claim may be subject to mediation if jointly agreed upon by both parties. Unless the Grantee and City mutually agree otherwise, such mediation shall be in accordance with the rules of the American Arbitration Association currently in effect at the time of the mediation. A party seeking mediation shall file a request for mediation with the other party to the Franchise and with the American Arbitration Association. The request may be made simultaneously with the filing of a complaint, but, in such event, mediation shall proceed in advance of legal proceedings only if the other party agrees to participate in mediation. Mutually agreed upon mediation shall stay other enforcement remedies of the parties for a period of ninety (90) Days from the date of filing, unless stayed for a longer period by agreement of the Grantee and City. The Grantee and City shall each pay one-half of the mediator's fee and any filing fees. The mediation shall be held in the City unless another location is mutually agreed upon. Agreements reached in mediation shall be enforceable as a settlement agreement in any court having jurisdiction thereof. Nothing herein shall serve to modify or on any way delay the franchise enforcement process set forth in Section 10 of this Franchise.

11.4 Failure to Enforce. Grantee shall not be relieved of any of its obligations to comply promptly with any provision of the Franchise by reason of any failure of the City to enforce prompt compliance, and City's failure to enforce shall not constitute a waiver of rights or acquiescence in Grantee's conduct.

11.5 Compliance with the Laws.

(a) If any federal or state law or regulation shall require or permit City or Grantee to perform any service or act or shall prohibit City or Grantee from performing any service or act which may be in conflict with the terms of this Franchise, then as soon as possible following knowledge thereof, either party shall notify the other of the point in conflict believed to exist between such law or regulation. Grantee and City shall conform to state laws and rules regarding cable communications not later than one (1) year after they become effective, unless otherwise stated, and shall conform to federal laws and regulations regarding cable as they become effective.

(b) If any term, condition or provision of this Franchise or the application thereof to any Person or circumstance shall, to any extent, be held to be invalid or unenforceable, the remainder hereof and the application of such term, condition or provision to Persons or circumstances other than those as to whom it shall be held invalid or unenforceable shall not be affected thereby, and this Franchise and all the terms, provisions and conditions hereof shall, in all other respects, continue to be effective and complied with provided the loss of the invalid or unenforceable clause does not substantially alter the agreement between the parties. In the event such law, rule or regulation is subsequently repealed, rescinded, amended, or otherwise changed so that the provision which had been held invalid or modified is no longer in conflict with the law, rules, and regulations then in effect, said provision shall thereupon return to full force and effect and shall thereafter be binding on Grantee and City.

SECTION 12 FORECLOSURE AND RECEIVERSHIP

12.1 **Foreclosure.** Upon the foreclosure or other judicial sale of the Cable System, Grantee shall notify the City of such fact and such notification shall be treated as a notification that a change in control of Grantee has taken place, and the provisions of this Franchise governing the consent to transfer or change in ownership shall apply without regard to how such transfer or change in ownership occurred.

12.2 **Receivership.** The City shall have the right to cancel this Franchise subject to any applicable provisions of state law, including the Bankruptcy Act, one hundred twenty (120) Days after the appointment of a receiver or trustee to take over and conduct the business of Grantee, whether in receivership, reorganization, bankruptcy, or other action or proceeding, unless such receivership or trusteeship shall have been vacated prior to the expiration of said one hundred twenty (120) Days, or unless:

(a) Within one hundred twenty (120) Days after his election or appointment, such receiver or trustee shall have fully complied with all the provisions of this Franchise and remedied all defaults thereunder; and

(b) Such receiver or trustee, within said one hundred twenty (120) Days, shall have executed an agreement, duly approved by the Court having jurisdiction in the

premises, whereby such receiver or trustee assumes and agrees to be bound by each and every provision of this Franchise.

SECTION 13 REPORTING REQUIREMENTS

13.1 Quarterly Reports. Within forty-five (45) calendar days after the end of each calendar quarter, Grantee shall submit to the City along with its Franchise Fee payment a report showing the basis for computation of the Franchise Fee and PEG Fee payments, signed by an authorized representative of Grantee, in form and substance substantially equivalent to Exhibit C attached hereto. This report shall separately indicate Grantee's Gross Revenues within the City including, but not limited to such items as listed in the definition of "Gross Revenues" at Section 1.23 of this Franchise.

13.2 Monitoring and Compliance Reports. Upon request, but no more than once a year, Grantee shall provide a written report of any and all FCC technical performance tests for the residential network required in FCC Rules and Regulations as now or hereinafter constituted. In addition, Grantee shall provide City with copies of reports of the semi-annual test and compliance procedures established by this Franchise no later than thirty (30) Days after the completion of each series of tests.

13.3 Other Reports. Upon request of the City and in no event later than thirty (30) Days from the date of receipt of such request, Grantee shall, free of charge, prepare and furnish to the City, at the times and in the form prescribed, such additional reports with respect to its operation, affairs, transactions, or property, as may be reasonably necessary to ensure compliance with the terms of this Franchise. Grantee and City may in good faith agree upon taking into consideration Grantee's need for the continuing confidentiality as prescribed herein. Neither City nor Grantee shall unreasonably demand or withhold information requested pursuant with the terms of this Franchise.

13.4 Confidential and Trade Secret Information. Grantee acknowledges that information submitted by Grantee to the City may be subject to the Minnesota Government Data Practices Act ("MGDPA") pursuant to Minn. Stat. Ch. 13. The City shall follow all Applicable Laws and procedures for protecting any confidential and trade secret information of Grantee that may be provided to City. Grantee acknowledges that the City shall at all times comply with the MGDPA related to the release of information and nothing herein shall be read to modify the City's obligations under the MGDPA.

13.5 Communications with Regulatory Agencies.

(a) Upon written request, Grantee shall submit to City copies of any pleading, applications, notifications, communications, and documents of any kind, submitted by Grantee or its Affiliates to any federal, state, or local courts, regulatory agencies and other government bodies if such documents directly relate to the operations of Grantee's Cable System within the Franchise Area. Grantee shall submit such documents to City no later than thirty (30) Days after receipt of City's request. Grantee shall not claim confidential, privileged, or proprietary rights to such documents unless under federal,

state, or local law such documents have been determined to be confidential by a court of competent jurisdiction, or a federal or state agency. With respect to all other reports, documents and notifications provided to any federal, state, or local regulatory agency as a routine matter in the due course of operating Grantee's Cable System within the Franchise Area, Grantee shall make such documents available to City upon City's written request.

(b) In addition, Grantee and its Affiliates shall within ten (10) Days of any communication to or from any judicial or regulatory agency regarding any alleged or actual violation of this Franchise, City regulation or other requirement relating to the System, use its best efforts to provide the City a copy of the communication, whether specifically requested by the City to do so or not.

SECTION 14 CUSTOMER SERVICE POLICIES

14.1 Response to Customers and Cooperation with City. Grantee shall promptly respond to all requests for service, repair, installation, and information from Subscribers. Grantee acknowledges the City's interest in the prompt resolution of all cable complaints and shall work in close cooperation with the City to resolve complaints. Grantee will continue to maintain an "escalated complaint process" to address unresolved complaints from Subscribers. A team of specifically identified employees of Grantee shall be available to the City and the Commission via email and telephone for reporting issues. These specifically identified employees of Grantee will have the ability to take actions to resolve Subscriber complaints relating to billing, property or service restoration, technical appointments, or any other Subscriber matters when necessary. Grantee will follow-up with the City or the Commission in writing by email (and by phone when necessary) with a summary of the results of the complaint(s).

14.2 Definition of "Complaint." For the purposes of Section 14.1 and 14.4 only, the word "complaint" shall mean any communication to the Commission or the City by a Subscriber, and thereafter reported to the Grantee, expressing dissatisfaction with any service, performance, or lack thereof, by Grantee under the obligations of this Franchise.

14.3 Customer Service Agreement and Written Information. Grantee shall provide to Subscribers a comprehensive service agreement and information in writing for use in establishing Subscriber service. Written information shall, at a minimum, contain the following information:

- (a) Services to be provided and rates for such services.
- (b) Billing procedures.
- (c) Service termination procedure.
- (d) Change in service notifications.
- (e) Liability specifications.

- (f) Converter/Subscriber terminal equipment policy.
- (g) Breach of Franchise specification.
- (h) How complaints are handled including Grantee's procedure for investigation and resolution of Subscriber complaints.
- (i) The name, address, and phone number of the Person identified by the City as responsible for handling cable questions and complaints for the City. This information shall be prominently displayed, and Grantee shall submit the information to the City for review and approval as to its content and placement on Subscriber billing statements. A copy of the written information shall be provided to each Subscriber at the time of initial connection and any subsequent reconnection.

14.4 Reporting Complaints.

(a) The requirements of this Section 14.4 shall be subject to federal law regarding Subscriber privacy. Grantee shall maintain all Subscriber data available for City inspection. Subscriber data shall include the date, name, address, telephone number of Subscriber complaints as well as the subject of the complaint, date and type of action taken to resolve the complaint, any additional action taken by Grantee or the Subscriber. The data shall be maintained in a way that allows for simplified access of the data by the City.

(b) Subject to federal law and upon reasonable request by the City, Grantee shall, within a reasonable amount of time, provide City with such Subscriber data for its review.

14.5 Customer Service Standards.

(a) The City hereby adopts the customer service standards set forth in Part 76, §76.309 of the FCC's rules and regulations, as amended.

(b) Grantee shall, upon request, which request shall include the reason for the request (such as complaints received or other reasonable evidence of concern), provide City with information which shall describe in detail Grantee's compliance with each and every term and provision of this Section 14.5.

(c) Grantee shall comply in all respects with the customer service requirements established by the FCC and those set forth herein. To the extent that this Franchise imposes requirements greater than those established by the FCC, Grantee reserves whatever rights it may have to recover the costs associated with compliance in any manner consistent with Applicable Law.

14.6 Local Office. Grantee shall maintain a convenient local customer service and bill payment location for matters such as receiving Subscriber payments, handling billing questions, equipment replacement and customer service information.

14.7 Cable System office hours and telephone availability. Grantee shall comply with the standards and requirements for customer service set forth in Section 14.5 – 14.21 during the term of this Franchise.

(a) Grantee will maintain a local, toll-free or collect call telephone access line which will be available to its Subscribers twenty-four (24) hours a Day, seven (7) Days a week.

(i) Trained Grantee representatives will be available to respond to customer telephone inquiries during Normal Business Hours.

(ii) After Normal Business Hours, the access line may be answered by a service or an automated response system, including an answering machine. Inquiries received after Normal Business Hours must be responded to by a trained Grantee representative on the next business Day.

(b) Under Normal Operating Conditions, telephone answer time by a customer representative, including wait time, shall not exceed thirty (30) seconds when the connection is made. If the call needs to be transferred, transfer time shall not exceed thirty (30) seconds. These standards shall be met no less than ninety percent (90%) of the time under Normal Operating Conditions, measured on a quarterly basis.

(c) Grantee shall not be required to acquire equipment or perform surveys to measure compliance with the telephone answering standards above unless an historical record of complaints indicates a clear failure to comply.

(d) Under Normal Operating Conditions, the customer will receive a busy signal less than three percent (3%) of the time.

(e) Customer service center and bill payment locations will be open at least during Normal Business Hours and will be conveniently located.

(f) The Grantee shall utilize such equipment and software and keep such records as are necessary or required to enable the City and Commission to determine whether the Grantee is complying with all telephone answering standards required by applicable customer service regulations and laws, as amended from time to time. The Grantee shall provide the Commission with a quarterly report documenting Grantee's compliance with this Section 14.7 as is the current practice

14.8 Installations, Outages and Service Calls. Under Normal Operating Conditions, each of the following standards will be met no less than ninety-five percent (95%) of the time measured on a quarterly basis:

(a) Standard Installations will be performed within seven (7) business days after an order has been placed. "Standard" Installations are those that are located up to one hundred twenty-five (125) feet from the existing distribution system as more specifically set forth in Section 6.6(c).

(b) Excluding conditions beyond the control of Grantee, Grantee will begin working on “Service Interruptions” promptly and in no event later than twenty-four (24) hours after the interruption becomes known. Grantee must begin actions to correct other Service problems the next business Day after notification of the Service problem.

(c) The “appointment window” alternatives for Installations, Service calls, and other Installation activities will be either a specific time or, at maximum, a four (4) hour time block during Normal Business Hours. (Grantee may schedule Service calls and other Installation activities outside of Normal Business Hours for the express convenience of the customer.)

(d) Grantee may not cancel an appointment with a customer after the close of business on the business Day prior to the scheduled appointment.

(e) If Grantee’s representative is running late for an appointment with a customer and will not be able to keep the appointment as scheduled, the customer will be contacted. The appointment will be rescheduled, as necessary, at a time which is convenient for the customer.

14.9 Communications between Grantee and Subscribers.

(a) Refunds. Refund checks will be issued promptly, but no later than either:

(i) The customer’s next billing cycle following resolution of the request or thirty (30) Days, whichever is earlier, or

(ii) The return of the equipment supplied by Grantee if Cable Service is terminated.

(b) Credits. Credits for Cable Service will be issued no later than the customer’s next billing cycle following the determination that a credit is warranted.

14.10 Billing:

(a) Consistent with 47 C.F.R. § 76.1619, bills will be clear, concise and understandable. Bills must be fully itemized, with itemizations including, but not limited to, Basic Cable Service and premium Cable Service charges and equipment charges. Bills will also clearly delineate all activity during the billing period, including optional charges, rebates and credits.

(b) In case of a billing dispute, Grantee must respond to a written complaint from a Subscriber within thirty (30) Days.

14.11 Subscriber Information.

(a) Grantee will provide written information on each of the following areas at the time of Installation of Service, at least annually to all Subscribers, and at any time upon request:

- (i) Products and Services offered;
- (ii) Prices and options for programming services and conditions of subscription to programming and other services;
- (iii) Installation and Service maintenance policies;
- (iv) Instructions on how to use the Cable Service;
- (v) Channel positions of programming carried on the System; and
- (vi) Billing and complaint procedures, including the address and telephone number of the City's cable office.

(b) Subscribers shall be advised of the procedures for resolution of complaints about the quality of the television signal delivered by Grantee, including the address of the responsible officer of the City. Subscribers will be notified of any changes in rates, programming services or Channel positions as soon as possible in writing. Notice must be given to Subscribers a minimum of thirty (30) Days in advance of such changes if the change is within the control of Grantee. In addition, Grantee shall notify Subscribers thirty (30) Days in advance of any significant changes in the information required by this Section 14.11.

14.12 Notice or Rate Programming Change. In addition to the requirement of this Section 14.12 regarding advance notification to Subscribers of any changes in rates, programming services or Channel positions, Grantee shall give thirty (30) Days written notice to both Subscribers and the City before implementing any rate or Service change. Such notice shall state the precise amount of any rate change and briefly explain in readily understandable fashion the cause of the rate change (e.g., inflation, change in external costs or the addition/deletion of Channels). When the change involves the addition or deletion of Channels, each Channel added or deleted must be separately identified. For purposes of the carriage of digital broadcast signals, Grantee need only identify for Subscribers, the television signal added and not whether that signal may be multiplexed during certain dayparts.

14.13 Subscriber Contracts. Grantee shall, upon written request, provide the City with any standard form residential Subscriber contract utilized by Grantee. If no such written contract exists, Grantee shall file with the City a document completely and concisely stating the length and terms of the Subscriber contract offered to customers. The length and terms of any standard form Subscriber contract(s) shall be available for public inspection during Normal Business Hours. A list of Grantee's current Subscriber rates and charges for Cable Service shall be maintained on file with City and shall be available for public inspection.

14.14 Refund Policy. If a Subscriber's Cable Service is interrupted or discontinued, without cause, for twenty-four (24) or more consecutive hours, Grantee shall, upon request by the Subscriber, credit such Subscriber pro rata for such interruption. For this purpose, every month will be assumed to have thirty (30) Days.

14.15 **Late Fees.** Grantee shall comply with all Applicable Laws with respect to any assessment, charge, cost, fee or sum, however characterized, that Grantee imposes upon a Subscriber for late payment of a bill. The City reserves the right to enforce Grantee's compliance with all Applicable Laws to the maximum extent legally permissible.

14.16 **Disputes.** All Subscribers and members of the general public may direct complaints, regarding Grantee's Service or performance to the chief administrative officer of the City or the chief administrative officer's designee, which may be a board or a commission of the City.

14.17 **Subscriber Bills.** Subscriber bills shall be designed in such a way as to present the information contained therein clearly and comprehensibly to Subscribers, and in a way that (A) is not misleading and (B) does not omit material information. Grantee may, in its sole discretion, consolidate costs on Subscriber bills as may otherwise be permitted by Section 622(c) of the Cable Act (47 U.S.C. §542(c)).

14.18 **Failure to Resolve Complaints.** Grantee shall resolve a complaint within thirty (30) Days in a manner deemed reasonable by the City under the terms of this Franchise.

14.19 **Notification of Complaint Procedure.** Grantee shall have printed clearly and prominently on each Subscriber bill and in the customer service agreement provided for in Section 14.3, the twenty-four (24) hour Grantee phone number for Subscriber complaints. Additionally, Grantee shall provide information to customers concerning the procedures to follow when they are unsatisfied with measures taken by Grantee to remedy their complaint. This information will include the phone number of the City office or Person designated to handle complaints. Additionally, Grantee shall state that complaints should be made to Grantee prior to contacting the City.

14.20 **Subscriber Privacy.**

(a) To the extent required by Minn. Stat. §238.084 Subd. 1(s) Grantee shall comply with the following:

(i) No signals including signals of a Class IV Channel may be transmitted from a Subscriber terminal for purposes of monitoring individual viewing patterns or practices without the express written permission of the Subscriber. The request for permission must be contained in a separate document with a prominent statement that the Subscriber is authorizing the permission in full knowledge of its provisions. Such written permission shall be for a limited period of time not to exceed one (1) year which may be renewed at the option of the Subscriber. No penalty shall be invoked for a Subscriber's failure to provide or renew such permission. The permission shall be revocable at any time by the Subscriber without penalty of any kind whatsoever.

(ii) No information or data obtained by monitoring transmission of a signal from a Subscriber terminal, including but not limited to lists of the names and addresses of Subscribers or any lists that identify the viewing habits of Subscribers shall be sold or otherwise made available to any party other than to

Grantee or its agents for Grantee's business use, and also to the Subscriber subject of that information, unless Grantee has received specific written permission from the Subscriber to make such data available. The request for permission must be contained in a separate document with a prominent statement that the Subscriber is authorizing the permission in full knowledge of its provisions. Such written permission shall be for a limited period of time not to exceed one (1) year which may be renewed at the option of the Subscriber. No penalty shall be invoked for a Subscriber's failure to provide or renew such permission. The permission shall be revocable at any time by the Subscriber without penalty of any kind whatsoever.

(iii) Written permission from the Subscriber shall not be required for the conducting of system wide or individually addressed electronic sweeps for the purpose of verifying System integrity or monitoring for the purpose of billing. Confidentiality of such information shall be subject to the provision set forth in subparagraph (ii) of this section.

14.21 **Grantee Identification.** Grantee shall provide all customer service technicians and all other Grantee employees entering private property with appropriate picture identification so that Grantee employees may be easily identified by the property owners and Subscribers.

SECTION 15 SUBSCRIBER PRACTICES

15.1 **Subscriber Rates.** There shall be no charge for disconnection of any installation or outlet. If any Subscriber fails to pay a properly due monthly Subscriber fee, or any other properly due fee or charge, Grantee may disconnect the Subscriber's service outlet, provided, however, that such disconnection shall not be affected until after the later of: (i) forty-five (45) Days after the original due date of said delinquent fee or charge; or (ii) ten (10) Days after delivery to Subscriber of written notice of the intent to disconnect. If a Subscriber pays before expiration of the later of (i) or (ii), Grantee shall not disconnect. After disconnection, upon payment in full of the delinquent fee or charge and the payment of a reconnection charge, Grantee shall promptly reinstate the Subscriber's Cable Service.

15.2 **Refunds to Subscribers shall be made or determined in the following manner:**

(a) If Grantee fails, upon request by a Subscriber, to provide any service then being offered, Grantee shall promptly refund all deposits or advance charges paid for the service in question by said Subscriber. This provision does not alter Grantee's responsibility to Subscribers under any separate contractual agreement or relieve Grantee of any other liability.

(b) If any Subscriber terminates any monthly service because of failure of Grantee to render the service in accordance with this Franchise, Grantee shall refund to such Subscriber the proportionate share of the charges paid by the Subscriber for the services not received. This provision does not relieve Grantee of liability established in other provisions of this Franchise.

(c) If any Subscriber terminates any monthly service prior to the end of a prepaid period, a proportionate amount of any prepaid Subscriber service fee, using the number of days as a basis, shall be refunded to the Subscriber by Grantee.

SECTION 16 COMPENSATION AND FINANCIAL PROVISIONS.

16.1 Franchise Fees.

(a) During the term of the Franchise, Grantee shall pay to the City a Franchise Fee of five percent (5%) of Gross Revenues. If any such law, regulation, or valid rule alters the five percent (5%) Franchise Fee ceiling enacted by the Cable Act, then the City shall have the authority to (but shall not be required to) increase the Franchise Fee, accordingly, provided such increase is for purposes not inconsistent with Applicable Law.

(b) In the event Grantee bundles or combines Cable Services (which are subject to the Franchise Fee) with non-Cable Services (which are not subject to the Franchise Fee) so that Subscribers pay a single fee for more than one (1) class of service resulting in a discount on Cable Services, Grantee agrees that for the purpose of calculation of the Franchise Fee, it shall allocate to Cable Service revenue no less than a pro rata share of the revenue received for the bundled or combined services. The pro rata share shall be computed on the basis of the published charge for each service in the bundled or combined classes of services when purchased separately.

(c) Franchise Fees shall be paid quarterly not later than forty-five (45) Days following the end of a given quarter. In accordance with Section 16 of this Franchise, Grantee shall file with the City a Franchise Fee payment worksheet, attached as Exhibit C, signed by an authorized representative of Grantee, which identifies Gross Revenues earned by Grantee during the period for which payment is made. No acceptance of any payment shall be construed as an accord that the amount paid is, in fact, the correct amount, nor shall such acceptance of payment be construed as a release of any claim which the City may have for further or additional sums payable under the provisions of this section.

(d) Neither current nor previously paid Franchise Fees shall be subtracted from the Gross Revenue amount upon which Franchise Fees are calculated and due for any period, unless otherwise required by Applicable Law.

(e) Any Franchise Fees owing pursuant to this Franchise which remain unpaid more than forty-five (45) Days after the dates specified herein shall be delinquent and shall thereafter accrue interest at twelve percent (12%) per annum or two percent (2%) above prime lending rate as quoted by the Wall Street Journal, whichever is greater.

16.2 Auditing and Financial Records. Throughout the term of this Franchise, the Grantee agrees that the City, upon reasonable prior written notice of twenty (20) Days to the Grantee, may review such of the Grantee's books and records regarding the operation of the Cable System and the provision of Cable Service in the Franchise Area which are reasonably

necessary to monitor and enforce Grantee's compliance with the provisions of this Franchise. Grantee shall provide such requested information as soon as possible and in no event more than thirty (30) Days unless Grantee explains that it is not feasible to meet this timeline and provides a written explanation for the delay and an estimated reasonable date for when such information will be provided. All such documents pertaining to financial matters that may be the subject of an inspection by the City shall be retained by the Grantee for a minimum period of six (6) years, pursuant to Minn. Stat. § 541.05. The Grantee shall not deny the City access to any of the Grantee's records on the basis that the Grantee's records are under the control of any parent corporation, Affiliated Entity or a third party. The City may request in writing copies of any such records or books that are reasonably necessary, and the Grantee shall provide such copies within thirty (30) Days of the receipt of such request. One (1) copy of all reports and records required under this or any other section shall be furnished to the City at the sole expense of the Grantee. If the requested books and records are too voluminous, or for security reasons cannot be copied or removed, then the Grantee may request, in writing within ten (10) Days of receipt of such request, that the City inspect them at the Grantee's local offices or at one of Grantee's offices more convenient to City or its duly authorized agent. If any books or records of the Grantee are not kept in such office and not made available in copies to the City upon written request as set forth above, and if the City determines that an examination of such records is necessary for the enforcement of this Franchise, then all reasonable travel expenses incurred in making such examination shall be paid by the Grantee.

16.3 Review of Record Keeping Methodology. Grantee agrees to meet with representative of the City upon request to review its methodology of record-keeping, financial reporting, computing Franchise Fee obligations, and other procedures the understanding of which the City deems necessary for understanding the meaning of reports and records.

16.4 Audit of Records. The City or its authorized agent may at any time and at the City's own expense conduct an independent audit of the revenues of Grantee in order to verify the accuracy of Franchise Fees or PEG Fees paid to the City under this Franchise. Grantee and each parent company of Grantee shall cooperate fully in the conduct of such audit. In the event it is determined through such audit that Grantee has underpaid Franchise Fees in an amount of five percent (5%) or more than was due the City, then Grantee shall reimburse the City for the entire cost of the audit within thirty (30) days of the completion and acceptance of the audit by the City.

16.5 Records to be reviewed. The City agrees to request access to only those books and records, in exercising its rights under this section, which it deems reasonably necessary for the enforcement and administration of the Franchise.

16.6 Indemnification by Grantee. Grantee shall, at its sole expense, fully indemnify, defend and hold harmless the City, and in their capacity as such, the officers and employees thereof, from and against any and all claims, suits, actions, liability and judgments for damage or otherwise except those arising wholly from negligence on the part of the City or its employees; for actual or alleged injury to persons or property, including loss of use of property due to an occurrence, whether or not such property is physically damaged or destroyed, in any way arising out of or through or alleged to arise out of or through the acts or omissions of Grantee or its officers, agents, employees, or contractors or to which Grantee's or its officers, agents,

employees or contractors acts or omissions in any way contribute, and whether or not such acts or omissions were authorized or contemplated by this Franchise or Applicable Law; arising out of or alleged to arise out of any claim for damages for Grantee's invasion of the right of privacy, defamation of any Person, firm or corporation, or the violation of infringement of any copyright, trademark, trade name, service mark or patent, or of any other right of any Person, firm or corporation; arising out of or alleged to arise out of Grantee's failure to comply with the provisions of any Applicable Law. Nothing herein shall be deemed to prevent the City, its officers, or its employees from participating in the defense of any litigation by their own counsel at such parties' expense. Such participation shall not under any circumstances relieve Grantee from its duty of defense against liability or of paying any judgment entered against the City, its officers, or its employees.

16.7 Grantee Insurance. Upon the Effective Date, Grantee shall, at its sole expense take out and maintain during the term of this Franchise public liability insurance with a company licensed to do business in the State of Minnesota with a rating by A.M. Best & Co. of not less than "A-" that shall protect the Grantee, City and its officials, officers, directors, employees and agents from claims which may arise from operations under this Franchise, whether such operations be by the Grantee, its officials, officers, directors, employees and agents or any subcontractors of Grantee. This liability insurance shall include, but shall not be limited to, protection against claims arising from bodily and personal injury and damage to property, resulting from Grantee's vehicles, products, and operations. The amount of insurance for single limit coverage applying to bodily and personal injury and property damage shall not be less than Three Million and No/100 Dollars (\$3,000,000.00). The liability policy shall include:

- (a) The policy shall provide coverage on an "occurrence" basis.
- (b) The policy shall cover personal injury as well as bodily injury.
- (c) The policy shall cover blanket contractual liability subject to the standard universal exclusions of contractual liability included in the carrier's standard endorsement as to bodily injuries, personal injuries and property damage.
- (d) Broad form property damage liability shall be afforded.
- (e) City shall be named as an additional insured on the policy.
- (f) An endorsement shall be provided which states that the coverage is primary insurance with respect to claims arising from Grantee's operations under this Franchise and that no other insurance maintained by the City will be called upon to contribute to a loss under this coverage.
- (g) Standard form of cross-liability shall be afforded.
- (h) An endorsement stating that the policy shall not be canceled without thirty (30) Days' notice of such cancellation given to City
- (i) City reserves the right to adjust the insurance limit coverage requirements of this Franchise no more than once every three (3) years. Any such adjustment by City

will be no greater than the increase in the State of Minnesota Consumer Price Index (all consumers) for such three (3) year period.

(j) Upon the Effective Date, Grantee shall submit to City a certificate documenting the required insurance, as well as any necessary properly executed endorsements. The certificate and documents evidencing insurance shall be in a form acceptable to City and shall provide satisfactory evidence that Grantee has complied with all insurance requirements. Renewal certificates shall be provided to City prior to the expiration date of any of the required policies. City will not be obligated, however, to review such endorsements or certificates or other evidence of insurance, or to advise Grantee of any deficiencies in such documents and receipt thereof shall not relieve Grantee from, nor be deemed a waiver of, City's right to enforce the terms of Grantee's obligations hereunder. City reserves the right to examine any policy provided for under this paragraph or to require further documentation reasonably necessary to form an opinion regarding the adequacy of Grantee's insurance coverage.

SECTION 17 MISCELLANEOUS PROVISIONS.

17.1 Posting and Publication. The Summary of Ordinance for Publication ("Summary") attached hereto as Exhibit D shall be published at least once in the official newspaper of the City. Grantee shall assume the cost of posting and publication of the Summary as such posting and publication is required by law and such is payable upon Grantee's filing of acceptance of this Franchise.

17.2 Guarantee of Performance. Grantee agrees that it enters into this Franchise voluntarily in order to secure and in consideration of the grant from the City of a ten (10) year Franchise. Performance pursuant to the terms and conditions of this Franchise is guaranteed by Grantee.

17.3 Entire Agreement. This Franchise contains the entire agreement between the parties, supersedes all prior agreements or proposals except as specifically set forth herein, and cannot be changed orally but only by an instrument in writing executed by the parties.

17.4 Consent. Wherever the consent or approval of either Grantee or the City is specifically required in this agreement, such consent or approval shall not be unreasonably withheld.

17.5 Prior Franchise Terminated. The cable television franchise as originally granted by Ordinance No. 2012-10 is hereby terminated.

17.6 Franchise Acceptance. No later than forty-five (45) Days following City Council approval of this Franchise, Grantee shall accept and return to the City an executed Franchise along with performance bonds, security funds, and evidence of insurance, all as provided in this Franchise. In the event Grantee fails to accept this Franchise, or fails to provide the required documents, this Franchise shall be null and void. The Grantee agrees that despite the fact that its written acceptance may occur after the Effective Date, the obligations of this Franchise shall become effective on February 1, 2023.

requirements of this Franchise, the City Code and other Applicable Laws governing the work performed by them.

17.11 **Governing Law.** This Franchise is made pursuant to Minnesota Statutes Chapter 238 and the City Code and is intended to comply with all requirements set forth therein. This Franchise shall be deemed to be executed in the State of Minnesota, and shall be governed in all respects, including validity, interpretation and effect, and construed in accordance with, the laws of the State of Minnesota, as applicable to contracts entered into and performed entirely within the state.

17.12 **Nonenforcement by City.** Grantee shall not be relieved of its obligation to comply with any of the provisions of this Franchise by reason of any failure of the City or to enforce prompt compliance.

17.13 **Captions.** The paragraph captions and headings in this Franchise are for convenience and reference purposes only and shall not affect in any way the meaning of interpretation of this Franchise.

17.14 **Calculation of Time.** Where the performance or doing of any act, duty, matter, payment or thing is required hereunder and the period of time or duration for the performance is prescribed and fixed herein, the time shall be computed so as to exclude the first and include the last Day of the prescribed or fixed period or duration of time. When the last Day of the period falls on Saturday, Sunday, or a legal holiday, that Day shall be omitted from the computation and the next business Day shall be the last Day of the period.

17.15 **No Waiver.** All rights and remedies given to the City by this Franchise or retained by the City herein shall be in addition to and cumulative with any and all other rights and remedies, existing or implied, now or hereafter available to the City, at law or in equity, and such rights and remedies shall not be exclusive, but each and every right and remedy specifically given by this Franchise or otherwise existing or given may be exercised from time to time and as often and in such order as may be deemed expedient by the City and the exercise of one or more rights or remedies shall not be deemed a waiver of the right to exercise at the same time or thereafter any other right or remedy.

17.16 **Grantee Acknowledgment of Validity of Franchise.** Grantee acknowledges that it has had an opportunity to review the terms and conditions of this Franchise and that under current law Grantee believes that said terms and conditions are not unreasonable or arbitrary, and that Grantee believes the City has the power to make the terms and conditions contained in this Franchise.

17.17 **Survival of Terms.** Upon the termination or forfeiture of the Franchise, Grantee shall no longer have the right to occupy the Streets for the purpose of providing Cable Service. However, Grantee's obligations to the City (other than the obligation to provide service to Subscribers) shall survive according to their terms.

17.18 Competitive Equity

(a) The City reserves the right to grant additional franchises or similar authorizations to provide Cable Services or Video Programming services via Cable Systems or other Wireline MVPDs. The City intends to treat Wireline MVPDs in a nondiscriminatory manner to the extent permissible under Applicable Law. If, following the Effective Date of this Franchise, the City grants such an additional franchise or authorization to a Wireline MVPD and Grantee believes the City has done so on terms materially more favorable than the obligations under this Franchise, then the provisions of this Section 17.18 will apply.

(b) As part of this Franchise, the City and Grantee have mutually agreed upon the following terms as a condition of granting the Franchise, which terms may place the Grantee at a significant competitive disadvantage if not required of a Wireline MVPD: the obligation to pay to the City a Franchise Fee, Gross Revenues as provided for and defined in this Franchise, and the obligation to comply with the requirements in this Franchise regarding PEG funding, PEG Channels, security instruments, audits, remedies, and customer service obligations (hereinafter "Material Obligations"). The City and Grantee further agree that this provision shall not require a word for word identical franchise or authorization for competitive equity so long as the regulatory and financial burdens on each entity are materially equivalent.

(c) Within one (1) year of the adoption of a Wireline MVPD franchise or similar authorization, Grantee must notify the City in writing of the Material Obligations in this Franchise that Grantee believes exceed the Material Obligations of the wireline competitor's franchise or similar authorization. The City and Grantee agree that they will use best efforts in good faith to negotiate Grantee's proposed Franchise modifications, and that such negotiation will proceed and conclude within a ninety (90) Day time period, unless that time period is reduced or extended by mutual agreement of the parties. If the City and Grantee reach agreement on the Franchise modifications pursuant to such negotiations, then the City shall amend this Franchise to include the modifications. If the City and Grantee fail to reach agreement in such negotiations, Grantee may, at its option, elect to replace this Franchise by opting into the franchise or other similar lawful authorization that the City grants to another Wireline MVPD (with the understanding that Grantee may use its current system design and technology infrastructure to meet any requirements of the new franchise), so as to ensure that the regulatory and financial burdens on each entity are equivalent. If Grantee so elects and following the ninety (90) Day negotiation time period set forth in this paragraph 17.18 (c), the City shall immediately commence proceedings to replace this Franchise with the franchise issued to the other Wireline MVPD. Notwithstanding anything contained in this section to the contrary, the City shall not be obligated to amend or replace this Franchise unless the new entrant makes Cable Services or similar downstream Video programming service available for purchase by Subscribers or customers under its franchise agreement with or similar authorization from the City.

(d) In the event the City disputes that the Material Obligations are different, Grantee may bring an action in federal or state court for a determination as to whether the

Material Obligations are different and as to what franchise amendments would be necessary to remedy the disparity. Alternatively, Grantee may notify the City that it elects to immediately commence the renewal process under 47 U.S.C. § 546 and to have the remaining term of this Franchise shortened to not more than thirty (30) months.

(e) Nothing in this Section 17.18 is intended to alter the rights or obligations of either party under Applicable Law, and it shall only apply to the extent permitted under Applicable Law and FCC orders. In no event will the City be required to refund or to offset against future amounts due the value of benefits already received.

(f) To the extent the City has legal authority to mandate a Cable Service franchise or similar authorization to a wireless provider of Cable Service, the competitive equity rights provided by this section shall apply with respect to Material Obligations imposed in such franchise or other similar agreement. In the event of a dispute regarding the City's legal authority, Grantee shall have the burden to demonstrate that such authority exists or does not exist.

17.19 FCC Preemption.

(a) At any time after this Franchise is approved by the City Council, the Grantee may, if Grantee is legally permitted by Applicable Law, provide the City with a written list of “in-kind cable-related contributions” (as that term is defined by the FCC in the Section 621 Order) that the Franchise requires Grantee to provide (including but not limited to the Complimentary Service requirements in Section 6.8) and the incremental cost(s) associated with the provision of the in-kind cable-related contributions. Within one hundred and twenty (120) days of receiving the aforementioned list, the City will notify the Grantee whether, with respect to each identified in-kind cable-related contribution, the Grantee is relieved, or temporarily relieved, of its obligations or is required to comply, subject either to the Grantee taking an offset to the Franchise Fee payments payable under Section 16.1 as may be permitted by the Section 621 Order or to the Grantee and the City agreeing to a separately negotiated charge payable by the City to the Grantee.

(b) In the event the Section 621 Order is stayed or overturned in whole or in part by action of the FCC, the City and the Grantee will meet promptly to discuss what impact such action has on the provision of the in-kind cable-related contributions to which this section applies. It is the intent of the parties that the City shall be treated by the Grantee in a reasonably comparable manner as other jurisdictions within the Twin Cities Region with respect to any offsets or charges imposed by Grantee for the provision of Complimentary Service. Nothing herein waives the City's right to enforce Grantee's compliance with all lawful obligations contained in this Franchise.

17.20 Treatment of Negotiated Provisions. For the term of this Franchise any costs incurred by Grantee pursuant to Sections 7.2(c), 7.5(c), 7.8, 7.10, 7.11, 7.12, 7.13, 7.16(b), 7.17, 7.18, 7.19, 13.1, 13.2, and 13.3, shall be treated by Grantee as Grantee's business expense and not a Franchise Fee under Sections 1.23 and 16.1 of this Franchise or as a PEG Fee under Section 7.15 of this Franchise. Grantee reserves any rights it may have to recover

from Subscribers, as a separate line item from the PEG Fee in Section 7.15 of this Franchise, any PEG capital costs set forth in Section 7.2(a) and (c), 7.8, 7.10, 7.11, 7.12, 7.14 and 7.16 as may be permitted by Applicable Law as of the Effective Date.

Passed and adopted this ____ day of _____ 2023.

ATTEST

CITY OF RICHFIELD, MINNESOTA

By: _____
Its: City Clerk

By: _____
Its: Mayor

ACCEPTED: This Franchise is accepted, and Comcast of Minnesota, Inc. agrees to be bound by its terms and conditions.

COMCAST OF MINNESOTA, INC.

By: _____

Its: _____

EXHIBIT A
COMPLIMENTARY SERVICE LOCATIONS

	BUILDING	ADDRESS	CITY
1.	Admin Serv Dept, Richfield	6700 Portland Ave Apt Asd	Richfield
2.	Richfield Comm Center	7000 Nicollet Ave	Richfield
3.	Centennial Elem School	7315 Bloomington Ave	Richfield
4.	Sheridan Elementary	6400 Sheridan Ave S	Richfield
5.	Fire Station 2, Richfield	6401 Penn Ave S	Richfield
6.	Fire Station, Richfield	6700 Portland Ave Apt 1	Richfield
7.	Richfield High School	7001 Harriet Ave S	Richfield
8.	Richfield Ice Arena	636 E 66th St	Richfield
9.	Richfield Middle School	7461 Oliver Ave S	Richfield
10.	Augsburg Library	7100 Nicollet Ave	Richfield
11.	Mt Calvary Lutheran School	6541 16th Ave S	Richfield
12.	Richfield City Hall	6700 Portland Ave Apt Hall	Richfield
13.	Richfield Pub Safety	6700 Portland Ave Apt Eoc	Richfield
14.	Richfield School Garage	300 W 72nd St	Richfield
15.	Holy Angels School	6600 Nicollet Ave	Richfield
16.	Richfield Dual Language School	7001 Elliot Ave S	Richfield
17.	Central Education Center	7145 Harriet Ave	Richfield
18.	Richfield Stem	7020 12th Ave S	Richfield
19.	Maintenance Facility	1901 E 66 th St	Richfield

* For as long as the building remains publicly owned and operated. If the building is leased or operated by a commercial tenant, Grantee's voluntary courtesy service offer will expire.

EXHIBIT B
EXISTING PEG TRANSPORT LOCATIONS

BUILDING

Richfield City Hall

STREET ADDRESS

6700 Portland Avenue

EXHIBIT C
FRANCHISE FEE PAYMENT WORKSHEET

*****CONFIDENTIAL*****



System Name: Comcast of Minnesota, Inc.
 Email: Prasant_Nadella@cable.comcast.com
 Phone: 610-665-2579

Vendor ID:	XXXXX
Contract Name:	X
Statement Period:	Jan - Mar, 2020
Payment Amount:	\$X
Statement Number:	XXXXXX
CUID:	XXXXXX
System ID:	XXXX-XXXX-XXXX

This statement represents your payment for the period listed above.

Revenue Category	Amount
Expanded Basic Video Service	\$
Limited Basic Video Service	\$
Digital Video Service	\$
Pay	\$
PPV / VOD	\$
Digital Video Equipment	\$
Video Installation / Activation	\$
Franchise Fees	\$
Guide	\$
Other	\$
Late Fees	\$
Write-offs / Recoveries	\$
Ad Sales	\$
Home Shopping Commissions	\$
Total	\$
Franchise Fee %	%
Franchise Fee	\$
PEG Fee 1.5%	

Nothing in this Franchise Fee Payment Worksheet shall serve to modify the definition of "Gross Revenues" set forth in this Franchise.

EXHIBIT D
SUMMARY OF ORDINANCE FOR PUBLICATION

AN ORDINANCE GRANTING A FRANCHISE TO COMCAST OF MINNESOTA, INC. TO CONSTRUCT, OPERATE AND MAINTAIN A CABLE SYSTEM IN THE CITY OF RICHFIELD, MINNESOTA SETTING FORTH CONDITIONS ACCOMPANYING THE GRANT OF THE FRANCHISE; PROVIDING FOR REGULATION AND USE OF THE SYSTEM AND THE PUBLIC RIGHTS-OF-WAY; AND PRESCRIBING PENALTIES FOR THE VIOLATION OF THE PROVISIONS HEREIN.

On _____, 2023, the City of Richfield, Minnesota (“City”) adopted an ordinance granting a Cable Television Franchise to Comcast of Minnesota, Inc. (“Comcast”). The Franchise serves two (2) purposes. First, it is intended to provide for and specify the means to attain the best possible cable service for the public by providing requirements for cable with respect to technical standards, customer service obligations, and related matters. Second, it grants a non-exclusive cable television franchise to Comcast, to operate, construct and maintain a cable system within the City and contains specific requirements for Comcast to do so.

The Franchise includes the following: 1) a Franchise Fee of 5% of Comcast’s annual gross revenues; 2) a Franchise term of ten (10) years; 3) incorporation of the City Code regarding right-of-way protections; 4) a list of schools and public buildings entitled to receive complimentary cable service; 5) dedicated channel capacity for public, education and government (“PEG”) access programming; 6) a PEG Fee of 1.5% of Comcast’s annual gross revenues to support local access programming as permitted under applicable law; 7) strong customer service standards regarding Comcast’s cable services; and 8) a performance bond and letter of credit to enforce Comcast’s compliance with the Franchise.

It is hereby determined that publication of this title and summary will clearly inform the public of the intent and effect of Ordinance No. _____. A copy of the entire ordinance shall be posted at the Richfield City Hall.

It is hereby directed that only the above title and summary of Ordinance No. ____ be published, conforming to Minn. Stat. § 331A.01, with the following:

NOTICE

Persons interested in reviewing a complete copy of the Ordinance may do so at the Richfield City Hall at 6700 Portland Avenue, Richfield, MN 55423 during the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday.

	<u>Yes</u>	<u>No</u>
Mayor _____	_____	_____
Councilmember _____	_____	_____
Councilmember _____	_____	_____
Councilmember _____	_____	_____
Councilmember _____	_____	_____
Councilmember _____	_____	_____

Passed by the Richfield City Council this ___ day of _____, 2023.

ATTEST: _____, Mayor

City of Richfield, Minnesota

Ordinance Granting a Cable Television Franchise

to

Comcast of Minnesota, Inc.

June 1, 2023

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ORDINANCE NO. _____

AN ORDINANCE RENEWING THE GRANT OF A FRANCHISE TO COMCAST OF MINNESOTA, INC. TO OPERATE AND MAINTAIN A CABLE SYSTEM IN THE CITY OF RICHFIELD, MINNESOTA; SETTING FORTH CONDITIONS ACCOMPANYING THE GRANT OF THE FRANCHISE; PROVIDING FOR CITY REGULATION AND ADMINISTRATION OF THE CABLE SYSTEM; AND TERMINATING ORDINANCE NO. 2012-10

RECITALS

The City of Richfield, Minnesota (“City”) pursuant to applicable federal and state law, is authorized to grant one or more nonexclusive cable television franchises to construct, operate, maintain, and reconstruct cable television systems within the City limits.

Comcast of Minnesota, Inc. (“Grantee”) has operated a Cable System in the City, under a cable television franchise granted pursuant to Ordinance No. 2012-10.

Negotiations between Grantee and the City have been completed and the franchise renewal process followed in accordance with the guidelines established by the City Code, Minnesota Statutes Chapter 238, and the Cable Act (47 U.S.C. § 546).

The Franchise granted to Grantee by the City is nonexclusive and complies with existing applicable Minnesota Statutes, federal laws and regulations.

The City has exercised its authority under Minnesota law to enter into a Joint and Cooperative Agreement with other cities authorized to grant cable communications franchises and has delegated certain authority to the Southwest Suburban Cable Communications Commission to make recommendations to the City regarding this Franchise and to be responsible for the ongoing administration and enforcement of this Franchise as herein provided.

The City has determined that it is in the best interest of the City and its residents to renew the cable television franchise with Grantee.

NOW, THEREFORE, THE CITY OF RICHFIELD, MINNESOTA DOES ORDAIN that a franchise is hereby granted to Comcast of Minnesota, Inc., to operate and maintain a Cable System in the City upon the following terms and conditions:

**SECTION 1
DEFINITIONS**

For the purpose of this Franchise, the following terms, phrases, words, derivations, and their derivations shall have the meanings given herein. When not inconsistent with the context, words used in the present tense include the future tense, words in the plural number include the singular number and words in the singular number include the plural number. In the event the meaning of any word or phrase not defined herein is uncertain, the definitions contained in applicable local, state, or federal law shall apply.

1.1 “Access Channels” means any channel or portion of a channel utilized for public, educational, or governmental programming.

1.2 “Affiliate” or “Affiliated Entity” means any Person who owns or controls, is owned or controlled by, or is under common ownership or control with, Grantee and its successors.

1.3 “Applicable Laws” means any law, statute, charter, ordinance, rule, regulation, code, license, certificate, franchise, permit, writ, ruling, award, executive order, directive, requirement, injunction (whether temporary, preliminary, or permanent), judgment, decree or other order issued, executed, entered or deemed applicable by any governmental authority of competent jurisdiction.

1.4 “Basic Cable Service” means any service tier which includes the lawful retransmission of local television broadcast.

1.5 “Cable Act” means the Cable Communications Policy Act of 1984, 47 U.S.C. §§ 521 et seq., as amended by the Cable Television Consumer Protection and Competition Act of 1992, as further amended by the Telecommunications Act of 1996, as further amended from time to time.

1.6 “Cable Service” means (a) the one-way transmission to Subscribers of (i) Video Programming or (ii) Other Programming Service, and b) Subscriber interaction, if any, which is required for the selection or use of such Video Programming or Other Programming Service.

1.7 “Cable System” or “System” means a facility, consisting of a set of closed transmission paths and associated signal generation, reception and control equipment which is designed to provide Cable Service that includes Video Programming, and which is provided to multiple Subscribers within a community, but such term does not include:

(a) a facility that serves only to retransmit the television signals of one (1) or more television broadcast stations;

(b) a facility that serves Subscribers without using any Streets;

(c) a facility of a common carrier which is subject, in whole or in part, to the provisions of 47 U.S.C. § 201 et seq., except that such facility shall be considered a Cable System (other than for purposes of 47 U.S.C. § 541(c)) to the extent such facility is used in the transmission of Video Programming directly to Subscribers, unless the extent of such use is solely to provide interactive on-demand services;

(d) an open video system that complies with 47 U.S.C. § 573; or

(e) any facilities of any electric utility used solely for operating its electric utility system.

Unless otherwise specified, it shall in this document refer to the Grantee's Cable System constructed and operated in the City under this Franchise.

1.8 "Channel" means a portion of the electromagnetic frequency spectrum which is used in a Cable System, and which is capable of delivering a television channel as defined by the FCC by regulation.

1.9 "City" means the City of Richfield, a municipal corporation in the State of Minnesota.

1.10 "City Code" means the Municipal Code of the City of Richfield, Minnesota, as may be amended from time to time.

1.11 "Commission" means the Southwest Suburban Cable Communications Commission consisting of the cities of Eden Prairie, Edina, Hopkins, Minnetonka and Richfield, Minnesota.

1.12 "Connection" means the attachment of the Drop to the television set of the Subscriber.

1.13 "Converter" means an electronic device, including digital transport adapters, which converts signals to a frequency not susceptible to interference within the television receiver of a Subscriber, and by an appropriate Channel selector also permits a Subscriber to view Cable Service signals.

1.14 "Council" means the governing body of the City.

1.15 "Day" means a calendar day, unless otherwise specified.

1.16 "Drop" means the cable that connects the Subscriber terminal to the nearest feeder cable of the cable in the Street and any electronics on Subscriber property between the Street and Subscriber terminal.

1.17 "Effective Date" means February 1, 2023.

1.18 "FCC" means the Federal Communications Commission, or a designated representative.

1.19 "Franchise" means the right granted by this Ordinance and conditioned as set forth herein.

1.20 "Franchise Area" means the entire geographic area within the City as it is now constituted or may in the future be constituted.

1.21 "Franchise Fee" means the fee assessed by the City to Grantee, in consideration of Grantee's right to operate the Cable System within the City's Streets, determined in amount as a percentage of Grantee's Gross Revenues and limited to the maximum percentage allowed for

such assessment by federal law. The term Franchise Fee does not include the exceptions noted in 47 U.S.C. §542(g)(2)(A-E).

1.22 “GAAP” means generally accepted accounting principles as promulgated and defined by the Financial Accounting Standards Board (“FASB”), Emerging Issues Task Force (“EITF”) and/or the U.S. Securities and Exchange Commission (“SEC”).

1.23 “Gross Revenues” means, and shall be construed broadly to include, all revenues derived directly or indirectly by Grantee and/or an Affiliated Entity that is the cable operator of the Cable System, from the operation of Grantee’s Cable System to provide Cable Services within the City. Gross Revenues include, by way of illustration and not limitation:

- (a) monthly fees for Cable Services, regardless of whether such Cable Services are provided to residential or commercial customers, including revenues derived from the provision of all Cable Services (including but not limited to pay or premium Cable Services, pay-per-view, pay-per-event, and video-on-demand Cable Services);
- (b) fees paid to Grantee for Channels designated for commercial/leased access use and shall be allocated on a pro rata basis using total Cable Service Subscribers within the City;
- (c) Converter, digital video recorder, remote control, and other Cable Service equipment rentals, leases, or sales;
- (d) installation, disconnection, reconnection, change-in service, “snow-bird” fees;
- (e) Advertising Revenues as defined herein;
- (f) late fees, convenience fees, and administrative fees;
- (g) other service fees such as HD fees, convenience fees, broadcast fees, regional sports fees, home tech support fees, bill payment fees for in-person or phone payments, additional outlet fees, and related charges relating to the provision of Cable Service;
- (h) revenues from program guides and electronic guides;
- (i) Franchise Fees;
- (j) FCC regulatory fees;
- (k) except as provided in subsection (ii) below, any fee, tax or other charge assessed against Grantee by municipality, which Grantee chooses to pass through and collect from its Subscribers; and

(l) commissions from home shopping channels and other Cable Service revenue sharing arrangements, which shall be allocated on a pro rata basis using total Cable Service Subscribers within the City.

(i) “Advertising Revenues” shall mean revenues derived from sales of advertising that are made available to Grantee’s Cable System Subscribers within the City and shall be allocated on a pro rata basis using total Cable Service Subscribers reached by the advertising. Additionally, Grantee agrees that Gross Revenues subject to Franchise Fees shall include all commissions, representative fees, Affiliated Entity fees, or rebates paid to National Cable Communications and Comcast Spotlight, or their successors associated with sales of advertising on the Cable System within the City allocated according to this paragraph using total Cable Service Subscribers reached by the advertising.

(ii) “Gross Revenues” shall not include:

1. actual bad debt write-offs, except any portion which is subsequently collected, which shall be allocated on a pro rata basis using Cable Services revenue as a percentage of total Subscriber revenues within the City; and
2. unaffiliated third-party advertising sales agency fees which are reflected as a deduction from revenues.

(m) Grantee shall allocate fees and revenues generated from bundled packages and services to cable revenues pro rata based on the current published rate card for the packaged services delivered on a stand-alone basis as follows:

(i) To the extent revenues are received by Grantee for the provision of a discounted bundle of services which includes Cable Services and non-Cable Services, Grantee shall calculate revenues to be included in Gross Revenues using a GAAP methodology that allocates revenue, on a pro rata basis, when comparing the bundled service price and its components to the sum of the published rate card, except as required by specific Applicable Law (for example, it is expressly understood that equipment may be subject to inclusion in the bundled price at full rate card value). The City reserves its right to review and to challenge Grantee’s calculations.

(ii) Grantee reserves the right to change the allocation methodologies set forth in this section in order to meet the standards required by governing accounting principles as promulgated and defined by the Financial Accounting Standards Board (“FASB”), Emerging Issues Task Force (“EITF”) and/or the U.S. Securities and Exchange Commission (“SEC”). Grantee will explain and document the required changes to the City upon request or as part of any audit or review of Franchise Fee payments, and any such changes shall be subject to the next subsection below.

(iii) Resolution of any disputes over the classification of revenue should first be attempted by agreement of the parties, but should no resolution be reached, the parties agree that reference shall be made to GAAP as promulgated and defined by the Financial Accounting Standards Board (“FASB”), Emerging Issues Task Force (“EITF”) and/or the U.S. Securities and Exchange Commission (“SEC”). Notwithstanding the foregoing, the City reserves its right to challenge Grantee’s calculation of Gross Revenues, including the interpretation of GAAP as promulgated and defined by the FASB, EITF and/or the SEC.

1.24 “Normal Business Hours” means those hours during which most similar businesses in City are open to serve customers. In all cases, “Normal Business Hours” must include some evening hours, at least one (1) night per week and/or some weekend hours.

1.25 “Normal Operating Conditions” means those Service conditions which are within the control of Grantee. Those conditions which are not within the control of Grantee include, but are not limited to, natural disasters, civil disturbances, power outages, telephone network outages, and severe or unusual weather conditions. Those conditions which are ordinarily within the control of Grantee include, but are not limited to, special promotions, pay-per-view events, rate increases, regular peak or seasonal demand periods, and maintenance or upgrade of the Cable System.

1.26 “Other Programming Service” is information that a cable operator makes available to all Subscribers generally.

1.27 “PEG” means public, educational and governmental.

1.28 “Person” means any natural person and all domestic and foreign corporations, closely held corporations, associations, syndicates, joint stock corporations, partnerships of every kind, clubs, businesses, common law trusts, societies and/or any other legal entity.

1.29 “Section 621 Order” means the Third Report and Order in MB Docket No. 05-311 adopted by the FCC on August 1, 2019, as modified by any court of competent jurisdiction or any subsequent order of the FCC.

1.30 “Street” means the area on, below, or above a public roadway, highway, street, cartway, bicycle lane, and public sidewalk in which the City has an interest, including other dedicated rights-of-way for travel purposes and utility easements. A Street does not include the airwaves above a public right-of-way with regard to cellular or other non-wire telecommunications or broadcast service.

1.31 “Subscriber” means a Person who lawfully receives Cable Service.

1.32 “Twin Cities Region” shall mean the cities in Minnesota wherein Grantee or Affiliate hold a franchise agreement to provide Cable Service.

1.33 “Video Programming” means programming provided by, or generally considered comparable to programming provided by, a television broadcast station.

1.34 “Wireline MVPD” means any entity, including the City, that utilizes the Streets to install cable or fiber and is engaged in the business of making available for purchase, by Subscribers, multiple Channels of Video Programming in the City, which could also include the City. For purposes of this Franchise, the term “Wireline MVPD” shall not be limited to entities defined by the FCC as “multichannel video programming distributors” and shall include entities that provide multiple Channels of Video Programming via open video systems, as defined by the FCC, but it is the intent of the Grantee and the City that the term Wireline MVPD shall not include small cell providers, unless the City has the legal authority under Applicable Law to regulate or to impose cable franchise obligations upon such small cell providers.

SECTION 2 FRANCHISE

2.1 **Grant of Franchise.** The City hereby authorizes Grantee to occupy or use the City’s Streets subject to: 1) the provisions of this non-exclusive Franchise to provide Cable Service within the City; and 2) all applicable provisions of the City Code. Unless this Franchise has expired pursuant to Section 2.8 herein or this Franchise is otherwise terminated pursuant to Section 11.2 herein, this Franchise shall constitute both a right and an obligation to provide Cable Services as required by the provisions of this Franchise. Nothing in this Franchise shall be construed to prohibit Grantee from: (1) providing services other than Cable Services to the extent not prohibited by Applicable Law; or (2) challenging any exercise of the City’s legislative or regulatory authority in an appropriate forum. The City hereby reserves all of its rights to regulate such other services to the extent not prohibited by Applicable Law and no provision herein shall be construed to limit or give up any right to regulate.

2.2 **Reservation of Authority.** The Grantee specifically agrees to comply with the lawful provisions of the City Code and applicable regulations of the City. Subject to the police power exception below, in the event of a conflict between (A) the lawful provisions of the City Code or applicable regulations of the City and (B) this Franchise, the express provisions of this Franchise shall govern. Subject to express federal and state preemption, the material terms and conditions contained in this Franchise may not be unilaterally altered by the City through subsequent amendments to the City Code, ordinances, or any regulation of City, except in the lawful exercise of City’s police power. Grantee acknowledges that the City may modify its regulatory policies by lawful exercise of the City’s police powers throughout the term of this Franchise. Grantee agrees to comply with such lawful modifications to the City Code; however, Grantee reserves all rights it may have to challenge such modifications to the City Code whether arising in contract or at law. The City reserves all of its rights and defenses to such challenges whether arising in contract or at law. Nothing in this Franchise shall (A) abrogate the right of the City to perform any public works or public improvements of any description, (B) be construed as a waiver of any codes or ordinances of general applicability promulgated by the City, or (C) be construed as a waiver or release of the rights of the City in and to the Streets.

2.3 **Franchise Term.** The term of this Franchise shall be ten (10) years from the Effective Date, unless renewed, amended, or extended by mutual written consent in accordance with Section 17.7 or terminated sooner in accordance with this Franchise.

2.4 **Franchise Area.** This Franchise is granted for the Franchise Area defined herein. Grantee shall extend its Cable System to provide Service to any residential unit in the City in accordance with Section 6.6 herein. This Franchise governs any Cable Services provided by Grantee to residential and commercial Subscribers to Grantee's Cable System.

2.5 **Franchise Nonexclusive.** The Franchise granted herein shall be nonexclusive. The City specifically reserves the right to grant, at any time, such additional franchises for a Cable System as it deems appropriate provided, however, such additional grants shall not operate to materially modify, revoke, or terminate any rights previously granted to Grantee other than as described in Section 17.18. The grant of any additional franchise shall not of itself be deemed to constitute a modification, revocation, or termination of rights previously granted to Grantee. Any additional cable franchise grants shall comply with Minn. Stat. § 238.08 and any other applicable federal level playing field requirements.

2.6 **Periodic Public Review of Franchise.** Within sixty (60) Days of the third and sixth annual anniversary of the Effective Date of this Franchise, the City may conduct a public review of the Franchise. The purpose of any such review shall be to ensure, with the benefit of full opportunity for public comment, that the Grantee continues to effectively serve the public in the light of new developments in cable law and regulation, cable technology, cable company performance with the requirements of this Franchise, local regulatory environment, community needs and interests, and other such factors. Both the City and Grantee agree to make a full and good faith effort to participate in the review. So long as Grantee receives reasonable notice, Grantee shall participate in the review process and shall fully cooperate. The review shall not operate to modify or change any provision of this Franchise without mutual written consent in accordance with Section 17.7 of this Franchise.

2.7 **Transfer of Ownership.**

(a) No sale, transfer, assignment or "fundamental corporate change", as defined in Minn. Stat. § 238.083, of this Franchise shall take place until the parties to the sale, transfer, or fundamental corporate change files a written request with City for its approval, provided, however, that said approval shall not be required where Grantee grants a security interest in its Franchise and assets to secure an indebtedness.

(b) City shall reply in writing and indicate approval of the request or its determination that a public hearing is necessary due to potential adverse effect on Grantee's Subscribers resulting from the sale or transfer.

(c) If a public hearing is deemed necessary pursuant to (b) above, such hearing shall be handled in accordance with local law or fourteen (14) Days prior to the hearing by publishing notice thereof once in a newspaper of general circulation in City. The notice shall contain the date, time and place of the hearing and shall briefly state the substance of the action to be considered by City.

(d) After the closing of the public hearing, City shall approve or deny in writing the sale or transfer request. City shall set forth in writing with particularity its reason(s) for denying approval. City shall not unreasonably withhold its approval.

(e) The parties to the sale or transfer of the Franchise only, without the inclusion of the System in which substantial construction has commenced, shall establish that the sale or transfer of only the Franchise will be in the public interest.

(f) Any sale or transfer of stock in Grantee so as to create a new controlling interest in the System shall be subject to the requirements of this Section 2.7. The term “controlling interest” as used herein is not limited to majority stock ownership but includes actual working control in whatever manner exercised.

(g) In no event shall a transfer or assignment of ownership or control be approved without the transferee becoming a signatory to this Franchise and assuming all rights and obligations thereunder, and assuming all other rights and obligations of the transferor to the City.

(h) In accordance with Minn. Stat. § 238.084, Subd. 1(y), the City shall have the right to purchase the System in the event the Franchise or System is proposed to be transferred or sold on the same terms and conditions as the offer pursuant to which transfer notice was provided pursuant to this section.

(i) City shall be deemed to have waived its rights under this paragraph (h) in the following circumstances:

(i) If it does not indicate to Grantee in writing, within ninety (90) Days of notice of a proposed sale or assignment, its intention to exercise its right of purchase; or

(ii) It approves the assignment or sale of the Franchise as provided within this section.

2.8 **Expiration.** Upon expiration of the Franchise, the City shall have the right at its own election and subject to Grantee’s rights under Section 626 of the Cable Act to:

(a) extend the Franchise, though nothing in this provision shall be construed to require such extension;

(b) renew the Franchise, in accordance with Applicable Laws;

(c) invite additional franchise applications or proposals;

(d) terminate the Franchise subject to any rights Grantee has under Section 626 of the Cable Act; or

(e) take such other action as the City deems appropriate.

2.9 **Right to Require Removal of Property.** At the expiration of the term for which this Franchise is granted, provided no renewal is granted, or upon its forfeiture or revocation as provided for herein, the City shall have the right to require Grantee to remove at Grantee’s own expense all or any part of the Cable System from all Streets and public ways within the Franchise

Area within a reasonable time. If Grantee fails to do so, the City may perform the work and collect the cost thereof from Grantee. However, Grantee shall have no obligation under this Franchise to remove the Cable System where it utilizes the system to provide other non-Cable Services and has any other authority under Applicable Law to maintain facilities in the Streets, or where Grantee is able to find a purchaser of the Cable System who holds such authorization.

2.10 Continuity of Service Mandatory. It shall be the right of all Subscribers to receive Cable Service in accordance with the terms of this Franchise and Applicable Law. In the event that Grantee elects to overbuild, rebuild, modify, or transfer the Cable System in accordance with Section 2.7, or the City revokes or fails to renew the Franchise, Grantee shall make its best effort to ensure that all Subscribers receive continuous uninterrupted service, regardless of the circumstances, while the Franchise remains effective. In the event of expiration, purchase, lease-purchase, condemnation, acquisition, taking over or holding of plant and equipment, sale, lease, or other transfer to any other Person, including any other grantee of a cable franchise, the current Grantee shall cooperate fully to operate the Cable System in accordance with the terms and conditions of this Franchise for a temporary period sufficient in length to maintain continuity of Cable Service to all Subscribers.

SECTION 3 OPERATION IN STREETS AND RIGHTS-OF-WAY

3.1 Use of Streets.

(a) Grantee may, subject to the terms of this Franchise, erect, install, construct, repair, replace, reconstruct, and retain in, on, over, under, upon, across and along the Streets within the City such lines, cables, conductors, ducts, conduits, vaults, manholes, amplifiers, appliances, pedestals, attachments and other property and equipment as are necessary and appurtenant to the operation of a Cable System within the City. Without limiting the foregoing, Grantee expressly agrees that it will construct, operate, and maintain its Cable System in compliance with, and subject to, the requirements of the City Code, including by way of example and not limitation, those requirements governing the placement of Grantee's Cable System; and with other applicable City Codes, and will obtain and maintain all permits and bonds required by the City Code in addition to those required in this Franchise.

(b) All wires, conduits, cable and other property and facilities of Grantee shall be so located, constructed, installed, and maintained as not to endanger or unnecessarily interfere with the usual and customary trade, traffic, and travel upon, or other use of, the Streets of City. Grantee shall keep and maintain all of its property in good condition, order and repair so that the same shall not menace or endanger the life or property of any Person.

(c) All wires, conduits, cables and other property and facilities of Grantee, shall be constructed and installed in an orderly and workmanlike manner in accordance with the City Code and Applicable Law. All wires, conduits and cables shall be installed, where possible, parallel with electric and telephone lines. Multiple cable configurations shall be arranged in parallel and bundled with due respect for engineering considerations.

(d) Nothing in this Franchise shall be construed to prevent the City from constructing, maintaining, repairing, or relocating sewers; grading, paving, maintaining, repairing, relocating and/or altering any Street; constructing, laying down, repairing, maintaining, or relocating any water mains; or constructing, maintaining, relocating, or repairing any sidewalk or other public work.

3.2 **Construction or Alteration.** Grantee shall in all cases comply with the City Code, City resolutions and City regulations regarding the acquisition of permits and/or such other items as may be reasonably required in order to construct, alter, or maintain the Cable System. Grantee shall, upon request, provide information to the City regarding its progress in completing or altering the Cable System.

3.3 **Non-Interference.** Grantee shall exert its best efforts to construct and maintain a Cable System so as not to interfere with other use of Streets. Grantee shall, where possible in the case of above ground lines, make use of existing poles and other facilities available to Grantee. When residents receiving underground service or who will be receiving underground service will be affected by proposed construction or alteration, Grantee shall provide such notice as set forth in the permit or in City Code of the same to such affected residents.

3.4 **Consistency with Designated Use.** Notwithstanding the above grant to use Streets, no Street shall be used by Grantee if the City, in its sole opinion, determines that such use is inconsistent with the terms, conditions or provisions by which such Street was created or dedicated, or presently used under Applicable Laws.

3.5 **Undergrounding.**

(a) Grantee shall place underground all of its transmission lines which are located or are to be located above or within the Streets of the City in the following cases:

(i) all other existing utilities are required to be placed underground by statute, resolution, policy or other Applicable Law;

(ii) Grantee is unable to get pole clearance;

(iii) underground easements are obtained from developers of new residential areas; or

(iv) utilities are overhead but residents prefer underground (service provided at cost).

(b) If an ordinance is passed which involves placing underground certain utilities including Grantee's cable plant which is then located overhead, Grantee shall participate in such underground project and shall remove poles, cables and overhead wires if requested to do so and place facilities underground. Nothing herein shall mandate that City provide reimbursement to Grantee for the costs of such relocation and removal. However, if the City makes available funds for the cost of placing facilities underground, nothing herein shall preclude the Grantee from participating in such funding to the extent consistent with the City Code or Applicable Laws.

(c) Grantee shall use conduit or its functional equivalent to the greatest extent possible for undergrounding, except for Drops from pedestals to Subscribers' homes and for cable on other private property where the owner requests that conduit not be used. Cable and conduit shall be utilized which meets the highest industry standards for electronic performance and resistance to interference or damage from environmental factors. Grantee shall use, in conjunction with other utility companies or providers, common trenches for underground construction wherever available.

3.6 **Maintenance and Restoration.**

(a) Restoration. In case of disturbance of any Street, public way, paved area or public improvement, Grantee shall, at its own cost and expense and in accordance with the requirements of Applicable Law, restore such Street, public way, paved area or public improvement to substantially the same condition as existed before the work involving such disturbance took place. All requirements of this section pertaining to public property shall also apply to the restoration of private easements and other private property. Grantee shall perform all restoration work within a reasonable time and with due regard to seasonal working conditions. If Grantee fails, neglects, or refuses to make restorations as required under this section, then the City may do such work or cause it to be done, and the cost thereof to the City shall be paid by Grantee. If Grantee causes any damage to private property in the process of restoring facilities, Grantee shall repair such damage.

(b) Maintenance. Grantee shall maintain all above ground improvements that it places on City Streets pursuant to the City Code and any permit issued by the City. In order to avoid interference with the City's ability to maintain the Street, Grantee shall provide such clearance as is required by the City Code and any permit issued by the City. If Grantee fails to comply with this provision, and by its failure, property is damaged, Grantee shall be responsible for all damages caused thereby.

(c) Disputes. In any dispute over the adequacy of restoration or maintenance relative to this section, final determination shall be the prerogative of the City, Department of Public Works and consistent with the City Code and any permit issued by the City.

3.7 **Work on Private Property.** Grantee, with the consent of property owners, shall have the authority, pursuant to the City Code, to trim trees upon and overhanging Streets, alleys, sidewalks, and public ways so as to prevent the branches of such trees from coming in contact with the wires and cables of Grantee, except that at the option of the City, such trimming may be done by it or under its supervision and direction at the reasonable expense of Grantee.

3.8 **Relocation.**

(a) City Property. If, during the term of the Franchise, the City or any government entity elects or requires a third party to alter, repair, realign, abandon, improve, vacate, reroute or change the grade of any Street, public way or other public property; or to construct, maintain or repair any public improvement; or to replace, repair

install, maintain, or otherwise alter any cable, wire conduit, pipe, line, pole, wire-holding structure, structure, or other facility, including a facility used for the provision of utility or other services or transportation of drainage, sewage or other liquids, for any public purpose, Grantee shall, upon request, except as otherwise hereinafter provided, at its sole expense remove or relocate as necessary its poles, wires, cables, underground conduits, vaults, pedestals, manholes and any other facilities which it has installed. Nothing herein shall mandate that City provide reimbursement to Grantee for the costs of such relocation and removal. However, if the City makes available funds for the cost of placing facilities underground, nothing herein shall preclude the Grantee from participating in such funding to the extent consistent with the City Code or Applicable Laws.

(b) Utilities and Other Franchisees. If, during the term of the Franchise, another entity which holds a franchise or any utility requests Grantee to remove or relocate such facilities to accommodate the construction, maintenance or repair of the requesting party's facilities, or their more efficient use, or to "make ready" the requesting party's facilities for use by others, or because Grantee is using a facility which the requesting party has a right or duty to remove, Grantee shall do so. The companies involved may decide among themselves who is to bear the cost of removal or relocation, pursuant to City Code, and provided that the City shall not be liable for such costs.

(c) Notice to Remove or Relocate. Any Person requesting Grantee to remove or relocate its facilities shall give Grantee no less than forty-five (45) Days' advance written notice advising Grantee of the date or dates that removal or relocation is to be undertaken, provided that no advance written notice shall be required in emergencies or in cases where public health and safety or property is endangered.

(d) Failure by Grantee to Remove or Relocate. If Grantee fails, neglects or refuses to remove or relocate its facilities as directed by the City; or in emergencies or where public health and safety or property is endangered, the City may do such work or cause it to be done, and the cost thereof to the City shall be paid by Grantee. If Grantee fails, neglects, or refuses to remove or relocate its facilities as directed by another franchisee or utility, that franchisee or utility may do such work or cause it to be done, and if Grantee would have been liable for the cost of performing such work, the cost thereof to the party performing the work or having the work performed shall be paid by Grantee.

(e) Procedure for Removal of Cable. Grantee shall not remove any underground cable or conduit which requires trenching or other opening of the Streets along the extension of cable to be removed, except as hereinafter provided. Grantee may remove any underground cable from the Streets which has been installed in such a manner that it can be removed without trenching or other opening of the Streets along the extension of cable to be removed. Subject to Applicable Law, Grantee shall remove, at its sole cost and expense, any underground cable or conduit by trenching or opening of the Streets along the extension thereof or otherwise which is ordered to be removed by the City based upon a determination, in the sole discretion of the City, that removal is required in order to eliminate or prevent a hazardous condition. Underground cable and

conduit in the Streets which is not removed shall be deemed abandoned and title thereto shall be vested in the City.

(f) **Movement of Buildings.** Grantee shall, upon request by any Person holding a building moving permit, franchise or other approval issued by the City, temporarily remove, raise, or lower its wire to permit the movement of buildings. The expense of such removal, raising or lowering shall be paid by the Person requesting same, and Grantee shall be authorized to require such payment in advance. The City shall require all building movers to provide not less than fifteen (15) Days' notice to the Grantee to arrange for such temporary wire changes.

SECTION 4 REMOVAL OR ABANDONMENT OF SYSTEM

4.1 **Removal of Cable System.** In the event that: (1) the use of the Cable System is discontinued for any reason for a continuous period of twelve (12) months; or (2) the Cable System has been installed in a Street without complying with the requirements of this Franchise or the City Code, Grantee, at its expense shall, at the demand of the City remove promptly from the Streets all of the Cable System other than any which the City may permit to be abandoned in place. In the event of any such removal Grantee shall promptly restore to a condition as nearly as possible to its prior condition the Street or other public places in the City from which the System has been removed. However, Grantee shall have no obligation under this Franchise to remove the Cable System where it utilizes the system to provide other non-Cable Services and has any other authority under Applicable Law to maintain facilities in the Streets, or where Grantee is able to find a purchaser of the Cable System who holds such authorization.

4.2 **Abandonment of Cable System.** In the event of Grantee's abandonment of the Cable System, City shall have the right to require Grantee to conform to the state right-of-way rules, Minn. Rules, Ch. 7819. The Cable System to be abandoned in place shall be abandoned in the manner prescribed by the City. Grantee may not abandon any portion of the System without having first given three (3) months written notice to the City. Grantee may not abandon any portion of the System without compensating the City for damages resulting from the abandonment.

4.3 **Removal after Abandonment or Termination.** If Grantee has failed to commence removal of System, or such part thereof as was designated by City, within thirty (30) Days after written notice of City's demand for removal consistent with Minn. Rules, Ch. 7819, is given, or if Grantee has failed to complete such removal within twelve (12) months after written notice of City's demand for removal is given, City shall have the right to apply funds secured by the letter of credit and performance bond toward removal and/or declare all right, title, and interest to the Cable System for the City with all rights of ownership including, but not limited to, the right to operate the Cable System or transfer the Cable System to another for operation by it.

4.4 **City Options for Failure to Remove Cable System.** If Grantee has failed to complete such removal within the time given after written notice of the City's demand for removal is given, the City shall have the right to exercise one of the following options:

(a) Declare all right, title and interest to the System for the City or its designee with all rights of ownership including, but not limited to, the right to operate the System or transfer the System to another for operation by it; or

(b) Declare the System abandoned and cause the System, or such part thereof as the City shall designate, to be removed at no cost to the City. The cost of said removal shall be recoverable from the security fund, indemnity and penalty section provided for in this Franchise or from Grantee directly.

(c) Upon termination of service to any Subscriber, Grantee shall promptly remove all its facilities and equipment from within the dwelling of a Subscriber who owns such dwelling upon his or her written request, except as provided by Applicable Law. Such Subscribers shall be responsible for any costs incurred by Grantee in removing the facilities and equipment.

4.5 System Construction and Equipment Standards. The Cable System shall be installed and maintained in accordance with standard good engineering practices and shall conform, when applicable, with the National Electrical Safety Code, the National Electrical Code and the FCC's Rules and Regulations.

4.6 System Maps and Layout. In addition to any generally applicable mapping requirements included in the City Code and required of other utilities, Grantee shall maintain complete and accurate system maps and records of all of its wires, conduits, cables and other property and facilities located, constructed, and maintained in the City, which shall include trunks, distribution lines, and nodes. Such maps shall include up-to-date route maps showing the location of the Cable System adjacent to the Streets. Grantee shall make all maps and records available for review by the appropriate City personnel.

SECTION 5 SYSTEM DESIGN AND CAPACITY

5.1 Availability of Signals and Equipment.

(a) The Cable System utilizes a fiber to the fiber node architecture, with fiber optic cable deployed from Grantee's headend to Grantee's fiber nodes, tying into Grantee's coaxial Cable System serving Subscribers. The System shall pass a minimum of 750 MHz (with a minimum passband of between 50 and 750 MHz) and shall be maintained to provide to Subscribers a minimum of at least two hundred (200) or more activated downstream Cable Service Channels.

(b) The entire System shall be technically capable of transmitting industry-standard digital television signals in a manner and quality consistent with applicable FCC regulations.

(c) Grantee agrees to maintain the Cable System in a manner consistent with, or in excess of the specifications in Section 5.1 (a) and (b) throughout the term of the Franchise with sufficient capability and technical quality to enable the implementation and performance of all requirements of this Franchise, including the exhibits hereto, and

in a manner which meets or exceeds FCC technical quality standards at 47 C.F.R. § 76 Subpart K, regardless of the particular format in which a signal is transmitted.

5.2 Equal and Uniform Service. To the extent required by Applicable Law, Grantee shall provide access to equal and uniform Cable Service throughout the City.

5.3 System Specifications.

(a) **System Maintenance.** In all its construction and service provision activities, Grantee shall meet or exceed the construction, technical performance, extension, and service requirements set forth in this Franchise.

(b) **Emergency Alert Capability.** At all times during the term of this Franchise, Grantee shall provide and maintain an Emergency Alert System (EAS) consistent with Applicable Laws including 47 C.F.R., Part 11, and any Minnesota State Emergency Alert System requirements. The City may identify authorized emergency officials for activating the EAS consistent with the Minnesota State Emergency Statewide Plan (“EAS Plan”). The City may also develop a local plan, containing methods of EAS message distribution, subject to Applicable Laws and the EAS Plan. Nothing in this section is intended to expand Grantee’s obligations beyond that which is required by the EAS Plan and Applicable Law.

(c) **Standby Power.** Grantee shall provide standby power generating capacity at the Cable System control center and at all hubs. Grantee shall maintain standby power system supplies, rated at least at two (2) hours duration throughout the trunk and distribution networks. In addition, Grantee shall have in place throughout the Franchise term a plan, and all resources necessary for implementation of the plan, for dealing with outages of more than two (2) hours.

(d) **Technical Standards.** The technical standards used in the operation of the Cable System shall comply, at minimum, with the technical standards promulgated by the FCC relating to Cable Systems pursuant to Title 47, Section 76, Subpart K of the Code of Federal Regulations, as may be amended or modified from time to time, which regulations are expressly incorporated herein by reference. The Cable System shall be installed and maintained in accordance with standard good engineering practices and shall conform with the National Electrical Safety Code and all other Applicable Laws governing the construction of the Cable System.

(e) **System Upgrades.** The Cable System will be upgraded consistent with future System upgrades performed in Grantee’s other Twin Cities Region Cable Systems, when any other of Grantee’s Cable Systems in Hennepin County also receives a System upgrade, understanding that work on the Cable System is done based on Grantee’s construction schedules.

5.4 Performance Testing. Grantee shall perform all system tests at the intervals required by the FCC, and all other tests reasonably necessary to determine compliance with technical standards required by this Franchise. These tests shall include, at a minimum:

- (a) Initial proof of performance for any construction; and
- (b) Tests in response to Subscriber complaints; and
- (c) Tests requested by the City to demonstrate franchise compliance; and
- (d) Written records of all system test results performed by or for Grantee shall be maintained and shall be available for City inspection upon request.

5.5 Special Testing.

(a) Throughout the term of this Franchise, City shall have the right to inspect all construction or installation work performed pursuant to the provisions of the Franchise. In addition, City may require special testing of a location or locations within the System if there is a particular matter of controversy or unresolved complaints regarding such construction or installation work or pertaining to such location(s). Demand for such special tests may be made on the basis of complaints received or other evidence indicating an unresolved controversy or noncompliance. Such tests shall be limited to the particular matter in controversy or unresolved complaints. City shall endeavor to so arrange its request for such special testing so as to minimize hardship or inconvenience to Grantee or to the Subscribers caused by such testing.

(b) Before ordering such tests, Grantee shall be afforded thirty (30) Days following receipt of written notice to investigate and, if necessary, correct problems or complaints upon which tests were ordered. City shall meet with Grantee prior to requiring special tests to discuss the need for such and, if possible, visually inspect those locations which are the focus of concern. If, after such meetings and inspections, City wishes to commence special tests and the thirty (30) Days have elapsed without correction of the matter in controversy or unresolved complaints, the tests shall be conducted at Grantee's expense by Grantee's qualified engineer. The City shall have a right to participate in such testing by having an engineer of City's choosing, and at City's expense, observe and monitor said testing.

**SECTION 6
PROGRAMMING AND SERVICES**

6.1 Categories of Programming Service. Grantee shall provide Video Programming services in at least the following broad categories:

- Local Broadcast (subject to federal carriage requirements)
- Public Broadcast
- News and Information
- Sports
- General Entertainment
- Arts/Performance/Humanities
- Science/Technology
- Children/Family/Seniors
- Foreign Language/Ethnic Programming

PEG Programming (to the extent required by the Franchise)
Movies
Leased Access

6.2 **Changes in Programming Services.** As required by Applicable Law, Grantee shall provide at least thirty (30) Days' prior written notice to Subscribers and to the City of Grantee's request to effectively delete any broad category of programming or any Channel within its control, including all proposed changes in bandwidth or Channel allocation and any assignments including any new equipment requirements that may occur as a result of these changes.

6.3 **Parental Control Device.** Upon request by any Subscriber, Grantee shall make available for sale or lease a parental control or lockout device that will enable the Subscriber to block all access to any and all Channels without affecting those not blocked. Grantee shall inform Subscribers of the availability of the lockout device at the time of original subscription and annually thereafter.

6.4 **FCC Reports.** The results of any tests required to be filed by Grantee with the FCC shall also be copied to City within ten (10) Days of the conduct of the date of the tests.

6.5 **Annexation.** Unless otherwise provided by Applicable Law, including the City Code, upon the annexation of any additional land area by City, the annexed area shall thereafter be subject to all the terms of this Franchise upon sixty (60) Days written notification to Grantee of the annexation by City. Unless otherwise required by Applicable Laws, nothing herein shall require the Grantee to expand its Cable System to serve, or to offer Cable Service to any area annexed by the City if such area is then served by another Wireline MVPD franchised to provide multichannel video programming.

6.6 **Line Extension.**

(a) Grantee shall construct and operate its Cable System so as to provide Cable Service within the Franchise Area where there exists a density equivalent of seven (7) dwelling units per one-quarter (1/4) mile of feeder cable as measured from the nearest active plant of the Cable System if the extension is to be constructed using aerial plant, and nine (9) dwelling units per one-quarter (1/4) mile of feeder cable as measured from the nearest active plant if the extension is to be constructed using underground plant. The City, for its part, shall endeavor to exercise reasonable efforts to require developers and utility companies to provide the Grantee with at least fifteen (15) Days advance notice of an available open trench for the placement of necessary cable.

(b) Where the density is less than that specified above, Grantee shall inform Persons requesting Service of the possibility of paying for installation or a line extension and shall offer to provide them with a free written estimate of the cost, which shall be provided within fifteen (15) working days of such a request. Grantee may offer the Persons requesting Service the opportunity to "prepay" some or all of the necessary line extensions according to its regular business policies. Grantee shall at all times implement such line extension policy in a nondiscriminatory manner throughout the City.

(c) Any residential unit located within one hundred twenty-five (125) feet from the nearest point of access on the Street from which the Cable System is designed to serve the site shall be connected to the Cable System at no charge other than the standard installation charge. Grantee shall, upon request by any potential Subscriber residing in City beyond the one hundred twenty-five (125) foot limit, extend service to such Subscriber provided that the Subscriber shall pay the net additional Drop costs, unless the Grantee agrees to waive said costs. To the extent consistent with Applicable Laws, Grantee agrees that it shall impose installation costs for non-standard installations in a uniform and nondiscriminatory manner throughout the City.

6.7 Nonvoice Return Capability. Grantee is required to use cable and associated electronics having the technical capacity for nonvoice return communications

6.8 Free Cable Service to Public Buildings.

(a) The parties acknowledge that as of the Effective Date of this Franchise, Grantee continues to provide, free of charge, basic Cable Service (including the PEG Channels) to certain schools, libraries and public institutions within the Franchise Area as set forth in Exhibit A (“Complimentary Services”). In the event Grantee elects, to the extent permitted by Applicable Law, to invoice the City for the marginal cost of the Complimentary Services, the Grantee agrees that it will do so only after providing City with one hundred twenty (120) Days’ prior written notice.

(b) The City shall have right to discontinue receipt of all or a portion of the Complimentary Service provided by Grantee in the event Grantee elects to impose a charge to the City for the Complimentary Service as set forth in the preceding paragraph. Within ninety (90) days of receiving the aforementioned notice, the City will notify the Grantee whether, with respect to each identified Complimentary Service location, the Grantee is relieved, or temporarily relieved, of its obligations or is required to comply, subject either to the Grantee taking an offset to the Franchise Fee payments payable under Section 16.1 as may be permitted by the Section 621 Order or to the Grantee and the City agreeing to a separately negotiated charge payable by the City to the Grantee.

(c) Additional Subscriber network Drops and/or outlets will be installed at designated institutions by Grantee at the cost of Grantee’s time and material, or such other price as may be required to comply with Applicable Law. Alternatively, said institution may add outlets at its own expense as long as such installation meets Grantee’s standards. Grantee will complete construction of the additional Drop and outlet within three (3) months from the date of City’s designation of additional institution(s) unless weather or other conditions beyond the control of Grantee requires more time. The City may substitute locations listed on Exhibit A attached hereto as long as the number of locations to receive Complimentary Service remains the same as Exhibit A.

(d) The City or the building occupant shall have the right to extend Cable Service throughout the building to additional outlets without any fees imposed by Grantee for the provision of Complimentary Service to such additional outlets. If ancillary equipment, such as a Converter, is required to receive the signal at additional

outlets, Grantee will provide up to three (3) devices at no charge and will provide additional devices at Grantee's lowest residential rate charged within the Twin Cities Region.

(e) Notwithstanding anything to the contrary set forth in this section, Grantee shall not be required to provide Complimentary Service to such buildings unless it is technically feasible. Outlets and maintenance of said Complimentary Service shall be provided free of fees and charges.

SECTION 7 PUBLIC, EDUCATIONAL AND GOVERNMENTAL ACCESS

7.1 Number of PEG Access Channels.

(a) Grantee will make available three (3) PEG Access Channels in addition to Channels required by the State of Minnesota, such as Regional Channel 6, throughout the entire term of this Franchise and any extensions of the Franchise term.

(b) Grantee shall provide the PEG Access Channels on the Basic Cable Service tier, or such other most subscribed tier of Cable Service (within the Franchise Area) as may be offered by Grantee.

(c) For purposes of this Franchise, a high definition ("HD") format or signal refers to a PEG signal delivered by Grantee to Subscribers in a resolution that is either:

(i) the same as received by Grantee from City or the entity from which Grantee received the PEG signal, or

(ii) the highest resolution used for the delivery of the primary signals of local broadcast stations, if lower than the level described in subparagraph (c)(i) above.

7.2 HD PEG Carriage Requirements.

(a) No later than September 1, 2023, Grantee shall provide all three (3) PEG Access Channels in HD format and shall also simulcast all three (3) PEG Access Channels in standard definition ("SD") until SD is no longer offered by Grantee. The parties agree that PEG funding may be used to support streaming of PEG programming, provided the City does not permit PEG funding to be used for operational expenses except as permitted by Applicable Law.

(b) The City acknowledges that receipt of an HD format PEG Access Channel may require Subscribers to buy or lease special equipment or pay additional HD charges applicable to all HD services.

(c) Grantee agrees that it shall be responsible for costs associated with the provision of encoders or other equipment necessary to receive HD/SD signals at the

Grantees' headend, and to convert PEG HD signals to SD consistent with the historic practice between the parties related to the government PEG Access Channel.

7.3 Control of PEG Access Channels. The control and administration of the PEG Access Channels shall rest with the City and the City may delegate, from time to time over the term of this Franchise, such control and administration to various entities as determined in City's sole discretion.

7.4 Transmission of PEG Access Channels. PEG Access Channels may be used for transmission of non-video signals in compliance with Applicable Laws. This may include downstream transmission of data using a protocol such as TCP/IP or current industry standards. Should Grantee develop the capability to provide bi-directional data transmission, spectrum capacity shall be sufficient to allow Subscribers to transmit data to PEG facilities.

7.5 PEG Access Channel Locations.

(a) PEG Access Channels shall be carried on the Basic Cable Service tier to the extent required by Applicable Law and as set forth in Section 7.2 herein. Nothing herein precludes the Grantee from charging for equipment needed for Basic Cable Service. Grantee shall make every reasonable effort to coordinate the cablecasting of PEG access programming on the Cable System on the same Channel designations as such programming is currently cablecast within the City. In no event shall any Access Channel reallocations be made prior to ninety (90) Days written notice to the City by Grantee, except for circumstances beyond Grantee's reasonable control. The Access Channels will be located within reasonable proximity to other commercial video or broadcast Channels, excluding pay-per-view programming offered by Grantee in the City.

(b) Grantee agrees not to encrypt the Access Channels differently than other commercial Channels available on the Cable System.

(c) In conjunction with any occurrence of any Access Channel(s) relocation, Grantee shall provide a minimum of One Thousand Five Hundred Dollars (\$1,500) Thousand Five-Hundred Dollars (\$1,500) of reimbursement for costs incurred by City to promote the new Channel locations.

7.6 Navigation to PEG Access Channels and Electronic Programming Guide. Grantee agrees that if it utilizes any navigation interfaces, the PEG Access Channels shall be treated in a non-discriminatory fashion consistent with Applicable Laws so that Subscribers will have ready access to Access Channels. Grantee will maintain the existing ability of the City to place PEG Access Channel programming information on the interactive Channel guide via the electronic programming guide ("EPG") vendor ("EPG provider") that Grantee utilizes to provide the guide service. PEG programming provided by the City shall appear on the EPG for each Channel carried in the City. Grantee will be responsible for providing the designations and instructions necessary for the PEG Access Channels to appear on the EPG. Each programming stream will not be individually listed for narrowcast Channels unless technically feasible. All costs and operational requirements of the EPG provider shall be the responsibility of the City.

City acknowledges that the EPG may not be technically possible for all PEG programming, and that Grantee is not responsible for operations of the EPG provider.

7.7 Ownership of PEG Access Channels. Grantee does not relinquish its ownership of or ultimate right of control over a Channel by designating it for PEG use. A PEG access user – whether an individual, educational, or governmental user – acquires no property or other interest by virtue of the use of a Channel position so designated. Grantee shall not exercise editorial control over any public, educational, or governmental use of a Channel position, except Grantee may refuse to transmit any public access program or portion of a public access program that contains obscenity, indecency, or nudity in violation of Applicable Law.

7.8 PEG Monitoring. Grantee shall provide the capability, without charge, to the City and to the City of Edina (location of the Commission’s master control facility), to monitor and verify the audio and visual quality of PEG Access Channels received by Subscribers as well as the existing connections and equipment at the City and the City of Edina. This will include equipment comparable to that deployed to residential cable Subscribers that will allow the City and the City of Edina to verify the accuracy of EPG listings for the PEG Access Channels consistent with what is currently provided. Grantee shall also maintain one (1) feed to the City and one (1) additional feed to the City of Edina to provide the ability to monitor Subscriber services and address Subscriber concerns which feed shall include all cable boxes and platforms (i.e., Xfinity X1).

7.9 Noncommercial Use of PEG. Permitted noncommercial uses of the Access Channels shall include by way of example and not limitation: (1) the identification of financial supporters similar to what is provided on public broadcasting stations; or (2) the solicitation of financial support for the provision of PEG programming by the City or third party users for charitable, educational or governmental purposes; or (3) programming offered by accredited, non-profit, educational institutions which may, for example, offer telecourses over a Access Channel.

7.10 PEG Transport. Grantee will maintain all existing fiber paths in place as of the Effective Date to facilitate PEG origination/return capacity in the City. Such fiber returns paths are listed in Exhibit B attached hereto and will be provided by Grantee without additional charge, with no recurring, monthly costs or offsets, except that Grantee may invoice the Commission for any maintenance costs consistent with Applicable Law and the Section 621 Order. Grantee shall not be responsible for fiber “replacement” but will handle any damage and all maintenance on the existing fiber. Grantee anticipates, but cannot guarantee, that that this will result in minimal fiber expenditures by the City over the Franchise term.

7.11 Interconnection. To the extent technically feasible, Grantee will allow necessary interconnection with any newly constructed City and school fiber for noncommercial programming to be promoted and administered by the City as allowed under Applicable Laws and at no additional cost to the City or schools. This may be accomplished through a patch panel or other similar facility and each party will be responsible for the fiber on their respective sides of the demarcation point. Grantee reserves its right to review on a case-by-case basis the technical feasibility of the proposed interconnection. Based on this review, Grantee may condition the interconnection on the reasonable reimbursement of Grantee’s incremental costs,

with no markup for profit, to recoup Grantee's construction costs only. In no event will Grantee impose any type of recurring fee for said interconnection.

7.12 Ancillary Equipment. Any ancillary equipment operated by Grantee for the benefit of PEG Access Channels on Grantee's fiber paths or Cable System, whether referred to switchers, routers, or other equipment, will be maintained by Grantee, free of charge and at no cost to the City, Commission or schools for the life of the Franchise. Grantee is responsible for any ancillary equipment on its side of the demarcation point and the City, Commission or school is responsible for all other production/playback equipment.

7.13 Future PEG Transport. At such time that the City determines:

(a) that the City desires the capacity to allow Subscribers in the City to receive PEG programming (video or character generated) which may originate from schools, City facilities, other government facilities or other designated facilities (other than those indicated in Exhibit B); or

(b) that the City desires to establish or change a location from which PEG programming is originated; or

(c) that the City desires to upgrade the Connection to Grantee from an existing signal point of origination,

the City will give Grantee written notice detailing the point of origination and the capability sought by the City. Grantee agrees to submit a cost estimate to implement the City's plan within a reasonable period of time but not later than September 1st in the year proceeding the request for any costs exceeding Twenty-five Thousand and No/100 Dollars (\$25,000). The cost estimate will be on a time and materials basis with no additional markup. After an agreement to reimburse Grantee for Grantee's out of pocket time and material costs, Grantee will implement any necessary Cable System changes within a reasonable period of time. Nothing herein prevents the City, or a private contractor retained by the City, from constructing said return fiber.

7.14 PEG Access Channel Carriage.

(a) Any and all costs associated with any modification of the PEG Access Channels or signals after the PEG Access Channels/signals leave the City's designated playback facilities, or any designated playback center authorized by the City shall be borne entirely by Grantee. Grantee shall not cause any programming to override PEG programming on any PEG Access Channel, except by oral or written permission from the City, with the exception of emergency alert signals.

(b) The City may request and Grantee shall provide an additional PEG Access Channel when the cumulative time on all the existing PEG Access Channels combined meets the following standard: whenever one of the PEG Access Channels in use during eighty percent (80%) of the weekdays, Monday through Friday, for eighty percent (80%) of the time during a consecutive three (3) hour period for six (6) weeks running, and there is a demand for use of an additional Channel for the same purpose, the Grantee has six (6) months in which to provide a new, PEG Access Channel for the same purpose;

provided that, the provision of the additional Channel or Channels does not require the Cable System to install Converters.

(c) Only to the extent mandated by Applicable Law, the VHF spectrum shall be used for one (1) of the public, educational, or governmental specially designated PEG Access Channels.

(d) The City or its designee shall be responsible for developing, implementing, interpreting, and enforcing rules for PEG Access Channel use.

(e) The Grantee shall monitor the PEG Access Channels for technical quality to ensure that they meet FCC technical standards including those applicable to the carriage of PEG Access Channels, provided however, that the Grantee is not responsible for the production quality of PEG programming productions. The City, or its designee, shall be responsible for the production and quality of all PEG access programming. Grantee shall carry all components of the standard definition of PEG Access Channel including, but not limited to, closed captioning, stereo audio and other elements associated with the programming.

7.15 Access Channel Support.

(a) No later than September 1, 2023, Grantee shall collect and remit to the City a minimum of one and one-half percent (1.5%) of Grantee's Gross Revenues in support of PEG ("PEG Fee") to be used by the City as permitted under Applicable Law.

(b) The PEG Fee is not part of the Franchise Fee and instead falls within one (1) or more of the exceptions in 47 U.S.C. § 542, unless the PEG Fee may be categorized, itemized, and passed through to Subscribers as permissible, in accordance with 47 U.S.C. §542 or other Applicable Laws.

(c) Grantee shall pay the PEG Fee to the City quarterly, on the same schedule as the payment of Franchise Fees as set forth in Section 16.1 of this Franchise. Grantee agrees that it will not offset or reduce its payment of past, present, or future Franchise Fees required as a result of its obligation to remit the PEG Fee.

(d) Any PEG Fee amounts owing pursuant to this Franchise which remain unpaid more than twenty-five (25) Days after the date the payment is due shall be delinquent and shall thereafter accrue interest at twelve percent (12%) per annum or the prime lending rate published by the Wall Street Journal on the Day the payment was due plus two percent (2%), whichever is greater.

7.16 PEG Technical Quality and Support.

(a) Grantee shall not be required to carry a PEG Access Channel in a higher quality format than that of the Channel signal delivered to Grantee, but Grantee shall not implement a change in the method of delivery of PEG Access Channels that results in a material degradation of signal quality or impairment of viewer reception of PEG Access Channels, provided that this requirement shall not prohibit Grantee from implementing

new technologies also utilized for commercial Channels carried on its Cable System. Grantee shall meet FCC signal quality standards when offering PEG Access Channels on its Cable System and shall continue to comply with closed captioning pass-through requirements. There shall be no significant deterioration in a PEG Access Channel signal from the point of origination upstream to the point of reception (hub or headend) or downstream to the Subscriber on the Cable System.

(b) Within twenty-four (24) hours of a written request from City to the Grantee identifying a technical problem with a PEG Access Channel and requesting assistance, Grantee will provide technical assistance or diagnostic services to determine whether or not a problem with a PEG signal is the result of matters for which Grantee is responsible and if so, Grantee will take prompt corrective action. If the problem persists and there is a dispute about the cause, then the parties shall meet with engineering representation from Grantee and the City in order to determine the course of action to remedy the problem.

7.17 Access Channel Promotion. If a PEG Access Channel is relocated, Grantee shall notify the Commission, City and Subscribers of the relocation in a manner consistent with Grantee's other normal Channel relocation notices.

7.18 Change in Technology. In the event Grantee makes any change in the Cable System and related equipment and facilities or in its signal delivery technology, which requires the City to obtain new equipment in order to be compatible with such change for purposes of transport and delivery of the PEG Access Channels, Grantee shall, at its own expense and free of charge to City or its designated entities, purchase such equipment as may be necessary to facilitate the cablecasting of the PEG Access Channels in accordance with the requirements of the Franchise.

7.19 Relocation of Grantee's Headend. In the event Grantee relocates its headend, Grantee will be responsible for replacing or restoring the existing dedicated fiber connections at Grantee's cost so that all the functions and capacity remain available, operate reliably and satisfy all applicable technical standards and related obligations of the Franchise free of charge to the City or its designated entities.

7.20 Regional Channel Six. Grantee shall make available Regional Channel Six as long as it is required to do so by the State of Minnesota.

7.21 Government Access Channel Functionality. Grantee and City agree that City will continue to have the following capability on the government Access Channel:

- (a) City can insert live Council meetings from City Hall;
- (b) City can replay government access programming from City Hall;
- (c) City can transmit character generated programming; and
- (d) City can schedule to replay City-provided programming in pre-arranged time slots on the government PEG Access Channel.

7.22 **Compliance with Minnesota Statutes Chapter 238.** In addition to the requirements contained in this Section 7 of this Franchise, Grantee and City shall comply with the PEG requirements mandated by Minn. Stat. § 238.084.

SECTION 8 REGULATORY PROVISIONS.

8.1 **Intent.** The City shall have the right to administer and regulate activities under the Franchise up to the full extent permitted by Applicable Law.

8.2 **Delegation of Authority to Regulate.** The City reserves the right to delegate its regulatory authority wholly or in part to agents of the City, including, but not limited to, an agency which may be formed to regulate several franchises in the region in a manner consistent with Applicable Laws. This may include but shall not be limited to the Commission or other entity as City may determine in its sole discretion. Any existing delegation in place at the time of the grant of this Franchise shall remain intact unless expressly modified by City.

8.3 Areas of Administrative Authority.

(a) In addition to any other regulatory authority granted to the City by law or franchise, the City shall have administrative authority in the following areas:

- (i) Administering and enforcing the provisions of this Franchise, including the adoption of administrative rules and regulations to carry out this responsibility; and
- (ii) Coordinating the operation of PEG Access Channels; and
- (iii) Formulating and recommending long-range cable communications policy for the Franchise Area; and
- (iv) Disbursing and utilizing Franchise revenues paid to the City; and
- (v) Administering the regulation of rates, to the extent permitted by Applicable Law; and
- (vi) All other regulatory authority permitted under Applicable Law.

(b) The City or its designee shall have continuing regulatory jurisdiction and supervision over the System and the Grantee's operations under the Franchise to the extent allowed by Applicable Law.

8.4 Regulation of Rates and Charges.

(a) **Right to Regulate.** The City reserves the right to regulate rates or charges for any Cable Service within the limits of Applicable Law, to enforce rate regulations prescribed by the FCC, and to establish procedures for said regulation or enforcement.

(b) **Notice of Change in Rates and Charges.** Throughout the term of this Franchise, Grantee shall give the City and all Subscribers within the City at least thirty (30) Days' notice of any intended modifications or additions to Subscriber rates or charges. Nothing in this subsection shall be construed to prohibit the reduction or waiving of rates or charges in conjunction with promotional campaigns for the purpose of attracting Subscribers or users.

(c) **Rate Discrimination Prohibited.** Within any category of Subscribers, Grantee shall not discriminate among Subscribers with regard to rates and charges made for any service based on considerations of race, color, creed, sex, marital or economic status, national origin, sexual preference, or (except as allowed by Applicable Law) neighborhood of residence, except as otherwise provided herein; and for purposes of setting rates and charges, no categorization of Subscribers shall be made by Grantee on the basis of those considerations. Nevertheless, Grantee shall be permitted to establish (1) discounted rates and charges for providing Cable Service to low-income, disabled, or low-income elderly Subscribers, (2) promotional rates, and (3) bulk rate and package discount pricing.

SECTION 9 BOND.

9.1 **Performance Bond.** Upon the Effective Date of this Franchise and at all times thereafter Grantee shall maintain with City a bond in the sum of One Hundred Thousand and No/100 Dollars (\$100,000.00) in such form and with such sureties as shall be acceptable to City, conditioned upon the faithful performance by Grantee of this Franchise and the acceptance hereof given by City and upon the further condition that in the event Grantee shall fail to comply with any law, ordinance or regulation, there shall be recoverable jointly and severally from the principal and surety of the bond, any damages or losses suffered by City as a result, including the full amount of any compensation, indemnification or cost of removal of any property of Grantee, including a reasonable allowance for attorneys' fees and costs (with interest at two percent (2%) in excess of the then prime rate), up to the full amount of the bond, and which bond shall further guarantee payment by Grantee of all claims and liens against City, or any public property, and taxes due to City, which arise by reason of the construction, operation, maintenance or use of the Cable System.

9.2 **Rights.** The rights reserved by City with respect to the bond are in addition to all other rights the City may have under this Franchise or any other law.

9.3 **Reduction of Bond Amount.** City may, in its sole discretion, reduce the amount of the bond.

SECTION 10 SECURITY FUND

10.1 **Security Fund.** If there is an uncured breach by Grantee of a material provision of this Franchise or a pattern of repeated violations of any provision(s) of this Franchise, then Grantee shall, upon written request, establish and provide to the City, as security for the faithful

performance by Grantee of all of the provisions of this Franchise, a letter of credit from a financial institution satisfactory to the City in the amount of Twenty-five Thousand and No/100 Dollars (\$25,000.00). In no event shall Grantee fail to post a Twenty-five Thousand and No/100 Dollar (\$25,000.00) letter of credit within thirty (30) days receipt of a notice of franchise violation pursuant to this Section 10.1. Failure to post said letter of credit shall constitute a separate material violation of this Franchise unless the breach is cured within such thirty (30) Day period or longer period allowed under the Franchise. The letter of credit shall serve as a common security fund for the faithful performance by Grantee of all the provisions of this Franchise and compliance with all orders, permits and directions of the City and the payment by Grantee of any claim, liens, costs, expenses, and taxes due the City which arise by reason of the construction, operation or maintenance of the Cable System. Interest on this deposit shall be paid to Grantee by the bank on an annual basis. The security may be terminated by the Grantee upon the resolution of the alleged noncompliance. The obligation to establish the security fund required by this paragraph is unconditional. The fund must be established in those circumstances where Grantee disputes the allegation that it is not in compliance and maintained for the duration of the dispute. If Grantee fails to establish the security fund as required, the City may take whatever action is appropriate to require the establishment of that fund and may recover its costs, reasonable attorneys' fees, and an additional penalty of Five Thousand and No/100 Dollars (\$5,000) in that action.

10.2 Withdrawal of Funds. The security fund shall permit the City to withdraw funds upon demand (sight draft). Grantee shall not use the security fund for other purposes and shall not assign, pledge, or otherwise use this security fund as security for any purpose.

10.3 Restoration of Funds. Within ten (10) Days after notice to it that any amount has been withdrawn by the City from the security fund pursuant to Section 10.4 of this Franchise, Grantee shall deposit a sum of money sufficient to restore such security fund to the required amount.

10.4 Liquidated Damages. In addition to recovery of any monies owed by Grantee to City or damages to City as a result of any acts or omissions by Grantee pursuant to the Franchise, City in its sole discretion may charge to and collect from the security fund the following liquidated damages:

(a) For failure to provide data, documents, reports, or information or to cooperate with City during an application process or System review, the liquidated damage shall be Two Hundred Fifty and No/100 Dollars (\$250.00) per Day for each Day, or part thereof, such failure occurs or continues.

(b) For failure to comply with any of the provisions of this Franchise for which a penalty is not otherwise specifically provided pursuant to this Paragraph 10.4, the liquidated damage shall be Two Hundred Fifty and No/100 Dollars (\$250.00) per Day for each Day, or part thereof, such failure occurs or continues.

(c) Forty-five (45) Days following notice from City of a failure of Grantee to comply with construction, operation or maintenance standards, the liquidated damage

shall be Five Hundred and No/100 Dollars (\$500.00) per Day for each Day, or part thereof, such failure occurs or continues.

(d) For failure to provide the services Grantee has proposed, including but not limited to the implementation and the utilization of the Access Channels the liquidated damage shall be Two Hundred Fifty and No/100 Dollars (\$250.00) per Day for each Day, or part thereof, such failure occurs or continues.

10.5 Each Violation a Separate Violation. Each violation of any provision of this Franchise shall be considered a separate violation for which separate liquidated damages can be imposed.

10.6 Maximum Draw Per Violation. Any liquidated damages for any given violation shall be imposed upon Grantee for a maximum of Twenty-five Thousand and No/100 Dollars (\$25,000). If after that amount of draw from the security fund Grantee has not cured or commenced to cure the alleged breach to the satisfaction of the City, the City may pursue all other remedies.

10.7 Withdrawal of Funds to Pay Taxes. If Grantee fails to pay to the City any taxes due and unpaid; or fails to repay to the City, any damages, costs or expenses which the City shall be compelled to pay by reason of any act or default of the Grantee in connection with this Franchise; or fails, after thirty (30) Days' notice of such failure by the City to comply with any provision of the Franchise which the City reasonably determines can be remedied by an expenditure of the security, the City may then withdraw such funds from the security fund. Payments are not Franchise Fees as defined in Section 16 of this Franchise.

10.8 Procedure for Draw on Security Fund. Whenever the City finds that Grantee has allegedly violated one (1) or more terms, conditions or provisions of this Franchise, a written notice shall be given to Grantee. The written notice shall describe in reasonable detail the alleged violation so as to afford Grantee an opportunity to remedy the violation. Grantee shall have thirty (30) Days subsequent to receipt of the notice in which to correct the violation before the City may require Grantee to make payment of damages, and further to enforce payment of damages through the security fund. Grantee may, within ten (10) Days of receipt of notice, notify the City that there is a dispute as to whether a violation or failure has, in fact, occurred. Such notice by Grantee shall specify with particularity the matters disputed by Grantee and shall stay the running of the above-described time.

(a) City shall hear Grantee's dispute at the next regularly scheduled or specially scheduled Council meeting. Grantee shall have the right to speak and introduce evidence. The City shall determine if Grantee has committed a violation and shall make written findings of fact relative to its determination. If a violation is found, Grantee may petition for reconsideration.

(b) If after hearing the dispute, the claim is upheld by the City, then Grantee shall have thirty (30) Days within which to remedy the violation before the City may require payment of all liquidated damages due it.

10.9 Time for Correction of Violation. The time for Grantee to correct any alleged violation may be extended by the City if the necessary action to collect the alleged violation is of such a nature or character as to require more than thirty (30) Days within which to perform provided Grantee commences corrective action within fifteen (15) Days and thereafter uses reasonable diligence, as determined by the City, to correct the violation.

10.10 Grantee's Right to Pay Prior to Security Fund Draw. Grantee shall have the opportunity to make prompt payment of any assessed liquidated damages and if Grantee fails to promptly remit payment to the City, the City may resort to a draw from the security fund in accordance with the terms of this Franchise.

10.11 Failure to so Replenish Security Fund. If any security fund is not so replaced, City may draw on said security fund for the whole amount thereof and hold the proceeds, without interest, and use the proceeds to pay costs incurred by City in performing and paying for any or all of the obligations, duties and responsibilities of Grantee under this Franchise that are not performed or paid for by Grantee pursuant hereto, including attorneys' fees incurred by the City in so performing and paying. The failure to so replace any security fund may also, at the option of City, be deemed a default by Grantee under this Franchise. The drawing on the security fund by City and use of the money so obtained for payment or performance of the obligations, duties and responsibilities of Grantee which are in default, shall not be a waiver or release of such default.

10.12 Collection of Funds Not Exclusive Remedy. The collection by City of any damages or monies from the security fund shall not affect any other right or remedy available to City, nor shall any act, or failure to act, by City pursuant to the security fund, be deemed a waiver of any right of City pursuant to this Franchise or otherwise. Notwithstanding this section, however, should the City elect to impose liquidated damages, that remedy shall remain the City's exclusive remedy up to Twenty-five Thousand and No/100 Dollars set forth in Section 10.6.

SECTION 11 DEFAULT

11.1 Basis for Default. City shall give written notice of default to Grantee if City, in its sole discretion, determines that Grantee has:

- (a) Violated any material provision of this Franchise or the acceptance hereto or any rule, order, regulation or determination of the City, state or federal government, not in conflict with this Franchise; or
- (b) Attempted to evade any material provision of this Franchise or the acceptance hereof; or
- (c) Practiced any fraud or deceit upon City or Subscribers resulting in material harm; or
- (d) Made a material misrepresentation of fact in the application for or negotiation of this Franchise.

11.2 Default Procedure. If Grantee fails to cure such default within thirty (30) Days after the giving of such notice (or if such default is of such a character as to require more than thirty (30) Days within which to cure the same, and Grantee fails to commence to cure the same within said thirty (30) Day period and thereafter fails to use reasonable diligence, in City's sole opinion, to cure such default as soon as possible), then, and in any event, such default shall be a substantial breach and City may elect to terminate the Franchise. The City may place the issue of revocation and termination of this Franchise before the governing body of City at a regular meeting. If City decides there is cause or reason to terminate, the following procedure shall be followed:

(a) City shall provide Grantee with a written notice of the reason or cause for proposed termination and shall allow Grantee a minimum of thirty (30) Days subsequent to receipt of the notice in which to correct the default.

(b) Grantee shall be provided with an opportunity to be heard at a public hearing prior to any decision to terminate this Franchise.

(c) If, after notice is given and an opportunity to cure, at Grantee's option, a public hearing is held, and the City determines there was a violation, breach, failure, refusal or neglect, the City may declare by resolution the Franchise revoked and of no further force and effect unless there is compliance within such period as the City may fix, such period may not be less than thirty (30) Days provided no opportunity for compliance need be granted for fraud or misrepresentation.

11.3 Mediation. If the Grantee and City are unable to resolve a dispute through informal negotiations during the period of thirty (30) Days following the submission of the claim giving rise to the dispute by one (1) party to the other, then unless that claim has been waived as provided in the Franchise, such claim may be subject to mediation if jointly agreed upon by both parties. Unless the Grantee and City mutually agree otherwise, such mediation shall be in accordance with the rules of the American Arbitration Association currently in effect at the time of the mediation. A party seeking mediation shall file a request for mediation with the other party to the Franchise and with the American Arbitration Association. The request may be made simultaneously with the filing of a complaint, but, in such event, mediation shall proceed in advance of legal proceedings only if the other party agrees to participate in mediation. Mutually agreed upon mediation shall stay other enforcement remedies of the parties for a period of ninety (90) Days from the date of filing, unless stayed for a longer period by agreement of the Grantee and City. The Grantee and City shall each pay one-half of the mediator's fee and any filing fees. The mediation shall be held in the City unless another location is mutually agreed upon. Agreements reached in mediation shall be enforceable as a settlement agreement in any court having jurisdiction thereof. Nothing herein shall serve to modify or on any way delay the franchise enforcement process set forth in Section 10 of this Franchise.

11.4 Failure to Enforce. Grantee shall not be relieved of any of its obligations to comply promptly with any provision of the Franchise by reason of any failure of the City to enforce prompt compliance, and City's failure to enforce shall not constitute a waiver of rights or acquiescence in Grantee's conduct.

11.5 Compliance with the Laws.

(a) If any federal or state law or regulation shall require or permit City or Grantee to perform any service or act or shall prohibit City or Grantee from performing any service or act which may be in conflict with the terms of this Franchise, then as soon as possible following knowledge thereof, either party shall notify the other of the point in conflict believed to exist between such law or regulation. Grantee and City shall conform to state laws and rules regarding cable communications not later than one (1) year after they become effective, unless otherwise stated, and shall conform to federal laws and regulations regarding cable as they become effective.

(b) If any term, condition or provision of this Franchise or the application thereof to any Person or circumstance shall, to any extent, be held to be invalid or unenforceable, the remainder hereof and the application of such term, condition or provision to Persons or circumstances other than those as to whom it shall be held invalid or unenforceable shall not be affected thereby, and this Franchise and all the terms, provisions and conditions hereof shall, in all other respects, continue to be effective and complied with provided the loss of the invalid or unenforceable clause does not substantially alter the agreement between the parties. In the event such law, rule or regulation is subsequently repealed, rescinded, amended, or otherwise changed so that the provision which had been held invalid or modified is no longer in conflict with the law, rules, and regulations then in effect, said provision shall thereupon return to full force and effect and shall thereafter be binding on Grantee and City.

SECTION 12 FORECLOSURE AND RECEIVERSHIP

12.1 **Foreclosure.** Upon the foreclosure or other judicial sale of the Cable System, Grantee shall notify the City of such fact and such notification shall be treated as a notification that a change in control of Grantee has taken place, and the provisions of this Franchise governing the consent to transfer or change in ownership shall apply without regard to how such transfer or change in ownership occurred.

12.2 **Receivership.** The City shall have the right to cancel this Franchise subject to any applicable provisions of state law, including the Bankruptcy Act, one hundred twenty (120) Days after the appointment of a receiver or trustee to take over and conduct the business of Grantee, whether in receivership, reorganization, bankruptcy, or other action or proceeding, unless such receivership or trusteeship shall have been vacated prior to the expiration of said one hundred twenty (120) Days, or unless:

(a) Within one hundred twenty (120) Days after his election or appointment, such receiver or trustee shall have fully complied with all the provisions of this Franchise and remedied all defaults thereunder; and

(b) Such receiver or trustee, within said one hundred twenty (120) Days, shall have executed an agreement, duly approved by the Court having jurisdiction in the

premises, whereby such receiver or trustee assumes and agrees to be bound by each and every provision of this Franchise.

SECTION 13 REPORTING REQUIREMENTS

13.1 Quarterly Reports. Within forty-five (45) calendar days after the end of each calendar quarter, Grantee shall submit to the City along with its Franchise Fee payment a report showing the basis for computation of the Franchise Fee and PEG Fee payments, signed by an authorized representative of Grantee, in form and substance substantially equivalent to Exhibit C attached hereto. This report shall separately indicate Grantee's Gross Revenues within the City including, but not limited to such items as listed in the definition of "Gross Revenues" at Section 1.23 of this Franchise.

13.2 Monitoring and Compliance Reports. Upon request, but no more than once a year, Grantee shall provide a written report of any and all FCC technical performance tests for the residential network required in FCC Rules and Regulations as now or hereinafter constituted. In addition, Grantee shall provide City with copies of reports of the semi-annual test and compliance procedures established by this Franchise no later than thirty (30) Days after the completion of each series of tests.

13.3 Other Reports. Upon request of the City and in no event later than thirty (30) Days from the date of receipt of such request, Grantee shall, free of charge, prepare and furnish to the City, at the times and in the form prescribed, such additional reports with respect to its operation, affairs, transactions, or property, as may be reasonably necessary to ensure compliance with the terms of this Franchise. Grantee and City may in good faith agree upon taking into consideration Grantee's need for the continuing confidentiality as prescribed herein. Neither City nor Grantee shall unreasonably demand or withhold information requested pursuant with the terms of this Franchise.

13.4 Confidential and Trade Secret Information. Grantee acknowledges that information submitted by Grantee to the City may be subject to the Minnesota Government Data Practices Act ("MGDPA") pursuant to Minn. Stat. Ch. 13. The City shall follow all Applicable Laws and procedures for protecting any confidential and trade secret information of Grantee that may be provided to City. Grantee acknowledges that the City shall at all times comply with the MGDPA related to the release of information and nothing herein shall be read to modify the City's obligations under the MGDPA.

13.5 Communications with Regulatory Agencies.

(a) Upon written request, Grantee shall submit to City copies of any pleading, applications, notifications, communications, and documents of any kind, submitted by Grantee or its Affiliates to any federal, state, or local courts, regulatory agencies and other government bodies if such documents directly relate to the operations of Grantee's Cable System within the Franchise Area. Grantee shall submit such documents to City no later than thirty (30) Days after receipt of City's request. Grantee shall not claim confidential, privileged, or proprietary rights to such documents unless under federal,

state, or local law such documents have been determined to be confidential by a court of competent jurisdiction, or a federal or state agency. With respect to all other reports, documents and notifications provided to any federal, state, or local regulatory agency as a routine matter in the due course of operating Grantee's Cable System within the Franchise Area, Grantee shall make such documents available to City upon City's written request.

(b) In addition, Grantee and its Affiliates shall within ten (10) Days of any communication to or from any judicial or regulatory agency regarding any alleged or actual violation of this Franchise, City regulation or other requirement relating to the System, use its best efforts to provide the City a copy of the communication, whether specifically requested by the City to do so or not.

SECTION 14 CUSTOMER SERVICE POLICIES

14.1 Response to Customers and Cooperation with City. Grantee shall promptly respond to all requests for service, repair, installation, and information from Subscribers. Grantee acknowledges the City's interest in the prompt resolution of all cable complaints and shall work in close cooperation with the City to resolve complaints. Grantee will continue to maintain an "escalated complaint process" to address unresolved complaints from Subscribers. A team of specifically identified employees of Grantee shall be available to the City and the Commission via email and telephone for reporting issues. These specifically identified employees of Grantee will have the ability to take actions to resolve Subscriber complaints relating to billing, property or service restoration, technical appointments, or any other Subscriber matters when necessary. Grantee will follow-up with the City or the Commission in writing by email (and by phone when necessary) with a summary of the results of the complaint(s).

14.2 Definition of "Complaint." For the purposes of Section 14.1 and 14.4 only, the word "complaint" shall mean any communication to the Commission or the City by a Subscriber, and thereafter reported to the Grantee, expressing dissatisfaction with any service, performance, or lack thereof, by Grantee under the obligations of this Franchise.

14.3 Customer Service Agreement and Written Information. Grantee shall provide to Subscribers a comprehensive service agreement and information in writing for use in establishing Subscriber service. Written information shall, at a minimum, contain the following information:

- (a) Services to be provided and rates for such services.
- (b) Billing procedures.
- (c) Service termination procedure.
- (d) Change in service notifications.
- (e) Liability specifications.

- (f) Converter/Subscriber terminal equipment policy.
- (g) Breach of Franchise specification.
- (h) How complaints are handled including Grantee's procedure for investigation and resolution of Subscriber complaints.
- (i) The name, address, and phone number of the Person identified by the City as responsible for handling cable questions and complaints for the City. This information shall be prominently displayed, and Grantee shall submit the information to the City for review and approval as to its content and placement on Subscriber billing statements. A copy of the written information shall be provided to each Subscriber at the time of initial connection and any subsequent reconnection.

14.4 Reporting Complaints.

(a) The requirements of this Section 14.4 shall be subject to federal law regarding Subscriber privacy. Grantee shall maintain all Subscriber data available for City inspection. Subscriber data shall include the date, name, address, telephone number of Subscriber complaints as well as the subject of the complaint, date and type of action taken to resolve the complaint, any additional action taken by Grantee or the Subscriber. The data shall be maintained in a way that allows for simplified access of the data by the City.

(b) Subject to federal law and upon reasonable request by the City, Grantee shall, within a reasonable amount of time, provide City with such Subscriber data for its review.

14.5 Customer Service Standards.

(a) The City hereby adopts the customer service standards set forth in Part 76, §76.309 of the FCC's rules and regulations, as amended.

(b) Grantee shall, upon request, which request shall include the reason for the request (such as complaints received or other reasonable evidence of concern), provide City with information which shall describe in detail Grantee's compliance with each and every term and provision of this Section 14.5.

(c) Grantee shall comply in all respects with the customer service requirements established by the FCC and those set forth herein. To the extent that this Franchise imposes requirements greater than those established by the FCC, Grantee reserves whatever rights it may have to recover the costs associated with compliance in any manner consistent with Applicable Law.

14.6 Local Office. Grantee shall maintain a convenient local customer service and bill payment location for matters such as receiving Subscriber payments, handling billing questions, equipment replacement and customer service information.

14.7 Cable System office hours and telephone availability. Grantee shall comply with the standards and requirements for customer service set forth in Section 14.5 – 14.21 during the term of this Franchise.

(a) Grantee will maintain a local, toll-free or collect call telephone access line which will be available to its Subscribers twenty-four (24) hours a Day, seven (7) Days a week.

(i) Trained Grantee representatives will be available to respond to customer telephone inquiries during Normal Business Hours.

(ii) After Normal Business Hours, the access line may be answered by a service or an automated response system, including an answering machine. Inquiries received after Normal Business Hours must be responded to by a trained Grantee representative on the next business Day.

(b) Under Normal Operating Conditions, telephone answer time by a customer representative, including wait time, shall not exceed thirty (30) seconds when the connection is made. If the call needs to be transferred, transfer time shall not exceed thirty (30) seconds. These standards shall be met no less than ninety percent (90%) of the time under Normal Operating Conditions, measured on a quarterly basis.

(c) Grantee shall not be required to acquire equipment or perform surveys to measure compliance with the telephone answering standards above unless an historical record of complaints indicates a clear failure to comply.

(d) Under Normal Operating Conditions, the customer will receive a busy signal less than three percent (3%) of the time.

(e) Customer service center and bill payment locations will be open at least during Normal Business Hours and will be conveniently located.

(f) The Grantee shall utilize such equipment and software and keep such records as are necessary or required to enable the City and Commission to determine whether the Grantee is complying with all telephone answering standards required by applicable customer service regulations and laws, as amended from time to time. The Grantee shall provide the Commission with a quarterly report documenting Grantee's compliance with this Section 14.7 as is the current practice

14.8 Installations, Outages and Service Calls. Under Normal Operating Conditions, each of the following standards will be met no less than ninety-five percent (95%) of the time measured on a quarterly basis:

(a) Standard Installations will be performed within seven (7) business days after an order has been placed. "Standard" Installations are those that are located up to one hundred twenty-five (125) feet from the existing distribution system as more specifically set forth in Section 6.6(c).

(b) Excluding conditions beyond the control of Grantee, Grantee will begin working on “Service Interruptions” promptly and in no event later than twenty-four (24) hours after the interruption becomes known. Grantee must begin actions to correct other Service problems the next business Day after notification of the Service problem.

(c) The “appointment window” alternatives for Installations, Service calls, and other Installation activities will be either a specific time or, at maximum, a four (4) hour time block during Normal Business Hours. (Grantee may schedule Service calls and other Installation activities outside of Normal Business Hours for the express convenience of the customer.)

(d) Grantee may not cancel an appointment with a customer after the close of business on the business Day prior to the scheduled appointment.

(e) If Grantee’s representative is running late for an appointment with a customer and will not be able to keep the appointment as scheduled, the customer will be contacted. The appointment will be rescheduled, as necessary, at a time which is convenient for the customer.

14.9 Communications between Grantee and Subscribers.

(a) Refunds. Refund checks will be issued promptly, but no later than either:

(i) The customer’s next billing cycle following resolution of the request or thirty (30) Days, whichever is earlier, or

(ii) The return of the equipment supplied by Grantee if Cable Service is terminated.

(b) Credits. Credits for Cable Service will be issued no later than the customer’s next billing cycle following the determination that a credit is warranted.

14.10 Billing:

(a) Consistent with 47 C.F.R. § 76.1619, bills will be clear, concise and understandable. Bills must be fully itemized, with itemizations including, but not limited to, Basic Cable Service and premium Cable Service charges and equipment charges. Bills will also clearly delineate all activity during the billing period, including optional charges, rebates and credits.

(b) In case of a billing dispute, Grantee must respond to a written complaint from a Subscriber within thirty (30) Days.

14.11 Subscriber Information.

(a) Grantee will provide written information on each of the following areas at the time of Installation of Service, at least annually to all Subscribers, and at any time upon request:

- (i) Products and Services offered;
- (ii) Prices and options for programming services and conditions of subscription to programming and other services;
- (iii) Installation and Service maintenance policies;
- (iv) Instructions on how to use the Cable Service;
- (v) Channel positions of programming carried on the System; and
- (vi) Billing and complaint procedures, including the address and telephone number of the City's cable office.

(b) Subscribers shall be advised of the procedures for resolution of complaints about the quality of the television signal delivered by Grantee, including the address of the responsible officer of the City. Subscribers will be notified of any changes in rates, programming services or Channel positions as soon as possible in writing. Notice must be given to Subscribers a minimum of thirty (30) Days in advance of such changes if the change is within the control of Grantee. In addition, Grantee shall notify Subscribers thirty (30) Days in advance of any significant changes in the information required by this Section 14.11.

14.12 Notice or Rate Programming Change. In addition to the requirement of this Section 14.12 regarding advance notification to Subscribers of any changes in rates, programming services or Channel positions, Grantee shall give thirty (30) Days written notice to both Subscribers and the City before implementing any rate or Service change. Such notice shall state the precise amount of any rate change and briefly explain in readily understandable fashion the cause of the rate change (e.g., inflation, change in external costs or the addition/deletion of Channels). When the change involves the addition or deletion of Channels, each Channel added or deleted must be separately identified. For purposes of the carriage of digital broadcast signals, Grantee need only identify for Subscribers, the television signal added and not whether that signal may be multiplexed during certain dayparts.

14.13 Subscriber Contracts. Grantee shall, upon written request, provide the City with any standard form residential Subscriber contract utilized by Grantee. If no such written contract exists, Grantee shall file with the City a document completely and concisely stating the length and terms of the Subscriber contract offered to customers. The length and terms of any standard form Subscriber contract(s) shall be available for public inspection during Normal Business Hours. A list of Grantee's current Subscriber rates and charges for Cable Service shall be maintained on file with City and shall be available for public inspection.

14.14 Refund Policy. If a Subscriber's Cable Service is interrupted or discontinued, without cause, for twenty-four (24) or more consecutive hours, Grantee shall, upon request by the Subscriber, credit such Subscriber pro rata for such interruption. For this purpose, every month will be assumed to have thirty (30) Days.

14.15 **Late Fees.** Grantee shall comply with all Applicable Laws with respect to any assessment, charge, cost, fee or sum, however characterized, that Grantee imposes upon a Subscriber for late payment of a bill. The City reserves the right to enforce Grantee's compliance with all Applicable Laws to the maximum extent legally permissible.

14.16 **Disputes.** All Subscribers and members of the general public may direct complaints, regarding Grantee's Service or performance to the chief administrative officer of the City or the chief administrative officer's designee, which may be a board or a commission of the City.

14.17 **Subscriber Bills.** Subscriber bills shall be designed in such a way as to present the information contained therein clearly and comprehensibly to Subscribers, and in a way that (A) is not misleading and (B) does not omit material information. Grantee may, in its sole discretion, consolidate costs on Subscriber bills as may otherwise be permitted by Section 622(c) of the Cable Act (47 U.S.C. §542(c)).

14.18 **Failure to Resolve Complaints.** Grantee shall resolve a complaint within thirty (30) Days in a manner deemed reasonable by the City under the terms of this Franchise.

14.19 **Notification of Complaint Procedure.** Grantee shall have printed clearly and prominently on each Subscriber bill and in the customer service agreement provided for in Section 14.3, the twenty-four (24) hour Grantee phone number for Subscriber complaints. Additionally, Grantee shall provide information to customers concerning the procedures to follow when they are unsatisfied with measures taken by Grantee to remedy their complaint. This information will include the phone number of the City office or Person designated to handle complaints. Additionally, Grantee shall state that complaints should be made to Grantee prior to contacting the City.

14.20 **Subscriber Privacy.**

(a) To the extent required by Minn. Stat. §238.084 Subd. 1(s) Grantee shall comply with the following:

(i) No signals including signals of a Class IV Channel may be transmitted from a Subscriber terminal for purposes of monitoring individual viewing patterns or practices without the express written permission of the Subscriber. The request for permission must be contained in a separate document with a prominent statement that the Subscriber is authorizing the permission in full knowledge of its provisions. Such written permission shall be for a limited period of time not to exceed one (1) year which may be renewed at the option of the Subscriber. No penalty shall be invoked for a Subscriber's failure to provide or renew such permission. The permission shall be revocable at any time by the Subscriber without penalty of any kind whatsoever.

(ii) No information or data obtained by monitoring transmission of a signal from a Subscriber terminal, including but not limited to lists of the names and addresses of Subscribers or any lists that identify the viewing habits of Subscribers shall be sold or otherwise made available to any party other than to

Grantee or its agents for Grantee's business use, and also to the Subscriber subject of that information, unless Grantee has received specific written permission from the Subscriber to make such data available. The request for permission must be contained in a separate document with a prominent statement that the Subscriber is authorizing the permission in full knowledge of its provisions. Such written permission shall be for a limited period of time not to exceed one (1) year which may be renewed at the option of the Subscriber. No penalty shall be invoked for a Subscriber's failure to provide or renew such permission. The permission shall be revocable at any time by the Subscriber without penalty of any kind whatsoever.

(iii) Written permission from the Subscriber shall not be required for the conducting of system wide or individually addressed electronic sweeps for the purpose of verifying System integrity or monitoring for the purpose of billing. Confidentiality of such information shall be subject to the provision set forth in subparagraph (ii) of this section.

14.21 **Grantee Identification.** Grantee shall provide all customer service technicians and all other Grantee employees entering private property with appropriate picture identification so that Grantee employees may be easily identified by the property owners and Subscribers.

SECTION 15 SUBSCRIBER PRACTICES

15.1 **Subscriber Rates.** There shall be no charge for disconnection of any installation or outlet. If any Subscriber fails to pay a properly due monthly Subscriber fee, or any other properly due fee or charge, Grantee may disconnect the Subscriber's service outlet, provided, however, that such disconnection shall not be affected until after the later of: (i) forty-five (45) Days after the original due date of said delinquent fee or charge; or (ii) ten (10) Days after delivery to Subscriber of written notice of the intent to disconnect. If a Subscriber pays before expiration of the later of (i) or (ii), Grantee shall not disconnect. After disconnection, upon payment in full of the delinquent fee or charge and the payment of a reconnection charge, Grantee shall promptly reinstate the Subscriber's Cable Service.

15.2 **Refunds to Subscribers shall be made or determined in the following manner:**

(a) If Grantee fails, upon request by a Subscriber, to provide any service then being offered, Grantee shall promptly refund all deposits or advance charges paid for the service in question by said Subscriber. This provision does not alter Grantee's responsibility to Subscribers under any separate contractual agreement or relieve Grantee of any other liability.

(b) If any Subscriber terminates any monthly service because of failure of Grantee to render the service in accordance with this Franchise, Grantee shall refund to such Subscriber the proportionate share of the charges paid by the Subscriber for the services not received. This provision does not relieve Grantee of liability established in other provisions of this Franchise.

(c) If any Subscriber terminates any monthly service prior to the end of a prepaid period, a proportionate amount of any prepaid Subscriber service fee, using the number of days as a basis, shall be refunded to the Subscriber by Grantee.

SECTION 16 COMPENSATION AND FINANCIAL PROVISIONS.

16.1 Franchise Fees.

(a) During the term of the Franchise, Grantee shall pay to the City a Franchise Fee of five percent (5%) of Gross Revenues. If any such law, regulation, or valid rule alters the five percent (5%) Franchise Fee ceiling enacted by the Cable Act, then the City shall have the authority to (but shall not be required to) increase the Franchise Fee, accordingly, provided such increase is for purposes not inconsistent with Applicable Law.

(b) In the event Grantee bundles or combines Cable Services (which are subject to the Franchise Fee) with non-Cable Services (which are not subject to the Franchise Fee) so that Subscribers pay a single fee for more than one (1) class of service resulting in a discount on Cable Services, Grantee agrees that for the purpose of calculation of the Franchise Fee, it shall allocate to Cable Service revenue no less than a pro rata share of the revenue received for the bundled or combined services. The pro rata share shall be computed on the basis of the published charge for each service in the bundled or combined classes of services when purchased separately.

(c) Franchise Fees shall be paid quarterly not later than forty-five (45) Days following the end of a given quarter. In accordance with Section 16 of this Franchise, Grantee shall file with the City a Franchise Fee payment worksheet, attached as Exhibit C, signed by an authorized representative of Grantee, which identifies Gross Revenues earned by Grantee during the period for which payment is made. No acceptance of any payment shall be construed as an accord that the amount paid is, in fact, the correct amount, nor shall such acceptance of payment be construed as a release of any claim which the City may have for further or additional sums payable under the provisions of this section.

(d) Neither current nor previously paid Franchise Fees shall be subtracted from the Gross Revenue amount upon which Franchise Fees are calculated and due for any period, unless otherwise required by Applicable Law.

(e) Any Franchise Fees owing pursuant to this Franchise which remain unpaid more than forty-five (45) Days after the dates specified herein shall be delinquent and shall thereafter accrue interest at twelve percent (12%) per annum or two percent (2%) above prime lending rate as quoted by the Wall Street Journal, whichever is greater.

16.2 Auditing and Financial Records. Throughout the term of this Franchise, the Grantee agrees that the City, upon reasonable prior written notice of twenty (20) Days to the Grantee, may review such of the Grantee's books and records regarding the operation of the Cable System and the provision of Cable Service in the Franchise Area which are reasonably

necessary to monitor and enforce Grantee's compliance with the provisions of this Franchise. Grantee shall provide such requested information as soon as possible and in no event more than thirty (30) Days unless Grantee explains that it is not feasible to meet this timeline and provides a written explanation for the delay and an estimated reasonable date for when such information will be provided. All such documents pertaining to financial matters that may be the subject of an inspection by the City shall be retained by the Grantee for a minimum period of six (6) years, pursuant to Minn. Stat. § 541.05. The Grantee shall not deny the City access to any of the Grantee's records on the basis that the Grantee's records are under the control of any parent corporation, Affiliated Entity or a third party. The City may request in writing copies of any such records or books that are reasonably necessary, and the Grantee shall provide such copies within thirty (30) Days of the receipt of such request. One (1) copy of all reports and records required under this or any other section shall be furnished to the City at the sole expense of the Grantee. If the requested books and records are too voluminous, or for security reasons cannot be copied or removed, then the Grantee may request, in writing within ten (10) Days of receipt of such request, that the City inspect them at the Grantee's local offices or at one of Grantee's offices more convenient to City or its duly authorized agent. If any books or records of the Grantee are not kept in such office and not made available in copies to the City upon written request as set forth above, and if the City determines that an examination of such records is necessary for the enforcement of this Franchise, then all reasonable travel expenses incurred in making such examination shall be paid by the Grantee.

16.3 Review of Record Keeping Methodology. Grantee agrees to meet with representative of the City upon request to review its methodology of record-keeping, financial reporting, computing Franchise Fee obligations, and other procedures the understanding of which the City deems necessary for understanding the meaning of reports and records.

16.4 Audit of Records. The City or its authorized agent may at any time and at the City's own expense conduct an independent audit of the revenues of Grantee in order to verify the accuracy of Franchise Fees or PEG Fees paid to the City under this Franchise. Grantee and each parent company of Grantee shall cooperate fully in the conduct of such audit. In the event it is determined through such audit that Grantee has underpaid Franchise Fees in an amount of five percent (5%) or more than was due the City, then Grantee shall reimburse the City for the entire cost of the audit within thirty (30) days of the completion and acceptance of the audit by the City.

16.5 Records to be reviewed. The City agrees to request access to only those books and records, in exercising its rights under this section, which it deems reasonably necessary for the enforcement and administration of the Franchise.

16.6 Indemnification by Grantee. Grantee shall, at its sole expense, fully indemnify, defend and hold harmless the City, and in their capacity as such, the officers and employees thereof, from and against any and all claims, suits, actions, liability and judgments for damage or otherwise except those arising wholly from negligence on the part of the City or its employees; for actual or alleged injury to persons or property, including loss of use of property due to an occurrence, whether or not such property is physically damaged or destroyed, in any way arising out of or through or alleged to arise out of or through the acts or omissions of Grantee or its officers, agents, employees, or contractors or to which Grantee's or its officers, agents,

employees or contractors acts or omissions in any way contribute, and whether or not such acts or omissions were authorized or contemplated by this Franchise or Applicable Law; arising out of or alleged to arise out of any claim for damages for Grantee's invasion of the right of privacy, defamation of any Person, firm or corporation, or the violation of infringement of any copyright, trademark, trade name, service mark or patent, or of any other right of any Person, firm or corporation; arising out of or alleged to arise out of Grantee's failure to comply with the provisions of any Applicable Law. Nothing herein shall be deemed to prevent the City, its officers, or its employees from participating in the defense of any litigation by their own counsel at such parties' expense. Such participation shall not under any circumstances relieve Grantee from its duty of defense against liability or of paying any judgment entered against the City, its officers, or its employees.

16.7 Grantee Insurance. Upon the Effective Date, Grantee shall, at its sole expense take out and maintain during the term of this Franchise public liability insurance with a company licensed to do business in the State of Minnesota with a rating by A.M. Best & Co. of not less than "A-" that shall protect the Grantee, City and its officials, officers, directors, employees and agents from claims which may arise from operations under this Franchise, whether such operations be by the Grantee, its officials, officers, directors, employees and agents or any subcontractors of Grantee. This liability insurance shall include, but shall not be limited to, protection against claims arising from bodily and personal injury and damage to property, resulting from Grantee's vehicles, products, and operations. The amount of insurance for single limit coverage applying to bodily and personal injury and property damage shall not be less than Three Million and No/100 Dollars (\$3,000,000.00). The liability policy shall include:

- (a) The policy shall provide coverage on an "occurrence" basis.
- (b) The policy shall cover personal injury as well as bodily injury.
- (c) The policy shall cover blanket contractual liability subject to the standard universal exclusions of contractual liability included in the carrier's standard endorsement as to bodily injuries, personal injuries and property damage.
- (d) Broad form property damage liability shall be afforded.
- (e) City shall be named as an additional insured on the policy.
- (f) An endorsement shall be provided which states that the coverage is primary insurance with respect to claims arising from Grantee's operations under this Franchise and that no other insurance maintained by the City will be called upon to contribute to a loss under this coverage.
- (g) Standard form of cross-liability shall be afforded.
- (h) An endorsement stating that the policy shall not be canceled without thirty (30) Days' notice of such cancellation given to City
- (i) City reserves the right to adjust the insurance limit coverage requirements of this Franchise no more than once every three (3) years. Any such adjustment by City

will be no greater than the increase in the State of Minnesota Consumer Price Index (all consumers) for such three (3) year period.

(j) Upon the Effective Date, Grantee shall submit to City a certificate documenting the required insurance, as well as any necessary properly executed endorsements. The certificate and documents evidencing insurance shall be in a form acceptable to City and shall provide satisfactory evidence that Grantee has complied with all insurance requirements. Renewal certificates shall be provided to City prior to the expiration date of any of the required policies. City will not be obligated, however, to review such endorsements or certificates or other evidence of insurance, or to advise Grantee of any deficiencies in such documents and receipt thereof shall not relieve Grantee from, nor be deemed a waiver of, City's right to enforce the terms of Grantee's obligations hereunder. City reserves the right to examine any policy provided for under this paragraph or to require further documentation reasonably necessary to form an opinion regarding the adequacy of Grantee's insurance coverage.

SECTION 17 MISCELLANEOUS PROVISIONS.

17.1 **Posting and Publication.** The Summary of Ordinance for Publication ("Summary") attached hereto as Exhibit D shall be published at least once in the official newspaper of the City. Grantee shall assume the cost of posting and publication of the Summary as such posting and publication is required by law and such is payable upon Grantee's filing of acceptance of this Franchise.

17.2 **Guarantee of Performance.** Grantee agrees that it enters into this Franchise voluntarily in order to secure and in consideration of the grant from the City of a ten (10) year Franchise. Performance pursuant to the terms and conditions of this Franchise is guaranteed by Grantee.

17.3 **Entire Agreement.** This Franchise contains the entire agreement between the parties, supersedes all prior agreements or proposals except as specifically set forth herein, and cannot be changed orally but only by an instrument in writing executed by the parties.

17.4 **Consent.** Wherever the consent or approval of either Grantee or the City is specifically required in this agreement, such consent or approval shall not be unreasonably withheld.

17.5 **Prior Franchise Terminated.** The cable television franchise as originally granted by Ordinance No. 2012-10 is hereby terminated.

17.6 **Franchise Acceptance.** No later than forty-five (45) Days following City Council approval of this Franchise, Grantee shall accept and return to the City an executed Franchise along with performance bonds, security funds, and evidence of insurance, all as provided in this Franchise. In the event Grantee fails to accept this Franchise, or fails to provide the required documents, this Franchise shall be null and void. The Grantee agrees that despite the fact that its written acceptance may occur after the Effective Date, the obligations of this Franchise shall become effective on February 1, 2023.

requirements of this Franchise, the City Code and other Applicable Laws governing the work performed by them.

17.11 **Governing Law.** This Franchise is made pursuant to Minnesota Statutes Chapter 238 and the City Code and is intended to comply with all requirements set forth therein. This Franchise shall be deemed to be executed in the State of Minnesota, and shall be governed in all respects, including validity, interpretation and effect, and construed in accordance with, the laws of the State of Minnesota, as applicable to contracts entered into and performed entirely within the state.

17.12 **Nonenforcement by City.** Grantee shall not be relieved of its obligation to comply with any of the provisions of this Franchise by reason of any failure of the City or to enforce prompt compliance.

17.13 **Captions.** The paragraph captions and headings in this Franchise are for convenience and reference purposes only and shall not affect in any way the meaning of interpretation of this Franchise.

17.14 **Calculation of Time.** Where the performance or doing of any act, duty, matter, payment or thing is required hereunder and the period of time or duration for the performance is prescribed and fixed herein, the time shall be computed so as to exclude the first and include the last Day of the prescribed or fixed period or duration of time. When the last Day of the period falls on Saturday, Sunday, or a legal holiday, that Day shall be omitted from the computation and the next business Day shall be the last Day of the period.

17.15 **No Waiver.** All rights and remedies given to the City by this Franchise or retained by the City herein shall be in addition to and cumulative with any and all other rights and remedies, existing or implied, now or hereafter available to the City, at law or in equity, and such rights and remedies shall not be exclusive, but each and every right and remedy specifically given by this Franchise or otherwise existing or given may be exercised from time to time and as often and in such order as may be deemed expedient by the City and the exercise of one or more rights or remedies shall not be deemed a waiver of the right to exercise at the same time or thereafter any other right or remedy.

17.16 **Grantee Acknowledgment of Validity of Franchise.** Grantee acknowledges that it has had an opportunity to review the terms and conditions of this Franchise and that under current law Grantee believes that said terms and conditions are not unreasonable or arbitrary, and that Grantee believes the City has the power to make the terms and conditions contained in this Franchise.

17.17 **Survival of Terms.** Upon the termination or forfeiture of the Franchise, Grantee shall no longer have the right to occupy the Streets for the purpose of providing Cable Service. However, Grantee's obligations to the City (other than the obligation to provide service to Subscribers) shall survive according to their terms.

17.18 Competitive Equity

(a) The City reserves the right to grant additional franchises or similar authorizations to provide Cable Services or Video Programming services via Cable Systems or other Wireline MVPDs. The City intends to treat Wireline MVPDs in a nondiscriminatory manner to the extent permissible under Applicable Law. If, following the Effective Date of this Franchise, the City grants such an additional franchise or authorization to a Wireline MVPD and Grantee believes the City has done so on terms materially more favorable than the obligations under this Franchise, then the provisions of this Section 17.18 will apply.

(b) As part of this Franchise, the City and Grantee have mutually agreed upon the following terms as a condition of granting the Franchise, which terms may place the Grantee at a significant competitive disadvantage if not required of a Wireline MVPD: the obligation to pay to the City a Franchise Fee, Gross Revenues as provided for and defined in this Franchise, and the obligation to comply with the requirements in this Franchise regarding PEG funding, PEG Channels, security instruments, audits, remedies, and customer service obligations (hereinafter "Material Obligations"). The City and Grantee further agree that this provision shall not require a word for word identical franchise or authorization for competitive equity so long as the regulatory and financial burdens on each entity are materially equivalent.

(c) Within one (1) year of the adoption of a Wireline MVPD franchise or similar authorization, Grantee must notify the City in writing of the Material Obligations in this Franchise that Grantee believes exceed the Material Obligations of the wireline competitor's franchise or similar authorization. The City and Grantee agree that they will use best efforts in good faith to negotiate Grantee's proposed Franchise modifications, and that such negotiation will proceed and conclude within a ninety (90) Day time period, unless that time period is reduced or extended by mutual agreement of the parties. If the City and Grantee reach agreement on the Franchise modifications pursuant to such negotiations, then the City shall amend this Franchise to include the modifications. If the City and Grantee fail to reach agreement in such negotiations, Grantee may, at its option, elect to replace this Franchise by opting into the franchise or other similar lawful authorization that the City grants to another Wireline MVPD (with the understanding that Grantee may use its current system design and technology infrastructure to meet any requirements of the new franchise), so as to ensure that the regulatory and financial burdens on each entity are equivalent. If Grantee so elects and following the ninety (90) Day negotiation time period set forth in this paragraph 17.18 (c), the City shall immediately commence proceedings to replace this Franchise with the franchise issued to the other Wireline MVPD. Notwithstanding anything contained in this section to the contrary, the City shall not be obligated to amend or replace this Franchise unless the new entrant makes Cable Services or similar downstream Video programming service available for purchase by Subscribers or customers under its franchise agreement with or similar authorization from the City.

(d) In the event the City disputes that the Material Obligations are different, Grantee may bring an action in federal or state court for a determination as to whether the

Material Obligations are different and as to what franchise amendments would be necessary to remedy the disparity. Alternatively, Grantee may notify the City that it elects to immediately commence the renewal process under 47 U.S.C. § 546 and to have the remaining term of this Franchise shortened to not more than thirty (30) months.

(e) Nothing in this Section 17.18 is intended to alter the rights or obligations of either party under Applicable Law, and it shall only apply to the extent permitted under Applicable Law and FCC orders. In no event will the City be required to refund or to offset against future amounts due the value of benefits already received.

(f) To the extent the City has legal authority to mandate a Cable Service franchise or similar authorization to a wireless provider of Cable Service, the competitive equity rights provided by this section shall apply with respect to Material Obligations imposed in such franchise or other similar agreement. In the event of a dispute regarding the City's legal authority, Grantee shall have the burden to demonstrate that such authority exists or does not exist.

17.19 FCC Preemption.

(a) At any time after this Franchise is approved by the City Council, the Grantee may, if Grantee is legally permitted by Applicable Law, provide the City with a written list of "in-kind cable-related contributions" (as that term is defined by the FCC in the Section 621 Order) that the Franchise requires Grantee to provide (including but not limited to the Complimentary Service requirements in Section 6.8) and the incremental cost(s) associated with the provision of the in-kind cable-related contributions. Within one hundred and twenty (120) days of receiving the aforementioned list, the City will notify the Grantee whether, with respect to each identified in-kind cable-related contribution, the Grantee is relieved, or temporarily relieved, of its obligations or is required to comply, subject either to the Grantee taking an offset to the Franchise Fee payments payable under Section 16.1 as may be permitted by the Section 621 Order or to the Grantee and the City agreeing to a separately negotiated charge payable by the City to the Grantee.

(b) In the event the Section 621 Order is stayed or overturned in whole or in part by action of the FCC, the City and the Grantee will meet promptly to discuss what impact such action has on the provision of the in-kind cable-related contributions to which this section applies. It is the intent of the parties that the City shall be treated by the Grantee in a reasonably comparable manner as other jurisdictions within the Twin Cities Region with respect to any offsets or charges imposed by Grantee for the provision of Complimentary Service. Nothing herein waives the City's right to enforce Grantee's compliance with all lawful obligations contained in this Franchise.

17.20 Treatment of Negotiated Provisions. For the term of this Franchise any costs incurred by Grantee pursuant to Sections 7.2(c), 7.5(c), 7.8, 7.10, 7.11, 7.12, 7.13, 7.16(b), 7.17, 7.18, 7.19, 13.1, 13.2, and 13.3, shall be treated by Grantee as Grantee's business expense and not a Franchise Fee under Sections 1.23 and 16.1 of this Franchise or as a PEG Fee under Section 7.15 of this Franchise. Grantee reserves any rights it may have to recover

from Subscribers, as a separate line item from the PEG Fee in Section 7.15 of this Franchise, any PEG capital costs set forth in Section 7.2(a) and (c), 7.8, 7.10, 7.11, 7.12, 7.14 and 7.16 as may be permitted by Applicable Law as of the Effective Date.

Passed and adopted this ____ day of _____ 2023.

ATTEST

CITY OF RICHFIELD, MINNESOTA

By: _____
Its: City Clerk

By: _____
Its: Mayor

ACCEPTED: This Franchise is accepted, and Comcast of Minnesota, Inc. agrees to be bound by its terms and conditions.

COMCAST OF MINNESOTA, INC.

By: _____

Its: _____

EXHIBIT A
COMPLIMENTARY SERVICE LOCATIONS

	BUILDING	ADDRESS	CITY
1.	Admin Serv Dept, Richfield	6700 Portland Ave Apt Asd	Richfield
2.	Richfield Comm Center	7000 Nicollet Ave	Richfield
3.	Centennial Elem School	7315 Bloomington Ave	Richfield
4.	Sheridan Elementary	6400 Sheridan Ave S	Richfield
5.	Fire Station 2, Richfield	6401 Penn Ave S	Richfield
6.	Fire Station, Richfield	6700 Portland Ave Apt 1	Richfield
7.	Richfield High School	7001 Harriet Ave S	Richfield
8.	Richfield Ice Arena	636 E 66th St	Richfield
9.	Richfield Middle School	7461 Oliver Ave S	Richfield
10.	Augsburg Library	7100 Nicollet Ave	Richfield
11.	Mt Calvary Lutheran School	6541 16th Ave S	Richfield
12.	Richfield City Hall	6700 Portland Ave Apt Hall	Richfield
13.	Richfield Pub Safety	6700 Portland Ave Apt Eoc	Richfield
14.	Richfield School Garage	300 W 72nd St	Richfield
15.	Holy Angels School	6600 Nicollet Ave	Richfield
16.	Richfield Dual Language School	7001 Elliot Ave S	Richfield
17.	Central Education Center	7145 Harriet Ave	Richfield
18.	Richfield Stem	7020 12th Ave S	Richfield
19.	Maintenance Facility	1901 E 66th St	Richfield

* For as long as the building remains publicly owned and operated. If the building is leased or operated by a commercial tenant, Grantee's voluntary courtesy service offer will expire.

EXHIBIT B
EXISTING PEG TRANSPORT LOCATIONS

BUILDING

Richfield City Hall

STREET ADDRESS

6700 Portland Avenue

EXHIBIT C
FRANCHISE FEE PAYMENT WORKSHEET

*****CONFIDENTIAL*****



System Name: Comcast of Minnesota, Inc.
 Email: Prasant_Nadella@cable.comcast.com
 Phone: 610-665-2579

Vendor ID:	XXXXXX
Contract Name:	X
Statement Period:	Jan - Mar, 2020
Payment Amount:	\$X
Statement Number:	XXXXXXX
CUID:	XXXXXXX
System ID:	XXXX-XXXX-XXXX

This statement represents your payment for the period listed above.

Revenue Category	Amount
Expanded Basic Video Service	\$
Limited Basic Video Service	\$
Digital Video Service	\$
Pay	\$
PPV / VOD	\$
Digital Video Equipment	\$
Video Installation / Activation	\$
Franchise Fees	\$
Guide	\$
Other	\$
Late Fees	\$
Write-offs / Recoveries	\$
Ad Sales	\$
Home Shopping Commissions	\$
Total	\$
Franchise Fee %	%
Franchise Fee	\$
PEG Fee 1.5%	

Nothing in this Franchise Fee Payment Worksheet shall serve to modify the definition of "Gross Revenues" set forth in this Franchise.

EXHIBIT D
SUMMARY OF ORDINANCE FOR PUBLICATION

AN ORDINANCE GRANTING A FRANCHISE TO COMCAST OF MINNESOTA, INC. TO CONSTRUCT, OPERATE AND MAINTAIN A CABLE SYSTEM IN THE CITY OF RICHFIELD, MINNESOTA SETTING FORTH CONDITIONS ACCOMPANYING THE GRANT OF THE FRANCHISE; PROVIDING FOR REGULATION AND USE OF THE SYSTEM AND THE PUBLIC RIGHTS-OF-WAY; AND PRESCRIBING PENALTIES FOR THE VIOLATION OF THE PROVISIONS HEREIN.

On _____, 2023, the City of Richfield, Minnesota (“City”) adopted an ordinance granting a Cable Television Franchise to Comcast of Minnesota, Inc. (“Comcast”). The Franchise serves two (2) purposes. First, it is intended to provide for and specify the means to attain the best possible cable service for the public by providing requirements for cable with respect to technical standards, customer service obligations, and related matters. Second, it grants a non-exclusive cable television franchise to Comcast, to operate, construct and maintain a cable system within the City and contains specific requirements for Comcast to do so.

The Franchise includes the following: 1) a Franchise Fee of 5% of Comcast’s annual gross revenues; 2) a Franchise term of ten (10) years; 3) incorporation of the City Code regarding right-of-way protections; 4) a list of schools and public buildings entitled to receive complimentary cable service; 5) dedicated channel capacity for public, education and government (“PEG”) access programming; 6) a PEG Fee of 1.5% of Comcast’s annual gross revenues to support local access programming as permitted under applicable law; 7) strong customer service standards regarding Comcast’s cable services; and 8) a performance bond and letter of credit to enforce Comcast’s compliance with the Franchise.

It is hereby determined that publication of this title and summary will clearly inform the public of the intent and effect of Ordinance No. _____. A copy of the entire ordinance shall be posted at the Richfield City Hall.

It is hereby directed that only the above title and summary of Ordinance No. ____ be published, conforming to Minn. Stat. § 331A.01, with the following:

NOTICE

Persons interested in reviewing a complete copy of the Ordinance may do so at the Richfield City Hall at 6700 Portland Avenue, Richfield, MN 55423 during the hours of 8:00 a.m. and 4:30 p.m., Monday through Friday.

	<u>Yes</u>	<u>No</u>
Mayor _____	_____	_____
Councilmember _____	_____	_____
Councilmember _____	_____	_____
Councilmember _____	_____	_____
Councilmember _____	_____	_____
Councilmember _____	_____	_____

Passed by the Richfield City Council this ___ day of _____, 2023.

ATTEST: _____, Mayor
 _____,

**RESOLUTION NO. 2023-1
RECOMMENDATION OF THE SOUTHWEST SUBURBAN CABLE COMMISSION REGARDING
THE ADOPTION OF A CABLE FRANCHISE TO COMCAST OF MINNESOTA, INC.**

Recitals:

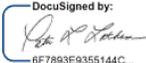
1. The Southwest Suburban Cable Commission ("Commission") administers and enforces cable franchises pursuant to a joint powers agreement.
2. The Commission consists of the cities of Eden Prairie, Edina, Hopkins, Minnetonka and Richfield, Minnesota ("Member Cities").
3. Comcast of Minnesota, Inc. ("Comcast") currently operates a cable system in each of the Member Cities under cable television franchises with an effective date of August 1, 2012 ("Existing Franchises").
4. In 2019 Comcast contacted each of the Member Cities seeking renewal of the Existing Franchises.
5. The Commission's legal counsel, the law firm of Moss & Barnett, a Professional Association, assisted the Commission in conducting the franchise renewal process.
6. Extensive informal franchise renewal negotiations between Comcast and the Commission have been completed and a proposed Renewal Cable Television Franchise Ordinance ("Renewal Franchise") has been finalized.
7. The Commission finds that the Renewal Franchise will benefit the Member Cities and will protect the rights and interests of residents and cable subscribers in each of the Member Cities.

NOW THEREFORE, the Southwest Suburban Cable Commission hereby resolves as follows:

1. The attached May 18, 2023 Renewal Franchise will protect the Member Cities and its residents and cable subscribers regarding the provision of cable services by Comcast.
2. The Commission recommends that each Member City take action to adopt the Renewal Franchise.

PASSED AND ADOPTED this 24th day of May, 2023.

SOUTHWEST SUBURBAN CABLE COMMISSION

DocuSigned by:

6F7893E9355144C...

By: _____
Patty Latham, Chair

ATTEST: DocuSigned by:

DE6235253EF64C3...

By: _____
Brian T. Grogan, Attorney for the Commission



We Advise.  You Decide.

Comcast Cable Franchise Renewal

June 2023

Brian Grogan, Esq.

Moss & Barnett

Southwest Suburban Cable Commission's Legal Counsel



Agenda

- **Southwest Suburban Cable Commission**
- **Changing industry**
- **Background of the renewal process**
- **Key Provisions of New Franchise**



Southwest Suburban Cable Commission

- Governed by Joint Powers Agreement
- Five member cities:
 - Eden Prairie, Edina, Hopkins, Minnetonka and Richfield
- Each Member City has two representatives
 - one is a member of the City staff
 - and one is an elected official
- Purpose is to regulate the cable operator - Comcast



Changing Industry

- Gas, electric, water, telephone – all regulated by PUC
- Cable - regulated at local (City) level
- Cities grant nonexclusive cable franchises
- Today, residents want broadband – stream video content
- Franchise grants authority for company to use streets and ROW
- The fees paid by cable operator are rental payment for use of the ROW
- State and federal laws will determine how cities may (or may not) retain compensation from communications companies to access the ROW

Background of the Renewal Process

- **August 1, 2012** - Effective date of existing Comcast cable franchise
- **August 19, 2019** - Comcast requested renewal
- **Spring 2020** – Pandemic caused delays in needs assessment
- **July 5, 2022** - Commission issued Needs Assessment Report
 - increased funding for local programming
- **July 2022 - May 2023** - Comcast negotiations - New Franchise
- **May 24, 2023** - Commission Resolution 2023-1



Key Provisions of New Franchise

- 10-year term
- 5% franchise fee on Comcast's "gross revenues"
 - stronger definition of "gross revenues"
 - Federal law allows fee only on cable
 - not telephone or broadband
- Strong customer service standards
- ROW Management
 - City Code requirements



Key Provisions of New Franchise

- **3 PEG Channels**
 - Public, Educational, Governmental
 - all will be provided in high definition (HD)
 - currently only the government channel is in HD
- **PEG Fee**
 - 1.5% of Comcast's gross revenues
 - designated for PEG "capital" purchases



Key Provisions of New Franchise

- **Strong enforcement provisions**
 - \$100,000 performance bond
 - \$25,000 security fund
- **Maintain existing PEG transport – connections to City hall - etc.**
- **Maintain complimentary cable service**
 - Subject to potential change due to FCC order
 - Comcast may impose “marginal costs”



Commission Recommendation

May 24, 2023 - Commission Resolution 2023-1

Recommends adoption of proposed franchise granting Comcast a 10-year franchise to provide cable television services in the City.



Questions?

RESOLUTION NO. _____

**RESOLUTION APPROVING SUMMARY PUBLICATION OF AN ORDINANCE GRANTING
A CABLE TELEVISION FRANCHISE TO COMCAST OF MINNESOTA, INC.**

WHEREAS, the City of Richfield has adopted the above referenced ordinance; and

WHEREAS, the verbatim text of the ordinance is cumbersome, and the expense of publication of the complete text is not justified.

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Richfield that the following summary is hereby approved for official publication:

**SUMMARY PUBLICATION
TRANSITORY ORDINANCE NO. _____**

**AN ORDINANCE GRANTING A CABLE TELEVISION FRANCHISE TO COMCAST OF
MINNESOTA, INC.**

This summary of the ordinance is published pursuant to Section 3.12 of the Richfield City Charter.

The purpose of the ordinance is to grant a cable television franchise to Comcast of Minnesota, Inc. The ordinance sets the standards for customer service, sets the rate for the franchise and PEG fees disbursed to the city, and sets the term of a cable franchise agreement with Comcast from January 31, 2023, to ten (10) years from the effective date of this franchise.

Copies of the ordinance are available for public inspection in the City Clerk's office during normal business hours or upon request by calling the Executive Department at (612) 861-9712.

Adopted by the City Council of the City of Richfield, Minnesota this 27th day of June 2023.

Mary Supple, Mayor

ATTEST:

Dustin Leslie, City Clerk



STAFF REPORT NO. 82
CITY COUNCIL MEETING
6/27/2023

REPORT PREPARED BY: Chris Swanson, Management Analyst

DEPARTMENT DIRECTOR REVIEW:

OTHER DEPARTMENT REVIEW: Kumud Verma, Finance Director

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
 6/22/2023

ITEM FOR COUNCIL CONSIDERATION:

Second reading of a transitory ordinance providing funding for certain capital improvements from the Liquor Contribution Special Revenue Fund.

EXECUTIVE SUMMARY:

As part of the Capital Improvement Budget (CIB) and annual City Budget process, certain special revenue funds are allocated each year to fund capital projects identified through the budget process.

The source of the special revenue funds are profits derived from the City's Liquor Store operation. These profits are transferred to the Liquor Contribution Special Revenue Fund.

Before the funds can be used for the identified capital projects, the City Charter requires that a transitory ordinance be used to authorize the expenditure of the funds.

The proposed funding for 2023, per the approved CIB budget, totals \$550,000 and encompasses several park and recreation related projects. The projects are listed below.

Fairwood Park Play Equipment	\$ 110,000
Ice Arena Sign	\$ 40,000
Multi-Year Community Center/Wood Lake Building Repair	\$ 20,000
Multi-Year Ice Arena Repair	\$ 20,000
Multi-Year Park Maintenance	\$ 50,000
Multi-Year Park Maintenance/Wood Lake Fence Repair	\$ 15,000
Outdoor Pool Improvements	\$ 80,000
Skate Park Expansion	\$ 90,000
Wood Lake Nature Center Building	\$ 125,000
<u>Total</u>	<u>\$ 550,000</u>

RECOMMENDED ACTION:

RECOMMENDED ACTION:

By Motion: Approve the attached transitory ordinance providing for the expenditure of funds from the Liquor Contribution Special Revenue Fund for certain capital improvements.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

At the December 13, 2022 City Council meeting, the City Council authorized \$550,000 of Special Revenue Funds for improvements to several City capital improvements in 2023.

Included in the \$550,000 are:

Fairwood Park Play Equipment	\$ 110,000
Ice Arena Sign	\$ 40,000
Multi-Year Community Center/Wood Lake Building Repair	\$ 20,000
Multi-Year Ice Arena Repair	\$ 20,000
Multi-Year Park Maintenance	\$ 50,000
Multi-Year Park Maintenance/Wood Lake Fence Repair	\$ 15,000
Outdoor Pool Improvements	\$ 80,000
Skate Park Expansion	\$ 90,000
<u>Wood Lake Nature Center Building</u>	<u>\$ 125,000</u>
Total	\$ 550,000

The 2023 CIB also provides for expenditures for all types of funds contained in the budget including municipal state aid, user fees, state grants, county funds, and issuance of debt.

Authorization by ordinance is not required for expenditures other than Special Revenues.

A second reading of the attached ordinance is scheduled on June 27, 2023

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

City Charter Section 7.12, Subd. 2 requires that Special Revenue Funds used for capital improvements must be authorized by ordinance.

C. CRITICAL TIMING ISSUES:

Under Section 3.09 of the City Charter, a transitory ordinance becomes effective 30 days after publication of the second hearing notice.

The ordinance requirements must be completed early enough in 2023 so that the capital projects can be initiated on a timely basis, completed and the funds expended.

It is recommended the first reading of the transitory ordinance take place on June 13, 2023 and a second reading be completed at the June 27, 2023 City Council meeting.

D. FINANCIAL IMPACT:

While the total 2023 CIB includes total budgeted expenditures of \$22,353,336, the portion of the CIB concerning proposed funding from the Special Revenue fund is \$550,000.

A transitory ordinance is necessary to finalize the appropriations utilizing special revenue funds pursuant to City Charter.

The source of Special Revenue funds is municipal liquor profits.

E. LEGAL CONSIDERATION:

The City Charter requires that the City Council must pass a resolution to create a Special Revenue Fund.

The City Charter requires that a transitory ordinance be used to authorize the expenditure of Special Revenue funds.

The City Attorney has reviewed the transitory ordinance and approved of its contents and its compliance with the City Charter.

ALTERNATIVE RECOMMENDATION(S):

PRINCIPAL PARTIES EXPECTED AT MEETING:

none

ATTACHMENTS:

	Description	Type
▣	TRANSITORY ORDINANCE FOR THE EXPENDITURE OF MONEY FROM THE LIQUOR CONTRIBUTION SPECIAL REVENUE FUND	Ordinance

BILL NO.

TRANSITORY ORDINANCE NO.

AN ORDINANCE PROVIDING FOR THE EXPENDITURE OF MONEY FROM THE LIQUOR CONTRIBUTION SPECIAL REVENUE FUND FOR CERTAIN CAPITAL IMPROVEMENTS

CITY OF RICHFIELD DOES ORDAIN:

Section 1: It is found and determined to be necessary and expedient for the City to expend money from the Liquor Contribution Special Revenue Fund for the making of capital improvements listed in Section 2 hereof, for which the City would be authorized to issue general obligation bonds.

Section 2: The capital improvements and amounts of expenditures for such improvements which are authorized to be paid from the Liquor Contribution Special Revenue Fund under Section 7.12, Subdivision 2 of the City Charter, are as follows:

Fairwood Park Play Equipment	\$ 110,000
Ice Arena Sign	\$ 40,000
Multi-Year Community Center/Wood Lake Building Repair	\$ 20,000
Multi-Year Ice Arena Repair	\$ 20,000
Multi-Year Park Maintenance	\$ 50,000
Multi-Year Park Maintenance/Wood Lake Fence Repair	\$ 15,000
Outdoor Pool Improvements	\$ 80,000
Skate Park Expansion	\$ 90,000
<u>Wood Lake Nature Center Building</u>	<u>\$ 125,000</u>
Total	\$ 550,000

Section 3: The expenditures authorized herein shall be made pursuant to such contracts as are authorized from time to time by Council action.

Passed by the City Council of the City of Richfield this 27th day of June 2023.

Mary Supple, Mayor

ATTEST:

Dustin Leslie, City Clerk



STAFF REPORT NO. 85
CITY COUNCIL MEETING
6/27/2023

REPORT PREPARED BY: Kumud Verma, Finance Director

DEPARTMENT DIRECTOR REVIEW:

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
6/22/2023

ITEM FOR COUNCIL CONSIDERATION:

Approval of a resolution amending the allocation of the 2022 General Fund Budget.

EXECUTIVE SUMMARY:

The Richfield City Charter provides that the City Council must appropriate monies for operations of the City on a departmental level basis. During the course of the year, the City Council amends the operating budget and it is referred to as the Revised Budget.

After completion of the annual audit and closing of the fiscal year, if a department within the City's General Fund exceeds its approved appropriation, a transfer of appropriations from another General Fund department is required to bring that department's budget into balance.

Two General Fund departments currently exceed their approved 2022 appropriations. Those two departments and the amount they exceed their 2022 appropriations are as follows:

- The Fire department exceeded their 2022 budget by \$183,624 or 3.6%. This was due to unfortunate timing with firefighters on leave and other personnel issues which caused an inordinate amount of overtime. In addition, six new personnel were hired, which increased operational costs associated with hiring, training, and outfitting those new employees with firefighting gear and uniforms.
- The Public Works department exceeded their 2022 budget by \$167,698 or 3.6%. This was due to substantially higher utility rates from Xcel Energy that was not known and therefore not reflected in the final budget and higher expenses associated with EAB tree removals. Public Works has had to expand tree removal efforts in response to the rampant EAB infestation. A portion of the expenditures related to tree removal was going to be covered from grant revenue in 2022, however, about half of that money will not be received until completion of the project in July 2023.

To balance the appropriation of the Fire and Public Works departments, a combination of transfers of appropriations from other departments is recommended as follows:

- Transfer of \$200,000 from Public Safety department to Fire department in the amount of

\$183,624 and to Public Works department in the amount of \$16,376.

- Transfer of \$151,322 from Recreation Services department to Public Works department.

The recommended transfers will leave a surplus of \$118,067 in the Public Safety department and a surplus of \$13,422 in Recreation Services department.

The surplus in Public Safety Department budget is due to the inability to fill positions with qualified candidates that meet the expectations and standards of the organization.

The Recreation Services surplus is primarily because of the later-than-planned filling of the Recreation Services Manager role. Other areas that saw lower-than-expected expenditures include program-related supplies and contracts, Community Center maintenance and repair, and vacant intermittent positions. Additionally, Recreation Services revenues came in higher than budgeted, driven by an increase in building rentals at Wood Lake, strong field and park shelter rental activity, and record attendance at several Wood Lake special events.

Finally, it should be noted, that the General Fund will end 2022 with an estimated surplus of \$425,461.

RECOMMENDED ACTION:

By Motion: Approve the resolution amending the 2022 General Fund Budget by authorization of a transfer of appropriations from the Public Safety Department to the Fire and Public Works Departments; and from Recreation Services Department to Public Works Department.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

See Executive Summary

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

The City Charter provides that the City Council must appropriate monies for operations of the City on a departmental level basis.

During the course of the year, the City Council amends the operating budget and it is referred to as the Revised Budget.

C. CRITICAL TIMING ISSUES:

See Executive Summary

D. FINANCIAL IMPACT:

See Executive Summary

E. LEGAL CONSIDERATION:

City Charter provides that the City Council must appropriate funds at the department level of spending.

ALTERNATIVE RECOMMENDATION(S):

Council could direct staff to reduce other General Fund departments budgets to increase the Fire and Public Works Department budgets for fiscal year 2022.

PRINCIPAL PARTIES EXPECTED AT MEETING:

N/A

ATTACHMENTS:

Description	Type
Resolution amending the allocation of 2022 General Fund	

▣ Budget

Resolution Letter

RESOLUTION NO

RESOLUTION AUTHORIZING REVISION OF 2022 BUDGETS OF VARIOUS DEPARTMENTS

WHEREAS, Resolution No. 11910 appropriated funds for personal services, other services and charges, supplies and capital outlays for each department of the City for the year 2022; and

WHEREAS, Resolution No. 11911 authorized revision of the 2022 budget various departments; and

WHEREAS, the City Manager has requested a revision of the 2022 budget appropriations in accordance with charter provisions.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Richfield, MN as follows:

SUMMARY

INCREASE BUDGETED EXPENDITURES

Fire Department	\$ 183,624
Public Works Department	\$ 167,698
Total	\$ 351,322

DECREASE BUDGETED EXPENDITURES

Public Safety Department	\$200,000
Recreation Services Department	\$151,322
Total	\$351,322

Net Change to General Fund Budget	\$ <u> 0</u>
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Passed by the City Council of the City of Richfield, MN. this 27th day of June, 2023.

Mary B. Supple, Mayor

ATTEST:

Dustin Leslie, City Clerk



STAFF REPORT NO. 83
CITY COUNCIL MEETING
6/27/2023

REPORT PREPARED BY: Chris Swanson, Management Analyst

DEPARTMENT DIRECTOR REVIEW:

OTHER DEPARTMENT REVIEW:

CITY MANAGER REVIEW: Katie Rodriguez, City Manager
6/22/2023

ITEM FOR COUNCIL CONSIDERATION:

Summary of the City Manager's annual performance evaluation for the period of July 2022 to June 2023, held on June 13 and June 15, 2023, as required by Minn. Statutes 13D.05 Subd. 3(a), and consider a resolution amending the employment agreement between the City of Richfield and City Manager Katie Rodriguez.

EXECUTIVE SUMMARY:

Each year the City Council conducts a review of the City Manager's performance for the previous year. The review considers the performance of the City Manager and the organization as measured against the goals and expectations of the City Council. Such performance evaluations are conducted in a closed session pursuant to MN State Statutes and summarized in an open meeting.

In addition to the performance evaluation, the City Council also takes this opportunity to review the City Manager's salary and benefits to make any adjustments that may be warranted.

RECOMMENDED ACTION:

Motion to approve the Resolution amending the City's Manager's employment agreement with the City reflecting a salary adjustment.

BASIS OF RECOMMENDATION:

A. HISTORICAL CONTEXT

The City Council has conducted a review of the City Manager's performance for the past year and must now, per State Statute, make a summary report of the outcome of that evaluation.

In addition, the City Council has reviewed the compensation of the City Manager and has made a conclusion concerning the City Manager's employment agreement.

B. POLICIES (resolutions, ordinances, regulations, statutes, etc):

- The City Manager is given an evaluation by the City Council each year as part of the City Manager's contract.
- As part of the evaluation process, a review of the City Manager's compensation package is also performed each year.

- As compensation comparisons, salaries of City Managers in comparable cities are considered, as is the base salary structure adjustments of other City employees.

C. CRITICAL TIMING ISSUES:

The annual performance evaluation for City Manager Rodriguez was scheduled for June so any merit increases will be effective on July 1.

D. FINANCIAL IMPACT:

In order to be consistent with other employee groups, the City Manager received the same cost-of-living adjustment given to staff in the Management Pay Plan on January 1. Any merit increase will be considered following a performance evaluation in June, effective July 1.

E. LEGAL CONSIDERATION:

The City Manager's contract with the City requires that an annual performance evaluation be conducted.

ALTERNATIVE RECOMMENDATION(S):

The City Council may defer the compensation portion of this review to a future meeting.

PRINCIPAL PARTIES EXPECTED AT MEETING:

ATTACHMENTS:

	Description	Type
▢	RESOLUTION AMENDING THE EMPLOYMENT AGREEMENT BETWEEN THE CITY OF RICHFIELD AND CATHERINE RODRIGUEZ, CITY MANAGER	Resolution Letter

RESOLUTION NO. _____

**RESOLUTION AMENDING THE EMPLOYMENT
AGREEMENT BETWEEN THE CITY OF RICHFIELD AND
CATHERINE RODRIGUEZ, CITY MANAGER**

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

The following section of the Employment Agreement between the City of Richfield, Minnesota and Catherine Rodriguez, City Manager, originally dated December 2018, is amended as follows:

Section 2. Salary

Employer agrees to pay Employee for her services an annual base salary of \$179,126.06 payable in installments at the same time as other employees of the Employer are paid.

The City Manager's salary adjustment outlined above is effective on July 1, 2023.

Approved by the City Council of the City of Richfield, Minnesota, this 27th day of June 2023.

Mary B. Supple, Mayor

ATTEST:

Dustin Leslie, City Clerk