



Annual Report

JULY 1, 2006 - JUNE 30, 2007

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TABLE OF CONTENTS

	<u>PAGE</u>
CHAIRPERSON'S LETTER.....	1
COMMISSION MEMBERSHIP.....	2 - 3
BOARD.....	4
STAFF.....	5
COMMISSION COMMITTEES.....	6
EXECUTIVE DIRECTOR'S REPORT.....	7

PROGRAM HIGHLIGHTS

ECONOMIC DEVELOPMENT HIGHLIGHTS.....	9 - 11
TRANSPORTATION HIGHLIGHTS.....	12 - 15
HOUSING HIGHLIGHTS.....	16 - 17
SPECIAL PROJECTS.....	18
OTHER REGIONAL/STATE COMMITTEES REGION FIVE STAFF ARE PART OF..	18
PLANS, STUDIES & PUBLICATIONS.....	19
BUDGET SUMMARY.....	21
AUDITOR'S LETTER.....	22

*2006 CHAIRMAN
GENE YOUNG,*



Fiscal year 2006 was an exciting year for the Development Commission, our staff, and the many units of government and people we serve. We identified what programs we need to focus on and what were the things we could no longer do.

Economic Development and Transportation were programs of success and very important to the region as it affected most everyone in the region.

WE did not do very well in the housing business, so we decided to get out of it and see if we can help others do it as it did benefit some communities and people.

We moved from the OLD OLD hospital to the old hospital. It was lots of work, but the new space is really nice. It gave us a new look and we are glad to show off our Headquarters Office Building.

Our Annual Retreat was a success as we looked where we were one year ago, the present time, and where we want to be next year. We sit good and I'm glad to say the board members, old and new, along with staff, are on our way to accomplish the goals we have set.

We put together a budget that is very realistic and lean. I feel this is the first budget all the board members took part in putting together and understand how it will work.

We have new financial programs so we receive accurate financial reports. The audit was very detailed. We are making necessary corrections to our business practices and looking forward to operating a very good business.

I really enjoy working with my fellow board members and staff. We have some new people and that's great. New people bring new ideas and energy. It's fun to come to a meeting when everyone is willing to do their share and more, and even have a good laugh while we work.

Together as a team, Region Five Development Commission will continue to improve the vitality and quality of life in Cass, Crow Wing, Morrison, Todd, and Wadena Counties and other communities.

Thank you all for your support.

Sincerely,
Gene Young

COMMISSION MEMBERSHIP



CASS COUNTY REPRESENTATIVES

Robert Kangas, Pine River
Erick Hedren, Hackensack
William Bliss, Longville

Board of Commissioners
Municipalities
Town Boards

CROW WING COUNTY REPRESENTATIVES

Rosemary Franzen, Baxter
Brian Lehman, Nisswa
Mark Platta, Brainerd

Board of Commissioners
Municipalities
Town Boards

MORRISON COUNTY REPRESENTATIVES

Tom Wenzel, Little Falls
Cathy Van Risseghem, Little Falls
Paul Nieman Jr., Little Falls

Board of Commissioners
Municipalities
Town Boards

TODD COUNTY REPRESENTATIVES

Mark Blessing, Staples
Luke Mitchell, Hewitt
Alan Perish, Browerville

Board of Commissioners
Municipalities
Town Boards

WADENA COUNTY REPRESENTATIVES

Dave Schermerhorn, Wadena
Jeanette Baymler, Wadena
William Kern, Verndale

Board of Commissioners
Municipalities
Town Boards

CITY OF BRAINERD REPRESENTATIVE

Lucy Nesheim, Brainerd

City of Brainerd

COUNCIL OF GOVERNMENTS

Gene Young, Little Falls
Delina White

Little Falls Area COG
Leech Lake Tribal Council

REGION FIVE SCHOOL BOARDS

Judith Taves, Wadena
Douglas Hamilton, Pillager

School Board Representative
School Board Representative

SPECIAL INTEREST GROUPS

Robert Becker, Pine River

Soil & Water Conservation District

REGION FIVE DEVELOPMENT
COMMISSIONERS



1st Row: Mark Blessing, William Kern, Jeanette Baymler Lucy Nesheim, Erick Hedren

2nd Row: Douglas Hamilton, Robert Becker, Tom Wenzel, Delina White, Brian Lehman

3rd Row: Mark Platta, Robert Kangas, Paul Nieman Jr, William Bliss, Alan Perish

Not Pictured: Judith Taves, Dave Schemerhorn, Luke Mitchell, Rosemary Franzen, Cathy Van Risseghem

BOARD OF DIRECTORS



Gene Young, Chairperson
William Kern, Director
Jeanette Baymler, Vice-Chairperson
Alan Perish, Treasurer

Robert Becker, Director
Tom Wenzel, Director
Lucy Nesheim, Secretary
Erick Hedren, Director

STAFF

ADMINISTRATION

Cheryal Hills, Executive Director
Melissa Saarela, Finance Officer
Amber McGrath, Office Specialist
Lucille Koval, Senior Works

TRANSPORTATION

Chris Etzler, Transportation Director

ECONOMIC DEVELOPMENT

Neil Linscheid,
Economic Development Director

Anne Hanson,
Economic Development Assistant



Back row: Neil, Amber, Melissa Cheryal, Chris.
Front: Lucille, Ann.

Region Five Mission Statement

The mission of Region Five Development Commission is to provide high quality, professional planning and development services through collaboration, assistance, and coordination with local units of government, organizations, and citizens.

Our principal objective is to enhance the vitality and quality of life in Cass, Crow Wing, Morrison, Todd, and Wadena Counties.

Region Five Development Commission 2007 Committees

The following Committees will review potential program ideas with Staff persons. Chair persons will communicate program ideas to full Commission for review and direction.

Economic Development

Staff: Neil Linscheid

Chair: Lucy Neishmen

Erick Hedren

Douglas Hamilton

Bob Kangas

Rosemary Franzen

Brian Lehman

Marketing

Staff: Ann Hanson

Chair: Jeanette Baymler

Delina White

Cathy VanRissenghem

Transportation

Staff: Chris Etzler

Chair: Mark Blessing

Mark Platta

Paul Nieman

Dave Shimmerhorn

Finance/ Budget/

Personnel

Staff: Melissa Sarella/Cheryl

Lee Hills

Chair: Gene Young

Committee comprised of the

Board of Directors:

Gene Young

Jeanette Baymler

Tom Wenzel

Erick Hedren

Lucy Nesheim

Alan Perish

William Kern

Robert Becker

Grant/Loan

Administration

Staff: Cheryl Hills

Chair: Alan Perish

Bill Bliss

Judy Taves

Luke Mitchell

Executive Director's Report

Cheryal Lee Hills



2006 was an enlightened year for Region Five Development Commission (R5DC). We took a good look at the hole that was dug, and began to backfill.

Understanding the magnitude of the debt, restructuring what types of services we provide and how we deliver them were some of the first steps. Then the tougher job of rebuilding the trust to the communities and organizations we serve and performing great outcomes were the next hurdles. Lastly, developing the plan to turn this organization around was critical work for Region Five.

I'd like to say that all the tough work is behind us now, but the truth is, this kind of organizational restructuring takes time along with considerable effort. The good news is that we are going in the right direction.

The strategic planning process allowed Region Five to understand the path we need to be on, and through the new outreach plan we've created improved communications between the Commission and all of the customers we serve. The process of understanding how we identify the types of services we should provide to the region and how to deliver these services without competing with private, public or non-profits sectors of our communities was a healthy and necessary endeavor for Region Five to undertake.

Region Five has undergone an extensive audit with Larson Allan, has purchased and installed new *Great Plains* software, of which has enabled the Commission to obtain a clear understanding as to the Region Five financial status. Region Five will be living on a lean budget, but is able to meet commitments while providing quality services and value to the region.

Additionally, we have created an outstanding team at Region Five with the staff additions of

Melissa Saarela: Finance Officer and Neil Linscheid: Economic Development Director. The experience, knowledge and work ethics of Chris Etzler: Transportation Director and Ann Hanson: Economic Development Assistant adds tremendous worth to Region Five. It's very exciting to work with this group and witness their successes. With the assistance of the office specialist and volunteers we have all the pieces needed to achieve exceptional effectiveness as an organization that serves the communities within our region.

The Commission members have accepted a new level of engagement and continued their commitment to Region Five. At the March 2007 R5DC regular monthly meeting there was unanimous Commission member (roll call vote) support for continued regional assistance through the existence of Region Five for the next 5 years. I can not say enough good things about the men and women who serve on this Commission, and the leadership of Chairperson Gene Young. I appreciate their wisdom tremendously.

Again I'd like to express sincere appreciation to the Executive Directors and support staff from the other Minnesota Regional Development Commissions. Their mentorship has been invaluable to Region Five.

It is identified in the following pages of this annual report that Region Five is participating in productive partnerships, is a great resource, and is involved in those projects that make sense regionally.

It is clear that there are several private, non-profit and public sectors who have contributed to the success of Region Five. I am thrilled to work with this talented collection of people and look forward to next years accomplishments.



Program Highlights

JULY 1, 2006 - JUNE 30, 2007

Serving Counties

Todd, Wadena, Crow Wing, Cass, Morrison

Economic Development Highlights

Purpose: To assist and lead regional economic development initiatives by providing planning guidance, and technical assistance to local units of government, organizations, and residents of the region.

Program Funding Sources: United States Economic Development Administration (EDA) - \$51,615 R5DC tax levy - \$51,615

Service Priorities:

The Economic Development Department of Region Five serves as the federally designated Economic Development District of the region. This designation has enabled the Region Five counties to receive federal grants through the Economic Development Administration. It also designates Region Five as the organization charged with regional economic development planning and collaboration efforts.

Collaborative Initiatives

Network 5 meetings were held bi-monthly in various locations throughout Region Five. Each meeting was attended by 20–40 participants. Speakers were provided at each meeting and included representatives from University of MN Extension, FiberPOP, League of MN Cities, Lake Country State Bank, American Sustainable Energy Council and Brainerd Lakes Area Development Corporation. Organizations such as DEED, and USDA have been represented at each meeting, as well as local economic development organizations. These meetings have reinforced a strong economic development presence in Region Five and are essential to developing and maintaining connections to development and funding organizations for the future of the region. Funding to sustain this group continues to be provided by MN Power.

An Economic Development Advisory Council comprised of regional and state economic development professionals was formed in 2005. This group initially met three times during 2005 to identify assets and barriers and to develop a



Neil Linscheid
ED Director



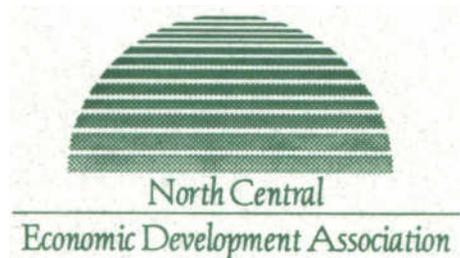
Ann Hanson
ED Assistant

five-year vision for the future of the area. The council will also aid in the development of the yearly Comprehensive Economic Development Strategy (CEDS) document. Expectations are for this group to meet twice a year to review the needs and offer direction and focus for the growth of the region. Neil Linscheid, Economic Development Director, convened the group upon his arrival and listened to the direction and priorities listed by local economic development professionals.

Region Five worked with the Initiative Foundation, BLADC, Mille Lacs Band Corporate Commission and others to spearhead the Enterprise Network System Analysis (ENSA) working group. A grant for a consultant was written by Region Five staff and approved by the Initiative Foundation. The system helps identify manufacturing clusters and related opportunities for business growth. Department of Employment and Economic Development (DEED) provided a demographic analyst early in the project; he produced some very essential data. In 2006 the RFP was sent out for a consultant experienced in data analysis. A 15 member steering committee was formed with private and public sector members to guide this process in cooperation with the consultant and identified a target industry to concentrate efforts. This project originally thought to be completed within three months has stretched to over a year. Pre-fabricated buildings were identified as the industry that will strengthen existing businesses in the region. A final meeting of ENSA committee was held at the Mille Lacs Conference Center in

May 2007. Stakeholders throughout the region were invited to meet with those of similar interests. Presentations and panel discussions on pre-formed wall panels and other building options capped off the evening. Funding for this project was provided by the Initiative Foundation and MN Power.

North Central Economic
Development Association (NCEDA)
Revolving Loan Fund



The ED Department administers the EDA regional revolving loan fund for North Central Economic Development Association (NCEDA). The organization maintains a 501c(3) status and has its own full corporation and board of directors. The four main purposes of NCEDA are to create or retain permanent jobs in the region, to provide capital for business development and expansion, to leverage other public and private sector investments, and to bolster the tax bases of local units of government. NCEDA Full Corporation met twice in FY07 and the NCEDA Board of Directors convened 12 times. In 2007, seven loans were closed, 32.5 jobs were created/retained, NCEDA distributed over \$241,000 and leveraged almost \$2 million in private sector investment. Three businesses were located in Cass County and four in Crow Wing. The average loan amount for last year was just under \$35,000. NCEDA currently have 45 loans outstanding. At the FY end, funds outstanding total just over \$1.3 million and funds available are over \$463,000. Overall default rate on NCEDA loans is about 8%.

Region Five partnered with other local economic development professionals in past and continued the practice in 2007 of holding informational sessions in each of the five counties to acquaint financial officers in Region Five with funding guidelines and lending opportunities that are currently available. The Small Business Development Center, Central MN Initiative

Foundation, U.S.D.A. and Minnesota Business Finance Corporation also showcased their programs. Lenders were asked to express/share the opinions, ideas and needs of their particular institution. All of these meetings were well attended and was a way to remind lenders that Region Five provides gap funding for start-up and expansion of regional businesses. These lenders provide the initial contact information to applicants of NCEDA funding.

Job Opportunity Building Zone
Administration

The JOB Zone Administrator's report was submitted in June 2007. A total of thirty projects have been approved since the program began in FY2004. Twenty JOBZ projects were completed in the first year. This slowing down of JOBZ projects was anticipated by state officials in year two of the 12 year program. In 2005, a prevailing wage statute was added to JOBZ program, this is also contributing to the slow down. A local contractor, building or expanding for a JOBZ participating company must pay the prevailing wage used in the metro area, this practice is causing potential JOBZ companies to relocate elsewhere. In Todd County alone, two JOBZ prospects have chosen other areas in which to build. They stated that the building costs nullified any JOBZ savings. Region Five is continuing the difficult work of adjusting the prevailing wage to fit the region's economic realities.

In July 2006, a new minimum wage of \$10.58 will take effect for new applicants in the program (110% of the U.S. poverty threshold). Over 73% of the 2005 projects involved manufacturing companies that offered employees an average of \$11.80 per hour in wages and benefits (statewide the average for 2005 was \$11.41). 45% of the projects involved business expansion, another 45% relocated, generally from within the same community. There was one business startup, a plastics manufacturer. This 2005-2006 activity has created/retained over 406 jobs in Region Five and over 356 of these jobs were related to manufacturing. Over \$8 million in capital investment was generated. Region Five maintains a JOBZ website for the five-county region that can be accessed at:
http://www.regionfive.org/economic_development/tax_free_zones.html

ED Committees

NCEDA Full Corp: * Loan Board members

Name	Representing
*Patrick Smith	Crow Wing County Municipality Chair of Loan Board
*Cy Struss	Cass County
Dennis Plautz	Cass County Municipality
Patrick Rafferty	Cass County EDA
Bonnie Kile	Crow Wing County
*Conrad Bye	Crow Wing County EDA
Jon Vetter	Morrison County
Bonnie Lampert	Morrison County Municipality
*Peter Vogel	Morrison County EDA
Bruce Nelson	Todd County
*Julie Baum	Todd County Municipality
Daniel Beach	Todd County
EDA	
William Stearns	Wadena County
Terry Lynk	Wadena County Municipality
*Jerel Nelson	Wadena County
EDA	
*Lucy Nesheim	Region Five - Ex
Officio	

ED Governing Body: private sector members

R5DC constitute public sector members

Name	Representing
Karen Kirk	Suite Spaces: Owner
Diane Rook-Johnson	Financial Group of Central MN: Owner
Diane Ulmen	Thyme & Thyme Again Catering: Owner
Janelle Riley	Syvantis Technologies/ Computer One Plus: Owner
Jodie Osterloh	Close Converse Commercial Properties: Principal
Laura Beilke	It Figures: Owner
Stephanie Therlow	Glacksmith and Klein
Joyce Seymour	Deerwood Bank
Susan Mezzenga	Nisswa Chamber of Commerce: Executive Director

ED/CEDS Advisory Council

Lisa	Paxton
Patrick	Smith
Brigid	Tuck
Dean	Uselman
Alex	Weego
Sheila	Haverkamp
Diane	Knutson
	Kaliszewsk
John	i
Rebecca	Best
Jennifer	Hawkiins
Lyle	Danielson
Julie	Baum
Debora	Boelz
Shirley	Uselman
Greg	Bergman
Vicki	White
Joan	Dumont
Dave	Johnson
Carol	Anderson
Patrick	O'Regan

Transportation Highlights

Purpose: To insure safe efficient movement of people and commodities in the region. Provide an ongoing forum for important transportation issues in the region. Assist Mn/Dot and provide input with it's planning efforts and programs.

Program Funding Sources: MN Department of Transportation \$50,000 R5DC tax levy - \$8,824



Service Priorities:

Mn/DOT Grant Administration

Throughout the year staff has worked to fulfill the program obligations of the Minnesota Department of Transportation (Mn/DOT) planning grant contract by monitoring local, state and federal transportation programs.

Staff has been actively promoting the Safe Routes to School Program not only as way to increase the number of children to walk or bike to school, but as a way to make our region safer, healthier and to bring more funds to our region.

Staff has also been active in presenting educational information on the roundabout. Targeting service clubs and driver refresher courses, this is an opportunity to make people aware of the fact that they exist, that they may soon be seen in our region and how to manipulate them.

Region Five staff has also provided information to local units of government on the local plan and development process and access management.

Transportation Advisory Council

The Transportation Advisory Council (TAC) met four times during fiscal year 2007. Each meeting was coordinated and facilitated by the Region Five Transportation staff.

At the February meeting candidate projects for the 2011 State Transportation Improvement Program (STIP) were reviewed and ranked. Table 1 lists projects that were awarded Federal Funds.

Central Minnesota Area Transportation Partnership

Transportation staff also participated in several Area Transportation Partnership (ATP) activities including the development of the Area Transportation Improvement (ATIP) and State Transportation Improvements Programs. The development of the ATIP and STIP required coordination between local road authorities and state and federal funding sources. Staff coordinated the TAC's responsibility for reviewing FY2011 annual eligible federal project selection process, culminating in a well documented approved list of local priority projects.

Modal Transportation Activities

Transit

During the course of FY2007, Region Five Transportation staff continued to monitor regional transit service. Staff participated as a funding/ranking reviewed of applications for Section 5310 public vehicles in the Mn/DOT District 3 area, and provided application assistance to existing or new applicants.

In the spring of 2006 Region Five began working with Todd County on a Needs Assessment for transit services. That project was completed in July and presented to the Todd County Transit Committee in August.

As a result of the survey, a need was shown for public transportation in the cities of Staples and Long Prairie. In November and December staff helped guide Mn/DOT, Todd County, City of Staples, Lakewood Health System, Central Lakes College and Wadena county to developing a transit program for the City of Staples. This program began service on January 2nd.

Currently underway is a project to develop public transit in Long Prairie.

In 2006 staff completed the Public Transit/Human Service Coordination Plan for Region Five. In 2007 staff has worked to keep the steering committee together to discuss regional transit issues and concerns.

Trails

Regional trails planning and inventory development moved forward in FY2007. Region Five assisted several communities and organizations with trails by either participating in their planning process, grant writing or technical assistance.

Mn/DOT District 3 Activities

Region Five staff has been involved in several District 3 activities. Those include the District's Long Range Transportation Plan, the Trunk Highway 210 Corridor Study, and the Brainerd/Baxter Origin & Destination study.

Local Road Authority Projects

Staff continuously links with local road authorities to provide technical or projects assistance throughout the fiscal year. One ongoing program is township assistance with recording their public interest in existing town roads in county offices. Road system management concerns are assisted with draft or sample policies/ordinances customized to deal with local issues or concerns.

Inter-Regional/State-Wide Transportation Activities

Staff participates with other RDC Transportation Program activities through communications and quarterly planner meetings held throughout the state. Region Five staff is representing the RDC Transportation Planners on the Statewide Functional Classification Update Advisory Committee that is looking to have a system update this winter.

Hazard Mitigation

As of June 8th plans for Wadena, Cass, Morrison and Todd counties all have been approved pending final adoption by participating jurisdictions. Staff is in the process of collecting adoption resolutions from each participating jurisdiction and expects a final completion of September 31st.

Regional Transportation Plan

Work is currently underway on a Regional Transportation Plan for Region Five. The Region Five Development Commission is authorized by state law (MS462.383-398) to carry regional planning efforts. The Region Five/MnDOT Annual Planning Grant Agreement includes responsibility for providing a Regional Transportation Plan that reflects historical and projected modal transportation system needs, funding responsibility, and projected funding sources to meet regional system requirements.

The State of Minnesota developed its first thorough state wide transportation plan in 1977, which took over four years to complete. Upon finishing that plan, state-wide Regional Development Commissions took on the task of completing their individual Regional Transportation Plans.

Region Five developed its first regional transportation plan in 1982, and updated it again in 1989 and again in 1992. It has been determined a new version of the regional perspective of the combined but separate road authority needs, responsibility, and funding, is in order. This includes the state, county, city, and town road systems.

The Regional Transportation Initiatives Program has undertaken to construct a new version of regional transportation efforts, needs, and funding, in an informational partnership with Mn/DOT District 3, and in a collaborative spirit with all local road authorities.



Statewide Functional Classification Update Advisory Committee

Functional classification is the grouping of streets and highways into classes or systems according to the character of service they are intended to provide. Basic to this process is the recognition that most travel involves movement through a network of roads. Functional classification defines the role that any particular road or street plays in serving the flow of trips through an entire network.

Federal law requires states to develop and update a functional classification system. Minnesota's last update was in 1993.

The FHWA's guidelines provide the concepts, criteria, and procedures to be used to establish a functional classification system. The application of these guidelines will be overseen by an advisory committee consisting of Mn/DOT and local government stakeholders. Technical evaluation will be conducted by the Office of Investment Management and reviewed by both the advisory committee and local units of government. Local units of government, with assistance from the Regional Development Commissions and MPOs, will evaluate the system cooperatively. Final determination of the system will be made by Mn/DOT in cooperation with local units of government.

To learn more about the Regional Transportation Initiatives Program visit www.regionfive.org and click on Transportation.

Rank	No	Project Number	Agency	Route	Estimated Cost & Funding Source				Functional Class	Technical Ranking
					Federal	Local	Local %	Total		
1	20	NA	Wadena Co. Friendly Rider	Transit	\$54,400	\$13,600	20%	\$68,000		
2	21	NA	Morrison Co. - Tri-CAP	Transit	\$54,400	\$13,600	20%	\$68,000		
3	19	NA	City of Brainerd / Crow Wing Co	Transit	\$54,400	\$13,600	20%	\$68,000		
4	16	NA	Mn/DOT	RR	\$300,000	\$0	0%	\$300,000		
5	17	NA	Brainerd	EN	\$288,300	\$167,700	37%	\$456,000		
6	5	NA	Crow Wing Co.	CSAH 18	\$376,000	\$94,000	20%	\$470,000	Major Collector	145.00
7	9	49-635-xx	Morrison Co.	CSAH 35	\$1,012,500	\$337,500	25%	\$1,350,000	Major Collector	143.56
8	1	NA	Cass County	CSAH 1	\$900,000	\$300,000	25%	\$1,200,000	Major Collector	119.77
TOTALS -->					\$3,040,000	\$940,000	31%	\$3,980,000		
FUNDED PROJECTS ABOVE					UNFUNDED PROJECTS BELOW					
9	10	49-596-xx	Morrison Co.	CR 258	\$580,000	\$145,000	20%	\$725,000	Major Collector	116.14
10	4	77-651-04	Todd County	CSAH 51	\$1,060,000	\$265,000	20%	\$1,325,000	Major Collector	112.29
11	8	NA	Crow Wing Co.	CR 117	\$320,000	\$80,000	20%	\$400,000	Major Collector	111.06
12	6	NA	Crow Wing Co.	CSAH 3	\$640,000	\$160,000	20%	\$800,000	Minor Arterial	106.11
13	3	77-623-05	Todd County	CSAH 23	\$1,720,000	\$430,000	20%	\$2,150,000	Major Collector	103.15
14	7	NA	Crow Wing Co.	CSAH 77	\$480,000	\$120,000	20%	\$600,000	Major Collector	101.56
15	12	49-645-xx	Morrison Co.	CSAH 45	\$424,000	\$106,000	20%	\$530,000	Major Collector	100.51
16	11	49-601-xx	Morrison Co.	CSAH 1	\$211,200	\$52,800	20%	\$264,000	Major Collector	99.57
17	13	49-596-xx	Morrison Co.	CR 213	\$445,600	\$111,400	20%	\$557,000	Major Collector	92.20
18	14	49-608-xx	Morrison Co.	CSAH 8	\$400,000	\$100,000	20%	\$500,000	Major Collector	87.87
19	2	NA	Wadena County	CSAH 4	\$338,000	\$84,500	20%	\$422,500	Major Collector	72.15
20	15	NA	Morrison Co.		\$224,000	\$56,000	20%	\$280,000		

Transportation Committees

RDO Transportation Planners (Co-Chair)
 Functional Class Updated Advisory Committee
 TH 10/Wadena Technical Committee
 City of Staples New TH 10 Committee
 Brainerd/Baxter OD Study
 BLACC RBC
 ATP TE App Review Sub-Committee

Transportation Advisory Council:

TRANSPORTATION COUNCIL

Mark Blessing, Staples
 Alan Parish, Browerville
 Dave Enblom, Walker
 Duane Blanck, Brainerd
 Jeff Hulsether, Brainerd
 Steve Backowski, Little Falls
 Jerry Lochner, Little Falls
 Loren Fellbaum, Long Prairie
 Joel Ulring, Staples
 Steve Voss, Brainerd
 Vacant
 Bob Erdrich, Little Falls
 Pam Jenson, Wadena
 Trevor Walter, Baxter
 Steve Kleeberger, Cass Lake

REPRESENTING

Council Chairman, R5 Commission
 Region Five ATP Representative
 Co. Hwy. Engineer, ATP Rep.
 Co. Hwy. Engineer
 City Engineer
 Co. Hwy. Engineer
 City Services Mgr.
 Co. Hwy. Engineer
 Co. Highway Engineer
 District 3
 Region Wide Aviation
 Region Wide Railroads
 Transit
 City Engineer
 Leech Lake Tribal Council

COUNTY

Todd County
 Todd County Townships
 Cass County
 Crow Wing County
 Crow Wing County
 Morrison County
 Morrison County
 Todd County
 Wadena County
 MN/DOT
 Region Five Area
 Region Five Area
 Region Five Area
 Crow Wing County
 Cass County

Ex-Officio Members

Kevin Howieson

District 3

MN/DOT

Housing Highlights

Purpose: To increase affordable housing stock within region and to partner with other organizations to improve education of conservation construction alternative.

Program Funding Sources:

Grants for Low Impact Development Work
\$19,000

Minnesota Housing Finance Agency (MHFA):
\$210,000 – 2% loan

\$ 70,000 – 0% loan

\$140,000 – Gap Financing

Department of Corrections (DOC):

\$125,000 – 0% loan

Greater Minnesota Housing Finance (GMHF):

\$120,000 – 2% loan



Service Priorities:

Addressing affordable housing issues as well as providing information and program presentations to communities, recruiting program participants, applying for grants to supplement existing programs, completing necessary reports and data collection for all of its housing programs.

Affordable Housing

This was a year of restructuring the Housing Department and paying off the sizeable acquired debt. In August of 2006 Region Five canceled the contract with Department of Corrections and eliminated the one construction work crew who built homes.

Following much effort from Region Five Staff and the professionals at Help-U-Sell Realty out of Brainerd, 5 homes were sold and an additional 5 lots were sold. This allowed Region Five to pay off MHFA, DOC and GMHF. We do still have remaining housing department debt that is on a pay off schedule.

The Brainerd lakes area is growing over 50% faster than other communities in the state, and there is a definite need for affordable housing all over the region. Addressing this critical regional issues while eliminating the debt inspired dramatic changes to this

affordable housing program. Region Five now applies for affordable housing funding from State and Federal programs and acts as an administrator of the funded projects. We partner with other organizations who build affordable homes to provide the construction crews.

We are in the process of partnering with the Ottetail Wadena Community Action to build home in Wadena utilizing their Department of Corrections Work Crews. Twenty-nine (29) affordable homes have been constructed in the five county area we serve within the last five (5) years.

CASA Funding

Region Five applied for and received a CASA funding grant from MHFA. Six low to moderate income families can receive up to \$130,000 each for the purchase of a home constructed by Region Five. Funding is accessed through Wells Fargo Bank of Baxter and currently consists of a below market interest rate for up to 40 years.

Self Help Housing

The Self Help Housing Program application was approved by USDA-Rural Development in September 2004. Construction by four qualifying families began immediately. The SE Brainerd homes were finished in the fall of 2005. The grant proposal was to complete twelve homes in the two-year grant cycle and we anticipated starting another construction group in the spring of 2007. After extensive effort to market this opportunity and following over 100 potential applicants, none were approved. In March 2007 and the grant agreement was terminated.

Fix Up Fund

In the past year, 5 homeowners in the region have received funding through the Fix Up Fund Loan Program. These loans totaling over \$40,000, allowed homeowners to increase energy efficiency, remodel kitchen areas, repair roofing, replace old windows and doors, and complete garage space in their individual homes. The fix-up-fund is a Minnesota Housing Finance Agency program administered by Region Five for the areas within the region where a financial institution does not provide the program.



Minnesota Housing Finance Agency: partner for Fix-up-Fund and CASA programs.

HOUSING OUTREACH

Region Five Staff have attended many of the "Home Stretch" classes throughout the region to promote the various programs offered by our Commission.

New relations with the Leech Lake Tribe to address the housing needs in this area of the region have begun.

ISTS

The Region Five Individual Sewage Treatment System (ISTS) program began in Wadena County in 2001 with funds provided by the Minnesota Department of Agriculture. Crow Wing (2002) and Cass (2003) counties elected to participate shortly after that. There have been minor changes to the program each year. Originally, the program was available only to low income residents. Since then, it has expanded to include anyone that can show repayment ability with preference given to year-round residents, 18 loan applications were received in 2007; 13 were approved, 3 were denied. To date 98 residents have accessed over \$450,000 through this program in the past five years; none of the loans have gone into default.

COMMERCIAL CONSERVATION DESIGN ALTERNATIVES - LOW IMPACT DEVELOPMENT INITIATIVES

Region Five has partnered with many regional foundations, local units of government, non-profit organizations & the private sector to execute a detailed plan that includes development of web based and printed materials to encourage implementation of conservation alternatives by commercial landowners/developers. Funding from the Initiative Foundation, Crow Wing Power, Happy Dancing Turtle and the U of M Regional Partnership, in a joint venture with the Fairview Conservancy we are utilizing the Fairview Office park as pilot site to hold training workshops targeted to the local units of government, real estate & construction professionals to increase awareness and participation in conservation design practices.

Special Projects

Strategic Planning - With the grant assistance from the Initiative Foundation, Region Five Development Commission engaged in strategic planning efforts. A clear direction was established with goals, benchmarks and clear expectations. The priority areas were: financial stability, outreach & identification of services provided. The communication has improved and we are on an improved path.

Northwood Non-Profit Sessions - Region Five partnered with the Initiative Foundation, United Way, Bremer, Blandin and the Brainerd Area Foundation to support regional Non-profit workshop sessions. The attendance was over 40 organizations to each of the three workshops.

Legislative Forums - Region Five hosted 4 Legislative Forums throughout the region. A total of over 200 constituents attended the forums, allowing both legislators and the general public opportunities to communicate.

Quarterly Regional Administrator Meetings - Regional thinking inspired the sharing of ideas and resources from County and City Administrators. Giving Region Five the opportunity to maintain a pulse on regional critical issues.

Other Regional/State Committees *Region Five Staff are part of:*

1. Cheryal is a board member of the Central Minnesota Housing Partnership (CMHP) to stay informed of housing needs and potential programs/solutions.
2. Staff attends the Regional Housing Group meetings facilitated by CMHP
3. Staff attends the Regional Aging meetings facilitated by the Central Minnesota Council on Aging.
4. Cheryal, Chris, Neil & Melissa attend statewide meetings with the other Regional Development Organization staff members for training, planning and coordination efforts. (Executive Directors, Transportation Directors, Economic Development Directors & Finance Officers)
5. Neil was part of a planning committee for the 2007 Rural Summit.
6. Cheryal part of MRDO Convention planning Committee.
7. Chris is actively involved in the Staples community as he is on the City Council, Staples Economic Development Authority Board of Directors, Staples Community Foundation Board of Directors, and the Staples Chamber of Commerce board.

Plans, Studies & Publications *Prepared by Region Five Development Commission*

Plans, Studies

2008 Work Program – Details the goals and objectives of the Commission in each of the program and planning areas

2008 Comprehensive Economic Development Strategy (CEDs) – This document examines economic, social and physical information about the five counties served in our region, and makes recommendations on activities to enhance and improve the economy.

Revolving Loan Fund Plan - Describes the program elements, guidelines and procedures for the loan fund.

Hazard Mitigation Plans – Portrayal of information about hazards and actions being taken to decrease or eliminate existing risks. Completed plans for Cass, Wadena, Todd & Morrison counties.

Personnel Policy - Operations Manual – A comprehensive update of the Personnel Policy and the creation of a finance and organizational operations manual to provide organizational policies and procedures.

Publications

2007 Annual Report – Information on the funding and work activities of the Commission over the past year. Published and distributed to local officials and legislators.

Township Newsletter – Quarterly newsletter developed for the Townships throughout the region.

E- Quickies – Monthly email containing timely information and updates on critical economic development activities throughout the region.

Commission Weekly E-updates – Weekly Staff update to members of the Commission regarding progression of projects.

www.regionfive.org – Web site devoted to the services, resources and opportunities of our five counties.

Region Five Development Commission
Summary of All Units
For the Twelve Months Ending June 30, 2007

	Current Month	YTD Actual	FY2007 Budget	Variance	Comments
<i>Bracketed numbers in Revenue indicates actual receipts were less than budget</i>					
Federal Grant Revenue	0.00	84974.00	50000.00	34974.00	
State Grant Revenue	0.00	64941.79	70000.00	(5058.21)	Final pmt to be received
Local Grant Revenue	0.00	1800.00	0.00	1800.00	
ISTS Interest/Fee Income	306.67	5420.80	0.00	5420.80	
Interest Income	136.93	1877.36	240.00	1637.36	
Contract Income Net of Expenses	900.00	(1741.06)	47000.00	(48741.06)	Housing Net
NCEDA Administration Fees	3238.01	57550.46	64000.00	(6449.54)	NCEDA
Miscellaneous Revenue	1500.00	1749.18	0.00	1749.18	
Local Tax Levy	0.00	280753.16	230589.00	50164.16	
State Market Value Credit	0.00	19306.53	0.00	19306.53	
PERA Aid	0.00	1716.00	0.00	1716.00	
Total Revenue	6081.61	518348.22	461829.00	56519.22	
<i>Non-Bracketed numbers in Expenses indicate actual expenses exceeded budget</i>					
Salaries Expense	17956.32	202647.64	182500.00	20147.64	approved overage
Employee Benefits Expense	3275.93	54341.71	69904.61	(15562.90)	
Unemployment Expense	0.00	9935.00	15000.00	(5065.00)	
Workers Compensation	(2309.00)	0.00	0.00	0.00	
Commission Expenses	1512.49	22570.06	28000.00	(5429.94)	
Loan Expenses	37.00	1834.32	1000.00	834.32	
Staff Development	0.00	807.97	2500.00	(1692.03)	
Staff Travel	103.29	4550.37	6000.00	(1449.63)	
Staff Car	0.00	945.33	6000.00	(5054.67)	
Office Rent Expense	0.00	11252.48	6000.00	5252.48	611 Iowa
Insurance Expense	(3117.00)	2968.00	5000.00	(2032.00)	
Telephone and Internet	477.82	6412.97	8000.00	(1587.03)	
Office Supplies Expense	471.37	4176.22	5000.00	(823.78)	
Equipment Expense	1357.30	13380.74	11060.00	2320.74	
Depreciation Expense	0.00	0.00	10000.00	(10000.00)	
Postage Expense	0.00	1675.25	5000.00	(3324.75)	
Bank Service Charge	0.00	65.56	300.00	(234.44)	
Miscellaneous Expense	0.00	800.33	3500.00	(2699.67)	
Consultant Expense	500.00	15520.35	6100.00	9420.35	Syvantis
Computer Support Expense	437.50	14003.00	8000.00	6003.00	Freshwater
Legal and Accounting Expense	0.00	36525.00	5000.00	31525.00	Audit
Marketing Expense	303.75	1911.05	5150.00	(3238.95)	
Public Notice Expense	17.80	558.81	1000.00	(441.19)	
Printing and Copies	0.00	31.68	2000.00	(1968.32)	
Document Storage	17.00	296.27	0.00	296.27	
Publications/Maps	(150.04)	963.79	1000.00	(36.21)	
Professional Memberships	0.00	4100.00	5000.00	(900.00)	
Workshop Expense	0.00	330.66	1500.00	(1169.34)	
CMCOA Contract	0.00	8781.00	12000.00	(3219.00)	
Site Rental Expense	100.00	100.00	0.00	100.00	
Interest Expense	0.00	17161.08	20000.00	(2838.92)	
Software Expense	0.00	4750.00	5000.00	(250.00)	
Meeting Expense	217.94	1489.53	1000.00	489.53	
Insurance Expense - Auto	(306.00)	440.00	0.00	440.00	
Total Expenses	20903.47	445326.17	437514.61	7811.56	
Net Income	(14821.86)	73022.05	24314.39	48707.66	

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INDEPENDENT AUDITORS' REPORT

Commissioners/Directors
Region Five Development Commission
Staples, Minnesota

We have audited the accompanying financial statements of the governmental activities, the major fund, and the discretely presented component unit of Region Five Development Commission as of and for the year ended June 30, 2006, which collectively comprise the Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of Region Five Development Commissions' management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the discretely presented component unit of Region Five Development Commission, as of June 30, 2006, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2007, on our consideration of Region Five Development Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.



Commissioners/Directors
Region Five Development Commission

The management's discussion and analysis and budgetary comparison information, as listed in the table of contents, are not a required part of the basic financial statements but are supplementary information required by U.S. generally accepted accounting principles. We have applied certain limited procedures, which consist primarily of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Region Five Development Commission's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*, and is not a required part of the basic financial statements. The schedule of expenditures of federal awards has been subjected to auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Larson, Allen, Weishaar & Co., LLP

LARSON, ALLEN, WEISHAAR & CO., LLP

Brainerd, Minnesota
March 23, 2007