

CROSSLAKE UTILITIES COMMISSION/JOINT CITY COUNCIL MEETING  
THURSDAY, MARCH 5, 2002  
CITY HALL

The Regular Meeting of the Crosslake Utilities Commission was called to order by Vice Chairperson Armond Gease at 7:45 a.m. Members present: Armond Gease, Hank Duitsman, Ted Silva and Gerry Brine. Members absent: Judy Cotten and Bill Smith. Also present were General Manager Dennis Leaser, Office Manager Debby Floerchinger, Operations Manager Jared Johnson, Liaison Darrell Swanson, City Administrator Tom Swenson, Pat Powers from Olsen Thielen & Co., Ltd. and Gilroy Arvig.

**ACTIONS TAKEN:**

- 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 2002 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 2001.**
- 4) **The Utilities Commission recommends to the City Council the appointment of Clyde Fish to the Utilities Commission to fill Gilroy Arvig's vacancy. (term ends 2/1/05).**

The Minutes of the January 29, 2002 Regular Meeting were reviewed. Ted Silva moved to accept the Minutes. Second by Gerry Brine. All in favor. Motion carried.

The January 2002 Financial and Statistical Reports were reviewed. Ted Silva moved to accept the January 2002 Financial and Statistical Reports. Second by Hank Duitsman. All in favor. Motion carried.

- 1) **Commission Elections.** According to the Utilities Management Policy, Commission members at the second meeting of each year shall elect the Chairperson. A motion was made by Gerry Brine to nominate Ted Silva as Chairperson. Second by Armond Gease. All in favor. Ted Silva selected Armond Gease be Vice Chair. Ted Silva thanked Gilroy Arvig for his six years of service with the Commission and all of the help and support he provided. Dennis also thanked Gil for his time and support.
- 2) **Name Financial Institutions, Legal Firms, Engineers, Accountants, etc.** A motion was made by Ted Silva and second by Hank Duitsman to recommend to the City Council that we utilize the services as listed (see attached list). All in favor. Motion carried.

- 3) Five Year Planning – CO Bids. Dennis reported that the City Council approved our bid for consulting work with CC&I in the amount not to exceed \$5,598 for the Central Office Switch Assessment. There is a 60 day time limit on this assessment.
- 4) 2002 Budget. The 2002 Telephone Budget was reviewed in length. Dennis reported that we started working on this budget approximately 6 months earlier. There is documentation for every expenditure in the budget. Hank Duitsman questioned whether the projected Network Access revenues were overstated. Pat explained that there will be changes in the revenues beginning this year but the changes will move to other account codes. We should not see too much decrease at this point. There was also discussion on the impact of wireless services. Pat also explained that we are seeing changes in our access revenues due to the Optional Extended Area Service that we implemented in March of 2001. There was also discussion on the purchase of two service vehicles. After considerable discussion, Hank Duitsman moved to accept the 2002 Telephone Budget. Second by Gerry Brine. All in favor. Motion carried.
- 5) MART Day on the Hill. Dennis reported that he attended the MART Day on the Hill February 26 and 27, 2002. He felt it was a very useful experience since he was able to meet one on one with Senator Don Samuelson, Representative Dale Walz (12A) and Representative Greg Blaine (12B). As a group the industry expressed support for the 911 Rewrite, increasing the 911 Surcharge 6 cents and the TAG program.

#### CATV

The Cable Financial and Statistical Reports for January 2002, were reviewed. Gerry Brine moved to accept the January Cable Financial and Statistical Reports as presented. Second by Ted Silva. All in favor. Motion carried.

- 1) Pay Per View Purchases Report and Digital Update. Debby reported on the digital activity with 245 households taking Digital service as of the end of January. There were 132 movie purchases in January. She also reported that there will be a Free Starz Preview the weekend March 8 – 10<sup>th</sup>. Starz will be aired on channel 12 and anyone signing up for Starz will get the first month free.
- 2) Emily Telephone Agreement. Dennis reported that the Digital Cable Agreement has been approved by the City Council and Emily Telephone's Board as of February 18, 2002. The contract is for seven years at \$1,371/month.
- 3) NCCTA Show. Dennis reported that the National Cable Television Association conference will be March 10 – 12<sup>th</sup> in Minneapolis. We have four employees attending along with Hank Duitsman.

Council Members Dean Swanson, Charles Miller and Irene Schultz joined the Commission meeting. Mayor Swanson called the Special Council Meeting to order at 9:04 a.m.

- 4) 2002 Cable TV Budget. The 2002 Cable TV Budget was reviewed. There was discussion on a remaining balance from 2001 of \$82,658 due from the Cable TV Company to the Telephone Company which represents reimbursement of monthly expenses. Pat Powers pointed out that we had a balance forward from 2000 in the amount of \$77,188. Dennis recommended that we add the balance remaining of \$82,658 to one of the existing loans between the Telephone and Cable Company in order to cash flow for 2002. Ted Silva moved that we recommend to the City Council that \$82,658 be added to one of the existing loans with the Telephone Company. Second by Hank Duitsman. All in favor. Motion carried. Dennis pointed out that we will not be plowing any cable this year and that what has been plowed will be cut over. We will be monitoring our trouble calls over the next year to determine what areas may need cable plowed in next year. The Commission feels that we will need to look at a rate increase for next year in order to make the company healthier. Darrell Swanson asked what the market value of the company might be. There was discussion on the matter. Gil Arvig stated that the Cable Company is the best security for the Telephone Company since telephone service can be delivered over the cable lines. He also stated that he feels the cable system is much better off that it was five years ago because of the investment made in the plant. Darrell suggested that the Commission and Council meet periodically through the year to review the Cable Company.
- MOTION 03S1-01-02 WAS MADE BY CHARLES MILLER AND SECONDED BY DEAN SWANSON TO APPROVE THE TRANSFER OF \$82,658 TO AN EXISTING LOAN WITH THE TELEPHONE COMPANY. MOTION CARRIED WITH ALL AYES.

Gerry Brine moved to recommend to the City Council approval of the 2002 Cable TV Budget as presented. Second by Ted Silva. All in favor. Motion carried.

MOTION 03S1-02-02 WAS MADE BY DEAN SWANSON AND SECONDED BY CHARLES MILLER TO APPROVE THE 2002 CABLE TV BUDGET. MOTION CARRIED WITH ALL AYES.

#### OTHER BUSINESS

- 1) Commission Member Opening. Gerry Brine reported that the Committee had reviewed the applications and conducted interviews. The Committee recommends the appointment of Clyde Fish to the Commission to fill Gilroy Arvig's opening. Gerry Brine moved to recommend to the City Council the appointment of Clyde Fish. Second by Ted Silva. All in favor. Motion carried.

MOTION 03S1-03-02 WAS MADE BY CHARLES MILLER AND SECONDED BY DEAN SWANSON TO APPROVE THE APPOINTMENT OF

CLYDE FISH TO THE UTILITIES COMMISSION. MOTION CARRIED WITH ALL AYES.

- 2) Insurance Update. Dennis notified the Commission that the insurance premium for medical coverage increased 11% this year over last year's rate. Gerry Brine requested a recap of all employee benefits, co-pay, etc.
- 3) Sewer System Financing. Dennis informed the Commission that the City will be drawing \$2.5 million of the designated reserves to fund the sewer system. It was asked why the decision was made not to borrow the funding. Tom said due to the interest rates and the Governor's plan to take any fund balances that cities may carry.
- 4) 2001 Audit Review -- Telephone Company. Pat Powers of Olsen Thielen was present to review the 2001 Telephone and Cablevision audits with the Commission and City Council. Pat reported that it was a clean opinion. He also stated that the Telephone Fund has a very strong balance sheet. In regard to the Network Access Revenues, the largest impact was from the Optional Extended Area Service with TDS. There is also an affect from cellular usage but we don't know how much of an impact yet. Pat suggested locking in the Co-Bank interest rate before it goes up. There was some growth in access lines mostly on the business side. The return on rate base is at 5.2% and has been dropping and the State looks for this to be 11.5%. There was discussion on raising our rates. Dennis said that since we just had the FCC increase and the Cable TV increase, we were uncomfortable adding another increase. This will be looked at again in June. Hank Duitsman moved to approve the 2001 Telephone Audit. Second by Ted Silva. All in favor. Motion carried.

MOTION 03S1-04-02 WAS MADE BY DEAN SWANSON AND SECONDED BY IRENE SCHULTZ TO APPROVE THE 2001 TELEPHONE AUDIT. MOTION CARRIED WITH ALL AYES.

- 5) 2001 Audit Review -- Cablevision. Pat stated that it will be challenging year for the Cable Company. He pointed out that signal purchases alone is up 11% over the prior year. He also pointed out that cash from operating activities is down 48%. Ted Silva moved to approve the 2001 Cable Television Audit. Second by Gerry Brine. All in favor. Motion carried.

MOTION 03S1-05-02 WAS MADE BY CHARLES MILLER AND SECONDED BY DEAN SWANSON TO APPROVE THE 2001 CABLE TELEVISION AUDIT. MOTION CARRIED WITH ALL AYES.

- 6) 2002 Telephone Budget. It was pointed out to the Council that there are still a lot of unknowns in the network access revenues due to the FCC changes, Optional Extended Area Calling to TDS area and the affect of cellular usage. MOTION 03S1-06-02 WAS MADE BY CHARLES MILLER AND SECONDED BY

DEAN SWANSON TO APPROVE THE 2002 TELEPHONE BUDGET.  
MOTION CARRIED WITH ALL AYES.

Dennis thanked the staff of Crosslake Communications and Pat Powers for their hard work over the past year. Dean Swanson stated that he appreciated the atmosphere all around town and how well the employees of the City work with the employees of Crosslake Communications.

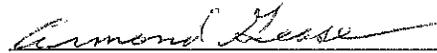
It was agreed that the City Council will join the Utilities Commission for the June 25<sup>th</sup> meeting to review the cable progress. The meeting will be held at City Council Chambers starting at 8:00 a.m.

**The March Regular Meeting of the Crosslake Utilities Commission will be Thursday, March 28, 2002 at 7:30 a.m. at Crosslake Communications.**

A motion was made by Ted Silva and second by Gerry Brine to adjourn the meeting at 11:09 a.m.

MOTION 03S1-07-02 WAS MADE BY CHARLES MILLER AND SECONDED BY DEAN SWANSON TO ADJOURN THIS SPECIAL COUNCIL MEETING AT 11:09 A.M. MOTION CARRIED WITH ALL AYES.

Cc: Gerry Brine  
Judy Cotton  
Hank Duitsman  
Armond Gease  
Ted Silva  
Bill Smith  
Clyde Fish  
Darrell Swanson, Mayor  
Charles O. Miller  
Irene Schultz  
Dean Swanson  
Sandy Eliason  
Tom Swenson  
Paul Sandelin

  
Armond Gease