

SPECIAL COUNCIL MEETING
CITY OF CROSSLAKE
WEDNESDAY, SEPTEMBER 6, 2006
9:00 A.M. - CITY HALL

Pursuant to due notice and call, the Council for the City of Crosslake met in a Special Session on Wednesday, September 6, 2006 at City Hall. The following Councilmember's were present: Mayor Jay Andolshek and Councilmember's Terry Curtis, Dean Eggena, Dick Phillips and Dean Swanson. Also present was City Administrator Tom Swenson, Community Development Director Ken Anderson, Park and Recreation Director Jon Henke, Police Chief Bob Hartman, Police Sergeant Erik Lee, General Manager Paul Hoge, Public Works Director Ted Strand and Clerk/Treasurer Darlene Roach. Also in attendance was Steve Roe and Irene Schultz. Monte Eastvold of Northland Securities joined the meeting at 9:20 A.M.

1. Call to order – Mayor Andolshek called the special meeting to order at 9:00 A.M.
2. Review Change Order for Community Center/Library Project – Park and Recreation Director Jon Henke requested Council consideration of two change orders. The first is a change required by the State as a part of their plan review. The cost for this change is \$703.50 and includes changing the size of the water lines in the addition with a 4" pipe, adding a double check valve at the humidifier, adding a vacuum breaker before the washer box and cleaning out the area where the new waste line ties into the existing line. Councilmember Eggena asked if this work was included in the NorSon bid. Henke stated that it was an oversight and was not included. Councilmember Eggena stated that the City hired an engineer at a cost of \$53,000 plus \$8,000 for oversight and these types of oversights should not happen. Eggena stated that it's easy now to come back after the fact and say they made a mistake. Eggena stated that he would be reluctant to approve these types of change orders. If the owner (City) wants to make a change, that's something totally different. Councilmember Swanson agreed with Eggena. Henke stated that the problem came about when the plumber came out and stated that the City could go back to NorSon, Inc. or WSN to determine whose going to pay for the changes. Councilmember Phillips stated that he would agree with Eggena and Swanson. Swanson stated if we had moved the sink that would be different, but we didn't. Councilmember Curtis agreed and stated that is the reason for hiring a design engineer. Henke stated that the requirement for a 4" pipe was not included in the bid plans that went out to the contractors. That being the case, Curtis stated that it sounds like a WSN problem. Henke stated that what he is looking for approval on today is the cost for a pump. Eggena stated that he would not agree to this. He stated that WSN had the original plans of the Community Center and feels someone didn't properly plan out how to connect the pipes. Henke asked if the Council would review the second change order since this was a change required by the Department of Health. Councilmember Eggena stated that he has the same problem with the second change order. All the contractors know that this is a public building and you have to meet the State Health Code and the design should have included this. Henke commented that WSN sent the design to the State and they didn't respond to WSN until after the bids were let. Eggena stated that again everyone knows that it takes six weeks for

the State to respond and if you want to fast track the process, you can pay a fee and get the review sped up. Henke stated that he was aware of the fast track process, but that the State still doesn't guarantee getting the review results back. Eggena stated in that case, they refund the fee. Eggena stated that the City is paying WSN big fees and they're professional people that should have caught this. Eggena asked if we were aware of the State's review not being back when we received the bids. Henke stated that there were other projects such as the roof at City Hall, the Public Works Facility and the Telephone Company building where change orders were approved and tax dollars were used. Councilmember Curtis stated that in the case of the library, this is money that was given by taxpayers over and above their tax dollars. He stated that the Council can argue all day on the details but this is \$3,000 of donated money and we owe this to the donors to carefully watch these funds. Eggena agreed and stated that the City did not change anything and would not vote for approving the change orders. Swanson stated that he was not as hung up on Change Order #1 as he was on Change Order #2. Eggena stated that all of the contractors know they have to follow State Standards. Curtis stated that we have contingencies, and would hate to see them used on these types of things. City Administrator Swenson proposed that WSN absorb Change Order #1 and the contractor could absorb Change Order #2 or WSN could be asked to be in attendance at the meeting on Monday. Councilmember Eggena stated that he doesn't want to listen to WSN. MOTION 09S1-01-06 WAS MADE BY DEAN EGGENA AND SECONDED BY DICK PHILLIPS TO DENY BOTH CHANGE ORDERS SINCE THEY ARE NOT CITY MISTAKES OR CHANGES. MOTION CARRIED WITH ALL AYES. Henke stated that he would call WSN and see if there is anything he is not aware of. Councilmember Phillips asked about the pipe at the Community Center that needed fixing that is in danger of bursting. Eggena stated that there is money in the budget to fix the pipe since it does not meet the code but would only burst if it got hit. Henke stated that he has contacted a plumber regarding replacing the pipe and that his Staff is aware of the need to keep things away from the pipe.

3. Personnel Committee recommendation regarding hiring of Installation and Repair Technician – General Manager Paul Hoge stated that the Personnel Committee met earlier this date and made a recommendation to hire Fritz Ludwig on Grade IV, Step 3 at \$16.04 per hour. Three applicants were interviewed for the position and the Interview Committee unanimously recommended hiring Mr. Ludwig. MOTION 09S1-02-06 WAS MADE BY DEAN EGGENA AND SECONDED BY TERRY CURTIS TO APPROVE THE HIRING OF FRITZ LUDWIG TO THE POSITION OF INSTALLATION AND REPAIR TECHICIAN ON GRADE IV, STEP 3 OF THE IBEW CONTRACT AT \$16.04 PER HOUR. MOTION CARRIED WITH ALL AYES.
4. Monte Eastvold of Northland Securities addressed the Council and discussed the options for financing the 2006 Road Improvements, dump truck and weight room equipment. Eastvold stated that Northland Securities could underwrite directly from the City either by a negotiated sale or by a public sale where you get two or more bidders. The City would pay a fee for a public sale but there would be no fee for a financial adviser on a negotiated sale. The fee for a negotiated sale would be \$27,500 compared to \$29,500 for a public sale. A public sale would take approximately two months to complete but in a negotiated issue, the funds could be available in about three to four weeks from the date of the sale. City

Administrator Swenson asked Eastvold if the information provided to Northland Securities for the Telephone Utility Revenue Bond would suffice for this bond and Eastvold stated that the only update the City would need to provide would be current financials. Councilmember Eggena asked what type of interest rate the City could get on the equipment loan from Northland Securities. Mr. Eastvold stated that he feels the rate would be somewhere between 3.7% - 3.8% until after the election. Swenson asked if there would be any advantage to doing both issues at the same time. Eastvold stated not in a negotiated sale, but yes in a public sale. Eastvold stated that Northland Securities wants to assure the Council that the rates they bring to the City are good market rates. City Administrator Swenson stated that he is looking for Council approval to do the negotiated sale. Eggena stated that he would approve the negotiated sale for the road projects so that the City has the \$1.3 million dollars in thirty days, but doesn't see any rush on the equipment side. Swenson asked Eastvold what the lead-time would be on the equipment negotiated sale and he stated thirty days. MOTION 09S1-03-06 WAS MADE BY DEAN EGGENA AND SECONDED BY JAY ANDOLSHEK TO APPROVE A NEGOTIATED SALE FOR THE 2006 ROAD IMPROVEMENT PROJECTS WITHIN 30 DAYS WITH NORTHLAND SECURITIES SUBJECT TO THE SAME FEES FOR THE TOTAL AMOUNT OF \$1,330,000. MOTION CARRIED WITH ALL AYES. Eastvold asked the Council when they wanted him to come back for a meeting to consider the sale of the bonds and a Special Council Meeting was set for September 20th at 4:00 P.M.

5. At 10:00 A.M., the Council continued their discussion regarding the 2007 budget. The first department reviewed was the Fire Department. Since the second newest fire truck was paid off in 2006, the principal and interest amounts no longer need to be included in the budget. However, an increase in the annual amount paid to the members of the fire department was requested. Currently each member receives \$575 annually based on 12 months of service and an increase to \$650 is being requested. Swenson stated that the \$650 amount is in the ballpark of what other cities pay, however the Council should be aware that once this amount is approved, it can not be decreased. Overall the Fire Department budget decreased by \$8,500. The other categories reviewed included Debt Service, which is the payment schedule on the bonds, Tax Increment Financing, which is an in and out revenue and expense and Sewer. Swenson recommended that \$15,379 be transferred from the Sewer Project Fund to the Sewer Operating Fund to offset the shortfall in revenues. This opened up considerable discussion among the Council as to how long the City was going to transfer funds to subsidize the operation, whether rates should be increased and what the forecast was to break even. Swenson stated that if the Corps of Engineers and Assisted Living Facility connect to the system, the incoming revenues should pay the operating cost. Councilmember Eggena stated that there is plenty of capacity and we need to hook up people where there is a need. The balance in the Sewer Project Fund is \$86,282 less retainage and any outstanding expenses incurred which have not yet been paid. Eggena suggested taking the balance in the fund and paying on the bond or increase the rates for the users who are the ones benefiting from the sewer system. City Administrator Swenson stated that there is a real hot spot behind Arnie's Meats, where an old resort existed and there is minimal space for septic systems and the road is still gravel. Eggena stated that he wouldn't approve

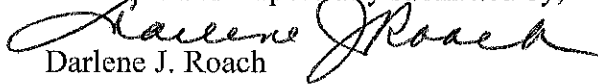
adding these if it meant the taxpayers pay the cost. Both Councilmember's Curtis and Phillips agreed but did agree that these are old systems with not much room for installing a new system. Mayor Andolshek stated that he would be agreeable with subsidizing the operation for another year. Swenson noted that the 2006 subsidized amount of \$14,600 also needs to be taken out of the remaining balance in the sewer fund and transferred to the Operating Fund based on Council approval in 2005 during the budget process. Public Works Director Ted Strand felt it would be wise to keep the money in the Sewer Project Fund until the filter issue at the Sewer Plant is resolved. It was agreed that the issue would be revisited after the rest of the budget is reviewed. The Park and Recreation Budget increased to \$294,318 from \$268,517 in 2006, however \$9,100 is added for Library expenses. The Planning and Zoning Department budget included a reserve amount of \$2,000 for future aerial photography. Councilmember Eggena stated that the \$18,000 budgeted for legal expenses is where he has a problem. There was considerable discussion regarding the attorney fees and his attendance at meetings. Community Development Director Ken Anderson stated that the 60 day rule requires timely legal responses which can be addressed during the Planning and Zoning Commission meetings. Eggena stated that an extension can always be requested and if the applicant says no, the request can be denied. Councilmember Curtis stated that oftentimes, the applicant brings their own attorney to meetings so it is advantageous for the City to have their attorney present. Councilmember Swanson stated that he would be all for going out for bids at the first of the year. Councilmember Eggena stated that he has spoken to two engineering firms who would be interested in bidding on individual projects rather than being the City Engineer. There was considerable discussion regarding legal and engineering agreements and it was the consensus of the Council that it is good periodically to check your relationship with professional firms. Councilmember Swanson stated that it is his feeling that a 3.8% increase is a good budget and complimented both the Council and Staff. Councilmember Eggena stated that he feels there is still \$86,000 to \$100,000 that can be taken out of the budget. Eggena stated that there is an increase of \$181,000 in new levy as a result of the 2006 Road Projects and new equipment. With \$80,000 in new construction, if we cut \$87,000 out of the general budget, it would be a good budget. Chief Hartman addressed the Council and stated that he would be willing to reduce his part time budget from \$20,000 to \$15,000 and cut \$5,800 for one computer for a total of \$10,800. In reviewing fine money for 2006, a total of \$4,604 has been received through June 30th. Hartman stated that he called every bar owner in Crosslake and they are all satisfied with the job being done by the police officers. Hartman stated that they put a lot of miles on the squads because they are visible to the public. Curtis stated that the intent is not to cut the budget to increase crime, but the answer is different depending on whom you talk to. Councilmember Swanson commented that the Police Department is doing a good job and he is not going to micromanage the department. If Bob Hartman is willing to cut \$10,800, he's trying to hold down his budget. Councilmember Curtis stated that discussion regarding squad cars and how long to keep them is a legitimate conversation. Councilmember Phillips suggested taking \$15,000 out of sewer if we're going to cut \$15,000. Councilmember Eggena stated that as was discussed previously, the 2:00 A.M. bar closing is what generated the need for part time officers. Now that it has been determined that this hasn't caused any

problems, he doesn't see the need to continue the part time help. There was also discussion regarding police coverage in Mission Township and whether officers should be out of the City covering another municipality who are not paying a percentage of the department's hourly budget based on the hours of coverage. MOTION WAS MADE BY DEAN EGGENA AND SECONDED BY DICK PHILLIPS TO ACCEPT THE BUDGET EXCLUDING \$20,000 FOR PART TIME OFFICERS AND ONE IN SQUAD COMPUTER FOR A TOTAL REDUCTION OF \$25,800. Councilmember Curtis stated that he is nervous about cutting the entire part time budget. Curtis addressed Hartman and stated that Hartman has gotten feedback from the public and out of respect for him, as the department head, will yield to him. MOTION FAILED 2-3 WITH EGGENA AND PHILLIPS VOTING AYE AND ANDOLSHEK, CURTIS AND SWANSON VOTING NAY. Following the defeat of this motion, MOTION 09S1-04-06 WAS MADE BY TERRY CURTIS AND SECONDED BY DEAN SWANSON TO REDUCE THE PART TIME BUDGET IN THE POLICE DEPARTMENT TO \$10,000 AND CUT \$5,800 FOR AN IN SQUAD COMPUTER. MOTION CARRIED WITH ALL AYES.

Park and Recreation Director Jon Henke stated that he spoke with WSN and NorSon and both companies agreed that the State has different interpretations and regarding the pressure in the line (PSI) the plumber has the obligation to tell the engineer if there is something wrong in the specs. Based on this information, MOTION 09S1-05-06 WAS MADE BY DICK PHILLIPS AND SECONDED BY JAY ANDOLSHEK TO APPROVE CHANGE ORDER #1 IN THE AMOUNT OF \$703.50. MOTION CARRIED 4-1 WITH EGGENA OPPOSED. Regarding Change Order #2, an additional four inches in depth is needed in order to make the connection and the original plans do not show the depth of the connection line since there are no as built drawings. If they had known there was a need for a directional bore, the prices would have been about the same. WSN had designed the connection in the mechanical room so that is how they all bid the job. Councilmember Eggena stated that he thinks gravity should be approved since his experience with pumps is they fail when you need them and you'll be replacing pumps and having to have them cleaned. MOTION 09S1-06-06 WAS MADE BY DEAN EGGENA AND SECONDED BY TERRY CURTIS TO APPROVE THE GRAVITY SYSTEM FOR CHANGE ORDER #2. Henke stated that he is upset with the changes also and is on the side of the City and doesn't like being the middleman between the contractor and the architect. Councilmember's Curtis and Eggena agreed that NorSon and WSN should have been at the meeting presenting the change orders. Councilmember Swanson agreed. MOTION CARRIED WITH ALL AYES.

MOTION 09S1-07-06 WAS MADE BY TERRY CURTIS AND SECONDED BY DEAN SWANSON TO ADJOURN THIS SPECIAL COUNCIL MEETING AT 1:00 P.M. MOTION CARRIED WITH ALL AYES.

Recorded and respectfully submitted by,


Darlene J. Roach
Clerk/Treasurer

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