

CROSSLAKE UTILITIES COMMISSION/JOINT CITY COUNCIL MEETING
TUESDAY, AUGUST 27, 2002
CROSSLAKE CITY HALL

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, Armond Gease, Clyde Fish and Hank Duitsman. Gerry Brine joined the meeting at 8:25 a.m. Also present were General Manager Dennis Leaser, Office Manager Debby Floerchinger, Operations Manager Jared Johnson, Liaison Darrell Swanson, City Administrator Tom Swenson, Helen Fraser and Jason Dale from CC&I Engineering.

ACTIONS TAKEN:

- 1) The Utilities Commission recommends to the City Council accepting the Nortel Central Office Bid including batteries, engineering, AFC, MDF, Miscellaneous Equipment, Installation, Local Contractor Assistance and Contingencies in the amount of \$1,033,759.**
- 2) The Utilities Commission recommends to the City Council approval of the payment schedule for the Switch Replacement with the funding coming from the Investment reserves.**

The Minutes of the July 30, 2002, Regular Meeting were reviewed. Bill Smith moved to accept the Minutes. Second by Armond Gease. All in favor, motion carried.

The July, 2002 Telephone Financial and Statistical Reports were reviewed. A loss of \$27,458.77 was booked for the Global Crossings and World Comm Bankruptcy filings as was recommended by Olsen Thielen. Dennis noted that the access line count was down 28 lines from last year partly due to our DSL increases – customers do not need a second line with DSL. Armond Gease moved to accept the July 2002 Telephone Financial and Statistical Reports. Second by Hank Duitsman. All in favor. Motion carried.

- 1) Central Office Switch Bids. Dennis reported that the bid opening was conducted at CC&I's office last Friday. The bidders included Siemens, Nortel and Lucent. Technical sessions were conducted the week prior with all three vendors making presentations. Dennis said that all three central office switches are compatible and comparable and he is comfortable with any one of the products. Jason Dale reviewed the bid information with the Commission. Lucent's bid was not accepted because they did not have a bid bond so therefore was disqualified from bidding. Nortel's base bid was \$584,322 and Siemens was \$1,120,000. The bids on the battery supply ranged from \$62,437 to \$81,000. Action Battery won the bid with a price of \$62,437. Nortel's offer included a reduction of

\$30,000 for the buy back of our old switch. Bill Smith questioned the large discrepancy between low bid and the others. Nortel's base bid was \$543,000 lower than Siemens. Jason said prior to opening bids, he felt they would come in where they did. Nortel supplies to more small rural telephone companies and Siemens typically supplies to larger companies. Siemens has also gone through some restructuring and may not have had the bidding abilities they had prior. Jason reviewed the alternates with the Commission. He also mentioned that he had solicited bids from other used equipment resellers with no response. Technical assistance was included in the Nortel price for unlimited support for one year, 24 hours a day, 7 days a week. The project is scheduled for delivery of the switch in early December with cut over on April 22, 2003 (prior to the summer season). The installation will be performed by Nortel staff. It was also pointed out that Nortel's yearly upgrades are about 1/3 the cost of Siemens' annual upgrades. Hank Duitsman moved to recommend to the City Council accepting the Nortel bid including batteries, engineering, AFC, MDF, Miscellaneous Equipment, Installation, Local Contractor Assistance and Contingencies in the amount of \$1,033,759. Second by Bill Smith. All in favor. Motion carried.

- 2) Central Office Switch Funding. There was discussion on the funds available. There is already \$600,000 in a reserve fund. It was pointed out that with the monies currently held, less the telephone reserves and the \$2.5 million for the city, there would be enough money to fund the \$433,759 balance on the switch after the \$600,000 reserve is used. Darrell asked why we wouldn't borrow money to pay for the switch. Ted said the Investment Committee felt they wanted to use the funds available and then build the reserve back up at \$100,000 a year. Hank Duitsman recommended to the City Council approval of the payment schedule with funding from the reserves. Second by Clyde Fish. All in favor with Gerry Brine abstaining due just arriving and not being present for the discussion.
- 3) Global Crossing/World Com Status. Dennis reported that based on a recommendation by Olsen Thielen, we booked an uncollectible amount of \$27,458.77 which represents 75% of the Intrastate portion outstanding at the time these companies filed bankruptcy. The interstate portion of \$19,482.94 will be recovered through NECA and the remaining \$9,152.92 of the Intrastate amount will possibly be recovered through the bankruptcy proceedings.

CATV

The Cable Financial and Statistical Reports for July, 2002 were reviewed. Clyde noted that the quarter numbers on both telephone and cable reports were not correct numbers. Dennis pointed out the increase in the pay-per-view purchases as well as an anticipated decrease in subscriber count due to our upcoming

seasonal disconnects. Armond Gease moved to accept the July 2002 Cable Financial and Statistical Reports. Second by Bill Smith. All in favor. Motion carried.

OTHER BUSINESS

- 1) Open House. Dennis reported that the open house this year was a huge success. We signed up several new customers for both DSL and Digital Cable. The e-commerce presentation to the City went well and the Chili cookoff was a success with Jared's chili taking first place.
- 2) Investment Committee Meeting Schedule. It was agreed that the next Investment Committee meeting would be Thursday, September 5, 2002 at 8:00 a.m. at Crosslake Communications.
- 3) Field Demonstration of Directional Drill. The Commission and Council were invited to view the new directional boring drill that was recently purchased. A demonstration will be performed on September 5, 2002, at 9:30 a.m. at County Road 103 and 66.

**JOINT COUNCIL/UTILITIES COMMISSION MEETING
AUGUST 27, 2002
8:30 A.M. – CITY HALL**

Present at the meeting were Mayor Darrell Swanson, Councilmembers Dean Swanson, Sandy Eliason, Irene Schultz and Chuck Miller, City Administrator Tom Swenson, Clerk/Treasurer Darlene Roach and the above members of the Utilities Commission. Also in attendance was Helen Fraser.

Mayor Swanson called the special meeting to order at 8:45 a.m.

- 1) Central Office Switch Bids. Jason Dale of CC&I Engineering presented the results of the bid opening for the Central Office Switch. It is the recommendation of the Utilities Commission to purchase the central office switch from Nortel in the amount of \$1,033,759 including batteries, engineering, AFC, MDF, Miscellaneous Equipment, Installation, Local Contractor Assistance and Contingencies. MOTION 08S2-01-02 WAS MADE BY SANDY ELIASON AND SECONDED BY CHUCK MILLER TO ACCEPT THE BID FROM NORTEL IN THE AMOUNT OF \$1,033,759. MOTION CARRIED WITH ALL AYES.
- 2) Central Office Switch Funding. It is the recommendation of the Utilities Commission to fund the switch from investments. Dennis Leaser was asked about plans for the cable upgrade. Dennis stated that he will be recommending a cable maintenance plan rather than a cable rebuild plan at an upcoming meeting. Councilmember Swanson asked if it would be

wise to combine the Telephone and Cable Company books. Dennis stated that he is looking into that option. Discussion ensued regarding using reserves from the sale of the stock or financing a portion of the cost. After considerable discussion, MOTION 08S-02-02 WAS MADE BY CHUCK MILLER AND SECONDED BY DEAN SWANSON TO APPROVE THE PAYMENT SCHEDULE FOR FUNDING FOR PAYMENT OF THE SWITCH FROM RESERVES. MOTION CARRIED WITH ALL AYES. There was also discussion regarding the amount of true-up received from the Telephone Company and it was agreed that the Investment Committee would review this item at the Investment Committee Meeting scheduled for September 5th.

- 3) Approval of Bills – MOTION 08S2-03-02 WAS MADE BY DEAN SWANSON AND SECONDED BY SANDY ELIASON TO APPROVE THE BILLS FOR PAYMENT AS SUBMITTED IN THE AMOUNT OF \$6,470.30. MOTION CARRIED WITH ALL AYES.
- 4) Joint Meeting. Dennis informed the Council and Commission that a Joint Council and Commission meeting will be scheduled for November 6th. The purpose of the meeting will be to review:
- 2002 budget status,
 - Successes,
 - Effects of competition such as cell phones, satellite TV, etc.,
 - Increased costs, such as programming, labor and so on;
 - Cable TV rebuild
 - Projects
 - Discuss 2003 strategies.

The Utilities Commission will meet at 7:30 a.m. and a Joint Council/Commission Meeting will commence at approximately 8:30 a.m.

The next regular meeting of the Crosslake Utilities Commission is scheduled for Tuesday, September 24, 2002 at 7:30 a.m.

MOTION 08S2-04-02 WAS MADE BY CHUCK MILLER AND SECONDED BY DEAN SWANSON TO ADJOURN THIS SPECIAL COUNCIL MEETING AT 10:03 A.M. MOTION CARRIED WITH ALL AYES.

A motion was made by Armond Gease and second by Bill Smith to adjourn the Utilities Commission meeting at 10:03 a.m.

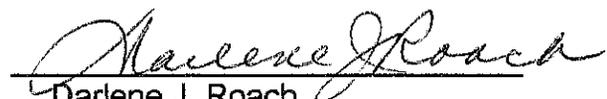
Cc: Gerry Brine
Judy Cotten
Hank Duitsman
Clyde Fish

Armond Gease
Ted Silva
Bill Smith
Darrell Swanson, Mayor
Charles Miller
Irene Schultz
Dean Swanson
Sandy Eliason
Tom Swenson
Paul Sandelin

Respectfully submitted,



Ted Silva
Commission Chair



Darlene J. Roach
City Clerk