

Community Development Authority of the City of Stevens Point Minutes

Meeting Date: December 16, 2009

Board Members Present: Mr. Andrew J. Halverson, Chairman, Mr. George Hanson, Mr. Dave Cooper, Mr. Perry Pazdernik, Mr. Paul Adamski and Ms. Marge Molski.

Board Member(s) Not Present: Ms. Barbara Kranig

Also Present: Mr. James R. Hamilton, Secretary; Ms. Donna T. Bella, Chief Financial Officer, Housing Authority; Mr. Abe Leis from Hawkins, Ash & Baptie, Co.; Mr. Rod Sandleback from Collins & Associates; Mr. Mike Morrissey, Community Development Director

The meeting, held in the City Conference Room at the County City Building, was called to order by Chairman Halverson at 5:00 p.m.

Ms. Bella called the roll. The members listed above were in attendance.

The first item on the agenda was the approval of the amended minutes from the June 23, 2009 and the minutes from the November 11, 2009 regular meeting. Mr. Adamski moved to approve the amended minutes from June 23, 2009 and the minutes from November 11, 2009. Ms. Molski seconded the motion.

All ayes, nays none.

The next item on the agenda was the Review and Approval – Resolution 09-3: Accepting and Placing on the Record Financial Statements with Independent Auditors' Report for Fiscal Year Ending June 30, 2007 and June 30, 2008.

Mr. Sandleback started by giving an overview of his auditing firm. He said he had prepared a management discussion and analysis that was in the audit report. Mr. Sandleback went through how the numbers were derived for the two audits.

Mr. Adamski asked if there were any letters of issues or measures to correct. Mr. Sandleback replied there were no material weaknesses or anything that needed to be addressed. He said that was stated on page 25 of the audit report. Mr. Adamski asked why the negative change from 2007 to 2008 net income. He said that was a trend the CDA could not sustain. Mr. Sandleback commented that in the 6/30/08 report there was a summary of administrative expenses. Mr. Leis replied that because this was public housing with the overlay of the tax credits, the HUD Capital Funds deals the revenue but the depreciation is not recorded. Mr. Adamski asked if it was safe to assume that this would be the trend. Mr. Leis replied he believes there will be a loss for the next couple of years. Chairman Halverson asked if the money that is going to the city should be recorded as administrative expense. Mr. Leis replied no, it should not be admin expenses. Chairman Halverson asked if there was a comparison from 2007 to 2008. Mr. Sandleback replied yes, it was by program. Mr. Adamski commented that the Commissioners were volunteers and not experts. He commented that the auditors should always prepare some sort of

narrative to accompany the audit reports because there are bound to be questions. Mr. Hansen asked why the security deposit investment account was less than the corresponding liability. Ms. Bella replied that was because there were some very large security deposit payouts within these years. She said that the residents living in our housing were being paid 3% interest on their security deposits and some of them had lived here so long that the payouts were \$700 or more. The consensus of the Board was to no longer pay interest on security deposits effective January 1, 2010. Ms. Bella asked if that was the date the interest should stop and not be paid any longer. Mr. Adamski replied yes. Mr. Hamilton said for the record, he had asked the board about not paying interest on security deposits many years ago, but it was not adopted.

Mr. Cooper moved to approve the Resolution 09-3: Accepting and Placing on the Record, Financial Statements with Independent Auditors' Report for Fiscal Year Ending June 30, 2007 and June 30, 2008. Mr. Hanson seconded the motion.

All ayes, nays none.

The next item on the agenda was the Review and Approval – Resolution 09-4: Accepting and Placing on the Record Financial Statements with Independent Auditors' Report for Fiscal Year Ending December 31, 2007 and December 31, 2008, Phase 1 and 2, Section 42 Tax Credits Program.

Mr. Leis began by going over some of the balance sheet highlights. Chairman Halverson commented that the tax credit program was so complex that Mr. Hamilton should give an overview on the tax credit structure. Mr. Hamilton said that to his knowledge, the CDA is the only one in the nation that has this sort of tax credit situation. He said HUD would not replicate it because it is so complex. Mr. Hamilton said that one big problem we faced was that the tax credit auditors did not know public housing, and the public housing auditors did not know the tax credit program, making the accounting of the tax credits a nightmare.

Ms. Bella commented that for a couple of years she sought advice on how to record this complex transaction on the books so that everyone would be able to get the information they needed. She said she consulted many auditors and experts at HUD but was never given a definitive answer so she did the best she could with the information that she had. Mr. Leis commented that considering that complexity of the project, it is being handled well and everyone is getting the important information they need (i.e. IRS, investors, CDA Board, etc.) Chairman Halverson commented that the tax credit program appeared to be so complex that it was beyond comprehension. Mr. Adamski asked why the commissioners needed to approve the tax credit audits anyway. Mr. Hamilton replied that they really didn't, the tax credit audits were really intended for the investors. Mr. Adamski commented that to reduce the cost of having the auditors come over from La Crosse each year perhaps a conference call could be done instead.

Moved by Mr. Adamski, seconded by Mr. Pazdernik, to approve Resolution 09-4: Accepting and Placing on the Record Financial Statements with Independent Auditors' Report for Fiscal Year Ending December 31, 2007 and December 31, 2008, Phase 1 and 2, Section 42 Tax Credits Program.

All ayes, nays none.

The next item on the agenda was the Review for Approval – Fiscal Year 2010 Operating Budgets. Mr. Adamski moved to approve the budgets with the stipulation that a column is added to show the year-end actual totals and a copy be given to the Board. Ms. Molski seconded the motion.

All ayes, nays none.

The next item on the agenda was the Review for Approval – Loan Modification: Colligan's Bakery. Chairman Halverson said that the business was having some difficulties. He said that the retail portion of the business is doing well but the rest of the business is not. Chairman Halverson commented that this puts the City at risk for about \$50,000. Ms. Molski asked if Colligan's was past due with CAP Services and the city. Chairman Halverson said that he believed they were past due with the city but not CAP Services. He said that he is recommending that they make interest only payments for the next two years at 5% interest, and principal and interest payments thereafter (36-120 months) at 5% interest. Mr. Hanson said he would like to see the past due amount rolled into the new loan. Mr. Morrissey commented either that or the Board could tack the past due amount on to the end of the loan. Mr. Adamski commented that he would not want to see that because he would rather have them pay on the balance each month, including the past due balance, than see nothing at all if they get foreclosed upon. Mr. Pazdernik moved to approve the Loan Modification to Colligan's Bakery with interest only payments for the first two years and to include the past due amount in the loan. Mr. Cooper seconded the motion.

All ayes, nays none.


The next item on the agenda was the Review for Approval- Loan Modification to CAP Services Inc. A memo from John Gardner outlined CAP's request was discussed. It explained that CAP wanted a 5-year extension, with the balance amortized with a 4% interest rate. Mr. Gardner's memo explained, however, that that would not fully amortize the loan. He suggested that CAP's loan be extended to 10 years at 4% interest. Mr. Adamski commented that you cannot do agenda item #7 – Loan Modification to Colligans' Bakery - if you don't do CAP's loan modification. Ms. Molski moved to approve the Loan Modification to CAP Services Inc, as outlined in Mr. Gardner's Memo. Chairman Halverson seconded the motion.

All ayes, nays none.

There being no other business to come before the Board, the Chairman adjourned the meeting at 6:03 p.m.


Chairman


Date


Secretary


Date