

SPECIAL COUNCIL MEETING
CITY OF CROSSLAKE
FRIDAY, SEPTEMBER 8, 2006
8:30 A.M. – CITY HALL

The Council for the City of Crosslake met in the Council Chambers of City Hall on Friday, September 8, 2006. The following Councilmembers were present: Mayor Jay Andolshek, Terry Curtis, Dean Eggena, Dick Phillips and Dean Swanson. Also present were City Administrator Tom Swenson, City Clerk/Treasurer Darlene Roach, Community Development Director Ken Anderson, Police Sergeant Erik Lee and Park and Recreation Director Jon Henke. There was one other individual in the audience.

Mayor Andolshek called the Special Meeting to order at 9:00 A.M. The Mayor stated that he was notified on Wednesday afternoon that the Police Department is gearing up to unionize. Terry Curtis suggested that this would be a good time to eliminate the department and added that he has experience in that area because he used to do that for a living for Wal-Mart and offered his assistance in eliminating that if the City needed him.

The Mayor stated that the Council was getting close to finalizing the budget and reminded the Councilmembers that they can continue to lower the budget up until the Truth in Taxation Hearing in December. Mayor Andolshek added that he hoped the Council would consider not using the Sewer Reserve fund to pay down the levy because it is still early in the development of that department and unforeseen problems could still arise. Tom Swenson stated that it would be fiscally irresponsible for the Council to use that reserve. Dick Phillips asked on what grounds. Tom Swenson replied that the assisted living development or the Corps of Engineers campground could be hooked up to the sewer in a year, creating enough revenue to offset the costs. Dick Phillips asked if Mr. Swenson would use part of the reserve to subsidize the sewer cost. Tom Swenson replied that he would. Dick Phillips stated that he is not in favor of that. Terry Curtis noted that there is approximately \$56,000 in the Sewer Reserve, of which \$10,000 is being held for retainage from the contractor. Mr. Curtis stated that the Council's choice is to raise the user rates or use the reserves and that he thinks it is too early in the development to raise the rates. Tom Swenson stated that the result would be a double whammy because if they reduce the levy with the reserves, next year's Council will have to raise the levy by that much. Dean Swanson concurred with Tom Swenson. Dick Phillips replied that it is the principal, not the money. Mr. Phillips explained that the people on the sewer system got it for nothing because City taxes paid for the majority of the project. Mr. Phillips added that the user fees are not too high. Terry Curtis replied that most of the people on the sewer system did not want the sewer system, and therefore should not be forced to pay higher taxes for the operation of the system. Dean Eggena stated that over the last 10 years, Crosslake taxes have increased by double-digit percents. Mr. Eggena added that he is not in favor of increasing taxes or keeping reserve funds for unknown projects. Mr. Eggena stated that even though Tom Swenson is the City Administrator, the Council decides the budget. Darlene Roach reminded the Council that the City needs to keep at least 6 months of reserve money on hand for bond payments. Tom Swenson stated that the City does not have that much in excess reserves after the West Shore Drive and Community Center projects, but has enough money put aside for 6

months of payments. Dean Eggena stated that he and Tom Swenson have a difference in philosophy on how to budget. Dean Swanson stated that it was good that the City had money put away for projects because it is being used now. Dick Phillips stated that it is only good to have money in reserves if it is for a specific project and stated that the sewer project is complete, so the money should be used. Terry Curtis questioned why the Council would use the sewer reserve fund now and then ask for that amount of money from the taxpayers next year. Dean Eggena stated that the City should buy down the levy with the extra money in the sewer reserve fund so that taxes are not increased as much this year. Then next year's Council could raise the taxes. Mr. Eggena stated that the City should not collect taxes until it needs money. Jay Andolshek stated that it is too early in the sewer project development to consider raising sewer rates. Dean Eggena replied that this Council should use the reserve fund and let next year's Council decide whether to raise taxes or to raise sewer rates to cover the levy. Tom Swenson explained that if the City uses the \$46,000 to buy down the levy this year, the 2007 budget will start the year with a \$61,000 deficit. Dean Swanson stated that most people don't mind small increases to the tax levy, but that a large increase next year could be upsetting. Terry Curtis added that he doesn't understand why the Council would approve a 1% increase this year and a possible 10% increase next year and suggested that the increase remain minimal both years. Dean Eggena stated that there will be no road projects next year, so the 2007 levy should be ahead by \$20,000 at the beginning of the year. Tom Swenson replied that Mr. Eggena's statement was incorrect. Dean Eggena added that he could run for office saying that he could operate the City with a 0% increase. Jay Andolshek reminded the Council that Fawn Lake Road and Daggett Bay Road may be improved in 2007. Terry Curtis asked why Mr. Swenson is opposed to lowering the levy. Tom Swenson replied that the Council approved an additional Bond Issue with a payment of \$181,000 and because there may not be any big projects in the near future, it would be easy for the Council to hold increases to 1-2%. Mr. Swenson added that the proposal in front of the Council is a good budget and that he would defend it. Terry Curtis questioned what harm it would be if Dean Eggena wanted to make the budget better. Tom Swenson replied that he does not agree with Mr. Eggena that there would be no deficit next year and added that payments still need to be made on existing bonds. Mr. Swenson questioned the rationale of improving tennis courts in response to letters received by residents of many surrounding communities but not allowing the sewer project to get up and running for residents that live in Crosslake. Terry Curtis stated that a 3.8% increase is good, but he thinks it could be better. Dean Swanson stated that the Council recently approved the purchase of a truck in the amount of \$160,000 and that the \$46,000 sewer reserve fund that is being debated is a small amount compared to that. Dick Phillips replied that the dollar amount is not the issue, it's how the City is run. Terry Curtis noted that this Council did not decide to build the municipal sewer but that this Council is responsible to maintain it and suggested looking at the Police Department's budget to see if changes needed to be made there.

Tom Swenson stated that the Council agreed to reduce the proposed Police Department budget by \$15,800 at the last meeting and that with the recent news, he would suggest putting the \$10,000 cut from part-time wages back in the budget to cover union negotiations. Dean Eggena replied that Mr. Swenson is assuming that the Council will accept the union. Tom Swenson stated that once the union notifies the City, the City has

no choice but to negotiate in good faith. Dean Eggena questioned if the City was required to accept the union. Tom Swenson replied that the City must negotiate unless the Council wanted to abolish the Police Department. Dean Eggena replied that they may do that. Terry Curtis stated that the Council could break the union by eliminating the department and starting over or the Council could simply reduce the Police Department staff today. Dean Eggena agreed. Terry Curtis stated that the Council would send a strong message to the union by letting two police offers go tomorrow. Dean Swanson stated that that would also send a strong message to the public. Terry Curtis stated that the public would know that the City won't not pay union wages. Dean Swanson stated that the public would not be happy to have no Police Department. Dean Eggena replied that they would have a Police Department. Terry Curtis suggested that they could outsource the work or contract the work to someone else. Dean Eggena added that there are all kinds of ways to beat a union. Darlene Roach stated that the conversation that the Council is having is why there is a union in the City today. Dick Phillips thanked Ms. Roach and stated that he did not think the Council should be discussing this matter. Darlene Roach stated that similar conversations took place in 1997 and then the union was formed. Dean Eggena suggested that the Council continue discussing the budget.

Dick Phillips stated that the Council approved the Police Department budget at the last budget meeting and that he considers that budget a done deal and would like to look at some other areas of the budget. Terry Curtis replied that maybe it wasn't a done deal. Mr. Curtis stated that he disagreed with Mr. Swenson and Ms. Roach because there was a time and a place for unions, but that it wasn't in the 21st century. Based on the letter that the Mayor received, Terry Curtis questioned if the Council should deal with the Police Department and the Union right away. Dick Phillips stated that the Council does not know what the letter stated. Terry Curtis stated that this matter could have an effect on the budget. Tom Swenson stated that if the Council wants the Police Department, they must negotiate with the union in good faith. Dean Swanson replied that even if the Council shuts down the Police Department, the union will still be waiting for the development of a future Police Department. Terry Curtis replied that it is possible to get rid of the union. Mr. Swanson added that the goal of the Council today is to approve a cap to the budget because the Council can continue to lower the budget until the final approval in December. Mr. Swanson encouraged the Council to approve the budget as presented and to wait and see what happens with the Police Department. Terry Curtis stated that the City should proceed with budget talks as if the letter was not received and should deal with the union this fall. Mr. Curtis added that he thinks he knows what the Council will be discussing this fall and that he would rather get a budget approved and let the egg on the face happen across the hall. Mr. Curtis stated that if the budget can't support the union, then that's the union's face, not his. Dean Eggena stated that he has the same philosophy because he doesn't think it's right for Dean Swanson to suggest putting money aside for union negotiations just because he heard that the union was coming. Dean Swanson stated that he did not say that. Dean Eggena stated that he heard him say it and that he is not in favor of planning for negotiations because he is not sure that the union is really coming. Mr. Eggena suggested that if the Council sets money aside for negotiations, the Council may feel obligated to negotiate and questioned if the Council should even be discussing the issue. Terry Curtis agreed and stated that this issue should be a separate headline.

Dean Eggena stated that if the \$15,800 is deducted from the Police budget, the tax levy decreases from 3.8% to 3.07%. Dick Phillips asked if the Council Members considered the quarterly newsletter worthwhile at a cost of \$2,500 per year. Terry Curtis replied that Crosslake Communications also puts out a newsletter and theirs looks much nicer than the City's and suggested combining the two newsletters into one. Tom Swenson replied that the newsletter is a benefit to the Park and Recreation Department because it advertises their programs. Darlene Roach stated that the FCC may have control over the content of the Crosslake Communications newsletter. Dick Phillips stated that the Crosslake Communications newsletter may reach more people and suggested letting Crosslake Communications pay for the cost. Jon Henke added that the City would need 1 full page of the newsletter. Dick Phillips suggested that every department have an update in the newsletter. Tom Swenson asked that Paul Hoge be asked to come and answer some of these questions.

Dick Phillips expressed his concern on the fireworks budget and stated that he does not think the City should have to pay the entire cost. Terry Curtis replied that most of the business owners are tired are supporting the fireworks because the fireworks don't improve their business. Mr. Curtis suggested that this could be the City's way of giving a little back to the commercial businesses and the community and added that he has not received any negative feedback from this years fireworks display. Mr. Curtis stated that \$10,000-\$11,000 seems inexpensive. Dean Swanson stated that he would rather support the parade and the chili cook-off. Dean Eggena stated that the Fourth of July is a very patriotic time and that the taxpayer should pay the bill for the fireworks. Dick Phillips stated that if the City pays for the fireworks, the display should take place on July 4th.

Paul Hoge arrived at the meeting and Tom Swenson asked if the City departments would be allowed to put news in Crosslake Communications newsletter. Paul Hoge replied that the quarterly newsletter content used to be dictated by RUS, but Crosslake Communications no longer receives funding from RUS, so the newsletter may contain City information. Mr. Hoge stated that 3000 newsletters are mailed each quarter at a cost of approximately \$1.00 each and noted that there would probably be a slight increase to add an extra page. Tom Swenson stated that \$2,500 should be taken out of the City budget for the newsletter cost and that if the cost increases dramatically for Crosslake Communications, Mr. Hoge could come back to next year's budget meeting to request funding.

Dick Phillips questioned what money is in the budget for donations. Tom Swenson replied that donation money is budgeted for BLADC, Chamber of Commerce, Initiative Foundation, Grad Blasts and Historical Society. Dean Eggena noted that the City of Pequot Lakes cut all donations out of this year's budget. Terry Curtis stated that he is not in favor of supporting the Crow Wing County Historical Society, but he was ok with donations to the other organizations. It was a consensus of the Council to eliminate a \$500 donation to the Crow Wing County Historical Society. Dean Eggena stated that he would be in favor of cutting all of the donations because the City should not give money to individual organizations and noted that other cities are cutting donations from their budgets.

Dick Phillips questioned the budgeted item of striping in the Public Works Department. Tom Swenson replied that the Council agreed to re-stripe Wilderness Trail, Daggett Pine Road, Manhattan Point Boulevard and Ox Lake Landing.

Dick Phillips questioned the expense of \$75,000 budgeted for the weight room. Jon Henke replied that it is expensive to maintain equipment but that the revenues from the weight room memberships will offset the cost in approximately 5 years.

Dick Phillips questioned the Library operating costs in the budget. Tom Swenson replied that the City gave the Library Committee \$2,500 last year for operating expenses and added that the Library may need more next year when it is in operation. Dean Eggena noted that the Library Committee's goal was to build a building, fill the shelves with books and run the Library with volunteers, not pay for the utility bills. Dean Swanson added that there is no revenue associated with the Library. Dick Phillips suggested putting the squeeze on unpaid pledges and to use that money for operating costs. Dean Eggena replied that the Council should not use donation money to pay the operating expenses. Terry Curtis noted that the capital items were to be paid with private funds and the utility costs were to be paid by the City, because it will be a City-owned building. Mr. Curtis questioned what happens if the interest for a Library fades out. Dean Eggena replied that the City can use the building for anything and that there is no contract to use the building specifically for the library. Mr. Eggena predicted that due to the high interest and use, the City will be asked pay for a full-time librarian within 5 years.

Dean Eggena questioned the attorney fees and the \$9,000 paid for a retainer so that the attorney attends the Council meetings. Terry Curtis suggested taking the \$9,000 out of the budget and going out for bids from other attorneys. Jay Andolshek asked if the attorney needs to be at all the meetings. Terry Curtis stated that the attorney is needed only for special projects. Dean Swanson noted that if the retainer is eliminated and the City needs the attorney to attend a meeting, an extra cost will be incurred. Dean Eggena stated that he did not think the attorney would need to attend the Council Meetings and that if there was a question, the City could forward it to him. Mr. Eggena noted that the attorney usually doesn't answer questions right at the meeting and usually takes the questions back with him and replies at a later time. Jay Andolshek suggested cutting the \$9,000 in half so that there is some money in the budget to pay for attendance at some meetings and the other Council members agreed.

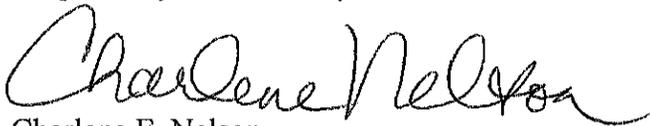
Dean Eggena asked why the audit and accounting budget was up 33% from last year. Tom Swenson replied that last year's budget did not have enough money to cover the audit and accounting expenses, so this year it is an actual figure.

Tom Swenson stated that with the proposed cuts of the newsletter, donation, attorney fees and Police Department expenses, \$23,300 could be reduced from the budget, bringing the total levy increase to 2.75%. Dean Eggena replied that he would be happy with a 2.75% increase. Tom Swenson stated that he would re-calculate the numbers and present it to the Council on Monday night at the Regular Council Meeting for final approval.

Terry Curtis questioned if Tom Swenson had strong feelings regarding the improvements to the tennis courts. Mr. Swenson replied that he used the tennis courts as an example and was not against the planned improvements. Dick Phillips asked what the fee to use the courts was. Jon Henke replied that there is no cost to play tennis. Terry Curtis questioned why there is a fee for the weight room. Jon Henke replied that it is expensive to maintain the equipment on a regular basis.

There being no further business, MOTION 09S2-01-06 WAS MADE BY DEAN EGGENA AND SECONDED BY DICK PHILLIPS TO ADJOURN THE SPECIAL MEETING AT 11:17 A.M. MOTION CARRIED WITH ALL AYES.

Respectfully Submitted by,



Charlene E. Nelson
Deputy Clerk

Deputy Clerk/Minutes/9-8-06