

TEXAS STATE AFFORDABLE HOUSING CORPORATION

AUDIT COMMITTEE MEETING

TSAHC Offices
6701 Shirley Avenue
Austin, Texas 78752

Tuesday,
August 20, 2024
9:30 a.m.

COMMITTEE MEMBERS:

VALERIE V. CARDENAS, Chair
DAVID LONG, Member
DAVID RASSIN, Member
MELINDA SMITH, Member
LEMUEL WILLIAMS, Member (absent)

ON THE RECORD REPORTING
(512) 450-0342

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER, ROLL CALL	3
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 November 14, 2023.	4
Tab 2 Presentation, Discussion and Possible Approval of the Fiscal Year 2025 Annual Operating Budget.	4
Tab 3 Presentation, Discussion and Possible Approval of the Fiscal Year 2025 Audit Committee Guidelines.	18
CLOSED MEETING:	
Consultation with legal counsel on legal matters B	none
Texas Government Code § 551.071	
Deliberation regarding purchase, exchange, lease, or value of real property B	
Texas Government Code § 551.072	
Deliberation regarding prospective gift or donation to the state or Texas State Affordable Housing Corporation B	
Texas Government Code § 551.073	
Personnel Matters B	
Texas Government Code § 551.074	
Implementation of security personnel or devices B	
Texas Government Code § 551.076	
Other matters authorized under the Texas Government Code	
OPEN MEETING:	--
ADJOURN	20

P R O C E E D I N G S

1
2 MS. CARDENAS: Okay. I'd like to call the
3 Texas State Affordable Housing Corporation Audit Committee
4 meeting to order. It is now 9:34.

5 And we'll begin by taking roll call. Valerie
6 Cardenas, I am present. Lem Williams, absent.

7 David Long.

8 MR. LONG: Here.

9 MS. CARDENAS: Melinda Smith.

10 MS. SMITH: Here.

11 MS. CARDENAS: And we have David Rassin sitting
12 in.

13 MR. RASSIN: Good morning.

14 MS. CARDENAS: Good morning. And you are?

15 MR. RASSIN: Present.

16 MS. CARDENAS: Just so that it goes on the
17 record.

18 MR. RASSIN: There we go.

19 MS. CARDENAS: Okay. And we do have a quorum.
20 Okay.

21 Before we begin, do we have any public comment
22 at this time?

23 (No response.)

24 MS. CARDENAS: Seeing that there is none, we
25 will go ahead and move right into action items, beginning

1 with the first item, which is the presentation,
2 discussion, and possible approval of minutes of the Audit
3 Committee that were held on November 14, 2023. If
4 everyone has had the opportunity to review them, and there
5 are no changes --

6 MR. LONG: I make a motion to approve the
7 minutes as submitted.

8 MS. CARDENAS: Okay. I have a motion. Do I
9 have a second?

10 MR. RASSIN: Second.

11 MS. CARDENAS: Okay. Is there any public
12 comment at this time?

13 (No response.)

14 MS. CARDENAS: Seeing none. All those in
15 favor, signify by saying aye.

16 (A chorus of ayes.)

17 MS. CARDENAS: Any opposed.

18 (No response.)

19 MS. CARDENAS: The minutes are approved. Okay.

20 We will move on to Tab Item 2, which is the
21 presentation, discussion, and possible approval of the
22 Fiscal Year 2025 annual operating budget.

23 MS. SMITH: Good morning. My name is Melinda
24 Smith, and I am the Chief Financial Officer presenting the
25 2025 operating budget.

1 And I have given you a new copy in each place.
2 It is slightly different from what was in the Board book.
3 The bottom line is the same. And once we get to those
4 items, I will let you know what we've changed.

5 Looking at the first page. Overall, we have --
6 we are budgeting \$29 million in revenue and \$28.9 million
7 in expenditures. So, we have a small profit of \$71,000.

8 If you -- and I can do this any way you want.
9 Would you like me to just go through each page?

10 MS. CARDENAS: If you want to give a high level
11 summary. And then, of course, as there is questions that
12 will be asked, we will certainly do so.

13 MS. SMITH: Okay. If you turn to page 2, this
14 is our Single Family revenue. And we are budgeting \$9
15 million in total.

16 The majority of that comes from our TBA
17 program, which is where we are making mortgage loans and
18 the repayment of our second lien forgivable loans, the
19 \$3.8 million. Also, we have compliance fees of \$1.8
20 million.

21 MS. CARDENAS: When you say repayment of second
22 lien forgivable loans, because I mean, I think forgivable,
23 like they are forgivable. But then there were payments --

24 MS. SMITH: Yes. After three years, they are
25 forgivable if you haven't sold the house, you know,

1 refinanced. And these are loans that were made, I guess,
2 four or five years ago, we started making the loans on
3 this program. And so, they are really starting to come in
4 and pay off as people refinance or --

5 MS. CARDENAS: So, the repayment would be if
6 they are within that three-year period.

7 MS. SMITH: Yes.

8 MS. CARDENAS: If they exceed the three years,
9 then it is forgivable.

10 MS. SMITH: They don't have to repay the loan.
11 Yes. As you recall, we made a lot of loans during that
12 period of time when the interest rates were so low. And
13 so now, we are seeing a lot of repayments.

14 All right. Page 3 is the lending program
15 revenue. And these are our notes receivable, and this is
16 the income that comes back into us each year from those
17 notes.

18 It is all based on contractual agreements. So,
19 there is not a whole lot of guesswork here. These are
20 regular payments that are coming in.

21 We have two large repayments this year for
22 Burnet Place Apartments and June West, which makes the
23 overall budget higher than it was last year. The total is
24 \$7.1 million.

25 Okay. Page 4 is Multifamily Program revenue.

1 And again, these are contractual arrangements for our
2 issuer and multifamily asset oversight fees. And these
3 are all of the various deals and programs that we have
4 done over the years that are still out there, that we do
5 asset oversight and we still receive the issuer fees.

6 And again, this is income that is pretty
7 straightforward. It is easy to predict, \$1.1 million.

8 Page 5 is our rental income from our business
9 properties, 2200 MLK, and our various single family homes
10 that we rent. And Rollins Martin, which is the one
11 multifamily property that we have.

12 1910 MLK, if you will notice on the very first
13 line, there is no income budgeted because we are planning
14 to demolish that building and build something there.
15 Multifamily condos, I believe.

16 MR. LONG: It is going to be individual for-
17 sale condominiums.

18 MS. CARDENAS: So, demolished, and then
19 rebuilt?

20 MR. LONG: Yes, ma'am.

21 MS. CARDENAS: Okay.

22 MS. SMITH: Page 6, budgeted grants and
23 donations. At the top of the page are the grants and
24 donations. We are budgeting \$275,000. And these are just
25 income from individual donations and from banks and

1 corporations.

2 And then, at the bottom, we have federal and
3 state grants. The Capital Magnet Fund grant, the
4 Department of Transportation -- as you remember, we all
5 discussed that new program. The City of Austin housing,
6 the \$500,000 is going to be used, I believe, for 1910 MLK.

7 And then, Health and Human Services, the Money
8 Follows the Person, that is at \$1.56 million. It is a
9 grant from HHSC.

10 MS. CARDENAS: So, like on that one, when you
11 say the money follows the person, what would -- they are
12 providing this to you? So, this is the first time?

13 MS. SMITH: It is not the first time we have
14 received money from them, but we are getting money from
15 them this year. And it goes towards Dave's programs.
16 They build -- what is it they are doing with each one of
17 the --

18 MR. LAWRENCE: Nick Lawrence, Controller. They
19 are -- it is a grant for accessible units for people with
20 disabilities.

21 MS. CARDENAS: Okay.

22 MR. LAWRENCE: Yes. It reserves one unit for
23 every 75,000.

24 MS. SMITH: And we are limited to how much?
25 What is it?

1 MR. LAWRENCE: The max is \$375 for property.
2 Yes.

3 MS. CARDENAS: So, we just applied for this
4 grant? Or do we apply for it every year, and then we just
5 see if we get it?

6 Or is -- I guess, because I didn't see it in
7 prior years. So, I didn't know. Is this -- is there like
8 a time frame you can only receive it or apply for it?

9 MS. SMITH: Actually, I think they approached
10 us.

11 MS. CARDENAS: Okay.

12 MS. SMITH: And this is the second time we have
13 received it. And I am sure, to the extent the money is
14 available, and they would like to use it in these
15 programs, then we will apply for it if it still exists.

16 MS. CARDENAS: Okay.

17 MS. SMITH: Page 7 is the budgeted land bank
18 revenue, and that is \$3.3 million. And I have a list down
19 at the bottom of the projected sales equaling the \$1.8
20 million, and then the developer fees and application fees
21 totaling \$1.5 million.

22 MR. RASSIN: Why would that be a surprise on
23 that one, if we were budgeting the actuals last year?

24 MS. SMITH: Pardon?

25 MR. RASSIN: Why would it be a surprise, when

1 we budgeted the actuals last year?

2 MR. LONG: Why was this number so much lower
3 than before?

4 MR. LAWRENCE: That was because we projected to
5 borrow \$3 million to put towards 1910. And that was in
6 that line item on the second one. But that project has
7 not quite gotten off the ground, and we have not borrowed
8 those funds yet.

9 MS. SMITH: Does that answer your question?

10 MR. RASSIN: Yes.

11 MR. LONG: Mr. Rassin, 1910 is a project we
12 have been developing. David Danenfelzer and that team
13 have been working very diligently with a set of architects
14 in trying to get the engineering set up to what that would
15 look like.

16 As we move through that process, we have had
17 some delays in terms of getting the budgeting right on it.
18 So, the drawdown that we anticipated to move forward with
19 the project wasn't needed at this time.

20 So, rather than having -- we have a line of
21 credit we can draw from, with some of our financial
22 partners. And so, we put it in the budget for last year,
23 anticipating we would use it. And we ended up not, and
24 therefore that \$3 million wasn't drawn.

25 MR. LAWRENCE: And you will see the same \$3

1 million on the expense side, too.

2 MS. SMITH: Page 8 is our budgeted servicing
3 revenue. This is just a small amount of income that we
4 get from a very small portfolio of loans that -- they are
5 second lien loans that we personally manage ourselves.
6 And on that first line item, there is some bond program
7 income from an old contractual agreement with the Texas
8 Department of Housing and Community Affairs.

9 MS. CARDENAS: That just took me back. I just
10 saw Bond 52, and I think I started my mortgage career on a
11 Bond 52.

12 (General laughter.)

13 MS. CARDENAS: I am not even kidding. So,
14 thank you for that flashback.

15 MS. SMITH: Okay. Page 9 is our investment
16 revenue. We are budgeting \$1.9 million in total revenue
17 for 2025.

18 And this is one of the line items that I
19 changed. The general investment revenue was increased
20 from what you have in your Board book. I think it was
21 from 1.8 -- what was it, David?

22 MR. LONG: 1.8.

23 MS. SMITH: Point eight.

24 MR. LONG: 1.8. It was 1.8 in the original --

25 MS. SMITH: The total. Yes. So, it had been

1 up \$100,000.

2 Let me look at that. Do you have yours?

3 MR. LONG: It is right here.

4 MS. SMITH: Tab 2. 1.8. Okay. Yes. It was
5 increased. That is what I thought.

6 MR. LONG: \$150,000.

7 MS. SMITH: Yes. Yes, thank you, David.

8 Okay. B-1 is the beginning of our
9 expenditures. The first page here, on page 10 is the
10 Texas Housing Impact Fund.

11 This is basically our lending program. And we
12 are budgeting \$11 million in lending activity for 2025.
13 And David Danenfelzer is here if you have any questions
14 specific to that program.

15 On page 11 is the ACT program. This is our
16 Land Bank activity. And we are budgeting \$4.5 million for
17 that program. Again, that is David Danenfelzer's program,
18 and he is here if you need any questions answered.

19 Page 12, our other program expenditures. We
20 have our Single Family TBA and down payment assistance
21 programs. And we are budgeting \$2 million in anticipation
22 of doing another bond issue next year, or this coming
23 year.

24 And then we have rental program expenditures
25 for lawn and property improvements, and then also the

1 purchase of homes for \$1.4 million. I don't know how many
2 homes that will be exactly, but that is what they are
3 hoping to purchase during the year.

4 And then we have some additional expenditures
5 for the Housing Connection training, and homeless, and
6 just some miscellaneous items. So, a total of \$4.3
7 million.

8 On page 13 is our salary expenditures, and we
9 are budgeting \$4.9 million. We have two additional
10 positions budgeted for this year, vacant positions. There
11 are 33 FTEs total. Currently, we have 31 people.

12 On page 14, our budgeted grants. This is the
13 Texas Housing -- the Foundations Fund grants. And we are
14 budgeting \$1.5 million.

15 There is \$1,250,000 for the regular program for
16 Texas Foundations Fund and then \$250,000 for the Disaster
17 Recovery. And we split the amount, and they are budgeting
18 them separately, which is something that we haven't done
19 before.

20 On page 5 [sic], these are the interest and
21 principal payments that we make on the loans that we have
22 borrowed and then passed on to our customers in lending
23 them money. The third item down is The Willows, for
24 \$609,000 under actual. That was paid off this year, so
25 that is why there is nothing budgeted for the current

1 year.

2 And the same is true of the first two items
3 with the Federal Home Loan Bank. And then, we have the
4 repayment of the Texas Community Bank note, which is due
5 in May of this coming year.

6 And then the rest are just interest payments on
7 the loans that we have outstanding with the Sisters of
8 Charity and the Austin Community Foundation. So, a total
9 of \$533,000. We don't have a whole lot of debt
10 outstanding.

11 On page 16 are the professional services fees.
12 I guess, the only thing I would like to point out is,
13 under Information Technology this year, we have some
14 additional money budgeted for the revamping of the Asset,
15 Oversight, Compliance website. And then, under the very
16 last item, other consulting services, there is \$370,000
17 budgeted. And that is for the TxDOT program.

18 On page 17, this is our marketing expenditures.
19 On the first line item, the increase in the website design
20 and maintenance results because they are planning to redo
21 the website. And they are planning to do the first half,
22 I believe, in 2025, and the second in 2026.

23 And then, on page 18 is our insurance cost,
24 which keeps going up because of the property, primarily.
25 It has been very difficult; the umbrella policy and the

1 property insurance has been really difficult to manage
2 lately.

3 Page 19 is budgeted travel and meals. Page 20
4 is budgeted furniture and equipment expenditures. It is
5 our computer, hardware, and software, other equipment.

6 Page 21 are our building maintenance. And this
7 is just for this building right here. All our other
8 properties are under other program expenditures.

9 And then on page 22, we have professional dues
10 and training of \$47,000. And then on 23, communication
11 expenditures: the internet and mobile phones.

12 And that is it. Are there any questions?

13 (No response.)

14 MS. SMITH: We try and make it as detailed as
15 possible.

16 MS. CARDENAS: No. You always do a very good
17 job, you know, for us to be able to understand with a
18 note. So, I appreciate that. And you gave a very
19 thorough explanation. So, thank you.

20 MR. RASSIN: I have one question.

21 MS. CARDENAS: Sure.

22 MR. RASSIN: The change in the marketing,
23 fundraising, and government relations -- it is not a large
24 amount of dollars, but it is a significant change. Does
25 it signal a change in our approach to fundraising,

1 governmental relations, what does it --

2 MR. LONG: Mr. Rassin, what page are you on?

3 MR. RASSIN: I am sorry. Page 19, Exhibit
4 B-10.

5 MR. LAWRENCE: This includes travel for the new
6 TxDOT program. That is why it is so much higher.

7 MR. RASSIN: Understood. Thank you.

8 MR. LONG: And hopefully, what we will see is
9 that those expenditures are offset by the income stream
10 that we are going to get from the grant award that we will
11 have. So, it is kind of a self-funded --

12 MR. LAWRENCE: Correct. We have \$500,000 in
13 admin funds.

14 MR. LONG: Right.

15 MR. RASSIN: I understand. I just missed the
16 travel.

17 MR. LAWRENCE: Right.

18 MR. RASSIN: It wasn't the dollar amount that
19 concerned me.

20 MR. LAWRENCE: Okay. I have got you.

21 MR. RASSIN: It was if a change in strategy,
22 that is what I wanted to understand. So, I do understand
23 that. Thank you.

24 MS. CARDENAS: Questions? Are there any other
25 questions?

1 MR. RASSIN: None here.

2 MS. CARDENAS: So, we need an approval for this
3 budget.

4 MS. SMITH: Yes. And the recommendation to the
5 full Board.

6 MS. CARDENAS: Okay. So, Tab Item 2, if I
7 could have a motion for approval for the fiscal year 2025
8 annual operating budget?

9 MR. RASSIN: So, moved.

10 MS. CARDENAS: We have a first.

11 MR. LONG: I will second.

12 MS. CARDENAS: Okay. Is there any public
13 comment regarding Tab Item 2?

14 (No response.)

15 MS. CARDENAS: Seeing that there is none. All
16 those in favor, signify by saying aye.

17 (A chorus of ayes.)

18 MS. CARDENAS: Any opposed.

19 (No response.)

20 MS. CARDENAS: Tab Item 2 is approved as
21 presented.

22 MS. SMITH: Thank you so much.

23 MS. CARDENAS: Okay.

24 MR. LONG: I'd like to make a -- take a moment
25 just to thank Melinda, Nick, Betsy and the staff for all

1 that they do to put that together. It is a multiple month
2 long process to get to where we are at in managing all of
3 the varying changes that go on in the areas and programs
4 that we work with.

5 They do a phenomenal job. And I appreciate
6 their work. So, I wanted to put that on the record. So,
7 thank you.

8 MS. SMITH: I would like to echo that, and
9 thank Nick here, because he is amazing. Thank you, Nick,
10 very much.

11 MR. LAWRENCE: You are welcome.

12 MS. SMITH: All right.

13 MS. CARDENAS: Okay. So, now we will move on
14 to Tab Item 3, which is the presentation, discussion and
15 possible approval of the Fiscal Year 2025 Audit Committee
16 guidelines.

17 MS. SMITH: Thank you. My name is Melinda
18 Smith. I am the CFO.

19 The Audit Committee guidelines require that the
20 Audit Committee review the guidelines annually, and then
21 that the Board also approve them. We didn't have any
22 changes to the guidelines this year.

23 We asked Maxwell, Locke and Ritter, our CPA
24 firm to review them for any recommendations for changes.
25 And of course, we review them. I think Routt probably

1 gave them a look, too. But we did not have any changes
2 this year.

3 So, we are asking that the Audit Committee
4 approve the Audit Committee Guidelines and recommend them
5 to the Board for full approval.

6 MS. CARDENAS: Okay. Any questions?

7 MR. RASSIN: No questions.

8 MS. CARDENAS: Okay. I think this one is
9 simple enough, since there is no changes. So, for Tab
10 Item 3, if I can have a motion for approval for the fiscal
11 year 2025 Audit Committee Guidelines?

12 MR. RASSIN: So, moved.

13 MS. CARDENAS: Okay.

14 MR. LONG: Second.

15 MS. CARDENAS: Okay. I have a first and a
16 second. Is there any public comment at this time?

17 (No response.)

18 MS. CARDENAS: Seeing that there is none, Tab
19 Item 3 is approved as presented.

20 MS. SMITH: Thank you so much.

21 MS. CARDENAS: Okay. So, that seems to wrap up
22 all the action items. We don't have anything for a closed
23 meeting.

24 MR. LONG: That is correct. No items for a
25 closed meeting.

1 MS. CARDENAS: Okay. Seeing that there is
2 none, if I can have -- well, I guess I don't need a motion
3 to adjourn.

4 So, it is now 9:57, and Audit Committee for
5 TSAHC is adjourned.

6 (Whereupon, at 9:57 a.m., the meeting was
7 concluded.)

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C E R T I F I C A T E

MEETING OF: TSAHC Audit Committee

LOCATION: Austin, Texas

DATE: August 20, 2024

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 26, 2024

/s/ Carol Bourgeois
(Transcriber)

On the Record Reporting
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