



Upcoming Events

July 4th

City Hall Closed

July 5, 5:30 pm

Council Work Session
City Hall

July 5, 7:00 pm

Regular City Council Meeting
City Hall

July 12, 7:00 pm

Planning Commission
City Hall

July 13, 8:00 am

EDA
City Hall

July 19, 5:30 pm

Council Work Session
City Hall

July 19, 7:00 pm

Regular City Council Meeting
7:00 p.m.

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

ADMINISTRATION

Personnel

Interested applicants in the Assistant City Engineer position have few and far between. Staff will be meeting next week to discuss our options. The application deadline has already been extended one time.

Other human resource items worked on this week included a couple of disciplinary situations, refining the updates to the personnel manual, and updates to the City's telephone policy which will be considered by the Council next week.

Budget and CIP

Staff has been working on the Sales Tax portion of the capital improvement plan as well as some of the issues related to project financing. This component of the CIP will be discussed with the Council next week.

4th of July Celebration

The last meeting of the Committee was held this week. A couple of minor glitches but hopefully nothing that should take away from the festivities. Several members of the Committee have really put forth an awesome effort and should be commended for their efforts. Please try to stop by the park and see what all the work has produced!

Other Information Attached:

- June 29, 2016 Letter from MPCA
- June, 2016 Building Permit Report
- May, 2016 Monthly Financial Report
- July 1, 2016 Letter from CGMC

" It is not who is right, but what is right, that is of importance."

-- Thomas Huxley, scientist

PUBLIC WORKS/PARKS

Summer Road Projects

Work on 3rd Street continues. Things seem to finally be moving a bit quicker on this project, but with the challenges of working around the post office it has been slow going.

The Highway 33 Frontage Road (Holmes Drive) overlay project is close to completion. Finishing work is underway but the curb and asphalt work is pretty much complete.

The Slate Street sidewalk project looks like it is going to be delayed until after the start of school. Unfortunately the State misplaced our paperwork which is going to result in a delayed bid.

Sappi/Lake Superior Water Line

After many meetings it looks like some consensus has finally been reached on the next couple of projects related to the LSWL. We will be planning for a \$1.2-1.5 million dollar electrical upgrade to the system next year. We will also be looking to shift to the use of three pumps rather than two to increase volume for the mill. A pipeline replacement study will also be budgeted for 2017. Finally, the parties discussed the challenges with the repair of the leak under the railroad tracks that has been plaguing us for an extended period of time.

Other Activity

The crew installed new catch basins and drainage pipe next to the Sunnyside playground this week. Staff were very busy getting ready for the 4th with lots of clean up, maintenance and sprucing up of the downtown area, including Veteran's Park.



Monthly report of June 2015

City of Cloquet

Type	Permits		
	Number Issued	Value	Amount
ADDITION/REMODEL COMMERICAL OR INDUSTRIAL	1	645 667.00	6 794.96
ADMIN COMMERCIAL/INDUSTRIAL	1	3 000.00	84.75
ADMINISTRATIVE PERMIT	14	57 490.00	1 474.07
BUILDING PERMIT ADDITION OR REMODEL	2	35 000.00	894.97
BUILDING PERMIT DECK	2	4 400.00	224.30
BUILDING PERMIT NEW GARAGE	3	52 727.00	946.42
GRADING PERMIT	2	0.00	50.00
MECHANICAL PERMIT	3	0.00	135.00
PLUMBING	3	0.00	115.00
REROOF OR RESIDE	16	0.00	1 680.00
SIGN	3	0.00	308.00
ZONING - Accessory Building Site Location	3	0.00	75.00
ZONING - FENCE PERMIT	6	0.00	150.00
Total	59	798 284.00	12 932.47

Printed on July 01, 2016

Monthly report of June 2016

City of Cloquet

Type	Permits		
	Number Issued	Value	Amount
ADDITION/REMODEL COMMERICAL OR INDUSTRIAL	2	408 500.00	4 618.19
ADMIN COMMERCIAL/INDUSTRIAL	1	48 924.00	648.01
ADMINISTRATIVE PERMIT	11	62 631.00	1 334.66
BUILDING NEW RESIDENTIAL	1	420 000.00	4 641.49
BUILDING PERMIT ADDITION OR REMODEL	2	88 000.00	1 844.15
BUILDING PERMIT DECK	3	11 380.00	445.45
BUILDING PERMIT NEW COMMERCIAL	2	1 721 000.00	14 722.24
BUILDING PERMIT NEW GARAGE	2	54 458.00	936.33
Demo - Commercial	1	0.00	1.00
Demo - Residential	1	0.00	51.00
GRADING PERMIT	3	0.00	75.00
MECHANICAL PERMIT	3	0.00	215.00
PLUMBING	11	0.00	1 465.00
REROOF OR RESIDE	15	0.00	1 615.00
SIGN	1	0.00	47.00
ZONING - Accessory Building Site Location	3	0.00	75.00
ZONING - FENCE PERMIT	6	0.00	150.00
Total	68	2 814 893.00	32 884.52



Minnesota Pollution Control Agency

520 Lafayette Road North | St. Paul, Minnesota 55155-4194 | 651-296-6300
800-657-3864 | 651-282-5332 TTY | www.pca.state.mn.us | Equal Opportunity Employer

June 29, 2016

**CERTIFIED MAIL 7007 3020 0000 0961 7428
RETURN RECEIPT REQUESTED**

Bonnie Vanderpool, Petitioners' Representative
4101 Hwy 33 North
Cloquet, MN 55720

**CERTIFIED MAIL 7007 3020 0000 0961 7435
RETURN RECEIPT REQUESTED**

Tire Aggregate LLC
2020 14th Street
Cloquet, MN 55720-2945

**CERTIFIED MAIL 7007 3020 0000 0961 7459
RETURN RECEIPT REQUESTED**

Linda Way, Petitioners' Representative
3959 Hwy 33 North
Cloquet, MN 55720

**CERTIFIED MAIL 7007 3020 0000 0961 7442
RETURN RECEIPT REQUESTED**

Omar's Sand & Gravel
2067 County Road 61
Carlton, MN 55718

RE: Petition for Environmental Assessment Worksheet on the Proposed –
Tire Aggregate, LLC Waste Tire Facility
Brevator Township, St. Louis County

Dear Ms. Vanderpool, Ms. Way, Tire Aggregate, and Omar's Sand & Gravel:

A petition requesting the preparation of an Environmental Assessment Worksheet (EAW) on the proposed Tire Aggregate, LLC Waste Tire Facility has been forwarded to the Minnesota Pollution Control Agency (MPCA) by the Minnesota Environmental Quality Board (EQB). The proposed project is a facility to collect waste whole tires for processing into a tire derived aggregate product. The MPCA will review the petition and related information and determine if an EAW should be prepared.

The project may not receive any permits, nor can the project be started, until this decision is made.

Once the decision is made, the Commissioner will issue findings of fact outlining the agency's decision whether to grant or deny the petition. The MPCA will then notify the petitioner's representative, the project proposer, and other parties of the result of the petition review within five days of the decision, as directed by EQB rules.

If you have any questions about this letter, please contact Charles Peterson of the Environmental Review Unit staff, at 651-757-2856.

Sincerely,

Dan R. Card, P.E.
Supervisor
Environmental Review Unit
Resource Management and Assistance Division

DRC:bt

cc: Brian Fritsinger, City of Cloquet
Brenda Pallin, Brevator Township
Greg Kvaal, MPCA



ADMINISTRATIVE OFFICES

1307 Cloquet Avenue • Cloquet, MN 55720
Phone: 218-879-3347 • Fax: 218-879-6555
email: admin@ci.cloquet.mn.us
www.ci.cloquet.mn.us

June 24, 2016

Dear Brian Fritsinger, City Administrator:

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

Cash and Investments

Cash balances are 8% below May 2015, same as last two months. A narrative and several spreadsheets discussing this month's cash and investment activities, and balances are attached.

Budgets

Revenues/Transfers in – Interest is \$59,000 below budget since rates haven't increased as fast as projected by economist. MSA maintenance is \$48,000 above budget mostly since the City received 2014 & 2015 final pay-outs early 2016. SAPPI waterline sales are \$95,000 below budget mostly due to dirty water in March and April, and water from the river was used instead.

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

Major Revenues and Expenditures/Expenses

Revenues:

State \$35,000 for sales tax (lower than average due to capital equipment refund). Various residents \$65,000 for prepaid special assessments.

Expenditures/Expenses:

Hydro Klean \$43,000 for the final 2015 sewer lining project. MN Power \$15,400 for Haris Tank building. Reliable Agency \$184,600 for the second half of worker's comp and general insurance premiums. Turfwerks \$81,700 for two lawn mowers.

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 May
2016

Fund	2016 Budget	YTD Expend/Expense Budget	YTD Expenditures/ Expenses	Over (Under) Budget	Over (Under) %	
General						
Administration	346,900	103,167	116,184	13,017	13%	1
Finance	202,300	87,500	71,523	(15,978)	-18%	2
Law	95,000	39,583	49,565	9,981	25%	
Planning and Zoning	225,300	95,992	87,244	(8,748)	-9%	
Police	2,560,650	1,119,438	1,067,352	(52,086)	-5%	
Hwy, Streets & Rwy	1,024,600	465,709	404,994	(60,715)	-13%	3
Library	541,600	229,167	226,112	(3,055)	-1%	
Park	546,150	224,755	218,186	(6,569)	-3%	
Water - LSWL	2,370,550	955,663	1,079,279	123,615	13%	4
Water - In Town	2,015,500	701,647	653,094	(48,553)	-7%	
Sewer	1,571,000	615,401	632,752	17,351	3%	
Storm Water	200,050	83,780	67,664	(16,115)	-19%	5
Cable TV	169,225	71,386	59,530	(11,856)	-17%	6

Note: Does not include transfers.

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

- 1 - Furniture for Assistant City Administrator and new fixed fee computer maintenance contract charged to admin.
- 2 - Part time position not hired to date.
- 3 - Seasonal supplies to repair streets not purchased yet.
- 4 - Dechlorination building less late MN Power invoices.
- 5 - Improvements not started yet.
- 6 - Equipment not purchased yet.

City of Cloquet
Select Departmental and Funds Payroll Expenditure/Expense Budget Report as of May
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	20,000	16,843	(3,157)	-16%
Regular			22,000	9,165	31,282	22,117	241%
Reimbursed			25,000	10,415	2,447	(7,968)	-77%
Hwy & St	51,578	22,459	25,000	10,417	5,438	(4,978)	-48%
Water - LSWL	49,245	26,737	35,500	14,792	11,298	(3,494)	-24%
Water In Town	29,046	12,494	16,000	6,667	7,438	771	12%
Sewer	12,208	8,912	10,500	4,375	4,360	(15)	0%
Storm Water	6,836	2,569	5,000	2,083	3,672	1,588	76%

1

Explanation of (over) budget

1 - Short staffed. New positions just hired. One gone and two on FMLA during year. Also covering vacations. Regular salaries approximately \$30,000 below budget.

Filename: Expenditure-expense budget report

*City of Cloquet
Cash and Investments
Management Summary
May 30, 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 February 2016 updated forecast shows a decreased surplus for FY 2016-2017 of \$900 million. Without adjusting for inflation, there is a structural balance of \$1.184 billion for FY 2018-2019. HIS Economics has lowered their forecast for 2016 real GDP growth to 2.4% for 2016. Unemployment is at 4.7% for May.

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. There is a one-time increase of \$97,000 in the tax bill for the City’s LGA, if signed by the Governor.

Current Activity

During the month of May \$245,000 CD matured. The proceeds were retained for cash flows and future investing. Attached is an “Investment Portfolio Analysis” with the detail of investments.

Variance Analysis

Cash and investments are 8% below May 2015. The decrease is due to capital spending on projects and vehicles during the summer and fall of 2015.

The federal benchmark interest rate was raised in December 2015 to .25% to .50% from 0% to .25%. It is expected another increase will not happen until the presidential election is over. 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 \$188,000 or 1.46% 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
May
2016

Fund #	Fund	Amount
101	General	2,970,669.11
201	LDO Loan (EDA)	288,381.26
202	Federal CDBG Loan (EDA)	835,650.24
203	Economic Development Loan (City)	139,896.72
204	State SCDG/MIF (EDA)	128,657.76
206	Revolving SCGP (EDA)	-
207	Community Development Operating (City)	(54,032.43)
208	SCDP - 2016 (City)	10,668.00
211	Library	12,220.06
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	1,530,500.00
225	Permanent Improvement	80,325.45
226	Park	99,498.67
226	Park - Restricted - In Lieu	37,924.41
226	Park - Skate Park	2,640.85
228	Senior Center	(4,777.19)
231	Public Works Reserve	387,594.16
260	Landfill Host Fee - 25%	65,297.41
260	Landfill Host Fee - 75%	209,824.18
368	Business Park Bonds	1,424,850.30
370	Swimming Pond Bonds	23,862.78
403	Capital Projects - Revolving	(391,002.64)
405	City Sales Tax Capital Projects	1,492,567.20
600	Water - Lake Superior Waterline	551,591.10
600	Water - Lake Superior Waterline Construction	429,990.33
601	Water	3,611,107.59
601	Water	233,619.75
602	Sewer	903,511.47
605	Storm Water	(21,899.34)
614	Cable TV	235,786.01
701	Employee severance	614,530.95
905	Cloquet Area Fire District	671,178.30
	Total	16,556,899.52

City of Cloquet
Cash and Investment Analysis
May 31, 2016

	Tentative Goals	Current 5/31/2016	4/30/2016	3/31/2016	2/28/2016	Last Year 5/31/2015
<u>DEMAND ACCOUNTS</u>						
Checking & MM & Savings	10%-15%	\$3,716,909.42 22%	\$4,075,061.57 24%	\$4,058,684.43 23%	\$4,497,474.57 25%	\$4,911,746.84 27%
<u>INVESTMENTS</u>						
<u>Invested less than one year</u>						
Certificates of Deposit		\$2,220,000.00	\$2,465,000.00	\$2,710,000.00	\$2,710,000.00	\$1,414,033.23
Municipal bonds		\$1,817,911.78	\$1,817,911.78	\$1,311,570.63	\$1,311,570.63	\$525,175.56
Government Agencies		\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total invested less than one year	50%-70%	\$4,037,911.78 24%	\$4,282,911.78 25%	\$4,021,570.63 23%	\$4,021,570.63 23%	\$1,939,208.79 11%
<u>Invested one to three years</u>						
Certificates of Deposit		\$2,034,000.00	\$2,034,000.00	\$1,749,000.00	\$1,749,000.00	\$3,188,000.00
Municipal bonds		\$2,461,505.40	\$2,461,505.40	\$2,967,846.55	\$2,967,846.55	\$2,516,067.34
Government Agencies		\$1,000,000.00	\$1,000,000.00	\$500,000.00	\$500,000.00	\$0.00
Total invested one to three years	10%-20%	\$5,495,505.40 33%	\$5,495,505.40 32%	\$5,216,846.55 30%	\$5,216,846.55 29%	\$5,704,067.34 32%
<u>Invested over three years</u>						
Certificates of Deposit		\$1,214,000.00	\$1,214,000.00	\$1,499,000.00	\$1,499,000.00	\$2,017,000.00
Municipal bonds		\$0.00	\$0.00	\$0.00	\$0.00	\$772,844.56
Government Agencies *		\$2,092,572.92	\$2,092,572.92	\$2,592,572.92	\$2,547,569.92	\$2,596,830.33
Total invested over three years	10%-20%	\$3,306,572.92 20%	\$3,306,572.92 19%	\$4,091,572.92 24%	\$4,046,569.92 23%	\$5,386,674.89 30%
Total	100%	\$16,556,899.52	\$17,160,051.67	\$17,388,674.53	\$17,782,461.67	\$17,941,697.86
Current month variance			(\$603,152.15) -4%	(\$831,775.01) -5%	(\$1,225,562.15) -7%	(\$1,384,798.34) -8%

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

Note:

The one to three years and over three year period exceeds the goals but several investments are priced to call and will not be held over one year.

City of Cloquet
Investment Portfolio Analysis
Detail of Investments May 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	7/21/2014	7/21/2016	2 yrs	Citizens State Bank	\$245,000.00	0.650%	\$1,592.50	\$245,092.86
Morgan Stanley	7/24/2013	7/25/2016	3 yrs	Discover Bk DE	\$100,000.00	1.100%	\$1,100.00	\$100,108.00
Wells Fargo	7/31/2014	7/29/2016	2 yrs	Washington Trust Co	\$245,000.00	0.700%	\$1,715.00	\$245,115.15
Morgan Stanley	8/1/2012	8/10/2016	4 yrs	Firstbank Santurce	\$245,000.00	1.250%	\$3,062.50	\$245,394.45
Morgan Stanley	8/31/2011	8/31/2016	5 yrs	Goldman Sachs - UT	\$150,000.00	1.850%	\$2,775.00	\$150,510.00
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	\$240,259.20
UBS Financial	9/12/2014	9/12/2016	2 yrs	Merrick	\$240,000.00	0.850%	\$2,040.00	\$240,259.20
Morgan Stanley	9/23/2011	9/23/2016	5 yrs	GE Money Bk UT	\$35,000.00	2.000%	\$700.00	\$35,164.50
Morgan Stanley	9/30/2013	9/30/2016	3 yrs	BMW Bk - UT	\$80,000.00	1.150%	\$920.00	\$80,187.20
Morgan Stanley	11/14/2013	11/14/2016	3 yrs	Ally Bank (form GMAC)	\$150,000.00	1.100%	\$1,650.00	\$150,447.00
UBS Financial	8/5/2015	2/6/2017	2 1/2 yrs	Sallie Mae Bank UT	\$245,000.00	0.850%	\$2,082.50	\$245,325.85
					\$2,220,000.00		\$20,412.50	\$2,222,863.41
Municipals								
Wells Fargo	7/30/2012	6/1/2016	4 yrs	Des Moines IA	\$180,678.60	0.750%	\$1,355.09	\$180,036.00
Wells Fargo	12/6/2013	12/1/2016	3 yrs	Minneapolis MN	\$207,581.33	0.750%	\$1,556.86	\$201,536.00
Wells Fargo	11/4/2010	2/1/2017	6 1/2 yrs	Bloomington MN BAB	\$202,324.00	2.100%	\$4,248.80	\$202,526.00
Wells Fargo	1/7/2009	2/1/2017	7 yrs	Osseo MN ISD 279	\$218,141.70	5.400%	\$11,779.65	\$217,169.40
Wells Fargo	6/11/2015	2/1/2017	1 1/2 yrs	St Paul MN ISD	\$502,845.00	1.000%	\$5,028.45	\$500,550.00
Wells Fargo	1/31/2014	3/1/2017	3 yrs	Menomonie WI Txbl	\$340,204.15	0.970%	\$3,299.98	\$331,943.70
Wells Fargo	9/4/2014	4/1/2017	2 1/2 yrs	St Francis MN ISD	\$166,137.00	0.900%	\$1,495.23	\$154,389.00
					\$1,817,911.78		\$28,764.07	\$1,788,150.10
Invested one to three years								
Certificates of Deposit								
Morgan Stanley	6/8/2012	6/8/2017	5 yrs	World Financial DE	\$200,000.00	1.850%	\$3,700.00	\$201,960.00
Morgan Stanley	6/22/2012	6/22/2017	5 yrs	St Bank of India NY	\$245,000.00	2.000%	\$4,900.00	\$248,155.60
Wells Fargo	7/24/2014	7/24/2017	3 yrs	American Express Fed Sv	\$245,000.00	1.150%	\$2,817.50	\$245,876.86
UBS Financial	8/31/2015	8/31/2017	2 yrs	Oriental Bank PR	\$50,000.00	1.250%	\$625.00	\$50,225.00
UBS Financial	10/19/2012	10/19/2017	5 yrs	Boston Prvt B&T MA	\$100,000.00	1.000%	\$1,000.00	\$100,179.00
Morgan Stanley	11/25/2013	11/24/2017	4 yrs	Comenity Bk UT	\$68,000.00	1.400%	\$952.00	\$68,713.32
Morgan Stanley	3/12/2014	3/14/2018	4 yrs	GE Capital Ret BK UT	\$210,000.00	1.500%	\$3,150.00	\$211,902.60
Morgan Stanley	5/8/2013	5/8/2018	5 yrs	CIT Bk UT	\$145,000.00	1.200%	\$1,740.00	\$145,114.55
Morgan Stanley	6/28/2013	6/28/2018	5 yrs	BMW Bk - UT	\$96,000.00	1.650%	\$1,584.00	\$96,545.28
Morgan Stanley	10/2/2013	10/2/2018	5 yrs	Discover Bk DE	\$145,000.00	2.050%	\$2,972.50	\$148,169.70
Morgan Stanley	10/28/2013	10/29/2018	5 yrs	Bank Baroda NY	\$245,000.00	2.050%	\$5,022.50	\$249,819.15
UBS Financial	4/16/2014	4/16/2019	5 yrs	Wells Fargo	\$240,000.00	1.000%	\$2,400.00	\$240,624.00
Morgan Stanley	4/29/2014	4/29/2019	5 yrs	Barclays Bk DE	\$45,000.00	1.900%	\$855.00	\$46,032.30
					\$2,034,000.00		\$31,718.50	\$2,053,317.36
Municipals								
Wells Fargo	8/19/2015	8/1/2017	2 yrs	State of MN GO	\$221,654.40	0.860%	\$1,906.23	\$221,471.80
UBS Financial	12/1/2010	12/1/2017	7 yrs	Stamford CT	\$512,636.25	2.759%	\$14,143.63	\$511,850.00
Wells Fargo	1/14/2014	2/1/2018	4 yrs	Anoka County MN	\$567,323.75	1.480%	\$8,396.39	\$527,305.00
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	\$106,373.00
Wells Fargo	10/7/2010	8/1/2018	8 yrs	U of M Build America	\$260,748.16	2.700%	\$7,040.20	\$260,245.00
UBS Financial	12/4/2012	11/1/2018	6 yrs	NY City Transition	\$360,038.40	1.280%	\$4,608.49	\$359,881.20
Wells Fargo	12/1/2010	12/21/2018	8 yrs	Weston WS BAB	\$152,058.00	3.550%	\$5,398.06	\$158,574.00
UBS Financial	2/25/2016	1/1/2019	3+ yrs	Industry Calif Pub Facs Aut	\$266,005.88	1.447%	\$3,849.11	\$260,617.50
					\$2,461,505.40		\$46,867.22	\$2,406,317.50
Government Agencies								
Wells Fargo	6/1/2015	6/1/2018	3 yrs	FFCB	\$500,000.00	1.120%	\$5,600.00	\$498,381.00
Wells Fargo	4/26/2016	10/26/2018	2 1/2 yrs	FHLMC	\$500,000.00	1.100%	\$5,500.00	\$498,686.50
					\$1,000,000.00		\$11,100.00	\$997,067.50
Invested over three years								
Certificates of Deposit								
Morgan Stanley	8/8/2015	8/5/2019	5 yrs	Capital One NA Mclean VA	\$108,000.00	2.050%	\$2,214.00	\$110,489.40
Morgan Stanley	10/16/2014	10/16/2019	5 yrs	Capital One Bank VA	\$245,000.00	2.150%	\$5,267.50	\$251,556.20
Morgan Stanley	1/28/2015	1/28/2020	5 yrs	Goldman Sachs - UT	\$96,000.00	2.048%	\$1,966.08	\$98,277.12
UBS Financial	2/27/2015	2/27/2020	5 yrs	Private Bank & Tr IL	\$240,000.00	1.750%	\$4,200.00	\$246,501.60
UBS Financial	4/13/2015	4/13/2020	5 yrs	HSBC Bk VA	\$240,000.00	1.125%	\$2,700.00	\$239,966.40
Morgan Stanley	5/7/2015	5/7/2020	5 yrs	Amex Centurion UT	\$185,000.00	1.950%	\$3,607.50	\$188,970.10
Morgan Stanley	9/2/2015	9/2/2020	5 yrs	Capital One MN Mclean VA	\$100,000.00	2.200%	\$2,200.00	\$103,438.00
					\$1,214,000.00		\$22,155.08	\$1,239,198.82
Government Agencies								
Morgan Stanley	9/30/2015	9/30/2022	7 yrs	FHLMC	\$500,000.00	1.375%	\$6,875.00	\$498,975.00
UBS Financial	11/23/2015	10/27/2023	8 yrs	FNMA	\$500,541.67	1.500%	\$7,508.13	\$500,200.00
Morgan Stanley	3/28/2016	3/28/2024	7 yrs	FNMA	\$640,000.00	1.250%	\$8,000.00	\$640,390.40
UBS Financial	2/29/2016	1/30/2025	9 yrs	FNMA	\$452,031.25	1.020%	\$4,610.72	\$444,892.50
					\$2,092,572.92		\$26,993.84	\$2,084,457.90
Totals					\$12,839,990.10		\$188,011.21	\$12,791,372.59
							1.46%	

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 May
2016

Type	%	Invested Balance	Interest	Rate of Return
Money Markets	5%	\$747,463.12	\$226.74	0.36%
CD's*	41%	\$5,586,548.39	\$6,350.62	1.34%
Municipals*	31%	\$4,279,417.18	\$6,128.00	1.69%
Government agencies*	23%	\$3,092,572.92	\$3,232.92	1.23%
Total Investment Return*	95%	\$12,958,538.49	\$15,711.54	1.43%
Total Return	100%	\$13,706,001.61	\$15,938.28	1.37%

Earnings Comparison	Budget	YTD Budget	YTD Actual
2016 Interest Earnings	\$ 336,000.00	\$ 140,000.00	\$80,894.42
2015 Interest Earnings	\$ 282,800.00	\$ 117,833.33	\$79,122.36
2014 Interest Earnings	\$ 453,000.00	\$ 188,750.00	\$87,403.12

Rate Comparisons	Current	Revised Last Month	Last Year	Two Years
	May 2016	April 2016	May 2015	May 2014
Average Total Return	1.37%	1.30%	1.13%	1.29%
Average Investment Return*	1.43%	1.42%	1.44%	1.49%

Filename: Monthly Report - Interest Earnings Analysis 2016

MEMORANDUM

To: CGMC Mayors & City Managers/Administrators, CGMC Board of Directors

From: CGMC Executive Director Tim Flaherty and Flaherty & Hood Senior Attorney Robert Scott

Date: July 1, 2016

Re: Proposal to establish a CGMC Environmental Action Fund

In recognition of an increasingly challenging environmental regulatory landscape, in which cities and other publicly owned utility facilities appear destined to remain a focal point of Minnesota Pollution Control Agency (MPCA) regulations, the CGMC Board of Directors recommended the establishment of a dedicated Environmental Action Fund to support a broad-based environmental advocacy program. The board has recommended that the fund be considered by the full CGMC membership at the membership meeting on Friday, July 22, which is part of the CGMC Summer Conference in Austin. We are sending this memo so that you can review the proposal before the meeting.

This proposal is to raise an additional \$200,000 annually (to supplement the \$50,000 currently allocated for environmental lobbying) from a combination of a dues increase on CGMC members and voluntary assessments from member cities who stand to be most uniquely affected by MPCA regulations. The fund would support a comprehensive strategy for environmental advocacy at the Legislature, in regulatory rulemaking and permitting proceedings, and when necessary, in court.

This year, CGMC member cities pledged \$156,000 in voluntary assessments to be used to prepare for a lawsuit against the U.S. Environmental Protection Agency (EPA), file a state rulemaking petition, and other legal and regulatory activities. Under the Environmental Action Fund proposal, any money left over from the 2016 voluntary assessments will be transferred into this new fund.

The Need for the Fund

Cities in Minnesota have come under increasing pressure from government regulators, especially the MPCA (sometimes acting at the behest of the EPA), as they adopt and implement new and amended regulations in supposed furtherance of the commendable goal of improving the quality of Minnesota's vast natural water resources. These regulations implicate cities' public

wastewater treatment, centralized drinking water and stormwater management systems, taking particular aim at discharges from public wastewater treatment facilities.

The CGMC fully supports effective measures to improve the quality of Minnesota's precious water resources. CGMC member cities have collectively invested hundreds of millions of dollars in wastewater, centralized drinking water and stormwater infrastructure devoted to preserving and improving the quality of Minnesota's waters, and have standing to serve as a credible advocate for water quality regulations that are reasonable, cost-effective, and most importantly, based on sound scientific research. The CGMC has and will continue to oppose ill-conceived regulations that are not grounded in a sound scientific rationale and thus do not produce a benefit to water quality corresponding to the financial burden imposed on its members, who of course must each be able to provide other essential government services such as police and fire protection, emergency services, roads, parks, libraries, etc.

Unfortunately, several regulations recently implemented or proposed by MPCA have fallen short of this standard of reasonableness and have consequently required CGMC's persistent opposition (together with other representatives of regulated public entities). Most notably, MPCA adopted water quality standards for rivers and streams (the "riverine standards") that included two nutrient response variables (biochemical oxygen demand and dissolved oxygen variation) used to determine whether a water body is impaired because of nutrients (phosphorus or nitrogen) that are widely recognized by non-agency scientists to lack scientific support. MPCA also has several pending and/or forthcoming rulemakings that will significantly alter the regulatory landscape such as the anti-degradation rules, variance rules, and multiple changes to water quality standards that will further tighten restrictions on municipalities.

These unreasonable regulations would result in the MPCA-mandated misuse of vital and limited public resources designated for clean water infrastructure, and would actually harm clean water efforts now and into the future because "in an age of limited resources available to deal with grave environmental problems ... too much wasteful expenditure devoted to one problem may well mean considerably fewer resources available to deal effectively with other (perhaps more serious) problems." *Entergy Corp. v. Riverkeeper, Inc.*, 556 U. S. 208, 233 (2009) (BREYER, J., concurring in part and dissenting in part).

Purpose and Uses of the Fund

As proposed, the Environmental Action Fund would provide the CGMC with the resources and flexibility necessary to monitor and respond to agency overreach wherever it appears. The fund would enable the CGMC's representatives to lobby the Legislature for better laws that would constrain the excessive discretion agency experts are currently afforded by Minnesota courts and improve regulatory rulemaking and permitting procedures, participate in agency rulemaking proceedings to advocate for scientifically sound regulations before they are adopted, and as a last resort, litigate unreasonable and unsupported regulations that are adopted or enforced in spite of

CGMC's regulatory advocacy. The legislative, regulatory and litigation efforts to be supported by the Environmental Action Fund are addressed in greater detail below.

Legislative Advocacy. The Environmental Action Fund will support lobbying efforts to enact changes to state statutes intended to increase agency accountability and make more state resources available for local facility upgrades necessitated by state regulations, including but not limited to the following measures:

- Increase state appropriations for local facility upgrades, increase limits on grants to member cities administered by the Public Facilities Authority, and adjust eligibility criteria to make more member cities eligible for such grants;
- Require cost analysis of existing and new water regulations, including the cost impacts on ratepayers and state funding programs, and documentation of the benefits of new regulations;
- Strengthen the standard of review used by the Office of Administrative Hearings (OAH) and courts in reviewing agency actions, thereby making it possible to hold the MPCA accountable for arbitrary and unreasonable decisions it makes in the rulemaking process;
- Prevent the enforcement of unadopted rules;
- Require independent peer review of technical regulations;
- Require agency experts to provide specific and meaningful responses to the substance of any scientifically supported objections to proposed technical regulations made during a public rulemaking process; and
- Improve the permitting process through which CGMC cities' treatment facilities are issued permits to provide cities greater advanced notice of and opportunities to respond to the proposed terms and conditions to be included in their permits.

Regulatory Advocacy. The Environmental Action Fund is further intended to support the CGMC's engagement in regulatory proceedings, including as follows:

- Participate in formal MPCA rulemaking proceedings to advocate for scientifically sound and reasonable regulations, including hiring experts to testify in opposition to proposed regulations that are scientifically flawed;
- Assist member cities in advocating for fair and reasonable terms and conditions in treated wastewater and stormwater discharge permitting processes in potential precedent setting cases;
- Petition the MPCA for adoption of regulations when scientific evidence suggests new regulations are needed or existing regulations should be amended; and
- Support and collaborate as necessary with other organizations representing regulated public entities, including the Minnesota Environmental Science and

Economic Review Board (MESERB), the League of Minnesota Cities, and the Minnesota Cities Stormwater Coalition.

Litigation. Finally, where CGMC's regulatory advocacy does not prevent MPCA from adopting or enforcing regulations that are unreasonable, the Environmental Action Fund may be used to support litigation against MPCA or EPA. Examples of the types of litigation that could be financed in whole or in part by the Environmental Action Fund include the following:

- Lawsuits mounting preemptive facial challenges to unsupported and/or unreasonable regulations, which seek to have such regulations invalidated before they may be enforced against any individual permit holder;
 - An example of this type of challenge is CGMC's (and MESERB's) continuing support for litigation over the unreasonable components of the MPCA's recently adopted riverine standards, which to date has consisted of a declaratory judgment action in the Minnesota Court of Appeals brought by CGMC and MESERB to have the rules declared invalid as having been adopted in violation of statutory rulemaking procedures, and a rulemaking petition by individual CGMC and MESERB members to MPCA and OAH for amendments to correct the flawed standards. This litigation is ongoing, and the petitioning cities and sanitary districts intend to appeal OAH's dismissal of their rulemaking petition to the Minnesota Court of Appeals.
- Support individual member cities in legal challenges to permits issued on the basis of scientifically flawed regulations as applied to such cities in cases of potential precedential value to the broader regulated public, including the CGMC;
- Provide support to other organizations representing regulated public entities in environmental lawsuits of import to CGMC members;
 - For example, the CGMC anticipates working closely with the national Center for Regulatory Reasonableness (CRR) to coordinate some of its members' participation in CRR in support of CRR's imminent federal lawsuit in the United States District Court for the District of Columbia in which CRR is seeking to have EPA's approval of MPCA's scientifically flawed riverine standards overturned as having been arbitrary and capricious. If successful, the effect would be that MPCA's riverine standards could no longer be enforced against CGMC member cities.
- Participation as amicus curie (friend of the court) in cases of import to CGMC members;
 - An example of this type of legal advocacy is MESERB's recent successful participation as amicus in opposition to the Minnesota Center for Environmental Advocacy's (MCEA) appeal of MPCA's issuance of an NPDES permit to the Metropolitan Council, where MESERB opposed MCEA's stringent interpretation of MPCA's authority to account for

anticipated reductions in nutrient loading from nonpoint sources in establishing a less restrictive nutrient effluent limit for the Met Council. The Court of Appeals agreed with the Met Council and MESERB and rejected MCEA's challenge. *See* Court of Appeals decision [here](#).

Paying for the Fund

The CGMC board recommends that \$250,000 be raised annually for the Environmental Action Fund from the following sources:

1. \$50,000 from existing CGMC assessments (the same amount budgeted in 2016).
2. \$50,000 from a proposed 4.75 percent surcharge on membership dues for CGMC members whose dues are fully phased in.
3. \$150,000 from an annual voluntary assessment of \$0.35 per capita. (Based on past participation in the environmental voluntary assessment, we estimate this would raise \$150,000.)

Structure & Budget of the Fund

All activities to be funded by the Environmental Action Fund and disbursements from the fund would be subject to approval of the CGMC Board of Directors. The board would also have the authority to make changes or reallocations to the budget as needed. Any money allocated to the fund which is not spent would carry over to the fund for the next year.

The proposed 2017 Environmental Action Fund budget is as follows:

1. EPA lawsuit - \$60,000
 2. State regulatory efforts (including the petition appeal) - \$40,000
 3. Legislative efforts - \$100,000
 4. Media - \$25,000
 5. Assistance for individual member cities - \$25,000
- TOTAL:** \$250,000 (representing \$200,000 in new revenue above 2016 levels)

As mentioned above, the Environmental Action Fund proposal will be considered during the CGMC membership meeting at 10:30 a.m. on Friday, July 22 at the Hormel Institute in Austin. If you have any questions about this proposal — or if you are unable to attend the meeting, but would like to share your comments or concerns — please contact us at 651-225-8840 or CGMC_Communications@flaherty-hood.com.

TPF/RTS

2017 Environmental Action Fund

In order to raise an additional \$200,000 for the Environmental Program, the CGMC Board has recommended establishing an Environmental Action Fund by passing a voluntary assessment and a 4.75% surcharge on general assessments.

City	2016 CGMC Paid Dues	2017 CGMC Assessments	2016 CGMC Pledged Environmental Dues	2017 Proposed 4.75% Surcharge for Environmental Program	Proposed Voluntary Assessment for Environmental Action Fund of \$0.35 per capita
Albert Lea	\$34,361	\$34,339	\$6,997	\$1,633	\$6,230
Alexandria	\$22,572	\$24,829	\$3,000	\$0	\$4,576
Aurora	\$1,829	\$2,754	\$0	\$0	\$589
Austin	\$52,948	\$53,271	\$9,000	\$2,533	\$8,682
Babbitt	\$3,378	\$3,426	\$0	\$163	\$522
Bagley	\$3,301	\$3,309	\$0	\$157	\$491
Barnesville	\$1,213	\$2,427	\$1,097	\$0	\$910
Bemidji	\$26,315	\$27,808	\$0	\$1,322	\$4,991
Benson	\$5,596	\$5,549	\$0	\$264	\$1,098
Biwabik	\$2,776	\$2,790	\$712	\$133	\$350
Blooming Prairie	\$1,008	\$2,021	\$0	\$0	\$689
Breckenridge	\$5,826	\$5,794	\$1,402	\$276	\$1,165
Cloquet	\$17,095	\$18,805	\$0	\$0	\$4,255
Crookston	\$12,539	\$12,563	\$0	\$597	\$2,743
Detroit Lakes	\$13,768	\$14,174	\$1,800	\$674	\$3,143
Dodge Center	\$4,090	\$4,499	\$0	\$0	\$946
Duluth	\$76,301	\$87,331	\$0	\$0	\$29,982
Eagle Lake	\$1,210	\$2,529	\$0	\$0	\$965
East Grand Forks	\$13,513	\$13,723	\$0	\$653	\$3,031
Elbow Lake	\$2,861	\$2,991	\$700	\$142	\$404
Ely	\$5,928	\$5,968	\$0	\$284	\$1,212
Eveleth	\$6,242	\$6,228	\$1,509	\$296	\$1,282
Fairmont	\$16,861	\$16,777	\$0	\$798	\$3,633
Fergus Falls	\$25,707	\$25,802	\$4,764	\$1,227	\$4,610
Foley	\$1,236	\$2,483	\$0	\$0	\$940
Gilbert	\$3,801	\$3,826	\$785	\$182	\$631
Glencoe	\$9,320	\$9,273	\$2,000	\$441	\$1,927
Glenwood	\$4,759	\$4,777	\$0	\$227	\$889
Grand Marais	\$2,330	\$2,563	\$0	\$0	\$475
Grand Rapids	\$17,423	\$17,726	\$0	\$843	\$3,858
Granite Falls	\$5,139	\$5,115	\$1,200	\$243	\$980
Hinckley	\$3,799	\$3,796	\$0	\$181	\$623
Hoyt Lakes	\$4,086	\$4,102	\$946	\$195	\$706
Hutchinson	\$27,182	\$27,347	\$4,740	\$1,300	\$4,903
Janesville	\$4,377	\$4,418	\$1,100	\$210	\$792
La Crescent	\$7,727	\$8,500	\$0	\$0	\$1,761
Le Sueur	\$6,683	\$6,713	\$1,500	\$319	\$1,414
Litchfield	\$10,863	\$10,937	\$0	\$520	\$2,340
Little Falls	\$13,141	\$13,830	\$2,550	\$658	\$3,057
Luverne	\$7,528	\$7,521	\$1,972	\$358	\$1,633
Mankato	\$69,319	\$69,717	\$19,950	\$3,315	\$14,303
Marshall	\$26,423	\$26,606	\$2,274	\$1,265	\$4,763
Moorhead	\$66,545	\$69,709	\$15,000	\$3,315	\$14,296
Moose Lake	\$0	\$5,079	\$0	\$241	\$971
Morris	\$9,054	\$9,110	\$0	\$433	\$1,887
Mountain Iron	\$5,174	\$5,216	\$0	\$248	\$1,008
New Ulm	\$26,055	\$26,240	\$5,300	\$1,248	\$4,693
North Mankato	\$26,135	\$26,406	\$0	\$1,256	\$4,725
Olivia	\$4,641	\$4,630	\$1,046	\$220	\$849
Ortonville	\$3,895	\$3,895	\$0	\$185	\$650
Osakis	\$936	\$1,872	\$0	\$0	\$609
Owatonna	\$54,221	\$54,616	\$9,500	\$2,597	\$8,908

City	2016 CGMC Paid Dues	2017 CGMC Assessments	2016 CGMC Pledged Environmental Dues	2017 Proposed 4.75% Surcharge for Environmental Program	Proposed Voluntary Assessment for Environmental Action Fund of \$0.35 per capita
Park Rapids	\$6,374	\$6,493	\$0	\$309	\$1,354
Pelican Rapids	\$4,669	\$4,697	\$1,000	\$223	\$867
Perham	\$5,363	\$5,601	\$0	\$266	\$1,112
Pipestone	\$5,227	\$5,750	\$1,848	\$0	\$1,472
Plainview	\$5,771	\$5,764	\$1,100	\$274	\$1,156
Princeton	\$7,551	\$7,557	\$0	\$359	\$1,643
Red Wing	\$31,658	\$31,704	\$6,000	\$1,507	\$5,730
Redwood Falls	\$8,822	\$8,790	\$1,250	\$418	\$1,808
Renville	\$3,114	\$3,083	\$0	\$147	\$429
Rochester	\$96,085	\$96,941	\$30,000	\$4,609	\$30,000
Roseau	\$4,865	\$4,909	\$0	\$233	\$924
Rushford	\$3,749	\$3,744	\$835	\$178	\$609
Sandstone	\$3,802	\$4,182	\$0	\$0	\$953
Slayton	\$3,176	\$3,494	\$1,178	\$0	\$743
Sleepy Eye	\$4,696	\$5,166	\$0	\$0	\$1,229
St. Charles	\$6,290	\$6,271	\$0	\$298	\$1,294
St. James	\$7,402	\$7,393	\$0	\$352	\$1,598
St. Joseph	\$8,438	\$9,282	\$0	\$0	\$2,362
St. Peter	\$18,294	\$18,667	\$0	\$888	\$4,082
Staples	\$5,299	\$5,279	\$0	\$251	\$1,025
Thief River Falls	\$13,590	\$13,711	\$3,394	\$652	\$3,028
Two Harbors	\$6,264	\$6,250	\$0	\$297	\$1,288
Virginia	\$13,645	\$13,596	\$0	\$646	\$2,999
Wabasha	\$1,177	\$2,356	\$1,135	\$0	\$871
Wadena	\$6,678	\$6,738	\$0	\$320	\$1,421
Waite Park	\$5,736	\$5,981	\$0	\$284	\$2,594
Warren	\$3,506	\$3,517	\$0	\$167	\$547
Warroad	\$3,710	\$3,780	\$654	\$180	\$618
Waseca	\$14,698	\$14,611	\$3,191	\$695	\$3,251
Wells	\$1,111	\$2,220	\$0	\$0	\$797
Wheaton	\$3,302	\$3,282	\$0	\$156	\$483
Willmar	\$37,540	\$37,608	\$0	\$1,788	\$6,850
Windom	\$7,423	\$7,434	\$1,000	\$353	\$1,609
Winona	\$59,009	\$58,593	\$0	\$2,786	\$9,575
Winsted	\$0	\$4,454	\$0	\$212	\$801
Worthington	\$21,087	\$23,196	\$0	\$0	\$4,508
TOTAL	\$1,218,151	\$1,267,824	\$153,429	\$50,000	Estimated: \$150,000 *

* Estimate is based on similar level of participation to 2016.