

Crosslake City Council and Crosslake Utilities Commission Special Meeting.

Tuesday, January 3, 2001

The Special Meeting of the Crosslake City Council and Crosslake Utilities Commission was called to order at 8:35 a.m. Present were City Council members Darrell Swanson, Dean Swanson, Charles Miller, Irene Schultz and Sandy Eliason and Commission Members Chair Gilroy Arvig, Ted Silva, Armond Gease and Jay Andolshek. Commission members absent: Karl Skog, Del Gilsrud and Judy Cotten. Also present were General Manager Kevin T. Larson, Office Manager Debby Floerchinger, City Administrator Tom Swenson, Commission member elect Gerry Brine, Tom Farm from Olsen Thielen & Co., Ltd., Bob Reff from CC&I Engineering and Helen Fraser.

The purpose of the Special Meeting was to perform strategic planning for Crosslake Communications with Kevin T. Larson as facilitator.

The results of the October 1999, Strategic Planning Session were reviewed including discussion held on Mission and Vision, identifying Issues and Action Plans. Kevin updated the group on the accomplishments from the Action Plan showing that Optional Extended Area Calling will be implemented by April 2001, RCC shares had been liquidated and the CATV upgrade has begun. He also noted that the 75th Anniversary Celebration was a success. Kevin stated that he was satisfied with the progress made on the Action Plan.

Tom Farm reviewed the financial status of the Telephone Company, noting that we are in very strong financial condition. However, due to changes in the industry, many regulated revenue streams are at risk. Tom reviewed charts showing what revenues are at risk and if those were not replaced what effect that would have on local rates. He also noted that Crosslake continues to grow in long distance access minutes while in many companies throughout the State the opposite is the norm. Ted Silva asked how the proposed Extended Calling Plan would affect us. Tom stated that we should anticipate a revenue decrease in the range of \$30-40,000, which he felt was acceptable at this time. A majority of that lost revenue could be made up as customers increase their usage of this plan. Tom's opinion is that we are on the right track.

The five-year investment ladder was reviewed showing that 100% of the proceeds of the stock sale have been invested. Kevin pointed out that we have invested \$1,300,000 with local banks that has assisted with economic development.

Tom Farm reviewed the Cablevision financial status next and noted that we are in a positive cash flow. This was not the case prior to 1997 when for a number of years CATV had a negative cash flow. Tom's recommendation is to have a positive cash flow

along with rebuilding the infrastructure. Tom stated that in order to do this we may need to have more equity provided by the Telephone Company.

Bob Reff reported on the completion of the five year telephone plan. He stated that the 5-Year telephone plan was completed except for the fiber cable placement along West Shore Drive. This is due to the potential road construction and bike path proposal. The telephone upgrade has provided many positive things. Access line growth would have halted without this upgrade because there would be no facilities available for those second lines or new services. Also the number of troubles reported have not increased because of the new facilities. Kevin noted that we have not added any more technicians, but we have added many new services and still maintain a high customer service level because of this upgrade.

Bob reviewed the status on the central office switch and noted that it is becoming obsolete. This is due to industry changes where we are moving from a voice network to a data network. The switches of the future "softswitch" are capable of switching voice, data and video. Bob stated that in the future, we will continue to use the Siemens DCO potentially with a "softswitch" running along side of it.

Bob also reported on the status of the CATV 4 year plan noting that 30-40% of the new cable has been placed. This upgrade will provide infrastructure that will be able to handle numerous new services such as high speed data, video on demand and pay-for-view movies.

Bob reminded us that as we build our infrastructures, we will need to continue to train our personnel in these new services and equipment. Kevin added how Dennis and Debby have implemented training programs with our equipment and service providers.

Discussion was held on many industry issues such as Access charges and revenues, the interstate MAG plan, the intrastate Minnesota plan, rewrite of the Minnesota Statute Chapters 237 Telco and 238 Cablevision, Connect Minnesota and the local Brainerd Lakes Area Telecommunications Assessment project. Tom Farm provided information on many of these issues and noted that in the small Independent telephone industry we will need help at the legislature to insure that laws and regulations are not implemented that will be detrimental to the rural areas. Darrell Swanson stated that he is willing to attend the MART "Day on the Hill" with Kevin and encouraged others to attend.

Kevin then presented the following action items for discussion:

- 1) Complete implementation of the proposed Optional Extended Calling Plan
- 2) Continue with 4-Year CATV upgrade including marketing, and programming.
- 3) Offer telecommunications services to all consumers within the City limits.
- 4) Begin specs and bidding process for building addition to house additional equipment.

It was agreed to continue on items #1 and #2. Item 3 was discussed and agreed that we take a "wait and see" approach to determine the effect the Optional Calling Plan will have.

Discussion was held on item #4, the proposed building addition. Kevin provided two estimates prepared by Norson. Option 1 consisted of wood construction with an estimate of \$88-100,000 range. Option 2 consisted of cement block and precast roof with an estimate range of \$95-110,000.

Bob Reff stated that moving the CATV equipment into this addition would lessen the potential of lightning damage and then create additional floor space for the future "softswitch". Bob stated that this addition would suffice for many years to come. Kevin stated that this item would be included in the 2001 budget. Ted Silva moved that we recommend to the City Council that plans and specs be drawn up for a 20' x 53' addition consisting of 8" block exterior walls, 2" rigid insulation and 4" face brick (Option #2). Second by Armond Gease. All in favor. Motion carried.

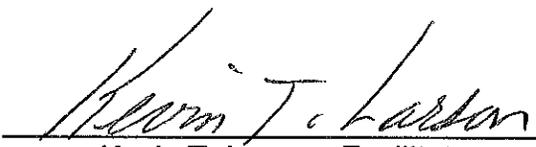
The City Council then responded to the Commission's recommendation. MOTION 01S-01-01 WAS MADE BY CHUCK MILLER AND SECONDED BY DEAN SWANSON TO APPROVE THE CONCEPT OF THE BUILDING ADDITION AS IN OPTION #2 IN THE REALM OF THE PROVIDED MONETARY AMOUNTS AND TO PROCEED WITH THE BID SPECIFICATIONS. MOTION CARRIED WITH ALL AYES.

A motion was made by Armond Gease and second by Jay Andolshek to adjourn the Utilities Commission meeting at 12:12 p.m.

MOTION 01S-02-01 WAS MADE BY CHUCK MILLER AND SECONDED BY IRENE SCHULTZ TO ADJOURN THE SPECIAL COUNCIL MEETING AT 12:12 P.M. MOTION CARRIED WITH ALL AYES.

Cc: Jay Andolshek
Gil Arvig
Judy Cotten
Armond Gease
Del Gilsrud
Karl Skog
Ted Silva
Gerry Brine
Darrell Swanson, Mayor
Charles O. Miller
Irene Schultz
Dean Swanson
Sandy Eliason
Tom Swenson
Paul Sandelin

Signed:



Kevin T. Larson, Facilitator