

SPECIAL COUNCIL MEETING  
CITY OF CROSSLAKE  
THURSDAY, AUGUST 28, 2003  
10:00 A.M. - CITY HALL

Pursuant to due notice and call, the Council for the City of Crosslake met in a special session on Thursday, August 28, 2003 at 10:00 A.M. at City Hall. The following Councilmembers were present: Mayor Darrell Swanson, Chuck Miller, Dean Eggena, Dick Phillips and Irene Schultz. Also present was City Administrator Tom Swenson, Community Development Director Ken Anderson, Public Works Director Ted Strand, Park and Recreation Director Jon Henke, Police Chief Bob Hartman, City Attorney Paul Sandelin, City Engineer Dave Reese, General Manager Dennis Leaser, Chamber Director Ruth Ann Hanson and Clerk/Treasurer Darlene Roach. There was one individual in the audience.

1. Mayor Swanson called the meeting to order at 10:00 A.M. and stated that the agenda would be changed to accommodate Ruth Ann Hanson who had to leave the meeting early to go out of town. Ruth Ann brought the Council up to date with how the City has supported the Chamber over the past few years. She stated that in 1991, the Council in office at that time committed to supporting the Chamber with \$10,000 in monetary and in-kind donations. The \$2,000 that the City currently donates to the Chamber on an annual basis is looked at as a donation to the Information Booth to assist in supporting tourists and visitors. She stated that construction and upkeep of the Information Booth has been a joint effort with the City, Lions, Corps of Engineers and Historical Society all working together. The \$2,000 donated by the City is used towards maintenance, utilities, and insurance. Currently some landscaping work is being worked on around the building and in the area of the flagpole. Ruth Ann reported that the City of Brainerd donates \$5,000 to keep the Chamber active in their community, however they do not consider themselves members. Ruth Ann stated that the Chamber would request continuation of this support by Crosslake in 2004. She stated that one event that is held each year, which gives something back to the Community, is the Santa's Crosslake Kickoff. Councilmember Phillips asked about the \$10,000 and City Administrator Swenson stated that except for the \$2,000, which the City stipulates has to be used within the City, the balance of this amount is an in-kind donation of mowing and maintenance by City personnel. The other \$2,000 that the City donates is for the annual fireworks display. Jon Henke stated that the Chamber does advertising for Park and Recreation events, which is a benefit of the City being a member. Councilmember Eggena stated that he feels the Chamber is a special interest group and does not agree that taxpayer money should be used for such purpose. He questioned the City being a member and having voting privileges on issues. Councilmember Shultz felt the City should support the Chamber since business growth increases the overall tax base, which results in benefits for all property owners. It was noted that Crosslake Communications is a member and as an enterprise fund of the City runs as a business. City Administrator Swenson stated that he does not have a problem with the City not being a member, but would support continuing the donation to the Chamber. Councilmember Eggena stated that he does not have a problem with the Telephone Company being a member, but does feel the City should remain impartial. Mayor Swanson commented that as a member he attends Chow Time as well as other Chamber events to find out what is going on in the business community. He stated that he would like to continue this practice. MOTION 08S2-01-

03 WAS MADE BY CHUCK MILLER AND SECONDED BY IRENE SCHULTZ TO CONTINUE THE \$2,000 CONTRIBUTION TO THE CHAMBER OF COMMERCE. Councilmember Eggena did not agree that a commitment should be made at this time, but that it should be considered in the overall budget process. Mayor Swanson supported a vote on the issue, while Councilmember Phillips agreed with Councilmember Eggena. MOTION CARRIED 3-2 WITH COUNCILMEMBERS EGGENA AND PHILLIPS VOTING NAY. It was the consensus of the Council that the donation to the Chamber does not constitute the City being a member of the Chamber of Commerce.

2. Memo dated August 26, 2003 from WSN regarding Downtown Sewer Costs – Sewer Committee Chairman Dean Swanson addressed the Council and stated that the Sewer Committee has several items to review with the Council. Swanson stated that he recently attended a seminar hosted by Ken Olson of the University of Minnesota regarding waste management and left with the feeling that the Sewer Committee has been right on target over the past few years with the Sewer Project. Swanson stated that Sewer Bonds that were issued for the Project included two changes that were being addressed at this meeting. The meeting was turned over to City Engineer Dave Reese to review the changes with the Council. City Engineer Dave Reese stated that prior to the City entering into a contract with Hammerlund, Crosswoods Development began construction of sewer lines in conjunction with their development, which the City agreed to reimburse. The cost of the collection system in Crosswoods Phase I, in the amount of \$90,181.04, was reviewed by the Sewer Committee and WSN. Crosswoods Development Phase II, which has not yet been constructed, should be added to the Hammerlund contract along with the Pioneer Drive Sewer project. The estimated cost for these projects total \$263,898.12 based on Hammerlund's prices. All costs are estimates with the exception of Phase I which has been completed at a cost of \$90,181.04. During the issuance of bonds, \$250,000 was included for these projects and it is the recommendation of the Sewer Committee that the additional \$13,900 would be paid out of the \$380,000 in contingency funds set aside in the bond issue. Councilmember Eggena asked why these projects were not included in the Hammerlund contract and City Engineer Dave Reese stated that they were planned for construction prior to the City's contract with Hammerlund. Eggena then asked if someone else chose to build their own system, would the City reimburse them their expenses and Reese stated that this was limited to Phase I and approved by the MPCA. Discussion ensued regarding other properties in Phase I where additional development may take place and not enough stubs have been planned such as the Chenevert property that has been designed for one stub. City Engineer Dave Reese stated that no additional sewer stubs have been planned beyond what the current zoning ordinance allows. City Administrator Swenson stated that the City needs the Crosswoods Development area and the Pioneer Properties area connected to the sewer system since it connects the north part of Phase I with the south portion of Phase I. No action was required by the Council in regards to this issue since previous Council approval was received. The information was provided for Council information.

3. Review of Change Orders related to the Sewer Project from Hammerlund Construction – A letter dated August 21, 2003 from City Engineer Dave Reese requested approval for Contract Change Order No. 1 for Hammerlund Construction which pertains to three areas of sanitary sewer collection improvements that the City needs to consider adding to the sewer area. The first area begins on the south side of the intersection of Swann Drive and Pioneer Drive then westward to the tie-in with the current project

alignment, which is northwest of Reed's Market This addition also includes a west easement alignment from Pioneer Drive to the east property line of Pine Peaks Restaurant. This area was included in the original cost estimates used for bonding purposes. The total estimated cost for this change order item is \$83,016.00. The second area begins on the east side of Pioneer Drive and proceeds east, then southeast to the existing manhole of the Crosswoods Phase I sewer alignment. This addition was also included in the original cost estimates used for bonding. The total estimated cost for this change order item is \$62,726.50. The third area begins on the east side of CSAH 66 and proceeds approximately 400 feet to the east between City Hall and the Old Fire Hall properties along a 40 foot wide proposed easement. This area was not included in the original cost estimates used for bonding purposes, however an agreement with the owner of the Old Fire Hall property provides for a 50/50 cost split of the extension between his property and the City property. The City's portion of the cost would come out of the \$380,000 of contingency funds established for the project. The total estimated construction cost for this Change Order item is \$22,482.00 of which the City's portion would be approximately \$11,200. City Administrator Swenson stated that it makes more sense to do a main for future to the LePage property and Old Log Landing, so part of the cost will result in a savings later on. City Engineer Reese stated that if the Council approves this change, this would be an extension not a service. The City would have to apply to the MPCA for a service extension to serve these properties. Councilmember Eggena stated that " we are going to do this when it makes sense, if it makes sense to run a stub we do it." Eggena also stated that he wants the record to reflect that the City made an exception. Councilmember Phillips asked the Council if City Hall was a private property owner, would the Council approve this change? Mayor Swanson stated that the only thing the Council is approving is the size of the pipe going in the ground, however the MPCA needs to be notified of the change. MOTION 08S2-02-03 WAS MADE BY CHUCK MILLER AND SECONDED BY IRENE SCHULTZ TO APPROVE CHANGE ORDER NO. 1 FOR HAMMERLUND CONSTRUCTION. MOTION CARRIED 4-1 WITH COUNCILMEMBER EGGENA VOTING NAY. City Administrator Swenson stated that he has spoken with Ted and Helen Silva who inquired as to whether a stub should be installed on the parcel that they own behind their residence. This area is outside Phase I of the Sewer Project, but close enough to the area that is currently being de-watered for installation of a manhole. Swenson stated that this is a timing issue and the Sewer Committee does not meet prior to a decision needing to be made. Dean Swanson asked what the estimated cost would be for the City. City Engineer Reese stated that an 8 inch line out of the manhole with a cap would be required at an estimated cost of \$1,000. Councilmember Eggena stated that the sewer project has been very controversial but it is here and although it would have been easier if the users paid for the project rather than the taxpayers, the City is going to have to come up with a policy to get the project producing revenue. Then the taxpayers' money has been used in the best possible way. He stated that he would be supportive of putting the stub in. MOTION 08S2-03-03 WAS MADE BY CHUCK MILLER AND SECONDED BY IRENE SCHULTZ TO APPROVE ADDING A STUB ON THE SILVA PROPERTY. MOTION CARRIED WITH ALL AYES.

4. The Council reviewed a draft letter dated August 27, 2003 from the City Attorney to Crosswoods Development regarding reimbursement of costs for sewer infrastructure servicing Crosswoods Phase I. Council approval was requested for the City Attorney to send a letter to Crosswoods Development outlining the conditions required prior to the

City reimbursing them for the sewer improvements. MOTION 08S2-04-03 WAS MADE BY CHUCK MILLER AND SECONDED BY DEAN EGGENA TO AUTHORIZE THE CITY ATTORNEY SENDING THE LETTER AS DRAFTED TO CROSSWOODS DEVELOPMENT REGARDING THE REIMBURSEMENT OF SEWER IMPROVEMENTS WITHIN CROSSWOODS PHASE I DEVELOPMENT. MOTION CARRIED WITH ALL AYES.

5. Letter dated August 13, 2003 from WSN regarding revisions to the WSN Engineering Agreement related to the Sewer Project – Based on the Change Order approved by the Council for Hammerlund Construction, WSN is requesting an increase in the engineering budget for the Sewer Project. The increase would include construction observation and design for Crosswoods Phase 2 Sewer Alignment Extension in the amount of \$8,500, Pioneer Drive/Easement Sewer Alignment Extensions in the amount of \$13,000, City Hall/Old Firehall Extension in the amount of \$4,500 and the Edgewater Lane lift station relocation in the amount of \$1,500. Included with the request for an increase in the engineering budget, was an engineering cost summary for Council information. City Administrator Swenson stated that \$610,000 was included for engineering fees when the bonds were issued so approximately \$8,000 will come out of the contingency. MOTION 08S2-05-02 WAS MADE BY CHUCK MILLER AND SECONDED BY DICK PHILLIPS TO APPROVE THE WSN ENGINEERING BUDGET AS PRESENTED. MOTION CARRIED WITH ALL AYES.

6. Discussion of Availability Charges for the Sewer Project – City Engineer Dave Reese presented the rationale as to why the availability charge was included as a part of the Sewer Ordinance. He stated that the design of the plant was based on the best areas to serve based on density and the amount of money the City was willing to pay for the project. In reviewing the sewer area, WSN and the Sewer Committee realized that there are gaps of undeveloped property within Phase I and a decision needed to be made as to how to finance the property and include some type of revenue from those in the sewer area who were not yet ready to develop their property and connect to the sewer. Other communities such as Lakeshore, Nisswa, Brainerd and Baxter were looked at in regards to how they obtain their source of funding. The availability charge is a common means of obtaining revenue. The Metropolitan Council was used as a source of information on availability charges for undeveloped properties as a means of generating revenue to help pay for the project. The City's availability charge is a percentage of the connection fee, but does generate some revenue on undeveloped property to help pay for the project. Councilmember Eggena stated that the sewer system is costing approximately \$13,000 per hookup and the taxpayer is paying for 81% of the cost, yet the property owner is only paying \$3,000 per hookup. He stated this represents a huge budget problem and the City needs to re-coup this money as soon as possible to offset operating costs. Mayor Swanson stated that the taxpayers were not paying 81% of the cost of the project since \$2,500,000 from the sale of RCC stock at Crosslake Communications is being used to assist in the cost. Councilmember Eggena stated that he feels connections should be on a first come – first serve basis and that property owners should not be guaranteed a connection later based on having paid an availability charge. The sooner we get the system paying for itself the better off the City will be. If we set aside connections, we'll never get the system to be revenue producing. City Administrator Swenson agreed with Councilmember Eggena's rationale and when putting the budget together felt if the City takes the \$1,500 availability charge, the City has made an implied commitment to the

property owner for connection some time in the future. Swenson stated that he too was concerned with the cash flow. Dean Swanson stated that, at the time the availability charge was discussed, the Sewer Committee was attempting to find \$1,000,000 and they couldn't come up with that amount based on occupied properties, so they looked at vacant properties and came up with the availability charge. Mayor Swanson asked why the City wouldn't use the first come – first serve method. It was noted that vacant property will realize an increase in value with the availability of sanitary sewer and that aspect also needs to be taken into account. Discussion ensued regarding setting up a timeframe for hookup and if property owners don't hook up within one year, the cost goes up. The Sewer Committee has discussed various options with the City Attorney such as possibly charging the property owner the \$30 per month service fee after one year even though they have not yet connected to the system. City Attorney Sandelin stated that discussions have also been held at the Sewer Committee level regarding an annual increase in connection charges if property owners do not connect within the first year. MOTION 08S2-06-03 WAS MADE BY CHUCK MILLER AND SECONDED BY DEAN EGGENA TO DIRECT THE SEWER COMMITTEE TO REVIEW THE AVAILABILITY CHARGE ISSUE, TO LOOK AT THE \$30 MONTHLY CHARGE AND TO REVIEW INCREASING THE CONNECTION CHARGE IN THE SECOND YEAR. MOTION CARRIED WITH ALL AYES.

A short recess was taken at 11:45 A.M. At 11:52 A.M., the Council reconvened and discussion commenced regarding the 2004 revenue and expense budget.

City Administrator Swenson reviewed the Fire Department budget for 2004. This budget was not reviewed at the last meeting due to Fire Chief Anderson being out of town. Although the budget increased by about \$4,000, the majority of the increase was due to State Aid which is a revenue in and an expense out.

City Administrator Swenson reviewed the various cuts that he has identified in the proposed 2004 budget. In Administration, a total of \$5,250 would be reduced in the Capital Outlay Budget, if the copy machine is purchased in 2003 from excess funds due to not replacing the clerical/receptionist position. MOTION 08S2-07-03 WAS MADE BY DEAN EGGENA AND SECONDED BY IRENE SCHULTZ TO APPROVE THE PROPOSAL SUBMITTED BY MARCHO FOR THE PURCHASE OF A COPIER IN 2003 FROM UNEXPENDED FUNDS. MOTION CARRIED WITH ALL AYES. Cuts identified in the Planning and Zoning Budget included \$5,250 for a copier, \$800 for mapping and \$1,300 for newsletter expenditures for a total of \$7,350. In General Government, a cut of \$3,000 is proposed in animal control with any remaining balance from 2003 transferred into a reserve account for 2004 expenditures if needed. Proposed cuts in the Public Works budget would total \$128,500 by eliminating some items and purchasing used versus new on other items. The Cemetery budget could be reduced by \$1,000 for trees and grass seed and the Park and Recreation budget could be reduced by \$11,000 by purchasing some of the items in 2003 from excess funds in wages and health benefits. If the City purchases a copier for City Hall from Marco, a copier will be provided to the Park Department free of charge. These proposed cuts total \$156,100.

Included for Council information was a color coded spreadsheet showing the 2003 Adopted budget for Operating Expenses, Capital Expenditures and Debt Service payments, the 2004 Preliminary Budget for these same categories and the 2004

Preliminary Budget after the City Administrator's recommended reductions. The proposed total of all expenses is \$2,874,278 compared to \$2,361,085 in 2003 for a percent of increase of 21.74%. The proposed Operating Budget increase would be 7.20%, the Capital Budget would decrease 10.78% and the Debt Service Budget would increase by 85.90%. A recap from the County Auditor's Office showed that \$53,989 in additional taxes would be generated from new construction using the same tax rate as last year.

Councilmember Eggena stated that he would like to cut spending in 2004 and then restore the cut items in 2005. He would like to see the increase cut to between 5% to 6%. Councilmember Phillips asked what items should be cut. City Administrator Swenson stated that he doesn't think the increase will be any surprise the first year the City budgets for the Sewer Project and the Public Works Facility. He thinks the taxpayers are well aware that their taxes will go up. Community Development Director Anderson stated that, because of the Sewer Project, there will be a one-year blip and the following year the increases will be flat again. Councilmember Eggena stated that in order to ease the burden, we need to make cuts. Councilmember Miller stated that he would not agree to cutting wages. He stated that we gave the Union employees their increase and we need to be fair to the rest of the employees.

The next meeting to discuss the budget is set for Thursday, September 4<sup>th</sup>. Since the Council feels additional meetings may be required, MOTION 08S2-08-03 WAS MADE BY DEAN EGGENA AND SECONDED BY CHUCK MILLER TO SET TWO ADDITIONAL BUDGET MEETINGS FOR SEPTEMBER 9<sup>TH</sup> AT 1:30 P.M. AND SEPTEMBER 11<sup>TH</sup> AT 9:00 A.M. MOTION CARRIED WITH ALL AYES.

Chief Hartman stated that he would be out of State during the next series of budget meetings and asked the Council if they had any questions regarding his budget. Councilmember Eggena stated that he had a concern with the \$15,000 being requested for a part time officer. Chief Hartman defended this expenditure by stating that he needs the additional help in the summer months and on weekend nights. He stated that he could possibly agree to a reduced amount of \$10,000 but wouldn't want to give up any more. Councilmember Eggena stated that he also wanted to look at not replacing the squad car next year.

7. Bills for Approval – MOTION 08S2-09-03 WAS MADE BY IRENE SCHULTZ AND SECONDED BY CHUCK MILLER TO APPROVE THE BILLS FOR PAYMENT AS SUBMITTED IN THE AMOUNT OF \$17,040.77. MOTION CARRIED WITH ALL AYES.

MOTION 08S2-10-03 WAS MADE BY DEAN EGGENA AND SECONDED BY IRENE SCHULTZ TO ADJOURN THIS SPECIAL MEETING AT 1:33 P.M. MOTION CARRIED WITH ALL AYES.

Recorded and transcribed by

  
Darlene J. Roach  
Clerk/Treasurer

SPECIAL COUNCIL MEETING – August 28, 2003

**BILLS FOR APPROVAL  
28-Aug-03**

VENDOR	DEPT	AMOUNT
Ace Hardware, triflow lube	P&R	9.00
Ace Hardware, weed killer, padlock	PW	30.33
Ace Hardware, hardware	PW	4.00
Ace Hardware, hardware	PW	14.48
Ace Hardware, hardware	PW	2.32
Ace Hardware, camera	PW	10.43
Anderson Brothers, concrete, class 5, washed rock	PW	334.37
Assn of Training Officers of MN, training	Police	50.00
Audio Video Technical Service, repair tv	P&R	115.33
Banyon Data Systems, software support	Admin	1,408.08
Blue Lakes Disposal, trash removal	ALL	78.98
Brainerd Medical Center, collection fee labwork	PW	20.29
Cascade Computers, tape drives	P&Z/Admin	126.17
Cellular One, cell phone charges	PW	29.35
Cellular One, cell phone charges	Police/Admin	194.07
Century Electric & Equipment Repair, fix air compressor	PW	613.74
Crosslake Rolloff, recycling	Gov't	2,450.00
Dacotah Paper, towels, tissue, cleaners, can liners	P&R	307.58
Echo Publishing, 9-4-03 public hearing	P&Z	23.63
Echo Publishing, tax increment disclosure	Gov't	106.20
Echo Publishing, 8-22-03 public hearing	P&Z	74.25
Echo Publishing, ordinance 183	Gov't	23.63
Ehlers & Assoc, TIF reports	Gov't	450.00
Ehlers & Assoc, crosswoods development agreement	Gov't	525.00
Emergency Automotive, lightbars	Police	105.70
Gopher Sign, street signs	PW	2,175.67
Heartland Tire Service, tires	PW	147.30
Holiday Station, camera	PW	18.09
Honey Wagon, pump holding tank	Gov't	80.00
Houston Ford, oil change and tire rotation	Police	38.46
Houston Ford, oil change	Police	83.68
Ikon, fax cartridges	P&Z/Admin	223.65
John Deere, repair starting system	PW	182.78
Lakes Printing, bookmarks	Library	92.60
League of MN Cities Ins Trust, builders risk	PW	1,171.00
Martin Communications, 4 pagers	Fire	2,385.60
Mastercard, The Minnesota Twins, family fun day	P&R	902.00
MN Chiefs of Police Assn, int affairs/complaint class	Police	55.00
MN State Fire Assn, dues	Fire	90.00
MN State Fire Assn, annual conference	Fire	135.00
Moonlite Square, fuel	P&Z	21.50
M R Sign, street names and address numbers	PW	243.68
Pequot Lakes Youth Sports, colts tournament	P&R	68.51
Quill, shredder warranty	P&Z/Admin	19.99
Quill, paper, ink, clips	P&Z/Admin	61.98
Shore Galleries, ruger magazines	Police	49.65

The Office Shop, ink cartridges	Police	28.74
The Office Shop, pen refills, calculator ribbon	Admin	14.73
The Office Shop, file pockets, file folders	P&Z/Police	28.31
Triangle Oil, unleaded and diesel fuel	PW	841.23
Triangle Oil, unleaded and diesel fuel	PW	381.93
Uniforms Unlimited, uniform	Police	70.70
Viking Coca Cola, pop	P&R	102.35
Viking Coca Cola, pop	Gov't	32.38
Xcel Energy, gas utilities	ALL	141.45
Zee Medical, replenish first aid kit	P&R	23.78
Zee Medical, replenish first aid kit	P&Z/Admin	22.10
<b>TOTAL</b>		<b>17,040.77</b>