

TEXAS STATE AFFORDABLE HOUSING CORPORATION

AUDIT COMMITTEE MEETING

TSAHC Offices  
6701 Shirley Avenue  
Austin, Texas 78752

Tuesday,  
August 22, 2023  
9:30 a.m.

COMMITTEE MEMBERS:

VALERIE V. CARDENAS, Chair  
ANDY WILLIAMS, Member  
DAVID LONG, Member  
MELINDA SMITH, Member

*ON THE RECORD REPORTING*  
*(512) 450-0342*

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER, ROLL CALL CERTIFICATION OF QUORUM	3
PUBLIC COMMENT	none
ACTION ITEMS IN OPEN MEETING:	
Tab 1      Presentation, Discussion and Possible Approval of Minutes of the Audit Committee Meeting held on December 6, 2022.	3
Tab 2      Presentation, Discussion and Possible Approval of the Fiscal Year 2024 Annual Operating Budget.	4
Tab 3      Presentation, Discussion and Possible Approval of Fiscal Year 2024 Audit Committee Guidelines.	18
CLOSED MEETING	none
OPEN MEETING	--
ADJOURN	20

P R O C E E D I N G S

1  
2 MS. CARDENAS: Good morning to everyone. I'd  
3 like to call the Texas State Affordable Housing  
4 Corporation Audit Committee meeting to order on this  
5 August 22nd at 9:30.

6 And before we begin, I'd like to certify a  
7 quorum by calling roll call. Andy Williams?

8 MR. WILLIAMS: Present.

9 MS. CARDENAS: David Long?

10 MR. LONG: Present.

11 MS. CARDENAS: Melinda Smith?

12 MS. SMITH: Present.

13 MS. CARDENAS: And I, Valerie Cardenas, am  
14 present. So, we do have a quorum. Okay.

15 Before we proceed to any action items, do we  
16 have any public comment at this time?

17 (No response.)

18 MS. CARDENAS: Seeing that there is none, we'll  
19 go ahead and move on to Tab Item 1, which is the  
20 presentation, discussion, and possible approval of minutes  
21 of the Audit Committee that were held on December 6 of  
22 2022. Has everyone had the opportunity to review them?

23 (No response.)

24 MS. CARDENAS: And if so and there's no  
25 changes, can I have a motion for approval?

1 MR. LONG: So, moved.

2 MS. CARDENAS: I have a motion. Do I have a  
3 second?

4 MR. A. WILLIAMS: I second.

5 MS. CARDENAS: Okay. Is there any public  
6 comment at this time?

7 (No response.)

8 MS. CARDENAS: Okay. Seeing that there is  
9 none, Tab Item 1 has been motioned and seconded and items  
10 are approved. Okay.

11 Moving on to Tab Item 2, presentation,  
12 discussion, and possible approval of the fiscal year 2024  
13 annual operating budget.

14 MS. SMITH: Good morning. My name is Melinda  
15 Smith and I'm the Chief Financial Officer. Can you hear  
16 me?

17 My name is Melinda Smith and I'm the Chief  
18 Financial Officer, and we're presenting the 2024 operating  
19 budget. I wanted to mention just briefly how we put the  
20 budget together real quick.

21 The budget from the previous year is given to  
22 all the directors and managers throughout the year on a  
23 quarterly basis with a comparison to actual. And then  
24 when we get ready to prepare the budget, that information  
25 is provided to them again with up-to-date expenditures.

1           And then they bill in some forms that we've  
2 provided to them what they expect expenditures and  
3 revenues to be for the coming year. And then we compile a  
4 budget based on that. Nick and Betsy compile the budget  
5 based on that. It's a really great job.

6           And then they adjust those numbers based on  
7 historical information and what we know will be happening  
8 in the future. And we do prepare the budget on a cash  
9 basis instead of an accrual basis, and we do that so that  
10 the Board can see what we're actually bringing in in  
11 cash -- what our cash profit and loss is for the year.

12           And that's really all I wanted to say about the  
13 budget. Do you guys have any questions about how we do  
14 it?

15           (No response.)

16           MS. SMITH: Okay. For this year, we have  
17 budgeted \$22,663,000 in revenue, and a similar amount in  
18 expenditures. Just briefly, I'm going to go over the  
19 schedules that I've provided to everybody, or I think  
20 that's provided to everyone.

21           The first item in revenue is our single-family  
22 revenue. That basically consists of our bond income,  
23 issuer fees, our TBA program, which is our largest  
24 single-family program; second lien paybacks; our TBA  
25 compliance; and our lender contributions. So, we have

1 \$10.4 million budgeted this year.

2 On Exhibit A2 is our lending program revenue.  
3 And these are basically the receivables that we have --  
4 the loans that we made, the repayment of those loans that  
5 we've made over the years and what's coming back in the  
6 new year.

7 MS. CARDENAS: So, on this one, we're  
8 anticipating less for 2024?

9 MS. SMITH: Yes. And last year, we had a  
10 significant amount of income coming in from -- what was  
11 it, Nick?

12 MR. LAWRENCE: Nick Lawrence, Controller. Kiva  
13 East, Saison North, and June West repaid us about \$3  
14 million last year, so we just don't have that outstanding  
15 revenue.

16 MS. CARDENAS: Okay.

17 MS. SMITH: Thank you.

18 On Exhibit A3 is the budgeted multifamily  
19 program revenue. These are just the income from all of  
20 the issuer and asset oversight fees that come in from the  
21 multifamily bond programs. They're all contractual  
22 agreements. So, it's fairly simple to budget for them,  
23 and we're budgeting \$1.2 million.

24 Exhibit A4 is rental program revenue. These  
25 are the lease incomes from our office buildings at 1910

1 MLK and 2200 MLK, as well as Rollins Martin, the 15-unit  
2 apartment complex, and then multiple single-family homes  
3 that we have leased to families. And we also have some  
4 new revenue for the homes that were purchased -- or will  
5 be purchased in Flint, Texas. So, our total for that is  
6 \$1.3 million.

7 Exhibit A5 is the grants and donations. These  
8 are just income from foundations and banks and other  
9 institutions that we applied for grants and received that  
10 funding, and also federal and state grants.

11 MS. CARDENAS: So, like Health and Human  
12 Services -- was that a grant that we applied for B

13 MR. LAWRENCE: Yes.

14 MS. CARDENAS: -- and we're not going to apply  
15 for it? Or we can't in 2024? It's just a one-time?  
16 Okay.

17 MS. SMITH: A6 is the budget of the land bank  
18 revenue for \$4.89 million.

19 Nick, do you want to talk a little bit about  
20 it?

21 MR. LAWRENCE: Sure. This is an increase due  
22 to we're planning to draw down \$3 million to fund the  
23 redevelopment of 1910, our office building. We're going  
24 to try and turn that into units and get people in there.

25 So, this includes the \$3 million for that. And

1 this will match an equal number on the expenditure side.

2 MS. SMITH: Thank you.

3 MR. LONG: This is David Long. I'd just add to  
4 that that we are essentially just in the early phases.  
5 David Danenfelzer is working on leading this.

6 We have been working to get all of the design  
7 process completed. We've got to go through City approval.  
8 So, we're a ways off, but I think it's good for us to have  
9 this in the budget.

10 We would hope to have those turned into  
11 affordable ownership units, which is our plan. And so,  
12 what you saw in the building side rental -- that was way  
13 down, the 1910, with the expectation of taking down the  
14 loan proceeds, which would add to our income stream. But  
15 as Nick said, there will be an offset in expenses  
16 associated with the due year.

17 MS. SMITH: Thank you.

18 On A7 is our servicing revenue, and this is  
19 just some old revenue from some old programs that we had  
20 in a very small second lien loan portfolio that's  
21 dwindling down. So, we don't have the income coming in  
22 from it anymore.

23 Exhibit A8 is the investment revenue, \$1.3  
24 million. It's pretty much self-explanatory.

25 MR. LONG: Mr. Williams, this is the piece --



1 at the mortgage-backed securities principal and interest,  
2 this is the piece that you and I talked about earlier --

3 MR. A. WILLIAMS: Uh-huh.

4 MR. LONG: -- which is where we had gone in  
5 and, at the option redemption time frame, have acquired  
6 those mortgages or the securities outright.

7 And so, this is something the Board has  
8 authorized us to do in several cases over the years.

9 MS. SMITH: Okay. Now, we're into the  
10 expenditures. Exhibit B1 is the Texas Housing Impact  
11 Fund.

12 These represent the single-family and  
13 multifamily loans that we intend to make through this  
14 program. And the total is \$9.2 million. \$2.3 million of  
15 that is from the Capitol Magnet Fund. Those are funds  
16 that we've already received that will go out in  
17 expenditures to comply with that program, as well as Money  
18 Follows the Person, which was the HHS program.

19 MS. CARDENAS: So, I'm sorry. The single-  
20 family direct lending, you're going from 3.6 to 6.2? How  
21 is that anticipated that large?

22 MR. LAWRENCE: These are based on projections  
23 from David Danenfelzer. Some of these have already been  
24 approved by Loan Committee and this is just the total  
25 amount that it comes to. And we feel confident that --

1 MS. CARDENAS: So, we've got some things that  
2 are approved in the pipeline, too?

3 MR. LAWRENCE: Yes.

4 MS. CARDENAS: Okay. Just making sure I  
5 understand. I know you all know this inside and out,  
6 but --

7 MR. LONG: No, we want you to ask.

8 MS. SMITH: Yeah, please do.

9 MR. LONG: We want you to make sure you're  
10 fully comfortable with what we're presenting.

11 MS. SMITH: Exhibit B2 is the ACT Program.  
12 That's a land bank program. Again, this is Dave  
13 Danenfelzer's program.

14 We have \$5.4 million budgeted for this. This  
15 is where the \$3 million expenditure shows up that Nick was  
16 discussing earlier for 1910 -- the redevelopment of that  
17 property into -- is it going to be single-family units?

18 MR. LONG: Single-family. Well, it's not going  
19 to be -- it'll be condominium-type.

20 MS. SMITH: Exhibit B4 is salaries. And  
21 it's -- oh, I'm sorry. Did I miss one? Forgive me.

22 Oh, yeah, that was a good one, too. Other  
23 program expenditures -- this is our single-family, the  
24 rental program and other program expenditures. The amount  
25 is significantly less this year than it was last year.

1           Nick, do you want to explain a little bit about  
2 that?

3           MR. LAWRENCE: Sure. Last year includes 1.8 in  
4 purchasing single-family homes, and then 4.5 million for  
5 the Flint subdivision. And then we also did a  
6 single-family bond deal last year at 1.7.

7           So, we're not doing that this year. So that  
8 explains the decrease.

9           MS. CARDENAS: And we're not doing them because  
10 of interest rate conditions? Or --

11          MR. LAWRENCE: Well, we're anticipating if the  
12 conditions are right to do a 2024A bond deal, we'll come  
13 back to y'all to ask you to fund that. But for right now,  
14 we're not budgeting it.

15          MS. CARDENAS: Okay.

16          MS. SMITH: And as a rule, we try not to budget  
17 more than we're bringing in.

18          MS. CARDENAS: Sure.

19          MS. SMITH: So, we keep it --

20          MS. CARDENAS: Yeah.

21          MS. SMITH: Okay. Now, Exhibit B4 is salaries,  
22 which is very similar to the previous year. And it  
23 also -- I don't have the FTEs on here, but I believe it's  
24 32 FTEs in total.

25          MS. CARDENAS: We're pretty much in line.

1 MS. SMITH: Budgeted grant expenditures -- this  
2 is the Texas Foundation Fund that you guys just very  
3 recently approved. And now, we're making the awards. And  
4 then the Permanent Supportive Housing Institute, which we  
5 had last year, but will not this year.

6 Nick, do you want to explain a little bit about  
7 that?

8 MR. LAWRENCE: Sure. I believe they're taking  
9 it from this institute into a symposium, which is more  
10 like a conference. So, those expenditures are being  
11 accounted for under other program expenses now.

12 MS. SMITH: Thank you.

13 On B6 is budgeted principal and interest  
14 expenses. These are just the loans that we have made or  
15 we have taken out to finance various multi- and single-  
16 family properties over the years, and this is the debt  
17 that we're repaying on it. They're all contractual  
18 agreements and they're being paid down very quickly.

19 MS. CARDENAS: So, the Frost one, I guess, was  
20 a new one?

21 MR. LAWRENCE: This is to account for any  
22 potential interest we owe due to drawing down funds for  
23 the \$3 million.

24 MS. CARDENAS: Okay.

25 MS. SMITH: B7 is professional services

1 expenditures. And we've broken it down between legal and  
2 auditing fees, retirement plan, information technology, et  
3 cetera.

4 Is there anything unusual in there, Nick, this  
5 year?

6 MR. LAWRENCE: I believe the biggest difference  
7 is we're budgeting for a consultant due to a future  
8 project involving a large State agency. And to do that  
9 project, we're going to need a consultant. And this is  
10 the fee for the coming year.

11 MS. SMITH: That last line item?

12 MS. LAWRENCE: Yeah, it's about \$135,000 is in  
13 that, which was not in last year's.

14 MS. CARDENAS: Okay. And what -- I mean, this  
15 will be -- well, I guess we won't know, right? We're  
16 anticipating that this will just be for this year?

17 MS. SMITH: Yes.

18 MS. CARDENAS: Or is the project going to  
19 continue to roll over into --

20 MR. LAWRENCE: In total it's a five-year  
21 project.

22 MS. CARDENAS: Okay.

23 MR. LAWRENCE: This would be the fee for next  
24 year. There probably would be --

25 MS. CARDENAS: A recurring?

1 MR. LAWRENCE: Not recurring -- probably a  
2 little less than that per year. But yeah.

3 MS. CARDENAS: So, just the initial consulting.  
4 Then, we hire. And then --

5 MR. LAWRENCE: Yep.

6 MS. CARDENAS: -- over the next five years?  
7 Okay.

8 MR. LONG: This is related to the transportation  
9 transaction about three years ago we were asked to  
10 participate in, the north Houston highway --

11 MS. CARDENAS: In Houston?

12 MR. LONG: That has been reinvigorated, and we  
13 have recently attended a meeting related to that. And as  
14 a result, we're going to start gearing back up for that.  
15 So, this has been added back to the budget.

16 MS. SMITH: Exhibit B8 is marketing  
17 expenditures -- website, printing, and design materials,  
18 et cetera. Just the regular marketing that we do every  
19 year for all the programs. B9 is our insurance  
20 expenditures.

21 MS. CARDENAS: That keeps going up.

22 MS. SMITH: Yes, it does, unfortunately. Part  
23 of that is because of the properties that we've added over  
24 the last few years, and just general insurance increases.

25

1           B10 is travel expenditures related to all the  
2 various programs -- going out and looking at the  
3 properties, assessing what's going on out there, writing  
4 reports, et cetera.

5           B11 is furniture and equipment expenditures.  
6 This is just keeping up with our computer expenditures and  
7 keeping everything up to date, replacing old materials,  
8 maintaining the copier.

9           B12 is building maintenance expenditures. And  
10 this is just for this property -- utilities, lawn care,  
11 janitorial services, et cetera. B13 is professional dues  
12 and training, \$49,340.

13           Do we have anything in there that's unusual,  
14 Nick? I noticed that it's up a little bit. Just the  
15 regular --

16           MR. LAWRENCE: You know, this year we had a lot  
17 of requests for continuing education, and their  
18 supervisors approved it.

19           MS. SMITH: It's not anything unusual?

20           MR. LAWRENCE: Nothing out of the ordinary,  
21 just some of these classes are pretty expensive.

22           MS. SMITH: But very beneficial. B14 is  
23 budgeted communication expenditures. That's just our  
24 mobile phones and telecommunications for \$20,000 -- 20.7.  
25           And that's it.

1           So, we've budgeted a net income of \$127,000 on  
2 a cash basis. And we're asking the Audit Committee to  
3 approve the operating budget for 2024, and recommend that  
4 approval to the Board. Thank you.

5           MS. CARDENAS: Do you have any questions? Any  
6 of the members? Well, obviously, you all are very well  
7 aware.

8           So, I guess, just as a recap, 2023 actual was  
9 4.2 in net income. And so, we're budgeting 127. And so,  
10 you mentioned, Nick, the pay down?

11          MR. LAWRENCE: The pay down.

12          MS. CARDENAS: I'm trying to just recap so that  
13 as we go into Board, just being able to explain that.  
14 Because, obviously, that will be a big difference.

15          So, I guess, the difference in the 4.2 actual  
16 2023 versus the net income 127 is comprised in an overview  
17 of which line items? Because I see on the land bank -- is  
18 it A6?

19          MR. LAWRENCE: Oh, sure. Yeah, we had a few  
20 items that, you know, came in a little higher than we  
21 expected. We received more second lien refinance and  
22 sales, which repaid us those second lien funds which we  
23 were not expecting. That was quite a nice thing.

24          And then we had a few other line items in  
25 expenditures where, just due to timing and inactivity, we



1 didn't quite hit that number -- just resulted in a higher  
2 number than expected.

3 MS. CARDENAS: Okay.

4 MS. SMITH: As you might recall, we did not  
5 budget this year for the purchase of the homes. And then  
6 we had the purchase of Flint in 2023 that we didn't have  
7 in 2024.

8 MS. CARDENAS: Okay.

9 MS. LONG: And our logic on not adding any  
10 additional new homes is we're going to have 22 all at once  
11 that we literally are closing on today. And that will be,  
12 I think, a handful to try and get through. Obviously, if  
13 we have revenue streams that change and/or we have  
14 opportunity, we would come to Board for an amendment to  
15 the budget to allow us to maybe purchase some homes.

16 But with the 22 that we're closing on today  
17 being towards the very end of the fiscal year, I think we  
18 anticipate that would keep us pretty busy. But again,  
19 we'll keep our options open on that as we always do.

20 MS. CARDENAS: Okay. Thank you so much. That  
21 was very good. And you've certainly helped to kind of  
22 recap and also answer any details.

23 So, that being said, if there's no additional  
24 questions regarding the proposed operating budget, if I  
25 can have a motion for approval.

1 MR. A. WILLIAMS: So, moved.

2 MS. CARDENAS: Okay. I have a motion. Do I  
3 have a second? Oh, I'm sorry.

4 MR. LONG: Public comment.

5 MS. CARDENAS: Oh, I thought I did it. Oh, I  
6 have to do it first?

7 MR. LONG: No, you can do it. Continue. I'll  
8 do it. I'll second the motion.

9 MS. CARDENAS: Okay. Okay. I'm sorry. I have  
10 a first. I have a second.

11 Is there any public comment at this time?

12 (No response.)

13 MS. CARDENAS: Seeing that there is none, the  
14 proposed operating budget for fiscal year 2024 is  
15 approved. Okay.

16 MS. SMITH: Thank you.

17 MS. CARDENAS: Next, we have Tab Item 3, which  
18 is the presentation, discussion, and possible approval of  
19 the fiscal year 2024 Audit Committee guidelines.

20 MS. SMITH: Thank you. Melinda Smith, CFO.

21 Each year the Audit Committee guidelines  
22 actually requires that we bring the guidelines to the  
23 Board each year and have the Audit Committee and the Board  
24 approve the guidelines. We asked Maxwell, Locke, and  
25 Ritter, our CPA firm, to review the guidelines for

1 anything that they felt like needed to be updated or added  
2 to the guidelines, and they did not have any comments at  
3 all. So, we don't have any changes to the guidelines.

4 We're just asking the Audit Committee to  
5 approve them as they were approved last year, and to  
6 recommend them to the Board.

7 MS. CARDENAS: Okay. Very good. So, no  
8 changes?

9 MS. SMITH: None whatsoever.

10 MS. CARDENAS: Okay. Perfect. Do I have any  
11 questions or comments from Board Members?

12 (No response.)

13 MS. CARDENAS: Okay. Seeing that there is  
14 none, if I can have a motion for approval for Tab Item 3,  
15 presentation and discussion and possible approval of the  
16 Audit Committee guidelines for 2024?

17 MR. A. WILLIAMS: A motion to approve.

18 MS. CARDENAS: Okay. I have a motion.

19 MR. LONG: I'll second.

20 MS. CARDENAS: Okay. A second. Is there any  
21 public comment at this time?

22 (No response.)

23 MS. CARDENAS: Seeing that there is none, Tab  
24 Item 3 is approved as presented. Okay.

25 MS. SMITH: Thank you so much.

1 MS. CARDENAS: Do we have any items for a  
2 closed meeting?

3 MR. LONG: We do not.

4 MS. CARDENAS: Okay. If there is none, we'll  
5 go ahead and adjourn Audit Committee at 9:56 a.m.

6 (Whereupon, at 9:56 a.m., the meeting was  
7 adjourned.)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24

C E R T I F I C A T E

MEETING OF:        Audit Committee

LOCATION:            Austin, Texas

DATE:                August 22, 2023

I do hereby certify that the foregoing pages,  
numbers 1 through 21, inclusive, are the true, accurate,  
and complete transcript prepared from the verbal recording  
made by electronic recording by Elizabeth Stoddard before  
the Texas State Affordable Housing Corporation.

DATE: August 29, 2023

/s/ Anna Marie Reyes  
(Transcriber)

On the Record Reporting  
7703 N. Lamar Blvd., #515  
Austin, Texas 78752