

CROSSLAKE UTILITIES COMMISSION/JOINT CITY COUNCIL MEETING
THURSDAY, MAY 2, 2002
CROSSLAKE COMMUNICATIONS

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, Judy Cotten, Bill Smith, Armond Gease, Clyde Fish, Hank Duitsman and Gerry Brine. 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 Jason Dale from CC&I Engineering.

ACTIONS TAKEN:

- 1) **The Utilities Commission recommends to the City Council the purchase of a new switch subject to a final proposal with hard numbers; that funding for the new switch be referred to the Investment Committee; and that we hire CC&I to prepare specs and advertise for bids.**
- 2) **The Utilities Commission recommends to the City Council that we increase monthly telephone local service residential and business rates from \$11.50 to \$14.00 and \$15.00 to \$20.00 respectfully.**

The Minutes of the March 28, 2002 Regular Meeting were reviewed. Judy Cotten moved to accept the Minutes. Second by Gerry Brine. All in favor. Motion carried.

The March 2002 Telephone Financial and Statistical Reports were reviewed. Armond Gease moved to accept the March 2002 Financial and Statistical Reports. Second by Bill Smith. All in favor. Motion carried.

The March 2002 Cable Financial and Statistical Reports were reviewed. Hank Duitsman moved to approve the March 2002 Financial and Statistical Reports. Second by Judy Cotten. All in favor. Motion carried.

- 1) Pay Per View Purchases Report and Digital Update. Debby reviewed the report with the Commission. Digital Installations were low in April but it seems that a lot of the people have not returned yet. A direct mail postcard will go out on 5/3/02 marketing Digital TV.
- 2) Annual Cable Survey. The annual cable survey was reviewed with the Commission. Several changes were noted and they will be made prior to mailing out in the June 1st statements.

- 3) 2001 True Up to City. Dennis reported that according to the Utilities Management Policy Crosslake Communications pays up to 40% of net revenue to the City as a dividend. For budgeting purposes, it was agreed that an established amount be used for the dividend. Tom explained that in 1998 the City and Crosslake Communications established an amount of \$50,000 to represent the true up. This has been increased \$5,000 each year. The payment this year for 2001 year end is \$70,000. This true-up is in addition to the "City Fee" of \$4.60 per customer that is paid monthly. Pat Powers was asked to prepare a letter explaining the true up that would actually be due based on the 2001 Audit. He will prepare that information for next month's meeting.

- 4) Five Year Planning – CO Study and Funding. Dennis introduced Jason Dale from CC&I Engineering. Jason presented the Network Switching Assessment to the Commission. Four options were reviewed in the assessment including:
 - 1) Do nothing;
 - 2) Replacement of the switch;
 - 3) A soft switch replacement; and
 - 4) Leased switching.

Also reviewed in the study were items such as upgrades to our current AFC equipment, replacement of our power plant and integrating voice mail in our switch. The pros and cons were listed for each option and then a weighting method was used to formulate a recommendation. Cost estimates of each option were also included.

It was CC&I's recommendation that Crosslake Communications proceed with the TDM Replacement alternative. There was discussion on obtaining proposals from additional vendors although companies such as TDS, CTC, Emily and West Central all have Siemens EWSD switches. Dennis suggested that CC&I assist with the development of specifications for bidding and that they also be responsible for the advertising of the bid notice. Jason said that engineering costs had been included in the budgetary number for switch replacement but any trade in of the old switch had not been included. Bill Smith moved that we recommend to the City Council the purchase of a new switch subject to a final proposal with hard numbers; that funding for the new switch be referred to the Investment Committee; and that we hire CC&I to prepare specs and advertise for bids. Second by Hank Duitsman. Motion Carried. Darrell left the meeting at 8:45 a.m.

Council members Dean Swanson, Sandy Eliason and Chuck Miller joined the Commission Meeting for a Joint Council Meeting. Absent was Mayor Darrell Swanson and Councilmember Irene Schultz. Also present was City Attorney

Paul Sandelin, Clerk/Treasurer Darlene Roach and Matt Engen of the Investment Committee. Deputy Mayor Miller called the Joint Special Council/Commission Meeting to order at 9:12 A.M.

- 1) Telephone Rate Increase - General Manager Dennis Leaser reported that the last rate increase for telephone services went into effect in January of 1998. Since that date, costs have increased. The Minnesota Public Utilities Commission allows a return on the rate base of 11.25%. The return in 1998 was 11.30%. Based on the 2002 budget, the rate of return will be 3.45%. If the central office switch is replaced, the rate of return will be 2.8%. General Manager Leaser also informed the Commission and Council that the City's fee of \$4.60 is included in the local rate, which is currently \$11.50 for residential service and \$15.00 for business service. General Manager Leaser recommended raising the monthly rates as follows:

An increase of \$2.50 for residential service (\$11.50 to \$14.00)

An increase of \$5.00 for business service (\$15.00 to \$20.00)

These increases, along with the purchase of a new switch, would increase the rate of return to approximately 4.60%. General Manager Leaser further recommended that rates be reviewed annually. Discussion ensued regarding what the Commission feels the rate of return should be and how the increases affect the City's dividend. Commission Member Hank Duitsman recommended to the City Council that the residential rate for telephone services be increased \$2.50 per month to \$14.00 and the business rate be increased \$5.00 per month to \$20.00. Second by Bill Smith. All in favor. Motion carried. Pat Powers of Olsen Thielen & Co. noted that the Minnesota Public Utilities Commission should not have a problem with a rate increase request since the Company's rate of return is low. Bill Smith suggested that rate increases be reviewed at the annual planning meeting held each year.

MOTION 05S1-01-02 WAS MADE BY DEAN SWANSON AND SECONDED BY SANDY ELIASON TO APPROVE A TELEPHONE RATE INCREASE OF \$2.50 FOR RESIDENTIAL SERVICE FROM \$11.50 TO \$14.00 PER MONTH AND A TELEPHONE RATE INCREASE OF \$5.00 FOR BUSINESS SERVICE FROM \$15.00 TO \$20.00 PER MONTH EFFECTIVE JULY 1, 2002. Councilmember Miller stated that the "Mission" of the company needs to be reviewed and General Manager Leaser agreed to put this item on the agenda for a Joint Council/Commission meeting planned for June.

- 2) Five Year Planning - Central Office Study. Jason Dale of CC&I Engineering, Inc. presented a brief overview of the Switch Study Assessment, which was recently completed by them. Options reviewed by CC&I included: (1) Doing nothing by trying to maintain the current DCO Platform Switch. Reliability and stability, however is becoming a problem

since the vendor is having difficulty obtaining spare parts; (2) TDM Replacement, preferably by a EWSD SX manufactured by Siemens Corporation as the most reliable vendor; (3) Soft Switch Replacement, which is the next generation of equipment, but contains some big risks due to there not being many of these types available; or (4) Leasing from neighboring companies such as Consolidated Telephone. This option would have the smallest initial investment, however, would include risks with reliability, high recurring costs and no local control in maintenance. After considerable review, it was the consensus of CC&I and General Manager Leaser and Operations Manager Jared Johnson that the replacement of the DCO Switch with a TDM Switch would be the most desirable option. MOTION 05S2-02-02 WAS MADE BY DEAN SWANSON AND SECONDED BY SANDY ELIASON TO MOVE FORWARD WITH THE PURCHASE OF A NEW SWITCH BY HIRING CC&I ENGINEERING TO PREPARE SPECIFICATIONS AND TO ADVERTISE FOR BIDS AND TO REFER FUNDING OPTIONS FOR THE SWITCH TO THE INVESTMENT COMMITTEE FOR A RECOMMENDATION. MOTION CARRIED WITH ALL AYES.

PERSONNEL

- 1) Tammy Neubert Resignation - General Manager Dennis Leaser reported that Tammy's last day will be Friday, May 3, 2002 since she is moving back to the Twin Cities.
- 2) Pam Straka - Billing Clerk - Pam Straka will be filling the Billing Clerk position left vacant by the resignation of Tammy Neubert. Pam will continue to work both jobs until a replacement for the bookkeeper position can be found.
- 3) Bookkeeper Position - The job search for the bookkeeper position has begun. An advertisement has been placed in the Lake Country Echo, on the Minnesota Work Force web site and on the Minnesota Telephone Association job board website.
- 4) Union Negotiations - General Manager Dennis Leaser reported that Union negotiations will start in October. One additional Commission Member is needed to assist with negotiations and Bill Smith volunteered to assist the Negotiation Committee.
- 5) Investment Committee - Commission Chair Ted Silva reported that there is an open position on the Investment Committee previously held by Gilroy Arvig. Commission Members Hank Duitsman and Clyde Fish volunteered to serve on the Investment Committee.

OTHER BUSINESS

- 1) E-Commerce Certification. Dennis reported that the City of Crosslake has been classified as being E-Commerce Ready. The State of Minnesota Department of Trade and Economic Development will present a plaque to

the City at the Crosslake Communications Open House scheduled for Saturday, August 10th. The theme for this year's open house will be "E Commerce Ready". Crosslake Communications is one of about 15 cities in the State with this status. The State will be sending a press release to the Lake Country Echo. The City was able to obtain this achievement because of the technology offered by Crosslake Communications.

- 2) Update on "Studio in the Sticks" Revolving Fund Loan. City Attorney Paul Sandelin reported that Mayor Darrell Swanson and City Administrator Tom Swenson requested that the Commission and Council be updated on the status of the Revolving Loan as it relates to Studio In the Sticks. Studio In the Sticks received \$30,935 from the Revolving Loan Fund and \$31,905 from Lakes State Bank. Studio in The Sticks has recently filed a Chapter 7 bankruptcy owing \$21,000 to both Lakes State Bank and the Crosslake Revolving Loan Fund. City Attorney Sandelin stated that Lakes Bank has taken possession of the remaining collateral on the loan consisting of minimal inventory. City Attorney Sandelin also stated that there is no other recourse on the loan and establishing fraud in a Chapter 7 filing would be difficult to prove.
- 3) Bills for Approval - MOTION 05S1-03-02 WAS MADE BY DEAN SWANSON AND SECONDED BY SANDY ELIASON TO APPROVE THE BILLS FOR PAYMENT AS SUBMITTED IN THE AMOUNT OF \$108,381.10. MOTION CARRIED WITH ALL AYES.
- 4) Park and Recreation Director Jon Henke joined the meeting and requested Council approval for the purchase of a 2002 Kawasaki Mule from Brothers Motor Sports for a total price of \$8364.85. The need for a utility vehicle has surfaced with the purchase of the 83 acres of property adjacent to the Community Center. Funds for this purchase are available in the 2002 budget by utilizing the \$6000 that was budgeted for the addition of an office at the Community Center and the \$2360 that was budgeted for the basketball standards. (The basketball standards were installed through a donation from the Drew Blowers family.) A quote was also obtained from Bristow's in St. Cloud. MOTION 05S1-04-02 WAS MADE BY DEAN SWANSON AND SECONDED BY SANDY ELIASON TO APPROVE THE PURCHASE OF A 2002 KAWASAKI MULE FROM BROTHERS MOTOR SPORTS AT A COST OF \$8364.85. MOTION CARRIED WITH ALL AYES.

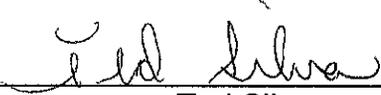
MOTION 05S1-05-02 WAS MADE BY SANDY ELIASON AND SECONDED BY CHUCK MILLER TO ADJOURN THIS SPECIAL JOINT COUNCIL MEETING AT 10:02 A.M. MOTION CARRIED WITH ALL AYES.

The next regular meeting of the Crosslake Utilities Commission is scheduled for Tuesday, May 28, 2002 at 7:30 at Crosslake Communications.

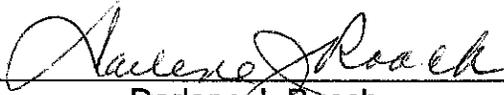
A Joint Meeting of the Council and Utilities Commission will be held on June 25, 2002 at 8:00 A.M. at City Hall. During this meeting the mission of the company will be discussed along with a target rate of return on telephone services.

A motion was made by Armond Gease to adjourn the meeting at 10:06 a.m. Second by Judy Cotten. All in favor. Motion carried.

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



Ted Silva
Utilities Commission Chair



Darlene J. Roach
Clerk/Treasurer

BILLS FOR APPROVAL
2-May-02

VENDORS	DEPT	AMOUNT
3M, light water	Fire	281.42
Ace Hardware, metal emblem	PW	8.30
Ace Hardware, lube spray	P&R	3.93
Ace Hardware, coupling, motor seafoam	P&R	10.63
Ace Hardware, fork manure 4tine	PW	30.34
Ace Hardware, electrical supplies	PW	15.38
Bjergas Feed Store, crab grass	P&R	360.80
Bob Hartman, reimburse travel expenses	Police	19.38
Brainerd Parks & Rec, chalk bags for baseball	P&R	50.00
Cellular One, phone charges	PW	30.02
Cellular One, phone charges	Police	150.61
Complete Title Services, owner and encumbrance report	PW	75.00
Council #65, union dues	ALL	200.30
Crow Wing Power, april electric bills	ALL	1,290.40
Culligan, water	Gov't	25.56
Dacotah Paper, tissue and towels	PW	137.54
Dacotah Paper, tissue and soap	P&R	78.61
Deferred Comp	ALL	2,180.76
Delta Dental, dental insurance	ALL	1,272.80
Echo Publishing, 4-16 public hearing	P&Z	111.38
Echo Publishing, road project bids	PW	50.63
Ehlers, tif district no. 1-7, cottonwoods 2001	Gov't	375.00
Eric Johnson, contract for deed	Gov't	19,066.95
Food Services of America, cookies for family fun day	P&R	71.03
Foreman Fire Service & Repair, pump tests	Fire	1,021.20
Fortis, disability	ALL	175.72
Galls Incorporated, stethoscope	Police	36.98
Galls Incorporated, uniform	Police	126.96
Galls Incorporated, streamlight stinger	Police	88.98
Holiday Station, propane	PW	15.70
Houston Ford, oil change	Police	17.41
Jon Henke, reimburse travel expenses	P&R	41.97
LaSalle National Bank, new fire truck lease	Fire	23,697.56
League of MN Cities, annual confernece	Gov't	315.00
Light Depot, flor. Bulbs	Gov't	28.80
Little Pine Livery, wagon rides at family fun day	P&R	100.00
Marco, council chairs	Gov't	2,846.75
Martin Communications, 2 portable radios	PW	1,944.69
Mastercard, Best Western Kelly Inn, lodging expense	Police	244.20
Mastercard, Best Western Kelly Inn, lodging expense	PW	80.40
Mastercard, Minnesotas Bookstore, restore you shore cd	P&Z	39.35
Mastercard, Red Lobster, meal expense	Police	16.09
Mastercard, Timber Lodge Steakhouse, meal expense	Police	27.77
Mastercard, Walmart, prizes for family fun day	P&R	315.02
Medica, health insurance	ALL	10,155.57

