

CROSSLAKE UTILITIES COMMISSION/JOINT CITY COUNCIL MEETING
TUESDAY, FEBRUARY 25, 2003
CROSSLAKE COMMUNITY CENTER

The Regular Meeting of the Crosslake Utilities Commission was called to order by Chairperson Ted Silva at 7:30 a.m. Members present: Ted Silva, Bill Smith, Steve Roe, Judy Cotten, Hank Duitsman, Gerry Brine and Clyde Fish. Also present were General Manager Dennis Leaser, Office Manager Debby Floerchinger, Operations Manager Jared Johnson, Liaison Darrell Swanson, City Administrator Tom Swenson, Bookkeeper Sunnie Engstrom, Pat Powers from Olsen Thielen & Co., Ltd. and Helen Fraser.

Actions:

- 1) **The Utilities Commission recommends to the City Council that we utilize the services of financial institutions, legal firms, engineers, accountants and consultants as listed on the attached.**
- 2) **The Utilities Commission recommends to the City Council the approval of the 2003 Budget for the Telephone and Cablevision Companies.**
- 3) **The Utilities Commission recommends to the City Council approval of the audits for Telephone and Cable for the year ending 2002.**
- 4) **The Utilities Commission recommends to the City Council adjustment of the cable rates.**
- 5) **The Utilities Commission recommends to the City Council a decrease in the DSL rates.**

Steve Roe was welcomed to the Commission by Ted Silva.

The Minutes of the January 28, 2003 Regular Meeting and the February 4, 2003, Special Meeting were reviewed by the Commission. Hank Duitsman moved to accept the Minutes. Second by Clyde Fish. All in favor. Motion carried.

The combined Telephone and Cable January 2003 Financial and Statistical Reports were reviewed. This was the first month of the combined statements. Debby explained any variations to the Commission. The Digital report was also reviewed. Tom asked about the decrease in depreciation for Cable. This item will be checked into. Hank explained that we will be accruing the payment to the City. This accrual issue was recently resolved and will therefore appear on all future reports. Judy Cotten moved to accept the January 2003 Telephone and Cable Financial and Statistical Reports. Second by Hank Duitsman. All in favor, motion carried.

- 1) **Commission Elections.** Ted stated that according to the Utilities Management Policy, Commission members at the second meeting of each year shall elect the Chairperson. A motion was made by Bill Smith to nominate Ted Silva as chairperson. Second by Hank Duitsman. All in

favor, motion carried. Ted Silva selected Gerry Brine as Vice Chair. Gerry's appointment was accepted by a unanimous ballot.

- 2) Name Legal Firms, Financial Institutions, Engineers, Accountants and Consultants. A motion was made by Gerry Brine and Second by Bill Smith to recommend to the City Council that we utilize the services as listed (see attached list). All in favor. Motion carried. Gerry Brine asked if we used Gammello, Sandelin & Qualley to do our collections. Debby responded that we use a collection agency out of St. Cloud. It was also noted that Olsen Thielen & Co., was listed as a consultant due to using their services for non-accounting matters (regulatory).
- 3) 2003 Budget. Dennis reviewed the 2003 Telephone and Cable Budget at length with the Commission. The budget this year is built around offering "Excellent Customer Service" along with offering the best and most up-to-date telecommunications services for our customers. In 2002 we had a four-fold increase in DSL customers and expect similar growth to continue in 2003. This all goes along with being certified "E-Commerce Ready". Also included in the budget is the beginning of a 4-5 year plan to build a new computerized mapping system which will replace our old inefficient manual system. We are also starting a plan to replace worn out construction equipment. Also included is the creation of a Scheduler Position to improve customer service by improving our work scheduling, dispatching, insuring appointments are met and setting service priorities. The telephone operations budget for 2003 is \$259,200 (\$109,458 less than 2002). The Cable TV budget is also built around Excellent Customer Service and Products through increased signal reliability and improved customer service. One of our main priorities will be cutting over previously placed cable TV plant which will improve service. The total Cable TV operations budget for 2003 is \$92,700 (\$126,300 less than 2002). Hank Duitsman moved to recommend to the City Council acceptance of the 2003 Telephone and Cable TV budget. Second by Clyde Fish. All in favor, motion carried.
- 4) Central Office Update. Jared reported that we are well into our \$1,100,000 central office upgrade. Currently we have paid approximately \$687,000 on the switch with \$325,000 left to be paid. We have had savings in some areas and minor overruns in other areas. We are about four days ahead of schedule. The voice mail system has been installed and is operational. All things are going well.
- 5) Anticipated expenses for 2003. Dennis reviewed some of the increases we are anticipating for 2003 including auto fuel, insurance and wages.

OTHER BUSINESS

- 1) DSL Rate Review. Dennis reported that we strive to stay competitive with our neighboring companies. Our prices were established based on the projected customer base of 33 subscribers and the cost of equipment needed to offer DSL. Since we have experienced unpredicted growth, the costs have been spread over more customers. Hank Duitsman moved to recommend to the city a revised rate structure for DSL. Second by Gerry Brine. All in favor, motion carried.
- 2) Cable TV Rates. Dennis stated that we have experienced an 11% increase in all programming costs for 2003 as well as a 5% increase in labor, materials, insurance and fuel costs. We added three new channels (KMWB, KSTC and Fox Sports World) to the system as well as the Minnesota Wild Hockey to Fox Sports TV. We are also looking into the addition of PAX TV (Family programming) and KBJR TV (Duluth NBC) in 2003. A 7% rate increase was proposed. These proposed increases are in line with Charter Communications. Clyde moved to recommend to the City Council a 7% adjustment in cable rates as follows:

	New Rate	Old Rate
Basic	15.95	14.95
Expanded Basic	30.95	28.95
Digital	41.95	38.95
Digital Plus	77.95	78.95

Second by Judy Cotten. All in favor. Motion carried. The notice to the subscribers will explain the increases in costs.

The meeting was recessed at 8:50 for a short break.

Council members Chuck Miller, Irene Schultz and Dean Eggena joined the Commission for a Joint Council/Commission meeting. Richard Phillips was absent. Mayor Swanson called the Council Meeting to order at 9:00 a.m.

The Commission meeting also resumed at 9:00 a.m. Judy Cotten had left the meeting. Gilroy Arvig and Cindy Holden joined the meeting.

- 1) Commission Member Presentation. Ted Silva presented Gilroy Arvig with a plaque thanking him for his six years of service on the Commission. Ted said that Gil did a great deal to educate and inform the commission. He gave us a lot of good advice and help. Gil thanked the Council for their foresight with the Telephone Company's five year plan, he thanked the commission for their input and help, and he thanked Dennis and the staff of Crosslake Communications for their hard work. Armond Gease was to also receive a plaque but was not at the meeting.
- 2) Audit Review – Telephone Company. Pat Powers from Olsen Thielen was present to review the 2002 Telephone Audit with the Commission and City Council. Pat reported that 2002 was a turbulent year for the communications industry because of competition, universal service, and

interexchange carrier bankruptcies. Pat also noted that the audit reflected the transfer of the \$2,500,000 to the City as well as accruing the payable to the City for the dividend. Pat reported that the audit provided a clean opinion. Hank Duitsman recommended to the City Council approval of the 2002 Telephone Company Audit. Second by Clyde Fish. All in favor. Motion carried.

MOTION 02S1-01-03 WAS MADE BY CHUCK MILLER AND SECONDED BY IRENE SCHULTZ TO APPROVE THE 2002 TELEPHONE FUND AUDIT. MOTION CARRIED WITH ALL AYES.

- 3) Audit Review – Cable Company. Pat Powers then reviewed the 2002 Cablevision Audit with the Commission and Council. Pat pointed out that revenues in 2002 showed a strong increase due to the rate increase and launch of digital services as well as true up of tower leases and reselling the digital signal to Emily Telephone. Operations expenses increased because of the problems found in the network when the digital cable was launched. As in other years there was a large increase in the programming costs. The cash flow for 2002 was considerably stronger than 2001 due to the transfer of accounts payable to the Telephone Fund notes payable. Bill Smith recommended to the City Council approval of the 2002 Cable Company Audit. Second by Gerry Brine. All in favor, motion carried.

MOTION 02S1-02-03 WAS MADE BY DEAN EGGENA AND SECOND BY IRENE SCHULTZ TO APPROVE THE 2002 CABLE FUND AUDIT. MOTION CARRIED WITH ALL AYES.

- 4) 2003 Combined Telephone and Cable Budget. Dennis reported to the Council that the Commission had recommended approval of the 2003 Combined Telephone and Cable Budget. It was noted that the budget has been reviewed with all council members. The highlights of the budget for 2003 include Exceptional Customer Service, cutting over of the cable already placed in the ground, and equipment purchases. The total capital budget is \$259,200 for the Telephone operations and \$92,700 for the Cable Operations. Combined operating revenues for Telephone and Cable TV total \$2,899,109 and combined operating expenses for Telephone and Cable TV total \$2,869,818.

MOTION 02S1-03-03 WAS MADE BY CHUCK MILLER AND SECONDED BY IRENE SCHULTZ TO ACCEPT THE 2003 TELEPHONE AND CABLE BUDGET. MOTION CARRIED WITH ALL AYES.

- 5) Rate Balancing. Dennis reported that we try to keep our DSL rates in perspective with surrounding telephone companies. The main reason we initiated DSL was for the businesses. Our prices were established based on the projected customer base of 33 subscribers and the cost of equipment needed to offer DSL. Since we have experienced unpredicted growth, the costs have been spread over more customers. Dennis informed the Council that the Utilities Commission recommends that we lower the DSL rates to be in line with surrounding companies effective April 1, 2003.

MOTION 02S1-04-03 WAS MADE BY IRENE SCHULTZ AND SECONDED BY DEAN EGGENA TO LOWER THE DSL RATES EFFECTIVE APRIL 1, 2003. MOTION CARRIED WITH ALL AYES.

Cable TV Rate Increase. Dennis reported to the Council the increase of 11% in programming costs and 5% in operating expenses such as labor, insurance and materials. We added three new channels in 2003 and are looking into adding more in 2003 depending on our June survey. The Commission recommended to the City Council a 7% increase in cable rates (Basic \$15.95, Expanded Basic, \$30.95, Digital \$41.95 and Digital Plus \$77.95).

MOTION 02S1-05-03 WAS MADE BY DEAN EGGENA AND SECONDED BY IRENE SCHULTZ TO ACCEPT THE INCREASE IN CABLE RATES. MOTION CARRIED WITH ALL AYES.

Dennis thanked the staff, Commission, Council and Mayor for their support.

The March Regular Meeting of the Utilities Commission will be Thursday, March 27, 2003 at 7:30 a.m. at Crosslake Communications.

A motion was made by Clyde Fish and second by Steve Roe to adjourn the Utilities Commission meeting at 10:20.



Ted Silva, Chairman

Mayor Swanson reconvened the Special Council Meeting at 10:30 A.M. and stated that there were seven items on the agenda to be reviewed by the Council.

The first item was a request to release the retainage for Pay Estimates #1,#2 and #3 for Crosslake Construction for the roof project. The amount to be released is \$19,937.24. City Administrator Swenson and Public Works Director Ted Strand have spoken to George Riches and all have agreed that the retainage can be released. The work on City Hall should be completed by this Friday, February 28th. MOTION 02S1-06-03 WAS MADE BY CHUCK MILLER AND SECONDED BY IRENE SCHULTZ TO APPROVE THE RELEASE OF RETAINAGE IN THE AMOUNT OF \$19,937.24 FOR CROSSLAKE CONSTRUCTION. MOTION CARRIED WITH COUNCILMEMBER EGGENA ABSTAINING FROM THE VOTE.

Park and Recreation Director Jon Henke requested approval to contract with Donna Keiffer for a third session of aerobics starting Monday, March 10th and running through Thursday, April 17th. Cost of instruction for this six week class is \$396.72. MOTION 02S1-07-03 WAS MADE BY IRENE SCHULTZ AND SECONDED BY CHUCK MILLER TO APPROVE CONTRACTING WITH DONNA KEIFFER TO PROVIDE AEROBIC INSTRUCTION AT A COST OF \$396.72. MOTION CARRIED WITH ALL AYES.

City Attorney Paul Sandelin sent a letter to the City dated February 18, 2003 addressing the open meeting law. Attorney Sandelin stated that if Council members wish to attend Commission meetings, the meeting must be posted as a Special Council Meeting. Mayor Swanson inquired about situations such as the St. Patrick's Day Parade where there is a quorum of the Council in attendance on a float. Attorney Sandelin stated that type of function is allowed under State Law, but the Council members cannot discuss City business. Councilmember Eggena asked if the City should publish all Commission Meetings as Special Council Meetings to avoid the violation and it was the consensus of the Council after considerable discussion that the Commission's would no longer be functioning as an advisory commission if the Council was in attendance at all meetings. Councilmember Eggena stated that he has purposely avoided some of the meetings that he would have liked to attend for this very reason. Councilmember Schultz stated that the Council is required to follow the law and cannot put themselves in a situation where a quorum of the Council is in attendance. Attorney Sandelin stated that the purpose of having a liaison on the Commission is to bring information back to the Council as a whole in regards to action taken at Commission meetings. Mayor Swanson stated that the Council does receive the minutes of all of the Commission meetings and have the resources of Staff, the City Engineer and City Attorney to answer questions. Councilmember Miller stated that judges are very strict in ruling on open meeting law cases in an effort to protect the public.

Memo from the Personnel Committee dated February 24, 2003 contained various recommendations for Council approval. The job description for the Community Development Director has been revised and reviewed by the Personnel Committee. Approval by the Council was requested. MOTION 02S1-08-03 WAS MADE BY DEAN EGGENA AND SECONDED BY CHUCK MILLER TO

APPROVE THE REVISED JOB DESCRIPTION FOR THE COMMUNITY DEVELOPMENT DIRECTOR DATED FEBRUARY 25, 2003. MOTION CARRIED WITH ALL AYES. The Personnel Committee recommended Council approval to use Sherrie L. Le Consultants to manage the recruitment and selection process at a cost not to exceed \$4500 plus/minus 10% for expenses. MOTION 02S1-09-03 WAS MADE BY IRENE SCHULTZ AND SECONDED BY DEAN EGGENA TO APPROVE THE PROPOSAL FROM SHERRIE L. LE CONSULTANTS TO MANAGE THE RECRUITMENT AND SELECTION PROCESS FOR THE COMMUNITY DEVELOPMENT DIRECTOR POSITION AT A COST NOT TO EXCEED \$4500 PLUS/MINUS PERCENT PLUS EXPENSES. Councilmember Eggena asked if there was any interest by anyone else in the City. City Administrator Swenson stated that one individual was interested but does not meet the minimum qualifications and the other one who does meet the qualifications is not interested in the position. Councilmember Miller stated that even though someone already employed by the City is interested, he would especially want an outside person to look at the qualifications and fitness for the job in order that no one is accused of any bias. City Administrator Swenson stated that this firm has been used twice in the past with very good results. Also, a search firm was used when Dennis Leaser was hired and the cost was in the area of \$17,000. MOTION CARRIED WITH ALL AYES. Nancy Vernon has agreed to assist the City Administrator in directing the Planning and Zoning Department and for these efforts it was the recommendation of the Personnel Committee that she be paid an additional 15% of her current wage for accepting this responsibility. In this position she will be attending meetings, preparing packets and providing overall direction to the Department. Other options were explored such as a step movement and etc., however, based on previous experience by Mayor Swanson, Councilmember Phillips and General Manager Leaser the increase to \$16.84 is recommended. MOTION 02S1-10-03 WAS MADE BY DEAN EGGENA AND SECONDED BY IRENE SCHULTZ TO APPROVE A \$2.20 PER HOUR INCREASE FOR NANCY VERNON. Councilmember Miller suggested that the Committee look at what she has learned in the process of filling in and possibly not return her to the same step but give her a step increase. Councilmember Eggena also felt that she may be required to help the new Director for a period of time until they can get up to speed so maybe the pay should not be dropped the day the replacement starts. MOTION WAS AMENDED TO INCLUDE FOR A PERIOD OF THIRTY DAYS BEYOND THE DATE THE COMMUNITY DEVELOPMENT DIRECTOR ASSUMES THE POSITION FOR PURPOSE OF ORIENTATION. MOTION CARRIED WITH ALL AYES. Approval was requested to approve an Interview Committee consisting of Councilman Phillips, Councilman Eggena, City Administrator Swenson, Sherrie Le and an Area Planning and Zoning Administrator, possibly Todd Holman of Baxter. MOTION 02S1-11-03 WAS MADE BY IRENE SCHULTZ AND SECONDED BY CHUCK MILLER TO APPROVE AN INTERVIEW COMMITTEE CONSISTING OF COUNCILMAN PHILLIPS, COUNCILMAN EGGENA, CITY ADMINISTRATOR SWENSON, SHERRIE LE AND AN AREA PLANNING AND ZONING ADMINISTRATOR. MOTION CARRIED WITH ALL AYES.

Chief Bob Hartman requested approval on an addendum to the Police Department Policy Manual regarding the Crow Wing County Tactical Team. City Attorney Sandelin has reviewed the proposed changes and recommended that the City enter into a Mutual Aid Agreement with Crow Wing County to cover the services provided to the Tactical Team. Chief Hartman has spoken with other municipalities regarding any problems they have experienced and all of the Chiefs were very supportive of the TAC Team. Discussion ensued regarding insurance and how Erik Lee would be covered and by whom should he be injured. City Attorney Sandelin stated that the League of Minnesota Cities could provide this information to the City. It was felt that if Erik Lee was on duty when he was called out he would be covered under the City's insurance. If Erik was called out when he was at home, the County's insurance should cover him.

Motion 02S1-12-03 WAS MADE BY CHUCK MILLER AND SECONDED BY DEAN EGGENA TO AUTHORIZE THE CITY ENTERING INTO A MUTUAL AID AGREEMENT WITH THE COUNTY. MOTION CARRIED WITH ALL AYES.

Chief Hartman asked the Council if they were in agreement with the proposed addendum to the Police Department Policy. City Administrator Swenson asked about use of the City's squad car and stated that he would feel better if Sergeant Lee had a squad to use which would be equipped with the necessary emergency equipment versus using his personal car. Councilmember Eggena felt that if Sergeant Lee was on duty, he should use the squad. If he was off duty, he should use his own personal vehicle since he would be utilizing a County vehicle as a member of the TAC Team. City Attorney Sandelin asked if Sergeant Lee would be off the City clock if he was called out and it was the consensus of the Council that he would be off City time unless the situation was in Crosslake. It was decided by the Council that Chief Hartman and City Attorney Sandelin review the insurance considerations in more detail for presentation at the March meeting.

Approval of bills for payment was requested. **MOTION 02S1-13-03 WAS MADE BY CHUCK MILLER AND SECONDED BY IRENE SCHULTZ TO APPROVE THE BILLS FOR PAYMENT AS SUBMITTED IN THE AMOUNT OF \$7953.70. MOTION CARRIED WITH ALL AYES.**

County Highway Engineer Duane Blanck and Michael O'Donnell joined the meeting to update the City Council on the County's prospective regarding the Joint Public Works facility. Michael O'Donnell is a design engineer for Crow Wing County. City Engineer Dave Reese was also present to bring the Council up to date with the progress that has been made to this point and what needs to be accomplished in order to move forward. Dave Reese presented the site plan of the fourteen acres which includes the wastewater treatment facility and the proposed Joint Public Works Facility. City Engineer Reese also presented a chronology of events that has led the City up to the point of construction. Because the County needed a facility in this area, WSN looked at design elements that could be included in the facility that would be of better benefit to the public. After the County had expressed an interest in moving their facility to

Crosslake, Staff, WSN and County employees toured the joint City/County facility in Hutchinson and were very impressed with how the municipalities could work together for the good of the area. Construction of buildings which could be shared were considered such as a cold storage building, a salt and sand storage building as well as a heated maintenance building for Public Works Staff and County Staff. In addition to use by the County Highway Department, the facility would be designed for use by the Water Patrol Division of the Sheriff's Department. Crow Wing Power will also be installing a power sub-station at this site. During the CUP process, screening and vegetation was incorporated into the plan to provide a more desirable appearance for the neighborhood and as a buffer for traffic in and out of the facility. At a meeting facilitated by the Chamber in February of 2002, the proposed cost of \$2.92 million was presented to the public. At this meeting, financing options were also reviewed and it was determined that financing would be done through the Economic Development Authority with the City leasing from the EDA and the County sub-leasing from the City. A percentage of sharing of costs will be determined between the City and the County. Duane Blanck stated that Michael O'Donnell will operate as the Construction Manager for the project. He stated that the County started looking for other options in the early 1990's and with the growth that has been occurring in the northern part of the County, felt that it would be beneficial to have a northern County operation and a southern County operation. Currently the County is operating a site in Emily and one in Pequot Lakes. These two locations would be closed and combined into one location in Crosslake. This facility will improve the plowing operations on County Road #3 and County Road #16 whereas the plow trucks will not have to plow against the traffic. The County brought in a retired consultant to review how the County could do a better job without more manpower and this option was a viable one. The County had the ability to obtain \$255,000 in funding from the State which the County Board earmarked be put into a maintenance account for the new facility. The Sheriff's Department is short of facilities for their Water Patrol Division and this arrangement allows them to be in an area with high activity due to the fifteen lakes in the immediate vicinity. The Sheriff's Department would rent space from the County for their operation. The plan would be to have six County maintenance workers and one sub area foreman to be housed in Crosslake. Duane Blanck stated that the County spends upwards of \$150,000 to \$180,000 each for a dump truck and loader with no garage space to keep the equipment inside due to lack of storage space. Michael O'Donnell addressed the Council and stated that he would like to be able to proceed with putting the facility out for bids in March. He stated that he would like to use eight bid packages in order to allow local companies the opportunity to bid. The plan would be to award the bid in April with construction start in May and completion in October. The City and Economic Development Authority have approved reimbursement resolutions which will allow any costs currently being incurred on the project to be reimbursed to the City from the bond proceeds. County personnel along with City personnel will be used wherever possible for clearing and etc. Public Works Director Ted Strand stated that with centralized purchasing, the cost for sand and salt will result in enormous savings for both the City and the County. A

centralized fueling system will allow all City Departments, Crosslake Communications and County Employees to access fuel as well as be provided with individual vehicle information regarding oil changes and etc. by vehicle. The Solid Waste Office is also interested in installing an oil tank for disposal of used oil at the site and WSN has incorporated this site into the design.

Councilmember Eggena asked if anything was gated and he was informed that there will be two gates. The gates will be open during regular working hours.

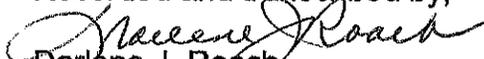
Councilmember Eggena inquired about Saturday's and Ted Strand stated that this can be worked out because he will be at the Treatment Plant anyway. Dave Reese stated that some items may be considered as alternates to keep the cost down such as a wash bay, a concrete floor in the cold storage building and etc. The type of heating system to be installed could be considered as an alternate even though the proposed system is a hydronic boiler in floor system.

Councilmember Eggena asked if any recycled oil would be used and Duane Blanck stated that it is used at the Solid Waste Facility for fuel but there are no plans to use at this facility. At the time the County looked into using it, the burner was not UL approved. Even though they are now manufactured where they are approved, the County does not feel that there would be enough waste oil for both facilities. Also, WSN does not feel that a split type of heating would work in the facility. Duane Blanck informed the Council that by using Michael O'Donnell as the construction manager, a savings of \$100,000 will be realized.

Councilmember Eggena asked Duane Blanck what he foresees for future needs and Blanck stated that he does not see the County Highway Department growing much more. What they will see in the future is miles mature and not a great need for more equipment. Products are being manufactured that are non-corrosive and more environmentally safe and protects what we currently have. There was some discussion regarding the lease agreements that need to be signed between the EDA, the City and the County. City Attorney Sandelin was directed to work with Staff and the County on these agreements to come up with an equitable percentage for review at the next Council meeting. The City and County has tentatively agreed on a 47/53 percent split respectively. Both parties agreed to keep it simple to be efficient and at such time as a modification needs to be made it can be done at that time.

There being no further comments, MOTION 02S1-14-03 WAS MADE BY CHUCK MILLER AND SECONDED BY IRENE SCHULTZ TO ADJOURN THIS SPECIAL COUNCIL MEETING AT 12:35 P.M. MOTION CARRIED WITH ALL AYES.

Recorded and transcribed by,


Darlene J. Roach

Clerk/Treasurer

Shared:02-25-03 Joint Meeting Minutes