

CROSSLAKE UTILITIES COMMISSION/JOINT CITY COUNCIL MEETING
TUESDAY, MARCH 28, 2000
CITY HALL

Regular Meeting March 28, 2000

The Regular Meeting of the Crosslake Utilities Commission was called to order by Vice Chairperson Armond Gease at 7:30 a.m. Members present: Armond Gease, Ted Silva, Judy Cotten and Karl Skog. Members absent: Gilroy Arvig, Del Gilsrud and Jay Andolshek. Also present were General Manager Kevin T. Larson, Liaison Darrell Swanson, Operations Manager Dennis Leaser, Office Manager Debby Floerchinger, Bob Reff from CC&I, Pat Powers from Olsen Thielen, and Helen Fraser.

ACTIONS TAKEN:

- 1) **The Utilities Commission recommends to the City Council that we utilize the services of financial institutions, legal firms, engineers and accountants as listed on the attached.**
- 2) **The Utilities Commission recommends to the City Council that the proposed Needs Assessment as presented by the investment committee be approved.**
- 3) **The Utilities Commission recommends to the City Council approval of a Five-Year investment ladder and approval of the use of the "Unforeseen Needs" balance for the Year 2000.**
- 4) **The Utilities Commission recommends to the City Council the approval of the 2000 Budget for the Telephone and Cablevision Company.**
- 5) **The Utilities Commission recommends to the City Council an increase in the cablevision rates.**
- 6) **The Utilities Commission recommends to the City Council that Medica be retained as the health insurance provider.**

The Minutes of the February 7, 2000 Regular Meeting were reviewed. Karl Skog moved to approve the Minutes. Second by Judy Cotten. All in favor. Motion carried.

The Financial and Statistical Reports for January and February, 2000 were reviewed. A motion was made by Ted Silva and second by Karl Skog to approve the reports as presented. 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 Ted Silva to keep the current slate of chair and vice chair as last year (Gilroy Arvig as Chair and Armond Gease as Vice Chair). Second by Judy Cotten. All in favor. Motion carried.

- 2) Name Financial Institutions, Legal Firms, Engineers, Accountants, etc. A motion was made by Karl Skog and second by Ted Silva to recommend to the City Council that we utilize the services as listed. (See attached list.) All in favor. Motion carried.
- 3) Needs Assessment. Kevin reported that an investment committee consisting of Ted Silva, Gilroy Arvig, Darrell Swanson, Tom Swenson and himself, had been established to oversee the proceeds from the RCC stock sale. The committee has met several times and prepared a "Needs Assessment" for the City and Crosslake Communications. The Needs Assessment was structured using the interest only from the proceeds. The Commission reviewed this Needs Assessment. A motion was made to recommend to the City Council by Ted Silva. Second by Judy Cotten. All in favor. Motion carried. The Investment Committee has also researched and analyzed ways to invest the proceeds of the RCC Stock sale. It is their recommendation to use a 5-year ladder strategy using various investment vehicles including local lending institutions and Merrill Lynch. A recommendation of the Investment Committee for an Unforeseen Needs balance was also reviewed. Karl Skog moved to recommend to the City Council approval of the 5-year ladder strategy using local banks and Merrill Lynch and approval of the use of the "Unforeseen Needs" balance for Year 2000. Second by Ted Silva.
- 4) 2000 Budget. The Telephone budget for 2000 was reviewed in length. Ted Silva moved to recommend to the City Council approval of the Telephone Budget for 2000. Second by Karl Skog. All in favor. Motion carried.

CATV

The Financial and Statistical Reports for January and February were reviewed. A motion was made by Karl Skog and second by Judy Cotten. All in favor. Motion carried.

- 1) 2000 Budget. The Cable TV budget was reviewed. Ted Silva moved that a recommendation be made to the City Council to approve the Cable TV portion of the budget. Second by Karl Skog. All in favor. Motion carried.
- 2) Rate Increase Letter. The Commission reviewed a proposed letter notifying the cable subscribers of a rate increase. A motion was made by Judy Cotten recommending to the City Council that we increase the Cablevision rates. Second by Karl Skog. All in favor. Motion carried.

PERSONNEL

- 1) General Manager's '99 "Incentive". A report from Tom Farm was included in the packet which indicates that Kevin Larson did meet the requirements to be eligible for the \$2,000 incentive. A motion was made by Ted Silva and second by Judy Cotten to approve the \$2,000 incentive. All in favor. Motion carried.

OTHER BUSINESS

1. Wireless North/Touch America Update. Kevin reported that the agreement with Touch America was signed in February. We will receive a refund of capital contributions in the amount of \$37,594.74.
2. Insurance Update. Kevin reported that we have received our insurance renewal for the year 2000. It contains a large rate increase. Tom Swenson, Harlan Johnson and Kevin held a meeting comparing benefits, premiums, and coverage and researched options. It is recommended that we retain Medica. A motion was made by Karl Skog to recommend to the City Council that we continue to use Medica. Second by Judy Cotten. All in favor. Motion carried.

The Commission meeting was recessed for five minutes with the City Council joining at 9:13 a.m.

Mayor Swanson called the City Council Meeting to order at 9:13 a.m. with Council Members Dean Swanson and Charlie Miller joining Mayor Swanson and the Utilities Commission. Also present was City Administrator, Tom Swenson.

- 1) Sewer Expansion. Tom Swenson reported that the sewer committee will be meeting today. The committee has met to work with the City Engineer and the MPCA on the discharge permits. The MPCA is currently reviewing the facility plan. The Corps campground would add to the flow. They have been scaling the project back to East Shore Landing up to the Lakeside Motel. The committee feels that with the development that is going on and the proposed motels wanting to hook up to the system, the treatment plant will be outgrown by the time it is built. The committee recommends to the City Council that a motion be approved directing the City Engineers to go to the next level of capacity of approximately 150,000 gallons per day. The committee is also working with the Corps of Engineers and Congressman Oberstar's office on some potential funding. Increasing the size of the plant puts the project in the \$4 million range. MOTION 03S1-01-00 WAS MADE BY DEAN SWANSON AND SECONDED BY CHARLES MILLER TO DIRECT THE CITY ENGINEERS TO DESIGN THE PLANT TO THE LARGER CAPACITY. Mayor Swanson stated that the City is prepared to go it alone, if necessary, but would try to find funding assistance. MOTION CARRIED WITH ALL AYES.

- 2) Needs Assessment. Kevin explained that an investment committee has been formed to make recommendations on investments and develop a joint Needs Assessment for the City and Crosslake Communications. A five-year ladder strategy for investing was recommended by the investment committee. The Utilities Commission has made a recommendation to the City Council to accept the five-year ladder strategy and Unforeseen Needs for the year 2000. MOTION 3S1-02-00 WAS MADE BY CHARLES MILLER AND SECONDED BY DEAN SWANSON TO APPROVE THE FIVE-YEAR LADDER FOR INVESTING AS RECOMMENDED BY THE INVESTMENT COMMITTEE PROVIDED THE MONEY IS INVESTED MEETING GOVERNMENT STANDARDS. MOTION CARRIED WITH ALL AYES.

MOTION 3S1-03-00 WAS MADE BY CHARLES MILLER AND SECONDED BY DEAN SWANSON TO ACCEPT THE NEEDS ASSESSMENT PREPARED BY THE INVESTMENT COMMITTEE. MOTION CARRIED WITH ALL AYES.

- 3) Telephone and Cable Audit Review. Pat Powers of Olsen Thielen was present to review the Telephone and Cablevision audits for 1999 with the Commission and City Council. Pat reported that it was a very good year for the Telephone Company and the City of Crosslake. The Telephone Company has a very strong equity position. There was discussion on the internal controls for the Company. Pat was asked to make a recommendation on the segregation of duties. Dean Swanson asked about the reserve on the RUS loan being higher than the loan balance. Pat suggested writing a letter to RUS requesting a decrease on the reserve. Kevin stated the Investment Committee would research this issue. The Cablevision Audit was then reviewed. Pat highlighted the audit by noting a 7% growth in customers with a 7% growth in revenues, additional revenue from the tower lease with Arial and with expenses up 20%. The Utilities Commission motioned to approve the Telephone and Cablevision Audits. Motion by Judy Cotten and second by Ted Silva.

MOTION 3S1-04-00 WAS MADE BY CHARLES MILLER AND SECONDED BY DEAN SWANSON TO APPROVE THE TELEPHONE AND CABLEVISION AUDITOR'S REPORTS AS SUBMITTED. MOTION CARRIED WITH ALL AYES.

- 4) Telephone Budget. The telephone budget was then reviewed with the City Council. MOTION 3S1-05-00 WAS MADE BY CHARLES MILLER AND SECONDED BY DEAN SWANSON TO ACCEPT THE TELEPHONE BUDGET AS PRESENTED. MOTION CARRIED WITH ALL AYES.

- 5) Cablevision Three-Year Plan. Kevin reviewed the Three-Year Plan for the Cable Company with the City Council. MOTION 03S1-06-00 WAS MADE BY CHARLES MILLER AND SECONDED BY DEAN SWANSON TO APPROVE THE CABLEVISION THREE-YEAR PLAN AS PRESENTED. MOTION CARRIED WITH ALL AYES.

- 6) Cablevision Budget. The cablevision budget was then reviewed with the City Council. MOTION 03S1-07-00 WAS MADE BY CHARLES MILLER AND SECONDED BY DEAN SWANSON TO ACCEPT THE CABLEVISION BUDGET FOR 2000 AS PRESENTED. MOTION CARRIED WITH ALL AYES.

- 7) Insurance. It was the consensus of the Utilities Commission and City Council that the Telephone Company and City will remain with Medica for health insurance coverage.

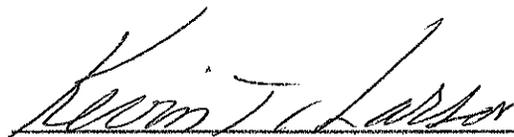
The next regular Utilities Commission meeting was changed to Tuesday, April 18, 2000 at 7:30 a.m. at Crosslake Communications.

A motion was made to adjourn the Utilities Commission meeting by Karl Skog. Second by Judy Cotten. All in favor. Motion carried.

MOTION 03S1-08-00 WAS MADE BY CHARLES MILLER AND SECONDED BY DEAN SWANSON TO ADJOURN THIS SPECIAL JOINT COUNCIL MEETING AT 11:00 A.M. MOTION CARRIED WITH ALL AYES.

Cc: Del Gilsrud
 Judy Cotten
 Armond Gease
 Jay Andolshek
 Gilroy Arvig
 Karl Skog
 Ted Silva
 Darrell Swanson, Mayor
 Charles O. Miller
 Irene Schultz
 Richard Upton
 Dean Swanson
 Tom Swenson
 Paul Sandelin

Signed:



 Armond Gease

For Armond Gease



Date: March 21, 2000

To: Utilities Commission Members & City Council Members

From: Investment Committee

Re: Investment Recommendation

The Investment Committee has researched and analyzed ways to invest the proceeds of the RCC Stock sale. It is our recommendation to use a 5-year ladder strategy using the following investment vehicles.

<u>Year</u>	<u>Assets</u>	<u>Investment Vehicle</u>
2000-2001	\$500,000	CD's, Gov. Money Market
2001-2002	\$732,000	T-Bill, T-Note, Fed Agency, CD's
2002-2003	\$732,000	" "
2003-2004	\$732,000	" "
2004-2005	\$732,000	" "
2005-2006	<u>\$732,000</u>	" "
	\$4,160,000	

The Investment Committee will be using local lending institutions for CD's and Merrill Lynch for CD's and other approved investment vehicles. It is our intentions to continually review this strategy and results.

The recommendation for the "Unforeseen Needs" balance for Year 2000 is:

City Needs	\$11,000 (\$5k vend. trailer/\$6k video equip)
City Hall Sign Res.	\$2,500
Hovercraft Res.	\$7,500
Park/Rec Res.	\$4,000 (tables/chairs, tread mill)

Future "Unforeseen Needs" will be review annually with recommendations.

**NEEDS ASSESSMENT
CROSSLAKE COMMUNICATIONS
CITY OF CROSSLAKE**

	2000	2001	2002	2003	2004	2005	2006
\$4.16m x 5.5% =	\$228,000	\$228,000	\$228,000	\$228,000	\$228,000	\$228,000	\$228,000
City Sewer	100,000	100,000	100,000	100,000	100,000	100,000	
CATV Co.	75,000	75,000	75,000	50,000	50,000	50,000	
Telephone Co.	25,000	40,000	40,000	50,000	50,000	50,000	
Unforeseen Needs	25,000	10,000	10,000	10,000	10,000	10,000	
Total \$'s Used	225,000	225,000	225,000	210,000	210,000	210,000	
Undesignated Balance	\$3,000	\$3,000	\$3,000	\$18,000	\$18,000	\$18,000	

Sewer - Dollars are to pay principle and interest on \$900,000 - \$1,000,000 sewer bonds.

CATV Co. - (2000-2002) Cash towards construction costs as part of the \$750,000 3-year upgrade plan.
(2003-Future) Cash towards principle and interest of the \$450,000 loan for the upgrade plan.

Telephone Co. - Dollars will be used to retire CoBank debt of \$250,000 incurred as part of the \$3.9 million telco upgrade.

Unforeseen Needs - This balance will be used for City needs and/or Utility rate stabilization for telephone or CATV.

Undesignated Balance - This balance will be reviewed annually. In the event that interest income projections fall below 5.5%, this balance will be used to supplement the designated accounts shown above.