

SPECIAL COUNCIL MEETING  
CITY OF CROSSLAKE  
MONDAY, JANUARY 5, 2004  
2:00 P.M. - CITY HALL

Pursuant to due notice and call, the Council for the City of Crosslake met in a Special Session on Monday, January 5, 2003 at 2:00 P.M. at City Hall. The following Councilmember's were present: Mayor Darrell Swanson, Dean Eggena, Chuck Miller, Dick Phillips and Irene Schultz. Also present was City Administrator Tom Swenson and Clerk/Treasurer Darlene Roach. There were five individuals in the audience.

Mayor Swanson called the special meeting to order at 2:00 P.M. and stated that the purpose of the meeting was to hear presentations from two auditing firms. The meeting was turned over to City Administrator Swenson.

Swenson stated that the City has received proposals from two auditing firms to conduct the City's financial audit and that both firms were invited to make a presentation to the Council. Mick Justin from Mathias Justin, LTD was the first presenter.

Mick Justin stated that his firm has been conducting the City's audit since 1990. He has seen how the City has progressed and grown since that time. The firm has five full time employees on Staff with Judi Moravec as the CPA who specializes in government accounting. Mick Justin stated that he signs off on all audit reports after reviewing all documentation. A proposal was submitted to the City to perform the City's audit for three years. The cost to the City would be \$5500 in 2003; \$5600 in 2004 and \$5600 in 2005. With the implementation of GASB 34 in 2004, the City's financial statements will need to be revamped to record the infrastructure. Since the amount of time needed to do this re-tooling is unknown, a standard per hour rate is included in the proposal for any additional work that may be required. The increase of \$1,000 over the previous year is a result of the additional time the firm has put in conducting the City's audit. Most cities run approximately 100 hours for an audit, however with Crosslake about 150 hours is needed. Mick Justin stated that there is a push to keep auditing and accounting procedures separate and the City may be looking at moving in that direction. He stated that his firm has a high client retention rate and conducts quality reviews every three years with a peer group. As licensed CPA's, both he and Judy are required to have a minimum of 120 hours of continuing education annually. The firm has exposure with single audits, Tax Increment Financing, airport requirements in addition to the regular government type accounting. Justin stated that the firm carries professional liability insurance in the amount of 2 million dollars.

Councilmember Eggena asked what the cost would be to perform just the audit. Justin stated that the audit could be completed for \$4500 if they don't draft footnotes or do a lot of the preparation for the audit. Councilmember Eggena asked what the firm would do if something tragic happened to either Judi or himself. Mick Justin stated that that could present a problem, but he does have a Practice Continuation Agreement with Kummert Larson and Bluth in Brainerd in the event he is killed or incapacitated. He stated that another option would be to subcontract the audit out to another firm. Eggena asked if the responsibilities were divided up, would they prefer accounting or auditing and Mick Justin stated that they would prefer doing the audit.

City Administrator Swenson asked what the timeframe would be to do the fieldwork, prepare a rough draft for Staff review, and preparation of a final report for presentation to the Council. Judi Moravec stated that she is already scheduling audits, but has time available at the end of February. A rough draft could be available by May 1<sup>st</sup>, with a final copy available in mid May. Mayor Swanson asked if the Council approves a combination of accounting and auditing would they agree to an amount, possibly \$4500, with a not to exceed cap. City Administrator Swenson stated that it would be hindsight to come in at this time to do consulting for 2003, but possibly the consulting portion could begin in 2004. At 2:32 P.M. Mayor Swanson thanked Mick Justin and Judi Moravec for their presentation.

Tom Koop of Larson Allen joined the meeting and presented their proposal. Mr. Koop stated that he is a principal with the firm and Mike Lyonase, who was also in attendance, is the audit manager for government auditing. The firm has been in existence since 1953 and currently employees 800 individuals nationwide with 40 employees in the Brainerd/Crosslake office. He stated that Don Engen's former practice was acquired approximately fourteen years ago and was the beginning of governmental accounting. The firm currently has 225 government clients and has developed a vast amount of expertise in the area. The firm has taken the lead in GASB 34 accounting with twelve to fifteen clients already having gone through the implementation. The firm uses the latest technology and will utilize electronic processing to extract information from the City's computer onto a PC. The team of employees at Larson Allen have experience with Tax Increment Financing, Sewer, Special Assessments and GO Bonds in addition to the regular government activities. Two options were proposed to the City. Option 1 would provide traditional audit services for the year ended December 31, 2003 including preparation of the City's financial statements and related footnotes, preparing the annual report to the MN state Auditor and assisting the City with journal entries to reflect accrual basis accounting. The cost for this Option is estimated between \$9,000 to \$12,000 depending on the number of hours required to complete these services. Option 2 would provide the accounting assistance necessary to close the City's books, adjust fund structures as necessary, organize the accounting system, record year-end accruals, prepare the financial statements and footnotes in final format and prepare the annual report to the State Auditor and prepare year-end account analysis schedules to facilitate the City's annual audit. The estimated cost for these services would be billed at \$100 per hour for an estimated cost between \$7,000 to \$8,000. Councilmember Eggena asked if the proposal in Option 2 would get the City on GASB 34 and Koop stated that the City would not be required to move to GASB 34 accounting until the 2004 audit is prepared. Koop stated that work is required prior to moving to the GASB 34 accounting procedure since the City's infrastructure needs to be valued. For example, the City Engineer needs to determine road values from 1980 forward. Councilmember Eggena commented that he would like to see the move to GASB 34 if the auditing and consulting is split. Eggena commented that Mick Justin stated earlier in the meeting that they would be re-tooling to get to GASB 34. He asked Tom Koop if that is what he would consider the move to be and Tom Koop explained how the financial statement would look under GASB 34. Eggena then asked Tom Koop which role they would like to be involved in and initially Koop stated the consulting role because they could help the City more in that role, but would be agreeable to doing either Option 1 or Option 2. City Administrator Swenson asked what the timeframe would be for Option 1 and Tom Koop stated that they would

do field work in late January, with a draft by mid February. Swenson asked if they would agree to a "not to exceed amount of \$12,000" and Tom Koop stated that would be reasonable but if the hours came in under 120, they would bill actual hours. City Administrator Swenson asked how the City would be billed under an hourly arrangement and Tom Koop stated that billing would be done on a monthly basis. Councilmember Phillips asked if other communities were looking at separating duties and Tom Koop stated that other cities are considering this type of arrangement, but it is a new concept and Crosslake would be the first within a 60-mile radius if that were the decision of the Council. At 3:07 P.M., Mayor Swanson thanked the representatives from Larson Allen for their presentation. It was the consensus of the Council that a decision would be made after the Council heard the road presentations.

Discussion of Daggett Pine Road – Present for this portion of the meeting was City Engineer Dave Reese, Jeff Miller of WSN, Public Works Commission Member Dean Swanson, Public Works Director Ted Strand, Park and Recreation Director Jon Henke, Community Development Director Ken Anderson, Cindy Holden and one other individual.

City Engineer Dave Reese stated that the feasibility study considers that portion of road just east of the Ox Lake Landing intersection and proceeds to the Dream Island Bridge. Two segments of road are proposed due to different uses along the road. Information compiled from a previous study for the portion of road between Ox Lake Road and Wilderness Trail was utilized to complete this study. The first study included a bike path along the north side of Daggett Pine Road. The first segment of road is proposed as a 24' wide road with a widening of the clear zone. The intersection at Miller Road would require drainage correction as well as the area near the East entrance of the Community Center to the area where the Church is located. Elevations in these areas need to be looked at for potential drainage problems and acquisition of easements may be required. Public Works Director Ted Strand concurred with City Engineer Reese and commented that there may be additional areas where drainage problems exist. If this is the case, additional easements may be required to correct drainage problems in addition to the bike path. The second segment of road would extend from Waterwood Court to the Dream Island Bridge. This portion of road is more residential in nature with more curves. Some of the drainage problems were corrected along this portion of road during the 2002 Road Improvement project. Some clearing will be required since the vegetation is closer to the road. There is no ditching along the road so the road should be elevated to get a 20-year life out of the road. Utility issues will need to be considered in both segments in order to complete grading work and coordination of temporary power, telephone and gas services will also be necessary between the contractor and the utility owners during construction. Reese stated that if the Council feels that sanitary sewer would be a consideration sometime within the next 20 years, there are some investments that could be made now to save costs later. Costs have been broken down to include a separate cost for the bike path along with a separate cost for Segment 1 and Segment 2. City Engineer Reese stated that it would be difficult to get the entire road completed this year due to the need for additional easements, however the first segment could be done in 2004.

Mayor Swanson asked City Administrator Swenson how funding for this road could be achieved. Swenson stated that because the 2003 projects did not get assessed, these projects could be included with the 2004 projects to meet the requirement that at least

20% of the project be assessed. The City has \$127,000 in reserves in addition to the \$142,000 that was added to the reserves in December 2003. The payment received from the County for Whitefish Avenue could also be used along with the \$130,000 budgeted for 2004. City Administrator Swenson stated that the City may want to keep the reserves for West Shore Drive in the event the City can't bond for that project. Councilmember Miller stated that there are huge issues that the Council needs answers for. One question would be whether we looking at taking a 66' right-of-way and another 20' for the bicycle path? Also from Wilderness Trail to the bridge, is a 20' wide surface being proposed when the road narrows to 14' at the bridge. Councilmember Eggena asked what wear life remained on the second segment of road. City Engineer Reese stated that if he compares this section of Daggett Pine Road with certain parts of West Shore Drive, the road appears to be in fairly good condition. Most of the drainage problems have been corrected and the pavement appears to be in fairly good shape. Public Works Director Ted Strand felt there was probably five to six years of wear left since the road was paved from Pine Point Road to the bridge in 1989. There was an overlay put down in 1984 up to Pine Point Road. Councilmember Eggena asked if we would be smart to wait the five years. Councilmember Schultz asked if there were any plans to replace the bridge road that serves twenty to twenty-five lots. Everyone agreed that this would be a very expensive project. Mayor Swanson's comments were: (a.) the portion that needs the improvement is from Ox Lake Landing to Wilderness Trail; (b.) regarding sanitary sewer, the north side of the road is pretty much open; and (c.) County Road #103 was completed with traffic control and it got done. City Administrator Swenson stated that originally the Public Works Commission looked at ending the project at Waterwood Court or Daggett Lane, but agreed to look at the remainder of the road as suggested by the City Council. Someone from the audience asked why the City was looking at putting the bicycle path on the North side of the road. City Engineer Dave Reese stated that the location for the bike path was looked at previously and it was the consensus of the Council, at that time, that the North side of the road would be the best location. There are some areas along the road, such as in the vicinity of Miller Road, where the bike path would have to come back onto the road, but otherwise it could be removed from the road. Another member of the audience, who lives beyond the Community Center on the south side of the road, stated that in the spring when it melts, the drainage goes onto his driveway and he would like to discuss this problem with someone. Councilmember Miller agreed that these types of problems need to be corrected and that the City Engineer needs to look at elevations. Councilmember Eggena stated that ditching may be needed as part of the project. There was some discussion regarding limiting the load limits but Councilmember Eggena stated that the City needs to build the road to a standard that can handle the trucks. Councilmember Eggena's comments were: (a.) I agree that Ox Lake Landing to Wilderness Trail or somewhere around this area is in greater need for improvement, (b.) I agree with the bike path but I disagree with City sewer in this area. I don't see any problem if we keep the lot size's where they are. I would like to save the capacity for areas that need it. Most of the lots along this road are good size. Councilmember Miller stated that he agrees with Councilmember Eggena that it should be separate. Councilmember Phillips stated that he was in partial agreement. He stated that he agrees with the bike path to the Community Center, but doesn't agree it should go beyond. Councilmember Schultz commented that you'd have a missing link in the path. Councilmember Eggena stated that the one-mile from Wilderness to the Community Center could be used for people who walk. He sees it as being a nice walking path even if someone drove to the Community Center, parked his or her car and then used the path

for walking. Eggena stated the path makes sense, but not as a part of the road. Mayor Swanson commented that if we're going to put in a bike path, now is the time to do it. Councilmember Eggena agrees that as the area develops, property owners will build further back if the bike path is there. A member of the audience commented that if the road is widened, people will drive faster and the road will become more dangerous. She did support a bike path separate from the roadway. Cindy Holden stated that she is in favor of a bike path and agrees to work with the City to see what can be done with her property to make it work. An option would be to use the hole as a catch basin and put the bike path behind the basin. City Administrator Swenson stated that Dave Reese needs direction from the Council on how to proceed. MOTION 1S1-01-04 WAS MADE BY CHUCK MILLER AND SECONDED BY IRENE SCHULTZ TO DIRECT CITY ENGINEER DAVE REESE TO COME BACK WITH A PROPOSAL FOR THE DESIGN OF DAGGETT PINE ROAD FROM OX LAKE LANDING TO WILDERNESS TRAIL INCLUDING A BIKE PATH. Councilmember Eggena stated that if we just blacktop, there would be no assessment, but if we're rebuilding the road and bringing it up to City standards it can be assessed. Councilmember Miller stated that we would need to amend the Ordinance in order to assess the project. Eggena disagreed and stated that the Ordinance already allows the Council to assess the project since the road is not up to City standards. Councilmember Miller commented that the Council needs to determine if this is the case because West Shore Drive will have the same situation. Someone in the audience asked what the road standard was when the road was built. Eggena stated that there was no policy in effect at the time Daggett Pine Road was improved and maybe the City doesn't assess 50% but maybe 20% depending on what the upgrade involves. City Administrator Swenson suggested that the Council direct Attorney Sandelin to review the Ordinance and determine whether an amendment is needed. MOTION CARRIED 4-1 WITH COUNCILMEMBER PHILLIPS VOTING NAY.

Discussion of West Shore Drive – City Engineer Dave Reese stated that WSN has developed cost estimates for three alternatives for West Shore Drive. The first alternative proposes improvement to West Shore Drive by milling and reclaiming the first section of road with an overlay on the entire road. The road would be widened by one foot on each side for a 22' width. The current width of the roadway is 20'. An off road bike path on the West side of West Shore Drive is proposed and will add significant cost to the project due to the need for easements. A right-of-way plat would be the best way to handle this situation. City Engineer Dave Reese stated that he has received phone calls regarding whether the road is moving closer to their property and whether or not the roadbed would be relocated within the right-of-way. Reese stated that it is unknown where the road will be located until the right-of-way plat is obtained. After the right-of-way plat is complete, a public hearing should be held to address the various issues. Reese stated that Alternative No. 1 is premised on the idea of having a right-of-way plat with additional easement for bike path. He stated that the cost is significant because a majority of the road will be reconstructed; ditching may be limited due to the Council and public's perspective regarding clearing. Due to this, it will be difficult to straighten the road. Alternative No. 2 is an on-road bike path option with 34' wide pavement. There would be two 11' driving lanes with two 6' shoulders. This option would require considerable clearing. The costs to Ideal Township are included in the handout. Alternative No. 3 is a 28' wide surface with an off-road bike path. This would consist of a 20' wide bituminous road with 8' shoulders. Councilmember Miller stated that if the road is widened, we're

creating additional parking for the boat ramp and during the last public hearing held at the Community Center, residents favored an off road bike path. Miller suggested that the Council authorize the right-of-way plat and do a separate easement for the bike path. Councilmember Eggena asked if Miller was suggesting no parking on both sides of West Shore Drive. Miller felt it would be useless to put a bike path along the road since people will park on the bike path. Councilmember Eggena stated that West Shore Drive has so many problems to deal with that it needs to be broken into different pieces. Eggena suggested that the right-of-way plat be done first, then a rebuild of the road to a 22' width. Eggena stated that he is not in favor of bike paths along a road due to the liability responsibility it would create. Secondly, Eggena felt another public hearing should be held to hear from the public since this is a neighborhood issue. Councilmember Schultz stated that she likes the idea of an off road bike path. Councilmember Phillips stated that we should improve the road and forget the bike path. Phillips felt there would be snowmobile and litter problems due to the location of the off road bike path. Mayor Swanson recommended that the Council consider approval of the right-of-way plat and scheduling another public hearing to let the public know what the costs will be. It was the consensus of the Council that a public hearing be held at the Community Center. Someone from the audience commented that they would like to see striping down the middle of the road since cars are not staying on their own side of the road. Reese stated that they have considered this, but the cost estimate does not include striping. Another member of the audience commented that the road is a lane and a half and feels the Council should consider widening the road. Councilmember Miller stated that the problem with striping one road and not others brings a liability issue to the City. A comment was made that the bike path is an issue for more than just the people who live along West Shore Drive. There are a lot of other residents who use this road.

City Administrator Swenson stated that there is a lot to consider but the Council has the recommendation from the Public Works Commission to authorize legal and engineering work to complete the right-of-way plat in 2004. MOTION 01S1-02-04 WAS MADE BY DEAN EGGENA AND SECONDED BY DICK PHILLIPS TO APPROVE THE FORMATION OF A RIGHT-OF-WAY PLAT BY WSN AT A COST NOT TO EXCEED \$43,950. MOTION CARRIED WITH ALL AYES.

MOTION 01S1-03-04 WAS MADE BY DEAN EGGENA AND SECONDED BY CHUCK MILLER TO APPROVE RESOLUTION NO. 04-01 AUTHORIZING THE CITY ENGINEER TO PROCEED WITH THE PREPARATION OF A RIGHT-OF-WAY PLAT PURSUANT TO MINNESOTA STATUTE SECTION 505.1792 AND 505.1793 PURSUANT TO THE PROPOSAL DATED NOVEMBER 19, 2003 OF THE CITY ENGINEER WIDSETH SMITH NOLTING. MOTION CARRIED WITH ALL AYES. City Administrator Swenson asked if City Engineer Reese could bring an update to the Council in April or May so that a public hearing can be scheduled on a Saturday in June or July.

Bills for approval -- MOTION 01S1-04-04 WAS MADE BY CHUCK MILLER AND SECONDED BY IRENE SCHULTZ TO APPROVE THE PAYMENT OF BILLS AS SUBMITTED IN THE AMOUNTS OF \$14,156.96 AND \$660,865.65. MOTION CARRIED WITH ALL AYES.

Discussion/motion on awarding audit – Councilmember Miller stated that he would support the use of two firms for auditing and consulting but didn't know if he could agree with the price structure. Councilmember Eggena agreed that he would like to see Larson Allen hired as consultant to close out the books and use Mathias Justin to do the audit with the total bill between \$10,000 to \$12,000. Eggena stated that then the Council could look at the structure again next year. He stated that the City needs someone to help plan the City's finances. City Administrator Swenson stated that the cost is approximately 4/10ths of 1% of the City's budget. Comparatively, the Telephone Company audit cost for 2003 was \$36,810, so for the City to spend \$12,000 - \$13,000 is considerably less. An option would be to allocate money from the EDA and Sewer Fund to participate in the cost. Mayor Swanson stated that the City needs to get through GASB 34 financial accounting and liked the idea of using a consultant and an auditor. MOTION 01S1-05-04 WAS MADE BY DEAN EGGENA AND SECONDED BY CHUCK MILLER TO LEAVE THE AUDIT WITH MATHIAS JUSTIN AT AN AMOUNT NOT TO EXCEED \$4,500 FOR ONE YEAR AND TO RETAIN LARSON ALLEN AS CONSULTANT AT AN AMOUNT NOT TO EXCEED \$8,000. MOTION CARRIED WITH ALL AYES.

MOTION 01S1-06-04 WAS MADE BY CHUCK MILLER AND SECONDED BY DICK PHILLIPS TO ADJOURN THIS SPECIAL COUNCIL MEETING AT 5:00 P.M. MOTION CARRIED WITH ALL AYES.

Recorded and transcribed by,



Darlene J. Roach  
Clerk/Treasurer

SHARED/SPECIAL COUNCIL MEETING – January 5, 2004.doc

**DECEMBER BILLS PAID IN JANUARY**

5-Jan-04

VENDOR	DEPT	AMOUNT
Ace Hardware, coffee pot	PW	29.81
Ace Hardware, charcoal, lighter fluid	Cemetery	57.29
Ace Hardware, cleaner, protectant	PW	17.33
Brit Enterprises, fuel lines, fuel pump, filter	PW	222.85
Business Forms, laser checks	Admin	250.00
Cellular One, cell phone charges	Police	193.07
Crosslake Communications, phone, fax, cable, internet	ALL	1,517.32
Crosslake Communications, reimburse pera rate increase	Gov't	744.75
Crow Wing Power, electric utilities	ALL	2,888.27
Dacotah Paper, towels, cups	Gov't	49.11
Holiday Station, fuel	P&Z	7.75
Ken Anderson, moving expenses	P&Z	1,705.85
Martin Communications, mobile radio for 04 squad	Police	2,321.90
Molly's Cleaning Service, december cleaning	Gov't	745.50
Office Shop, cassettes	Admin	25.45
Office Shop, endorsement and notary stamps	Admin	56.76
Pequot Auto Parts, battery, beam, wiper blades	PW	134.86
Reed's Market, charcoal	Cemetery	71.48
Reed's Market, coffee, filters	PW	11.11
Triangle Oil, diesel and unleaded gas	PW	689.15
Viking Coca Cola, pop	PW	184.09
Xcel Energy, gas utilities	ALL	2,233.26
<b>TOTAL</b>		<b>14,156.96</b>

**BILLS FOR APPROVAL**  
**5-Jan-04**

VENDORS	DEPT	AMOUNT
Avenet, annual web page fee	Gov't	360.00
Brehm Group, personal accident policy	Gov't	624.75
Council #65, union dues	ALL	142.11
Crosslake Rolloff, recycling	Gov't	2,450.00
Deferred Comp	ALL	491.66
Delta Dental, dental insurance	ALL	1,086.45
First National Bank of Deerwood, sewer project bond pymt	Sewer	22,015.58
Fortis, disability	ALL	236.42
Lakes State Bank, 1999 road improvement bonds	PW	3,120.00
Lakewood Bank, 1999 road improvement bonds	PW	3,307.50
League of MN Cities, jnt facility, fuel tank insurance	PW	1,459.00
Medica, health insurance	ALL	10,929.62
Mills Motors, 2004 squad car	Police	20,334.86
MN Benefits	Admin	100.92
MN Department of Health, food license	P&R	185.00
MN Life, life insurance	ALL	255.60
NCPERS-Life Insurance	ALL	128.00
North Ambulance, subsidy	Ambulance	1,103.00
Northern National Bank, 1999 road improvement bonds	PW	127,937.50
Northern National Bank, wilderness trail	PW	14,004.10
PERA	ALL	N/A
Public Works Facility Bond Payment	PW	192,491.92
Sewer Project Bond Payment	Sewer	71,042.40
State and Federal Taxes	ALL	N/A
Tom Swenson, vehicle allowance	Admin	400.00
US Bank, 2002 road improvements and comm center refin	Gov't	93,115.00
US Bank, 1999 road project bonds	PW	15,090.00
US Bank, 2000 and 2001 road project bonds	PW	66,165.00
Ziegler, grader payment	PW	12,289.26
<b>TOTAL</b>		<b>660,865.65</b>