

Clearwater, Florida, February 4, 2015

The Housing Finance Authority (HFA) of Pinellas County (as created by the Code of Ordinances of Pinellas County, Section 2-386) held a Board Retreat in the Swisher Building, Room 211, Clearwater, Florida at 10:13 a.m. on this date with the following members present:

Rodney S. Fischer, Chairman
Norris E. Counts, Secretary/Treasurer
Casey Cane, Assistant Secretary
Robyn Fiel, Assistant Secretary

Not Present

Tasker Beal, Jr., Vice-Chairman

Also Present

Kathryn Driver, Executive Director, HFA
Karmen Lemberg, HFA Staff
Michael T. Cronin, Board Counsel, Johnson, Pope, Bokor, Ruppel & Burns, PA
Joe Athey, eHousing Plus
Debbie Berner, RBC Capital Markets
Sue Denihan, eHousingPlus
David Jones, CSG Advisors
Donald Peterson, Raymond James
Monique Spotts, Bryant Miller Olive, PA
Tim Wranovix, Raymond James
Other Interested Individuals
Michael P. Schmidt, Board Reporter, Deputy Clerk
(Minutes by Helen Groves)

AGENDA

10:00 a.m. – 11:30 a.m. Financial Forecast – David Jones, Financial Advisor

11:30 a.m. – 12:15 p.m. Lunch

12:15 p.m. – 2:00 p.m. Discussion

1. Where we were, where we are, where are we going?
2. Relationship with Pinellas County
3. Accounting and the A133 Audit
4. Succession Planning for Board
5. Other

2:00 p.m. – 3:00 p.m. Break before regular Board meeting

CALL TO ORDER

Chairman Fischer called the meeting to order at 10:13 a.m. and, at his request, those in attendance introduced themselves and explained the role they play in the activities of the Authority. A sign-in sheet has been filed and made a part of the record.

FINANCIAL FORECAST – DAVID JONES, FINANCIAL ADVISOR

Mr. Jones conducted a presentation titled *Financial Forecast, Fiscal Year 2015-2020*, and indicated that the forecast provides details about the operations of the HFA and how its revenue is derived. He discussed the purpose for the forecast, stating that it will provide a framework for making future decisions.

Mr. Jones discussed the record low interest rates and bank downgrades of the past few years and reviewed the challenges and opportunities they provided. He indicated that 93 percent of the Authority's revenue is derived from the single family assets and discussed the important role single family investments will play during the forecast period.

In response to query by Ms. Lemberg, Mr. Jones explained that the Pinellas County HFA has been able to continue issuing bonds when other local Florida HFA programs have not because of the spread it had built up from prior bond issues. In response to queries by the members, he indicated that refinancing is widespread and foreclosures are continuing.

During discussion about second mortgages, Mr. Jones reviewed how the down payment assistance program works and the history of repayments, relating that no revenue from the program is being received at this time; that it is not sustainable to continue offering second mortgages; and that, legally, there is nothing that prohibits using grants in lieu of second mortgages.

Ms. Denihan related that Florida is unique in offering second mortgages for down payment and closing assistance costs, rather than using grants, and discussion ensued about the need to continue offering down payment assistance in order to remain competitive with the state Florida Housing Program. Following discussion, Chairman Fischer opined that while he is uncomfortable with the financial return on second mortgages, the HFA does operate under a public purpose of helping people obtain housing.

Attorney Cronin advised that the HFA consider how it would like to handle second mortgages for the upcoming bond deals, and discussion ensued; whereupon, noting that he does not want to

February 4, 2015

lose the \$10,000 second mortgages, Chairman Fischer directed that the foreclosure issue be addressed and arrangements be made for the HFA to receive advance warning so it can step in if at all possible.

* * * *

At this time, 11:32 a.m., the meeting was recessed and reconvened at 12:15 p.m.

* * * *

Continuing with the presentation, Mr. Jones highlighted the following observations and key points:

- Continued investment in single family assets is crucial to rebuilding the HFA asset base and creating future revenue streams.
- Reducing expenditures on down payment assistance is crucial to maintaining adequate cash and the quality of future single family investments.
- Establishing an operating reserve is prudent.
- Establishing a housing fund to provide funding for mission-related activities should be a longer term goal.

Chairman Fischer commented that he would prefer to set aside the maximum amount of assets and reserves statutorily allowed, and Mr. Counts concurred, stating that, as the Treasurer, he would recommend setting aside \$750,000 if it is allowed, and discussion ensued regarding setting up a mission-related fund in addition to the reserves.

WHERE WE WERE, WHERE WE ARE, WHERE ARE WE GOING?

Pointing out that the ultimate goal for the HFA, the County, and Bright Community Trust is to provide affordable housing, and the goal can best be done by leveraging resources, Ms. Driver related that she is committed to building relationships with the governing bodies and departments in Pinellas, Pasco, and Polk Counties and with community entities such as the Pinellas County Housing Authority and the Juvenile Welfare Board; whereupon, commenting that the atmosphere has changed with the advent of the new Pinellas County Administrator, Chairman Fischer commended Ms. Driver for her efforts to re-establish the relationships.

February 4, 2015

Ms. Driver indicated that after observing the situation for the past year, she would like to hire (1) an accountant and (2) someone with technical experience to focus on special programs, and Mr. Cane, Mr. Counts, and Attorney Cronin provided input and indicated their support.

RELATIONSHIP WITH PINELLAS COUNTY

Ms. Driver related that she will share with the Board at the regular meeting this afternoon her plans to lease new office space in anticipation of adding new staff, commenting that her office is currently sharing space with Bright Community Trust and has outgrown the space. She provided background information, relating that the sharing of office space was only intended to be a temporary fix during the initial separation from the County; and that it provided a way to incubate the relationship with the Trust and to ensure it was operating appropriately in utilizing the grant dollars HFA provided. She indicated that Bright Community Trust helps administer the HUD NSP 1, 2 and 3 grants, and the HFA staff has worked closely with them to get the homes built and ultimately sold so the grants can be closed out; whereupon, she stated that she would like to continue that relationship until the HUD grants are closed, after which the Board can reassess whether other opportunities exist to work with the Trust on a regular basis.

Mr. Counts expressed concerns with the Bright Community Trust issue and stated that he would prefer to break away from the entire arrangement, as he feels that the HFA has been “hoodwinked”; whereupon, he indicated that he is in support of having a separate office.

Attorney Cronin provided historical background information and discussed the dysfunctional relationship that existed between then HFA Executive Director Anthony Jones and the previous County Administrator, relating that, essentially, the HFA was one of the pawns in a turf war and the true relationship is between the County and Bright Community Trust. He stated that much of the accounting difficulty results from the HFA being the intermediary for the dollars going back and forth between the Trust and the County for Penny for Pinellas properties; whereupon, he reviewed the circumstances that led to the decision to change the beneficiary to 51 percent Bright Community Trust and 49 percent HFA, adding that the accounting rules have since changed, and the County would like to restructure the Trust relationship.

Attorney Cronin stated that quickly resolving the issues with Bright Community Trust is one of his personal priorities, and advised that there be communication at the Board level, beginning with a joint Board meeting workshop. He recommended that the entire relationship with the Trust be restructured, relating that the Trust is one tool in the toolbox and has a purpose, but the HFA leads the affordable housing initiative, and the Trust belongs to it; whereupon, Chairman

February 4, 2015

Fischer indicated that Bright Community Trust is a separate organization and not under the direction or supervision of the HFA except for the funding agreement.

Ms. Driver requested that the Board provide specific feedback regarding the \$50,000 grant, relating that the Trust has been asked to provide certain information, but she is unsure how detailed the information will be. Mr. Counts stated that before the HFA gives Bright Community Trust any more money, he wants the Trust to provide a plan showing it will be financially viable and sustainable in the foreseeable future without the HFA grant money and to confirm it is aware that funding is conditional on the plan.

In response to queries by Mr. Cane regarding the legal exposure should the HFA break away and whether the Trust would be able to continue operations, Mr. Cronin advised that the HFA does not have an obligation to fund the full \$950,000, as it is a grant and is discretionary. He expressed concern that the Trust is desiring to act as a general contractor as well as a developer; and indicated that the separation would force the Trust to have a balanced budget and to cut back so as to operate within that budget; and that the Trust has some very good development fees coming in and anticipates receiving grant money other than from the HFA; whereupon, he declared that, in his opinion, the Trust will need HFA support to continue to operate, and Chairman Fischer and Ms. Driver concurred.

Chairman Fischer stated that the HFA created the Trust and agreed to fund it and must now decide whether it is going in the direction anticipated; whereupon, Mr. Counts maintained that it is not operating in the way he anticipated, and discussion ensued regarding audits and the Inspector General's wish for the HFA to operate independently of the County and the Trust.

ACCOUNTING AND THE A133 AUDIT

A133 Audit

Ms. Driver explained that the HFA is subject to the A133 audit because of its involvement with federal funds, and reported that she will be bringing a proposal before the Board this afternoon to contract with a local accounting firm until the Chief Financial Officer position is filled.

County Audit

Chairman Fischer pointed out that the Inspector General did not audit Bright Community Trust, as he has no authority to do so, and in response to his query, Ms. Driver related that the Trust's fiscal year ended on December 31, and the Trust is preparing for an audit.

February 4, 2015

Attorney Cronin related that the HFA has historically had an adversarial relationship with the County auditors, but, mostly due to the cooperation of Ms. Driver, the upcoming audit report will only have some minor constructive comments by the auditor.

SUCCESSION PLANNING FOR BOARD

Citing her experiences when she became the new Executive Director, Ms. Driver urged that the veteran Board members share their institutional knowledge with the two new members; whereupon, Mr. Counts related that he has just been approved for a fourth term, and urged the new members to attend the upcoming National ALHFA and Florida ALHFA conferences.

OTHER

Promissory Note with Tampa Bay Community Development Corporation (CDC)

Ms. Driver referenced an outstanding promissory note with the Tampa Bay CDC, reported that she will be presenting a renewal of the agreement at an upcoming meeting, and requested direction from the Board. Attorney Cronin related that in response to concerns of the Inspector General, the footnote disclosure method has been changed to more adequately address the collectability of the notes; and in response to query by Mr. Counts, Ms. Driver confirmed that the promissory notes are collectable.

Evaluation Form for Executive Director

Attorney Cronin indicated that he is preparing a formal evaluation sheet for the Executive Director; that he is outlining the duties and criteria of the position; and that he would like input from the members about salary and benefits. Mr. Counts confirmed that Ms. Driver would be handling the evaluation of her staff members; whereupon, Chairman Fischer directed that Attorney Cronin share the evaluation document with the Board once it is complete.

ADJOURNMENT

There being no further business, Chairman Fischer adjourned the meeting at 1:30 P.M. and announced that the regular Board meeting would start at 3:00 P.M.

Secretary/Treasurer