



Audit and Investment Commission

May 4, 2021 | 7:30 a.m.

Ash North and South Conference Room (first floor)

Woodbury City Hall | 8301 Valley Creek Road

Agenda

1. Call to Order/Roll Call
2. Oaths of Office
3. Approval of Minutes
 - A. Audit and Investment Commission meeting: November 12, 2020
 - B. Parks and Trails Replacement Fund Joint Commission meeting: November 4, 2020
4. Review of Parks and Trails Replacement Fund Council Directive
5. Review of Housing and Redevelopment Authority (HRA) Fund Policy
6. Adjournment

Next meeting of the Audit and Investment Commission is scheduled for Monday, June 28.

**City of Woodbury
Audit and Investment Commission Minutes
November 12, 2020**

Pursuant to due call and notice thereof, a meeting of the Audit and Investment Commission was held at Woodbury Public Safety, 2100 Radio Drive, on the 12th day of November 2020.

Item 1: Call to Order / Roll Call

Acting Chair Ken Johnson called the meeting to order at 7:30 a.m.

Upon roll call, the following members of the Audit and Investment Commission were present: Heidi Conrad, Ross Dahlin, Blake Darsow, Ken Johnson, Jeanine Kuwik, John Lehman, and Richard Osborn. Aileen Lyle was in attendance via telephone.

Others present: Matt Mayer, CPA – Auditor, BerganKDV; Amy Scoggins – Council Member; Angela Gorall – Assistant City Administrator; Judy Afdahl – Controller, and Roxy Nowicki – Recording Secretary.

Item 2: Approval of Minutes – August 5, 2020

Moved by member Kuwik, seconded by member Conrad to approve the August 5, 2020 minutes.

Voting in favor: All present

Voting Against: None

Item 3: Review Audit Scope and Engagement Letter with BerganKDV

Acting Chair Johnson stated that Auditor Mayer was in attendance to review the audit scope and engagement letter.

Auditor Mayer stated that the audit commission is required to receive specific communication prior to the audit as well as after the audit. Prior to the audit he needs to communicate his responsibilities as the City's auditor, as well as the plan, scope and timing of the audit, which is laid out in the engagement letter.

Auditor Mayer stated it is the City's responsibility to prepare financial statements and the scope of the audit is to test, examine and give an opinion on the financial statements that are prepared by the City. As part of the audit they also evaluate internal control. They will not give an opinion on internal control, but will report to the City any material weaknesses or significant deficiencies they find.

Auditor Mayer continued talking about the planned scope and timing of the audit, which will be slightly different this year. The City received significant Federal funds during 2020 under the CARES Act. Whenever a local government receives more than \$750,000 in Federal funding, there is something called a single audit that is required. It is more of a compliance audit and the objective is to ensure that the provisions of the grant to which the City agreed have been met and that the dollars that were received associated with that grant were appropriately spent.

Auditor Mayer stated this is also an opportunity for the commission to provide input on the scope. Acting Chair Johnson asked the commission members if they had any thoughts to offer

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the audit firm before they begin the audit.

Acting Chair Johnson asked Mr. Mayer what he thought about the enterprise funds in the scope of work this year. Mr. Mayer stated that typically the auditors look at the revenue stream when it comes to enterprise activity to ensure it is an accurate representation.

A discussion ensued regarding the CARES Act and distribution of those funds. The funds can be used for such things as public safety, reconstruction of City Hall, telecommuting and PPEe. A question was asked whether any of the funds would have to be paid back to the Federal Government. Auditor Mayer stated that if the auditors' opinion on the compliance of the award is unmodified, it is unlikely any money would have to be paid back.

Member Conrad asked if this was an A-133 audit. Auditor Mayer stated it was. Member Conrad stated that her experience is they intend to be very detailed, much more compliance-oriented than a regular financial audit. She thought it would be nice to have a member of the Commission to be the connection and get updates. Depending on the timing of that, Member Conrad could take that on, but at this moment she does not have the time.

Member Lehman asked if the auditor will be making any kind of a comment on how the City of Woodbury fared through Covid. Auditor Mayer stated they issue a document called the communications letter which gives some analysis beyond the generally accepted accounting principals presentation. A short discussion ensued.

After discussion, a question was asked if there were any new GASB guidelines from last year. Auditor Mayer stated there is one that probably won't pertain to the City of Woodbury that has to do with fiduciary fund activity where the City is the custodian of funds outside of the City. Ms. Afdahl stated that transition was made last year.

After discussion a question was asked if the unfunded liabilities attributable to PERA are tracked and if the state publishes a state-wide report of municipalities and if that is included in the audit. Auditor Mayer stated that PERA issues a report that provides the funding levels for the plan itself. They allocate that out to each individual participant based on their contributions for that fiscal year. That unfunded liability trickles down to the City's books.

Auditor Mayer stated a commission member is usually selected for a broad interview each year to discuss the fraud risk associated with the City. Commission Member Osborn volunteered to be interviewed.

A motion was made to approve the engagement letter with BerganKDV. Moved by member Conrad, seconded by member Lehman.

Voting in favor: All present

Voting Against: None

Item 4: Other business

No other business to discuss.

Adjournment

Meeting adjourned at 7:50 a.m.

**City of Woodbury
8301 Valley Creek Road
Woodbury, MN 55125
651-714-3500**

**Minutes of The
Parks and Trails Replacement Fund Joint Commission Meeting**

Wednesday, November 4, 2020

Audit and Investment Commission

Members In-person or Virtual:

Heidi Conrad, Ross Dahlin - Virtual, Blake Darsow,
Ken Johnson, Jeanine Kuwik, John Lehman, Aileen
Lyle - Virtual, Richard Osborn

Parks and Natural Resources

**Commission Members In-person
or Virtual:**

Greta Bjerckness (Chair) - Virtual, Timothy Brewington,
II – Virtual, Karin Freymann, Arin Kurttilla, Bruce
Montgomery, Rachel Nelson - Virtual, Jakob Neau

Commission Members Absent:

Deborah Musser, PNRC

City Council In-person or Virtual:

Mayor Anne Burt - Virtual, Council Members Steve
Morris and Amy Scoggins

Staff In-person or Virtual:

Angela Gorall, Assistant City Administrator
Clinton Gridley, City Administrator
Michelle Okada, Parks and Recreation Director
Belinda Reed, Recording Secretary
Robert James, ICT Director (Virtual)
Ben Stroback, IT Manager (Virtual)

Item 1: Call to Order

Parks and Natural Resources Commission Chair Greta Bjerckness, called the meeting to order at 7 p.m.

Item 2: Approval of the Minutes of the Parks and Trails Replacement Plan Fund Joint Commission Meeting – October 6, 2020

Parks and Natural Resources Commission Chair Greta Bjerckness, asked for the approval of the October 6, 2020, Parks and Trails Replacement Plan Fund Joint Commission meeting minutes.

Commissioners Ross Dahlin and Aileen Lyle, requested that the minutes be corrected to reflect their attendance at the October 7, meeting had been virtual.

MOTION: Moved by Commissioner Lehman, and seconded by Commissioner Lyle, to approve the October 6, 2020, Parks and Trails Replacement Plan Fund Joint Commission meeting Minutes with the attendance correction noted.

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VOTE: In favor All in-person and virtual
 Against None
 Absent Commissioner Musser

Item 3: Parks and Trails Replacement Plan Funding Mechanism Discussion

Ms. Okada confirmed that four Commissioners were attending the meeting virtually.

Ms. Okada thanked the Commissioners for all the great work they have done.

Following a review of the meeting Agenda, Ms. Gorall noted that the draft Parks and Trails Replacement Plan Report incorporates the previous meeting PowerPoints and high-level policy guidance discussions. Following the presentation, the Commissioners will be asked for a formal motion and vote to finalize the report. The Commissioners were asked to participate throughout the presentation to insure the report correctly reflects their recommendations. The approved report will then be brought before the City Council at their January 2021, workshop.

Each chapter of the draft Parks and Trails Replacement Plan Report was reviewed.

During the review of the Final Recommendation, General Policy Guidance section, it was suggested that “Should Council pursue an option that results in a deficit, a plan to address the deficit in a timely manner would be recommended.” be rewritten to read “... address the deficit during the annual budget development process would be recommended.”

Ms. Gorall noted that staff will remove “... timely manner ...” and work on replacement language to address the requested change of “during the annual budget development process.”

A discussion took place with regard to the property tax contribution range of 20–25 percent.

Ms. Goral noted that the recommended Option 1A, would hit the funding goal of \$2.9 million all at once without any lag time.

It was noted that there is no statutory requirement as to how the City Council will direct the fees; however, the Commissioners would like to convey how important they think it is that all the franchise fees collected be used for the Parks and Trails Replacement Plan Fund.

Mr. Gridley noted that staff began working on the replacement plan three years ago and considering that by the time the \$2.9 million is in place, a total of four years will have passed and it is likely that the targeted yearly funding number could change.

Again, the Commissioners noted that they would like to encourage the City Council to make a long-term commitment and that they feel strongly that the franchise fees, if implemented, be specifically used for the purpose of maintaining the Parks and Trails Replacement Plan Fund.

Staff noted that they would work on strengthening the language in the recommendation to be very specific that the franchise fees collected are to support the Parks and Trails Replacement Plan Fund.

Ms. Gorall revisited the five key questions with the Commissioners. Hearing no further comments, the Parks and Natural Resources Commission Chair Greta Bjerckness, asked for the approval of the Parks and Trails Replacement Plan Funding Recommendations from the Parks and Natural Resources Commission and Audit and Investment Commission, with the changes discussed, as the

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Commissioners' recommendation to the City Council.

MOTION: Moved by Commissioner Johnson, and seconded by Commissioner Conrad, to approve the Parks and Trails Replacement Plan Funding Recommendations from the Parks and Natural Resources Commission and Audit and Investment Commission, with the discussed changes above-written.

VOTE: In favor All in-person and virtual
Against None
Absent Commissioner Musser

The Commissioners were thanked for the wonderful body of work.

Item 5. Adjournment

The meeting was adjourned at 8:50 p.m.

Approved by the Parks and Natural Resources Commission on December 1, 2020

**CITY OF WOODBURY, MINNESOTA
Audit and Investment Commission**

May 4, 2021

To: City of Woodbury Audit and Investment Commission
From: Angela Gorall, Assistant City Administrator
Subject: Review of Parks and Trails Replacement Fund Council Directive

Summary

As directed by the City Council, staff presented information to the Parks and Natural Resources Commission and the Audit and Investment Commission at several meetings in 2020 seeking a recommendation on the financing approach and timing for the Parks and Trails Replacement Fund. A report was produced and approved unanimously by both Commissions.

One of the recommendations in the report was as follows:

Development of an Administrative Directive or Council Directive is recommended to be developed providing guidance for staff on the new Parks and Trails Replacement Fund if franchise fees are approved. Parameters should be established on when franchise fees are reviewed, guidance on when increases or adjustments should be considered, fund balance guidelines, what projects should or should not be paid from the fund, etc. The guidance used by the Audit and Investment Commission in reviewing Council salaries was noted as a good example to consider for establishing a directive.

The full report and further background information is available at woodburymn.gov/parksfunding.

Recommendation

Staff recommends the Commission review the Council Directive and provide staff with final comments and recommended changes to present to the City Council.

Fiscal Implications

Within the 2020 Budget, \$500,000 from property taxes was allocated to begin seeding the replacement fund. The 2021 Budget included \$686,000 in the fund. The total funding goal is approximately \$2.9 million per year to sustain the fund.

Policy

2019-2021 City Council Strategic Initiative, Parks and Trails Replacement Plan
Critical Success Factor, Quality of Life

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Public Process

Parks and Natural Resources Commission and Audit and Investment Commission meetings were completed August-November 2020. The City Council meetings were completed in January and February, 2021. The City Council authorized a public engagement process which is currently on-going. The City Council will next review and consider recommendations, the Council Directive and public feedback at a Council workshop meeting in May and June.

Background

Woodbury's parks and trails are essential assets that enhance the quality of life in our community. The City maintains 3,386 acres of park and recreation land, 76 sport courts, 152 miles of paved trails, 55 named parks, 19 irrigation systems, 123 athletic fields, 31 buildings/structures, and 46 play structures. Unfettered access to quality parks and trails support health and well-being, equity, economic development, and preservation and protection of the natural environment.

The age of individual assets and continued growth of the system necessitates a robust plan for maintenance and eventual replacement. The plan that is being developed recommends the replacement of specific park and trail amenities, based on professional and safety replacement standards and standard life expectancy. Staff will continue to evaluate each area of the system regularly and as items are due and requiring replacement, they will be moved from the asset plan to the Capital Improvement Plan, and eventually presented with the annual budget request.

With increasing asset-liability, a long-term funding plan is needed to support the Council Strategic Initiative and the Replacement Plan for the parks and trails system.

Written By: Angela Gorall, Assistant City Administrator
Judy Afdahl, Controller
Approved Through: Clinton P. Gridley, City Administrator
Attachment: Council Directive: Parks and Trails Replacement Fund

 COUNCIL DIRECTIVE <i>DRAFT</i>	Adopted: Revised:	Number: CD-FIN-5. <u> </u>
	Mayor:	City Administrator:
	For: Finance	
	Subject: Parks and Trails Replacement Fund	

PURPOSE

The purpose of this policy is to provide guidelines for the management of the Parks and Trails Replacement Fund as was established with the adoption of the 2020 City of Woodbury Annual Budget. Planned expenditures from the fund will be identified annually as part of the Capital Improvement Plan (CIP) process with the first year of identified fund usage in the CIP incorporated into the annual budget process.

USE OF FUNDS

Park and Trails Replacement Fund specific purposes for which funds are restricted or committed are as follows below. Committed fund balances are amounts that can only be used for specific purposes pursuant to constraints imposed by the City Council through resolution.

Fund	Revenue Sources	Committed For	Restricted For
Park and Trails Replacement Fund	Property Tax Levy Franchise Fees Project Specific Grants	Replacement ¹ of park and trail assets ² as identified in the Parks and Trails Asset Replacement Plan	Grant specified use restrictions

The revenue source and commitment and restriction of those sources is stated above and it is known there will be other residual revenue streams, and it is the intention that these funds be committed or restricted for the same purpose specified for the fund.

MAINTENANCE OF PARKS AND TRAILS ASSET REPLACEMENT PLAN

The Parks and Trails Asset Replacement Plan provides the listing of assets for which the fund is committed for and it establishes the annual average funding need. Staff will update the plan at least every three years with updates including, but not limited to, new assets, deleted assets, cost assumptions, asset life spans.

¹ Replacement is defined as the complete removal, elimination, or substantial replacement of an asset for installation and professional services needed for implementation of the capital assets.

² A parks and trails asset supported by this fund is defined as any park or open space amenity including, but not limited to, physical structures, buildings, landscapes, trails, fishing piers, irrigation systems, play structures and ballfield fencing.

FUND BALANCE

Fund balance reserves are an important component in ensuring the overall financial health of the City and the Parks and Trails Replacement Fund by giving the City the ability to meet the needs of the long-term Park and Trails Asset Replacement Plan; avoid short-term borrowing from other City funds; and address cash-flow timing needs.

Fund balance for the Parks and Trails Replacement Fund will be guided by estimated fund balances as listed in the adopted CIP as follows:

Year of CIP for the Parks and Trails Replacement Fund	Minimum Fund Balance	Maximum Fund Balance
Year 1 (most current year)	100% of CIP expenditures	Not applicable
Year 2	100% of CIP expenditures	Not applicable
Year 3	100% of CIP expenditures	Not applicable
Year 4	100% of CIP expenditures	Two (2) times the Annual average funding need as provided in Parks and Trails Asset Replacement Plan
Year 5 and forward	100% of CIP expenditures	Three (3) times the Annual average funding need as provided in Parks and Trails Asset Replacement Plan

As identified in an adopted CIP, if the maximum estimated fund balances are exceeded for three consecutive years, a review of the fund by the Audit and Investment Commission will occur thereafter. The Audit and Investment Commission may provide a recommendation to the City Council to return the fund to within established parameters or provide justification for allowing the fund to be outside established parameters.

FRANCHISE FEES

Revenue from franchise fees are a significant overall funding component for the Parks and Trails Replacement Fund. With no changes to established franchise fees, community growth will modestly increase the fees contribution to the fund. Changes to the Franchise Fee will be less regular compared to the property tax portion of the funding plan.

PROPERTY TAX

The property tax levy has been identified as the second primary funding component. As identified in an adopted CIP for the most current year (Year 1), property tax levy contribution to the total fund revenues will be between 20 – 25 percent. Adjustment of the property tax levy to address the depreciation growth of the fund will be annually considered by the City Council to keep the fund fully solvent.

CITY OF WOODBURY, MINNESOTA
Audit and Investment Commission

May 4, 2021

To: City of Woodbury Audit and Investment Commission

**From: Janelle K. Schmitz, Community Development Director and HRA Clerk
Karl A. Batalden, Community Development Coordinator**

Subject: Review of Proposed HRA Fund Policy

Summary

The Housing and Redevelopment Authority in and for the City of Woodbury (the “HRA”) was created in 2006 and has certified an annual property tax levy each year since. Said levy is a primary funding source of the HRA Fund which is used for personal services, operating expenditures, and projects typically connected to affordable housing. An implementation step of the City’s 2021 Housing Action Plan is to create a policy that helps guide the Woodbury HRA’s Board of Commissioners when considering an annual HRA property tax levy as well as the overall fiscal management of the HRA Fund.

The HRA has operated a variety of housing loan programs since 2009 and while these programs are well defined, there are potential new housing programs that will be created as implementation steps of the 2021 Housing Action Plan. Staff has written the attached draft HRA Directive “HRAD-1.5: Housing and Redevelopment Authority (HRA) Fund Policy” for the review of the Audit and Investment Commission. The draft policy includes historical revenue factors, recommended parameters for the decision-making process, and proposed triggers regarding the annual HRA property tax levy amount. The draft policy also recommends that the HRA should include a three-year projection of revenues and expenses as part of its annual budget process. Draft 2022-2024 HRA financial projections are attached to this memorandum along with a detailed 2011-2020 HRA financial summary.

Recommendation

Staff requests that members of the Audit and Investment Commission review the draft HRA Directive and supporting documents and provide analysis and comments.

Fiscal Implications

While the review of this draft policy does not have direct fiscal implications, the draft policy does establish parameters for the amount of potential annual HRA property tax levies which are a primary revenue component of the annual HRA budget.

Policy

Statutorily, the operations of a municipal HRA are governed by Minnesota Statutes, Sections 469.001 through 469.047. State law authorizes a municipal HRA to certify an annual property tax levy that does not exceed 0.0185 percent of its host city’s taxable market value.

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At the Woodbury level, an implementation step of the 2021 Housing Action Plan, as adopted on April 14, 2021, notes that “the Audit and Investment Commission will be tasked with reviewing and approving a policy that helps guide the Woodbury HRA’s Board of Commissioners when considering an annual HRA property tax levy. This policy work shall be complete in mid-2021 prior to the annual budget workshop that is held every September. This policy will review historic trends in revenues and expenditures, the demand for the HRA loan programs, projections of future revenues and expenditures, and the cost of potential future new programs of the HRA. These considerations will be used to create guidelines for the appropriate fund balance in the HRA Fund as well as triggers and criteria for establishing the annual HRA property tax levy.”

Public Process

This is the first public process specifically tied to the draft HRA Directive “HRAD-1.5: Housing and Redevelopment Authority (HRA) Fund Policy”; however, the topic was discussed by the City Council in 2020 and 2021 during the creation of the 2021 Housing Action Plan.

Background

The main operational component of the HRA has been its housing loan programs. Specifically, the HRA has been able to issue more than \$6 million in housing loans since 2009 given its ability to leverage a wide range of revenue sources.

The HRA fund balance excluding notes receivable has fluctuated up and down over the past decade based in large part on the amount of loans issued and the amount of unanticipated or unscheduled revenue sources. The annual HRA property tax levy, by contrast, has remained flat at \$250,000 without any adjustment for inflation. As a result, the HRA levy’s impact on the median-valued home in the community has actually decreased over time as the tax base has increased.

Initial policy work connected to the HRA levy began with the HRA’s 2007 Housing Action Plan. Said Plan identified that “the HRA anticipates certifying a levy beginning at \$350,000 in 2008 with annual increases of approximately \$55,000 per year over 5 years stabilizing at \$525,000 in 2012”. The 2007 Housing Action Plan further noted that “this will enable the HRA to maintain an annual fund balance of at least \$500,000.” In actuality, rather than increase the levy amount as anticipated, the HRA opted to first maintain and then reduce the HRA levy to \$250,000 given the availability of additional unanticipated revenues. As such, the HRA’s fund balance has been able to finance HRA programs without increasing the burden on the HRA property tax ratepayers. However, many of these sources of revenue are not predictable into the future.

The HRA has been able to operate with the reduced \$250,000 annual HRA levy due to unanticipated and unpredictable revenue sources such as conduit debt issuer fees (roughly \$635,000 between 2011 and 2020) as well as unscheduled payments of loan principal (roughly \$2.25 million between 2011 and 2020). Additionally, the HRA has been able to leverage the City’s allocation of federal funds from the US Department of Housing and Urban Development to issue 46 loans between 2011 and 2020 via the Woodbury First-Time Homeownership Program in an aggregate amount of \$1,113,685. But for these federal resources, the HRA would have needed to fund these loans using HRA Fund resources.

In addition to the fluid nature of the HRA Fund’s revenue sources, expenditures have the potential for fluctuation as well. The amount of loan issuances on an annual basis is affected by

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market factors, the state of the real estate economy, the effectiveness of Woodbury’s marketing operations and more. Additionally, the introduction and background section of the 2021 Housing Action Plan notes that the “Plan does not ask the question of whether or not affordable housing is needed in Woodbury; but, rather, how it can be achieved.” Further, Section 5 of the 2021 Housing Action Plan notes “that the City has observed over the past several years that it is increasingly difficult for affordable housing projects in Minnesota to secure the funding from federal, state, and regional funders without some type of local match.” As such, the Draft 2022-2024 Woodbury HRA Financial Projections include \$420,000 in development assistance for affordable housing in the community as well as \$100,000 for implementation costs connected to the proposed new rental licensure program in the community. Combined, these costs could significantly decrease the fund balance of the HRA; however, the projections allow a path forward with a sustained \$250,000 annual HRA property tax levy.

The 2007 and 2021 housing action plans referenced above are not attached to this staff report, but are available upon request.

Written By:	Karl A. Batalden, Community Development Coordinator
Approved Through:	Angela Gorall, Assistant City Administrator Judith Afdahl, Controller
Attachments:	1. Draft HRA Directive 2. Draft 2022-2024 Woodbury HRA Financial Projections 3. Draft HRA Summary Statement

 HOUSING AND REDEVELOPMENT AUTHORITY DIRECTIVE <i>DRAFT</i>	Adopted: Revised:	Number: HRAD-1.5
	Chair:	Executive Director:
	For: Housing and Redevelopment Authority Board	
	Subject: Housing and Redevelopment Authority (HRA) Fund Policy	

Purpose

The purpose of this policy is to provide guidelines for the management of the Housing and Redevelopment Authority (the “HRA”) Fund. The operations of Woodbury’s municipal HRA are in part funded by the annual HRA property tax levy, as governed by Minnesota Statutes, Sections 469.001 through 469.047, which authorizes an annual property tax levy not to exceed 0.0185 percent of a city’s taxable market value.

Historically, the HRA property tax levy has served as a main revenue source for the three primary financial components of the HRA’s budget:

1. Personal services;
2. Operating expenditures; and
3. Housing finance programs such as but not limited to the Woodbury First-Time Homeownership Program, the Neighborhood Reinvestment Fund, and development assistance.

Historical HRA Revenue Factors

When the HRA loan programs were authorized in 2008, the policy desire of the HRA Board at the time was to create a self-revolving loan fund. It was expected that an annual HRA property tax levy would be needed to seed the loan pool for a number of years prior to the loan pool reaching a self-revolving stage.

Additionally, the HRA has been able to leverage the City’s allocation of federal funds from the US Department of Housing and Urban Development (“HUD”) to issue loans via the Woodbury First-Time Homeownership Program. But for these federal resources, the HRA would have needed to fund these loans using HRA levy resources.

Parameters for Determining Annual HRA Property Tax Levy Amount

The HRA Board should consider the following parameters when determining the amount, if any, of an annual HRA property tax levy:

1. The levy amount should be determined based on the programmatic needs of the HRA for the coming one to three years given the nature of the levy process.
2. The HRA Board certifies a levy in December of a given year. The actual cash-on-hand from the levy is not completely available until the end of the following year.
3. The HRA budget projects the repayment of loan principal including some unscheduled principal payments.

Housing and Redevelopment Authority Directive
HRAD-1.5
Housing and Redevelopment Authority (HRA) Fund Policy
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4. Implementation of Woodbury's 2021 Housing Action Plan anticipates potential new housing programs and/or the possibility of the need to invest gap financing into affordable rental projects. The use of HRA levy resources, along with tax increment financing, are the two most flexible sources of revenue for housing programs identified in the 2021 Housing Action Plan, such as the current HRA loan programs, affordable rental development gap financing, land banking, and/or providing seed funding for rental licensure programs.
5. The HRA should include a three-year projection of revenues and expenses as part of its annual budget process.

Given the five parameters above, this policy recommends the following based in part on the historical fluctuation of HRA year-end fund balance (excluding notes receivable):

1. In the event that year-end HRA fund balance falls below two times the amount of the three-year average of annual expenditures, the HRA should evaluate the next year's anticipated sources of revenue. If significant additional or new revenue sources are not available, the HRA should consider implementing annual increases to the levy until the year-end HRA fund balance once again reaches two times the amount of the three-year average of annual expenditures.
2. In the event that year-end HRA fund balance ranges between two times and three times the amount of the three-year average of annual expenditures, the historical HRA property tax levy should remain unchanged.
3. In the event that year-end HRA fund balance exceeds three times the amount of the three-year average of annual expenditures, the HRA should review the proposed HRA expenditures for the following year. In the event that significant development assistance or other projects are proposed that will employ significant portions of the HRA fund balance, the property tax levy should remain unchanged. If, however, the following year's proposed HRA expenditures do not propose any new or large expenditures beyond the historical averages, the HRA should consider implementing annual decreases to the levy until the year-end HRA fund balance once again ranges between two times and three times the amount of the three-year average of annual expenditures.

DRAFT 2022-2024 WOODBURY HRA FINANCIAL PROJECTIONS

2018 Actual 2019 Actual 2020 Actual 2021 Budgeted 2022 Projected 2023 Projected 2024 Projected
Unaudited

Beginning Fund Balance (excludes notes receivable)	\$1,391,877	\$1,520,714	\$1,619,093	\$1,867,508	\$1,528,819	\$820,719	\$851,040
Revenues							
HRA Property Tax Levy	\$249,703	\$249,571	\$250,185	\$247,500	\$247,500	\$247,500	\$247,500
Investment Income	\$21,880	\$52,256	\$38,402	\$11,000	\$11,000	\$30,000	\$16,000
Principal and Interest Income	\$279,117	\$378,077	\$501,348	\$183,000	\$280,000	\$400,000	\$450,000
Conduit Issuance Fees	\$0	\$15,823	\$0	\$0	\$15,000	\$0	\$0
Other	\$196	\$193	\$240	\$50	\$50	\$220	\$250
Total Revenue	\$550,896	\$695,920	\$790,175	\$441,550	\$553,550	\$677,720	\$713,750
Expenses							
Personal Services	\$107,683	\$105,798	\$108,817	\$115,000	\$118,450	\$122,004	\$125,664
Operating Expenses	\$44,318	\$56,868	\$57,670	\$78,400	\$73,200	\$75,396	\$77,658
Programs	\$270,058	\$434,875	\$375,272	\$586,839	\$1,070,000	\$450,000	\$450,000
Total Expenses	\$422,059	\$597,541	\$541,759	\$780,239	\$1,261,650	\$647,400	\$653,321
Ending Fund Balance	\$1,520,714	\$1,619,093	\$1,867,508	\$1,528,819	\$820,719	\$851,040	\$911,468

