

SPECIAL COUNCIL MEETING
CITY OF CROSSLAKE
THURSDAY, FEBRUARY 11, 2021
9:00 A.M. – CITY HALL

1. Call to Order
2. Review 2021 Road Improvement Projects, Assessment Policy and How to Move Forward
3. Discuss Process for Joint Special Council / Public Works Commission Meetings
4. Discuss How to Transition from Widseth to Bolton & Menk
5. Discuss Designation of Funds and Review Assigned Funds
6. Adjourn

RESOLUTION NO. 21-_____
CITY OF CROSSLAKE
COUNTY OF CROW WING
STATE OF MINNESOTA

RESOLUTION ORDERING IMPROVEMENT AND PREPARATION OF PLANS

WHEREAS, a resolution of the council adopted the 11th day of January 2021, fixed dates for city council hearings on Improvement No. 2021, the proposed improvement of the following streets, and

PROJECT AREA #1

- **Wild Wind Ranch Drive** – Approximately 1,480 LF of pavement reclamation, subgrade correction and bituminous paving from the intersection with CSAH 103 to the end of the city-maintained portion of the street.

PROJECT AREA #2

- **Rushmoor Boulevard and Rushmoor Trail** – Approximately 2,690 LF of pavement reclamation and bituminous paving from the intersection with CSAH 16 to the end of the city-maintained portion of each leg of the street.

PROJECT AREA #3

- **Harbor Lane** – Approximately 1,740 LF of pavement reclamation and bituminous paving from the intersection with CSAH 16 to the end of the project area described and illustrated in the feasibility report.

PROJECT AREA #4

- **Birch Narrows Road** – Approximately 3,365 LF of pavement reclamation and bituminous paving from the intersection with CSAH 3 to the end of the city-maintained portion of the street.

PROJECT AREA #5

- **Whitefish Avenue** – Approximately 10,410 LF of bituminous overlay from the intersection with Manhattan Point Boulevard on the west end of the point to the intersection with Manhattan Point Boulevard on the east end.
- **Hilltop Drive** – Approximately 340 LF of bituminous overlay from the intersection with Manhattan Point Boulevard to the intersection with Whitefish Avenue.
- **Woodland Drive** – Approximately 445 LF of bituminous overlay from the intersection with Manhattan Point Boulevard to the intersection with Whitefish Avenue.
- **Cool Haven Lane** – Approximately 1,125 LF of bituminous overlay from the intersection with South Landing Road to the end of the city-maintained portion of the street.

WHEREAS, ten days' mailed notice and two weeks' published notice of the hearings was given, and the hearings were held thereon on the following dates, at which all persons desiring to be heard were given an opportunity to be heard thereon,

- **PROJECT AREA #1 - Wild Wind Ranch Drive Reconstruction – February 2, 2021, 6:00PM at City Hall**
- **PROJECT AREA #2 - Rushmoor Boulevard Reconstruction – February 2, 2021, 7:00PM at City Hall**
- **PROJECT AREA #3 - Harbor Lane Reconstruction – February 3, 2021, 6:00PM at**

City Hall

- **PROJECT AREA #4 - Birch Narrows Road Reconstruction – February 3, 2021, 7:00PM at City Hall**
- **PROJECT AREA #5 - Whitefish Ave, Hilltop Dr, Woodland Dr and Cool Haven Lane Street Overlays – February 4, 2021, 6:00PM at City Hall**

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF CROSSLAKE, MINNESOTA:

1. Such improvements are necessary, cost-effective, and feasible as detailed in the feasibility report and are best publicly bid and constructed in conjunction with each other under one bid and one construction contract as recommended by the City Engineer.
2. Such improvements are hereby ordered as proposed in the council resolution adopted the 11th day of January 2021.
3. Widseth Smith Nolting and Associates, Inc. (Widseth) is hereby designated as the engineer for these improvements. The engineer shall prepare plans and specifications for the making of such improvements.
4. The city council declares its official intent to reimburse itself for the costs of the improvements from the proceeds of tax-exempt bonds.

Adopted by the council this 8th day of February 2021.

David Nevin, Mayor

Charlene Nelson, City Clerk

February 8, 2021

Mr. Jim Peterson of 11537 Whitefish Ave called City Hall at 12:00 this afternoon to share his comments regarding the road improvement project on Whitefish Ave. Mr. Peterson is not in favor of the project and does not believe that the policy is fair because residents on Manhattan Point Blvd were assessed nothing a few years ago when their road was improved. Mr. Peterson suggested upgrading Whitefish Ave now at no cost to the property owners and then charging an assessment or increasing taxes later for future projects.

Message taken by Char Nelson.

To: Crosslake City Council

Subject: Public Hearing, Whitefish Ave., Hilltop Drive

From: Neal and Elaine Bailey, 11491 Whitefish Ave.

After participating in the hearing last Monday night I offer a few questions for the council:

1. It was stated by a council member at the meeting that there was an "unfortunate oversight" regarding the assessment of overlays and sealing to the Whitefish Avenue side of the point. Apparently, when Manhattan Beach Blvd and Anchor Point Road were done two years ago, the policy was made that homeowners would not be assessed for those items, and that the Whitefish side should have been included in that policy.

Question: Why not do the right thing now. Address the "oversight" and correct it. The road project could be paid for by the bond you mentioned rather than the homeowners.

2. There is the question of the need for the overlay of the Whitefish Ave project at this time. We completely agree that it is more prudent to be proactive rather than reactive. This road was initially installed in 2004 and is still in very good condition. At a time when so many are suffering financially, is it really necessary right now. I also believe that this is in fact a maintenance item, done to prolong the life of the road. The maintenance of a public road should be the obligation of the public, paid for through our taxes, not specific landowners.

Question: Why is this maintenance being treated differently than seal coating, crack repair or other maintenance projects to a public road?

3. We believe the way the assessments have been determined are not equitable.

Question: Why should someone that owns 3 or 4 lots in a row that contain a multi-million dollar home and guest house pay the same as someone that owns 1 lot and a small hundred year old cabin.

Respectfully, Neal and Elaine Bailey

February 6, 2021
Crosslake City Council,

We are in favor of the bituminous improvement proposal on Whitefish Ave as long as the curbs will only be used in the problem wash out areas.

However, we are opposed to the mandatory replacement of the mailbox posts with the swingaway posts. The city needs to take into account the value of preserving the "Up North" ambience of Crosslake which makes it a desirable area for tourists and cabin homeowners. Yes, the swingaway posts are practical especially on county roads but in a residential neighborhood, they are downright tacky looking and far from charming or unique. The snow plow drivers in our city neighborhood appear to be much more skilled than Crosslake's, as we have only had damage once in 43 years.

Leave the individual mailbox posts as they are:

- They are interesting while showing personality and individuality
- They offer a unique rustic, woodsy and nature character while often showing the creativity and tastes of the homeowner
- There is a history to the mailboxes that may be slightly battered and weathered often signaling they have been a part of many generations of ownership
- Individual mailbox posts are beacons guests remember and identify, "we are excited to be at the cabin"

Crosslake needs to be mindful that some improvements and gentrification means loss of "Up North" character. Neighborhoods can become sterile and cookie cutter in appearance and Whitefish Ave is not that at all, nor should it be! We pay hefty taxes for our lake home but we are not able to vote for who makes the fiscal policies for us. We view your proposal for mandatory swingarm posts as infringing upon our freedom of choice. We recommend a solution for you to consider that could mitigate our concerns by allowing people to make a choice. We suggest that Crosslake to modify its mailbox post replacement policy as follows:

- Provide a one time offer to replace the post with the swingarm post
- If the homeowner chooses to keep their existing mailbox post the homeowner will be responsible for repairing or replacing the post at their expense.
- Benefits
 - Save money by not providing and installing swingarm posts throughout the project
 - Give homeowners the option of choice
 - Opportunity to demonstrate that the City of Crosslake listens to its community

We would appreciate your consideration for our concerns that we have shared with you. Please help us retain the "Up North" character of our Lake home and peninsula neighborhood. Thank you for your time and consideration.

Kris and Mark MacDonald 11305 Whitefish Ave

CITY OF CROSSLAKE, MN

FUND BALANCE POLICY

I. PURPOSE

The purpose of this policy is to establish the specific guidelines for the level of fund balances available for current and future spending in the governmental funds. The fund balance policy addresses a minimum level of unrestricted fund balance to be maintained, how the unrestricted fund balance can be used or spent down and how that fund balance will be replenished if it falls below the minimum level. In addition, the City sets a stabilization amount for use in emergency situations or when revenue shortages or budgetary imbalances arise. The policy also addresses when fund balances will be restricted to specific purposes. For the purpose of this policy any reference to the City Administrator shall mean the City Administrator or his or her designee.

II. BACKGROUND

Government Accounting Standards Board (GASB) Statement No. 54 was enacted to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. In governmental funds, a City should identify fund balance separately between non-spendable, restricted, committed, assigned or unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

Proprietary funds' equity will be managed as a separate business-like enterprise as allowed by U.S. Generally Accepted Accounting Principals (GAAP). The funds will be monitored through operations and their rate structures. Examples of Proprietary funds include Communications and Sewer. Proprietary fund balances will be classified as either invested in capital assets net of related debt, restricted or unrestricted.

III. CLASSIFICATION OF FUND BALANCE/PROCEDURES

1. Nonspendable

- This category includes fund balance that cannot be spent because it is either (i) not in spendable form or (ii) is legally or contractually required to be maintained intact. Examples include inventory, prepaid items, endowments and land held for resale.

2. Restricted

- Fund balance should be reported as restricted when constraints placed on those resources are either (i) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (ii) imposed by law through constitutional provisions or enabling legislation. Examples include bond or grant proceeds, tax increments and park dedication fees.

3. Committed

- Fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to commit those amounts.
- The City's highest level of decision making authority (City Council) will annually or as deemed necessary commit specific revenue sources for specified purposes by formal action. This formal action must occur prior to the end of the reporting period, however, the amount to be subject to the constraint, may be determined in the subsequent period. A committed fund balance cannot be a negative number. Examples include amounts transferred to a Capital Projects fund or an internal savings/reserve fund for a specific purpose such as a fire truck.

4. Assigned

- Amounts that are constrained by the government's intent to use for specified purposes, but are neither restricted nor committed. Assigned fund balance in the General fund includes amounts that are intended to be used for specific purposes.
- The City Council has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the City Administrator and Clerk/Treasurer.

5. Unassigned

- Unassigned fund balance represents the residual classification for the General fund. Includes amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General fund. The General fund should be the only fund that reports a positive unassigned fund balance amount.
 - a. The City will maintain an unrestricted fund balance in the General fund of an amount not less than 50% of the next year's budgeted expenditures of the General fund. This will assist in maintaining an adequate level of fund balance to provide for cash flow requirements and contingency needs because major revenues, including property taxes and other government aids are received in the second half of the City's fiscal year.
 - b. If spending unrestricted fund balance in designated circumstances has reduced unrestricted fund balance to a point below the minimum targeted level, as noted above, the replenishment will be funded by property taxes

(funding source) within three years (period over which replenishment will occur).

IV. STABILIZATION ARRANGEMENTS

Stabilization arrangements are defined as formally setting aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

The City will set aside amounts by resolution as deemed necessary that can only be expended when certain specific circumstances exist. The resolution will identify and describe the specific circumstances under which a need for stabilization arises. The need for stabilization will only be utilized for situations that are not expected to occur routinely.

V. MONITORING AND REPORTING

The City Council shall annually review fund balances in relation to this policy in conjunction with the development of the annual budget.

When both restricted and unrestricted resources are available for use, it is the City's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the City's policy to use resources in the following order; 1.) committed 2.) assigned and 3.) unassigned.

A negative residual amount may not be reported for restricted, committed, or assigned fund balances in the General fund.

VI. GOVERNMENTAL FUND DEFINITIONS

GASB Statement 54 provides clarification of the governmental funds definitions. The definitions are added to the fund balance policy to clearly define their reporting requirements. It is also important to understand the fund classification when determining the classification of their fund balances.

General Fund – Used to account for all financial resources not accounted for in another fund.

Special Revenue Funds – Used to account for reporting the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes (other than debt service or capital projects).

- One or more specified restricted or committed revenues are the foundation for the fund (comprise a substantial portion of fund's inflows).
- Other inflows (i.e. interest and transfers) may be reported in fund, if restricted, committed or assigned to the specified purpose of the fund.

- Restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of inflows of the fund.
- Exception for specific revenue rules – General fund of Blended Component Unit (EDA).

Debt Service Funds – Used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest payments.

Capital Projects Funds – Used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

VII. ENTERPRISE FUND EQUITY

Enterprise funds are used to account for operations financed and operated in a manner similar to private business enterprises, where the City intends the cost of providing goods or services to the public be financed or recovered primarily through user charges. The City's enterprise funds include the Communications and Sewer funds.

It is the City's intent to cover all operating and non-operating expenses through user charges to eliminate the impact on taxpayers. User charges will be reviewed annually to ensure adequate rates are charged for the services provided.

Enterprise funds' equity will be classified in one of the following categories:

- *Investment in Capital Assets, Net of Related Debt.* The component of net assets which is the difference between assets and liabilities of proprietary funds that consists of capital assets less both accumulated depreciation and the outstanding balance of debt that is directly attributable to the acquisition, construction or improvement of the capital assets.
- *Restricted.* The component of net assets which is the difference in assets and liabilities of proprietary funds that consist of assets with constraints placed on their use by either external parties (i.e. creditors or grantors) or through constitutional provisions or enabling legislation.
- *Unrestricted.* The difference between the assets and liabilities of proprietary funds that is not reported as Investment in Capital Assets, Net of Related Debt or Restricted net assets.

The City Council will not establish a minimum required level for equity in proprietary funds other than the funds should cover their own operating and non-operating costs.

IV. OTHER POLICY CONSIDERATIONS

The City will use all *budgetary and financial accounting options* available to maintain the minimum level of fund balance available for appropriation in the General and Special Revenue Funds. Some options available include the following items:

- A specific budgeted revenue increase (i.e. ad valorem property tax increase).
- Increase fees for services.
- Reduction of expenditures in the budget.
- Transfers from other available funds.
- Sale of capital assets.

The City Council requires positive fund balances for all governmental, proprietary and fiduciary funds, with a few exceptions. The Council will allow a negative fund balance in the following instances:

- A project may be in a developmental phase in which all appropriations have not yet been received. It is anticipated the appropriations will be received within the fiscal year or early the following fiscal year. The City Administrator will present anticipated revenue sources to the Council when a deficit occurs for this reason.
- An emergency occurred and all appropriations to pay for the emergency have not been received yet. The City Administrator will keep a current listing of anticipated revenue sources to pay for the emergency.
- Pledges for a project are expected to be received over a period of time. In this case, a long-term receivable may be recorded if the pledges are assured to be received. If the receipt of the pledges is not guaranteed, the receivable cannot be recorded. The project (fund in some cases) will carry a negative balance until all pledges are received.
- An inter-fund loan is not appropriate or not available to cover the fund deficit.

The City Administrator will report shortfalls or surpluses in the projected fund balance levels to the City Council as soon as found to be a significant impact.

If a *fund deficit* occurs, a written plan by the City Administrator to move the fund out of the deficit is required. The City Council is responsible for reviewing and approving the financial plan. The City Administrator will monitor the plan's effectiveness on a monthly basis. The City Administrator will report the plan's effectiveness to the City Council on a quarterly basis.

A *fund surplus*, above all internal and external constraints, may also occur. In this case, the Administrator will notify the City Council to discuss the circumstances of the surplus and determine whether or not the established threshold is effective. Some appropriate plans for using fund surpluses include the following items (but are not limited to):

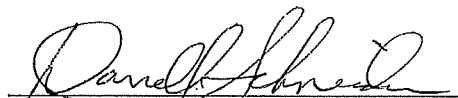
- Move budgeted expenditure into a future year due to unforeseen circumstances.
- Fund a one-time project or project planning that would not normally be budgeted in the on-going operations of the City.
- Return unused dollars to donors.
- Transfer excess funds to another City fund to finance a project or cover a shortfall.

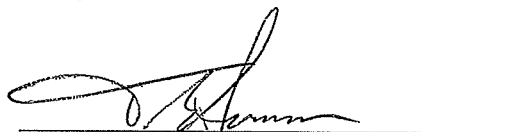
The City's *credit rating* for debt financing and investing will also be considered in the level of required General fund balance. The City Council may further restrict the required fund balance level to meet a higher credit rating need if possible. The City's credit rating is reviewed annually by the City Administrator, Clerk/Treasurer, and bond counsel when necessary. The City Administrator shall be responsible for conducting rating reviews.

IV. REPORTING REQUIREMENTS

The City's audit firm shall provide a Council presentation of the previous year's financial condition in the modified and full accrual basis of accounting after the audit is completed. Any deficiencies presented by the auditor will be followed up by the City Administrator with a written plan to comply with this policy. The audit presentation will occur before June 30th following the previous year's end.

Adopted by the Crosslake City Council on this 12th day of December, 2011.


Darrell Schneider
Mayor


Thomas N. Swenson
City Administrator

