



**THREE RIVERS COMMUNITY ACTION, INC.
Board of Director Meeting Minutes
Wednesday, December 20, 2017
Three Rivers Community Action, Inc.
1414 North Star Drive, Zumbrota Minnesota**

Members Attending: Abdullah Hared, Ruth Boudet, Brian Goihl, Barney Nesseth, Heather Robins, Mark Thein, Jo Anne Krier, Julie Steberg, Dave Windhorst

Staff Attending:

Jennifer Larson, Executive Director
Kindra Papenfus, Chief Financial Officer
Amy Repinski, Transportation Director
Jane Adams Barber, Head Start Director
Leah Hall, Community Development Director
Donna Stamschror, Administrative Support Manager

Members Excused: Alicia Norton, Galen Malecha, Ekta Prakash

Call to Order: Meeting was called to order by Chair Heather Robins

Determination of a Quorum: Quorum was met.

***Approval of the November 15, 2017 Meeting minutes (enclosed in agenda packet)**

Brian Goihl made a motion to approve the November 15, 2017 minutes, Julie Steberg seconded, motion unanimously approved.

***Approval of the December 20, 2017 agenda (enclosed in agenda packet)**

Dave Windhorst made a motion to approve the December 20, 2017 agenda with the addition of Individual Action Item G: Amending LLC operating agreements Resolution #2017-14, Ruth Boudet seconded, motion unanimously approved.

Case of the Month – None

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Director's Report

1. Federal Tax Bill – Nonprofits and affordable housing advocates have been watching the tax reform bill closely for how it will affect low income households, nonprofits and housing projects. A National Public Radio story shows that the majority of the benefits of tax reform will go to wealthier households. (see handout) There is speculation that the tax bill creates pressure to find spending cuts to help offset the expense, and there is concern that Social Security, Medicare, Medicaid, supplemental nutrition assistance, and other programs accessed by low-income people may be targeted for cuts or reform. We will be watching those conversations carefully. Also of concern to nonprofits are the changes to the standard deduction, which means that many fewer households are likely to itemize their deductions each year. It is likely that nonprofits will see a drop in charitable giving due to this change.

Regarding housing, on the back side of the handout is a summary of the housing issues raised in the tax bill that was put together by the National Low Income Housing Coalition. There was a real danger of some bonding and tax credits going away as they were not included in the House bill, but it looks like those will be preserved in the compromise bill. However, the lower corporate tax rate will affect tax credit pricing, which is expected to go down. The Austin project was caught in the limbo of uncertainty around tax credit pricing right now. After the election, the investor expected a drop in tax rates and put in an adjuster that lowers the equity investment in the event of lower corporate tax rates. The project will be paying for this by deferring a portion of the developer fee. Worst case scenario, we think this could be as much as \$320,000 (of \$650,000) for the Austin project. We will get the fee over time from project operations, rather than at final closing. For new projects moving forward, we will know pricing up front and can plan for and ask for funding to fill the gaps created by lower equity investment. We expect there will be more competition for the gap financing.

2. Federal Budget – The federal government has been operating on a continuing resolution that expires on December 22. The National Community Action Foundation is monitoring the budget closely and expects another continuing resolution that will put budget back on the table in mid-January. We will keep the board updated on what this means for the federal programs we administer – Head Start, Energy Assistance, Weatherization, Homeless Assistance and Prevention, SNAP, as well as Community Services Block Grant.
3. Agency Attorney – Nancy Vollertsen has been our attorney for over twenty years and is retiring. She started at Dunlap in Rochester and is now a partner

at Lindquist and Vennum, a large Minneapolis firm that will be merging with another large firm on January 1, becoming Ballard Spahr. We primarily use Nancy for employment law and is our corporate attorney as well. While Nancy has been transitioning our agency's account to associates in her firm. This may be a good time to look at all of our options for legal representation, including more local firms. Jenny would welcome any thoughts the board has on this. The board would like Jenny to explore other attorney options.

4. Jeremiah Program – Three Rivers' housing staff will be providing technical assistance to the Jeremiah Program, who is opening a new campus in Rochester. Jeremiah is a two-generational program that provides education and empowerment programming as well as on-site housing to single mothers and their children under the age of five. They currently have campuses in Minneapolis, St Paul, Austin TX, and Fargo. In Rochester, they have hired staff and secured a donated site from Jack and Mary Ann Remick. Three Rivers will be working as project managers and helping them secure development funds from the state and local partners, much like we have done with other nonprofits. Jeremiah will own and operate the housing and child development center after it is built. We will be acting as project manager and receive a fee for service.
5. Rochester 4th Street project – Staff are continuing to work on assembling a site for development on 4th street. Recently we have been talking with the Rochester Area Foundation about potential partnerships on this project. The foundation is working on assembling local resources to fund local projects and they are interested in our project as part of their work. We are looking at potentially having our office on the main level because we lease space right now, although parking could be an issue. It will probably be an apartment style building with three stories and underground parking.

***Policy Action Items**
December Consent Agenda

- A) November 2017 Financial Reports – Enclosed in agenda packet
- B) Mutual of America – November Monthly Reports – Enclosed in agenda packet
- C) Credit Card Expenses Summary – Share at meeting
- D) Contracts, Awards & Contributions Received
 - South East Minnesota Agency on Aging (SEMAA) - \$50,600 – Renewal of

- Caregiver Advocate program for Goodhue, Rice, and Wabasha counties.
- South East Minnesota Agency on Aging (SEMAA) - \$27,093 – Renewal of Senior Volunteer Transportation program for Goodhue, Rice, and Wabasha counties.
- Southeast Minnesota Area Agency on Aging (SEMAA) – \$118,602 - Home Delivered Meals program for Goodhue, Rice and Wabasha counties.

Not Received

- None

- E) Grants & Requests Submitted or to be Submitted
- USDA Rural Development – amount to be determined – debt restructuring funds for Clover Patch apartments to support rehabilitation.
 - Minnesota Department of Commerce - \$16,578 – A16 Proactive funds to increase households capacity to sustain housing and resolve / prevent energy crises.
- F) Monitoring Visits and Reports
- None

Ruth Boudet made a motion to approve the December Consent Agenda, Brian Gohl seconded, motion unanimously approved.

***Individual Action Items**

- A) Approval of 2018 Operating Budget (enclosed)

Kindra went over the preliminary budget last month and made the changes the board requested. Kindra said this is essentially the same budget provided last month. As requested, the budget shows a comparison to 2017. The 2018 budget categories are different, as we simplify categories to match the audit. Winona Transit expansion to add dial-a-ride came in for next year, so this is about \$55,000 more than the budget draft from last month. Kindra asked if anyone had any questions. Kindra was asked about the "other programs" line item, which is lower than last year. In the previous year we had a couple of one time funds. One was for the partnership with Mariam Muhamed and the Somali community, and that grant has been completed. The other was a MNSure outreach grant that went to another agency. The projected operating budget was also presented with the impact of a 3% raise agency wide. We do not have a merit system here, all staff are given the same raise. Jenny said our recommendation is 3%. Budgeting is challenging because grant cycles start and stop throughout the year, so the budget is our best estimate on the grants and funds we expect to receive. At the same time, we do have to budget to

spend the grants every year, so the expenses should be close to the revenue number. The \$18,244 should actually be approaching zero every year to balance the budget. One other factor that comes in to what we request for a raise is that Head Start has a COLA that they give almost every year. It generally comes out between March and June and is retroactive to the beginning of the year. It applies to every Head Start employee. If we give a raise at the beginning of the year, we do not have to go back and make retroactive adjustments. Overall, the budget without a wage increase shows a 7% increase that represents the expected addition of staff. We added several staff this year. We received new money in 2017 from a public transit expansion grant and added a few positions in housing and homeless programs. Kindra estimated we added 10 to 15 new positions this year. Kindra was asked what she thinks the Head Start COLA will be. We do not know, but last year it was 1% and Kindra's first year it was 3%. Last year the board approved a 2% raise for staff. Kindra was asked if health insurance went up. Yes, but we were able to offset the increase by offering a second, lower cost plan with a reduced cost to the employee and agency. We anticipate it will go up a total of 3% that the agency will cover and staff are taking on three to five percent increase depending if they are single or family. We split the gain and loss with the employees. How many of the new staff are permanent and will there be funds to maintain them? The MNDot grant is two years and we anticipate that it rolls into permanent. Our HUD grants are two years.

The Chair said we should act on Item B before Item A.

B) Approval of Salary/Benefit increase

Mark Thien made a motion to approve a 3% salary/benefit increase effective December 23, 2017, Jo Anne Krier seconded. There was discussion about not knowing what the future holds with the new tax bill and federal budget. There was discussion about the difficulty of retaining and attracting staff. After discussion the chair asked for a vote. In favor: Mark Thien, Joanne Krier, Julie Steberg, Ruth Boudet, Abdullah Hared, Heather Robins. Opposed: Barney Nesseth, Brian Gohl, Dave Windorst. Motion passed.

Returning to Item A:

Mark Thien made a motion to approve the 2018 operating budget with a 3% increase, Abdullah Hared seconded, motion unanimously approved.

C) Approval of 6% Retirement Match for 2018

We have historically had a 6% retirement match, in which employees are eligible after one year of employment. We are now a large retirement plan, and the audit requires that we get board approval for the match every year. It has been budgeted in the approved budget.

Brian Goihl made a motion to approve a 6% retirement match for 2018, Mark Their seconded, motion unanimously approved.

D) Approval of Fox Pointe Resolutions (Drafts enclosed in agenda packet #2017-9 through #2017-13)

Final versions were distributed at meeting and an Incumbency Certificate was added.

Leah Hall reminded everyone that this project is 38 units, new construction in Austin. Four of the units will be for homeless households and we will provide the services. Our investor is Wells Fargo and total development cost of the project is \$8.9 million.

Resolution Number 2017-09 is a LMIR (low and moderate income rental) loan for \$770,000 that is repayable and the EDHC (economic development and housing challenge) deferred loan for \$121,600, both from Minnesota Housing Finance Agency. It also authorizes Jenny Larson to be the signatory at our closing.

Abdullah Hared made a motion to approve resolution 2017-09, Mark Their seconded, motion unanimously approved.

Leah was asked if Wells Fargo is the only bank that does this type of housing loan partnership. There are other banks that do 9% tax credit investment deals. Leah said they are the tax credit investor in this project, and part of their requirement is to use Wells Fargo as a construction lender. Wells Fargo is also our construction lender. We had originally talked to Hormel about buying the tax credits directly. When President Trump was elected there was uncertainty about corporate tax rates and what it would do to their bottom line, so they backed out. Wells Fargo was the only investor to step in when we needed them to.

Resolution Number 2017-10 is a summary resolution of ownership and funding structure. It outlines the loans you just approved and includes a grant from United Migrant Opportunity Services and anticipated rebates.

About year 15, when Wells Fargo exits, the LLC would have the option of owning 100% or selling it.

Barney Nesselth made a motion to approve resolution number 2017-10, Ruth Boudet seconded, motion unanimously approved.

Resolution Number 2017-11 is to request permission to bridge the energy and sales tax rebates that we will get at the end of the project. Three Rivers will provide a short term loan to the project and get repaid when the rebates come in.

Barney Nesselth made a motion to approve resolution 2017-11, Ruth Boudet seconded, motion unanimously approved.

Number 2017-12 asking for permission to accept the construction/bridge loan through Wells Fargo. We are projecting a 3.68% interest rate. There will be a .65% origination fee on the loan. Leah was asked what the LIBOR (London Interbank Offered Rate) rate is. It is the benchmark banks use to set their interest rates.

Mark Thein made a motion to approve resolution 2017-12, Ruth Boudet seconded, motion unanimously approved.

Resolution Number 2017-13 is the UMOS grant that we are converting into a loan and providing it to the limited partner.

Jo Anne Krier made a motion to approve resolution number 2017-13, Mark Thein seconded, motion unanimously approved.

Incumbency Certificate asks you to certify our articles and bylaws, organization and operation agreement, and affirm that certificate of good standing is legitimate.

Ruth Boudet made a motion to approve the Incumbency Certificate, Mark Thein seconded, motion unanimously approved.

- E) Approval of the Strategic Plan (enclosed in agenda packet)
- *Three Rivers Real-Time Strategic Planning Final Report*
 - *Strategy Screen*
 - *Work Plan Template*
 - *Real Time Strategic Planning Implementation Plan*

In October Brenda Holden, our consultant, conducted a strategic planning session with the board and received a lot of good feedback. This is

Brenda's final report to us. Jenny reviewed the strategy screen that was developed by staff and board. We had a staff of about 25 people who worked on this. We just used this internally with Senior Programs. We looked at opportunities, partnerships, and funding. We will bring results back to the board as we work through them. Jenny also reviewed the work plan. As we use this plan we will bring it to the board to get your input as we look for new opportunities and deal with challenges. The next steps are to roll it out to the staff. The big questions at the end of the document are things staff are interested in addressing in the coming year.

Ruth Boudet made a motion to approve Strategic Plan, Brian Gohl seconded, motion unanimously approved.

- F) Approval of the Needs Assessment (enclosed in agenda packet)
- *Community Needs Assessment Summary*

The needs assessment is the other document that we have worked on this last year. Brenda Holden was also our consultant on this. We did focus groups in the four county area, client surveys, and partner surveys. We pulled out a few charts and graphs for this report. We received great feedback. We are working on synthesizing this information into handouts for each county. Today we distributed a document named Rice County Needs Assessment as a draft of what the county data will look like. This will help us tell the people in our communities about our findings. The Board said they liked the one page format. It was suggested that we add a summary sheet that has information from all four counties. We wanted something simple that staff and board members to hand out at meetings. We will also create a PowerPoint to summarize results. Jenny would like to get on the board agenda in each of our counties to give a quick highlight of what we found in the needs assessment. Most of what is in here was what we expected to see. Mental health needs stood out. If we look at who filled out the surveys versus who we serve, we know we need to find ways to do a better job of reaching people of color and those who don't speak English as a first language.

Mark Thein made a motion to approve the Needs Assessment, Dave Windhorst seconded, motion unanimously approved.

- G) Amending LLC Operating Agreements to comply with Changes to Minnesota Law, Resolution Number 2017-14 (resolution, amended and restated operating agreements, amendments to articles of organization distributed at meeting)

Jenny reviewed the typical structure for many of our tax credit housing projects, where Three Rivers forms a Limited Liability Company (LLC) to serve as the General Partner in the housing partnerships we form to own each property. Minnesota has made changes to the LLC law. Our real estate attorney recommended that we amend and restate the operating of our Bridge Run Townhomes LLC, Prairiewood Townhomes GP LLC, and Northbridge Apartments of LLC to comply with the new law. We are not changing how we operate the projects.

Dave Windhorst made a motion to approve Resolution Number 2017-14, Barney Nesselth seconded, motion unanimously approved.

Policy Discussion Items

A) Select Nomination Committee

Ekta Prakash is resigning from the Three Rivers board after this month. We have four openings. Jenny distributed the Board Member Position Description. Candidates will be brought to the nominating committee, who will make recommendations back to the full board. The nominating committee will be Ruth Boudet, Galen Malecha, and Brian Goihl.

Advisory Committees

- A) Head Start Policy Council – Meeting on November 21, 2017 (minutes enclosed in agenda packet)
Next meeting January 16, 2018.

Comments: None

Closed Executive Session

Mark Thein made a motion to enter closed executive session, Jo Anne Krier seconded, motion unanimously approved.

In closed session, the Executive Director had her annual review with the board and they reviewed the Executive Director's compensation.

Julie Steberg made a motion exit closed executive session, Dave Windhorst seconded, motion unanimously approved.

Date, Time and Location of Next Meeting: 9:00 a.m., January 17, 2018 in the Zumbrota office conference room.

Adjournment

Brian Goihl made a motion to adjourn the meeting, Mark Thein seconded, motion unanimously approved.



Chair

January 17, 2018
Date