



**THREE RIVERS COMMUNITY ACTION, INC.  
Board of Director Meeting Minutes  
Wednesday, June 21, 2017  
Three Rivers Community Action, Inc.  
1414 North Star Drive, Zumbrota Minnesota**

**Members Attending:** Heather Robins, Julie Steberg, Mark Thein, Ekta Prakash (on phone), Jo Anne Krier, Barney Nesseth, Eileen Wallace, Abdullah Hared, Ruth Boudet, Galen Malecha, Jody Schwarzhoff

**Staff Attending:**

Jennifer Larson, Executive Director  
Kindra Papenfus, Chief Financial Officer  
Amy Repinski, Transportation Director  
Jane Payton, Head Start Director  
Colleen Hansen, Family Advocacy Services Director  
Leah Hall, Community Development Director  
Donna Stamschror, Support Staff Coordinator

**Members Excused:** Brian Goihl, Alicia Norton, Dave Windhorst

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

**Determination of a Quorum:** Quorum was met

**\*Approval of the May 17, 2017 meeting minutes (enclosed in agenda packet)**

Galen Malecha made a motion to approve the May 17, 2017 minutes, Mark Thein seconded, motion unanimously approved.

**\*Approval of the June 21, 2017 agenda (enclosed in agenda packet)**

Galen Malecha made a motion to approve the June 21, 2017 agenda with the removal of item F under Individual Action Items (it will be on a future agenda), and replace it with the resolutions and agreements for the Fox Pointe Townhomes (handout today and was emailed to board members on Friday, June 16, 2017) Julie Steberg seconded, motion unanimously approved.

**Case of the Month – Robyn Meixner, Wabasha Administrative Assistant (enclosed in agenda packet)**

**Administrative Office**  
1414 North Star Drive  
Zumbrota, MN 55992  
Phone: 507-732-7391  
www.threeriverscap.org  
TTY: MN Relay Service:  
1-800-627-3529

**Faribault Office**  
11 South Lyndale Avenue  
Faribault, MN 55021

**Plainview Office**  
55049 241st Avenue  
Plainview, MN 55964

**Rochester Office**  
300 11th Avenue NW  
#110  
Rochester, MN 55901

**Wabasha Office**  
Suite 120  
611 Broadway Avenue  
Wabasha, MN 55981

Jenny introduced Robyn Meixner to the board. She has been with us for 11 years. Jenny said the Administrative Assistants are the face of our agency and they all do a terrific job with that first contact.

Robyn shared four stories of how she helped clients with applications and made referrals both inside and outside of our agency. In each case the clients were very grateful.

### **Director's Report**

1. The legislature has finalized the state budget. We saw a one-time increase in the Minnesota Community Action Grant of \$1.5 million for the biennium, which will result in an increase of roughly \$32,000/year more than what we had presented last month. The new two year MCAG total is \$419,500 and the two year CSBG total is \$682,736. Overall this is about \$133,000 higher than the last two years. As we move through the needs assessment, we will identify ways in which we can use this increase to best address local needs. The majority of our other state-funded programs remained steady in the budget. Housing saw a new \$35 million allocation of bonds for housing development, and we were happy to see that Pathways2 scholarship funds that we use to serve children in Head Start were preserved.
2. Needs Assessment and Strategic Planning - We have issued surveys to clients, community members and partners for our Community Needs Assessment. Please complete the survey that Donna sent via email, and also please forward to your networks. We will continue to hold focus groups this summer. Strategic planning committee will start its work with the consultant this fall. We would love to have some Board representation on the committee. We will also be planning a session with the full board in the fall.
3. One of our Volunteer Transit drivers, Marvel Bedney, has been selected by KTTC and United Way as one of "10 Who Make a Difference". She will be recognized today at Rochester Fest, with media to follow. Congrats to Marvel and the transit staff who support our volunteers.

### **\*Policy Action Items Consent Agenda**

- A) May 2017 Financial Reports – (enclosed in agenda packet)
- B) Mutual of America – May Monthly Reports – (enclosed in agenda packet)
- C) Credit Card Expenses Summary (share at meeting)

D) Contracts, Awards & Contributions

Received

- MHFA – Family Homeless Prevention (FHPAP) - \$776,118 – 2 year grant for homeless prevention & assistance in southeastern Minnesota.
- SMIF - BookStart – 250 books to distribute to Northfield Head Start Children. In-kind value of \$4,250.
- MnDOT New Service Expansion Grant - \$221,700

Not Received

- None

E) Grants & Requests Submitted or to be Submitted

- Minnesota Department of Education – Reimbursement Agreement – Renewal of Child & Adult Food Program reimbursement agreement for Head Start.
- Faribault United Way - \$25,000 – Local support for senior services such as Home Delivered Meals and Caregiver Advocacy
- Office of Head Start – \$13,432 – Federal cost of living adjustment of 1% for FY 2017. Agency will use our January 1, 2017 increase to meet the requirement.

F) Monitoring Visits and Reports

- Minnesota Department of Commerce - EAP Program Audit – letter dated May 8, 2017 for monitoring taking place March 28-29, 2017. (enclosed in agenda packet)

Galen Malecha motion to approve the June Consent Agenda, Ruth Boudet seconded, motion unanimously approved.

**\*Individual Action Items**

- A) Audited Consolidated Financial Statements for the year ended December 31, 2016 – Presented by Craig W. Popenhagen, CPA, Principal with CliftonLarsonAllen LLP – **Hand out at meeting**

Kindra introduced Craig W. Popenhagen, CPA, Principal with CliftonLarsonAllen LLP to the board.

Craig reviewed the financial statements with the board, walking through items of note or that were different from last year. On page two you will

see the opinion paragraph is clean. Page three is the statement of financial position, these are consolidated, including all of the limited partnerships for the housing projects. When we look at tax return that will be Three Rivers only. In the statement of activities on page four under state grant revenue, the transit grants were 100% state funded in 2016 so that number is significantly higher. In other program revenue, Three Rivers received a couple of grants, one from the City of Northfield and one from Federal Home Loan Bank for the acquisition of North and South Oaks, which was the new housing project in 2016. It also explains the total change in net assets that jumps off the page.

Revenues are strong. Page five, statement of cash flows, translates what is on page four into what impact did this have on our cash position. Our operating cash flow is positive, as it has been, and this is the life blood for an organization. The statement of functional expenses on page six takes the expense piece of page four and breaks it out in more detail. We added about 15 full time equivalents so salary and wages are higher. Telephone and technology is another place where moving to the cloud environment you have equipment and contractors involved in that and those costs are higher in 2016. Total program services column compared to total expenses in general it equates to 98% program expense ratio. Limited partnerships help with that. It means that 98 cents on a \$1.00 of money spent is program related.

The footnotes are largely the same – no new accounting standards issued, so there are no new disclosure requirements from the previous year. On page 22 the only addition to notes is the North and South Oak mortgages from the acquisition of the project. Page 26 is the report on internal controls over financial reporting. This looks at the control environment in general, and Three Rivers has good controls in place. No findings. Page 28 the report on federal grant testing itself, and basically if you look on 29 there are no compliance exceptions. And then the next to last paragraph there were no findings on controls over compliance. Clean report there as well. Page 30 lists out the federal programs and generally lists the disbursements on the expenditure side of the programs with a couple exceptions. In total just under \$6.7 million of federal program dollars disbursed through the agency in 2016. Page 32 is a high level synopsis of overall audit results, a one page snap shot. Three Rivers is a low risk auditee under federal guidelines. Saves us probably at least one program audit each year.

Craig said it was a very good audit and said it was good work by Kindra who became CFO during the year.

There was a question on the 98% program expense ratio and what Craig meant by the general partnerships helping with that. Craig explained that the partnerships are housing projects, and in housing operations typically more expenditures can be categorized as program instead of management. They run efficiently and you do not need a lot of staff to manage a housing operation.

There is a separate stapled letter that is required communication to provide to oversight boards because you are not involved in the day to day performance of the audit. Two significant estimates, on the bottom of the first page is depreciation and allocation of expenses on page two. In the middle of the page there were no past adjustments and under corrected misstatements we did have one adjusting entry and it was to capitalize copier leases. On the third page, audits of group financial statements, is referring to having all of the limited partnerships and how relationships are consolidated. Each is its separate reporting unit so in the audit world we consider that to be a group audit – Kindra does not have control of everything in those limited partnerships. Waseca Leased Housing is audited by a different firm so there is extra communication to have with that firm.

Eileen Wallace made a motion to accept the Audited Consolidated Financial Statements for the year ended December 31, 2016, Jody Schwarzhoff seconded, motion unanimously approved.

- B) Internal Revenue Service Form 990 for the year ended December 31, 2016 – Presented by Craig W. Popenhagen, CPA, Principal with CliftonLarsonAllen LLP – **Hand out at the meeting**

It is in draft form. There is a question in the 990 itself asking if the board had the opportunity to review a draft before it was filed, and this is that time. It is a best practice. The 990 is just Three Rivers Community Action, Inc. and does not include the housing partnerships. Section B on page six is something the IRS is starting to pay more attention to regarding polices in place to govern the organization. Page 9 column c revenues coming into Three Rivers there is unrelated business revenue from revenues from public transit, we have to present that in column c. We have a form 990T which is filing for unrelated business income. That form measures to see if there is any taxable income left to pay tax on. We can deduct expenses against that revenue. At the end of the day we end up with 0 taxable income and 0 tax due. Page 12 lists the type of audit we had. Pages 38 and 39 lists out related organizations. The 990T is on page 45 used for unrelated business revenue mentioned earlier.

Eileen Wallace made a motion to approve the Internal Revenue Service Form 990 for the year ended December 31, 2016, Ruth Boudet seconded, motion unanimously approved.

- C) Charitable Organization Annual Report for the year ended the year ended December 31, 2016 – Presented by Craig W. Popenhagen, CPA, Principal with CliftonLarsonAllen LLP – **Hand out at the meeting**

This is basically an annual filing requirement with the state to keep us in good standing with the state of Minnesota. Last pages are the M4NP state forms.

Eileen Wallace made a motion to approve the Charitable Organization Annual Report for the year ended the year ended December 31, 2016, Abdullah Hared seconded, motion unanimously approved.

Eileen thanked Kindra, fiscal staff, and program directors – audits happen every year and we know they are coming, but they are an enormous amount of work.

- D) Public Transit 2018 Grant Year Resolution number 2017-3 (Enclosed in agenda packet)

Amy said this is the standard resolution for our annual grant. Typically we would do this in August, but MnDOT moved up the grant date so it is due in two weeks. It makes it difficult for budgeting because she does not even have six months of current year operations to use for planning the grant budget. This is the resolution that goes in with that grant.

Julie Steberg made a motion to approve Public Transit 2018 Grant Year Resolution number 2017-3, JoAnne Krier seconded, motion unanimously approved.

- E) Head Start Cost-of-living Adjustment (Enclosed in agenda packet)

Jane said this is the federal annual cost of living adjustment. This year it is a 1% increase. The Board approved a 2% pay increase in January, so the 1% adjustment will be used to pay for part of that pay increase approved by the Board.

Eileen Wallace made a motion to approve submittal of the application for the Head Start Cost-of-living Adjustment, Ruth Boudet seconded. Motion unanimously approved.

F) **Fox Pointe Townhomes (hand out & emailed on Friday to board)**

Leah walked through the handout and actions being requested. This is the new construction project, 38 rental townhome units in Austin. Four will be Permanent Supportive Housing for homeless families. Today we will be setting up the ownership entity as we prepare for closing.

**Fox Pointe Townhomes GP LLC – Resolutions of the Sole Member –** This resolution allows for the Three Rivers Board of Directors to serve as the Board of Governors of the newly-formed Fox Pointe Townhomes GP LLC. It also ratifies the actions already taken by the organizer of the LLC, Jennifer Larson. Resolution # 2017-5 attached.

Leah added that the Three Rivers Board will be the governing entity of the LLC, as we have done with other recent housing projects.

Jody Schwarzhoff made a motion to approve the Fox Pointe Townhomes GP LLC – Resolutions of the Sole Member Resolution number 2017-5, Eileen Wallace seconded, motion unanimously approved.

**Written Action of Board of Governors –** This resolution allows for the election of officers for the LLC. Jennifer Larson will serve as the Chief Manger and Kindra Papenfus will serve as the Treasurer. The resolution also sets forth fiscal procedures for the LLC and directs the officers to enter into an Operating Agreement for the LLC. The officers are further authorized to take actions and sign documentation consistent with the adopted resolutions. Resolution # 2017-6 attached.

Leah added that the fiscal procedures include what the fiscal year is and this one will be a calendar year and also authorizes the LLC to open bank accounts.

Galen Malecha made a motion to approve the Written Action of Board of Governors, Resolution number 2017-6, Mark Thein seconded, motion unanimously approved.

**Operating Agreement (attachment to Written Action of BOG) -** This agreement establishes the purpose of the LLC: to provide decent housing that is affordable to low and moderate income persons and to act as the general partner of a limited partnership known as Fox Pointe Townhomes LP, which limited partnership will acquire land and construct, own, and operate the buildings to be known as Fox Pointe Townhomes located in Austin, Minnesota. Three Rivers Community Action, Inc. will serve as the

sole member of the LLC and the Board of Governors of the LLC shall be comprised of all the members of the Board of Directors of Three Rivers. Document attached.

Galen Malecha made a motion to approve the Operating Agreement, Jody Schwarzhoff seconded, motion unanimously approved.

The **Initial Limited Partnership Agreement** establishes Fox Pointe Townhomes GP LLC as the General Partner and Leah Hall Leraas as the Initial Limited Partner of Fox Pointe Townhomes LP. Leah explained that she is serving as a place holder and will be replaced by Wells Fargo as the Investor Limited Partner at closing. Attached

Jenny explained to the Board that initially we had talked to Hormel about being the Limited Partner Investor. We had met and they agreed, but with uncertainty in the tax credit market, they decided not to invest. Wells Fargo was interested all along and stepped back in. Congratulations to Susan Strandberg, Community Development Officer, for orchestrating this. The tax credit market has been difficult. Investors are skittish, our project is not the only one who has had an investor back out.

In the Limited Partnership, the new LLC we are creating, wholly owned by Three Rivers, will serve as the General Partner. We used to do it so Three Rivers itself was the general partner. Our attorneys, and our investors especially, are asking for an LLC to be the general partner instead of a non-profit. It also adds a layer of protection for Three Rivers.

Did Hormel give a reason for backing out? Hormel is not sure about their return given uncertainty with their tax liability. Federally there is talk the corporate tax rates will go down, although nothing has been passed. The reason corporations invest is because they get an allocation of federal tax credits, but if their tax liability goes down, their return could go below their targets if they do not have the tax liability. It is not because they are not interested or supportive of the project, it is simply about the return. Wells Fargo was ready to invest now, so we decided to work with them rather than potentially pushing the project start date out.

Jody Schwarzhoff made a motion to approve the Initial Limited Partnership Agreement, Eileen Wallace seconded, motion unanimously approved.

**Project Update:** Due to the uncertainty surrounding corporate tax reform and its impact on credit pricing, we submitted a supplemental deferred loan application to MHFA in March. That request was approved at the May board meeting and the Fox Pointe development is now fully funded. The Austin



Planning Commission approved the preliminary plat for the project on Tuesday night. The City Council is set to approve the same on Monday. The final plat will go before the Planning Commission and City Council in July. Construction drawings should be completed by early July. We are actively working through the due diligence requests from our financing partners, Wells Fargo and Minnesota Housing, and anticipate closing this fall. Construction will take 12 months and pre-leasing should begin in Spring 2018.

- G) 2017 Affordable Housing Program – Three Rivers submits a plan to the US Department of Housing and Urban Development (HUD) every two years to get approval to purchase HUD foreclosed homes at a discount, and to provide secondary financing (downpayment assistance) to buyers who are using HUD/Federal Housing Administration first mortgage products. (Plan and Resolution Number 2017-4 are included in the packet)

Leah said this is part of the HUD recertification process. It outlines our activity as far as a secondary financing which is essentially our down payment closing cost assistance program. Right now we administer a pool of funds from Minnesota Housing and Greater Minnesota Housing Fund to help first time buyers. We also have the ability to use our own funds if we want to create a downpayment assistance program or for any other reason. The plan also gives us the opportunity to purchase HUD homes for single family development acquisition rehab projects in our service territory. We have to submit this plan, along with supporting documentation like fiscal procedures, housing procedures, and so on. As part of that we are asking your approval for this program so we can complete the application process to HUD.

Galen Malecha made a motion to approve Resolution Number 2017-4, Eileen Wallace seconded, motion unanimously approved.

## **Policy Discussion Items**

### **Advisory Committees**

- A) Head Start Policy Council met yesterday on June 20, 2017. Minutes were not available but will be presented at the next board meeting.
- B) Hiawathaland Public Transit Advisory Council next meeting on August 10, 2017.

Amy gave an update on the new Transit facility. The RFP for the new facility was resubmitted back to MNDOT. They extended the contract dates.

The design will be done over the winter and we will put out construction bid in December, award that in January or February and build once ground thaws next spring. The RFP for design will hopefully go out this week, is due at the end of July and will be reviewed at the Transit Advisory meeting.

We received the expansion operating money and is on the June consent agenda. We did not receive the capital piece of that yet that was for two buses, but it should be coming soon. We wanted to start expansion services on July 1 but since we just got the contract, we will start August 1.

### **Comments**

**Date, Time and Location of Next Meeting:** 9:00 a.m., August 16, 2017 in the Zumbrota office conference room.

### **Adjournment**

Barney Nesseth made a motion to adjourn the meeting, Jody Schwarzhoff seconded, motion unanimously approved.

  
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Chair

August 16, 2017  
Date