

JOINT CITY COUNCIL/ECONOMIC DEVELOPMENT AUTHORITY
SPECIAL MEETING
CITY OF CROSSLAKE
WEDNESDAY, SEPTEMBER 5, 2007
8:30 A.M. - CITY HALL

Pursuant to due notice and call, the Council for the City of Crosslake met in a joint meeting with the Economic Development Authority on Wednesday, September 5, 2007 at City Hall. The following Councilmember's were present: Mayor Jay Andolshek (who joined the meeting at 8:50 A.M.), Steve Roe, Irene Schultz, Dean Swanson and Rusty Taubert. Present from the EDA was Chair Gil Arvig, Karen Christofferson and Dick Phillips in addition to the two Council Members who serve on the EDA. Also present was City Administrator Tom Swenson, Community Development Director Ken Anderson, Park and Recreation Director Jon Henke, Public Works Director Ted Strand, Police Chief Bob Hartman, General Manager Paul Hoge, Clerk/Treasurer Darlene Roach and City Attorney Paul Sandelin. Sid Inman of Ehlers & Associates, Elissa Rogers of BLADC, Betty Ryan of the Lake Country Echo and Chuck Lane were also in attendance.

Deputy Mayor Dean Swanson called the City Council Meeting to order at 8:30 A.M.

EDA Chair Gil Arvig called the Economic Development Authority Meeting to order at 8:30 A.M.

MOTION EDA09-01-07 WAS MADE BY KAREN CHRISTOFFERSON AND SECONDED BY DICK PHILLIPS TO APPROVE THE MINUTES OF THE MAY 2, 2007 EDA MEETING. MOTION CARRIED WITH ALL AYES.

A funding request in the amount of \$2,100 was received from BLADC for 2008 and considered by the EDA. MOTION EDA09-02-07 WAS MADE BY KAREN CHRISTOFFERSON AND SECONDED BY IRENE SCHULTZ TO APPROVE THE 2008 FUNDING REQUEST FROM BLADC IN THE AMOUNT OF \$2,100 PAYABLE IN 2008. MOTION CARRIED WITH ALL AYES.

A request from Clerk Roach to reimburse the City's General Fund for EDA expenses in the amount of \$2,549.90 was reviewed. MOTION EDA09-03-07 WAS MADE BY DICK PHILLIPS AND SECONDED BY KAREN CHRISTOFFERSON TO APPROVE THE TRANSFER OF \$2,449.90 FROM THE EDA REVOLVING LOAN FUND TO THE CITY OF CROSSLAKE GENERAL FUND FOR EXPENSES INCURRED BY THE EDA. MOTION CARRIED WITH ALL AYES.

A memo dated September 4, 2007 from Clerk Roach provided an update on the status of the Revolving Loan Account Funds and the EDA Restricted Account. It was noted that Competition BBQ is delinquent in their payments to the EDA on their revolving loan. An email from Greg Breen of Northern National Bank stated that a no minimum bid auction will be held on Friday, September 7, 2007 at 6:30 P.M. Breen stated that Northern National Bank has agreed to the terms of the auction based on Randy Jernberg's commitment to repay any remaining balance after pay down and restructure. At the joint meeting of the EDA and City Council held in May, Breen stated that a request was made to the City Council to release the collateral if the building was sold. There appears to be

a misunderstanding with the position the bank holds and the position that the City has regarding the distribution of funds. City Attorney Sandelin stated that the City participated with Northern National Bank and held a pro-rata position rather than a subordinate position on the collateral as stated by Mr. Breen. City Attorney Sandelin stated that he does not agree with the position that the bank has taken on the sale of the auction and feels that the proceeds need to be shared with the City on a pro-rated basis. MOTION EDA09-04-07 WAS MADE BY DEAN SWANSON AND SECONDED BY IRENE SCHULTZ TO DIRECT THE CITY ATTORNEY TO RESPOND TO THE SEPTEMBER 4, 2007 EMAIL FROM GREG BREEN AND STATE THAT THE EDA'S POSITION IS THAT THE PROCEEDS ARE TO BE SPLIT ON A PRO-RATED BASIS. MOTION CARRIED WITH ALL AYES.

A request was received from Midwest Properties, LLC for a \$75,000 loan from the EDA Revolving Loan Fund as gap financing for the construction of a 35 unit assisted living and memory care facility. An email from J.P. Elsenpeter of Lakes State Bank stated that the funds would not be needed until March of 2008. Midwest Properties, LLC has also requested \$50,000 in gap financing from Crow Wing Power. Elissa Rogers of BLADC was present to answer any questions the EDA or Council had regarding this request. Rogers stated that the loan would be backed by the TIF payment from the City if Tax Increment Financing is approved by the City Council. MOTION EDA09-05-07 WAS MADE BY KAREN CHRISTOFFERSON AND SECONDED BY IRENE SCHULTZ TO RECOMMEND TO THE CITY COUNCIL THAT A LOAN IN THE AMOUNT OF \$75,000 FROM THE REVOLVING LOAN FUND BE APPROVED AT 5 ½% INTEREST WITH A ½% INTEREST PAID TO THE BANK FOR SERVICING THE TEN YEAR LOAN, WITH THE LOAN SECURED BY THE TAX INCREMENT FINANCING DISTRICT REIMBURSEMENT, CLOSED UPON EXECUTION OF THE DEVELOPMENT AGREEMENT AND LAND USE AGREEMENT WITH ALL EXPENSES PAID FOR OUT OF THE DEVELOPER'S TIF DEPOSIT FROM THIS DATE (SEPTEMBER 5, 2007) FORWARD. Dean Swanson commented that changing the number of units from 28 to 35 only changed the amount of the bank loan and had no impact on the request from the Revolving Loan Fund. MOTION CARRIED WITH 4-1 WITH GIL ARVIG ABSTAINING FROM THE VOTE. City Attorney Sandelin will work with Briggs & Morgan to include wording in the Development Agreement securing the loan with TIF District reimbursement funds.

Mayor Andolshek joined the meeting at 8:50 A.M.

MOTION 09S1-01-07 WAS MADE BY DEAN SWANSON AND SECONDED BY IRENE SCHULTZ TO APPROVE THE RECOMMENDATION OF THE EDA THAT A LOAN IN THE AMOUNT OF \$75,000 FROM THE REVOLVING LOAN FUND BE APPROVED AT A RATE OF 5 ½% INTEREST WITH THE BANK RETAINING ½% OF THE INTEREST FOR SERVICING THE TEN YEAR LOAN, WITH THE LOAN SECURED BY THE TAX INCREMENT FINANCING DISTRICT REIMBURSEMENT, CLOSED UPON EXECUTION OF THE DEVELOPMENT AGREEMENT AND LAND USE AGREEMENT WITH ALL EXPENSES PAID OUT OF THE DEVELOPER'S TIF DEPOSIT FROM SEPTEMBER 5, 2007 FORWARD. MOTION CARRIED WITH ALL AYES.

A memo from Sid Inman stated that Ehlers & Associates have completed an analysis or statement of need for Midwest Properties, LLC and determined that the project cannot go forward without assistance due to providing low income housing at the facility. The review by Ehlers determined that \$300,000 would be reasonable for Tax Increment Financing over a period of fifteen years. Based on a review of the pro forma, it is the recommendation of Ehlers & Associates and the bond counsel, Briggs & Morgan, that the Development Agreement be approved as a "pay as you go" project and ending when \$300,000 is expended, the City reimburses 90% of the tax increment received over time providing all taxes are paid. It is expected that construction will commence on or before October 15, 2007 with completion by October 15, 2008. Language will be added to page 9 of the Developer's Agreement securing the loan with TIF reimbursement. City Administrator Swenson inquired if the Developer is required to turn in receipts showing the expenses incurred and Page 7 of the Developer's Agreement confirms this requirement. Not only is this a requirement of the Developer's Agreement, but a requirement of State Statute that all expenses are kept on file. City Administrator Swenson stated that before the Developer's Agreement is approved, Planning and Zoning would like to provide some information regarding what is needed by the Developer in order for the permitting process to proceed. Community Development Director Ken Anderson stated that his department has been in discussion with Chuck Lane and Gil Arvig regarding this project. Mr. Arvig submitted an application to subdivide the property into three parcels. The Planning and Zoning Commission tabled the issue pending receipt of a site plan and floor plan to ensure that performance standards are met. Due to the location of the property, the Developer needs to go through the PUD process and all information needs to be submitted to the City by September 7th in order to be on the agenda for the Public Hearing on September 28th. One of the principal concerns was the change in the number of units. Initially there were 25 units proposed and currently thirty-five units are being considered. The Planning and Zoning Commission needs to ensure that all of the setbacks are met and that the 50% impervious coverage is not exceeded. The Commission needs to look at a metes and bounds subdivision in conjunction with a Planned Unit Development. If the Commission approves the application, a recommendation can be brought to the City Council in October which would include a recommendation on park dedication fees. Councilmember Steve Roe asked if there was any consideration given to increasing the lot size due to the increase in number of units. Community Development Director Anderson stated that initially the Developer was utilizing 1.88 acres but as a result of negotiations with the property owner, the site will consist of three acres. Councilmember Roe suggested that the Planning and Zoning Commission consider accepting parkland in lieu of money. Chuck Lane addressed the Council and stated that the memory care units are studio apartments consisting of 250 square feet per unit. Of the remaining units, sixteen are one-bedroom apartments with the remaining being studio apartments consisting of 349 square feet including private bathrooms. City Administrator Swenson asked if the memory care residents were given similar care to nursing home residents and Chuck Lane stated that memory care residents require a higher level of care but do not receive 24-hour coverage like a nursing home provides. Dick Phillips commented that the EDA should require loan recipients to provide the City with the number of jobs being created and the wages paid for the positions. City Attorney Sandelin stated that this type of district is exempt from this type of requirement. Developer Chuck Lane stated that the Assisted Living Facility will employ between twenty-five to thirty employees. Councilmember Roe asked about the level of care that the residents would receive and Mr. Lane stated that he

is required to follow the licensing requirements of the State and the State Health Department conducts inspections on these types of facilities. Mr. Lane stated that his organization has a quality control manager and consultant who conduct mini audits on each of the facilities. Employees are trained to give respect and dignity to the residents and resident council meetings are held once a month where issues are reviewed and acted on. It was the consensus of the Council to authorize the Mayor and City Administrator to work with the City's legal counsel in making any minor corrections to the Development Agreement. MOTION 09S1-02-07 WAS MADE BY DEAN SWANSON AND SECONDED BY IRENE SCHULTZ TO APPROVE RESOLUTION 07-13A AUTHORIZING EXECUTION OF A DEVELOPMENT AGREEMENT FOR MIDWEST PROPERTIES OF CROSSLAKE, LLC. MOTION CARRIED WITH ALL AYES.

MOTION EDA09-06-07 WAS MADE BY DICK PHILLIPS AND SECONDED BY GIL ARVIG TO ADJOURN THIS ECONOMIC DEVELOPMENT AUTHORITY MEETING AT 9:20 A.M. MOTION CARRIED WITH ALL AYES.

The next item on the agenda was to review an Ordinance Amendment relating to Sewer Regulations related to Assisted Living Facilities. The Public Works Commission reviewed an amendment to the Sewer Ordinance adding a section which would treat three units or fraction thereof equal to one equivalent residential unit and be charged one commercial connection charge and one monthly user fee. Since memory care units are now being added to the facility, it was the consensus of the Council that memory care units be added to Subd. 2. 4 under Definitions. Mr. Lane addressed the Council and stated that the number of units were increased due to \$500,000 in additional costs that were unexpected for land costs, a fire suppression system and SAC fees. Mr. Lane stated that he could agree to the 3 to 1 ratio on the assisted living units, but was not agreeable to a 3 to 1 ratio for the units that contain 250 square feet with only a toilet and a sink. Mr. Lane stated that he would like the Council to consider the memory care units like a hotel since the water usage is less. Mr. Lane further stated that he appreciates all that the Council has done on Tax Increment Financing and in his obtaining a Revolving Loan but the sewer costs are a huge issue for him and would appreciate the memory care units being considered differently. City Administrator Swenson stated that when the Public Works Commission looked at the charges, they took into consideration the stronger chemicals required to treat the waste from these types of facilities which will result in additional cost to the City. City Staff requested that WSN research comparable facilities and these results were utilized in determining the fees. Councilmember Roe commented that the developers also need to compare the cost for municipal sewer versus the cost of an on-site septic system which would require additional land as well as the cost of installation and on-going maintenance. MOTION 09S1-03-07 WAS MADE BY DEAN SWANSON AND SECONDED BY STEVE ROE TO APPROVE ORDINANCE AMENDMENT NO. 246 RELATING TO SEWER REGULATIONS WITH THE INCLUSION OF "MEMORY CARE UNITS". MOTION CARRIED WITH ALL AYES.

MOTION 09S1-04-07 WAS MADE BY DEAN SWANSON AND SECONDED BY JAY ANDOLSHEK TO APPROVE PUBLISHING A SUMMARY OF ORDINANCE AMENDMENT NO. 246. MOTION CARRIED WITH ALL AYES.

City Administrator Swenson requested approval of a resolution which would increase the monthly Sewer User Fees effective with the January 2008 billing for December 2007 usage. The commercial customers would be charged \$33.00 per month per 8,000 gallons of metered usage and residential customers would be charged a flat \$33.00 per month, which is an increase of \$3.00 per month. Rates have not been increased since municipal sewer became available in 2004. The City now has 3 ½ years of historical data to compare the cost of operating the system. When the 2006 Financial Statement was reviewed with the City Council, it was suggested by the Auditors that the City increase rates to offset the deficit that the Sewer Operating Fund is showing each year. MOTION 09S1-05-07 WAS MADE BY JAY ANDOLSHEK AND SECONDED BY DEAN SWANSON TO APPROVE RESOLUTION 07-13B INCREASING MONTHLY SEWER USER FEES. MOTION CARRIED WITH ALL AYES.

Following the last budget meeting, City Administrator Swenson made several recommendations which would reduce the preliminary levy. These recommendations included a reduction in expenditures of \$22,500 and an increase in revenues of \$5,500. On August 29th, the City received \$10,075.73 from Crow Wing Power in capital credits from the sale of its ownership interest in Hunt Technologies. These funds could be used in 2007 to purchase a new telephone system for City Hall and reduce the 2008 budget. Each item comprising the increase in revenues and decrease in expenditures was reviewed with the Council. Regarding the recent \$15,000 request from the Crosslake Community School, the State Auditor has determined that the City has no authority to donate money to a charter school, therefore such donations are not allowed by law. With a conservative estimate of \$65,000 in new construction, the proposed levy on the tax base is \$2,549,255, an increase of \$87,881 or 3.6%. Councilmember Dean Swanson asked about the decrease in cost for the Transportation Plan approved by the Council and City Administrator Swenson stated that there is \$3,100 remaining from the money received from Crow Wing Power not being used for the telephone system that could be applied to the cost of the Transportation Plan. Councilmember Taubert asked about the \$5,000 reduction in the Police Department part-time budget and Chief Hartman explained that in prior years \$20,000 was budgeted for part-time help, but in the 2007 budget, that amount was decreased to \$10,000. Chief Hartman felt \$15,000 would be sufficient to fund the part-time officers. Mayor Andolshek noted that a 3.6% increase in the levy is less than other years and is a good budget. City Administrator Swenson stated that in 2007, the increase was 2.7% but there was \$90,000 of new construction so this budget is very comparable. Councilmember Roe commented that Crosslake is a growing community with increased valuations yet we are unable to cover our existing operations and wondered how long the City could continue to increase the levy before there are problems. Roe said how long can we stay on top of spiraling increases in cost. Roe commended Staff for putting together a reasonable budget. City Administrator Swenson informed the Council that if there were no modifications by the Council he would present the revenue and expenditure budgets and the 2008 levy at the Regular Meeting in September. Councilmember Schultz commented that once the preliminary levy is approved, the levy cannot be increased, but it can be decreased. MOTION 09S1-06-07 WAS MADE BY STEVE ROE AND SECONDED BY RUSTY TAUBERT TO AUTHORIZE PREPARATION OF THE PRELIMINARY LEVY AS PROPOSED WITH ADOPTION OF THE REVENUE AND EXPENDITURE BUDGETS AND PRELIMINARY LEVY AT THE REGULAR SEPTEMBER MEETING. MOTION CARRIED WITH ALL AYES.

Approval of bills – MOTION 09S1-07-07 WAS MADE BY DEAN SWANSON AND SECONDED BY RUSTY TAUBERT TO APPROVE THE BILLS FOR PAYMENT AS SUBMITTED IN THE AMOUNT OF \$22,025.50. MOTION CARRIED WITH ALL AYES.

MOTION 09S1-08-07 WAS MADE BY STEVE ROE AND SECONDED BY RUSTY TAUBERT TO ADJOURN THIS SPECIAL COUNCIL MEETING AT 10:10 A.M. MOTION CARRIED WITH ALL AYES.

Respectfully submitted by,



Darlene J. Roach
Clerk/Treasurer

SPECIAL COUNCIL MEETING – September 5, 2007.doc

EXTRACT OF MINUTES OF MEETING
OF THE CITY COUNCIL OF THE
CITY OF CROSSLAKE, MINNESOTA

HELD: September 5, 2007

Pursuant to due call and notice thereof, a meeting of the City Council of the City of Crosslake, Crow Wing County, Minnesota, was duly called and held at the City Hall in said City on Tuesday, the 5th day of September, 2007, at 8:30 o'clock a.m.

The following members were present: Mayor Jay Andolshek, Councilmembers Roe, Schultz, Swanson and Taubert

and the following were absent: None

Member Dean Swanson introduced the following resolution and moved its adoption:

RESOLUTION 07-13A
AUTHORIZING
EXECUTION OF A DEVELOPMENT AGREEMENT

A. WHEREAS, Midwest Properties of Crosslake, LLC (the "Developer") has requested that the City of Crosslake, Minnesota (the "City") assist with the financing of certain costs in connection with the construction of an approximately 35-unit assisted living and memory care facility to be constructed by the Developer in the City (the "Project").

B. WHEREAS, the Developer and the City have determined to enter into a Development Agreement providing for the City's assistance for the Project (the "Development Agreement").

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Crosslake, Minnesota, as follows:

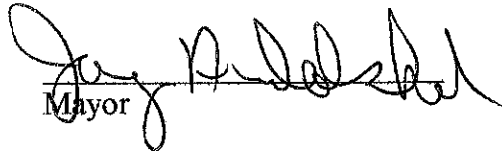
1. The City Council hereby approves the Development Agreement in substantially the forms submitted, and the Mayor and Administrator are hereby authorized and directed to execute the Development Agreement on behalf of the City.

2. The approval hereby given to the Development Agreement includes approval of such additional details therein as may be necessary and appropriate and such modifications thereof, deletions therefrom and additions thereto as may be necessary and appropriate and approved by the City officials authorized by this resolution to execute the Development Agreement. The execution of the Development Agreement by the appropriate officer or officers of the City shall be conclusive evidence of the approval of the Development Agreement in accordance with the terms hereof.

The motion for adoption of the foregoing resolution was duly seconded by member Irene Schultz and, after full discussion thereof, and upon a vote being taken thereof, the following voted in favor thereof: Andolshek, Roe, Schultz, Swanson and Taubert

and the following voted against same: None

Adopted this 5th day of September, 2007.

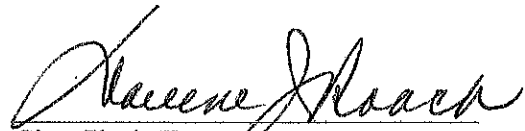

Mayor

Attest: 
City Clerk-Treasurer

STATE OF MINNESOTA
COUNTY OF CROW WING
CITY OF CROSSLAKE

I, the undersigned, being the duly qualified and acting Clerk-Treasurer of the City of Crosslake, Minnesota, DO HEREBY CERTIFY that I have carefully compared the attached and foregoing extract of minutes with the original minutes of a meeting of the City Council of the City held on the date therein indicated, which are on file and of record in my office, and the same is a full, true and complete transcript therefrom insofar as the same relates to a Resolution Authorizing Execution of a Development Agreement.

WITNESS my hand as such Clerk-Treasurer of the City Council of the City of Crosslake, Minnesota this 5th day of September, 2007.


City Clerk-Treasurer

**RESOLUTION INCREASING MONTHLY SEWER USER FEES
CITY OF CROSSLAKE
COUNTY OF CROW WING
STATE OF MINNESOTA**

RESOLUTION NO. 07-13B

WHEREAS, as part of the City of Crosslake Wastewater Project, the City has adopted an Ordinance (City Code Chapter 11) establishing procedures and regulations for the operation of the wastewater system; and

WHEREAS, the City initially established a commercial and residential user charge pursuant to the Ordinance in the amount of \$30.00 per month residential and \$30.00 per month per 8,000 gallons of metered usage commercial; and

WHEREAS, the Ordinance provides that the City maintain a current fee schedule reflecting the current amount for connection and user charges as well as any changes thereto; and

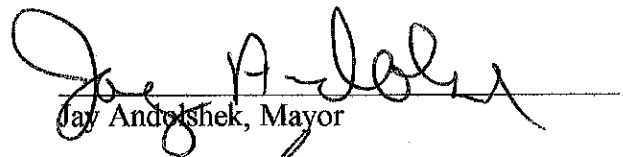
WHEREAS, the City Council has determined that pursuant to the Ordinance, effective with the January 2008 billing for December 2007 usage the commercial and residential user charges shall be increased;


NOW THEREFORE BE IT RESOLVED, that the City Council of the City of Crosslake hereby establishes the following fee schedule for the Crosslake Wastewater System (the "Wastewater System"):

Effective upon the January 2008 billing for December 2007 usage, commercial and residential connection charges shall be as follows:

- Commercial \$33.00 per month per 8,000 gallons of metered usage
- Residential \$33.00 per month

Passed by the City Council this 5th day of September 2007, by a 5/5 ths vote of said City Council.


Jay Andolshek, Mayor


Thomas Swenson, City Administrator

BILLS FOR APPROVAL
5-Sep-07

VENDORS	DEPT	AMOUNT
Ace Hardware, screw extractor	P&R	5.02
Banyon, payroll and fund accounting support	Admin	1,560.02
Brownells, emergency rear sight, mag, sling adapter	Police	283.69
City of Crosslake, sewer utilities	PW/Admin	60.00
Crosslake Communications, phone, fax, cable, internet	ALL	1,650.08
Fire Instruction & Rescue, burn drill	Fire	450.00
Global Supply, ice and snow melt	PW/Admin	97.50
Holiday, bug spray, operating supplies	Fire	20.67
Houston Ford, oil change	Police	28.28
Houston Ford, transmission	Police	3,065.19
League of MN Cities, membership dues	Gov't	1,800.00
League of MN Cities, mayors assn dues	Gov't	20.00
Menards, cable ties, trash can, bar clamps	P&R	55.55
Mills, handle	PW/Admin	48.11
Northwood Turf and Power, wiper blade	P&R	17.66
Pepsi, pop	PW	54.94
Pequot Auto Parts, battery	PW	78.76
Pequot Auto Parts, oil filter, air filter, tool and bits	PW	50.75
Simonson Lumber, wood laths	PW	26.63
Widseth Smith Nolting, engineering fees	ALL	12,324.01
Xcel Energy, gas utilities	P&R/Gov't	171.07
Ziegler, element, filter	PW	66.99
Ziegler, repair boom	PW	90.58
TOTAL		22,025.50