

# FINANCIAL PLANNING AGREEMENT

BY AND BETWEEN  
THE CITY OF PRINCETON, MINNESOTA  
AND  
NORTHLAND SECURITIES, INC.

## FINANCIAL PLANNING SERVICES

This Agreement made and entered into by and between the City of Princeton, Minnesota (hereinafter "City") and Northland Securities, Inc., of Minneapolis, Minnesota (hereinafter "NSI").

### WITNESSETH

WHEREAS, the City desires to use the services of NSI for financial planning services for development of a Long-Term Financial Management Plan and Model for the City (hereinafter "Project").

WHEREAS, the Project is intended solely for financial planning purposes and NSI is not providing advice on the timing, terms, structure or similar matters related to a specific bond issue.

WHEREAS, NSI desires to furnish services to the City as hereinafter described.

NOW, THEREFORE, it is agreed by and between the parties as follows:

### SERVICES TO BE PROVIDED BY NSI

The scope of work to be performed by NSI is based on the following factors:

1. The projected cash and fund balance levels for the City funds needs review to ensure adequate reserves exist to meet ongoing requirements.
2. The analysis needs to consider future capital improvements and related financing.
3. The analysis needs to consider user fees and charges for the City's utility services.
4. The following City funds will be included in Project:
  - a. General Fund (Funds 101, 202)
  - b. Special Revenue Funds shall be included on a combined, summary, basis for purposes of reconciling to the Total Governmental Funds
  - c. All Capital Projects Funds (as reported in the City's 2018 Annual Financial Statements)
  - d. All Debt Service Funds (as reported in the City's 2018 Annual Financial Statements)
  - e. Airport Fund (Fund 208)

- f. Sanitary Sewer Fund (Funds 702 and 704)
  - g. Municipal Liquor Fund (Fund 703)
5. The City will serve the following role for the Project:
- a. Compile requested background data in City records needed by NSI including obtaining data from the City's utility billing system.
  - b. Identify City staff to comprise the Project Management Team (the "PMT")
  - c. Provide periodic guidance to NSI during the study process.

The Scope of Work for the Project involves the following tasks to be completed by NSI:

1. Project Management Team (PMT) Kick-Off Meeting.
  - a. This meeting will lay the foundation for the rest of the process. NSI will use this meeting to:
    - i. Review and modify (if necessary) the proposed Scope of Work to meet the City's needs.
    - ii. Discuss data needed to undertake the analysis and responsibilities for collecting this data.
    - iii. Review desired contents of study report, the Financial Management Plan. This step helps to ensure that NSI's work provides the information desired by the City.
    - iv. Confirm expectations for involvement of City staff.
    - v. Establish framework for project communications.
    - vi. Set calendar for PMT and City Council meetings and determine if other meetings are needed.
    - vii. Set timing for submission of packet materials prior to Council and PMT meetings.
2. Data Collection.
  - a. NSI will work with City staff to assemble the data needed to complete the study.
  - b. The following documents shall be requested of the City, but the request for documents and information to be provided by the City is not limited to these items:
    - i. Annual financial statements for years 2018 and 2019.
    - ii. Plans for capital improvements in years 2020 through 2024 (and future years if available) including type of improvement, estimated cost and timing.
    - iii. 2020 budget documents with planned source and use of funds.
    - iv. Projected future changes to the City's budget for new positions and other significant operational changes.

- v. Projected housing units, commercial-industrial square footage projected to be added by year for years 2020-2024.
- vi. City financial management policies.
- vii. City fee schedules for year 2019 and 2020.
- viii. Tax base captured within tax increment financing districts and duration of the districts.

### 3. Evaluation and Comparison to Other Cities.

- a. NSI will seek a list of other cities that the City would prefer to compare itself against. NSI will identify and create a profile of these comparable cities to the City with respect to tax capacity, tax rate, and utility rates.

### 4. Model Preparation.

- a. The financial planning model will be customized to meet the City's needs consistent with the Scope of Work.
- b. NSI will include two years of "base" data from City financial records as the foundation for projections. The base data will be for fiscal years 2018 and 2019.
- c. The following will be built into the model:
  - i. Future growth assumptions created in Task 2.
  - ii. Detailed residential, commercial, and other types of customer data.
  - iii. Changes in operations and services (i.e., additional staff and other costs) identified by the City.
  - iv. Projected non-tax revenue sources for the governmental funds.
  - v. Planned capital improvements and planned sources of revenue, including projected special assessment revenue.
  - vi. Structure of any new potential debt for capital improvements, and ability to test different assumptions.
  - vii. Pro forma for each City fund to be modeled. The pro forma will include detailed information on revenue and expenditures, and assets and liabilities.
  - viii. Projected City tax levy by purpose, projected net tax capacity, and tax rate for the planning period.
  - ix. Projected utility rates and utility volume/activity/REU amounts, as may be applicable.

### 5. Data Input and Assumption Development.

- a. This task will include the analysis and input of historical data and assumption development (input of assumption factors) for projecting future revenue and expenses, and assets and liabilities.
- b. NSI will prepare the initial assumptions for later presentation to City staff for review and modification as needed.

6. Test Assumptions and Finalize Model.
  - a. This task will focus on ensuring the model is functioning properly and the results are accurate and reflect the City's objectives for fund balance within the governmental funds and unrestricted net asset position (reserves) within the enterprise (utility) funds.
  - b. The evaluation shall consider not only the effect of assumptions on fund balance and net position, but also cash balance and on the cost to taxpayers and customers of the utilities.
  - c. Property taxpayer and customer impacts will be calculated and shown in the model.
7. PMT Check-in Meeting to Discuss Assumptions.
  - a. NSI will meet with the PMT to review work to date with a focus on revenue sufficiency and rate calculations.
  - b. Guidance from the PMT will be used to shape revised analysis and assumptions in the model and for the report development.
8. Draft Report / PowerPoint Summary Development.
  - a. Draft report will be prepared to include the following type of information:
    - i. Introduction and Summary
    - ii. Study Approach
    - iii. Revenue Sufficiency
    - iv. Rate Calculations (Tax Rate and Utility Rates)
    - v. Tables and charts providing information including, for example, projected property tax levy and tax rates, utility rates, projected cash balances by purpose
    - vi. General background on city operations and services impacting the assumptions in the report
    - vii. Capital improvement plan, including source and use of funds
    - viii. Projected bond issuance and debt service
    - ix. Detailed finance plan (pro forma) for each fund included in the study, including revenue and expenditures, and assets and liabilities
9. Meet with PMT to Review Draft Report and Presentation.
  - a. NSI will meet with the PMT to review the draft report and the Presentation.
  - b. Based on feedback from PMT, NSI will update the draft report and presentation as needed as part of Task 10.
10. Finalize Draft Report and Presentation and Submit to PMT.
  - a. NSI will finalize the draft report and Presentation and submit to the PMT for final review and comment.

- b. Any additional comments/ feedback from the PMT after submission will be incorporated into the model and the draft report.

11. Present Final Report at City Council Meeting.

- a. NSI will present the final report to the City Council at a regular meeting of the Council.

12. Deliverables to PMT.

- a. NSI will prepare and deliver the following:
  - i. High quality PDF file of the report for printing and posting.
  - ii. Excel file with financial planning model.
  - iii. Access to website to download electronic file containing relevant working documents from the study process.

13. Training on Use of Model.

- a. NSI will meet with PMT to explain the use of the model, answer questions, and explain the use and process to update the model.

This scope of work includes two (2) meetings with City staff and one (1) meeting with the City Council.

### COMPENSATION

For the services specified, NSI will be paid an amount not to exceed \$15,540. The amount is based on the estimated number of hours required to complete these tasks at an hourly billing rate of \$210 per hour plus reimbursable expenses for travel, printing and mailing. Exhibit A to this Agreement details the estimated hours by services to be provided.

NSI will bill monthly for actual services performed and actual reimbursable expenses.

For the City's accounting purposes, the not to exceed compensation amount shall be billed by NSI based on the following categories:

General Fund	\$2,040
Capital Projects Funds	\$4,500
Debt Service Funds	\$4,500
Special Revenue Funds	\$500
Liquor Fund	\$1,000
Airport Fund	\$1,000
Sanitary Sewer Fund	\$2,000

The City may at its discretion authorize NSI to undertake additional tasks, including meeting attendance, beyond the tasks listed above. Additional services will be billed monthly at a rate of \$210 per hour.

Invoices will detail the work performed by categories, requested compensation for the period and show amounts previously billed by category.

**ASSIGNED NORTHLAND EMPLOYEE**

The NSI employee responsible for providing services pursuant to this agreement and for the services performed is Tammy Omdal, Managing Director.

**SUCCESSORS OR ASSIGNS**

The terms and provisions of this Agreement are binding upon and inure to the benefit of the City and NSI and their successors or assigns.

**DISCLAIMER**

In performing service under this agreement, NSI is relying on the accuracy of information provided by the City and the services provided by NSI are based on current State of Minnesota law. The parties agree that the Minnesota property tax system and other laws may change and may affect the accuracy and validity of services provided by NSI. NSI will perform its work using the best available information.

**TERM OF THIS AGREEMENT**

This Agreement may be terminated by thirty (30) days written notice by either the City or NSI. In the event of early termination by the City, NSI shall provide the City with an itemized hourly statement of services already provided. All billable hours by NSI shall be billed at the stated hourly rates should early termination occur.

Dated this \_\_ day of \_\_\_\_\_, 2020.

**Northland Securities, Inc.**

By: Tammy Omdal

Tammy Omdal

Managing Director, Public Finance

**City of Princeton, MN**

By: \_\_\_\_\_

Name Brad Schumacher

Title Mayor

**EXHIBIT A**

Tasks	Estimated Hours	Total Compensation
1 Project Management Team (PMT) Kick-Off Meeting	3.0	\$630
2 Data Collection	8.0	\$1,680
3 Evaluation and Comparison to Other Cities	4.0	\$840
4 Model preparation	16.0	\$3,360
5 Data Input and Assumption Development	8.0	\$1,680
6 Test Assumptions and Finalize Model	4.0	\$840
7 PMT Check In Meeting to Discuss Assumptions	3.0	\$630
8 Draft Report and Presentation Development	8.0	\$1,680
9 Meet with PMT to Review Draft Report and Presentation	3.0	\$630
10 Finalize Draft Report and Presentation and Submit to PMT	8.0	\$1,680
11 Present Final Report at City Council Meeting	3.0	\$630
12 Deliverables to PMT	2.0	\$420
13 Training on Use of Model	4.0	\$840
Total	74.0	\$15,540

Note: Hourly rate for compensation is based on \$210 per hour. Scope of Services Agreement will provide for a not to exceed compensation amount.