

BUDGET WORKSHOP AGENDA

**Brainerd, Minnesota
September 10, 2018
6:00 P.M.**

**Brainerd City Hall
Council Chambers**

____ Mayor Menk
____ J. Lambert
____ K. Stunek
____ K. Bevans
____ D. Badeaux
____ G. Johnson
____ S. Hilgart
____ D. Pritschet

1. Call to Order

2. Roll Call

3. Pledge of Allegiance

4. 2019 Budget and Levy

Memo Attached

5. Discussion of Facility Study

6. Budget Request Discussions

Riverfront Committee
HRA
BLAEDC
Initiative Foundation

MEMO

TO: Mayor & Council

FROM: City Administrator Cassandra Torstenson
Finance Director Connie Hillman

DATE: September 7, 2018

RE: 2019 Budget and Levy

Per the City Charter the Council President, Personnel and Finance Chair and the City Administrator are to submit a budget to the City Council. The three of us along with Finance Director Hillman have met and the information that will be presented on Monday night is a result of the meetings.

The Monday night's meeting will again primarily focus on the Workings (General, Public Safety, Parks, and Streets), the funds the City needs to levy for operations.

Attached is a brief outline of the 2019 purposed levy. With a 2% levy increase we will have \$439,632 for facilities in 2019. More information and detail will be provided on Monday night, in particular about the facilities.

The operating budget has been updated since we met on August 27th. We received our renewal rate for Health Partners which was an 8.69% increase versus 20% increase we initially had estimated, and only one new police officer just to mention a few of the updates.

Please let us know if you have any questions.

Enclosures

/clh

2019 Budget/Levy Summary - As of 9/7/18

Operating Budget

Additional Revenues from LGA	\$	7,428
Additional Non-Tax and LGA Revenues		230,609

Additional Non-Property Tax Revenues	\$	238,037
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Increase in Operating Expenditures (Personnel/Services/Supplies)		(506,807)
Increase in Transfers		(28,735)

Net Change in Expenditures & Transfers	\$	(535,542)
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Adjustment for Elections	\$	(30,000)
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Net Surplus/(Deficit) Operating	\$	(327,505)
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Other Levies

Effect of Estimated Change to the Mill Rate	\$	(22,203)
Effect of 2.5% increase for Library		(2,948)
Effect of Statutory Max for EDA Levy		(2,119)
Effect of Statutory Max for HRA Levy		-

Net Other Levies	\$	(27,270)
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Debt Levy

2018 Debt Levy	\$	1,600,886
2019 Debt Levy		1,264,850

Change in Debt Levy	\$	336,036
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Equipment Capital Budget

2018 Equipment Capital Budget	\$	847,134
2019 Equipment Capital Budget		500,000

Net Surplus - Equipment Capital Budget	\$	347,134
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Facilities Capital Budget -MISSING PIECE!!

2017 Equipment Capital Budget	\$	-
2018 Equipment Capital Budget		-

Net Surplus - Facilities Capital Budget	\$	-
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"Other"

Increase (Use) of Fund Balance		-
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Net Effect of "Other"	\$	-
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Total Preliminary Levy Dollars Suplus	\$	328,395
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2% Increase in Levy	\$	111,237
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Total New Levy Dollars for Facilities	\$	439,632
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September 6, 2018

Re: City Budget

Dear Administrator Torstenson,

We proudly write to you as the Brainerd Riverfront Co-Chairman with our response to your invitation to submit a funding request to be included in the upcoming City of Brainerd budget cycle. The committee has identified a series of priorities for the remaining months in the Difference Maker Grant cycle and have begun planning for 2019.

To make 2019 a successful year for priorities and initiatives the Brainerd Riverfront Committee leadership has determined that the staffing of a *coordinator position* is imperative. **The BRC leadership requests \$33,333 in funds to hire a part-time (or consultant) Riverfront Coordinator.** This coordinator will be instrumental in the implementation of the Mississippi River Partnership Plan and will help advance funding opportunities for the construction of the riverfront trail and trailhead/outdoor learning center. Under leadership of the Community Development Director, this incumbent will aid in grant applications, funding review, and project management work. This funding request is the exact dollar-for-dollar amount that was allotted by the Brainerd Lakes Area Community Foundation. The committee views this as “year 4” of funding, but financially supported by the City of Brainerd.

Advancing the development of the riverfront trail is the highest project priority for the committee in 2019. **The BRC leadership also requests \$40,000 to support a trail feasibility study.** This assistance will total 40 percent of the total study cost. The committee will seek local funding for the remainder of the dollars needed to complete this work (totaling nearly \$60,000). We have received a proposal outlining the cost of a feasibility study that would analyze a proposed trail alignment from Washington Street southernly to Rotary Riverside Park. The proposal includes four areas of study which equates to an estimated \$100,000 in feasibility work. **The completion of this study will provide a feasible trail alignment as well as an estimated construction costs.**

REQUEST	EST. HRS/WK	TOTAL COST
Priority 1: Allocate funding for a Riverfront Coordinator position	20	\$33,333 per year
Priority 2: Allocate funding for portion of Riverfront Trail Feasibility Study	n/a	\$40,000
TOTAL		\$73,333.00

Our two priorities are described above. We understand the current fiscal constraint that the city is faced with. We encourage the city council to select both of our priorities. We wish to communicate that our first priority is funding for a Riverfront Coordinator position.

It's through this support that the Brainerd Riverfront Committee will continue to thrive. After nearly three years of dedication and hard work, the committee has never been so close to identifying hard construction costs for two vital projects. We thank you for your continued support.

Best Regards,

JOHN FORREST

BRAINERD RIVERFRONT COMMITTEE INTERIM CO-CHAIRMAN

DON GORHAM

BRAINERD RIVERFRONT COMMITTEE INTERIM CO-CHAIRMAN



324 East River Road
Brainerd, MN 56401

Phone: 218/828-3705
Fax: 218/828-8817

August 31, 2018

Mayor Menk and City Council Members
501 Laurel Street
Brainerd, MN 56401

Dear Honorable Mayor Menk and City Council Members:

The purpose of this letter is to request the 2019 Brainerd Housing and Redevelopment Authority (HRA) operating levy. The Brainerd HRA has three funds: General Fund, Public Housing and Housing Choice Voucher. Our levy dollars go into the General Fund and support our rehab and redevelopment initiatives. Attached is a copy of preliminary General Fund budget.

General Fund

The levy dollars allow us the opportunity to administer other programs that benefit Brainerd residents, to increase the value of the property in the City of Brainerd and assist in redevelopment projects. To address these needs, the HRA created or participated in a number of programs:

Brainerd Oaks/Serene Pines/Dal Mar Estates

The Brainerd HRA in cooperation with the Crow Wing County (CWC) HRA successfully negotiated a Purchase and Redevelopment Agreement with a developer (Paxmar-Brainerd LLC) to purchase 113 lots in three tax forfeited subdivisions (Brainerd Oaks, Serene Pines and Dal Mar Estates). These subdivisions have been tax forfeited for several years. The County agreed to convey the land to the CWC HRA, the city of Brainerd agreed to waive the special assessments in lieu of the proceeds of the sale of the lots (minus the direct costs of the CWC HRA) and the CWC HRA agreed to hold the land while the lots are purchased by Paxmar-Brainerd LLC. The developer has agreed to purchase between 10-30 lots per year with at least two lots in Brainerd Oaks to every one in Serene Pines or Dal Mar Estates. The developer must keep \$1.5 million in construction going at all times. To date, the developer has purchased 25 lots in Brainerd Oaks (13 completed and sold, 4 homes in progress and 3 foundations completed) and eight lots in Serene Pines (2 homes completed and sold, 1 is substantially complete and 3 homes are in progress.)

Tax Forfeit Property Policy

As a result of the success of the Brainerd Oaks project, the Brainerd HRA created a Tax Forfeit Property program where we can purchase tax forfeited properties from the County for \$1. The lots are then sold to a non-profit developer for 25% of the estimated market value or to a for-profit developer for 50% of the estimated market value. We hope to assist the City with this program in 2019.



Rehab Programs

The Brainerd HRA, on behalf of the City of Brainerd, has applied for and received three Small Cities Development Program grants through the Department of Employment and Economic Development (DEED). Our hope is that not only will this improve the properties that receive the funds but also result in increasing values and neighborhood improvements.

SE Brainerd: We received a SCDP grant from DEED for \$715,000 for an owner-occupied and commercial rehab program in Southeast Brainerd. We rehabilitated 32 owner-occupied homes and six commercial properties.

Downtown Brainerd: The Brainerd HRA received a SCDP grant for a rental and commercial loan program for downtown Brainerd which will result in over \$1 million in rehab: \$650,105 in SCDP, \$100,000 in program income and \$265,000 in owner match. We have successfully rehabbed six commercial properties and 30 rental units. We currently have two commercial properties and 14 rental units in progress.

NE Brainerd: The Brainerd HRA applied for a received a SCDP grant \$638,338 for an owner-occupied and renter-occupied rehab program in Northeast Brainerd. In addition, we applied for one commercial property downtown Brainerd which will rehab 9 rental units and one commercial property. This program will start in the fall of 2018.

Brainerd Revolving Loan Program

The Brainerd HRA worked with the City of Brainerd to create guidelines for the new Brainerd Revolving Loan Program using old Community Development Block Grant program income and SCDP local income. These funds are available to property owners in the River to Rail project area for rehab/redevelopment of property. In addition, the funds are available city-wide to property owners who have received a citation for a code violation to repair the items they are cited for. To date, we have received two applications and are processing those loans.

Scattered Site Replacement Program

The purpose of the Scattered Site Replacement Program's (SSRP) is to replace older, dilapidated houses with newer, higher valued owner-occupied homes. As a result, the HRA partnered with the Healthy Community Partnership (HCP) Housing Task Force to create the SSRP, to remove those homes that are beyond repair, clear the lot and sell the lot to either a non-profit or a builder/buyer team. To date, the Brainerd HRA purchased and demolished five houses and sold all five properties for the construction of new owner-occupied house. Those properties are located at: 509 E Street, 1321 Norwood, 614 Tamarac, 1504 8th Avenue and 728 4th Avenue NE. We were able to leverage \$100,000 for this program from other sources such as the Minnesota Housing Finance Agency, Greater Lakes Realtors Association and the Crow Wing County HRA. In 2018, we worked with City staff to purchase 601 South 10th Street and we have sold that property to a private developer. We continue to work with City staff to identify future SSRP properties.

Federal Funds: Public Housing and Housing Choice Voucher

The Brainerd HRA operates two federal programs which are funded by the Department of Housing and Urban Development (HUD). The HRA owns and/or manages 325 units of affordable housing in the City of Brainerd and we provide approximately 320 Housing Choice Voucher's (HCV) to our residents.

We continue to see cuts in our federal funds to administer the HCV and Public Housing Programs. In 2018, our public housing funding was cut by approximately 19% and our HCV administrative fees were cut 20%. The funds we received in 2018 are just slightly above the amounts they were 10 years ago although costs continue to increase.

Every three years, the Brainerd HRA is scored by HUD on how we manage our programs. I am proud to report that the Brainerd HRA received 97 out of 100 on our public housing (PHAS) score for 2018. The national average PHAS score is 90 and the regional average is 92. HUD also scored us on the management of the HCV program and we received 100%. These scores reflect the hard work and dedication of our Board and staff and benefit our community and our residents.

Although the levy funds are less than 5% of our overall budget, these funds are critical. They allow us to continue to provide affordable housing for approximately 900 Brainerd residents and assist in the rehab and redevelopment needs in the City of Brainerd. The Brainerd HRA is requesting the City Council approve the full HRA levy which is .0185% of the estimated market value which will be approximately \$126,895 for 2019.

Thank you for your continued support of the Brainerd HRA and considering our request for the 2019 levy.

Sincerely,



Jennifer Bergman
Executive Director

General Fund Comparative Operating Budget

Brainerd Housing Authority
324 E River Rd
Brainerd, MN 56401

Fiscal Year 12/31/2019

Account Title	2018 Budget	2019 Budget	Difference
Operating Income:			
City Tax Levy	124,725	126,895	2,170
Management Fees	169,000	169,000	0
TIF Revenue	45,250	39,700	(5,550)
Grant Revenue	108,000	88,900	(19,100)
SCDP Admin Fee	39,000	54,000	15,000
Other Income	66,200	112,000	45,800
Total Operating Income	552,175	590,495	38,320

Operating Expenditures:

Administrative			
Salaries	215,780	236,830	21,050
Employee Benefits	98,200	111,040	12,840
Travel	2,500	2,500	0
Staff Training	6,000	5,500	(500)
Audit Cost	6,700	6,700	0
Legal	2,500	10,000	7,500
Other Administrative Costs	8,310	8,540	230
Contract Costs	40,450	66,660	26,210
Total Administrative	380,440	447,770	67,330

General Expenses

TIF Expense	5,310	100	(5,210)
Insurance	2,930	3,560	630
Debt Service	72,000	51,370	(20,630)
Other Programs	118,100	182,800	64,700
Total General Expenses	198,340	237,830	39,490

Total Operating Expenditures	578,780	685,600	106,820
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Budgeted Stabilization from PY Fund Balance	26,605	95,105	68,500
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Cash Flow from Operations	0	0	0
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U.S. Department of Housing and Urban

OFFICE OF PUBLIC AND INDIAN HOUSING
REAL ESTATE ASSESSMENT CENTER

Public Housing Assessment System (PHAS) Score Report for Interim Rule

Report Date: 06/07/2018

PHA Code:	MN032
PHA Name:	HRA IN AND FOR THE CITY OF BRAINERD, MINNESOTA
Fiscal Year End:	12/31/2017

PHAS Indicators	Score	Maximum Score
Physical	37	40
Financial	25	25
Management	25	25
Capital Fund	10	10
Late Penalty Points	0	
PHAS Total Score	97	100
Designation Status:	High Performer	
Published 06/07/2018	Initial published	03/27/2018

Financial Score Details	Score	Maximum Score
Audited/Single Audit		
1. FASS Score before deductions	25.00	25
2. Audit Penalties	0.00	
Total Financial Score Unrounded (FASS Score - Audit Penalties)	25.00	25

Capital Fund Score Details	Score	Maximum Score
Timeliness of Fund Obligation:		
1. Timeliness of Fund Obligation %	90.00	
2. Timeliness of Fund Obligation Points	5	5
Occupancy Rate:		
3. Occupancy Rate %	98.03	
4. Occupancy Rate Points	5	5
Total Capital Fund Score (Fund Obligation + Occupancy Rate):	10	10

Notes:

1. The scores in this Report are the official PHAS scores of record for your PHA. PHAS scores in other systems are not to be relied upon and are not being used by the Department.
2. Due to rounding, the sum of the PHAS indicator scores may not equal the overall PHAS score.
3. "0" FASS Score indicates a late presumptive failure. See 902.60 and 902.92 of the Interim PHAS rule.



June 4, 2018

Mayor Ed Menk
Brainerd City Council & EDA
501 Laurel Street
Brainerd, MN 56401

RE: BLAEDC 2019 Funding Support

Dear Mayor Ed Menk, City Council and EDA Members,

The Brainerd Lakes Area Economic Development Corporation is a private, non-profit economic development organization that has been working in the community since the mid-eighties with a mission to expand business, build community, and grow jobs in Crow Wing County. Our traditional work was expanded this past year to include the BLAEDC Unified Fund. This program, along with BLAEDC's Workforce Development and KEY Recruitment Program have brought a heightened awareness of economic development to our communities that will help us to grow our area economy.

Attached is BLAEDC's 2017 Annual Report with more information.

Recognizing that you are at the stage of considering your 2019 budget, we respectfully request that you continue your support to BLAEDC. We ask that you make a contribution of **\$78,500** which represents a \$1,000 increase for the upcoming year. We have incurred increased costs and need your support to keep our programs relevant and successful. Your funding support helps us to continue to be proactive in our approach and minimize the missed opportunities for our area.

Please advise if you would like BLAEDC representatives to meet with you to discuss our funding request. Your on-going support and participation is greatly appreciated and also critical for the growth and prosperity of the Brainerd Lakes Area.

Sincerely,

Sheila Haverkamp, Exec. Director
Brainerd Lakes Area Economic Development Corp.

June 18, 2018

(320) 632-9255
405 First Street SE
Little Falls, MN 56345



ifound.org

Cassandra Torstenson
Brainerd City Administrator
501 Laurel St
Brainerd, MN 56401-3595

Dear Mayor Menk, City Council and Ms. Torstenson,

Your partnership has proven to be a vital part of our ability to stimulate business growth, create and maintain quality jobs and ensure a climate for economic success. Together, we have provided favorable opportunities to advance community and economic health. We appreciate your past investment and request continued support in 2019.

For 32 years the Initiative Foundation has focused on building strong local economies and vibrant communities. In Crow Wing County, we have contributed a total of \$4,020,803 in grants to support nonprofit organizations and local government projects, as well as \$8,365,014 in business loans to secure 1,847 quality jobs. Our grant-making, lending and community development activities are designed to make Central Minnesota a destination of choice to live, work, and play.

Our 2019 strategic priorities continue to include efforts to support and grow existing for profit and nonprofit businesses, and assist entrepreneurs with the start-up of new businesses and social enterprises. The enclosed Strategic Framework provides additional detail. Please contact us if you have any questions or to request a presentation at an upcoming council meeting.

We respectfully request that you consider allocating \$5,350 to the Initiative Foundation in your 2019 Budget.

This appropriation is essential to our ability to provide a climate for economic success in our region. An Initiative Foundation contribution has historically earned a substantial return on investment. For every dollar we raise locally, we are able to send an average of \$4.52 out to the communities we serve in grants, loans and scholarships.

After your budget for 2019 is finalized, please let us know your decision by signing and returning the enclosed confirmation form.

Thank you for your consideration.

All the best,

A handwritten signature in black ink that reads 'Matt'.

Matt Varilek
President

A handwritten signature in black ink that reads 'Carrie'.

Carrie Tripp
Vice President for External Relations

Enclosures



Powering Possible

Equal opportunity lender, provider and employer