

CROSSLAKE COMMUNICATIONS ADVISORY BOARD/COUNCIL MEETING
THURSDAY, MARCH 17, 2016

The Regular meeting of the Crosslake Communications Advisory Board was called to order at 8:00 am by Chair Mike Winkels. Members present: Mike Winkels, Alternate Doug Benzer and Dave Fischer. Members absent: Steve Kollman, Ann Schrupp and Jim Talbott. Also present were General Manager Kevin Larson, Local Manager Debby Floerchinger, Accountant Cyndi Perkins, Council Member Brad Nelson, Mayor Steve Roe, Finance Director/Treasurer Mike Lyonais, Helen Fraser, Patty Norgaard and Pat Powers from Olsen Thielen.

Actions Taken:

1. **The Crosslake Communications Advisory Board recommends to the City Council approval of Cable TV Rate Increase as follows:**

Basic TV	\$39.98
Expanded Basic	\$81.80
Digital	\$95.34

along with associated packages.
2. **The Crosslake Communications Advisory Board Recommends to the City Council approval of the Cable TV Franchise Agreement.**
3. **The Crosslake Communications Advisory Board Recommends to the City Council approval of the Employee Retention Agreement for the Local Manager and Accountant.**

The Minutes of the January 29, 2016 meeting were reviewed. Dave Fischer moved to approve the Minutes as presented. Second by Doug Benzer. All in favor, motion carried.

The Financial Statements for January 2016 were reviewed. Dave Fischer moved to approve the January 2016 Financial Statements. Second by Doug Benzer. All in favor, motion carried.

The Check Disbursements for January 2016 were reviewed. Mike Winkels moved to approve the January 2015 Check Disbursements. Second by Doug Benzer. All in favor, motion carried.

COMMUNICATIONS

- 1) Operations Report.
 - Debby reported that we had a slow start in 2016 in getting conversions done. We have been installing the shelves in the cabinets which will give us a much bigger pool of customers to schedule from. From January through last Friday, we have done 300 conversions. We have a total of 700 so we are almost half way there. Our goal is to have them completed by the end of June. It has been hard connecting with customers since so many are on vacation. With the weather being so nice, we anticipate having an

early return which will help. In order to keep our costs down, we are trying to juggle equipment by working on one shelf at a time. That in itself poses problems because the customers are on specific shelves and in order to remove a shelf, we need to have all customers off of that shelf. It's similar to working with a puzzle. With an even heavier workload, I have been relying on Jason Atwater from CTC to help more with the techs by making sure they have what they need to complete the process.

- The CSRs have been helping the scheduler call customers to set up appointments. They have also been doing a lot of clean-up work and helping me get documents and information ready for the data room.
- Cyndi and I have been buried with pulling information together for the data room along with our everyday jobs.
- Josh from CTC continues to assist us with computer upgrades, repairs and general Internet issues. We have changed his hours to Monday/Thursday and telephone support on Tuesday/Wednesday/Friday. He has noticed that things have picked up for him in the past couple of weeks.

- 2) Cable TV Programming Contracts. Debby reported that after taking AMC off the air, we were notified by FOX that we would need to put two of their channels on Expanded Basic in accordance with their contract. If you will recall, we had planned on putting INSP on to replace AMC. FOX said that replacing a channel was the same as adding a channel and that triggered the clause in their contract. The cost of these two "sports" channels was equivalent to the cost of AMC/IFC. We did hear from several customers (including an editorial) that they missed their "movies" on AMC. We had to make the decision of removing AMC all together and not replacing it or just adding it back on. We decided to add it back in our channel lineup.

We have added Hallmark Movies and Mysteries to the Digital line up on channel 361. IFC was also replaced on channel 365.

As I reported last month, NBCU was finalized and we renewed it. The impact of that renewal was \$0.70 per sub for 12 channels.

The Turner Network Services agreement was also renewed. There was no increase in programming costs this year. The catch in this contract negotiation was the penetration level. They were requiring a high penetration for their programming and if the penetration was not met, there was a penalty. The NCTC was able to get the penetration piece to a level that was more accommodating. We have renewed this contract.

- 3) Cable TV Rate Increase. Cyndi reviewed the programming and plant costs with the Advisory Board. She noted that we did not raise rates enough back in 2014 to cover the shortage at that time. That shortage is showing up in the difference today. The Advisory Board felt that we should raise rates to make up the difference. Dave Fischer moved to recommend to the City Council cable TV rate increases as follows:

Basic TV	\$39.98
Expanded Basic	\$81.80
Digital	\$95.34

along with associated packages. Second by Doug Benzer. All in favor, motion carried.

- 4) CATV Franchise Agreement. Kevin reported that the Cable TV Franchise Agreement with the city expired in 2013. We have updated the agreement and have had Brad Person review and approve it. Mike Winkels moved to recommend to the City Council approval of the Cable TV Franchise Agreement. Second by Doug Benzer. All in favor, motion carried.
- 5) Underground Fuel Tank. Kevin reported that we had budgeted to replace the standby generator. After giving it further thought, and not knowing what a future company may want for a generator, we have decided it might be better to wire the switch with a plug for an auxiliary standby generator. CTC has a standby generator that they would be able to loan for an extended time. Cyndi also noted that we have a 550 gallon underground fuel tank for the standby generator. This fuel tank is not registered with the State, was installed in 1989 and has not been monitored for many years and has not been tested. The cost for the testing is comparable to the cost to remove the tank. Cyndi has received an estimate of \$5,000 to remove the tank and \$3,700 to do the soil borings and testing. We want to make sure that there is no environmental hazard. We would like to take a proactive approach and make sure there is no future liability. The Advisory Board was in agreement that this needs to be taken care of.
- 6) Subcommittee Update. Debby gave the same report that John Finke had given at the March 14th council meeting. The question about the need for a referendum has been resolved and confirmed by Attorney Person that we do not need to go to a vote of the citizens. We have also learned that the sale will need to go through a public bid process. We reviewed the requirements with the subcommittee and have modified our approach to fit the requirements. We do not need to take highest bidder.

Gary Heacox joined the meeting at 8:45 am.

PERSONNEL

- 1) Retention Agreement. Kevin reported that Debby and Cyndi have been pulling all the information together for the data room in addition to their jobs. Kevin has had a conversation with John Finke and his HR Manager, Kristi Westbrook, and in these types of processes, there are key people who have institutional knowledge about the organization and are quite important to the process. As the management company, Kevin is concerned about the stress and uncertainty that we are injecting into the operation. In talking with Mr. Finke, and his HR Director, and with the sub-committee's support, Kevin recommends offering a Retention Agreement with milestones. He feels it is imperative that Cyndi and Debby have a feeling that they are an important piece of the

sales process for doing all this work while they are in an unstable environment. In addition, it's important to CTC to continue to fulfill its contractual obligation in providing the citizens with good service throughout this whole process. There is no payment if they do not fulfill the requirements of this agreement. Mike Winkels moved to recommend to the City Council approval of the Retention Agreement for the Local Manager and Accountant. Second by Dave Fischer. All in favor, motion carried.

OPEN FORUM – None.

The next Regular Meeting of the Advisory Board will be Tuesday, April 26, 2016 at 8:00 am at Crosslake Communications.

The meeting was recessed at 9:02 am.

Council Members Mayor Steve Roe and Gary Heacox joined the Advisory Board Meeting. Mayor Steve Roe called the Council meeting to order at 9:08 am.

The Advisory Board meeting was resumed at 9:08 am.

- 1) Audit Review. Pat Powers from Olsen Thielen Co., Ltd. was present to review the 2015 Audit for Crosslake Communications. Effective 2016, Crosslake Communications adopted a new accounting standard, GASB 68, relating to pensions. The auditors were up here in January for the final audit. The staff of Crosslake Communications was very well prepared. There were a couple of adjustments to the year-end financial statements. The biggest one being the PERA liability and reflecting that liability on the financial statements. The information came out in mid-February and is done by PERA as a whole. Once they received that information they were able to incorporate it into the financial statements. The other adjustment was a debt issuance cost. Pat noted two deficiencies both inherent with small staff. Mark Wessels joined the meeting at 9:37 am. MOTION 03S1-01-16 WAS MADE BY GARY HEACOX, SECONDED BY BRAD NELSON TO APPROVE THE 2015 AUDIT FOR CROSSLAKE COMMUNICATIONS. MOTION CARRIED 4-0.

- 2) Cable TV Franchise Agreement. Kevin reported that the existing Cable TV Franchise Agreement expired in 2013. We have prepared a new Agreement and Attorney Brad Person has reviewed and approved it. The purpose of the Franchise Agreement is to protect the city going forward and we felt it was necessary to have this in place. The term is for 15 years and is nonexclusive. MOTION 03S1-02-16 WAS MADE BY MARK WESSELS AND SECONDED BY GARY HEACOX TO APPROVE ORDINANCE NO. 332 REGARDING THE CABLE TV FRANCHISE AGREEMENT. MOTION CARRIED 4-0.

- 3) Cable TV Programming Costs. Kevin reported that the programming costs continue to go up. At this morning's Advisory Board meeting, the Board made a recommendation to the City Council for approval of the following Cable TV rate increases to cover additional programming costs:

Basic increase of \$2.49 for a total of \$39.98/month
Expanded Basic increase of \$9.85 for a total of \$81.80/month
Digital increase of \$9.85 for a total of \$95.34/month.
All packages will also be increased according to these increases.

With the assistance of CTC Marketing staff, we will prepare a letter and informational piece to mail to each customer. The rate increase would be effective May 1, 2016.

MOTION 03S1-03-16 BY STEVE ROE TO INCREASE CABLE TV RATES EFFECTIVE MAY 1, 2016 AS FOLLOWS:

Basic increase of \$2.49 for a total of \$39.98/month
Expanded Basic increase of \$9.85 for a total of \$81.80/month
Digital increase of \$9.85 for a total of \$95.34/month.
All packages will also be increased according to these increases.

SECONDED BY BRAD NELSON. MOTION CARRIED 4-0.

- 4) Employee Retention Agreement. Kevin reported that subcommittee consultant John Finke, CTC HR Manager Kristi Westbrook and he have talked about how critical it is to have two key employees while working through the potential sale of Crosslake Communications and providing excellent customer service to the citizens of Crosslake. They had an employee retention agreement drafted for the local manager and the accountant to encourage them to stay during this process. If one or both were to come to leave in the next couple of weeks with another offer, we would be in jeopardy at this critical time. Kevin, John and Kristi are proposing that a retention agreement be adopted that would give these two individuals an incentive to stay to the end. No payment would be made until there is a change of control or until a time when the city votes not to do anything. We need them to help the subcommittee develop and submit the necessary information for potential buyers. The Advisory Board made a recommendation this morning requesting that the City Council implement an Employee Retention Agreement for those two individuals. All other Crosslake Communications employees are covered under the IBEW Union Agreement. MOTION 03S1-04-16 BY MARK WESSELS TO APPROVE THE EMPLOYMENT RETENTION AGREEMENT SUBJECT TO CITY ATTORNEY APPROVAL. SECONDED BY GARY HEACOX. MOTION CARRIED 4-0.

MOTION 03S1-0516 WAS MADE BY MARK WESSELS AND SECONDED BY GARY HEACOX TO ADJOURN THE MEETING AT 10:25 AM. MOTION CARRIED WITH ALL AYES.

Mike Winkels moved to adjourn the meeting at 10:25 am. Second by Dave Fischer.

Debby Floerchinger

Debby Floerchinger, Local Manager