



**CLINTON CITY COUNCIL
COMMITTEE OF THE WHOLE**

May 3, 2016

CITY HALL COUNCIL CHAMBER

PLEDGE:

ROLL CALL:

- 1. Fiscal Year 2017 Insurance Renewal – Tim Kearns**
- 2. Management Restructuring Proposal- Fire Department- Chief Brown**
- 3. COPS Grant Application- Chief Gyrion**
- 4. Referrals from the Finance Committee- Anita Dalton**
 - a. Fund Balance Policy**
 - b. Contingency Reserve Policy**
 - c. Fiscal Year 2016 Budget Amendment**
- 5. Fiscal Year 2017 Solid Waste Increase – Anita Dalton**
- 6. Mayor & Council Member Updates**

Committee of the Whole Summary Sheet

May 3, 2016

1. FY17 Insurance Renewal

Tim Kearns, the City's health insurance consultant, will be present to discuss the renewal and answer any questions about the renewal from Wellmark, which has a 4.5% increase.

ACTION REQUESTED

To removal the renewal forward to the next Council meeting for approval.

2. Restructuring Proposal- CFD

Chief Brown has put together a memo outlining some different options for restructuring at CFD in light of a recent retirement.

ACTION REQUESTED

To move forward the re-creation of the EMS/Training Officer and elimination of one Firefighter position.

3. COPS Grant Application

The 2016 COPS grant period has begun with applications due by the end of June. The Police Department would like to move forward with the budgeted proposal for two officers.

ACTION REQUESTED

To move forward a resolution of support for the COPS grant application.

4. Referrals from Finance

a. Fund Balance Policy

A draft fund balance policy setting thresholds for savings of most funds is included in the packet.

ACTION REQUESTED

To move forward the Fund Balance Policy for adoption.

b. Contingency Reserve Policy

The Finance Committee has moved forward a revised policy related to the General Fund contingency reserve, which provides guidance on how the amount should be budgeted.

ACTION REQUESTED

To move forward the Contingency Reserve Policy for adoption.

c. FY16 Budget Amendment

The Finance Director has prepared a budget amendment for FY16 which is a necessary step to account for changes that have occurred throughout the year.

ACTION REQUESTED

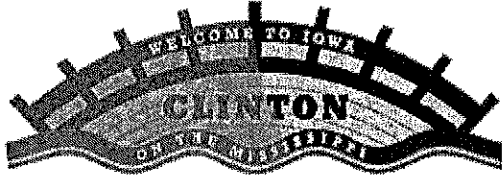
To move forward a resolution setting a public hearing to the next Council meeting.

5. FY17 Solid Waste Increase

The Council approved an increase in the solid waste rates for FY17, and this is the first step in getting the rates implemented.

ACTION REQUESTED

To move forward to the next meeting a resolution adopting a solid waste rate for FY 17.



City Administrator

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611 South Third Street
P. O. Box 2958
Clinton, IA 52733-2958
www.cityofclintoniowa.us

To: Mayor Vulich and the City Council
From: Jessica Kinser, City Administrator
Date: April 28, 2016
RE: FY17 Health Insurance Renewal

Wellmark has presented the fiscal year 2017 health insurance renewal, which Tim Kearns from R.J. Lee and Associates will explain to the Council. A summary of the rates is presented below:

	FY17 Proposed	FY17 Budgeted	FY16 (Current)
Single	\$741	\$768	\$710
Family	\$1,854	\$1,918	\$1,774

This proposed renewal is less than what is budgeted and will result in some minor savings from our budgeted numbers. Keep in mind the insurance costs for employees in the General Fund are part of the tax levy, while all other funds pay the cost.

For fiscal year 2017, employees will be making the following contributions:

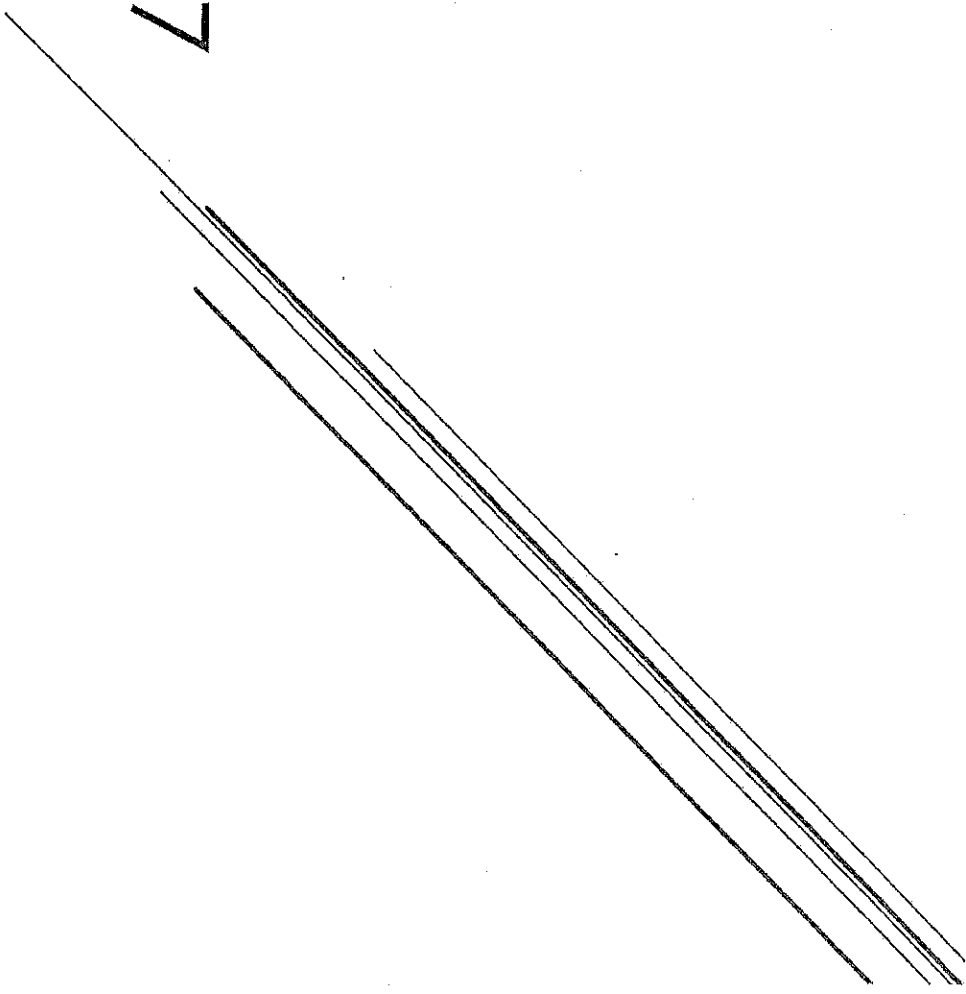
Single	Family
\$40	\$90

At this time we are requesting a motion to move forward with accepting the proposed fiscal year 2017 renewal and for staff to complete all necessary paperwork.

CITY OF CLINTON

Health Plan

Renewal 2016-17



FINAL

Presented to Council

6.5.15

TPA

Reinsurance

Wellmark
Wellmark

Wellmark
6.4.15

2015-16

Wellmark
Wellmark

Wellmark
4.12.16

2015-16

Final
2016-17

	12/18	2015-16	12/18	2015-16	%		
	Single = 51	Family = 139	Grand Total	Single = 51	Family = 139	Grand Total	Increase
Fixed Cost	\$ 16.18	\$ 40.34	\$ 77,189	\$ 16.76	\$ 41.79	\$ 79,963	3.6%
Administration Medical	\$ 0.90	\$ 0.90	\$ 2,052	\$ 0.90	\$ 0.90	\$ 2,052	0.0%
COBRA Administration	\$ 3.26	\$ 8.19	\$ 15,656	\$ 3.37	\$ 8.46	\$ 16,174	3.3%
Network	\$ 1.20	\$ 3.00	\$ 5,738	\$ 1.26	\$ 3.15	\$ 6,025	5.0%
UR/Case Management	\$ 0.47	\$ 1.19	\$ 2,273	\$ 0.47	\$ 1.19	\$ 2,273	0.0%
Administration Rx	\$ 4.64	\$ 10.90	\$ 21,021	\$ 1.31	\$ 3.07	\$ 5,922	-71.8%
PPACA Fees	\$ 15.13	\$ 37.78	\$ 72,277	\$ 15.13	\$ 37.78	\$ 72,277	0.0%
Other Internal Costs	\$ 41.78	\$ 102.30	\$ 196,206	\$ 39.20	\$ 96.34	\$ 184,686	-5.9%
1 Total Admin	\$ 115.59	\$ 290.97	\$ 556,079	\$ 121.43	\$ 305.66	\$ 584,161	5.0%
Reinsurance	\$ 2.55	\$ 6.38	\$ 12,202	\$ 2.55	\$ 6.39	\$ 12,222	0.2%
Specific	\$ 118.14	\$ 297.35	\$ 568,281	\$ 123.98	\$ 312.05	\$ 596,383	4.9%
2 Total Reins	\$ 159.92	\$ 399.65	\$ 764,487	\$ 163.18	\$ 408.39	\$ 781,069	2.2%
1+2=3 Total Fixed	\$ 549.53	\$ 1,373.83	\$ 2,627,861	\$ 577.89	\$ 1,444.89	\$ 2,753,745	5.2%
4 Expected Claims	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	5.2%
5 Laser Cost	\$ 688.91	\$ 1,717.29	\$ 3,284,826	\$ 722.36	\$ 1,806.11	\$ 3,454,682	5.2%
6 Maximum Claims	\$ 709.45	\$ 1,773.48	\$ 3,392,348	\$ 741.07	\$ 1,853.28	\$ 3,564,814	4.5%
3+4+5 Rates at Expected	\$ 846.83	\$ 2,116.94	\$ 4,049,313	\$ 885.54	\$ 2,214.51	\$ 4,235,750	4.6%
3+5+6 Rates at Maximum	Single = 47	Active	COBRA	Single = 51	Active	COBRA	
Suggested Funding	Family = 140	Family = 140	Family = 140	Family = 139	Family = 139	Family = 139	
Blended Claims	\$ 1,774.00	\$ 1,809.48	\$ 724.20	\$ 1,854.00	\$ 1,891.08	\$ 755.82	
				\$ 577.89	\$ 1,444.89	\$ 2,753,745	

PPACA

	PCORI	TRF	Total	Amt/Mth
Single	\$ 2.19	\$ 13.50	\$ 15.69	\$ 1.31
Family	\$ 5.15	\$ 31.73	\$ 36.87	\$ 3.07
Total			\$ 52.56	

MEMO

Management Restructuring Proposal – Clinton Fire Department

I am asking that the Clinton City Council consider an organizational change within the Clinton Fire Department. With the recent Disability Retirement of one of our Battalion Chiefs, I have 30 days from his last day of service to fill the position. This, however, will do nothing to fill the void that his departure leaves from the standpoint of Training and EMS.

Let me start with some background. When Creighton Regenwether retired in June of 2014, we had 5 Battalion Chiefs. One worked as City Safety Director, one at BNS, one to oversee Training/EMS, and two working as shift commanders. The third shift was being led by an “out of rank” Battalion Chief as we were experimenting with management of BNS. When he left, it was decided that we would try to eliminate the Training/EMS position, and have that Battalion Chief move into the A shift slot as a shift commander, where he would run the shift and still oversee his previous duties. Instead of promoting another Battalion Chief, we hired back our 45th position as an entry level Firefighter, thus saving budget dollars and filling all of our roles.

For a while, it worked fairly well. The EMS duties were being adequately coordinated, training was getting done at the Company Officer level, and we were going along ok. When the A Shift Battalion Chief came down with a medical issue that was determined to be job related, he missed about 5 months of work until he was finally released to return to work in a “light duty” position. It was at that time that I petitioned the Iowa Pension Board to have his “fitness for duty” evaluated, and ultimately they ruled that he was not fit for duty. During that “light duty” phase, he resumed most of his previous duties as a staff Training /EMS coordinator, and during that time I realized how much we had been lacking by not having this position filled.

I have analyzed a number of different options that could help us to overcome this management shortfall. I have sought input from Command Staff, the Finance Office, and City Administration. The three options that have the best chances for success are:

Option #1 – Reinstating the Training/EMS position as a Management job – Cost +\$7642

Option #2 – Creating a Captain rank (Bargaining Unit Job) to serve as shift command – Cost -\$12729

Option #3 – Reinstating the Training/EMS position at the rank of Captain (bargaining unit) Cost-\$2453

My professional opinion is that option #1 has the best chance for success, mainly due to the sensitive nature of the Training/EMS position. Option #2 is an idea that I have considered before, but there seems to be a procedural disconnect when you have a bargaining unit employee supervising another bargaining unit member. It certainly makes accountability and disciplinary matters difficult. Below I will outline what Option #1 would look like.

Prior to the change in 2014

(1) Fire Chief
(1) Battalion Chief – BNS
(1) BC – Training BNS

(3) Shift Battalion Chief
(9) Lieutenant
(15) Engineer

After Change

(1) Fire Chief
(1) Battalion Chief - BNS
VACANT

(3) Shift Battalion Chief
(9) Lieutenant
(15) Engineer

(16) Firefighter

What I am asking Council is to simply go back to our previous organizational structure. I have conferred with Finance Director Dalton, and the wage cost associated with that change will be an additional \$7642 to the General Fund. With added cost being the only disadvantage, I feel the benefits of the change far outweigh the cost. I will highlight a few:

- One of the constants in the employee survey conducted by Augustana, and one done internally as well, was the desire to have a consistent source of training. Since we do most of our training “in house”, the advantage to having the same person delivering continuing ed, new procedures and/or instruction on new equipment is important. This pertains to both the fire and EMS side.
- Having additional person on site M-F...with no administrative assistant, the day to day duties are all handled by the fire chief. Having another staff member dedicated M-F allows for someone to be available to meet with vendors, attend meetings, etc.
- Grant Writing – As grant applications get more complex, it is important to have someone on board that can invest the long hours needed for successful applications. This is almost impossible while trying to run a shift, answer calls, etc. This position in the past has been instrumental in assisting with writing millions of dollars’ worth of grants.
- There are a number of EMS issues in the near future that are going to require a lot of time to manage. Our EMS reporting must be NEMSIS 3 compliant by July 1, 2017, which will cause us to utilize different software. The Iowa Paramedic transition, which changes requirements for EMT I and Basic Paramedic, will begin in late 2017 into 2018, and will require additional paperwork and CEU’s.

This is a change that I feel can be made smoothly, as we currently need to go through the process of at least one management promotion, with subsequent promotions down the line. With a list of qualified candidates, it would be easiest to do them all at once, as it requires numerous shift re-assignments. As always, my door is open if you would like me to explain further, or I can always be reached at 563-357-6173. Thank you in advance for your consideration.

Respectfully Submitted,

Mike Brown; Fire Chief

MEMORANDUM

To: Honorable Mayor Vulich & City Council Members
FROM: Kevin Gyrion, Police Chief
SUBJECT: COPS grant application
DATE: April 28, 2016

Staffing shortages continue to plague the Clinton Police Department.

As we worked thru the Fiscal Year 2017 budget process, it was identified that we may have a budgeted salary opportunity that could be spent on the first year of the COPS grant program, as the budgeted position will be vacant for most of the fiscal year due to a military call of duty.

I would like to ask your permission to begin the application process for the U.S. Department of Justice's COPS grant for staffing two new police officers. The grant application is due by 6/30/2016.

Below is the analysis that was provided during the budget process:

In response to the staffing study, City personnel looked into the cost of hiring an additional officer using the **COPS** grant program. Since the general fund is facing a deficit, we did not build any additional staffing requests into this budget. However, below is a chart showing the costs for hiring one officer, for 3 years, thru the **COPS** grant program.

COPS Grant Analysis		Year 1	Year 2	Year 3	3-Yr
		FY2017	FY2018	FY2019	Total
One Officer:					
Wages		\$47,630	\$48,759	\$52,097	\$148,486
Uniforms		\$1,950	\$1,950	\$1,950	\$5,850
Academy		\$12,000	\$0	\$0	\$12,000
		\$61,580	\$50,709	\$54,047	\$166,336
Grant Reimbursement		\$41,667	\$41,667	\$41,667	\$125,000
Draw on the 38.10 levy from the General Fund		\$19,913	\$8,042	\$12,380	\$41,336
Benefits Pd from separate levy		\$35,110	\$35,862	\$37,189	\$108,161
TOTAL CITY FUNDING for ONE officer		\$55,023	\$44,905	\$49,569	\$149,497
	MFPSI	\$12,346	\$12,638	\$13,504	\$38,488
	Health Ins *Assumes Family	\$21,876	\$22,336	\$22,797	\$67,009
	Dental Ins *Assumes Family	\$806	\$806	\$806	\$2,418
	Life Ins	\$82	\$82	\$82	\$246
<i>Reduction on Minimum Staffing O/T with the addition of one officer (reduction realized in the 2nd year)</i>			-\$9,880	-\$9,880	
Net Cost to the City using the COPS Grant Prog		\$19,913	-\$838	\$2,500	

City of Clinton Fund Balance Policy

Purpose

The purpose of this policy is to establish a key element of the financial stability of the City by setting guidelines for fund balance in all funds of the city. Unreserved fund balance is an important measure of economic stability. It is essential that the City maintain adequate levels of unreserved fund balance to mitigate financial risk that can occur from unforeseen revenue fluctuations, unanticipated expenditures and similar circumstances. The fund balance also provides cash flow liquidity for the City's general operations.

Definitions

Fund Equity

A fund's equity is generally the difference between its assets and its liabilities.

Fund Balance

Net assets, or the difference between assets and liabilities in a governmental fund, is considered Fund Balance (i.e. Cash)

Assigned Fund Balance

Assigned fund balance has limitations based on the intended use of the funds.

Committed Fund Balance

Funds in this classification are those with limitations the government places on itself. The purpose of these funds is decided by Council action and also requires Council action to change the purpose.

Non-spendable Fund Balance

Resources that must be maintained intact pursuant to legal or contractual requirements are non-spendable, such as the capital of a revolving loan fund. This can include assets that will never convert to cash such as inventory, or will not convert to cash within the current fiscal year such as the long term portion of accounts receivable.

Restricted Fund Balance

These funds are limited by externally enforceable limitations on use. This includes limitations from the entity providing the money, such as grantors. Also, this classification includes funds with limitations placed by law or enabling legislation.

Policy

The City maintains a number of funds which serve varying purposes and have varying restrictions in City government. In order to ensure that a policy best fits a fund based on its type and usage, the funds have been broken down as follows: General Fund, Special Revenue Funds- Employees, Special Revenue Funds- Tax Levy, Special Revenue Funds- Other, and Proprietary Funds

General Fund

It is the goal of the City of Clinton to achieve and maintain an unassigned fund balance in the General Fund of 20% of annual expenditures.

Special Revenue Funds- Employees

The City utilizes special revenue funds to account for restricted funds by activity. Some of these funds support the costs of employees and operations of a specific department. Revenues may be unstable or variable, meaning the City needs to plan to mitigate possible financial risks while maintaining services. Therefore, the following funds shall have a goal of 15% of annual expenditures as fund balance:

- Road Use Tax Fund
- Summer Youth Programs

Special Revenue Funds- Tax Levy

The City of Clinton levies taxes to support the benefits of employees in the General Fund or other annual costs to the City. Therefore, the following funds shall have a goal of 15% of annual expenditures as fund balance:

- Tort Liability Fund
- Police and Fire Retirement Fund
- FICA/IPERS Fund
- Other Employee Benefits Fund

Special Revenue Funds- Other

The City maintains a number of other Special Revenue funds which are used to categorize commitments or restrictions on funds, including donations. There shall be no goal for fund balance set for each of these funds, as the fund balance is variable or undesirable based on the need to utilize funds in a current year. Funds in this area include the following:

- Hotel/Motel Tax Fund
- Gaming Fund
- Emergency Tax Fund
- Tax Increment Financing
- TIF-LMI Fund
- Local Option Sales Tax
- Departmental Donation Funds

Proprietary Funds

The City maintains proprietary funds to account for entities where the revenues are supposed to cover expenditures. These funds support employees and operations critical to the City. Therefore, the following funds have a goal of 20% fund balance:

- Wastewater
- Solid Waste
- Transit
- Airport

Through the annual budget process, the Finance Director will present fund balance totals that exceed the thresholds set above for use and allocation in the following year budget process at the Council's discretion.

City of Clinton

Contingency Reserve Policy

Purpose

The purpose of this policy is to establish general guidelines for the establishment, maintenance, and use of a contingency reserve policy for the General Fund. This reserve will generate investment income; provide a margin of safety and stability to protect the City from exposure to catastrophic events and economic impacts; and provide flexibility to pursue emergent opportunities.

Policy

Through the annual budget process the City of Clinton shall fund a contingency reserve within the General Fund at a targeted level of not less than 2 percent of projected General Fund revenues for the fiscal year.

Should the contingency reserve place the projected fund balance for the end of the fiscal year at a level greater than that set by the Fund Balance Policy, the contingency reserve can be budgeted at an amount so as not to exceed the set threshold.

If the contingency reserve is not needed during the fiscal year, the balance rolls over as fund balance in the general fund for the next fiscal year. Having such a cash reserve also allows the city to secure and maintain investment-grade bond ratings which, in turn, reduces bond interest rates.

Intended Uses for General Fund Reserves

- Interruptions in cash inflows

Examples include the loss of sales tax receipts of a one-time nature; a shortfall of property tax revenues; or severe changes in the economy.

- Emergencies

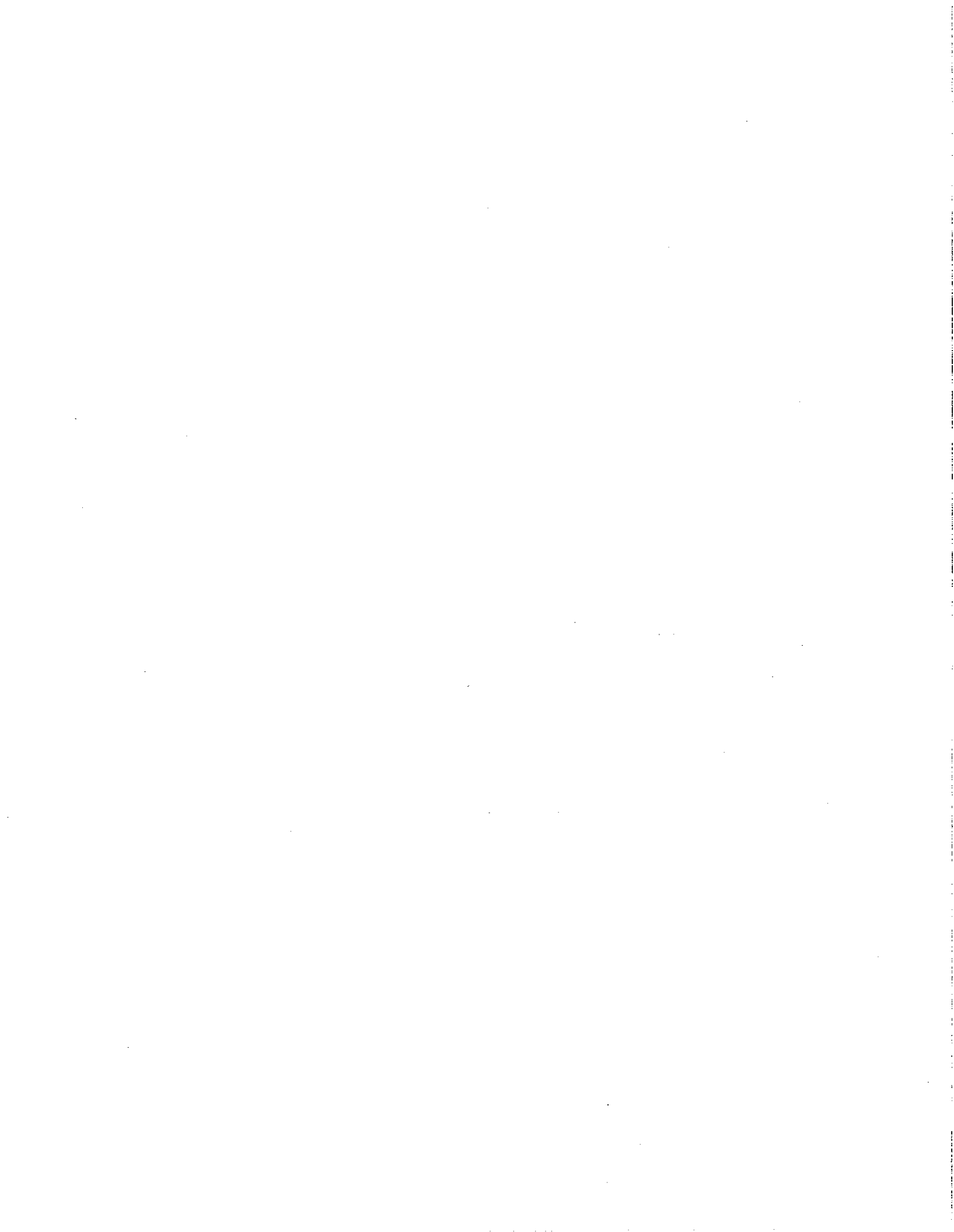
In the event of an emergency or disaster such as earthquakes, fires, floods, or other such emergencies, the entire balance may be used to temporarily fund recovery costs. It is understood that all aid assistance options will be sought to fund recovery efforts or reimbursement of the contingency reserve for fronting of recovery costs.

- Other Uses

Would include – but are not limited to - unanticipated expenses of a non-recurring nature or for unexpected increases in the cost of essential goods or services.

Other Criteria for Use

Application for use of the contingency reserve will be made to the City Administrator who will forward the request with a recommendation to the Finance Committee for their recommendation to the Council.





FINANCE DEPARTMENT

MEMORANDUM

To: Honorable Mayor Vulich & City Council Members
FROM: Anita Dalton, Finance Director
SUBJECT: FY17 Solid Waste Rate Increase
DATE: April 28, 2016

During the FY17 budget process a rate increase was approved based on analysis provided last year at this time of the year. That analysis, while performed by internal staff (me), also included the foundation that was laid by the Springstead Study from 2012. I am bringing this information to you at this time as we need to formally adopt, by resolution, the rate increase for FY17 that was discussed during the budget workshops.

As illustrated on the attached graph, the increase moves to \$20.33 for fiscal year 2017. As I am sure everyone is aware, the deficit that we are carrying in the solid waste enterprise fund is detrimental to the overall financial picture of the city. It has been a finding in the audit report (for several years now) ... see page 117 of the FY15 audit (attached); and in the most recent Moody's rating report for our 2016A bonding (attached). The city has indicated to both the auditors and the Moody's analysts that the city has a plan to eliminate this deficit.

Part of the analysis that was included last year at this time was to just borrow the funds to eliminate the cash deficit, and leave the solid waste rates alone. As of 6/30/2015 the deficit in cash stands at \$1,451,188 for the solid waste fund (operating & equipment fund combined). Borrowing to eliminate this deficit in one year would increase the average homeowners property taxes by @ \$45 per year (5 year term); or \$29 per year (10 year term) for a home that has a \$100,000 assessed property value. The monthly solid waste rate increase proposed for FY17 is a \$.68 per month increase over the current rate. Yearly that equates to \$8.16 per household.

The topic of single stream recycling surfaces whenever we have a discussion about increasing solid waste rates. While single stream recycling seems to be a great program that the city could implement in the future, having it in place by July 1, 2016 is not feasible. It would require initial capital purchases like trucks (\$720,000) and carts (\$390,000) to make it a reality in Clinton. While initial investigation into the process seems like we could see cost savings in labor; gasoline; and landfill fees – we are not prepared with an in-depth analysis at this point in time – and this endeavor would only increase the deficit that we currently have in the equipment fund, or require additional borrowing.

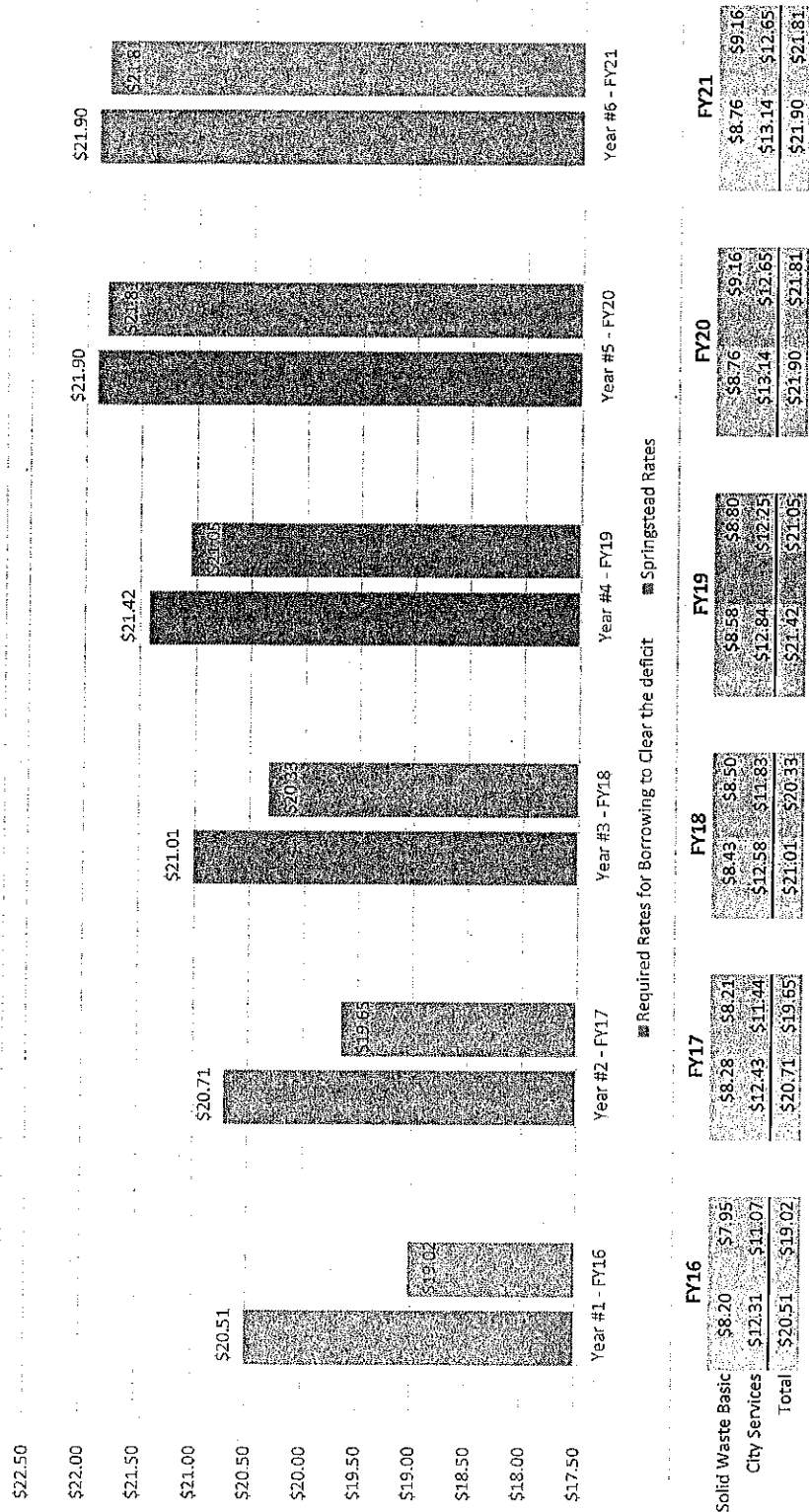
I have also included with this memo, information that I was able to find online about solid waste services rates in our surrounding communities.

Thank you~

City of Clinton - Solid Waste Deficit Reduction & Equipment Replacement Required Rates (Draft #3)

The Solid Waste Fund currently has a deficit of \$1.6 Million dollars. I have prepared the following information, showing the rates that would be required to be implemented to pay off the deficit in 5 years by either:

- #1 - Borrowing to clear the deficit; with a 5-year payback schedule - Paid by user fees
- #2 - Clearing the deficit without borrowing; but having the deficit cleared by the 5th year - Springstead rates actually accomplish this goal (thru FY19)
- #3 - Along with paying off the deficit; set aside money for an equipment replacement reserve



If we borrow the money to pay off the deficit on a 5-year payback, the interest & cost to borrow the money is \$156,936
 Equipment Replacement fund is fully funded by Year #6 (with at least \$540,000) in both scenarios

City of Clinton

Schedule of Findings and Questioned Costs

Year ended June 30, 2015

Response - We will begin publishing the required summary of receipts starting January 2016. We will ensure all transfers and disbursements are approved by the City Council.

Conclusion - Response accepted.

IV-G-15 Deposits and Investments - Deposits and investments were in compliance with the provisions of Chapters 12B and 12C of the Code of Iowa and the City's investment policy, except for the following:

Interest income from the investment of note proceeds was not credited to the Capital Projects Fund and the Special Revenue, Miscellaneous Fund. In addition, interest earned on the Special Revenue, Tax Increment Financing Fund balance is not credited to the fund. In accordance with Chapter 12C.9 of the Code of Iowa, such interest shall be used to pay the principal or interest of the indebtedness or credited to the Capital Projects Fund for which the indebtedness was issued.

A resolution naming official depositories has been approved by the City. However, maximum deposit amounts for each bank were not included on the depository resolution as required by Chapter 12C.2 of the Code of Iowa.

Recommendation - The City should credit interest to the proper funds in accordance with Chapter 12C.9 of the Code of Iowa. In addition, the City should adopt a new depository resolution which establishes maximum deposit amounts for each bank as required by Chapter 12C.2 of the Code of Iowa.

Response - We will do an end of year allocation to those funds as required by Chapter 12C.9 of the Code of Iowa. The City will adopt a new depository resolution as required by Chapter 12C.2 of the Code of Iowa.

Conclusion - Response accepted.

IV-H-15 Revenue Bonds and Notes - No instances of non-compliance with the sewer revenue note provisions were noted.

IV-I-15 Annual Urban Renewal Report - The Annual Urban Renewal Report was properly approved and certified to the Iowa Department of Management on or before December 1.

IV-J-15 Financial Condition - The Enterprise, Solid Waste Collection Fund had a deficit net position of \$389,173 at June 30, 2015.

Recommendation - The City should investigate alternatives to eliminate this deficit in order to return this fund to a sound financial position.

Response - The City implemented a rate increase for solid waste collection services on July 1, 2015, which is part of a larger 5-year plan to clear this deficit. City staff will continue to bring forward rate updates to the City Council to ensure rates are set to clear this deficit.

Conclusion - Response accepted.

MOODY'S

INVESTORS SERVICE

New Issue: Moody's assigns A2 to City of Clinton, IA's \$3.4M GO Notes, Ser. 2016A

Global Credit Research - 02 Dec 2015

Maintains A2 on outstanding GOULT debt

CLINTON (CITY OF) IA
Cities (including Towns, Villages and Townships)
IA

Moody's Rating

ISSUE		RATING
General Obligation Capital Loan Notes, Series 2016A		A2
Sale Amount	\$3,395,000	
Expected Sale Date	12/08/15	
Rating Description	General Obligation	

Moody's Outlook NOO

NEW YORK, December 02, 2015 --Moody's Investors Service has assigned an A2 rating to the City of Clinton, IA's \$3.4 million General Obligation Capital Loan Notes, Series 2016A. Concurrently, Moody's maintains the A2 rating on the city's outstanding general obligation unlimited tax (GOULT) debt. Post-sale, the city will have \$35.5 million in outstanding GOULT debt, of which \$27.5 million is rated by Moody's.

SUMMARY RATING RATIONALE

The A2 rating is indicative of the city's moderately sized and concentrated tax base in eastern Iowa; adequate operating fund reserves and somewhat narrow cash balance as a result of advances to the city's solid waste enterprise. The rating also takes into consideration the city's elevated debt burden and unfunded pension liabilities.

OUTLOOK

Outlooks are generally not assigned to local government credits with this amount of debt outstanding.

WHAT COULD MAKE THE RATING GO UP

- Sustained growth of the city's tax base or improvement in the demographic profile
- Trend of stable financial operations and increased operating fund reserves
- Positive operating trend in the Solid Waste Enterprise leading to stronger cash balances in the General Fund and Solid Waste Fund

WHAT COULD MAKE THE RATING GO DOWN

- Deterioration of the city's tax base and/or weakening of the demographic profile
- Narrowing of operating fund reserves or lack of financial improvement in the city's solid waste enterprise
- Material growth in the city's debt burden

STRENGTHS

- Management's demonstrated willingness to more closely align city revenues with expenditures

CHALLENGES

- Concentrated tax base coupled with recent appeals by one of the largest taxpayers, Archer-Daniels-Midland Company (ADM; A2 stable)
- Improving but still somewhat narrow General Fund cash balance
- Deficit position in the city's solid waste enterprise following years of operational imbalance

RECENT DEVELOPMENTS

Since our last rating report on July 29, 2015, draft financial results for fiscal 2015 have become available and reflect a General Fund surplus of \$160,000. For fiscal 2016, the city has budgeted for a General Fund surplus of \$167,000. As of September 10, 2015 the city was in the process of defending several property tax appeals by property owners to the State of Iowa Property Assessment Appeal Board. In the event all appeals were successful, General Fund revenues would be reduced by approximately \$462,000 beginning in fiscal 2017.

DETAILED RATING RATIONALE

TAX BASE AND LOCAL ECONOMY: MODERATELY SIZED, CONCENTRATED TAX BASE IN EASTERN IOWA

The city's tax base will likely remain stable going forward despite ongoing tax appeals. The city's 2014 full valuation of \$1.6 billion has remained largely stable. ADM facilities account for 10% of the city's current taxable valuation. In 2013, as a result of a property tax appeal, ADM's taxable value was reduced and the company was granted \$2.7 million in tax credits against future property tax liabilities for overpayment in prior years. A portion of the tax credits were applied in fiscal years 2014 and 2015. Based on fiscal 2016 tax rates, the city has an estimated \$305,037 in outstanding credits, which will be applied in fiscal 2016. As of September 10th, the city was in the process of defending several additional appeals by property owners including ADM to the State of Iowa Property Assessment Appeal Board. In the event all assessment reductions are confirmed, management estimates property tax revenue for fiscal 2017 would be reduced by \$462,000. The largest taxpayer is Interstate Power and Light, which comprises 12% of the city's taxable value. The top ten taxpayers represent a concentrated 36.5% of Clinton's taxable valuation.

In addition to ADM, which employs approximately 800 local residents, principal employers include Mercy Medical Hospital (988 employees), Custom Pak, Inc. (675 employees), and the Clinton Community School District (746 employees). Ashford University, who employs 150 local residents, recently announced the closing of their Clinton Campus in 2016. Favorably, the Thompson Prison, which is located 10 miles from the city and was built by the State of Illinois in 2001, is expected to open in 2016. The prison will create roughly 1,100 jobs and will likely have a positive impact on the city's economy given its close proximity. Recent commercial developments within the city include First Wealth Financial, Vibrant Credit Union, formally Deere Harvester Credit Union, Hobby Lobby and Community Health Care Incorporated. Additionally, the city and the Clinton Regional Development Corporation have purchased 465 acres of land for the development of the Lincolnway Industrial Rail and Air Park.

City population has steadily declined over the past four decades, a trend that includes a 3.2% drop recorded in the 2010 US Census. The city's unemployment rate of 5.2% in August 2015 is on par with the national figure, but remains higher than the state's rate of 3.4%. Median family income within the city is below average at 87% of the U.S. according to the American Community Survey 2008-2012 estimates.

FINANCIAL OPERATIONS AND RESERVES: IMPROVING LIQUIDITY AND OPERATIONAL BALANCE

The city's financial position is expected to remain satisfactory though operational pressures remain. At the close of fiscal 2014, the city's General Fund held available reserves of \$1.7 million and 15.2% of General Fund revenues. While still somewhat narrow, it represents a sizeable improvement from fiscal 2011, when the city's General Fund had an available deficit fund balance position of \$863,000. Although the improvement in reserves is largely attributable to the selling of the city's municipal dock and subsequent transfer from the Municipal Dock Fund of \$2.1 million, the city has made various expenditure reductions and revenue enhancements to stabilize its financial profile moving forward. The city closed fiscal 2014 with a modest General Fund deficit of \$52,000 driven primarily by higher than anticipated legal fees from the contracted city attorney and increases in public safety expenditures. Fiscal 2014 available operating fund (combined General, Debt Service, and Employee Benefits funds) reserves totaled \$2.3 million and a satisfactory 11.1% of operating fund revenues. Unaudited figures for fiscal 2015 indicate a General Fund surplus of \$160,000, resulting from personnel reductions and other employee related efficiency

improvements. The city has budgeted for a \$167,000 operating surplus in fiscal 2016. Due to uncertainty regarding pending property tax appeals, management intends to earmark reserves generated through surplus operations in fiscal 2016 for use in fiscal 2017.

As of fiscal 2014, the Solid Waste Fund had a deficit unrestricted net position of \$940,000, which represents an improvement from the deficit unrestricted position of \$984,000 at the close of fiscal 2013. The fund's cash position was recorded as \$0, but the fund had \$1.6 million due to other funds; the advances are split between the city's General Fund and the Transit Fund. As of fiscal 2014, inclusive of a \$51,000 repayment, the Solid Waste Fund owed the General Fund \$366,000. The city intends to restore the financial health of the fund through rate adjustments and gradually repay its interfund loans.

Property taxes comprised over 80% of the city's operating fund revenues in fiscal 2014. The city levies the statutory maximum of \$8.10 per \$1,000 of assessed valuation for the General Fund and \$0.27 per \$1,000 of assessed valuation for the emergency levy. The city could implement a franchise fee of up to 5% on gas and electric utilities. Currently, there is no plan to do so, but the fee would generate close to \$3.8 million in annual revenue if the full 5% were implemented. The city also collects a 1% local option sales tax (LOST) that generates approximately \$3 million annually and does not sunset. LOST revenues are dedicated for property tax relief (50%) and street, sewer, and storm sewer projects (50%).

Liquidity

The city's liquidity has improved significantly from 2011; however, imbalanced operations within the city's Solid Waste Fund have required cash advances from the General Fund to cover its negative cash position. At the close of fiscal 2014, net cash within city operating funds totaled \$1.9 million and a satisfactory 9.4% of operating fund revenues.

DEBT AND PENSIONS: ABOVE AVERAGE DEBT BURDEN WITH RAPID AMORTIZATION

Inclusive of the current offering, the city's direct debt burden is an elevated 2.2% of full valuation and 1.8 times operating revenues. Over the next twelve months, the city anticipates borrowing approximately \$8.5 million for a combination of sewer projects and annual capital improvement projects. The city plans to use LOST revenues to support the debt service on the sewer related debt, reducing the burden on property tax payers. Debt service comprised a sizeable 20% of operating expenditures in fiscal 2014. When combining debt service, pension and other post-employment benefit expenditures, the city's fixed costs totaled \$6.0 million and represented a high 30% of total operating fund expenditures in 2014.

Debt Structure

All of the city's debt is fixed rate. Amortization of existing debt is average as 74% of principal is set to be retired over the next ten years.

Debt-Related Derivatives

The city has no derivative exposure.

Pensions and OPEB

Clinton's fiscal 2014 Moody's adjusted net pension liability (ANPL) is \$40.4 million, equivalent to an elevated 2.5% of full valuation and 2.0 times operating revenue. The ANPL is based upon our allocation of the reported unfunded liabilities of two multi-employer cost-sharing pension plans, the Iowa Public Employees Retirement System (IPERS) and the Municipal Fire and Police Retirement System of Iowa (MFPRSI). Moody's ANPL reflects certain adjustments we make to improve comparability of reported pension liabilities. The adjustments are not intended to replace the city's reported liability information, but to improve comparability with other rated entities. The actuarial valuation dates for the plans are June 30, 2014. The city's fiscal 2014 contribution to the plan was \$1.9 million, or 10% of operating expenditures.

The city's OPEB liability is funded on a pay as you go basis, and the city contributed \$65,401 in fiscal 2014. The total unfunded liability is \$3.2 million as of July 1, 2013, the most recent actuarial valuation date.

MANAGEMENT AND GOVERNANCE: STRONG INSTITUTIONAL FRAMEWORK AND IMPROVED MANAGEMENT PRACTICES

Iowa cities have an institutional framework score of 'Aaa' or very strong. Cities have strong revenue raising

capability, despite a property tax cap on general and emergency levies, due to an unlimited trust and agency levy and tort levy as well as several other limited, special purpose levies or fees. The majority of cities' revenues come from property taxes which are predictable. Expenditures are also largely predictable, and cities have the ability to reduce expenditures as needed. Clinton's new management team has shown a willingness to reduce operating expenditures to more closely align with revenues and improve interfund borrowing practices.

KEY STATISTICS

2014 Full valuation: \$1.6 billion

Estimated full value per capita: \$59,092

2008-2012 Median Family Income as a % of the US: 87%

2014 Operating Fund Balance as a % of Revenues: 11.1%

Five-Year Dollar Change in Fund Balance as % of Revenues: 7.5%

2014 Cash Balance as a % of Revenues: 9.4%

Five-Year Dollar Change in Cash Balance as % of Revenues: 2.5%

Institutional Framework: Aaa

Operating History (Five-Year Average of Operating Revenues/Operating Expenditures): 0.98x

Net Direct Debt/Full Value: 2.2%

Net Direct Debt/Operating Revenues: 1.8x

Three-Year Average of Moody's ANPL/Full Value: 2.7%

Three-Year Average of Moody's ANPL/Operating Revenues: 2.1x

OBLIGOR PROFILE

Clinton is a modestly-sized community located in eastern Iowa and is home to approximately 26,000 residents.

LEGAL SECURITY

Debt service on the bonds is secured by the city's GOULT pledge which benefits from a dedicated property tax levy not limited by rate or amount.

USE OF PROCEEDS

Proceeds from the current issuance will be used to make various sewer and storm sewer improvements.

PRINCIPAL METHODOLOGY

The principal methodology used in this rating was US Local Government General Obligation Debt published in January 2014. Please see the Credit Policy page on www.moody.com for a copy of this methodology.

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Comparable Cities - Refuse Collection Services & Rates

City of	Davenport	Marshalltown	Muscatine	Mason City	Ottumwa	DeWitt	Camanche	Clinton	Bettendorf	Dubuque
City of	City of	City of	City of	City of	City of	City of	City of	City of	City of	City of

Is Collection a City Service?

Yes	Yes	Yes	Yes	Yes	No	Yes	Yes	Yes	Yes	Yes

Allied Waste

Cost per month

\$17.93	\$20.00	\$10.05	\$16.30	\$16.50	\$13.75	\$19.65	\$17.42	\$33.00
This is for the large 95 gallon cart	\$15 for Seniors	Curbside Recycling	Garbage & Recycling	Garbage & Recycling	Garbage & Recycling	Garbage & Recycling & YardWaste	96-gal cart weekly	96-gal cart weekly

Separate Recycling Charge?

\$3.00	No
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Separate Charge for Yard Waste?

No	\$1.00 per bag	\$1.00 per bag	\$1.00 per bag	No	No	No	No	No
		or \$5.00/load drop off charge		DeWitt does not pick up yardwaste as they have a free drop off facility	Camanche does not pick up yardwaste as they have a free drop off facility	Included in the total above	Included in the total above	Included in the total above

