



City Administrator's Weekly Update

Week Ending February 26, 2016

Upcoming Events

- March 2, 5:30 pm**
Note Date Change
Council Work Session
City Hall
- March 2, 7:00 pm**
Note Date Change
City Council Meeting
City Hall
- March 7, 4:30 pm**
Parks Commission
City Hall
- March 8, 7:00 pm**
Planning Commission
CANCELLED
- March 9, 8:00 am**
EDA
City Hall
- March 9, 6:00 pm**
CAFD Board
- March 13**
Daylight Savings
- March 15, 5:30**
Council Work Session
City Hall
- March 15, 7:00 pm**
City Council Meeting
City Hall
- March 22, 4:15 pm**
Library Board
Library
- March 22, 7:00 pm**
Planning Commission
City Hall

Brian Fritsinger
1307 Cloquet Ave
Cloquet MN 55720
Ph: 218-879-3347
Fax: 218-879-6555

ADMINISTRATION

PERSONNEL

The start date for the new Assistant City Administrator has been tentatively adjusted for a later date. I will be in contact with him again next week but it may be delayed by up to 10 days.

I will be taking a couple of days off next week for my annual pilgrimage to the Boys State High School Hockey Tournament.

COMMUNITY VISIONING

I have had conversations with a couple of different firms looking to submit proposals for the Community Visioning Process. The deadline for proposal submittal is March 11th.

BOND RATING

The City received notice and good news on Friday that after an analysis by Standard & Poor's, we maintained our bond rating. According to our financial advisors, the only thing that is keeping the City from the top rating is the local economy.

PUBLIC WORKS/PARKS

MISCELLANEOUS

There were a couple of water main breaks near Doddridge Avenue this week that called for the guys to put in a couple of long shifts to get these repaired. They have also been out filling potholes. Driving around town, it appears we're going to have a rough spring. The warmer weather is giving us a bit of a head start on filling them.

The guys also finished up the construction project in the Administrative offices of City Hall. Just some finishing touches remain and furniture to be delivered. A big **THANK YOU** to everyone from the garage, as well as those staff at City Hall, who pitched in and helped! It looks great!

COMMUNITY DEVELOPMENT

ECONOMIC DEVELOPMENT

The EDA held a special meeting on February 22nd to meet with the developer who is proposing the housing project at the old Middle School. The School Board then met with the developer later that same evening.

PLANNING

The City has been informed that the School District will start with the site preparation for the new Middle School in early March. The prep will consist of clearing & grubbing of existing trees and other materials impacted by the proposed project. This work will commence prior to the City reviewing and considering action on the project site plan.

BROADBAND

Staff has been working with Carlton County on the County's development of an RFP to seek assistance with a study of broadband services. This issue continues to elevate as our local businesses struggle with obtaining the speeds and services needed to operate in today's high tech world.

BEST OIL LAND PURCHASE

Staff continues to work with our consultant to finish the Phase II Environmental Study of the Best Oil property. We are expecting the study to be completed in the near future and the discussion on the purchase of the property will then be presented to the Council.

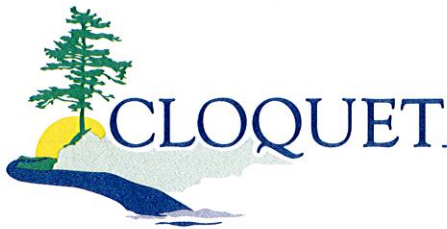
OTHER INFORMATION ATTACHED

Attached the Council will find the following:

- * January Financial Report
- * Standard & Poor's Rating Report
- * Police Explorers
- * February 16, 2016 Sen. Lourey Letter
- * Lisbeth Boutang Retirement Invitation

*"Desire is the starting point
of all achievement."*

- Napoleon Hill, Writer



ADMINISTRATIVE OFFICES

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February 16, 2016

Dear Brian Fritsinger, City Administrator:

Enclosed is the monthly financial report and cash and investment analysis for January 2016.

Cash and Investments

Cash balances are 6% below January 2015. A narrative and several spreadsheets discussing this month's cash and investment activities, and balances are attached.

Budgets

Revenues/Transfers in – Most are in line with budget.

Expenditures/Expenses – Selected department and fund expenditures/expenses are analyzed on the following worksheets.

Major Revenues and Expenditures/Expenses

Revenues:

State \$67,600 for City Sales Tax and \$47,500 for MSA maintenance. Mediacom \$27,900 for quarterly franchise fees.

Expenditures/Expenses:

CGMC \$17,100 for yearly dues. 14th Street Apartments \$11,200 and Oakwood Estates \$23,600 for TIF. Hydro Klean \$157,200 for sewer lining. ISD #94 \$17,400 for quarterly community education. Kiminski Paving \$85,100 for Pinehurst Pond project. MN DNR \$36,700 for water usage fees. Reliable \$273,900 for City and CAFD first half insurance. City of Superior \$15,800 for waterline personal property taxes. Ulland Brothers \$87,216 for 22nd Street project –final payment.

If you have questions, please feel free to let me know.

Respectfully,

Nancy M. Klassen, CPA, CPFO
Finance Director

City of Cloquet
Select Departmental and Funds Expenditure/Expense Budget Report for January
2016

Fund	2016 Budget	YTD Expend/Expense Budget	YTD Expenditures/ Expenses	Over (Under) Budget	Over (Under) %
General					
Administration	346,900	28,283	31,365	3,081	11%
Finance	202,300	16,650	8,524	(8,126)	-49%
Law	95,000	7,917	-	(7,917)	-100%
Planning and Zoning	225,300	20,733	17,113	(3,621)	-17%
Police	2,560,650	250,888	245,656	(5,232)	-2%
Hwy, Streets & Rwy	1,024,600	99,550	94,290	(5,261)	-5%
Library	541,600	47,633	39,793	(7,840)	-16%
Park	546,150	62,221	54,531	(7,690)	-12%
Water - LSWL	2,370,550	203,113	169,550	(33,563)	-17% 1
Water - In Town	2,015,500	369,479	348,474	(21,005)	-6%
Sewer	1,571,000	131,750	43,915	(87,835)	-67% 2
Storm Water	200,050	16,996	13,023	(3,973)	-23%
Cable TV	169,225	14,727	11,311	(3,416)	-23%

Note: Does not include transfers.

Explanation of (over) budget \$10,000 & 10%.

- 1 - Late MN Power invoices.
- 2 - Late WLSSD invoice.

City of Cloquet
Select Departmental and Funds Payroll Expenditure/Expense Budget Report as of January
2016
Payroll Overtime

Fund	2014 Total	2015 Total	2016 Budget	YTD Expend/Expense Budget	YTD Expenditures/Expenses	Over (Under) Budget	(Over) Under %
General							
Police	138,357	131,867					
Holiday			48,000	4,000	9,732	5,732	143% 1
Regular			22,000	1,833	3,643	1,810	99%
Reimbursed			25,000	2,083	-	(2,083)	-100%
Hwy & St	51,578	22,459	25,000	2,083	3,411	1,328	64%
Water - LSWL	49,245	26,737	35,500	2,958	5,660	2,701	91% 1
Water In Town	29,046	12,494	16,000	1,333	2,973	1,640	123%
Sewer	12,208	8,912	10,500	875	2,069	1,194	136%
Storm Water	6,836	2,569	5,000	417	1,298	881	212%

Explanation of (over) budget

1 - Three holiday OT worked in first payroll for 2016.

Filename: Expenditure-expense budget report

*City of Cloquet
Cash and Investments
Management Summary
January 31, 2016*

Analysis of Portfolio

Attached is a “Cash and Investment Analysis” which shows the type of accounts and values that make up the City’s cash and investment portfolio.

Current Economics

The economy is still on the slow but steady pace. Minnesota has fared better than the US averages in the Great Recession. The State has a positive forecast for the future. The November 2015 updated forecast shows an increased surplus for FY 2016-2017 of \$1.871 billion. Without adjusting for inflation, there is a structural balance of \$2.046 billion for FY 2018-2019. The State’s year to date receipts for fiscal year 2016 are \$140 million (2.4%) more than forecasted. Unemployment is at 4.9% for January.

The City’s certified 2016 LGA is \$2,356,500 approximately \$13,500 more than 2015 and the City increased its preliminary levy by 2.97% for 2016.

Current Activity

During the month of January there were no investment changes. Attached is an “Investment Portfolio Analysis” with the detail of investments.

Variance Analysis

Cash and investments are 6% below January 2015, same as last month. The decrease is due to capital spending on projects and vehicles during the summer of 2015.

The federal benchmark interest rate was raised in December 2015 to .25% to .50% from 0% to .25%. Another small increase is possible in March of 2016. Attached is an “Interest Earnings Analysis” which details the average balances invested, rate of return, and prior year rates.

The budgeted interest earnings are \$336,000 for 2016. The City’s investment annualized yield is approximately \$200,000 or 1.35% for 2016. The 2016 budget is based on the economy and interest rates increasing.

Other

Goals for future – Yearly analysis report of cash balances, investments, and interest earnings (partially added to the annual report in 2007). More financial and cash flow planning in 2016 (as time permits).

**City of Cloquet
Cash Balances
January
2016**

Fund #	Fund	Amount
101	General	4,549,126.30
201	LDO Loan (EDA)	265,008.96
202	Federal CDBG Loan (EDA)	832,350.24
203	Economic Development Loan (City)	138,520.19
204	State SCDG/MIF (EDA)	128,157.76
206	Revolving SCGP (EDA)	-
207	Community Development Operating (City)	(9,608.78)
211	Library	106,677.00
220	TIF - Daqota/Woodward	3,217.55
221	TIF - 14th Street Apartments	1,141.10
222	TIF - Oak Street Apartments	31,908.41
224	Building Facilities Planning	1,175,800.00
225	Permanent Improvement	620,642.11
226	Park	150,803.87
226	Park - Restricted - In Lieu	37,924.41
226	Park - Skate Park	2,640.85
228	Senior Center	(2,835.02)
231	Public Works Reserve	519,776.10
260	Landfill Host Fee - 25%	63,310.04
260	Landfill Host Fee - 75%	203,962.11
368	Business Park Bonds	1,419,150.30
370	Swimming Pond Bonds	23,838.85
403	Capital Projects - Revolving	(1,858,259.95)
405	City Sales Tax Capital Projects	1,319,554.01
600	Water - Lake Superior Waterline	828,168.08
600	Water - Lake Superior Waterline Construction	385,790.33
601	Water	3,424,182.80
601	Water	241,038.50
602	Sewer	1,177,465.36
605	Storm Water	219,156.14
614	Cable TV	255,171.51
701	Employee severance	617,753.67
905	Cloquet Area Fire District	1,316,996.33
	Total	18,188,529.13

City of Cloquet
Cash and Investment Analysis
January 31, 2016

	Tentative Goals	Current 1/31/2016	12/31/2015	11/30/2015	10/31/2015	Last Year 1/31/2015
DEMAND ACCOUNTS						
Checking & MM & Savings	10%-15%	\$3,405,444.16 19%	\$5,245,061.03 26%	\$2,177,016.11 13%	\$2,564,763.51 14%	\$5,345,216.92 28%
INVESTMENTS						
Invested less than one year						
Certificates of Deposit		\$3,690,000.00	\$3,690,000.00	\$3,690,000.00	\$4,030,000.00	\$2,634,033.23
Municipal Bonds		\$639,394.93	\$639,394.93	\$431,813.60	\$431,813.60	\$831,961.67
Government Agencies		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total invested less than one year	50%-70%	\$4,329,394.93 24%	\$4,329,394.93 22%	\$4,121,813.60 24%	\$4,461,813.60 25%	\$3,465,994.90 18%
Invested one to three years						
Certificates of Deposit		\$1,994,000.00	\$1,994,000.00	\$1,994,000.00	\$2,144,000.00	\$2,833,000.00
Municipals		\$3,625,151.37	\$3,625,151.37	\$3,680,674.70	\$3,320,636.30	\$2,078,838.03
Government Agencies*		\$500,000.00	\$500,000.00	\$500,000.00	\$500,000.00	\$500,000.00
Total invested one to three years	10%-20%	\$6,119,151.37 34%	\$6,119,151.37 31%	\$6,174,674.70 36%	\$5,964,636.30 33%	\$5,411,838.03 28%
Invested over three years						
Certificates of Deposit		\$1,739,000.00	\$1,739,000.00	\$1,739,000.00	\$1,739,000.00	\$1,707,000.00
Municipal bonds		\$0.00	\$0.00	\$152,058.00	\$512,096.40	\$1,461,208.87
Government Agencies *		\$2,595,538.67	\$2,595,538.67	\$2,595,538.67	\$2,596,830.33	\$2,002,126.17
Total invested over three years	10%-20%	\$4,334,538.67 24%	\$4,334,538.67 22%	\$4,486,596.67 26%	\$4,847,926.73 27%	\$5,170,335.04 27%
Total	100%	\$18,188,529.13	\$20,028,146.00	\$16,960,101.08	\$17,839,140.14	\$19,393,384.89
Current month variance			(\$1,839,616.87) -9%	\$1,228,428.05 16%	\$349,388.99 14%	(\$1,204,855.76) -6%

* - These investments have call dates less than one year.

Note:

The over one year and over three year period exceeds the goals but several investments are priced to call and will be called in the next year.

City of Cloquet
Investment Portfolio Analysis
Detail of Investments January 31, 2016

Brokerage	Purchase Date	Maturity Date	Time Held	Description	Amount	YTM Rate	Annualized Yield	Market Value
Invested less than one year								
Certificates of Deposit								
Wells Fargo	8/14/2015	2/5/2016	6 months	Enterprise Bk & Trust	\$245,000.00	0.300%	\$735.00	\$244,998.78
Wells Fargo	8/14/2015	2/12/2016	6 months	Everbank	\$245,000.00	0.350%	\$857.50	\$244,991.43
Wells Fargo	8/19/2015	2/17/2016	6 months	Bank of India	\$245,000.00	0.300%	\$735.00	\$244,986.04
Wells Fargo	8/26/2015	2/26/2016	6 months	Apple Bank	\$245,000.00	0.400%	\$980.00	\$244,979.18
Wells Fargo	8/26/2015	2/26/2016	6 months	Santander Bk	\$245,000.00	0.400%	\$980.00	\$244,977.71
Wells Fargo	8/11/2015	4/20/2016	9 months	Fidelity Bk	\$245,000.00	0.400%	\$980.00	\$244,941.45
Wells Fargo	8/14/2015	5/16/2016	9 months	Plains Comm Bk SD	\$245,000.00	0.450%	\$1,102.50	\$244,933.36
Wells Fargo	7/21/2014	7/21/2016	2 yrs	Citizens State Bank	\$245,000.00	0.650%	\$1,592.50	\$244,998.29
Morgan Stanley	7/24/2013	7/25/2016	3 yrs	Discover Bk DE	\$100,000.00	1.100%	\$1,100.00	\$100,247.00
Wells Fargo	7/31/2014	7/29/2016	2 yrs	Washington Trust Co	\$245,000.00	0.700%	\$1,715.00	\$245,083.06
Morgan Stanley	8/1/2012	8/10/2016	4 yrs	Firstbank Santurce	\$245,000.00	1.250%	\$3,062.50	\$245,759.50
Morgan Stanley	8/31/2011	8/31/2016	5 yrs	Goldman Sachs - UT	\$150,000.00	1.850%	\$2,775.00	\$150,991.50
Frandsen Bank	3/5/2015	9/5/2016	1 1/2 yrs	Frandsen Bank	\$245,000.00	0.300%	\$735.00	\$245,000.00
UBS Financial	9/10/2014	9/12/2016	2 yrs	Peoples United	\$240,000.00	0.850%	\$2,040.00	\$240,211.20
UBS Financial	9/12/2014	9/12/2016	2 yrs	Merrick	\$240,000.00	0.850%	\$2,040.00	\$240,213.60
Morgan Stanley	9/23/2011	9/23/2016	5 yrs	GE Money Bk UT	\$35,000.00	2.000%	\$700.00	\$35,281.40
Morgan Stanley	9/30/2013	9/30/2016	3 yrs	BMW Bk - UT	\$80,000.00	1.150%	\$920.00	\$80,237.60
Morgan Stanley	11/14/2013	11/14/2016	3 yrs	Ally Bank (form GMAC)	\$150,000.00	1.100%	\$1,650.00	\$150,472.50
					\$3,690,000.00		\$24,700.00	\$3,693,303.60
Municipals								
Wells Fargo	1/30/2014	2/15/2016	3 yrs	Columbus OH Txbl	\$251,135.00	0.500%	\$1,255.68	\$250,052.50
Wells Fargo	7/30/2012	6/1/2016	4 yrs	Des Moines IA	\$180,678.60	0.750%	\$1,355.09	\$180,144.00
Wells Fargo	12/6/2013	12/1/2016	3 yrs	Minneapolis MN	\$207,581.33	0.750%	\$1,556.86	\$202,158.00
					\$639,394.93		\$4,167.62	\$632,354.50
Invested one to three years								
Certificates of Deposit								
UBS Financial	8/5/2015	2/6/2017	2 1/2 yrs	Sallie Mae Bank UT	\$245,000.00	0.850%	\$2,082.50	\$244,823.60
Morgan Stanley	6/8/2012	6/8/2017	5 yrs	World Financial DE	\$200,000.00	1.850%	\$3,700.00	\$202,032.00
Morgan Stanley	6/22/2012	6/22/2017	5 yrs	St Bank of India NY	\$245,000.00	2.000%	\$4,900.00	\$248,187.45
Wells Fargo	7/24/2014	7/24/2017	3 yrs	American Express Fed Sv	\$245,000.00	1.150%	\$2,817.50	\$245,064.19
UBS Financial	8/31/2015	8/31/2017	2 yrs	Oriental Bank PR	\$50,000.00	1.250%	\$625.00	\$50,042.50
UBS Financial	10/19/2012	10/19/2017	5 yrs	Boston Prvt B&T MA	\$100,000.00	1.000%	\$1,000.00	\$99,681.00
Morgan Stanley	11/25/2013	11/24/2017	4 yrs	Comenity Bk UT	\$68,000.00	1.400%	\$952.00	\$68,464.44
Morgan Stanley	3/12/2014	3/14/2018	4 yrs	GE Capital Ret BK UT	\$210,000.00	1.500%	\$3,150.00	\$210,657.30
Morgan Stanley	5/8/2013	5/8/2018	5 yrs	CIT BK UT	\$145,000.00	1.200%	\$1,740.00	\$144,325.75
Morgan Stanley	6/28/2013	6/28/2018	5 yrs	BMW Bk - UT	\$96,000.00	1.650%	\$1,584.00	\$95,719.68
Morgan Stanley	10/2/2013	10/2/2018	5 yrs	Discover Bk DE	\$145,000.00	2.050%	\$2,972.50	\$146,870.50
Morgan Stanley	10/28/2013	10/29/2018	5 yrs	Bank Baroda NY	\$245,000.00	2.050%	\$5,022.50	\$247,378.95
					\$1,994,000.00		\$30,546.00	\$2,003,247.36
Municipals								
Wells Fargo	11/4/2010	2/1/2017	6 1/2 yrs	Bloomington MN BAB	\$202,324.00	2.100%	\$4,248.80	\$203,126.00
Wells Fargo	1/7/2009	2/1/2017	7 yrs	Osseo MN ISD 279	\$218,141.70	5.400%	\$11,779.65	\$220,579.80
Wells Fargo	6/11/2015	2/1/2017	1 1/2 yrs	St Paul MN ISD	\$502,845.00	1.000%	\$5,028.45	\$501,635.00
Wells Fargo	1/31/2014	3/1/2017	3 yrs	Menomonie WI Txbl	\$340,204.15	0.970%	\$3,299.98	\$332,079.00
Wells Fargo	9/4/2014	4/1/2017	2 1/2 yrs	St Francis MN ISD	\$166,137.00	0.900%	\$1,495.23	\$155,299.50
Wells Fargo	8/19/2015	8/1/2017	2 yrs	State of MN GO	\$221,654.40	0.860%	\$1,906.23	\$221,566.40
UBS Financial	12/1/2010	12/1/2017	7 yrs	Stamford CT	\$512,636.25	2.759%	\$14,143.63	\$512,605.00
Wells Fargo	1/14/2014	2/1/2018	4 yrs	Anoka County MN	\$567,323.75	1.480%	\$8,396.39	\$535,690.00
Wells Fargo	7/26/2012	2/1/2018	6 1/2 yrs	North Branch MN ISD 138	\$121,040.56	1.260%	\$1,525.11	\$107,714.00
Wells Fargo	10/7/2010	8/1/2018	8 yrs	U of M Build America	\$260,748.16	2.700%	\$7,040.20	\$260,632.50
UBS Financial	12/4/2012	11/1/2018	6 yrs	NY City Transition	\$360,038.40	1.280%	\$4,608.49	\$360,478.80
Wells Fargo	12/1/2010	12/21/2018	8 yrs	Weston WS BAB	\$152,058.00	3.550%	\$5,398.06	\$159,136.50
					\$3,625,151.37		\$68,870.23	\$3,570,542.50
Government Agencies								
Wells Fargo	6/1/2015	6/1/2018	3 yrs	FFCB	\$500,000.00	1.120%	\$5,600.00	\$498,797.00
Invested over three years								
Certificates of Deposit								
UBS Financial	4/16/2014	4/16/2019	5 yrs	Wells Fargo	\$240,000.00	1.000%	\$2,400.00	\$240,146.40
Morgan Stanley	4/29/2014	4/29/2019	5 yrs	Barclays Bk DE	\$45,000.00	1.900%	\$855.00	\$45,374.85
Morgan Stanley	8/8/2015	8/5/2019	5 yrs	Capital One NA Mclean VA	\$108,000.00	2.050%	\$2,214.00	\$108,639.36
Morgan Stanley	10/16/2014	10/16/2019	5 yrs	Capital One Bank VA	\$245,000.00	2.150%	\$5,267.50	\$246,967.35
Morgan Stanley	1/28/2015	1/28/2020	5 yrs	Goldman Sachs - UT	\$96,000.00	2.048%	\$1,966.08	\$96,186.24
UBS Financial	2/27/2015	2/27/2020	5 yrs	Private Bank & Tr IL	\$240,000.00	1.750%	\$4,200.00	\$241,166.40
UBS Financial	2/27/2015	2/27/2020	5 yrs	JP Morgan Chase DE	\$240,000.00	2.000%	\$4,800.00	\$240,204.00
UBS Financial	4/13/2015	4/13/2020	5 yrs	HSBC Bk VA	\$240,000.00	1.125%	\$2,700.00	\$238,639.20
Morgan Stanley	5/7/2015	5/7/2020	5 yrs	Amex Centurion UT	\$185,000.00	1.950%	\$3,607.50	\$184,591.15
Morgan Stanley	9/2/2015	9/2/2020	5 yrs	Capital One MN Mclean VA	\$100,000.00	2.200%	\$2,200.00	\$101,006.00
					\$1,739,000.00		\$30,210.08	\$1,742,920.95
Government Agencies								
UBS Financial	2/25/2015	2/25/2021	6 yrs	FHLB	\$500,000.00	1.000%	\$5,000.00	\$500,270.00
Morgan Stanley	3/16/2015	3/16/2021	6 yrs	FHLB	\$250,000.00	1.500%	\$3,750.00	\$250,320.00
Morgan Stanley	3/18/2015	3/16/2021	6 yrs	FHLB	\$45,000.00	1.500%	\$675.00	\$45,057.60
Morgan Stanley	9/30/2015	9/30/2022	7 yrs	FHLMC	\$500,000.00	1.375%	\$6,875.00	\$500,625.00
Morgan Stanley	10/14/2015	10/14/2022	7 yrs	FHLB	\$500,000.00	1.500%	\$7,500.00	\$499,580.00
Morgan Stanley	12/19/2012	12/19/2022	10 yrs	FHLB	\$299,997.00	1.500%	\$4,499.96	\$300,015.00
UBS Financial	11/23/2015	10/27/2023	8 yrs	FNMA	\$500,541.67	1.500%	\$7,508.13	\$500,200.00
					\$2,595,538.67		\$35,808.08	\$2,596,067.60
Totals					\$14,783,084.97		\$199,902.02	\$14,737,233.51
							1.35%	

Note: Market value fluctuates based on current rates being offered. No principal is at risk if securities are held to maturity.
Filename: Monthly Report - Investment Detail

City of Cloquet
Interest Earnings Analysis
Month Ending January
2016

Type	%	Invested Balance	Interest	Rate of Return
Money Markets	13%	\$2,221,702.41	\$562.74	0.30%
CD's*	44%	\$7,423,000.00	\$7,254.00	1.15%
Municipals*	25%	\$4,264,546.30	\$5,907.59	1.63%
Government agencies*	18%	\$3,095,538.67	\$3,516.16	1.34%
Total Investment Return*	87%	\$14,783,084.97	\$16,677.75	1.33%
Total Return	100%	\$17,004,787.38	\$17,240.49	1.19%

Earnings Comparison	Budget	YTD Budget	YTD Actual
2016 Interest Earnings	\$ 336,000.00	\$ 28,000.00	\$17,240.49
2015 Interest Earnings	\$ 282,800.00	\$ 23,566.67	\$16,348.59
2014 Interest Earnings	\$ 453,000.00	\$ 37,750.00	\$17,345.39

Rate Comparisons	Current January 2016	Last Month December 2015	Last Year January 2015	Two Years January 2014
Average Total Return	1.19%	1.28%	1.02%	1.16%
Average Investment Return*	1.33%	1.37%	1.32%	1.51%

Filename: Monthly Report - Interest Earnings Analysis 2015

RatingsDirect®

Summary:

Cloquet, Minnesota; General Obligation

Primary Credit Analyst:

Caroline E West, Chicago (1) 312-233-7047; caroline.west@standardandpoors.com

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Summary:

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Credit Profile

US\$1.115 mil GO tax abatement rfdg bnds ser 2016A due 02/01/2030

Long Term Rating

AA+/Stable

New

Cloquet GO

Long Term Rating

AA+/Stable

Affirmed

Rationale

Standard & Poor's Ratings Services has assigned its 'AA+' long-term rating to Cloquet, Minn.'s series 2016A general obligation (GO) tax abatement refunding bonds. At the same time, we affirmed our 'AA+' long-term rating on the city's outstanding debt. The outlook is stable.

It is our understanding that the series 2016A bonds will be used for an advanced crossover refunding of the 2009A GO tax abatement bonds for interest cost savings. The city plans to pay debt service from tax abatement revenue generated from specific parcels benefiting from the original project, as well as property taxes. The city's full faith and credit GO pledge also secures the bonds; the rating is based on the city's GO pledge.

The rating reflects our view of the city's:

- Adequate economy, with access to a broad and diverse metropolitan statistical area (MSA);
- Very strong management, with "strong" financial policies and practices under our financial management assessment (FMA) methodology;
- Strong budgetary performance, with operating surpluses in the general fund and at the total governmental fund level in fiscal 2014;
- Very strong budgetary flexibility, with a high available fund balance in fiscal 2014 at 127% of operating expenditures;
- Very strong liquidity, with total government available cash at 2.5x total governmental fund expenditures and 51.0x governmental debt service, as well as access to external liquidity we consider strong;
- Very strong debt and contingent liability position, with debt service carrying charges at 4.9% of expenditures, net direct debt at 34.8% of total governmental fund revenue, and rapid amortization, with 85.2% of debt scheduled to be retired in 10 years; and
- Strong institutional framework score.

Adequate economy

We consider Cloquet's economy adequate. The city, with an estimated population of 12,240, is in Carlton County, 22 miles southwest of Duluth, in the Duluth MSA, which we consider to be broad and diverse. The city has a projected per capita effective buying income of 86.6% of the national level and per capita market value of \$63,326. Overall, market value grew by 1.2% over the past year to \$775.1 million in 2015. The county unemployment rate was 5.2% in 2014.

The city is home to Sappi Fine Paper Co. (750 employees) and Fond du Lac Indian Reservation casino (670).

Recently, the city has been considering a potential merger with the neighboring city of Scanlon. It has been reviewing external studies that consider the financial benefits and costs of annexation. It is currently unclear how the potential merger would affect the city's economic metrics; the city estimates the tax base could increase by up to 8%. Officials plan to take the issue to voters no later than 2018.

Although Duluth's economy was historically based on heavy industry, it has significantly diversified in more recent years to include tourism, health care, education, aerospace, and advanced manufacturing. With job growth still occurring in multiple sectors, we anticipate that the economy will remain broad and diverse. However, if the employment base were to become more concentrated in certain sectors, our view of the area economy could weaken.

Very strong management

We view the city's management as very strong, with "strong" financial policies and practices under our FMA methodology, indicating financial practices are strong, well embedded, and likely sustainable.

In developing its revenue and expenditure assumptions for its annual budgets, the city examines four years of historical data and uses line-item and zero-based budgeting, along with external sources, to project its budget for the current and next four fiscal years. It provides monthly budget-to-actual reports to the city council regarding budgetary performance. The city has a long-term financial plan as well as a long-term capital plan which is updated annually. Cloquet has an investment management policy and provides monthly updates regarding investment performance. The city recently adopted a comprehensive debt management policy. It maintains a formal fund balance policy and plan, which it updates annually based on fund performance in the previous fiscal year. It has a general fund reserve minimum of 35% of operating expenditures, which it has historically exceeded.

Strong budgetary performance

Cloquet's budgetary performance is strong, in our opinion. The city had operating surpluses at 16% of expenditures in the general fund and 14.7% across all governmental funds in fiscal 2014. Our assessment accounts for the fact that we expect budgetary results could deteriorate somewhat from 2014 results in the near term.

In both 2013 and 2014, the city generated large surpluses in its general fund (including transfers in from utility funds to cover administrative costs). In both years, given the positive operating results, the city transferred significant amounts (\$200,000 and \$700,000, respectively) out to the permanent improvement fund and other funds to finance long-term capital projects and prefund a debt service fund.

For 2015, while the audit is not yet available, the city expects to report a \$448,000 surplus in the general fund before transfers out. It may transfer at least \$350,000 of this surplus out to other funds, including the permanent improvement and library funds.

Cloquet has adopted a balanced budget for 2016 and officials expect similar transfers in and out of the general fund. We believe that budgetary performance will remain at least strong, and if the city can continue producing sizable operating surpluses, our view of performance could improve to very strong.

Very strong budgetary flexibility

Cloquet's budgetary flexibility is very strong, in our view, with a high available fund balance in fiscal 2014 at 127% of operating expenditures, or \$5.6 million. We expect the available fund balance to remain above 75% of expenditures for the current and next fiscal years, which we view as a positive credit factor. The available fund balance includes \$4.1 million (91.8% of expenditures) in the general fund and \$1.6 million (36%) that is outside the general fund but legally available for operations. Over the past three years, the total available fund balance has remained at a consistent level overall, totaling 131% of expenditures in 2013 and 128% in 2012.

We include the city's committed fund balance for cash flow and its permanent improvement fund as available for operations. Cloquet has no plans to use general fund reserves in the near term, and while officials are building up the permanent improvement fund for future capital projects, there are currently no plans in place to spend down the reserves.

Very strong liquidity

In our opinion, Cloquet's liquidity is very strong, with total government available cash at 2.5x total governmental fund expenditures and 51.0x governmental debt service in 2014. In our view, the city has strong access to external liquidity if necessary.

The city invests in U.S. government obligations, certificates of deposit, and money market funds. It has issued GO debt in the past 20 years, which we believe indicates strong access to external liquidity. We do not anticipate deterioration in liquidity during the next few years.

The city does not have contingent liquidity risk that could come due in the near term.

Very strong debt and contingent liability profile

In our view, Cloquet's debt and contingent liability profile is very strong. Total governmental fund debt service is 4.9% of total governmental fund expenditures, and net direct debt is 34.8% of total governmental fund revenue. Approximately 85.2% of the direct debt is scheduled to be repaid within 10 years, which is, in our view, a positive credit factor.

The city's water enterprise fund supports debt service for the 2010B GO water revenue refunding bonds and 2002 Minnesota Public Facilities Authority Water Tower loan that is backed by the full faith and credit of the city and funded by water charges.

The city is considering issuing additional debt in the near term, including a \$4.5 million sales tax bond and a \$2 million GO bond supported by water revenue. The city may self-finance in lieu of issuing additional debt.

Cloquet's combined required pension and actual other postemployment benefit (OPEB) contributions totaled 5.5% of total governmental fund expenditures in 2014. Of that amount, 4.9% represented required contributions to pension obligations, and 0.6% represented OPEB payments. The city made its full annual required pension contribution in 2014.

All full-time and certain part-time employees of the city are covered by defined-benefit pension plans administered by the Public Employee Retirement Assn. of Minnesota (PERA). PERA administers the General Employees Retirement

Fund and the Public Employees Police and Fire Fund, which are cost-sharing multiemployer retirement plans

We do not expect the city's pension costs to increase substantially in the near-to-medium term.

Strong institutional framework

The institutional framework score for Minnesota cities with a population greater than 2,500 is strong.

Outlook

The stable outlook reflects our view that Cloquet will maintain very strong budgetary flexibility and strong budgetary performance, supported by its very strong management conditions. We do not expect to change the rating in the two-year outlook horizon.

Upside scenario

If the economic indicators improved to a level comparable to peers at a higher level, we could raise the rating.

Downside scenario

If a significant deterioration of finances occurred that reduced reserves below 75%, we could lower the rating.

Related Criteria And Research

Related Criteria

- USPF Criteria: Local Government GO Ratings Methodology And Assumptions, Sept. 12, 2013
- USPF Criteria: Financial Management Assessment, June 27, 2006
- USPF Criteria: Debt Statement Analysis, Aug. 22, 2006
- USPF Criteria: Methodology: Rating Approach To Obligations With Multiple Revenue Streams, Nov. 29, 2011
- USPF Criteria: Assigning Issue Credit Ratings Of Operating Entities, May 20, 2015
- Criteria: Use of CreditWatch And Outlooks, Sept. 14, 2009

Related Research

- S&P Public Finance Local GO Criteria: How We Adjust Data For Analytic Consistency, Sept. 12, 2013
- Institutional Framework Overview: Minnesota Local Governments

Certain terms used in this report, particularly certain adjectives used to express our view on rating relevant factors, have specific meanings ascribed to them in our criteria, and should therefore be read in conjunction with such criteria. Please see Ratings Criteria at www.standardandpoors.com for further information. Complete ratings information is available to subscribers of RatingsDirect at www.globalcreditportal.com. All ratings affected by this rating action can be found on Standard & Poor's public Web site at www.standardandpoors.com. Use the Ratings search box located in the left column.



Real-World Career Experiences
Exploring[®]



Police Explorers

Police Explorers is a program for young adults ages 14-21 with an interest in Law Enforcement. Explorers attend bi-weekly meetings and are provided hands-on exposure to police practices including traffic stops, search and arrest techniques, domestic crisis intervention, crime scene searches, accident investigation, first aid, and traffic control. The Explorers Program is designed to introduce young adults to careers in Law Enforcement, assist as a benefit to your resume, strengthen leadership skills, and provide positive life opportunities.

Meetings are held at the Carlton County Transportation Building: 1630 County Road 61, Carlton, MN every other Wednesday from 6:00pm until 8:00pm.

Requirements:

- Age 14-21
- Have completed 8th grade.
- Maintain a "C" average
- Successful completion of a background check
- An interest in law enforcement

For additional information please contact:

Officer Kristina Kohlmeyer
Cloquet Police Department
(218) 879-1247

Deputy Rusty French
Carlton County Sheriff's Department
(218) 384-3236

Officer Jordan Miller
FDL Police Department
(218) 878-8040



ADMINISTRATIVE OFFICES

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www.ci.cloquet.mn.us

February 16, 2016

Senator Tony Lourey
MN Senate Building, Room 2105
95 University Avenue West
St. Paul, MN 55155

RE: *Support for Western Lake Superior Sanitary District Combined Heat and Power Energy Project Bonding Request*

Dear Sen. Lourey:

On behalf of the Cloquet City Council, we write to you today **to urge your support for funding for the WLSSD Combined Heat and Power Energy Project in 2016.**

The City of Cloquet is one of 17 communities served by the Western Lake Superior Sanitary District (WLSSD) regional wastewater treatment plant. Cloquet has a long and significant history in the state of Minnesota, beginning with the fur trade in the 1700s and the lumber industry in the 1800s, and continues today with forest-products industries. The city has long been a centerpiece for northeastern Minnesota.

In the 2016 legislative session, WLSSD is requesting \$11.575 million for phase 2 of its Combined Heat and Power Energy Project, which will allow WLSSD to purchase generators to generate electricity using a wastewater treatment gas byproduct and recapture heat for use in its wastewater facilities. This project has many positive economic and environmental benefits, including stabilizing rates for Cloquet's 12,124 residents and regional employers.

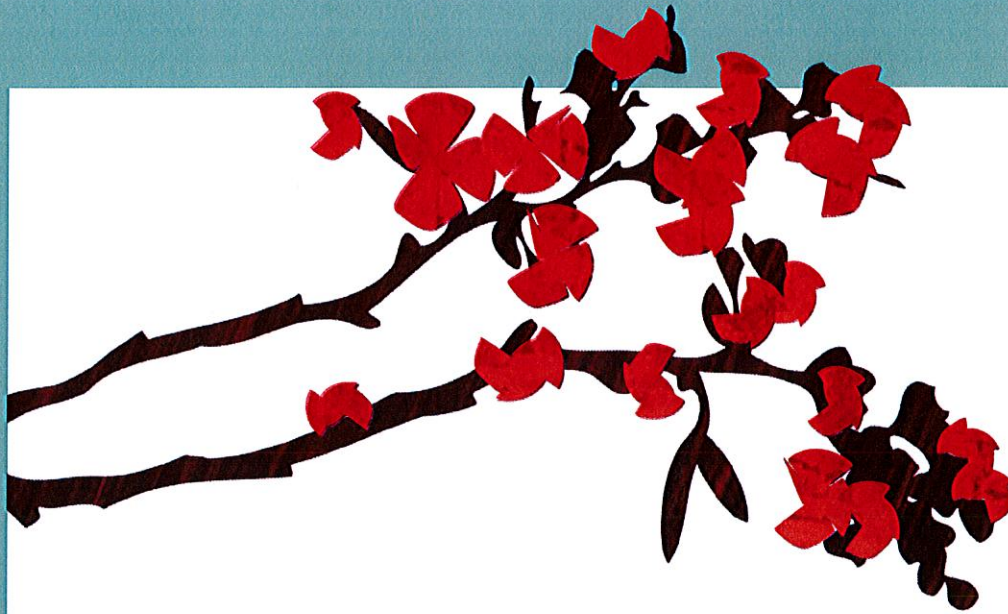
Please support the inclusion of \$11.575 million in the 2016 Legislative Session for the WLSSD Combined Heat and Power Energy Project.

Sincerely,

A handwritten signature in black ink, appearing to read "BF", is written over a horizontal line.

Brian Fritsinger
City Administrator

BF:ks



YOU'RE INVITED!

Please join us for cake and coffee

Thurs., March 10

1 p.m. to 3 p.m.

Cloquet Public Library

**IN HONOR OF LISBETH BOUTANG WHO IS
RETIRING AFTER 15+ YEARS OF SERVICE AS
CHILDREN'S LIBRARIAN IN CLOQUET**