

TEXAS STATE AFFORDABLE HOUSING CORPORATION

BOARD MEETING

TSAHC Offices
2200 East Martin Luther King, Jr. Blvd.
Austin, Texas 78702

Thursday,
August 15, 2013
10:37 a.m.

BOARD MEMBERS:

ROBERT "BOB" JONES, Chair (absent)

WILLIAM H. DIETZ, JR., Vice Chair

GERRY EVENWEL
ALEJANDRO "ALEX" MEADE
JERRY ROMERO

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P R O C E E D I N G S

1
2 MR. DIETZ: It is August 15 at 10:37 a.m., and
3 I'm going to call to order the meeting of the Texas State
4 Affordable Housing Corporation Board.

5 Let's begin with a roll call. Bob Jones is
6 absent.

7 Bill Dietz, I'm present.

8 Gerry Evenwel?

9 MR. EVENWEL: Present.

10 MR. DIETZ: Alex Meade?

11 MR. MEADE: Here.

12 MR. DIETZ: Jerry Romero?

13 MR. ROMERO: Here.

14 MR. DIETZ: And Mr. Jones asked me to convey
15 his apologies for not being here. He was called away to
16 foreign parts, Georgia.

17 MR. EVENWEL: Does the Board need to approve
18 his absence?

19 MR. DIETZ: I think we can disapprove.

20 (General laughter.)

21 MR. DIETZ: To begin with, do we have any
22 public comment?

23 (No response.)

24 MR. DIETZ: Hearing no public comment, we will

1 go into the Audit Committee report. We met as an audit
2 committee immediately preceding this meeting, and do we
3 need to go into detail about the Audit Committee report?
4 We have specific tab items in our agenda that are going to
5 cover what we covered in the Audit Committee.

6 MS. LIVINGSTON: Katy Livingston.

7 I believe since everything is covered on the
8 Board agenda, you can just give a brief synopsis and then
9 we'll cover each item.

10 MR. DIETZ: Okay. We met as an audit committee
11 and we reviewed the budget, we reviewed the pending audit,
12 and some other financial matters, including Audit
13 Committee Guidelines. Each of the things that we reviewed
14 as an audit committee are on our full Board agenda, so
15 rather than discussing anything in detail at this point,
16 why don't we defer discussion until we get into the actual
17 Board agenda items.

18 How about the president's report.

19 MR. LONG: Thank you, Mr. Chairman, members.
20 David Long.

21 As always, we have your Homeownership Finance
22 report and monthly budget and investment reports attached
23 as tabs A and B in your board book.

24 A quick update on some things that have been

1 going on. I wanted to thank Paige and Sarah, both who are
2 out today, they're traveling, doing training elsewhere.
3 The Texas Statewide Homebuyer Education program, if you
4 remember, that's a program that we took over
5 administration for the Texas Department of Housing and
6 Community Affairs about a year ago. We had completed one
7 training and last week they completed their second
8 training that was held in Dallas. NeighborWorks America
9 conducted the training and Sarah and Paige both attended
10 that full week.

11 I think a couple of things that should be noted
12 there is that we've had huge positive response to those
13 trainings since we started putting those on. We have
14 attendance, as an example, 62 people participated in that
15 training, and of those 62 counselors, they were from 33
16 different organizations, representing 31 cities across the
17 State of Texas. And those counselors now have the ability
18 to know that these are the activities -- I mean, through
19 their training they now have the ability to now go out and
20 help that many more borrowers and provide that.

21 In addition, I wanted to note that in that five
22 days of training, the Corporation was able to provide 16
23 scholarships where we covered the cost of the hotel
24 expense for counseling individuals that were there

1 attending these trainings, and I think that's a
2 significant benefit of savings that we're able to provide
3 them through our funds and resources that we raise in
4 support of that program.

5 Our attendance goal, if I might, was 40 and we
6 had 62, so we're well exceeding our goals. And Sarah told
7 me to tell you that of the 62 people that attended, 100
8 percent of them said they would recommend that training to
9 someone else. So we're real pleased with the positive
10 response, not only in attendance but the reaction and
11 their positive comments after the training.

12 They are already in the planning stages of 2014
13 sessions and we'll keep you updated as those become
14 available.

15 Paige, Sarah and I also attended a recent
16 roundtable by the Texas Association of Realtors, in
17 conjunction with additional training that we participate
18 in. The Corporation is one of several organizations that
19 participates in the Texas Association of Realtors in what
20 they call United Texas Training, and during their training
21 sessions across the state, Paige and Sarah attend those
22 and they present training materials related to our
23 programs along with the Texas Veterans Land Board, TALHFA,
24 and TDHCA. And in the process through those trainings,

1 Realtors that attend those can get affordable
2 homeownership training certification that further enhances
3 their ability to offer products to their potential
4 borrowers.

5 The Single Family program has continued to show
6 really strong reservations, as reflected in the Single
7 Family Homeownership report under tab A. I did want to
8 point out, Mr. Dietz, at the last meeting you had asked
9 and Paige has put this together and she wanted to make
10 sure that if you have any questions to call her -- no, I'm
11 kidding -- if you have any questions, I'll be more than
12 happy to go over those with you. But I think you'll find
13 this to be very detailed and a very good report, based on
14 what you were requesting last time, and hopefully that
15 does help answer some of the questions you had.

16 I would also say that we continue to have
17 trainings for our lenders that participate in our program.
18 Delia gave me some notes that said so far this month in
19 August we've had 144 loan offices attend trainings and
20 there's additional trainings continue to be scheduled
21 throughout the month, so we'll have more trainings to go
22 on until the end of the month.

23 I also wanted to take a moment to kind of step
24 aside from the formal part of my report and make a

1 presentation to one of our staff members. We've always
2 talked about the TBA Single Family program where we
3 provide financing through our network of lenders and our
4 Mortgage Credit Certificate program that we offer, and
5 it's always nice to have us tell you that that works and
6 it does a really good job of providing good, solid
7 financing for a new first-time homebuyer or borrowers that
8 are eligible in our program to get financing.

9 But we had the opportunity to actually serve
10 one of our employees. Jo Ropiak went through our program
11 to acquire her first home, and she used the Mortgage
12 Credit Certificate program, and at this time I wanted to
13 come up and present her with her Mortgage Credit
14 Certificate as well as her package of information. But
15 again, it just shows what these programs can do and we're
16 happy to have Jo be able to participate in our programs
17 and show that we're able to serve not only everybody
18 outside our office, but even those sometimes in our
19 office.

20 This is what a certificate looks like. This
21 will allow Jo to take advantage of the Mortgage Credit
22 Certificate on her income tax returns every year. She
23 gets a credit against her income to help defer tax
24 liability, and this is something she gets every year as

1 long as she lives in that home and that mortgage is
2 outstanding. So it's a great long-term benefit. So Jo,
3 there you go.

4 MS. ROPIAK: Thank you.

5 (Applause.)

6 MR. LONG: A couple of other quick things. The
7 NFMC update, as we mentioned last time, the National
8 Foreclosure Mitigation Counseling Program, we are now
9 engaged in Round 7. The total amount of that funding is
10 \$327,000. We're going to be working with ten subrecipients
11 across the state and they'll be performing counseling
12 sessions and get reimbursed through this program, and we
13 have funding that will take us through the end of the year
14 to perform those counseling sessions.

15 And I would note that Laura Ross is managing
16 that administration for us, she does a phenomenal job, and
17 we'll continue our relationship with the Department of
18 Housing and Community Affairs in administering that
19 program for them.

20 Mr. Dietz just gave an update on the Audit
21 Committee. We'll also be presenting the 2014 operating
22 budget under tab 2. I also would like to have Katie come
23 up. Katie is going to come up and give a presentation
24 during the formal Board meeting under tab item 6. We have

1 a new board member for the Advisory Council that we'd like
2 to add, and at that time she'll kind of give you an update
3 on it.

4 A couple of other things of what's going on
5 around that we've been attending. Jo Ropiak attended a
6 recent home donation that was in Waco, Texas. It was an
7 informal presentation to the homeowner. We've asked Janie
8 Taylor, and our partner organizations NCST and B of A have
9 requested we do a formal media event, and Mr. Dietz, I
10 think, Ms. Taylor spoke with you earlier today about
11 having you join us at that, we'd love to have you there.
12 When they get all the medial events situated, we'll do
13 that. But Jo was up there to help with giving the key to
14 the new homeowner.

15 Her husband was a volunteer firefighter in West
16 and he lost his life in fighting the fire in the disaster
17 in West, Texas, and we were just pleased to have that
18 opportunity to serve her and look forward to having a
19 formal media event to really recognize that individual and
20 help her celebrate her new home.

21 I also wanted to note that in terms of our
22 professionals in attendance, obviously, Katy Livingston,
23 who just spoke a minute ago, she is here on behalf of
24 Greenberg Traurig as our general counsel firm. You're

1 going to be hearing from Don Mikeska, with Mikeska,
2 Monahan and Peckham, about some stuff related to the
3 audit. And then also, Chris Spelbring is here with
4 Raymond James. And I'd like to thank them for their
5 continued support and availability to be here if you have
6 any questions on anything.

7 One last thing I wanted to go back to is the
8 Foundations Fund, and that is that the Foundations Fund,
9 this year we're looking at disbursing \$300,000 in grant
10 awards to eligible applicants, I think we mentioned last
11 time. Prior years we've received upwards around 18 to 20
12 applications, this year we received 49, and it's just a
13 staggering amount of applications to go through with
14 almost tripling the volume.

15 And I wanted to just recognize not only the
16 efforts of everybody that's involved, but Melinda and
17 Betsy going through the financials part of that to get the
18 financial review of those applications looked at, Liz and
19 Katie and Sarah and Paige and Charlie and Mindy and
20 everybody else that's worked to kind of get those
21 applications ready for presentation to the formal Board.
22 And our goal is to have those available to the Board for
23 recommendation through the Advisory Council at our October
24 Board meeting, so again, just making that clear.

1 And with that, Mr. Chairman, I will conclude my
2 remarks, unless you have any other comments or questions.

3 MR. DIETZ: Any comments or questions for Mr.
4 Long? No? Okay.

5 Then let's go into our action items for the
6 meeting, and in an attempt to streamline a little bit and
7 comply to the letter with Robert's Rules of Order, let's
8 try this and make a little bit of a change to our format.

9 We will have a motion and a second prior to presentation
10 and discussion, and of note, if you motion or second
11 something, you're simply indicating as a Board member that
12 you feel this item is worthy of discussion, it does not
13 necessarily mean that you're going to vote in favor of it
14 because you haven't heard the discussion and presentation
15 yet.

16 So at this time I would entertain a motion that
17 we have the presentation, discussion and possible approval
18 of the minutes of the Board meeting held on July 18, 2013.

19 MR. EVENWEL: So moved.

20 MR. MEADE: Second.

21 MR. DIETZ: It's been moved and seconded, and
22 we will now discuss the minutes. Are there any questions,
23 notes, comments about the minutes from July 18?

24 (No response.)

1 MR. DIETZ: Hearing none, all in favor of
2 approval of the minutes -- is there any public comment?

3 (No response.)

4 MR. DIETZ: No public comment. So all in favor
5 of approval of the minutes of the Board meeting held on
6 July 18, 2013, please signify by saying aye.

7 (A chorus of ayes.)

8 MR. DIETZ: Any opposed?

9 (No response.)

10 MR. DIETZ: That motion passes.

11 Tab 2, I would entertain a motion for the
12 presentation, discussion and possible approval of the
13 fiscal year 2014 operating budget.

14 MR. EVENWEL: So moved.

15 MR. MEADE: Second.

16 MS. SMITH: Good morning. We're presenting the
17 fiscal year 2014 operating budget, and we went over the
18 budget earlier today in the Audit Committee meeting in
19 some detail, and I believe everybody has a copy of the
20 budget.

21 Overall, we're requesting an \$8 million budget
22 for the year, and I just wanted to draw your attention to
23 a couple of items that have changed, significantly
24 different from last year. And that is under revenue,

1 under federal and state grants, you can see that our
2 federal and state grant income is going down significantly
3 and that basically represents our Neighborhood
4 Stabilization Program, that federal grant is winding down
5 and we are in the process of holding the properties that
6 were purchased through that program and hopefully they
7 will be sold in the next couple of years. So that's one
8 major change.

9 And then if you look to the bottom of the page
10 under expenditures, our Single Family and Multifamily
11 program expenditures have increased significantly, and
12 that's primarily because of the addition of a Single
13 Family Rental program that has been implemented recently
14 in the Corporation where we are purchasing some homes in
15 the Austin area and then offering those homes to -- I'm
16 not sure of the income limits, David.

17 MR. LONG: Eighty and below.

18 MS. SMITH: Eighty and below. Again, you can
19 see under the federal and state grant expense where that
20 expense is going down, it corresponds with the income and
21 you can see that those grants are winding down.

22 And then finally, the last line under Single
23 Family program expenditures, there's a significant
24 difference between the current and prior year and that's

1 primarily because the Corporation has been advancing the
2 down payment assistance costs related to our TBA program,
3 and we had to do that for several months and we've finally
4 begun to catch up and we had more going out the door than
5 was coming in, and now we've caught up and we're going
6 back the other way around. We've received that income
7 back, we've been reimbursed for that down payment
8 assistance, so in the current budget year we have a very
9 small amount under Single Family program expenditures.

10 If there's something specific that you would
11 like for me to go over in the budget, I'd be happy to do
12 that. There are a number of line items and we tried to
13 put together a schedule supporting most of the larger line
14 items. Are there any specific questions, or would you
15 like for me to go over any of them specifically?

16 MR. DIETZ: I'll point out real quickly that
17 during the Audit Committee, Mr. Evenwel and I, as members
18 of that committee, did review this in a lot of detail and
19 did recommend that it come to the Board for approval. But
20 I don't in any way want to discourage questions or any
21 level of detail that you'd like to ask at this point.

22 MR. ROMERO: I have a question for you on the
23 grants and the donations on the revenue side.

24 MS. SMITH: The grants and donations in the

1 income?

2 MR. ROMERO: Right. We currently for 2013
3 budgeted \$200,000, we've raised \$87,000, almost \$88-, and
4 yet for 2014 you're projecting \$790,000 in grants and
5 contributions, donations. How are we going to achieve
6 that?

7 MS. SMITH: It's my understanding that we
8 already have some commitments related to that grant
9 income, so we already know that we will be receiving that
10 in the upcoming year.

11 MR. DIETZ: That's stuff that's in the pipeline
12 already.

13 MS. SMITH: Right, exactly.

14 MR. EVENWEL: With our federal and state grants
15 going down, will that significantly change our auditing?

16 MS. SMITH: I'm sorry? Say again.

17 MR. EVENWEL: With the federal and state grants
18 going down so significantly, will that change our auditing
19 requirements?

20 MS. SMITH: Yes. The OMB Single Audit
21 requirement.

22 Would you like to answer that, Don?

23 MR. MIKESKA: For the record, my Don Mikeska,
24 with Mikeska, Monahan and Peckham, the independent audit

1 firm.

2 Yes, the reduction in federal expenditures will
3 probably put you below the limit requirement to have a
4 Single Audit. I foresee that not being a requirement next
5 year. The cutoff is \$500,000 worth of federal
6 expenditures, and it's projected at this point in time you
7 will be less than that amount which means you will not
8 have to have the Single Audit. It still means you have to
9 have what's called a Yellow Book audit, an audit in
10 accordance with Government Auditing Standards.

11 Does that answer your question?

12 MR. EVENWEL: Yes.

13 MS. SMITH: Thank you very much.

14 MR. DIETZ: Any other questions or comments
15 with regard to the proposed operating budget?

16 MR. EVENWEL: And I assume federal and state
17 grant money coming out of our budget is a good thing. I
18 don't know if it's a question mark or not. I assume
19 that's good for us.

20 MR. LONG: I'd say it's probably both. I think
21 it's a good thing in the sense that, as Mr. Mikeska just
22 pointed out, we have less auditing oversight that has to
23 be done and the money will still be reviewed and
24 considered as part of our overall budget during the audit

1 process, but as he said, the Single Audit requirements, we
2 would be below the Single Audit requirements. Obviously,
3 any funding we have available to us ensures that we have
4 more money to use for our programs and those types of
5 things. Hopefully, we'll find other sources of money to
6 do the same things we've been doing, it's just a
7 difference of funding.

8 MR. MIKESKA: May I make one comment? Don
9 Mikeska again.

10 One thing that I would want to point out is you
11 are receiving these monies from the Texas Department of
12 Housing and Community Affairs, you are a subrecipient from
13 them. It is possible -- not likely -- it is possible that
14 TDHCA could say you must have a Single Audit anyway.
15 That's out there. But the general rule is usually
16 \$500,000. I should have made that clear.

17 MR. DIETZ: Thank you.

18 Any other questions or comments? Is there any
19 public comment?

20 (No response.)

21 MR. DIETZ: Hearing none, it has been moved and
22 seconded.

23 MR. EVENWEL: Before we vote, since I made the
24 motion, should the motion be amended to say the things

1 that you said about the Audit Committee is bringing this
2 to the Board instead of just something on the agenda here,
3 that the Audit Committee approved it and we're bringing it
4 to the Board for final approval?

5 MR. LONG: I guess my comment would be, given
6 that the original motion and second was to bring it to
7 discussion, I can see there being a motion to do what Mr.
8 Evenwel is saying, to basically now formally move and
9 second to approve it. Would that be reasonable?

10 MR. DIETZ: Sure. Or the motion could just be
11 as reviewed and recommended by the Audit Committee.

12 MR. EVENWEL: Yes, okay. I so amend my motion.

13 MR. DIETZ: So it is has been moved that as
14 recommended by the Audit Committee, we approve the fiscal
15 year 2014 operating budget. As it comes from a committee
16 of the Board, no second is required, so all in favor
17 please signify so by saying aye.

18 (A chorus of ayes.)

19 MR. DIETZ: Any opposed?

20 (No response.)

21 MR. DIETZ: So the motion to approve the fiscal
22 year 2014 operating budget has passed.

23 On to tab 3. I would now entertain a motion
24 for presentation, discussion and possible approval of the

1 Audit Committee Guidelines.

2 MR. EVENWEL: So moved.

3 MR. DIETZ: Is there a second?

4 MR. MEADE: Second.

5 MR. DIETZ: Melinda, are you going to make the
6 presentation?

7 MS. SMITH: Yes. The Audit Committee
8 Guidelines require that the guidelines be approved
9 annually, and we did have one minor change that was
10 approved by the Audit Committee earlier today, and it is
11 our intent to bring the Audit Committee Guidelines back to
12 the Board at the next Audit Committee meeting to add the
13 approval of the operating budget to the guidelines.

14 But for the current time, we made one small
15 change. On page 1 of the guidelines, we added that one of
16 the purposes of the Audit Committee was to monitor
17 compliance by the Corporation and its directors, officers
18 and employees with all applicable laws, regulations,
19 contracts, agreements and grants, and we added that.
20 That's basically the language that's included in the OMB
21 A-133 Single Audit opinion letter, and we just wanted to
22 include that. Our auditor had recommended that we include
23 that language so that it was consistent with the audit
24 itself.

1 MR. EVENWEL: You may have said it that way
2 before, but I just heard that you're talking the Single
3 Audit and I heard the auditor talk about we don't have to
4 have a Single Audit anymore. Is this something that we
5 don't need here or shouldn't have here?

6 MR. MIKESKA: For the record, Don Mikeska. I
7 hate to correct Melinda, but it's not Single Audit, it's
8 the Yellow Book audit. And that's why I said we will
9 audit for compliance with laws, regulations, contracts,
10 and other agreements.

11 MR. EVENWEL: I just heard a new word.

12 MR. MIKESKA: They kind of get mixed up, but
13 it's the Yellow Book audit.

14 MS. SMITH: Thank you. I apologize.

15 MR. DIETZ: Any comments, questions about the
16 Audit Committee Guidelines with the amendment suggested?
17 And I think that what we talked about is entertaining a
18 motion specifically to approve the Audit Committee
19 Guidelines, as amended, with an additional amendment to be
20 added to further enumerate and clarify specific tasks and
21 responsibilities of the Audit Committee prior to the next
22 Audit Committee meeting.

23 MR. EVENWEL: Good job.

24 MR. MEADE: I so move.

1 MR. DIETZ: That motion has been moved. Is
2 there a second?

3 MR. ROMERO: Second. Discussion?

4 MR. DIETZ: Any discussion?

5 MR. ROMERO: So you're saying there's going to
6 be some additional guidelines on the process.

7 MR. LONG: There would be additional amendment
8 to the guidelines that were not presented in this specific
9 original Board book presentation that were discussed at
10 the Audit Committee, and it would just expand the scope of
11 the ability of the Audit Committee to incorporate
12 additional responsibilities.

13 MR. ROMERO: Should we not see those?

14 MR. DIETZ: And I don't think that we're
15 suggesting that we approved those in advance, we're just
16 saying --

17 MR. LONG: Just letting you know that that's
18 what will happen at the next Audit Committee meeting.

19 MR. DIETZ: We felt like some of the specific
20 requirements that enumerated are pretty broad, and Mr.
21 Evenwel pointed out that it might be a good idea to more
22 specifically enumerate some of the tasks that we will be
23 reviewing and doing during Audit Committee, and so due to
24 that, we just wanted to point out that we're approving it

1 as is, but that we will also be making some additional
2 amendments prior to the next Audit Committee, and at that
3 point in time we will approve those additional amendments.

4 Is that clear?

5 MR. LONG: That's correct. You are only
6 approving what's in the Board book today -- seeking your
7 approval of what's in the Board book today.

8 MR. DIETZ: Yes, exactly.

9 MR. EVENWEL: So this is not a replacement
10 motion for what's on the floor already.

11 MR. LONG: No.

12 MR. DIETZ: Any other comments or questions?
13 Is there any public comment?

14 (No response.)

15 MR. DIETZ: Hearing none, all in favor of
16 approving the Audit Committee Guidelines, as amended,
17 please say aye.

18 (A chorus of ayes.)

19 MR. DIETZ: And the motion to approve the Audit
20 Committee Guidelines passes.

21 I will now entertain a motion for the
22 presentation, discussion and possible approval of a
23 resolution to restate, ratify and affirm -- tab item 4,
24 Mr. Long?

1 MR. LONG: We're going to pull that tab item at
2 this time. We would like to have opportunity to discuss
3 that further internally and then bring it back to the
4 Board at the next Board meeting.

5 MR. DIETZ: Great. So we're removing tab 4 and
6 you'll be coming back with tab 4, or the contents of tab 4
7 at a future Board meeting.

8 MR. LONG: Correct. Yes, sir.

9 MR. DIETZ: Great. So that leaves us moving
10 straight on to tab item 5. Is there a motion for the
11 presentation and discussion of the annual financial and
12 OMB Circular A-133 audits for the fiscal year ended August
13 31, 2013?

14 MR. ROMERO: So moved.

15 MR. MEADE: Second.

16 MR. DIETZ: And Mr. Mikeska, I believe you're
17 going to be addressing the Board

18 MR. MIKESKA: Don Mikeska, with the firm of
19 Mikeska, Monahan and Peckham. We are serving as your
20 independent auditors for the year ended August 31, 2013.

21 The audit, as we have discussed previously, the
22 audit is conducted in accordance with Generally Accepted
23 Auditing Standards, Government Auditing Standards, and
24 there will be a compliance audit in accordance with OMB

1 Circular A-133. We will also issue a report on compliance
2 with HUD insurance requirements and net worth
3 requirements.

4 This year is unique in that every two years,
5 every year ending in an even number, you must present, the
6 auditor must present a report to the State Auditor's
7 Office relating to compliance with the Texas Public Funds
8 Investment Act. So that will be part of our audit
9 procedures again this year, as well.

10 We discussed with the Audit Committee the
11 responsibilities of the auditor versus the
12 responsibilities of management, because management has
13 some unique responsibilities which are primarily carried
14 out through the designation or delegation to the Audit
15 Committee. Not trying to repeat everything we said in the
16 committee, those charged with governance are represented
17 by the Board and the Board has delegated some of those
18 responsibilities to the Audit Committee.

19 The auditor's responsibility is to determine if
20 there's been any material fraud. That's primary. We're
21 not responsible for immaterial fraud. The question came
22 up in the committee meeting: What's material? Well,
23 material is really defined by the financial statement
24 user. Mr. Meade's definition of materiality is going to

1 be different than mine which is going to be different than
2 Mr. Romero's, but all said and done, it's the thought
3 process that the financial statement user or the reader
4 has in their mind as to what is material. Would it affect
5 the decision made by that financial statement reader,
6 whether it's the inclusion of facts that are erroneous or
7 whether it's the exclusion of facts that needed to be
8 disclosed to the financial statement reader. So that is
9 what really encompasses the majority of the audit
10 procedures.

11 Our procedures will include some selection
12 processes that rely on judgment, some that will be done
13 randomly, but for the most part, we will not look at every
14 transaction, it's physically impossible. But we will use
15 predictive analysis and various other procedures to assist
16 us in our audit work.

17 We do anticipate that field work will commence
18 approximately October 16. We are responsible to have a
19 draft of the financial statements to the State Auditor's
20 Office by November 20, and responsible to have the final
21 financial statements ready by December 20. We expect to
22 meet those deadlines, we've met those deadlines in the
23 past.

24 Is there anything else we should discuss that

1 we discussed at the meeting? I don't want to repeat too
2 much.

3 It is going to be an imposition to management
4 and all the employees because when we're here, we're
5 rather disruptive, and that's unfortunate but it has to be
6 done. I will be here probably for the October Board
7 meeting, if there is one, I'll definitely be here for the
8 November Board meeting, if there is one. So at that point
9 in time it has been customary to put the auditor on the
10 agenda and we can certainly give you an updates at that
11 point in time as to the progress of the financial audit.

12 As we mentioned earlier, we do have to have a
13 Single Audit this year because federal expenditures did
14 exceed \$500,000, but next year, barring the fact that the
15 Texas Department of Housing and Community affairs doesn't
16 say you must have a Single Audit, that will not be
17 necessary.

18 And I apologize for saying Yellow Book audit a
19 while ago. A Yellow Book audit means it's an audit in
20 accordance with Government Auditing Standards, and the
21 book happens to be yellow, so that's what auditors call
22 the Yellow Book audit, so I apologize for that. But it is
23 a very distinctively different set of audit circumstances
24 because in a governmental audit, the auditor must look for

1 abuse, and abuse is not necessarily a material error but
2 might be an abuse of a power or abuse of expenditure,
3 something that might make the headlines of the local
4 paper. So it could have a material effect just based on
5 that particular type of bad exposure, so we do look for
6 abuse.

7 MR. DIETZ: I believe you gave an example of
8 the kind of things.

9 MR. MIKESKA: Yes. Abuse would be scheduling a
10 training session in Hawaii. That's abuse. I don't think
11 we need to be going to Hawaii to do training when that
12 training was offered in Cedar Park.

13 MR. ROMERO: When are you going to Hawaii,
14 David?

15 (General talking and laughter.)

16 MR. MIKESKA: That would be abuse. Abuse would
17 be also having a lavish party for your employees where you
18 spend \$5 million. That's another agency. So that's
19 abuse, it makes the newspapers. That certainly wasn't
20 material.

21 MR. DIETZ: And I might point out that we, in
22 previous Board action, several months ago, I think,
23 engaged Mikeska, Monahan and Peckham to perform the audit,
24 so I don't think that there's any Board action necessary

1 associated with this tab, this agenda item. Is that
2 correct? Information only.

3 MR. MIKESKA: Yes. One thing that I should
4 note is that the Corporation's financial statements appear
5 as a very distinctive column in the State of Texas
6 financial statements. You are discreetly presented, so
7 the Corporation's financial statements sit right there as
8 a separate column. We have been contacted by the State
9 Auditor's Office. They reserve the right to review our
10 work papers, they want quite a few assurances from our
11 firm that we will be conducting the audit in accordance
12 with auditing standards, with Government Auditing
13 Standards, and they have a right to look at our work
14 papers.

15 And that is part of the documentation that the
16 chair of the Audit Committee signed in the audit
17 engagement letter, and we state in there that we're going
18 to have to give the SAO, State Auditor's Office, our
19 engagement letter and they have the right to see our work
20 papers if they so choose. But they cannot dictate to us
21 how we do our audit procedures.

22 MR. DIETZ: Any other questions or comments?

23 (No response.)

24 MR. DIETZ: Thank you, Mr. Mikeska.

1 MR. MIKESKA: Thank you for the opportunity to
2 be here.

3 MR. DIETZ: I will now entertain a motion for
4 the presentation, discussion and possible appointment of a
5 member to the Texas Foundations Fund Advisory Council
6 created by the Board of Directors of the Corporation.

7 MR. MEADE: So moved.

8 MR. DIETZ: Is there a second?

9 MR. EVENWEL: Second.

10 MS. HOWARD: Hi, everyone. I'm Katie Howard,
11 senior development coordinator. Liz Bayless usually
12 presents items related to the Advisory Council, but I'm
13 filling in today because she's out of the office.

14 Tab item 6 is an action item to add a member to
15 our Advisory Council. As you know, the Advisory Council
16 assists TSAHC staff in managing our Texas Foundations Fund
17 grant-making program. The resolution behind tab 6 would
18 appoint Kenneth J. Olson to the Advisory Council, to fill
19 the position representing the San Antonio area. With the
20 addition of Ken, we will have filled nine of the ten
21 positions on the newly expanded Advisory Council, with
22 only the Rio Grande Valley position remaining open. The
23 resolution behind tab 6 also restates and affirms the
24 current members of the Advisory Council.

1 Ken Olson has lived in San Antonio for 17
2 years. He has served his community as a board member of
3 Accion USA, as a board member and chair of Accion Texas,
4 and as a board member and treasurer of the YMCA of San
5 Antonio. After several years in public accounting, he
6 joined Citibank in 1981. In his 32 years with Citi, Ken
7 has worked in credit analysis, treasury, finance and
8 project management, and he is currently director of the
9 call center projects.

10 We are very pleased that Ken is interested and
11 willing to join our Advisory Council, and I ask your
12 approval of the resolution appointing him.

13 MR. DIETZ: Any questions, comments? Is there
14 any public comment?

15 (No response.)

16 MR. DIETZ: Hearing none, it's been moved and
17 seconded and we've heard presentation on the appointment
18 of Mr. Olson to the Texas Foundations Fund Advisory
19 Council. All in favor signify by saying aye.

20 (Ayes: Mr. Dietz, Mr. Evenwel and Mr. Meade.)

21 MR. ROMERO: Nay. One no.

22 MR. DIETZ: One no. Okay. So the motion
23 passes.

24 MS. HOWARD: Thank you.

1 MR. DIETZ: Thank you very much.

2 MR. DIETZ: And now, in accordance with Texas
3 Government Code 551.071, consultation with legal counsel
4 on legal matters, the Board will go into closed session,
5 and it is 11:16.

6 (Whereupon, at 11:16 a.m., the open meeting was
7 recessed, to reconvene on this same day, Thursday, August
8 15, 2013, following conclusion of the closed session.)

9 MR. DIETZ: The Board of Directors of the Texas
10 State Affordable Housing Corporation open meeting is back
11 in session at 11:50 a.m. When we were in closed session
12 we took no action during that closed session.

13 Is there anything else to be discussed at the
14 meeting?

15 MR. LONG: The only thing I would add, as I
16 always do, Mr. Chairman, is that the next scheduled Board
17 meeting is the second Thursday which is the 12th of
18 September. We always leave that as a tentative date,
19 based on Board availability, as well as the need based on
20 action items that would come before the Board.

21 MR. EVENWEL: I'm definitely in Florida that
22 date.

23 MR. DIETZ: September 12?

24 MR. LONG: Yes, sir. And if we need to either

1 amend that date.

2 MR. MEADE: Is that the second Thursday or the
3 third Thursday?

4 MR. DIETZ: That's the second Thursday.

5 MR. MEADE: The 19th would be the third
6 Thursday.

7 MR. LONG: We usually look at the second
8 Thursday, but we can change it to another date. Again,
9 just to make it clear for the Board, and if we need to,
10 based on availability, usually what happens is Ms. Ross
11 sends out an email to the Board saying we're tentatively
12 looking at the 12th, if we get fewer than quorum back, we
13 typically will then try and look to reschedule it. And
14 again, that's all based on action items that may need
15 Board attention and discussion.

16 MR. ROMERO: I have it on the 12th, so just let
17 us know. The 19th I'll be gone.

18 MR. LONG: We'll make sure to get out an email
19 to everybody to make sure that we do have a quorum and
20 we're all set for that. Otherwise, we'll send something
21 else out telling you we can't do it on that date.

22 With that, I have no other business.

23 MR. DIETZ: Any other questions, comments, new
24 business?

1 (No response.)

2 MR. DIETZ: Then the Board meeting is adjourned
3 at 11:51 a.m.

4 (Whereupon, at 11:51 a.m., the meeting was
5 concluded.)

