



Housing & Redevelopment Authority

Board Meeting Agenda

5:00pm Thursday August 4th, 2022

**Crow Wing County Land Services Building, Pine/Maple Meeting Room
322 Laurel St. Brainerd, MN 56401**

**Commissioner Craig Nathan attending via WebEx at 8986 Sugarberry Creek,
Brainerd, MN 56401**

Join from browser:

<https://brainerdhra.my.webex.com.brainerdhra.my/j.php?MTID=m14a78d5365788a1668f62e09c01b8f1a>

Join by phone: 415-655-0001

Meeting number (access code): 2551 935 8398

Meeting password: SnQd7nJrX83

"Our mission is to support the creation and preservation of affordable housing, economic development, and redevelopment projects towards a more vibrant Crow Wing County."

1. CALL TO ORDER

2. ROLL CALL

3. REVIEW & APPROVAL OF AGENDA

4. UNFINISHED BUSINESS

5. NEW BUSINESS

- a. 2023 Budget Discussion
- b. Fund Balance Policy Discussion

6. COMMISSIONER COMMENTS

7. NEXT MEETING Tuesday August 9th, 2022

8. ADJOURNMENT

CWC HRA Commissioners

Michael Aulie, Chair - District 5 (12-31-26)

Zach Tabatt, Vice Chair - District 3 (12-31-24)

Michael Morford, Secretary/Treasurer - District 2 (12-31-23)

Richard (George) Burton, Commissioner - District 1 (12-31-22)

Craig Nathan, Commissioner - District 4 (12-31-25)

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To: CWC HRA Board Members
From: Karen Young, Finance Director
Date: August 1, 2022
Re: Adopt 2023 CWC HRA Budget

Attached are three budget options for the board to review:

Budget - Option 1

A total levy request of \$729,500 (33.8% of CWC HRA levy capacity), which includes \$112,000 funding to BLAEDC/CREDI, \$217,500 for operations, and \$400,000 funding to HTF. This option includes a line item of \$26,000 for Housing and Redevelopment Initiatives. In this scenario, there is a surplus of \$13,220 which calculates to just less than one month of operating expenses to build up fund balance. (See Attachment a1).

Budget - Option 2

A total levy request of \$748,320 (2.58% increase and 34.8% of CWC HRA levy capacity), which includes \$115,350 funding to BLAEDC/CREDI (See Attachment a5), \$232,970 for operations, and \$400,000 funding to HTF. This option includes a line item of \$26,000 for Housing and Redevelopment Initiatives. In this scenario, there is a budget surplus of \$15,920 to build up fund balance by one month. A detailed explanation is provided below for this budget option. (See Attachment a2).

Budget - Option 3

A total levy request of \$795,155 (9% increase and 36.8% of CWC HRA levy capacity), which includes \$115,350 funding to BLAEDC/CREDI, \$237,075 for operations, and \$442,720 funding to HTF. This option includes a line item of \$26,000 for Housing and Redevelopment Initiatives. In this scenario, there is a surplus of \$20,005 which calculates to approximately 1.25 months of operating expenses to build up fund balance. (See Attachment a3).

Fund Balance

The Fund Balance Policy recommends 8 to 12 months of unassigned fund balance (savings not designated for a specific purpose). The fund balance as of 12/31/2021 was \$84,903 or approximately 5.75 months of operating expenses. This balance is below the recommended minimum of 8 months per policy. The Office of the State Auditor recommends unrestricted fund balance no less than five months of operating expenses. Prior fund balance has been used for several initiatives including the Workforce Housing Study, the Housing Conditions Survey, the Veterans/Service Member Redevelopment Plan and the Veterans Market Feasibility Study. It is recommended by the Office of the State Auditor (OSA) that if a local government's fund balance drops below the recommended level, then the government should be able to explain the difference and have a plan for recovering to the recommended level.

Below is the detailed explanation for Budget – Option 2:

2023 General Fund Budget - Option 2

Revenues

- A Tax Levy of \$748,320. The maximum Tax Levy for the CWC HRA in 2023 would be \$2,160,958. This would equate to approximately 34.6% of levy capacity.
- \$10,000 is anticipated in Tax Forfeit Property revenue generated from the sale of tax forfeited parcels to developers.
- Development Revenue is budgeted for \$191,200. This is pass-through revenue from the sale of lots to Level Contracting and the net affect will be \$0 to the operating budget. It was estimated that 13 Brainerd Oaks lots and seven Serene Pines/Dal Mar lots will be sold.
- \$20,000 in CWC Local Income is anticipated that will be used for eligible program costs. Program costs will offset the revenue.

General Expenditures

- Administrative Salaries of \$4,500 is the Board stipend for regular and special meetings.
- Employer FICA is the payroll taxes on the stipends paid to the Board.
- \$10,000 in legal fees is budgeted for potential costs related to CWC HRA programs/initiatives.
- Travel costs consist of staff mileage reimbursement and board mileage reimbursement for approved non-board meeting events.
- Training Expense of \$1,500 was budgeted for CWC HRA initiatives.
- Total audit costs of \$7,980 are included in this budget.
- Management Fees of \$162,770 are for the Shared Services Agreement with the Brainerd HRA.
- The TIF Expense of \$600 is for TIF reporting for the RLF – TIF.
- The Housing and Redevelopment Initiatives are for projects as determined by the board.

Fund Expenditures

- Tax Forfeit Property Expense is for legal and closing costs on the sale of properties.
- Development Expense of \$191,200 is estimated for the sale of 20 lots to Level Contracting. The net effect of these costs will be to reduce the development revenue to \$0 and have no effect on the operating budget. The costs will include any expenses related to the sale of the land such as closing, legal and in lieu of assessments.
- CWC Local Income Expense for eligible program costs.
- Housing Trust Fund appropriation to the Fund.
- The BLAEDC/CREDI funding of \$115,350 is based on the funding request to support economic development for eligible expenses.

Net Operating Income to Fund Reserves

- There is a surplus to the General Fund Budget of \$15,920 which would increase Fund Balance by one month.

2023 Revolving Loan Fund – TIF Budget (See Attachment a4).

Revenues

- Interest Revenue of \$820 from Virtual loan.

Expenditures

- Other General Expense of \$275 for fees paid to Initiative Foundation and BLAEDC for loan servicing.

Action Requested:

Approve a motion to adopt the 2023 General Fund and TIF – Revolving Loan Fund budgets.

Crow Wing County HRA 2023 Budget Option 1

	2023 Budget	2022 Budget	Difference
Revenues			
Property Tax Levy - Operations	217,500	217,500	0
Property Tax Levy - BLAEDC	87,000	87,000	0
Property Tax Levy - CREDI	25,000	25,000	0
Property Tax Levy - Housing Trust Fund	400,000	400,000	0
Total Property Tax Levy	729,500	729,500	0
Tax Forfeit Property Fund	10,000	10,000	0
Development Fund	191,200	191,200	0
CWC Local Income Fund	20,000	27,000	(7,000)
Total Revenues	950,700	957,700	(7,000)
 General Fund Expenditures			
Administrative Salaries	4,500	4,500	0
Employer FICA	350	350	0
Legal	10,000	10,000	0
Travel	250	250	0
Training	1,500	1,500	0
Sundry-Admin	200	200	0
Auditing Fees	7,980	7,140	840
Management Fee	150,000	150,000	0
TIF Expense	600	600	0
Insurance	2,900	2,600	300
Housing and Redevelopment Initiatives	26,000	26,000	0
	204,280	203,140	1,140
 Fund Expenditures			
Tax Forfeit Property Fund	10,000	10,000	0
Development Fund	191,200	191,200	0
CWC Local Income Fund	20,000	27,000	(7,000)
Housing Trust Fund	400,000	400,000	0
BLAEDC/CREDI Funding	112,000	112,000	0
	733,200	740,200	(7,000)
Total Expenditures	937,480	943,340	(5,860)
 Net Operating Income to Fund Reserves	 13,220	 14,360	 (1,140)

Crow Wing County HRA 2023 Budget Option 2

	2023 Budget	2022 Budget	Difference
Revenues			
Property Tax Levy - Operations	232,970	217,500	15,470
Property Tax Levy - BLAEDC	89,600	87,000	2,600
Property Tax Levy - CREDI	25,750	25,000	750
Property Tax Levy - Housing Trust Fund	400,000	400,000	0
Total Property Tax Levy	748,320	729,500	18,820
 Tax Forfeit Property Fund	 10,000	 10,000	 0
Development Fund	191,200	191,200	0
CWC Local Income Fund	20,000	27,000	(7,000)
 Total Revenues	 969,520	 957,700	 11,820
 General Fund Expenditures			
Administrative Salaries	4,500	4,500	0
Employer FICA	350	350	0
Legal	10,000	10,000	0
Travel	250	250	0
Training	1,500	1,500	0
Sundry-Admin	200	200	0
Auditing Fees	7,980	7,140	840
Management Fee	162,770	150,000	12,770
TIF Expense	600	600	0
Insurance	2,900	2,600	300
Housing and Redevelopment Initiatives	26,000	26,000	0
	217,050	203,140	13,910
 Fund Expenditures			
Tax Forfeit Property Fund	10,000	10,000	0
Development Fund	191,200	191,200	0
CWC Local Income Fund	20,000	27,000	(7,000)
Housing Trust Fund	400,000	400,000	0
BLAEDC/CREDI Funding	115,350	112,000	3,350
	736,550	740,200	(3,650)
 Total Expenditures	 953,600	 943,340	 10,260
 Net Operating Income to Fund Reserves	 15,920	 14,360	 1,560

Crow Wing County HRA 2023 Budget Option 3

	2023 Budget	2022 Budget	Difference
Revenues			
Property Tax Levy - Operations	237,075	217,500	19,575
Property Tax Levy - BLAEDC	89,600	87,000	2,600
Property Tax Levy - CREDI	25,750	25,000	750
Property Tax Levy - Housing Trust Fund	442,720	400,000	42,720
Total Property Tax Levy	795,145	729,500	65,645
Tax Forfeit Property Fund	10,000	10,000	0
Development Fund	191,200	191,200	0
CWC Local Income Fund	20,000	27,000	(7,000)
Designated Fund Balance	0	0	0
Total Revenues	1,016,345	957,700	58,645
General Fund Expenditures			
Administrative Salaries	4,500	4,500	0
Employer FICA	350	350	0
Legal	10,000	10,000	0
Travel	250	250	0
Training	1,500	1,500	0
Sundry-Admin	200	200	0
Auditing Fees	7,980	7,140	840
Management Fee	162,770	150,000	12,770
TIF Expense	600	600	0
Insurance	2,900	2,600	300
Housing and Redevelopment Initiatives	26,000	26,000	0
	217,050	203,140	13,910
Fund Expenditures			
Tax Forfeit Property Fund	10,000	10,000	0
Development Fund	191,200	191,200	0
CWC Local Income Fund	20,000	27,000	(7,000)
Housing Trust Fund	442,720	400,000	42,720
BLAEDC/CREDI Funding	115,350	112,000	3,350
	779,270	740,200	39,070
Total Expenditures	996,320	943,340	52,980
Net Operating Income to Fund Reserves	20,025	14,360	5,665

**Crow Wing County HRA
2023 RLF - TIF Budget**

	2023 Budget	2022 Budget	Difference
Operating Revenue			
Interest Revenue	820	1,780	-960
Total Revenue	820	1,780	-960
Operating Expenses			
Legal	0	0	0
Auditing Fees	0	0	0
TIF Expense	0	0	0
Other General Expense	275	590	0
Total Exp	275	590	0
Net Operating (Income)/Loss	545	1,190	-960



July 2022
Re: BLAEDC 2023 Funding Support

Dear Mr. Charpentier,

As BLAEDC makes our way through the first six months of 2022, we want to thank you for your enduring support of our mission. Through your support, BLAEDC can continue to serve our communities and provide resources and support to our local businesses and business leaders. Earlier this year, BLAEDC staff assisted Crow Wing County leadership with childcare assistance grants that provided \$800,000 worth of grant funds to address the alarming shortage of available childcare slots in Crow Wing County. We also maintain working relationships with leaders at a local, state and national level to assist our business community and ensure they have access to the most up-to-date resources and information.

BLAEDC staff also continues to expand business, build community, and grow jobs in Crow Wing County. In addition to our traditional work, we have been focusing on the area's housing, childcare and employment needs through valuable focus groups, surveys and grant exploration. Our BLAEDC Unified Fund (BUF) and BLAEDC Recruitment Program have brought a heightened awareness of economic development to our communities that helps us to grow our area economy. In the first 6 months of 2022, BLAEDC's Recruitment Program has hired 7 individuals from out of the area, totaling an additional 11 people relocating and participating in our communities.

BLAEDC has entered into a formal agreement with the North Central Small Business Development Center as a satellite location to provide access to the resources that are available through the SBDC for our area businesses. Based on the impact of our work and the need to have a professional economic development organization serving Crow Wing County, the BLAEDC board of directors is focused on the following:

1. BLAEDC's funding from government partners is a critical component of our annual budget. Your continued support allows the organization to retain our professional staff and offer free or low-cost services to the business community located in Crow Wing County.
2. Private sector business membership support is also a key component to our mission to expand business, build community and grow jobs. We continue to move forward with increasing our private sector membership base to strengthen our financial stability into the future.
3. Economic development programs, including our BLAEDC Recruitment Program, BLAEDC Unified Fund and our new relationship with the SBDC, have been positive for BLAEDC and the business community and will continue to make an impact and provide resources to the region. Fall of 2022 BLAEDC along with the Brainerd Regional Airport will offer a new marketing opportunity for all our partners. More to come as that system becomes operational.

As a result, we are asking the Crow Wing County HRA to consider a funding commitment of \$89,600 for the 2023 calendar year.

Please advise if you would like BLAEDC representatives to meet with you to discuss our funding request. Your support and commitment to BLAEDC and economic development is sincerely appreciated.

Sincerely,

Tyler Glynn
BLAEDC Executive Director

**Brainerd Lakes Area Economic
Development Corporation**

224 West Washington
Street Brainerd, MN 56401

growbrainerdlakes.org (218) 828-0096

2021 Annual Report



SCAN ME



July 2022

Re: CREDI 2023 Funding Support

Dear Mr. Charpentier,

As BLAEDC makes our way through the first six months of 2022, we want to thank you for your enduring support of our mission. Through your support, BLAEDC can continue to serve our communities and provide resources and support to our local businesses and business leaders. Earlier this year, BLAEDC staff assisted Crow Wing County leadership with childcare assistance grants that provided \$800,000 worth of grant funds to address the alarming shortage of available childcare slots in Crow Wing County. We also maintain working relationships with leaders at a local, state and national level to assist our business community and ensure they have access to the most up-to-date resources and information.

BLAEDC staff also continues to expand business, build community, and grow jobs in Crow Wing County. In addition to our traditional work, we have been focusing on the area's housing, childcare and employment needs through valuable focus groups, surveys and grant exploration. Our BLAEDC Unified Fund (BUF) and BLAEDC Recruitment Program have brought a heightened awareness of economic development to our communities that helps us to grow our area economy. In the first 6 months of 2022, BLAEDC's Recruitment Program has hired 7 individuals from out of the area, totaling an additional 11 people relocating and participating in our communities.

BLAEDC has entered into a formal agreement with the North Central Small Business Development Center as a satellite location to provide access to the resources that are available through the SBDC for our area businesses.

Based on the impact of our work and the need to have a professional economic development organization serving Crow Wing County, the BLAEDC board of directors is focused on the following:

1. BLAEDC's funding from government partners is a critical component of our annual budget. Your continued support allows the organization to retain our professional staff and offer free or low-cost services to the business community located in Crow Wing County.
2. Private sector business membership support is also a key component to our mission to expand business, build community and grow jobs. We continue to move forward with increasing our private sector membership base to strengthen our financial stability into the future.
3. Economic development programs, including our BLAEDC Recruitment Program, BLAEDC Unified Fund and our new relationship with the SBDC, have been positive for BLAEDC and the business community and will continue to make an impact and provide resources to the region. Fall of 2022 BLAEDC along with the Brainerd Regional Airport will offer a new marketing opportunity for all our partners. More to come as that system becomes operational.

As a result, we are asking the Crow Wing County HRA to consider a funding commitment of \$25,750 for the 2023 calendar year.

Please advise if you would like CREDI and BLAEDC representatives to meet with you to discuss our funding request. Your support and commitment to CREDI and economic development is sincerely appreciated.

Sincerely,

Tyler Glynn
BLAEDC Executive Director

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Housing & Redevelopment Authority

To: CWC HRA Board Members
From: Karen Young, Finance Director
Date: August 1, 2022
Re: Review Fund Balance Policy

In 2017, the CWC HRA Board adopted the Fund Balance Policy (See Attachment b1) per GASB No. 54 to establish specific guidelines for the level of fund balances available for current and future spending. At that time, the CWC HRA had significant fund balances and policy was set to maintain unassigned fund balance in a range equal to 8 to 12 months of General Fund operating expenditures for the year.

Due to the completion of several initiatives by the Board, the fund balance has fallen below the 8 months set by policy. The fund balance as of 12/31/21 was approximately 5.75 months of operating expenses. The Office of the State Auditor (OSA) recommends unrestricted fund balance no less than five months of operating expenses. The OSA also recommends that if a local government's fund balance drops below the recommended level set by policy, then the government should be able to explain the difference and have a plan for recovering to the recommended level.

Staff would like to review the policy and have a discussion with the Board about the fund balance levels.

Action Requested: Discussion and review of the Fund Balance Policy.

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Crow Wing County HRA

FUND BALANCE POLICY

I. PURPOSE

The purpose of this policy is to establish the specific guidelines for the level of fund balances available for current and future spending for the CWC HRA in the governmental funds. The fund balance policy addresses a minimum level of unrestricted fund balance to be maintained, how the unrestricted fund balance can be used or spent down and how that fund balance will be replenished if it falls below the minimum level. The policy also addresses when fund balances will be restricted to specific purposes.

II. BACKGROUND

Government Accounting Standards Board (GASB) Statement No. 54 was enacted to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. In governmental funds, a Housing Authority should identify fund balance separately between non-spendable, restricted, committed, assigned or unassigned based on the relative strength of the constraints that control how specific amounts can be spent.

III. CLASSIFICATION OF FUND BALANCE/PROCEDURES

1. Nonspendable

- This category includes fund balance that cannot be spent because it is either (i) not in spendable form or (ii) is legally or contractually required to be maintained intact. Examples include inventory, prepaid items, and land held for resale.

2. Restricted

- Fund balance should be reported as restricted when constraints placed on those resources are either (i) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (ii) imposed by law through constitutional provisions or enabling legislation. Examples include bond or grant proceeds and tax increments.

3. Committed

- Fund balance that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. The committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to commit those amounts.
- The CWC HRA's highest level of decision making authority (Board of Commissioners) will annually or as deemed necessary commit specific revenue sources for specified purposes by formal action. This formal action must occur prior to the end of the reporting

period, however, the amount to be subject to the constraint, may be determined in the subsequent period. A committed fund balance cannot be a negative number.

4. Assigned

- Amounts that are constrained by the government's intent to use for specified purposes, but are neither restricted nor committed. Assigned fund balance in the General Fund includes amounts that are intended to be used for specific purposes.
- The Board of Commissioners has delegated the authority to assign and remove assignments of fund balance amounts for specified purposes to the Finance Director or Executive Director.

5. Unassigned

- Unassigned fund balance represents the residual classification for the General Fund. Includes amounts that have not been assigned to other funds and that have not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

IV. RESERVE TARGET LEVELS

The Office of the State Auditor of Minnesota recommends local governments maintain an unrestricted fund balance in their General Fund and Special Revenue Funds of no less than five months of operating expenditures.

This amount of unrestricted fund balance should be assessed based on the CWC HRA's own circumstances and should provide adequate funds until the next property tax revenue collection cycle. The amount of property tax revenue received must be approved by the County Board and the CWC HRA may be unable to increase levy capacity needed due to budgetary shortfalls. There is reasonable concern that this could cause a potential drain on the General Fund and could affect the necessary level of minimum unrestricted fund balance.

It is recommended at the end of the fiscal year, the CWC HRA will maintain Spendable – Unassigned fund balance in a range equal to 8 to 12 months of General Fund operating expenditures for the year.

V. MONITORING AND REPORTING

The CWC HRA Board of Commissioners shall annually review fund balances in relation to this policy in conjunction with the development of the annual budget. At times the Board may deficit budget, by budgeting more expenditures than revenues and drawdown beginning fund balance for the subsequent year. An appropriation of existing fund balance to eliminate a projected budgetary deficit in the subsequent year's budget satisfies the criteria to be classified as an assignment of fund balance.

When both restricted and unrestricted resources are available for use, it is the CWC HRA's policy to first use restricted resources, and then use unrestricted resources as they are needed.

When committed, assigned or unassigned resources are available for use, it is the CWC HRA's policy to use resources in the following order; 1.) committed 2.) assigned and 3.) unassigned.

A negative residual amount may not be reported for restricted, committed, or assigned fund balances in the General Fund.

VI. GOVERNMENTAL FUND DEFINITIONS

GASB Statement 54 provides clarification of the governmental funds definitions. The definitions are added to the fund balance policy to clearly define their reporting requirements. It is also important to understand the fund classification when determining the classification of their fund balances.

General Fund – Used to account for all financial resources not accounted for in another fund.

Special Revenue Funds – Used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes (other than debt service or capital projects) such as the Revolving Loan Funds.

- One or more specified restricted or committed revenues are foundation for the fund (comprise a substantial portion of fund's inflows).
- Other inflows (i.e. interest and transfers) may be reported in fund, if restricted, committed or assigned to the specified purpose of the fund.
- Restricted or committed proceeds of specific revenue sources should be expected to continue to comprise substantial portion of inflows of the fund.

Debt Service Funds – Used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest payments.

Capital Projects Funds – Used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Adopted by the Board on February 14, 2017.

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