

SPECIAL COUNCIL MEETING
CITY OF CROSSLAKE
THURSDAY, JULY 12, 2007
9:00 A.M. – CITY HALL

The Council for the City of Crosslake met in the Council Chambers of City Hall on Thursday, July 12, 2007. The following Councilmembers were present: Mayor Jay Andolshek, Steve Roe, Rusty Taubert, Irene Schultz and Dean Swanson. Also present were City Administrator Tom Swenson, City Clerk/Treasurer Darlene Roach, General Manager Paul Hoge, Crosslake Communications Accountant Cyndi Perkins, Community Development Director Ken Anderson, Auditor Keith Porter, Accountants Tom Koop and Sara Lusignan, Planning and Zoning Chairman Pete Abler, Lake Country Echo Reporter Betty Ryan and Brainerd Dispatch Report Renee Richardson. There were three individuals in the audience.

1. Mayor Andolshek call the Special Meeting to order at 9:00 A.M.
2. City Bills for Approval – MOTION 07S1-01-07 WAS MADE BY JAY ANDOLSHEK AND SECONDED BY DEAN SWANSON TO APPROVE THE BILLS FOR PAYMENT AS SUBMITTED IN THE AMOUNT OF \$13,978.00. MOTION CARRIED WITH ALL AYES.
3. Tom Swenson read a memo dated July 11, 2007 from Darlene Roach regarding release of TIF funds upon receipt of tax settlement. Approval was requested to release, with Council approval, any increment due a TIF District upon receipt of the tax settlement monies from either Crow Wing County or the State. This would allow for the expenditure of TIF funds to be paid in the same calendar year that the taxes are received. The current policy, established by motion of the City Council, prohibits release of tax increment funds until all taxes within the district are paid. This has created a discrepancy in the financial statement when a particular parcel in the district makes a tax payment later than May 15th or October 15th. The only tax increment that would be released to the developer is 90% of the tax revenue received by the City. If a parcel is delinquent in paying the property tax due, no increment would be paid to the developer for that parcel. The developer has had to pay the delinquent tax of a property owner in order to receive the TIF funds. Tom Swenson noted a problem with the Daggett Brook Condominiums TIF District. Each unit is owned by a private individual, so the developer has no control over when the taxes for each unit are paid. Under the current policy, the developer would not receive any TIF funds if one of the owners hasn't paid their taxes. Tom Swenson stated that this could also happen in the Crosswoods TIF District because the parcels are being sold to individual owners. Steve Roe stated that the City can use this situation as leverage to collect delinquent taxes. Tom Swenson replied that the developer is the one who loses, not the property owner who is delinquent in paying the taxes. Mr.

Swenson added that there is no down side to the City and it is the same situation as anyone within the City not paying their taxes. Steve Roe stated that he is not in favor of granting TIF funds to a project that will be parceled off to individual owners because the City loses leverage. Dean Swanson and Irene Schultz stated that because the TIF Districts are pay-as-you-go in Crosslake, the City would lose nothing because the City is not being reimbursed for bonds with TIF funds. Irene Schultz stated that collecting taxes is a function of the County. MOTION 07S1-02-07 WAS MADE BY DEAN SWANSON AND SECONDED BY IRENE SCHULTZ TO APPROVE THE RELEASE OF ANY INCREMENT DUE A TIF DISTRICT UPON RECEIPT OF THE TAX SETTLEMENT MONIES FROM EITHER CROW WING COUNTY OR THE STATE. Jay Andolshek stated that he is leery of releasing funds if the taxes have not been paid. Tom Koop of Larson Allen stated that the developer agreement should spell out the terms of disbursement and that most cities that he works with pay the 90% to the developer as soon as the city receives it. Tom Swenson explained that the City does not issue bonds for the TIF Districts so the City does not pay anything upfront. The developer only gets 90% of what taxes are received. If taxes were never paid, the developer would get nothing. Darlene Roach stated that this is a good discussion for the Council to have with the request for a new TIF District coming to the City this year. MOTION CARRIED WITH ALL AYES.

4. Tom Swenson read a memo dated July 11, 2007 from Darlene Roach regarding Tax Increment Financing reimbursement. Approval was requested to reimburse 90% of the incremental tax revenue received from Crosswoods Development TIF District 1-8 for the first half tax payment, which was paid and distributed to the City from the County in July. \$10,391.04 was received. The City will retain \$1,039.91, which is 10% for administrative fees. MOTION 07S1-03-07 WAS MADE BY IRENE SCHULTZ AND SECONDED BY DEAN SWANSON TO APPROVE THE RELEASE OF \$9,351.13 TO CROSSWOODS DEVELOPMENT FOR FUNDS RECEIVED FROM THE COUNTY FOR TAX REVENUE FROM TIF DISTRICT 1-8. MOTION CARRIED WITH ALL AYES.

5. Presentation by Keith Porter of Mayer, Porter, Beinhorn & Rowe, LTD., CPA on Auditor's Report and Legal Compliance on 2006 Audit – Keith Porter stated that preparing the audit for the City of Crosslake is a unique situation because the financial statements are completed ahead of time by Larson Allen and he gets to just audit. Mr. Porter stated that the firm of Mayer, Porter, Beinhorn & Rowe, Ltd. Audited the financial statements of the City of Crosslake for the year ended December 31, 2006 and that the City of Crosslake complied with all material terms and conditions of applicable legal provisions. A letter dated June 27, 2007 from Mayer, Porter, Beinhorn & Rowe, Ltd to communicate any control deficiencies or material weaknesses was included with the audit for Council information. This communication is a

requirement of the new auditing standard: Statement on Auditing Standards (SAS) 112: Communicating Internal Control Related Matters Identified in an Audit. The new standard applies to the audits of any financial statements with periods ending on or after December 15, 2006. Mr. Porter explained that his company is not expressing an opinion on the effectiveness of the City's internal control. A significant deficiency of segregation of duties was found within Crosslake Communications because of the small size of staff. This significant deficiency constitutes a material weakness. Mr. Porter stated that it is his job to ensure that the City understands where the deficiencies are so that the City can make informed business decisions on how best to respond to the risks, if necessary.

6. Presentation by Tom Koop/Sara Lusignan of Larson Allen on 2006 Financial Statement – Tom Koop addressed the Council and stated that a summary of the 2006 Financial Statements would be that they are very good, positive and clean. Sara Lusignan presented charts of the City's assets, noting that the City owns 78% of its capital investments. The majority of revenues came from property taxes (60%) with Crosslake Communications excluded from the graph. When Crosslake Communications is included the majority of revenues came from charges for services. Tom Koop noted that most cities rely on Local Government Aid (LGA) for revenue. Crosslake receives only \$12,000 in LGA compared to Brainerd, which receives several million in LGA. The Council looked at a chart regarding a 5 Year Trend of the General Fund. Tom Koop noted that the City must have enough in reserves to cover expenses until the tax dollars come in. Mr. Koop stated that the trend is stable because the City has a good budget process. Graphs depicting EDA Revenues and Expenditures were presented by Sara Lusignan. Steve Roe asked how the Crosslake EDA compares to other cities. Tom Koop replied that EDA's vary greatly from city to city. Sara Lusignan stated that it is not unusual for EDA's to issue bonds. Dean Swanson noted that the Crosslake EDA is not very aggressive. After the graph presentation, Tom Koop walked the Council through the Financial Statements and Supplementary Information of Year Ended December 31, 2006. The first part of the report is similar to a story which tells what happened financially in 2006. The rest of the report breaksdown the numbers by department. Tom Koop noted that the sewer user fees are not supporting the cost to run the municipal sewer system. Steve Roe suggested that the shortfall is a timing matter and that by next year the fees may support the cost because more users will be online by then. Tom Swenson stated that more users will help the shortfall but urged the Council to consider a user fee increase for the first of the year. Sara Lusignan thanked Tom Swenson and Darlene Roach for helping put the financial statements together and complimented them on their hard work. Tom Koop summarized that the financial statements are stable, very clean, and positive. MOTION 07S1-04-07 WAS MADE BY RUSTY TAUBERT AND SECONDED BY IRENE SCHULTZ TO ACCEPT THE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED

DECEMBER 31, 2006 AS PRESENTED. MOTION CARRIED WITH ALL AYES.

7. Review/Approve Crosswoods Development LLC/Ostlund Avenue Development Agreement – Ken Anderson reported that the developer would like to deposit drainage material on Outlot D, make a right turn lane and bypass lane on County Road #3, create storm water ponds in the ditching along County Road #3, make a center island on Ostlund Avenue with a sign for Town Square, and add concrete curbs and gutters. The City will install a streetlight at the intersection of County Road #3 and Ostlund Avenue and the developer will install 2 more streetlights along Ostlund Avenue. The developer is landscaping Outlot B. Tom Swenson referred to page 5, part E of the Developer's Agreement and asked for clarification of the City's responsibility of striping the roads. Ken Anderson replied that in the past, the striping has been done at the developer's cost. Terry Curtis was in attendance to represent the developer and stated that although he just received the Agreement this morning and didn't have much time to read it, he already found discrepancies. Mr. Curtis stated that the agreement appears to be a blanket document that was used by the City Attorney but that does not address all the issues of this development. Mr. Curtis suggested that the City could issue the developer a Conditional Use Permit and achieve the same results, which would make the process simpler. Mr. Curtis noted that the only difference from the General Implementation Plan approved in 1999 is the island in the road. Mr. Curtis added that the Agreement appears to be the same language as was used for Swann Drive in which the City took that road over. Tom Swenson and Dean Swanson did not remember the ponds on County Road #3 being in the original plans. Tom Swenson stated that if the ponds were to be turned over to the City for maintenance, an easement would need to be issued. Terry Curtis stated that a Developer's Agreement is ok to use for this project, but that the proposed agreement is not accurate. Ken Anderson agreed that the document contradicts itself, but that using a Developer's Agreement will go faster than a Conditional Use Permit. Terry Curtis replied that changes will need to be made to the Agreement before it is signed by the developer. Dean Swanson asked how the process could be expedited so that the developer can move forward with the project. Ken Anderson replied that the Council could walk through the Agreement now and make changes, or the Council could table the issue and have the City Attorney revise the Agreement, or the Council could allow the developer to proceed without an Agreement which the City Attorney did not suggest. Terry Curtis stated that the developer wishes to get started on the project as soon as possible and would be willing to walk through the Agreement or apply for a Conditional Use Permit. Paul Hoge noted that the utilities needed to be moved. Tom Swenson stated that the developer has held a pre-construction meeting and is ready to proceed right now. Ken Anderson suggested that the Council approve the City Attorney to work directly with the developer to make changes to the Agreement. Irene Schultz stated that the Council should

not hold the project up because the improvements will make the development better. Dean Swanson stated that he would be willing to attend a special meeting in order to have the Agreement approved. MOTION 07S1-05-07 WAS MADE BY RUSTY TAUBERT AND SECONDED BY IRENE SCHULTZ TO ALLOW THE DEVELOPER OF CROSSWOODS DEVELOPMENT TO PROCEED WITH THE PROPOSED IMPROVEMENTS TO OSTLUND AVENUE INCLUDING SIGNAGE, LIGHTING, TRAILS, UTILITY EASEMENT, ROAD ISLAND, BYPASS LANE AND TURN LANE AS PRESENTED ON THE SKETCH FROM LANDECKER & ASSOCIATES DATED 2/20/07 AND TO FORMALLY APPROVE THE CHANGES TO THE DEVELOPER'S AGREEMENT AT A LATER MEETING. MOTION CARRIED WITH ALL AYES.

The City Council took a break at 11:05 A.M. Mayor Andolshek reconvened the Special Council Meeting at 11:15 A.M.

8. Review the Revised Comprehensive Plan – Planning and Zoning Chairman Pete Abler presented to the Council the proposed revisions to Part I of the Comprehensive Plan. Mr. Abler explained that he corrected typos and grammatical errors. The Planning and Zoning Commission hopes to bring the Plan to the Council in August or September for adoption. One problem the Commission is facing is deciding what size maps to include in the Plan because the current ones are too big to reduce. Tom Swenson suggested folding the big maps and inserting them in plastic sleeves. Pete Abler stated that the major revisions were to the Background Information because the statistics were updated and the original information was moved to Appendix A. A lengthy discussion ensued regarding green space and aesthetics and the importance of these to the Plan. Steve Roe and Irene Schultz complimented Pete Abler for the work he put into the Plan update. Steve Roe wanted it to be stressed that the revisions are updates, not changes, to the original Plan. It was the consensus of the Council for Pete Abler to proceed with the updates.

Pete Abler asked for direction regarding Shoreland Maps and how they relate to the Zoning Maps. The Council concurred that it is important to include the Shoreland Map in the Plan. Terry Curtis stated that the last Council created the Shoreland Map to show inconsistencies with current zoning to the Shoreland Management Act. Steve Roe stated that the map with red circles depicting the Shoreland area is valuable information because it shows the problem the City has with zoning classifications. Ken Anderson added that the DNR does not have sufficient staff to review every plat that is created, so the City must regulate the Shoreland Ordinance. A discussion ensued regarding landfills and sewer expansion. It was agreed that unlicensed landfills should be prohibited.

9. MOTION 07S1-06-07 WAS MADE BY IRENE SCHULTZ AND
SECONDED BY DEAN SWANSON TO ADJOURN THE SPECIAL
MEETING AT 1:10 P.M. MOTION CARRIED WITH ALL AYES.

Respectfully Submitted by,

A handwritten signature in cursive script that reads "Charlene Nelson". The signature is written in black ink and is positioned above the printed name and title.

Charlene E. Nelson
Deputy Clerk

Deputy Clerk/Minutes/7-12-07

BILLS FOR APPROVAL
12-Jul-07

| VENDORS | DEPT | AMOUNT |
|--|-------------|------------------|
| Brainerd Lakes Chamber, fireworks | Gov't | 11,400.00 |
| California Contractors, first aid kits, bloodborne path kits | PW | 466.20 |
| Donna Keiffer, session 6 aerobics | P&R | 264.48 |
| Martin Communications, belt clip | Fire | 23.96 |
| MR Sign, address number signs | PW | 138.48 |
| Streichers, uniform | Police | 57.56 |
| Tri City Paving, upm mix, concrete sand, class 5 | PW | 1,627.32 |
| | | |
| TOTAL | | 13,978.00 |