



MINUTES

REDEVELOPMENT AUTHORITY OF THE CITY OF STEVENS POINT

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| Date and Time: | July 10, 2017 4:00 PM | Location: | City Conference Room 1515 Strongs Avenue Stevens Point, WI 54481 |
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Present: Chairperson Schlice, Commissioner Phillips, Commissioner Cooper, Commissioner Gardner, and Commissioner Sawyer.

Also Present: Executive Director Ostrowski, Carla Gogin, Alderperson Jennings, Alderperson Nebel, Alderperson McComb, and Alderperson Dugan.

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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. Minutes and actions of the Redevelopment Authority meeting(s) of March 28, 2017 and May 11, 2017.
5. Financial reports, claims, and statements from February 2017 through May 2017.
6. 2016 Audit Report
7. Director's Update
8. Enter into closed session pursuant to Wisconsin Statute s 19.85(1)(e) for deliberating or negotiating the purchasing of public properties, investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session, relating to the following
 - a. Negotiating the potential purchase of properties in TIF District 6 (Downtown TIF District).
 - b. Negotiating the potential sale/transfer of Redevelopment Authority owned property in TIF District 6 (Downtown TIF District).
9. Reconvene into open session (approximately 30 minutes after entering into closed session) for possible action on the above.
10. Adjourn.

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1. Roll call.

Present: Schlice, Phillips, Cooper, Gardner, Sawyer

Excused: Jahn

Absent: Kundinger

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.

No one registered to speak.

Discussion and possible action on the following:

4. Minutes and actions of the Redevelopment Authority meeting(s) of March 28, 2017 and May 11, 2017.

Motion by Alderperson Phillips to approve the minutes and actions of the Redevelopment Authority meeting(s) of March 28, 2017 and May 11, 2017; seconded by Commissioner Cooper.

Motion carried 5-0.

5. Financial reports, claims, and statements from February 2017 through May 2017.

Executive Director Ostrowski stated that nothing significant had occurred, noting a \$395,000 credit in March. The credit was related to using investment funds to fund the Children’s Museum loan, with it being replenished back in March.

Motion by Commissioner Sawyer to approve the financial reports, claims, and statements from February 2017 through May 2017; seconded by Alderperson Phillips.

Motion carried 5-0.

6. 2016 Audit Report

Carla A. Gogin, Partner with Baker Tilly, stated that she would be walking the board through the 2016 Audit Report in which they would review two documents in total. For the third year in auditing the Redevelopment Authority, the 2016 Report resulted in an unmodified or clean opinion which stated that the financial statements were presented fairly in all material respects whereas there had been an emphasis of a matter included in their 2015 opinion due to the transfer of operations of Edgewater Manor. One new item for the year was referred to as the Management’s Discussion and Analysis or MDA. The MDA was a required addition to the financial statements and acted as a narrative regarding the overall financial statements of the Redevelopment Authority while not requiring Baker Tilly to modify their opinion in any way, but rather was provided for consistency with the financial statements. She went on to briefly review the three primary assets within the balance sheet which included cash investments of \$2.2 million, loan receivables of \$1.6 million, and a significant amount of capital assets. She noted that there were very few liabilities which left the Redevelopment Authority with a healthy net position of about \$8.3 million dollars, adding that a good portion was invested in capital assets, of which \$4.6 million was unrestricted.

Commissioner Sawyer asked for more information regarding how the land being held for resale was valued.

Carla Gogin explained that the properties were not set at market value, but rather the cost of the land with the intention that it would be held for resale, to which Commissioner Gardner inquired on the other capital assets.

Carla Gogin further explained that those were valued at cost, noting that the Redevelopment Authority had a big portion of land in capital assets which included items such as buildings and parking lots, with Executive Director Ostrowski adding that they were the owners of the Great Lakes building and parking lot surrounding Shopko.

Carla Gogin briefly reviewed the Income Statement. The previous years there had been rental income that had been generated by Edgewater Manor, but since that type of income was no longer coming in, they only had operating expenses, with the most significant being a depreciation expense on the capital assets of the buildings described. It had an operating loss for the year, which had been partially offset by some investment income on the Redevelopment Authority's significant cash investment balance. In addition, there had been a loss on the disposal of capital assets when land was sold during the year to a developer for one dollar. Typically, she explained, if there was property on the books at cost, and they were sold for economic development purposes, it would result in a loss. That being said, the net position did go down during the year, but it was largely attributed to the depreciation expense and a loss on capital assets.

Executive Director Ostrowski noted that the property that was sold for one dollar was for Cobblestone Hotel.

Commissioner Gardner asked whether the properties in question had been purchased with Redevelopment Authority funds or City Council funds.

Executive Director Ostrowski stated that the money for the mall area had been purchased with TIF No. 6 financing, with the other properties having been owned by the CDA at the time.

Commissioner Gardner pointed out that the audit did not reflect all the debt that was owed as some of the assets were under the City's name even though they were listed as a capital asset for the Redevelopment Authority, to which it was confirmed that the statement was correct which resulted in less assets than shown in the statements as there was debt against those assets.

Carla Gogin confirmed Commissioner Gardner's statement and reiterated that the Redevelopment Authority did not have any debt themselves, with Executive Director Ostrowski adding that the revenue received from Great Lakes went back into TID No. 6.

Carla Gogin briefly reviewed the Cash Flow section in which the most significant activities were the disbursement of loans, specifically cash going out, the collection of loans, and investment incomes. Overall, cash investments went down roughly \$243,000.

Executive Director Ostrowski added that the loan listed for \$395,000 was for the Children's Museum, and that no loans had been provided for the Housing Trust Fund or CAP Services.

Commissioner Sawyer asked how the loan write-offs had been determined, to which Executive Director Ostrowski explained that individual loans had been brought back before the board for approval regarding the write-offs for approximately \$161,000, and that the information could be provided for review.

Carla Gogin added that they have had a management letter point for the last couple of years regarding the evaluation of loans to ensure that the Redevelopment Authority were taking steps to evaluate loans or grants that needed to be written off in order for there to be a good understanding of the collectability of those loans as they were one of the most significant assets.

Chairperson Schlice, going back to Commissioner Gardner's point, added that the assets were split between the TIF with the debt, but once the TIF closed, it would go away and come back under the Redevelopment Authority instead of the City.

Carla Gogin reviewed the Notes to the Financial Statements which provided additional information regarding the various balances on the statements. She noted that there had been no real additions during the year for capital assets, just the depreciation expense and the deletion of land that was discussed earlier. It also contained supplementary information regarding the various funds that made up the Redevelopment Authority such as the Development Fund and the Housing Trust Fund. Moving on to a communication charge with Governance and Management, Ms. Gogin briefly explained that the section went over material

weaknesses and internal control. While they were not auditing the internal control environment, they were required to give an understanding of the environment and identify material weaknesses. She noted that it was their job to perform their work with skepticism when looking at different things from year to year, and to make sure that they were comfortable in providing feedback and reaching out to Baker Tilly. She further explained that because the City and the Redevelopment Authority had Baker Tilly prepare their financial statements, that it was a material weakness. However, with the City doing more as it related to preparing for the audit year after year, she suspected it to be reduced and not be a material weakness at some point in the future. The segregation of duties was also a material weakness as it related to monthly controls over the monthly and year end accounting. They wanted to make sure that any time there was a reconciliation performed as it related to the accounting function, someone independent of that would review those. So while it still remained, she suspected that in time it would be resolved as well. Moving on to non-material weaknesses or significant deficiencies, Ms. Gogin further explained that they were not required to put them in writing, but felt it was important to include them from a transparency perspective as it related to loan receivable balances and information technology. They recommended that there be additional controls placed into the process of how third parties administered portions of the Redevelopment Authority's revolving loan, as they wanted to ensure that the job tasked was being performed properly. As it related to information technology, they had recommended additional controls for passwords, backup of data, and access rights. Since the Redevelopment Authority relied on the City in relation to its information technology needs, those points had also been included within the City's letter. Lastly, Ms. Gogin explained that they were required to provide a communication to those charged with governance if there had been a disagreement with management or felt that management was opinion shopping over certain accounting treatments, or if there had been any manual material journal entries. In relation to the 2016 Audit, there had been no difficulties or disagreements with management and that it was a fairly routine year overall.

Executive Director Ostrowski, in regards to the recommendations to evaluate loans collectability, stated that they were going to start looking at the loans still left with CAP Services and checking to make sure the loans were still collectable, with Carla Gogin adding that they could also look into seeing if they were current with their taxes and utility bills. A good indicator was to determine if they were still on the property.

Aldersperson Phillips asked for clarification if they were doing something about loan receivable, to which Executive Director Ostrowski confirmed that they were, and that they sent letters out to make sure they were still on the property. If they didn't see a response, there was further follow-up performed by CAP Services. He also noted that they would look into additional controls for the following year.

Aldersperson Phillips further asked if they were doing anything new with CAP Services, to which Executive Director Ostrowski stated that they had not issued any additional loans, and explained that they could look into possible new programs in conjunction with the Housing Study which would then determine new controls for third party administration.

Commissioner Sawyer asked for clarification on the internal controls section regarding significant transaction cycles.

Carla Gogin explained that part of the audit process was to evaluate significant transaction cycles such as cash receipts, accounts payable, and payroll. The three transaction cycles were significant with the City, thus impacting the Redevelopment Authority. They were looking at the controls in place, especially since they had at times identified a lack of segregation of duties.

Commissioner Sawyer asked whether the significant transaction was in terms of size or volume, to which Carla Gogin confirmed that it was both in terms of volume and dollar amount.

Motion by Commissioner Gardner to approve the 2016 Audit Report and place it on file; seconded by Aldersperson Phillips.

Motion carried 5-0.

7. Director's Update

Executive Director Ostrowski briefly explained that the final version of the Housing Study had been provided to the board. The item would be brought back for discussion regarding possible future programs for both residential and commercial projects based on recommendations within the study. Currently, the Redevelopment Authority had approximately \$400,000 in the Housing Trust Fund, and \$150,000 in the Downtown Development Fund.

Aldersperson Phillips asked if they would be partnering with CAP Services.

Executive Director Ostrowski had no doubt that CAP Services would be able to exhaust the funds within a year or two as the need for it was there. However, he noted that they were not getting as much funding as they used to. As a result of having regionalized funding, the resources were spread out over the region rather than remaining completely within the City so the impact of the grant was not felt as largely as before.

Aldersperson Phillips asked whether the funds were not designated for houses within the City.

Executive Director Ostrowski clarified that they were under the Community Development Block Grant Fund. He gave a brief explanation of how municipalities used to be awarded funds.

Commissioner Sawyer asked if there were any specific projects in the works, to which Executive Director Ostrowski stated there would be eventually.

8. Enter into closed session pursuant to Wisconsin Statutes 19.85(1)(e) for deliberating or negotiating the purchasing of public properties, investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session, relating to the following:
- a. Negotiating the potential purchase of properties in TIF District 6 (Downtown TIF District).
 - b. Negotiating the potential sale/transfer of Redevelopment Authority owned property in TIF District 6 (Downtown TIF District).

Motion by Commissioner Sawyer to enter into closed session pursuant to Wisconsin Statutes 19.85(1)(e) for deliberating or negotiating the purchasing of public properties, investing of public funds, or conducting other specified public business, whenever competitive or bargaining reasons require a closed session, relating to the following:

- a. **Negotiating the potential purchase of properties in TIF District 6 (Downtown TIF District).**
- b. **Negotiating the potential sale/transfer of Redevelopment Authority owned property in TIF District 6 (Downtown TIF District).**

seconded by Commissioner Gardner.

Roll Call:

Yeas: Schlice, Phillips, Cooper, Gardner, Sawyer

Nays: None

Motion carried 5-0.

**Motion by Commissioner Cooper to reconvene into open session for possible action on the above;
seconded by Commissioner Sawyer.**

Roll Call:

Yeas: Schlice, Phillips, Cooper, Gardner, Sawyer

Nays: None

Motion carried 5-0.

9. Reconvene into open session (approximately 30 minutes after entering into closed session) for possible action on the above.

Motion by Commissioner Cooper to authorize the Executive Director to secure options to purchase on the properties that were discussed in closed session; seconded by Commissioner Sawyer.

Roll Call:

Yeas: Schlice, Phillips, Cooper, Gardner, Sawyer

Nays: None

Motion carried 5-0.

10. Adjourn.

Meeting adjourned at 5:10 PM.

Approved:

John Schlice, Chairperson

Date

Attest:

Michael Ostrowski, Executive Director

Date