



Region Five
DEVELOPMENT COMMISSION

Annual Report

JULY 1, 2007 - JUNE 30, 2008

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Chairman Bill Kern:

Fiscal year 2007 was a great year for Region Five Development Commission. The organization has come a long way in the past several years and I would know because I've been a member for 30 years.

To my observation, Cheryal Lee Hills, Region Five's Executive Director is one of the best Directors I have worked with over the years while being on the Commission. She has outstanding leadership skills and her accountability is impeccable. If this kind of accountability continues at Region Five we will have a great future for the five counties we serve and the quality of life of the communities within the region will continue to prevail.

Transportation is doing a good job and working hard to keep up on the many transportation issues the region faces.

Staff at Region Five is doing an excellent job. Cheryal has done a tremendous job with hiring qualified staff members who are a valuable asset to Region Five.

The VISTA Local Foods program is something I feel really good about going forward with and I am confident in Region Five's abilities to follow through with the program objectives.

This past year I have seen and heard many changes within the region and Commission, all of which are good. We as a Commission know where the money is being spent and where it's going.

I'm happy to say that we have a new Economic Development Director, Lee Miller, who joined us back in June. I am very confident that we made a good decision about hiring Lee Miller and I am interested to see how things develop and where Economic Development will be next fiscal year.

Thank you for all of your support:

Sincerely,
Bill Kern



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
Mike DeRosia, Pierz
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
Joel Quance, Staples
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

Little Falls Area COG

REGION FIVE SCHOOL BOARDS

Sharon Ballou, Little Falls
Jody Bjornson, Menahga

School Board Representative
School Board Representative

SPECIAL INTEREST GROUPS

Robert Becker, Pine River
Delina White, Cass Lake

Soil & Water Conservation
Leech Lake Tribal Council

REGION FIVE DEVELOPMENT COMMISSIONERS



1st Row: Jody Bjornson, Robert Kangas, Rosemary Franzen, Lucy Nesheim, Delina White

2nd Row: Paul Nieman, Jr., Mark Blessing, Tom Wenzel, Sharon Ballou, Robert Becker, William Kern, Mark Platta

3rd Row: Joel Quance, Dave Schermerhorn, Mike DeRosia

Not Pictured: William Bliss, Alan Perish, Brian Lehman, Erick Hedren, Luke Mitchell, and Gene Young.

REGION FIVE DEVELOPMENT BOARD OF DIRECTORS



Lucy Nesheim; Secretary, Tom Wenzel; Director, Bill Kern; Chairperson,
Robert Becker; Director, and Dave Schermerhorn; Director

Not pictured: Alan Perish; Treasurer and Erick Hedren; Director

ADMINISTRATION

Cheryal Lee Hills, Executive Director
Nicky Larson, Finance Officer
Nicole Scheler, Office Specialist

TRANSPORTATION

Chris Etzler, Transportation Director

ECONOMIC DEVELOPMENT

Lee Miller,
Economic Development Director
Anne Hanson,
Economic Development Assistant



Back row: Lee Miller, Nicky Larson, Chris Etzler, Cheryal Hills

Front: Anne Hanson, Nicole Scheler

Region Five Development Commission 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 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: Lee Miller

1. Chair: Lucy Nesheim
2. Rosemary Franzen
3. Bill Bliss
4. Bob Kangas
5. Jody Bjornson

Transportation

Staff: Chris Etzler

1. Chair: Mark Blessing
2. Mark Platta
3. Dave Schermerhorn
4. Tom Wenzel
5. Paul Nieman Jr.

Grant/Loan Administration

Staff: Cheryal Hills

1. Chair: Alan Perish
2. Luke Mitchell
3. Bill Kern
4. Bob Becker
5. Mike DeRosia

Marketing

Staff: Anne Hanson

1. Chair: Brian Lehman
1. Delina White
2. Sharon Ballou
3. Gene Young
4. Erich Hedren

Finance/ Budget/ Personnel

Staff: Nicky Larson/Cheryal Lee Hills

Chair: Bill Kern

This committee is comprised of the Board of Directors and only meets to create a draft budget in early May:

Board of Directors	Position
Bill Kern	Chair
Erick Hedren	Vice-Chair
Lucy Nesheim	Secretary
Alan Perish	Treasurer
Tom Wenzel	Director
Robert Becker	Director
Dave Schermerhorn	Director

Executive Director's Report

Cheryal Lee Hills



The purpose of this Annual Report is used to inform the Commission and the region of the staffs' success in meeting the goals summarized in the Commission approved FY2008 Work Plan. It's a way for the region to measure our

value through the achievement of outlined objectives, benchmarks and goals. I'd like to start out by saying.....what a difference a year makes! Because of the regions support and the staff's hard work, things **ARE** looking better!

The Commission set forth seven *Administration* objectives in the FY2008 Work Plan, as well as objectives for the three other core areas of Region Five Development Commission which consist of; Transportation, Economic Development and Grant/Loan and Contract Administration.

All of the Administrative objectives set forth have been achieved with measurable results. The objectives included; Advocating for Local Units of Government and residents of the region, providing outreach efforts of services and programs, developing MRDO relations to improve statewide Regional Development Commission value, maintaining an efficient accounting system, managing supportive functions of the Commission and maintaining a quality staff to perform the necessary work.

The subsequent ***Program Highlights*** report illustrates the many ways Region Five advocates for the regions Local Units of Government.

A Marketing/Outreach plan was developed which includes over 20 regional Local Unit of Government presentations throughout the year as well as presentations to funders, service groups and school districts. Press Releases, Township Newsletters, Legislative Forums, radio community focus shows and the R5DC website and workshops are a few of the ways we attempt to spread the word of Region Five services.

I'd like to express sincere appreciation to the Executive Directors and support staff from the

other Minnesota Regional Development Commissions who have worked tirelessly to improve the value of all Minnesota RDC's.

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

The Commission members have taken ownership of this organization and have participated in Committee commitments as well as regular monthly meetings. They understand that **Region Five is only as healthy as the leadership is has engaged.**

Additionally, we have created an outstanding team at Region Five with the staff additions of Nicky Larson: Finance Officer and Lee Miller Development Director. The experience, knowledge and work ethics of Chris Etzler: Transportation Director and Anne 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: Nicole Scheler we have several of the pieces needed to achieve exceptional effectiveness as an organization that serves the communities within our region.

It is celebrated in the following pages of this annual report how Region Five is participating in productive partnerships, has become a great resource, and is involved in the projects of regional importance.

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 moving our missions forward next year.



Program Highlights

JULY 1, 2007 - JUNE 30, 2008

Serving Counties

Todd, Wadena, Crow Wing, Cass, and Morrison

Economic Development Department

The purpose of the Economic Development Department is 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:

EDA	\$51,615
Tax Levy	\$51,615
RLF Interest/Fee	\$36,000
Loan Repayment	\$13,500
<u>Contracts</u>	<u>\$10,000</u>
<i>Total</i>	<i>\$162,730</i>



Lee Miller
Economic Development Director



Anne Hanson
Economic Development

Assistant

Service Priorities:

The Economic Development Department of Region Five serves as the federally designated Economic Development District of the region. This designation enables the five county service area of the R5DC to apply for federal grant opportunities through the Economic Development Administration. This designation also charges the Economic Development Department of the R5DC to oversee and assist with regional economic development planning and collaboration efforts.

These service priorities were outlined and approved by the Commission through five specific objective areas in the FY2008 Work Plan. This department met all five of the FY2008 Work Plan objectives and benchmarks.

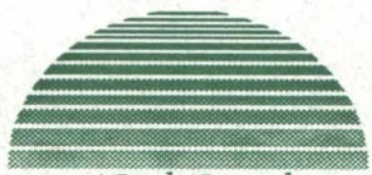
Objective 1: To effectively administer the approved EDA Revolving Loan Fund (RLF) program to promote business and industrial expansion within the region to create needed full-time jobs.

Objective 2: Continue to be designated as an approved district of the Economic Development Administration.

Objective 3: Continue to provide technical planning and grantsmanship services in the area of community and economic development to units of government and businesses in Region Five.

Objective 4: Maintain accurate/up-to-date community and economic development database.

Objective 5: Work with the State Department of Employment and Economic Development (DEED), MN Regional Development Organization (MRDO), and other regional entities in economic development effort that address needs of rural areas.



North Central

Economic Development Association

N.C.E.D.A./Revolving Loan Fund

The North Central Economic Development Association, Inc. (NCEDA) is a local non-profit corporation established to administer Region Five's Revolving Loan Funds (RLF). The RLFs were created with federal and local dollars through the Region Five Development Commission. It offers gap financing for fixed assets and working capital for new and expanding businesses in Cass, Crow Wing, Morrison, Todd, and Wadena Counties. Businesses must be located within the Region, be a for-profit corporation, partnership, or proprietorship, and be able to demonstrate ability to repay the loan.

Loans range from \$5,000 to \$100,000 and can be used for acquisition and/or improvement of land, buildings, plants, and equipment; new construction or renovation of existing facilities; demolition and site preparation, machinery and equipment purchase; and working capital. Loan funds may not be used for professional fees, debt consolidation, and acquisition of real property for subsequent lease.

In 2008, nine loans were closed, 124 jobs were created and retained, and NCEDA distributed over \$413,500 and leveraged just under \$10 million in private sector investment. Two loans totaling \$80k have been approved and not closed. Five businesses were located in Cass County, two in Crow Wing County and one each in Todd and Wadena. The average loan amount for last year was just under \$46,000, up from last year's average of \$35,000. NCEDA currently has 48 loans outstanding. At the FY end, funds outstanding total just over \$1.4 million and funds available are over \$77,000. Staff is in the process of recapitalizing the loan fund. Existing and potential businesses in the region benefit from this gap funding. 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 2008 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 usually provide the initial contact information to applicants of NCEDA funding.

*****This service priority fulfilled Objective #1 in the 2008 Work Plan.***

Network 5

Network 5 meetings continue to be held bi-monthly in various locations throughout the Region Five service area. Each meeting is usually attended by 20-40 participants. Speakers were provided at each meeting and included representatives from University of MN Extension, Energy Audit professionals, Minnesota Power, Crow Wing Power and Central Lakes College. 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. ***** This service priority fulfilled Objective #5 in the 2008 Work Plan.***

Comprehensive Economic Development Strategy (CEDS)

Economic Development planning is critical to the long-term well-being of an area. Economic Development activities around the region are guided by the assessments of current programs and the needs brought forward by the citizens of the region through the Comprehensive Economic Development Strategy planning process. The Strategy or CEDS, as it is often referred to, consists of a five year plan with goals and objectives developed with input from local citizens and leaders.

The plan is updated and reviewed by U.S. EDA annually. Components of the plan include analysis of the region and each county, including industry patterns, wage rates, unemployment rates, and education. It also includes a list of the goals and objectives as well as an outline of activities that have been pursued and will be performed in the coming year to achieve the goals that are outlined. ***** This service priority fulfilled Objective #2 in the 2008 Work Plan.***

Wadena Wage Study

During the summer of 2007, Economic Development staff was awarded an RFP by the City of Wadena to conduct a wage study/comparison of 10 cities of comparable size to Wadena. The study analyzed wage data for approximately 40 employees in 10 cities. Other data collected as part of this study included skill requirements and time in service of specified employees. A full report of the findings was submitted to the City of Wadena's Employment Committee. Staff also gave a presentation to the Committee on the results of the study.

*****This service priority fulfilled Objectives #4 & 5 in the 2008 Work Plan.***

SBDC Satellite Office

In 2007/08 R5DC became an affiliate office of Central Lakes College-Brainerd's Small Business Development Center (SBDC). The Economic Development staff at Region Five are qualified to assist businesses in loan

packaging, business readiness assessments, and to provide analysis of existing businesses to entrepreneurs throughout the area. Our SBDC efforts focus on Todd and Wadena Counties. ***** This service priority fulfilled Objective #3 in the 2008 work plan.***

Long Prairie Incubator Grant

Former Director of Economic Development, Neil Linscheid, in collaboration with the City Administrator of Long Prairie, wrote and submitted a grant application to assist in the construction of a 15,000sq/ft. business incubator building in the City of Long Prairie. The 60+ page document was submitted to the Economic Development Administration and requested that over \$600,000 be awarded to match the City's contribution to this project.

As of the close of the FY 2008, the application was approved at the regional level in Chicago and forwarded to Washington D.C. for final authorization. This project aims to be completed within 6 months of final approval. It is predicted that this project will result in the creation of 150 jobs and investment of \$1.6 million of private funding in Todd County within 9 years of the start of this project. ***** This service priority fulfilled Objectives #2 & 3 in the 2008 Work Plan.***

Wadena County Economic Developer Feasibility Study

As a result of discussions with and amongst several groups in Wadena County, a need had been indicated to have an economic developer to represent the entire County and guide economic development efforts. In the spring of 2008, the R5DC was awarded the contract to conduct a feasibility study on this issue. As a result of this study, Wadena County will receive the necessary data and research needed to make a decision as the viability and sustainability of an economic developer for the County. This project is currently underway and will be completed by early fall of 2008. ***** This service priority fulfilled Objectives #3 in the 2008 Work Plan.***

Job Opportunity Building Zone (JOBZ)

Administrator

The Job Opportunity Building Zones (JOBZ) initiative is a state economic development incentive program that was created in December of 2003 to stimulate economic development in rural areas of the state. Over 3000 acres of land in the Region 5 service area have been designated as “tax free” through this program. The program allows qualifying businesses that locate on a JOBZ qualified parcel, to receive tax exemptions from corporate taxes, individual

taxes, sales and use taxes, most property taxes, and the wind energy production tax through 2015.

Region 5 is the regional administrator of this program. Staff contacts all the JOBZ participants and collects the necessary information to file annual reports for the State of Minnesota. To date, 54 businesses have utilized the benefits of the JOBZ program.

*****This service priority fulfilled Objective #5 in the 2008 Work Plan.***

ECONOMIC DEVELOPMENT COMMITTEES

NCEDA Full Corporation:

** Loan Board members*

<u>Name</u>	<u>Representing</u>
*Patrick Smith	Crow Wing County Municipality, Chairman
* Cy Struss	Cass County
Dennis Plautz	Cass County Municipality
Patrick Rafferty	Cass County EDA
James Kraft	Crow Wing County
*Conrad Bye	Crow Wing County EDA
Jon Vetter	Morrison County
Bonnie Lampert	Morrison County Municipality
*Peter Vogel	Morrison County EDA
Nathan Mathews	Todd County
*Julie Baum	Todd County Municipality
Daniel Beach	Todd County EDA
Bill Stearns	Wadena County
Dean Uselman	Wadena County Municipality
*Jerel Nelson	Wadena County EDA
*Lucy Nesheim	Region Five – ExOfficio

ED Governing Body:

Private sector members R5DC constitute public sector members

Economic Development Governing Body

The governing body was formed in response to a change in EDA regulations in 2007 which requires input from the business sector on projects proposed throughout the region in upcoming years. The governing body is comprised of commission members and representatives of the business community. This body provides input on the priority of economic development projects proposed for the area. The governing body convenes once per year prior to a regularly scheduled commission meeting.

ED/CEDS Advisory Council:

Patrick Smith	Lyle Danielson
Brigid Tuck	Julie Baum
Dean Uselman	Deborah Boelz
Alex Weego	Shirley Uselman
Shelia Haverkamp	Greg Bergman
Diane Knutson	Joan Dumont
John Kaliszewski	Dave Johnson
Rebecca Best	Caroll Anderson
Jennifer Hawkins	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 its planning efforts and programs.

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



Objective 1:

To implement a regional transportation planning program that establishes general goals and policies for the region and addresses the transportation needs of Region Five.

The Region Five Transportation Staff met objective one by engaging in the following 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 roundabouts. 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 2008. Each meeting was coordinated and facilitated by the Region Five Transportation staff. At the February meeting candidate projects for the 2012 State Transportation Improvement Program (STIP) were reviewed and ranked.

*Table 1 lists projects that were awarded Federal Funds.

In the fall of 2007 the TAC created a sub-committee to develop a program to separate “Preservation” projects from “construction” projects. A program was developed and use at the February meeting to distribute federal funds.

Local Road Authority Projects

Staff continuously links with local road authorities to provide technical or projects assistance throughout the fiscal year. Region staff has work with the cities of Pequot Lakes, Wadena and Staples on major road projects in those communities. Input has been provided to several other area communities as well.

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 FY2012 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 FY2008, Region Five Transportation staff continued to monitor regional transit service. Staff participated as a funding/ranking reviewer of applications for Section 5310 public vehicles in the Mn/DOT District 3 area, and provided application assistance to existing or new applicants.

As a result of a Needs Assessment for transit services survey completed by Region Five in 2007 for Todd County, a need was shown for public transportation in the cities of Staples and Long Prairie. In 2007 a service began operating in Staples and this year a service was started in Long Prairie.

In 2008 staff has worked to keep the Region Five Transit Committee together to discuss regional transit issues and concerns.

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 and the Trunk Highway 210 Corridor Study.

Trails

Regional trails planning and inventory development moved forward in FY2008 as a draft scope for a regional trails inventory was presented to the Transportation Advisory Council (TAC). Region Five also assisted several communities and organizations with trails by either participating in their planning process, grant writing or technical assistance.

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 the fall of 2008.

Hazard Mitigation

Plans for Wadena, Cass, and Morrison were

finally approved in 2008. Staff also entered into a contract with Crow Wing County to complete their plan. This plan is in the beginning stages of development.

Regional Transportation Plan

Due to some changes in Mn/DOT and Region Five priorities, only some background work on the Regional Transportation Plan was completed in 2008.

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".

Transportation Committees

RDO Transportation Planners
 Functional Class Updated Advisory Committee
 TH 10/Wadena Technical Committee
 City of Staples N/S Overpass Project Management Team
 BLACC RBC

Transportation Advisory Council:

TRANSPORTATION COUNCIL REPRESENTING

COUNTY

Mark Blessing, Staples	Council Chairman, R5 Commission	Todd County
Alan Parish, Browerville	Region Five ATP Representative	Todd County Townships
Dave Enblom, Walker	Co. Hwy. Engineer, ATP Rep.	Cass County
Lyndon Robjert, Brainerd	Co. Hwy. Engineer	Crow Wing County
Jeff Hulsether, Brainerd	City Engineer	Crow Wing County
Steve Backowski, Little Falls	Co. Hwy. Engineer	Morrison County
Jerry Lochner, Little Falls	City Services Mgr.	Morrison County
Loren Fellbaum, Long Prairie	Co. Hwy. Engineer	Todd County
Joel Ulring, Staples	Co. Highway Engineer	Wadena County
Steve Voss, Brainerd	District 3	MN/DOT
Vacant	Region Wide Aviation	Region Five Area
Bob Erdrich, Little Falls	Region Wide Railroads	Region Five Area
Pam Jenson, Wadena	Transit	Region Five Area
Trevor Walter, Baxter	City Engineer	Crow Wing County
Steve Kleberger, Cass Lake	Leech Lake Tribal Council	Cass County
Kevin Howieson	District 3	MN/DOT

DIVISION OF TRANSPORTATION TIME

*Table 1

No	Project Number	Agency	Route	Project Termini	Project Termini	Project Length	Project Description	Estimated Cost & Funding Source				Functional Class	Technical Ranking	\$/Mile	Previously Submitted
								Federal	Local	Local %	Total				
ROAD & BRIDGE RECONSTRUCTION															
1	NA	Cass County	CSAH 1	CSAH 15	CSAH 29	6	Reconstruction that includes widening, grading, aggregate base, and bituminous surfacing	\$1,440,000	\$360,000	20%	\$1,800,000	Major Collector	96.27	\$300,000	
2	77-623-05	Todd County	CSAH 23	CSAH 24	TH 210	5.1	Reconstruction that includes horiz & vert deficiencies, turn lanes, shlder widening & misc safety improvements	\$1,020,000	\$255,000	20%	\$1,275,000	Major Collector	108.91	\$250,000	2006* & 2007
3	NA	Crow Wing Co.	CSAH 20	N Ahrens Hill Road	CSAH 49	0.9	Reconstruct to urban standards that includes grading, surfacing, storm sewer, slope reinforcement	\$1,292,000	\$608,000	32%	\$1,900,000	Major Collector	76.95	\$2,111,111	
4	NA	Crow Wing Co.	CSAH 36	CSAH 37	CR 114	4.7	Reconstruction that includes grading, base, & bituminous surfacing	\$1,560,000	\$390,000	20%	\$1,950,000	Major Collector	106.37	\$414,894	
5	49-608-xx	Morrison Co.	CSAH 8	CSAH 51	Crow Wing Co. Line	1	Reconstruction that includes grading, base, & bituminous surfacing	\$320,000	\$80,000	20%	\$400,000	Major Collector	113.81	\$400,000	2007
6	49-645-xx	Morrison Co.	CSAH 45	CSAH 48	Crow Wing Co. Line	4.6	Reconstruction that includes grading, bituminous surfaces & aggregate shoulders	\$1,288,000	\$322,000	20%	\$1,610,000	Major Collector	97.90	\$350,000	2007
TOTALS								\$6,320,000	\$2,015,000		\$8,935,000		100.02	\$637,667	
PRESERVATION PROJECTS															
7	NA	Wadena Co.	CSAH 4	TH 10	CSAH 23	6	Shoulder Paving & Bituminous Overlay	\$338,000	\$84,500	20%	\$422,500	Major Collector	83.00	\$70,417	2007
8	NA	Cass County	CSAH 7 (W)	CR 129	CSAH 55	4	Reclaim and surface	\$540,000	\$135,000	20%	\$675,000	Major Collector	124.00	\$168,750	
9	NA	Cass County	CSAH 7 (E)	CSAH 55	TH 6	4.4	Reclaim and surface	\$420,000	\$260,000	40%	\$700,000	Major Collector	124.00	\$169,091	
10	49-596-xx	Morrison Co.	CR 213	CSAH 13	TH 115	5.57	Mill & Overlay	\$448,000	\$112,000	20%	\$560,000	Major Collector	110.00	\$100,539	2007
11	49-596-xx	Morrison Co.	CR 258	CSAH 26	113th St	7.3	Mill & Overlay	\$435,000	\$290,000	40%	\$725,000	Major Collector	112.00	\$99,315	2007
12	NA	Crow Wing Co.	CSAH 77 S	Cass Line	TH 371	3.4	Resurfacing and Safety Improvements	\$648,000	\$162,000	20%	\$810,000	Major Collector	131.00	\$238,235	2005, 2006 & 2007
13	NA	Crow Wing Co.	CSAH 14	TH 6	Aitkin Co. Line	3.2	Resurfacing, including shoulder paving, curb & gutter replacement and safety improvements	\$480,000	\$120,000	20%	\$600,000	Major Collector	143.00	\$187,500	
14	NA	Crow Wing Co.	CSAH 3	CR 109	CSAH 66	8.1	Resurfacing, including shoulder paving, and safety improvements	\$1,600,000	\$400,000	20%	\$2,000,000	Major Collector	136.00	\$246,914	2007*
15	77-651-04	Todd County	CSAH 51	Douglas Ln	CSAH 46	5.3	Replacement of deficient centerline culverts, bituminous overlay and aggregate shouldering	\$380,000	\$95,000	20%	\$475,000	Major Collector	93.00	\$89,623	2007
16	77-601-18	Todd County	CSAH 1	CSAH 10	CSAH 38	6.1	Replacement of deficient centerline culverts, bituminous overlay and aggregate shouldering	\$400,000	\$100,000	20%	\$500,000	Major Collector	90.00	\$81,967	
TOTALS								\$5,689,000	\$1,778,500		\$7,467,500		114.60	\$144,235	
TRANSPORTATION ENHANCEMENTS															
17	NA	Cass Co. / Shingobee Trail Task Force	Shingobee Trail	CR 163 & TH 371	TH 371 & Christmas Pt. Road	1.7	Phase II of a multi-use trail connecting the Paul Bunyan trail & Heartland Trail into Walker	\$251,000	\$99,000	28%	\$350,000			\$205,862	
TOTALS								\$251,000	\$99,000	766%	\$350,000				
TRANSIT															
18	NA	City of Brainerd / Crow Wing Co.	Transit				Transit Vehicle replacement, PTMS Class: 400(D) - 1 Vehicle	\$56,000	\$14,000	20%	\$70,000				
19	NA	Morrison Co. - Tri-CAP	Transit				Transit Vehicle replacement, PTMS Class: 400(D) - 1 Vehicle	\$56,000	\$14,000	20%	\$70,000				
TOTALS								\$112,000	\$28,000		\$140,000				
GRAND TOTALS								\$12,972,000	\$3,920,500		\$16,892,500				

Grant/Loan & Contract Administration

Program Funding Sources:

Tax Levy.....	\$25,000
Contracts.....	\$10,000
MHFA.....	\$350,000
DOC.....	\$125,000



Jerry Briese from AgStar awarding a \$5,000. grant to Bill Kern, Paul Neiman Jr., Sharon Ballou representing commission members and Executive Director Cheryl Hills for Regional Energy Study.

Service Priorities:

The service priorities were outlined and approved by the Commission through three specific objectives areas in the FY2008 Work Plan. This department met all three of the FY2008 Work Plan objective and benchmarks.

Objective 1: Provide updated information to Region Five in regards to the status of the housing, arts, aging areas and provide GRANT administration for the development of assistance for identified programs

Objective 2: Provide updated information to Region Five in regards to the status of the ISTS loans and to provide additional LOAN administration for the development of assistance for additional identified programs.

Objective 3: Provide updated information to Region Five in regards to the status of Community Development throughout the region and to provide CONTRACT administration for the development of assistance for additional identified programs.

Affordable Housing

By partnering with the Ottertail Wadena Community Action to build two homes in Wadena and by utilizing the Department of Corrections Work Crews Region Five wrote and received grant/loan funding from the Minnesota Housing Finance Agency (MHFA) and from the Department of Corrections. Region Five acted as the grant and contract administrator in this affordable housing project, did not carry the liability of the structures nor acted like a developer and earned \$4,000 over the year. To date one house has sold the other is still for sale in Wadena. *****This service priority fulfilled Objective #1 in the 2008 work plan.***

Surveys

Region Five performed a series of surveys for the City of Pequot Lakes in efforts to provide the community with information regarding the Hwy 371 expansion project. A survey to assess the desire for the Bay Lake Township to create a

comprehensive plan and a survey for the Nisswa Chamber of Commerce members were all conducted by Region Five. *****This service priority fulfilled Objective #3 in the 2008 Work Plan.***

VISTA

Beginning in August 2008, Region Five Development Commission in partnership with the University of Minnesota Central Regional Partnership will assist in creating and implementing a sustainable regional local foods program until September 2011 by utilizing a VISTA International paid volunteer. (VISTA International is the US version of Peace Corp.) The efforts of this project include improving the incomes of the rural agriculture based businesses, i.e. farmers and growers, by selling their products to the areas resorts, restaurants, school districts, grocers and hospitals to name a few destinations.

*****This service priority fulfilled Objective #1 in the 2008 Work Plan.***

Regional Housing Advisory Group

Region Five Staff have attended many of the Regional Housing Advisory Group meetings to learn of the various programs offered throughout the region in effort to promote identified programs to interested callers. **** This service priority fulfilled Objective #1 in the 2008 Work Plan.**

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; 16 were approved. To date 93 residents have accessed over \$389,000 through this program in the past seven years; only two of the loans have gone into default whereas in both cases the debts were assessed to the landowners property taxes and assessments were paid off, therefore to date there have been no uncollectible loans in this program. **** This service priority fulfilled Objective #2 in the 2008 Work Plan.**

Micropolitan Planning Initiative

R5DC has attended the Brainerd Chamber Regional Business Council taskforce meetings and has been involved in the Micropolitan planning efforts for the past two years. The regions "Micropolitan" is classified as lower Cass County all of Crow Wing County. We are happy to have received a 2-year grant from the Initiative Foundation to support a part-time planner who will move the objectives and goals of these planning efforts forward. **** This service priority fulfilled Objective #3 in the 2008 Work Plan.**

Regional Alternative Energy Study

In partnership with the regions Economic Development Professionals the R5DC has received funding from AgStar Financial to hire consultants to complete a regional Energy Study which will achieve the goals of identifying what the alternative energy sources are within our region, it will provide economic development professionals within the region with an understanding of the environmental and economic trade-offs when we utilize the regions alternative energy sources and will identify projects with regional potential. **** This service priority fulfilled Objective #1 in the 2008 Work Plan.**

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. An informational website and printed material to promote this site was created by Evergreen Press which targets the general public, local units of government and the building industry. The website is: www.mnbuildsmart.org. 200 people attended a two day "Build Smart Summit" hosted and coordinated by Region Five in late April. Nationally known speakers were brought in and 40 Exhibitors were available to display conservation products and services. The efforts won the Statewide Minnesota Environmental Initiative Award for "Green Building and Development Projects." **** This service priority fulfilled Objective #1 in the 2008 Work Plan.**

Special Projects

Legislative Forum - In partnership with the Headwaters Regional Development Commission and the Leech Lake Band of Ojibwe, Region Five hosted a Legislative Forum at the **Bug-O-Nay-Ge-Shig School** in Cass Lake. It was a great opportunity for our legislators to learn about the educational tribal issues.

Financial Township Workshops - Coordinated by Region Five, hosted and instructed by a private auditing company: Larson Allen. CPA's provide government financial best practices and procedures for all local units of government with populations under 2500.

Sesquicentennial Visioning Sessions - Region Five hosted a series of 5 visioning sessions throughout the region for the MN150 years of statehood celebration. Community members attended these sessions and shared what they want the future to be like for future generations. They identified what the "got-to deal with" issues if we're going to make those future dreams a reality and they shared what they wanted to tell Minnesotans 50 years from now and finished by explaining what attendees were personally working on today to ensure they have the same or better quality of life they have now. The reports from these visioning sessions can be found at www.regionfive.org and at www.mn150years.org.

School Transportation Assessment Program - Region Five has developed a program to assist local school districts in the area of school transportation. The goal is to provide resources and expertise in partnership with area school districts to help solve the student transportation issues the face, and to work with them to improve their operations relating to school bus and student transportation.

Regional/State Committees Region Five Staff take part in:

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, Nicky, Ann and Lee 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. Cheryal was part of a planning committee for the 2008 Health Care Workforce Development Summit.
6. Cheryal is a part of MRDO Convention planning Committee.
7. Chris is actively involved in the Staples community as Mayor of the City and sits on several committees.

Plans, Studies, Surveys & Publications

Prepared by Region Five Development Commission

Plans, Studies & Surveys

FY2009 Work Program/ Business Objectives & Benchmarks – Details the goals and objectives of the Commission in each of the program and planning areas

2009 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 are being taken to decrease or eliminate existing risks. Plans for Cass, Wadena, Todd & Morrison counties have been completed. Transportation staff is currently working on the Crow Wing County Plan.

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.

Pequot Lakes and Bay Lake Surveys - Pequot Lakes – Hwy 371 expansion, Bay Lake – Comprehensive Planning, Nisswa Chamber of Commerce - Membership.

Publications

2008 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.

Monthly Website Blog updates – Staff update Blogs regarding events and what's happening at Region Five on a regular basis.

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.

www.mnbuildsmart.org – Web site developed to provide conservation planning information.

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 (Commission) as of and for the year ended June 30, 2007, which collectively comprise the Commission's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Commission's management. Our responsibility is to express opinions on these financial statements based on our audit.

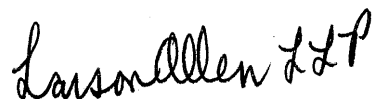
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and 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 the Commission, as of June 30, 2007, 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 January 16, 2008, on our consideration of the 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.

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 the 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.

A handwritten signature in black ink that reads "LarsonAllen LLP". The signature is written in a cursive, flowing style.

LarsonAllen LLP

Brainerd, Minnesota
January 16, 2008

**Region Five Development Commission
For the Twelve Months Ending June 30, 2008**

		FY2008 BUDGET	FY2008 ACTUAL	VARIANCE	
REVENUES					
1	MnDOT Grant	50,000	50,000	-	
2	EDA Grant	51,615	51,615	-	
3	Sale of Housing Lots	60,000	60,000	-	
4	NCEDA	36,000	62,000	26,000	
5	Tax Levy	236,000	197,000	(39,000)	
6	Miscellaneous Cash Receipts	0	6,500	6,500	(Misc, Grant Admin)
7	JOBZ	13,500	21,400	7,900	
8	Fix Up Fund	3,000	4,000	1,000	
9	State Market Value Credit	19,000	8,700	(10,300)	
10	Local Contracts & T.A.	30,000	50,500	20,500	(Contract Inc, BSS, ISTS)
11	Interest Income	240	5,000	4,760	
12	PERA Aid	1,716	1,716	-	
	Total Cash Revenues	501,071	518,431	17,360	
				-	
EXPENSES					
13	Salaries & related tax expenses	246,000	192,126	(53,874)	
14	Employee Health/Life Insurance	22,800	49,067	26,267	
15	Flex Plan(HAS Beginning in Oct)	6,600	2,519	(4,081)	
16	Commission Per Diem	13,200	10,983	(2,217)	
17	Commission/Board Milage	8,400	6,240	(2,160)	
18	Staff Travel	6,000	5,963	(37)	
19	Postage Machine Lease	2,200	1,175	(1,025)	
20	Copy Machine Lease	3,218	3,283	65	
21	Telephone and Internet	6,600	6,085	(515)	
22	Credit Reports	600	-	(600)	
23	Computer Tech Support	2,400	12,093	9,693	(Computer Support)
24	Workers Comp Insurance	3,000	207	(2,793)	
25	Insurance	7,500	4,739	(2,761)	
26	Postage	6,000	361	(5,639)	
27	MRDO Dues	3,900	-	(3,900)	
28	Software Maintence	7,000	6,838	(163)	(Consulting Expense)
29	Legislative Forum	400	-	(400)	
30	Document Storage/Destruction	480	216	(264)	
31	Office Rent	9,912	9,912	-	
32	FY 2007 Audit	2,000	27,200	25,200	
33	Unemployment	2,000	-	(2,000)	
34	Meeting Expenses	500	1,086	586	
35	MRDO Conference	500	853	353	
36	Printing	1,000	1,675	675	
37	Staff Car	1,000	230	(770)	
38	Office Supplies	5,000	3,319	(1,681)	
39	Computer Supplies	5,000	1,543	(3,457)	
40	Equipment	3,500	4,895	1,395	
41	Marketing	4,000	2,674	(1,326)	
42	Staff Development	6,000	2,848	(3,152)	((1293.00 + 1555 (NDC))
43	Miscellaneous Expense	5,000	8,103	3,103	(Bank Serv. Chrg, In Kind, Publications/Maps, Professional Memb.
44	Public Notice Expense	1,000	673	(327)	
45	Legal Fees	2,500	181	(2,319)	
46	Housing Escrow	5,000	6,241	1,241	
47	Remote Backup	1,200	957	(243)	
48	Copy Machine Usage Fees (\$2,850)	2,850	2,850	-	
49	CMCOA (\$4,171.50)	4,172	4,172	-	
50	Dept of Corrections ICWC Crew (\$6,	6,000	777	(5,223)	
51	City of Staples - Rent (\$19,505)	14,000	11,000	(3,000)	
52	FY 2006 Audit (\$22,000)	22,000	28,640	6,640	
53	ISTS Payment (\$63,131)	20,000	20,000	-	
54	Line of Credit Payment (\$195,000)	30,000	30,000	-	
	TOTAL CASH EXPENSE	500,432	471,725	(28,707)	
	Net Profit (loss)	639	46,706	46,067	

*Bracketed numbers in Revenue indicates actual receipts were less than budget.
*Non-Bracketed numbers in Expenses indicate actual expenses exceeded budget.

Abbreviations:

NCEDA: North Central Economic Development Association

RLF: Revolving Loan Funds

DEED: Department of Employment and Economic Development

SBDC: Small Business Development Center

EDA: Economic Development Administration

USDA: United States Department of Agriculture

RDC's: Regional Development Commissions

CEDS: Comprehensive Economic Development Strategy

RFP: Request for Proposals

R5DC: Region Five Development Commission

JOBZ: Job Opportunity Building Zone

Mn/DOT: Minnesota Department of Transportation

TAC: Transportation Advisory Council

STIP: State Transportation Improvement Program

ATP: Area Transportation Partnership

ATIP: Area Transportation Improvement Partnership

FHWA: Federal Highway Association

MPO's: Metropolitan Planning Organizations

ISTS: Independent Septic Treatment Systems (Loans)

MHFA: Minnesota Housing Finance Agency

VISTA: Volunteer In Service to America

MRDO: Minnesota Regional Development Organizations