

SPECIAL COUNCIL MEETING
CITY OF CROSSLAKE
THURSDAY, JULY 28, 2005
9:00 A.M. – CITY HALL

The Council for the City of Crosslake met in the Council Chambers of City Hall on Thursday, July 28, 2005. 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, Police Chief Robert Hartman, Auditor Judy Moravec, Accountants Tom Koop and Sara Lusignan, Brainerd Dispatch Reporter Renee Richardson and Lake Country Echo Reporter Bryan Clapper. There were approximately three other individuals in the audience.

1. Mayor Andolshek called the Special Meeting to order at 1:00 P.M.
2. Presentation by Judy Moravec of Mathias Justin, CPA on Auditor's Report and Legal Compliance on 2004 Audit – Judy Moravec stated that the firm of Mathias C. Justin, LTD audited the financial statements of the City of Crosslake for the year ended December 31, 2004 and that the City of Crosslake complied with the material terms and conditions of applicable legal provisions.
3. Presentation by Tom Koop/Sara Lusignan of Larson Allen on 2004 Financial Statement – Tom Koop appeared before the Council and gave a brief description of the format of the audit and financial statements before them. The City of Crosslake has implemented a new financial reporting model as of December 31, 2004, as required by the provisions of GASB Statement No. 34, so the reports this year are quite different from previous years. Sara Lusignan stated that the change to GASB 34 was very time consuming and that she worked closely with Darlene Roach and Tom Swenson, as they compiled all of the information regarding capital assets. Mr. Koop added that the conversion to GASB 34 went very smoothly thanks to the exceptional efforts of the City Administrator and Clerk/Treasurer.

Sara Lusignan presented the Statement of Revenues, Expenditures and Changes in Fund Balances and noted that the Debt Service Fund is and has been in deficit for the past few years. Ms. Lusignan stated that this fund needed at least \$125,000 to cover the deficit. Tom Koop suggested that the Council transfer \$425,000 to cover the deficit and reflect a reserve in the Debt Service Fund. Mr. Koop explained that there are no City funds missing, the transaction would be similar to a transfer from the left pocket to the right pocket. Councilman Eggena suggested waiting until budget time to transfer the money. Tom Swenson replied that the transfer could be done today since the amounts have nothing to do with the 2006 budget.

MOTION WAS MADE BY DEAN SWANSON AND SECONDED BY DEAN EGGENA TO TRANSFER \$425,000 FROM THE GENERAL FUND TO THE

DEBT SERVICE FUND AS RECOMMENDED BY BOTH THE AUDITING AND ACCOUNTING FIRMS. MOTION CARRIED WITH ALL AYES.

Ms. Lusignan stated that the net assets of the Sewer Fund is \$2,845,688 and is largely due to the one-time connection fees. Tom Koop added that the same statement of Proprietary Funds shows an operating income loss of \$145,600 in the Sewer Fund, but that it may be too early for the Council to be concerned because it is too early for the fund to show true numbers. It may take a few years to see where the fund is at. Councilman Eggena stated that he thinks the fund will remain in a deficit because the City did not pre-sell the connection charges. City Administrator Swenson replied that the City is in good financial condition on the sewer bond payments for at least 5-6 years and that growth and expansion of the plant should carry the payments for the remaining years. Councilman Swanson suggested that the Council stay on top of tracking user fees and compare the cost to revenue ratio each year. Tom Koop replied that this would be a good idea and that the Council should not wait 10 years to raise the user fees.

Tom Koop stated that the Capital Assets for the total City are 79% and that the City owns 62% of them and that 38% are owned by creditors. Mr. Koop stated that this is very similar to other cities and that it is normal for a city to own 2/3 of its assets. Total Revenues of the City is made up of 30% from Property Tax and 63% from Services. Total Expenses of the City is made up of 54% from Crosslake Communications, 14% General Government, 9% Public Safety, 7% Public Works, 5% Park and Recreation, 5% Sewer, and 6% Debt Service. Tom Koop stated that in most cities, the Public Works and Public Safety Department double in expenses as the City grows. The General Fund 2004 Expenditures are broken down as 23% for General Government, which Mr. Koop said is right on with other cities, 17% for Public Safety, which Mr. Koop said is usually about 30% with other cities and 12% for Public Works, which Mr. Koop said is usually about 20%. Councilman Eggena replied that it appears Crosslake is top heavy. Tom Koop replied that it is not a bad thing to be top heavy because a city needs to have management in order to manage the growth.

Councilman Eggena stated that the Council approves bills every month and never knows if they are over budget or not and questioned if the Council should track overages of expenses and revenues. Tom Koop replied that GASB allows the Council to amend the budget to include unexpected revenues or expenditures and that it is tracked, line by line, in the financial report. Clerk/Treasurer Roach added that the Council receives monthly financial reports with their Council Agenda packets. Tom Koop replied that Administration could let the Council know if a department is over its budget, but not if a certain object code is over budget, because that would be an administrative nightmare. Councilman Eggena questioned if it was possible to have a projected monthly budget, as he does in the private sector, because the Council is unaware of the monthly budget. Tom Koop replied that more sophisticated software would be necessary for that. Darlene Roach added that

the staff could provide the Council with any information they need, however, there is limited staff in the office and that an extra person might be necessary to pull all of the extra information. Councilman Swanson replied that the City is not big enough to justify the expenses of an extra office person to create financial reports. Tom Swenson stated that the new sirens purchased in 2005 will make this year's budget look out of whack because there is an extra expense of \$75,000 and a reimbursement amount of \$60,000, however none of it was budgeted. Councilman Phillips suggested that the Council amend the budget when such a project takes place. A MOTION WAS MADE BY DEAN SWANSON AND SECONDED BY DICK PHILLIPS TO ACCEPT THE 2004 CITY AUDIT AS PRESENTED. MOTION CARRIED WITH ALL AYES. Councilman Phillips asked that the Council discuss budget amendments during the budget process. Councilman Eggena complimented Larsen Allen and Mathias Justin, CPA on their work. It was the consensus of the Council to have Larsen Allen assist with the Financial Statements for 2005 and for Mathias Justin, CPA to perform the 2005 Audit contingent on review and approval of proposals. Councilman Phillips also complimented Tom Swenson and Darlene Roach for their hard work in the audit process.

The Council took a short recess at 10:30 A.M. and resumed the meeting at 10:40A.M. Community Development Director joined the meeting at 10:40 A.M.

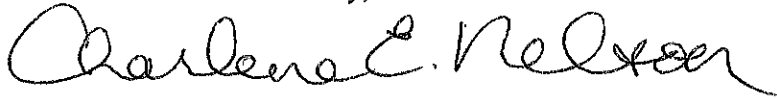
4. MOTION WAS MADE BY DEAN EGGENA AND SECONDED BY JAY ANDOLSHEK TO APPROVE A TEMPORARY NON-INTOXICATING BEER LICENSE AND SET-UP LICENSE FOR THE CROSSLAKE FIREMEN'S RELIEF ASSOCIATION. Councilman Curtis questioned if the set-up license allowed people to bring their own bottles of alcohol and if the non-intoxicating beer license meant it was 3.2. Councilman Phillips questioned if a fence around the perimeter was required. Tom Swenson replied yes to all these questions. MOTION CARRIED WITH ALL AYES.
5. Community Development Director Ken Anderson appeared before the Council to review a brush pile violation on Wolf Trail that had been tabled at the July 11th Regular Council Meeting. The City Ordinance reads, "Brush piles, yard waste and compost piles containing no putrescible matters are permitted, but shall not be allowed to accumulate and become fire hazards or visually offensive." At the July 8, 2005 Special Meeting, the Planning and Zoning Commission passed a motion to recommend that the City Council forward this issue to the City Attorney for further enforcement. Mr. Anderson added that the Attorney's letter should state that the brush pile needs to be removed by property owner Robert Bouten by August 20th or the Public Works Department will remove it, however, he hasn't checked with the Attorney to see if it was legal for the City to remove the pile because he doesn't yet have permission from the Council to contact the Attorney. Mr. Anderson also noted that the property owner was using the brush pile as a blockade to the complainants, the

Garin families, trespassing. Councilman Curtis questioned what allowed staff member Jim Perry to stand on the property next to the brush pile, as shown in a picture included in the Council's packet. Ken Anderson replied that in the course of investigating complaints, staff is allowed on private property. Councilman Curtis stated that staff should have permission from the property owner before entering someone's land. Ken Anderson replied that Bob Garin escorted both he and Jim Perry to the site because it was very unclear as to where the property lines were. Ken Anderson added that while on Bouten's property, he noticed a vehicle with an expired license and a shed with no permit and questioned whether these would be considered complaints by the Council. Mr. Anderson reported that he is drafting a written policy with the help of the League of MN Cities so that all departments can use the same complaint form. Councilman Curtis questioned why the City Attorney had not yet sent a letter to Robert Bouten. Councilman Eggena stated that he thought the Council had already decided that complaints were to be in written form and brought to the Council for action. Ken Anderson stated that the Planning and Zoning Department is now taking all complaints in writing and that the Ordinance states that a letter be sent in reply to complaints. Mr. Anderson questioned if all complaints should go directly to the Council and not to the Planning and Zoning Commission first and no letters be written. Councilman Eggena replied yes, because the bureaucracy of letters hurts the service to the citizens. Councilman Curtis noted that the brush pile case proves that writing letters doesn't work. Councilman Eggena added that if a complaint comes in that is in violation of a City Ordinance, then it should come directly to the Council, however, if it's not in violation of an Ordinance then the complainant should be told it's none of the City's business. Councilman Eggena noted that recently a complaint came in to the Planning and Zoning Department regarding his friend, Cindy Holden's, building and that Ken Anderson went directly to Ms. Holden to inform her of the complaint, although the complaint was not regarding a violation of an Ordinance and Councilman Eggena thought Anderson had no right to even take the complaint because it was not violating the Ordinance. Ken Anderson stated that as the Community Development Director, he accepts all complaints and that it was a common courtesy to inform Ms. Holden of the complaint so that she could be aware of public concern of the completion of her building. Councilman Eggena replied that it is harassment and that he's tired of it. Mr. Eggena said that the City could take him to court if the building isn't completed and if the parking lot does not get paved. Councilman Phillips stated that the Council is getting off track from the brush pile topic and suggested that the letter from the Attorney include the violations of the unlicensed vehicle and shed. Councilman Eggena said he would be reluctant to add the other violations because it could complicate the issue at hand. Councilman Curtis questioned if it was legal to site the other violations since they were obtained when the staff was trespassing on Bouten's property. Buck Garin, a member in the audience, stated that Mr. Perry could have been on Garin's property when the picture was taken because the property line is so close and that Bouten would not be able to prove from the picture that anyone had trespassed. A MOTION WAS MADE BY DEAN EGGENA AND SECONDED BY DICK PHILLIPS TO DIRECT

THE CITY ATTORNEY TO ORDER ROBERT BOUTEN TO REMOVE THE BRUSH PILE BY AUGUST 20, 2005 AS THE COUNCIL DEEMS IT TO BE A FIRE HAZARD AND NUISANCE (VISUALLY OFFENSIVE) OR THE PUBLIC WORKS DEPARTMENT WILL REMOVE THE BRUSH PILE AND ASSESS THE COST TO THE PROPERTY OWNER, SHOULD THE ATTORNEY SAY THIS IS LEGAL. Buck Garin asked to be kept informed of the status of the matter. MOTION CARRIED WITH 4 AYES AND 1 NAY BY COUNCILMAN SWANSON.

6. MOTION WAS MADE BY DEAN SWANSON AND SECONDED BY JAY ANDOLSHEK TO ADJOURN THIS SPECIAL MEETING AT 11:34 A.M. MOTION CARRIED WITH ALL AYES.

Recorded and transcribed by,



Charlene E. Nelson
Deputy Clerk

Deputy Clerk/Minutes/2005/7-28-05