



MINUTES

REDEVELOPMENT AUTHORITY OF THE CITY OF STEVENS POINT

Date and Time:	July 11, 2016 4:00 PM	Location:	City/County Building City Conference Room 1516 Strongs Avenue Stevens Point, WI 54481
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Present: Chairperson Schlice, Alderperson Phillips, Commissioner Cooper, Commissioner Molski, and Commissioner Jahn.

Also Present: Executive Director Ostrowski, Dan LaHaye, and Mike Dumke.

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1. Roll call.
2. Persons who wish to address the Board on specific agenda items other than a "Public Hearing" must register their request at this time. Those who wish to address the Board during a "Public Hearing" are not required to identify themselves until the "Public Hearing" is declared open by the Chairperson.
3. Public comment for pre-registered individuals for matters appearing on the agenda.

Discussion and possible action on the following:

4. 2015 Audit Report
5. Establishing a utility easement on the lot south of Centerpoint Drive, north of Main Street and between Strongs Avenue and Third Street (Parcel ID 2408-32-2029-70).
6. Director's Update (informational purposes only)
7. Adjourn.

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1. Roll call.

Present: Schlice, Phillips, Molski, Cooper, Jahn

Excused: Gardner

Absent: Sawyer

2. Persons who wish to address the Board on specific agenda items other than a "Public Hearing" must register their request at this time. Those who wish to address the Board during a "Public Hearing" are not required to identify themselves until the "Public Hearing" is declared open by the Chairperson.
3. Public comment for pre-registered individuals for matters appearing on the agenda.

Discussion and possible action on the following:

4. 2015 Audit Report

Executive Director Ostrowski introduced Baker Tilly, stating they would be presenting the past year's audit.

Dan LaHaye (10 Terrace Ct, Madison, WI), a manager with Baker Tilly, stated that he worked on the utility, airport, and transit audits. He also introduced Mike Dumke, a senior accountant that worked on the Redevelopment Authority audits, adding that he was there to answer any specific questions pertaining to the operations for that year whereas he himself would be covering the general audit points. He went on to explain that this was the second year of audit for the Redevelopment Authority. The purpose of the audit was to express an opinion on the financial statements, reporting that they had reported an unmodified and clean audit opinion which represented the highest level of assurance they could receive. He added that this was also the second year they had received an unmodified opinion, adding that their financial statements were fairly and materially stated properly. Mr. LaHaye went on to summarize sections of the report, stating the first page covered their responsibilities as well as management's, adding that they had included an Emphasis of Matter paragraph for the year. He said it was due in part to the transfer of operations for the Edgewater Manor to the city, but that the opinion had not been modified in any way, and stating that they had to disclose and include it in the opinion.

Dan LaHaye summarized page one of the balance sheet which consisted primarily of cash, loan receivables, and capital assets. He stated there were not a lot of liabilities on the books so their equity was in a good position. Page two had to do with the income statement, noting the Edgewater transfer was being considered a special item for the year. He added that additional details on the item could be found on page 13 of the financial statements. He went on to explain that a bad debt had been written off for an amount of \$161,000 due to issues with CAP Services and reconciling loans to the CDA's records. He suggested a recommendation to reconcile the records on a regular basis to make sure no allowances needed to be set up. The following section was the statement of cash flow, which showed the inflow and outflow of cash sources, noting modest positive increase of \$89,000 for the year. He explained the last section got into the financial statements which gave additional disclosures and details as to what the balances represent for each line item. He asked if there were any questions.

Commissioner Molski requested clarification on the bad debts with CAP Services.

Executive Director Ostrowski explained that when the Community Development Authority had been split to the Housing Authority and Redevelopment Authority, financials relating to the Housing Trust Fund had been transferred to the Redevelopment Authority which is when we hired Baker Tilly. He explained that they were able to identify inconsistencies within the account receivables between the Housing Authority and CAP Services. He explained that there were items that were never meant to be receivables, but rather grants that were not expected to be paid back. However, given that there were a lot of people working with CAP, Habitat for Humanity, the city, and the Housing Authority, when it came time to write a check to an agency, the Housing Authority typically booked it as a receivable even if it may never meant to be one, adding that he would be bringing them forward for discussion.

Aldersperson Phillips asked how much of the \$161,000 was tied to CAP Services and if there were any other bad debts with them.

Executive Director Ostrowski explained that CAP Services did the administration of the loan program, but what \$161,000 was getting after was if they were or were not loans.

Aldersperson Phillips stated that he understood, but asked if everything under \$161,000 was tied to CAP Services.

Executive Director Ostrowski explained that it was tied to the Housing Trust Fund, but more so with the inconsistencies of two different tracking mechanisms. He reiterated that many of those were never meant to be loans, but grants, and stated that they would go over each one individually to see what happened.

Dan LaHaye (10 Terrace Ct, Madison, WI) stated the second document they should have received was the communications of those charged with governance, which was sometimes referred to as internal controlled or management letter. He explained that it was broken down into four sections. The first section identified material weakness within the financial reporting process that they were required to be communicated to them, adding that they were generally consistent with governments or organizations of their size. The second section focused on two-way communication. He stated that they want to hear from the governing body, specifically thoughts on the audit, and things they should be aware of or looking for. Mr. LaHaye stated that they did a risk-based audit approach so any insight that could be provided as to where risks may be would assist in the process. He expressed emphasis on keeping a line of communication as they want to make sure they are meeting the needs of the governing body. He explained the third section was for recommendations and informational purposes, stating that it went through best practices for them that could be implanted for accounting standards and more. Lastly, he explained that they have their required audit communications which included details of their responsibilities, any sort of corrected or uncorrected statements, disagreements with management, or any sort of unusual transactions. He added that the letter should be consistent with the one received last year.

Chairperson Schlice referenced to a section on page two that he found surprising where there was a statement on who had or had not prepared the financial statements.

Dan LaHaye (10 Terrace Ct, Madison, WI) explained that in an ideal environment, management would prepare the financial statements without their assistance, but that it was realistically hard to achieve for governments since it required extra resources. He pointed out that it was a common practice and stated that they were just required to communicate that information.

Chairperson Schlice asked that the statement be reworded differently as it made it sound like the accountant was not doing her job according to GAAP to which Dan LaHaye stated that he could put in a suggestion for wording for the next year's audit.

Commissioner Molski commented that right above that statement there was another statement saying there was indeed adequate staffing to prepare the financial reports on their end.

Dan LaHaye (10 Terrace Ct, Madison, WI) reiterated that in an ideal environment, management would prepare the financial statements themselves and overall the statements explained what the ideal environment was versus what the actual environment was.

Chairman Schlice referenced the last paragraph of page three where additional controls were being recommended. He asked how much review was being suggested.

Dan LaHaye (10 Terrace Ct, Madison, WI) explained that there could be additional checks and balances in place and just to monitor things more closely as a governing body. He made it clear that they were not suggesting they hire anyone to prepare statements, but that there may be room for improvement that could benefit costs.

Commissioner Jahn asked if he had an idea to the cost they were paying to have Baker Tilly prepare the financial statements to which Dan LaHaye stated he did not.

Chairperson Schlice commented that they did not come close to the price.

Commissioner Jahn requested to know the percentage of municipalities they had prepared financial statements for, to which Dan LaHaye stated roughly 90% for the region and an organization of a similar size.

Commissioner Cooper asked if the \$1.6 million of the \$1.8 million in their investment portfolio due to maturity over 10 years was typical to see in a governing body of their size or if more of an investment maturity laddering approach was used.

Dan LaHaye (10 Terrace Ct, Madison, WI) stated that he typically saw shorter term investments among similar governing bodies, but stated that they did exist but were not as common.

Commissioner Cooper asked if most of their investments were held in maturity or if they were available to sale.

Executive Director Ostrowski stated they were held in maturity, adding that is what they were looking into for the new investment strategies, as well as recognizing what the funds were used for. He also added that they could look into shorter term investments if funds were needed immediately. In referencing the comment related to the MDA, he stated they would most likely be preparing the MDA for the following year, triggering the removal of the comment from the audit.

Motion by Commissioner Molski to accept the audit report and place it on file; seconded by Commissioner Jahn.

Roll Call:

Yeas: Schlice, Phillips, Molski, Cooper, John

Nays: None

Motion carried 5-0.

5. Establishing a utility easement on the lot south of Centerpoint Drive, north of Main Street and between Strongs Avenue and Third Street (Parcel ID 2408-32-2029-70).

Executive Director Ostrowski explained the easement was in regards to Cobblestone Hotel, stating that the storm sewer easement on the northern edge of the lot was servicing a manhole on the Great Lakes site that connected back to Centerpoint Drive so there was a need to preserve the easement. Lastly, he stated that Plan Commission had recommended unanimously to proceed with the granting of the easement, and that it would be transferred to Cobblestone with the transfer of the property.

Motion by Alderperson Phillips move forward with establishing a utility easement on the lot south of Centerpoint Drive, north of Main Street and between Strongs Avenue and Third Street (Parcel ID 2408-32-2029-70); seconded by Commissioner Cooper.

Roll Call:

Yeas: Schlice, Phillips, Cooper, Molski, Gardner, John

Nays: None

Motion carried 5-0.

6. Director's Update (informational purposes only)

Executive Director Ostrowski stated that he had met with the Central Wisconsin Children's Museum. They had discussed taking over the museum's loan, noting that they would not need to renew until 2018. He would be countering with an appropriate rate for the loan as the proposal submitted by the museum was too low.

Alderperson Phillips asked if any problems would arise with moving forward.

Executive Director Ostrowski explained that \$400,000 worth of funds would be tied up.

Commissioner Jahn asked how long the funds would be tied up, to which Executive Director Ostrowski stated anywhere from 10 to 20 years. On a 15 year note, they could potentially get 4-4.5%.

Commissioner Cooper asked how long they were into their current loan and what it had been originally.

Executive Director Ostrowski stated that there were 8 years left on the loan, adding that their monthly payments did not reflect their balance. He also added that taking on the loan could potentially drop their monthly payments by \$900-\$1,000 a month.

Aldersperson Phillips recalled there had been financial troubles not too far back and asked what became of it.

Executive Director Ostrowski confirmed that there had been concerns regarding the attendance at the museum. They had recently reviewed staffing and were looking into new donors.

Chairperson Schlice stated that they would get the building if it went up anyway.

Executive Director Ostrowski concluded that taking over the Children’s Museum loan would also remove Community First off their investment accounts, leaving them to make investment strategies as they saw fit without first needing to consult Community First. He hopes to bring forth a proposal next month.

7. Adjourn.

Meeting adjourned at 4:28 PM.

Approved:

John Schlice, Chairperson

Date

Attest:

Michael Ostrowski, Executive Director

Date