

AGENDA  
CITY COUNCIL MEETING  
October 29, 2014  
4:30 P.M.

A. Call to Order

B. Roll Call

C. Open Forum

*The public is invited to speak at this time. Open Forum is limited to one half-hour. No person may speak more than five (5) minutes or more than once. Each subject will have a limit of ten (10) minutes. Council members may ask questions of the speaker. With the agreement of the Council, such matters taken up during the open forum may be scheduled on the current agenda or a future agenda.*

D. Approve Consent Agenda

1. Approve Agenda
2. Approve Meeting Minutes
3. Approve Payment of Bills

E. Liability Insurance Renewal

F. Personnel Report  
-Property Maintenance Position

G. Pool Demolition

H. Other items as necessary

I. Council & Staff Reports

J. Attached correspondence:

1. Other Meeting Minutes
2. Upcoming Meeting Schedule

K. Adjourn

*CITY OF GRAND MARAIS  
MINUTES  
October 8, 2014*

Mayor Carlson called the meeting to order at 4:30 p.m.

Members present: Larry Carlson, Jan Sivertson, Bob Spry and Bill Lenz  
Members absent: Tim Kennedy  
Staff present: Mike Roth, Kim Dunsmoor and Chris Hood

Mayor Carlson invited the public to speak during a period of open forum. Open Forum is limited to one half-hour. No person may speak more than 5 minutes or more than once.

Jay Arrowsmith-DeCoux, Library Board, updated the council on the Library's \$ 10,000 Legacy Grant for art at the library. The Library's Art Committee selected 4 artists to be interviewed from 14 applicants. After the interviews, the art committee has narrowed their choice to two applicants. One of the applicants would do an outdoor sculpture. The Library's Art Committee has chose a site and is asking the council for permission to place the sculpture in an area between the library and Highway 61. A location concept drawing was provided. The concrete base would be approximately 9' in diameter.

**Motion by Sivertson, seconded by Spry to approve the outdoor location concept if the sculpture is selected by the Library Art Committee. Approved unanimously.**

**Motion by Spry, seconded by Lenz to approve the Agenda; September 24, 2014, Minutes; and Payment of Bills. Approved unanimously.**

Mark Pederson, Pederson Design and Consulting, submitted a quote for preliminary plans, specifications and estimate for the future construction of public restrooms in the location previously occupied by the visitor information location at \$50 per hour not to exceed \$1,250. City Administrator Roth contacted a few other contractors and this estimate was similar. The council has talked about remodeling the city hall location in the future. Council discussed whether or not they would be comfortable remodeling the visitor information location of the city hall building as a stop-gap measure until major changes are initiated. A quote would be the first step in deciding if we should invest in the building that needs many repairs.

**Motion by Spry, seconded by Lenz to moved ahead and hire Pederson Design and Consulting to create preliminary plans, specifications and cost projection for the purpose of future construction of public restrooms. Approved unanimously.**

Council discussed the letter from Walker, Giroux, and Hahne, Ltd that sets for the understanding of services with the City of Grand Marais for auditing services for 2014 and 2015. Walker, Giroux and Hahne, Ltd has audited the City for over 10 years. Council can continue this agreement or chose to solicit Request for Proposals from several firms for services.

**Motion by Sivertson, seconded by Spry to approve the engagement letter with Walker, Giroux, and Hahne Ltd. for 2014 and 2015. Approved unanimously.**

Council discussed the North Shore Management Board's role in the City of Grand Marais. We are exempted from the State's Shoreline rules because we have the North Shore Management Board rules.

**Motion by Carlson, seconded by Sivertson to approve North Shore Management Board Membership of \$750. Approved unanimously.**

Councilor Lenz' Report:

- 1) Golf revenues are down from last year. Park revenues are about even with last year.
- 2) A family wishes to make a memorial donation of a granite bench for Harbor Park. Our program of memorials is done. It was a fundraiser for construction of the park. The Park Board needs to look at these requests on a case by case basis. Sivertson will try to get her art review committee together before the next council meeting. This memorial request was tabled until the next meeting.

Council discussed an email from Beth Schwartz, Cook County Schools Superintendent, encouraging the City of Grand Marais to consider recognizing Columbus Day as Indigenous People's Day.

**Motion by Sivertson, to recognize Columbus Day as Indigenous People's Day.  
Motion died for lack of a second.**

City Administrator Roth was contacted by Molly Hicken, Cook County Attorney, regarding joint efforts between the city and the county. A meeting was held between City Administrator Roth, County Administrator Kieft, County Attorney Molly Hicken and County Auditor Braidie Powers. The group is still in the process of information gathering. City Administrator Roth was invited to a meeting with County Administrator Kieft and County Engineer Betz to discuss maintenance agreements. If a councilor is interested in attending, please let City Administrator Roth know.

There being no further business, the meeting was adjourned at 5:04 p.m.



# SECURITY STATE INSURANCE

**4 LOCATIONS  
TO SERVE YOU!**

September 29, 2014

Kim Dunsmoor  
Finance Director  
City of Grand Marais and/or PUC  
P.O. Box 600  
Grand Marais, MN 55604

Kim:

## **Re: 8/1/2014 LMCIT Renewal**

I am enclosing a premium breakdown by department for the 8/1/2014 LMCIT renewal. The renewal policy is being issued and we will deliver it as soon as we receive it. The Company has bound coverage pending issuance of the renewal policy. Your renewal premium is \$68,538. (includes the 11/10/2014 Liquor Liability renewal).

The Liability Section of the policy is written on a Claims-Made basis. The Liability coverage provides a limit of \$1,500,000. per occurrence, which is the statutory municipal tort liability limit. The statutory limit per claimant is \$500,000. The renewal premium assumes that you are electing to waive the *per claimant* statutory limit. The Liability limit is shared by the City and the Public Utilities Commission, they do not each have a separate limit.

The City's LMCIT liability coverage does not insure against liability claims arising out activities of the North Shore Management Board or the Promotion of Recreational Facilities Agreement. The LMCIT policy excludes Joint Powers entities. The LMCIT has indicated that they would be willing to write separate policies for these Joint Powers entities. The EDA has purchased coverage through the LMCIT.

The schedule of covered buildings lists the "estimated replacement cost" for each building. The maximum the LMCIT will pay to replace a building is 150% of the limit shown on the schedule. For most typical city buildings the LMCIT feels that the estimated replacement cost figures should be reasonably accurate, and that the 150% provision provides a substantial safety margin. Review the building schedule to be sure that all of your buildings are listed. Please review the estimated replacement cost figures for each building. I have enclosed information from the LMCIT discussing Electric Utility valuation.

P.O. Box 347  
Aitkin, MN 56431  
PH # 218-927-3712  
Fax # 218-927-4481

P.O. Box 677  
Isle, MN 56342  
PH # 320-676-3795  
Fax # 320-676-8543

P.O. Box 338  
Onamia, MN 56359  
PH # 320-532-3233  
Fax # 320-532-4403

P.O. Box 789  
Grand Marais, MN 55604  
PH # 218-387-1540  
Fax # 218-387-2689

Individual pieces of Mobile Equipment valued at over \$25,000. must be scheduled to be covered. Review the schedule on the policy to be sure that all items valued at over \$25,000 are listed. Be sure to notify us of any new purchases exceeding \$25,000.

The policy is written with the \$10,000./20,000./1,000. All Lines Large Deductible Option. Lower deductibles are available for an additional premium.

Excess Liability is available through the LMCIT program.

Mechanical Breakdown (Boiler & Machinery) coverage can be purchased through the LMCIT. I understand that the Power Plant is covered for Mechanical Breakdown through SMMPA. The LMCIT could cover all locations except the Power Plant. The additional premium for the endorsement would be \$1,895.

LMCIT offers optional coverage endorsements that can be added to the Policy for Utility Transmission & Distribution Line coverage, No-Fault Sewer Back-up coverage (must meet certain requirements to qualify), Accident Coverage for Volunteers, Primary Auto Liability coverage. These have been looked at before and not added. If you would like additional information on any optional coverage let me know.

Call with questions.

Thank you for your business.

Sincerely,

A handwritten signature in black ink, appearing to read 'Paul Coe', written in a cursive style.

Paul Coe  
Enclosure

**LMCIT Premium Breakdown for 8/1/2014 to 8/1/20015**

<b>General</b>	<b>\$ 5,463.</b>	
<b>Street</b>	<b>1,812.</b>	
<b>Water</b>	<b>2,078.</b>	
<b>Sewer</b>	<b>6,431.</b>	
<b>Liquor</b>	<b>4,303.</b>	
<b>Marina</b>	<b>3,791.</b>	
<b>Golf</b>	<b>2,589.</b>	
<b>Library</b>	<b>6,430.</b>	
<b>Pool</b>	<b>3,238.</b>	
<b>Tourist Park</b>	<b>12,185.</b>	
<b>Fire</b>	<b>1,547.</b>	
<b>Electric</b>	<b>10,714.</b>	
<b>Auto</b>	<u><b>5,047.</b></u>	<b>schedule attached.</b>
	<b>\$ 65,628.</b>	

**Liquor Liability for 11/10/2014 – 11/10/2015**

<b>Annual premium</b>	<b>\$ 2,910.</b>
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SCHEDULE of VEHICLES - GRAND MARAIS, CITY OF

COVENANT Number: CMC 36974

COVENANT Period: 08/01/2014 To 08/01/2015

VEH#	YR	TRADE NM	MODEL	- ID -	LIAB	PHYD
HNO				HIRED/NONOWNED	\$ 52	\$
001	1988	INTL	TANK	T466	\$ 126	\$ 118
002	1988	HOMEMADE	TRAILER	8694	\$	\$
003	1991	CHEV	PICKUP	8337	\$ 110	\$ 40
004	1997	CHEV	PICKUP	3894	\$ 110	\$ 40
005	1999	CHEV	TRUCK	8734	\$ 126	\$ 325
006	2002	CHEV	PICKUP	4807	\$ 110	\$ 40
007	1996	REEL-O-MATIC	TRAILER	1-602-SF	\$	\$ 40
008	2001	U-DUMP	TRAILER	5903	\$	\$
009	2004	FORD F550	TRUCK	7528	\$ 126	\$ 235
010	1998	CHEV	TAHOE	0095	\$ 107	\$
011	2005	BELSAE	TRAILER	0294	\$	\$ 40
012	2005	CHEV 2400	HD W/ PLOW	2239	\$ 110	\$ 53
013	2006	CHEV	SILVERADO	3469	\$ 110	\$ 53
014	1994	FORD F350	CREW CAB	3167	\$ 110	\$ 40
015	2007	CHEV	SILVERADO	7492	\$ 110	\$ 74
016	2008	FORD F250	4X4 TRUCK	7940	\$ 110	\$ 67
017	2007	PUMPER	FIRE TRUCK	4010	\$ 20	\$ 783
018	2008	FORD	F150 PKCUP	4271	\$ 110	\$ 41
019	1999	CHEV	BUCKET TRK	7866	\$ 126	\$ 31
020	2011	FORD F550	PICKUP	3005	\$ 126	\$ 178
021	1974	INT'L	FIRE TRUCK	3941	\$ 20	\$ 31
022	2013	FREIGHTLINER	FIRE TRUCK	3735	\$ 20	\$ 779
023	2014	FORD	F150 4X4	2511	\$ 110	\$ 90
TOTAL VEHICLES					\$ 1,949	\$ 3,098
TOTAL AUTO PRM					\$ 5,047	

SECTION I: LIABILITY COVERAGE WAIVER FORM

Cities obtaining liability coverage from the League of Minnesota Cities Insurance Trust must decide whether or not to waive the statutory tort liability limits to the extent of the coverage purchased. The decision to waive or not to waive the statutory limits has the following effects:

- o *If the city does not waive the statutory tort limits*, an individual claimant would be able to recover no more than \$500,000. on any claim to which the statutory tort limits apply. The total which all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would be limited to \$1,500,000. These statutory tort limits would apply regardless of whether or not the city purchases the optional excess liability coverage.
- o *If the city waives the statutory tort limits and does not purchase excess liability coverage*, a single claimant could potentially recover up to \$1,500,000. on a single occurrence. The total which all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would also be limited to \$1,500,000., regardless of the number of claimants.
- o *If the city waives the statutory tort limits and purchases excess liability coverage*, a single claimant could potentially recover an amount up to the limit of the coverage purchased. The total which all claimants would be able to recover for a single occurrence to which the statutory tort limits apply would also be limited to the amount of coverage purchased, regardless of the number of claimants.

Claims to which the statutory municipal tort limits do not apply are not affected by this decision.

This decision must be made by the city council. **Cities purchasing coverage must complete and return this form to LMCIT before the effective date of the coverage.** For further information, contact LMCIT. You may also wish to discuss these issues with your city attorney.

City of GRAND MARAIS accepts liability coverage limits of \$ 1,500,000 from the League of Minnesota Cities Insurance Trust (LMCIT).

Check one:

- The city **DOES NOT WAIVE** the monetary limits on municipal tort liability established by Minnesota Statutes 466.04.
- The city **WAIVES** the monetary limits on tort liability established by Minnesota Statutes 466.04, to the extent of the limits of the liability coverage obtained from LMCIT.

Date of city council meeting \_\_\_\_\_

Signature \_\_\_\_\_ Position \_\_\_\_\_

Return this completed form to LMCIT, 145 University Ave. W., St. Paul, MN. 55103-2044



RISK MANAGEMENT INFORMATION  
**MUNICIPAL ELECTRIC UTILITY PROPERTY  
AND EQUIPMENT BREAKDOWN COVERAGE OPTIONS**

*Covering damage to municipal electric utilities' generation equipment poses some issues and considerations that are different from other types of municipal property. To address these issues, LMCIT has developed special property coverage options for municipal utilities. The intent is to meet municipal utilities' coverage needs in as flexible and cost-effective way as possible.*

**Replacement Cost Coverage for Generation and Related Equipment**

The replacement cost coverage LMCIT provides for electric utility equipment differs from the coverage LMCIT provides for other municipal property. For other types of municipal property, the replacement cost coverage specifies that repairs or replacement will be made with new materials of like kind and quality.

Replacement cost coverage for utility equipment allows for the use of used parts and materials to repair or replace damaged utility property, if used parts and materials of comparable kind and quality are available. It also includes any additional costs necessary to comply with building codes or county, state, or federal requirements. But, it's important to note that replacement cost does not include costs necessary to comply with the city's own zoning or other requirements; the cost to correct violations which existed prior to the loss; or costs necessary to comply with the Environmental Protection Agency's RICE regulations, unless the utility was in compliance at the time of the loss.

There are two main reasons why LMCIT adopted this approach as the standard coverage for electric utility equipment:

- In some cases with older equipment, new parts may not be available, so the only feasible option for making repairs is with used equipment or parts.
- It reduces the cost. If comparable used equipment is available, it will generally be less expensive than using new parts and materials. That difference in loss cost directly affects premium costs.

The utility does have the option in most cases to purchase replacement cost coverage which entitles it to "new for old" replacement coverage, but a higher premium rate is charged. In most cases, the "new for old" coverage option probably offers little real advantage to the utility. Note that the "new for old" coverage option will only be offered if it can be verified that new parts are in fact available for the particular equipment.

## Replacement Cost Values and Limits

Estimating the replacement cost of electric utility equipment can be difficult, in part because of the wide variety of types and ages of equipment. The goal is to calculate a figure for what it would cost to reconstruct the facility exactly as it was, using new materials, if the facility were completely destroyed. This “estimated replacement cost” figure is then used as the basis both for the specific coverage limit for that building, and for the premium charge.

Note that although the coverage document provides that used parts and equipment may be used if they’re available, the “estimated replacement cost” is always based on the cost of making the repairs or replacement using new equipment. The reason for this is because one can never be assured that comparable and appropriate used equipment will actually be available at the time a loss occurs. Therefore, it’s always possible that new materials would have to be used for the repair or replacement.

In most cases, the “estimated replacement cost” for each covered structure is developed through an appraisal by LMCIT’s appraisal contractor. For relatively new equipment (i.e. no more than a few years old) the “estimated replacement cost” figure may be based on the equipment’s original cost. In any case, it’s always extremely important that utility staff review the “estimated replacement cost” figures and make sure they appear reasonable.

The “estimated replacement cost” for each structure is listed on the property schedule. The specific coverage limit for that structure is 150 percent of the “estimated replacement cost”. This is the most LMCIT would pay to repair or replace that structure and its contents if a loss were to occur. The 150 percent provision allows a sizeable margin for error in the “estimated replacement cost,” but it’s still important to review the “estimated replacement cost” figures shown on the schedule to make sure they seem reasonable.

## Agreed Amount Options

In some situations, the standard replacement cost approach could result in the municipal utility purchasing and paying for higher coverage limits than what are actually needed. Here are two situations where this might occur:

- The existing facility has greater generating capacity than what the utility actually needs. If the facility were destroyed or substantially damaged, the utility would likely replace it with a smaller facility, possibly of a different type. In this situation, it may make sense to use an “agreed amount” coverage limit based on the cost of the type and size of the replacement facility the utility would actually construct.
- The existing facility uses older technology, and its capacity could be replaced for less cost using a different technology. For example, it may be less expensive to build a gas turbine generation facility with “X” megawatt capacity than to rebuild a coal-fired steam turbine

### Your League Resource

Municipal utility staff and agents are urged to contact the LMCIT underwriting department at 651-281-1200 or 800-925-1122 with any questions. LMCIT is also interested in hearing suggestions for ways LMCIT can better meet municipal utilities’ needs.

facility. In this case, it may make sense to use an “agreed amount” coverage limit based on the cost of the type of the replacement facility that would actually be constructed.

In these types of situations, LMCIT offers the utility the option to purchase coverage for an “agreed amount” which is less than the estimated replacement cost of the facility. Both the coverage limit and the premium are then based on the lower “agreed amount”.

In some circumstances, this “agreed amount” approach may be an attractive option for the utility, but it has to be done carefully. Here are some points to keep in mind:

- When the “agreed amount” approach is used, the coverage limit for the facility is equal to that agreed amount; not 150 percent of the agreed amount. Therefore, it’s important to calculate and select the agreed amount carefully and perhaps to incorporate some safety margin in that amount as well. If the actual cost were to turn out to be greater than the agreed amount that was scheduled for that facility, the utility would have no coverage for that excess cost.
- In selecting an “agreed amount” for a particular facility, LMCIT recommends the amount be based on the cost of constructing the needed generating capacity using new materials and equipment. If the amount were based on the estimated construction cost using used equipment, the limit could be inadequate if it were to happen that appropriate used equipment happened not to be available at the time of the loss.
- It’s important in these situations to make sure the coverage limit for demolition and debris removal is adequate, especially in situations where there’s an old facility that has substantial unneeded and unused generating capacity. If a facility is partially destroyed and the cost to repair that damage is equal to or greater than the agreed amount, the utility will presumably choose to replace the facility. But, a substantial portion of the old facility might still be standing and need to be demolished and removed.

### **Obsolete Equipment**

Some utilities have old and essentially obsolete generating equipment. In some cases, that equipment may be used on an occasional basis, perhaps to provide peaking power or replacement power while other equipment is being serviced.

This sort of obsolete equipment presents several problems for both the utility and LMCIT. In some cases, replacement parts – either new or used – may simply not be available. That could effectively turn what might otherwise be a minor loss into a total loss. Providing replacement cost coverage on this type of equipment is problematic, since the risk is significantly greater than with repairable equipment. At the same time though, that old equipment may be serving an important need for the utility, for example by providing needed emergency back-up or peaking capacity.

In general, an “agreed amount” approach will be used for this type of equipment. In some cases (e.g. where the equipment doesn’t play a critical role for the utility) the amount might simply be the current market value of the property. In other situations, a larger agreed amount may be

appropriate, to address the cost of replacing the functional capacity. LMCIT underwriters will work with the utility to try and find a workable solution for each situation.

### Loss of Revenue/Extra Expense Coverage Limit

The LMCIT property coverage includes \$500,000 of coverage for loss of revenue, extra expense, and expediting expense arising from covered damage to utility property. Higher limits are available for municipal electric utilities, but there is an additional premium charge.

Keep in mind the loss of revenue / extra expense coverage would not apply to a loss or revenue or extra expense resulting solely from a machinery breakdown (i.e. from a "boiler and machinery" type loss). The loss of revenue / extra expense coverage is only triggered if there has been damage of a type that is covered under the basic LMCIT property coverage document, such as fire, windstorm, and so on.

### Operations & Maintenance (O&M) Incentive Program

Under the O&M Incentive Program, electric utilities have the opportunity to qualify for a 10 percent rate reduction on their property coverage rates if they have:

- An up-to-date written preventive maintenance schedule including:
  - A comprehensive inventory of critical equipment. Critical equipment includes those pieces of equipment and/or instrumentation that if failed would present an immediate risk or potential risk (1) to personnel safety; (2) of an insurable loss or (3) for lost production.
  - Written maintenance schedules. These may be a combination of manufacturers' recommendations and staff experience and expertise with kinds of machinery used.
- Documented up-to-date operating procedures:
  - Written procedures and guidelines for various equipment operations like start up, shut down, and so on.

#### Your League Resource

Contact Rachel Carlson, LMCIT Loss Control Manager, at 651-281-1210 or [rcarlson@lmc.org](mailto:rcarlson@lmc.org) for questions regarding utility incentives and to be added to the LMCIT O&M Project waiting list.

After LMCIT determines a utility meets these criteria, the utility is then eligible for a 10 percent rate reduction at their next renewal. Utilities need to qualify for the rate reduction each year by documenting that it is keeping the manuals and maintenance plans updated to reflect any newly acquired equipment, changes in the manufacturer's recommended maintenance or operating procedures, and so on. It is also necessary to actually conduct the preventive maintenance in accordance with the written preventive maintenance schedule.

There are a couple ways in which utilities can meet the criteria listed above:

- *Participate in the LMCIT O&M Project.* Through this project LMCIT utility consultants work with utility staff to develop written preventive maintenance schedules and documented operating procedures. LMCIT utility consultants can serve about four to five utilities per

When LMCIT provides equipment breakdown coverage for Diesel generation facilities, newly-acquired Diesel equipment is automatically covered for up to 90 days, subject to a \$5,000,000 limit. However, the newly acquired equipment must be reported to LMCIT within that 90-day period in order to have continued coverage. In general, any newly-acquired equipment should be reported to the LMCIT underwriting department as soon as possible, regardless of whether the equipment breakdown coverage is being provided by LMCIT or by a private insurance company.

Two other points should be noted:

1. Each utility's equipment has to be evaluated individually. Certain equipment may not qualify for breakdown coverage because of its age or condition.
2. At this time, neither LMCIT nor most private mechanical breakdown insurers are able to provide coverage to electric utilities for loss of income or extra expense resulting from an equipment breakdown loss.

### **Utility Poles and Wires**

LMCIT's standard property coverage excludes coverage for damage to city utility poles and lines. This could leave some utilities with a significant uncovered expense in the event of a widespread ice or windstorm that downs lines.

To help avoid this potential problem, LMCIT offers optional property coverage for city utility poles and transmission and distribution lines. The coverage is subject to a \$50,000 deductible per occurrence and a \$500,000 limit. The rates for the coverage are based on the number of miles of transmission and distribution lines.

Liam Bieber 5/12

# City of Grand Marais

## MEMO

TO: Mayor Carlson  
City Council  
FROM: Michael J Roth, City Administrator  
DATE: October 24, 2014  
SUBJECT: Property Maintenance Position

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Tom Stockman has resigned his position with the property maintenance department. Please authorize the advertising of this opening. We will post the opening internally and externally. Staff from other departments will temporarily fill in if it snows prior to our new employee starting.

# City of Grand Marais

## MEMO

TO: Mayor Carlson  
City Council  
FROM: Michael J Roth, City Administrator  
DATE: October 24, 2014  
SUBJECT: Pool Demolition

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Bids for the demolition of the pool are due Tuesday October 28 and will be available for consideration at the meeting.

## Upcoming Meeting Schedule

Updated October 24, 2014

### OCTOBER

Date/Time	Meeting	Location
Wednesday, October 8, 4:30 p.m.	City Council Meeting	Council Chambers
Tuesday, October 28, 6:00 p.m.	Highway 61 Mtg #2	Bethlehem Luth.
Wednesday, October 29, 4:30 p.m.	City Council Meeting	Council Chambers

### NOVEMBER

Date/Time	Meeting	Location
Wednesday, November 12, 4:30 p.m.	City Council Meeting	Council Chambers
Wednesday, November 26, 4:30 p.m.	City Council Meeting	Council Chambers