

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

FINANCE COMMITTEE

State Capital Extension
Room E1.012
1400 North Congress Avenue
Austin, Texas

10:07 a.m.
Friday,
August 11, 2000

COMMITTEE MEMBERS:

DONALD R. BETHEL, Chair
MICHAEL JONES
MARGIE BINGHAM

ALSO PRESENT:

RUTH CEDILLO, Deputy Director
BILL DALLY
DAVID ALDRICH
PAM MORRIS
BYRON JOHNSON
DELORES GRONECK, Administrative Assistant

INDEX

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER, ROLL CALL CERTIFICATION OF QUORUM	3
PUBLIC COMMENT	3
Item 1 Presentation, Discussion and Possible Approval of Minutes of Finance Committee Meeting of July 28, 2000	4
Item 2 Presentation, Discussion and Possible Approval of Fiscal Year 2001 TDHCA Operating Budget	4
Item 3 Presentation, Discussion and Possible Approval of Fiscal Year 2001 Housing Finance Division Operating Budget	20
Item 4 Presentation, Discussion and Possible Approval of Resolution Approving Documents Relating to the Issuance of Residential Mortgage Revenue Bonds Series 2000B, 2000C, 2000D and 2000E and Other Related Matters	28
Item 5 Approval of Resolution Approving Documents Relating to the Extension of Single Family Mortgage Refunding Tax-Exempt Commercial Paper Notes, Series A and Series B and Other Related Matters	28
ADJOURN	30

P R O C E E D I N G S

1
2
3
4
5
6
7
8
9
10
11
12
13
14
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MR. BETHEL: -- call this meeting to order.

This is the meeting of the Finance Committee of the Texas Department of Housing and Community Affairs meeting August 11 at approximately 10:07 a.m. Don Bethel is here. Margie Bingham?

MS. BINGHAM: Here.

MR. BETHEL: Michael Jones?

MR. JONES: Here.

MR. BETHEL: All the members of the Committee are present. We would ask if any of you would like to speak before this Committee that you would come forward and fill out a witness affirmation form.

I guess Penny has -- we don't have any. Okay. If you'd come -- if you'd raise your hand and be recognized. And then we'll get you to sign one a little bit later. All proceedings of this hearing are open for public record. We'd also ask for you to come forward and state your name for Penny's benefit.

Is there any public comment at this time?

(No response.)

MR. BETHEL: Is there anyone wishing to speak before the Finance Committee?

(No response.)

MR. BETHEL: There not being any, we'll go to

1 the -- first item on the agenda is the approval of the
2 minutes of the Finance Committee meeting of July 28, the
3 year 2000.

4 MS. BINGHAM: Mr. Chairman, I move for approval
5 of the minutes.

6 MR. JONES: I second the motion.

7 MR. BETHEL: Okay. We have a motion by Ms.
8 Bingham, seconded by Mr. Jones, that they be approved.
9 All those in favor say aye.

10 (A chorus of ayes.)

11 MR. BETHEL: Opposed say nay.

12 (No response.)

13 MR. BETHEL: The motion carried. The second
14 item on the agenda is the approval of the Fiscal Year 2001
15 TDHCA Operating Budget. And you might notice that Ms.
16 Stiner is not sitting beside me today. It's the deputy
17 director --

18 MS. CEDILLO: Ruth Cedillo.

19 MR. BETHEL: -- Ruth. I went blank. Ruth
20 Cedillo. And so Ruth is going to be -- I think Ms. Stiner
21 took some mandatory -- or some leave to take her daughter
22 back to school. And so we hope she is getting some R&R
23 this week. So, with that, I'll turn it over to Ruth.

24 MS. CEDILLO: This morning we have Bill Dally
25 and David Aldrich, which -- who will be reviewing the 2001

1 TDHCA Operating Budget.

2 MR. DALLY: Good morning, Chairman, Committee
3 Members, Ruth Cedillo. I don't know if you know David
4 Aldrich, but he is the one that gets into the trenches and
5 actually takes the submissions from all of our directors
6 and puts this together. And then he takes a shoehorn and
7 makes it fit within the appropriations bill and the money
8 we've been appropriated.

9 Today we've got -- we're asking for your
10 approval on two different budgets, the first one being our
11 overall operating budget for the Department. The second
12 on is the Housing Finance Division, and that is a subset
13 of the first overall.

14 And both of these budgets are essentially just
15 the operating portion or a subset of our overall
16 appropriations bill that was passed last session. We had
17 2000, which was the fiscal year we're in now, and this
18 will be the 2001 operating budget.

19 Another word of clarification -- and this is
20 not our legislative appropriation request that we are
21 currently in the middle of preparing that will go this
22 fall to the Governor's Office and the LBB.

23 There will be hearings on it -- and then at the
24 beginning of the session that the LBB will make a
25 recommendation based on our requests. And that will be

1 what's under discussion with appropriations this fall.

2 But this is not the LAR. This is --

3 MS. BINGHAM: Will you be requesting any
4 variations when you go to the Legislative Budget Board?

5 MR. DALLY: Sorry?

6 MS. BINGHAM: Will you be requesting any
7 exemptions or variations -- for example, on travel and
8 other issues -- FTEs?

9 MR. DALLY: We can. We can.

10 MS. BINGHAM: I'm saying -- but will you, based
11 on what you present to us? Do you project to be doing any
12 of that?

13 MR. DALLY: Well, this is still operating
14 underneath our appropriation for 2000/2001.

15 MS. BINGHAM: Okay.

16 MR. DALLY: We will -- as we prepare that LAR
17 for 2002 and 2003, our instructions are to build a
18 baseline strategy. And that is essentially what you've
19 done the last two years.

20 But we'd also have the option of doing
21 exceptional items. And that's where we can begin to
22 address some of the sunset issues, and we can line out the
23 additional resources that we need -- money and FTEs -- and
24 what we will --

25 MS. BINGHAM: But currently you are in

1 compliance with the FTEs as established under the last
2 appropriation.

3 MR. DALLY: The FTE level in this budget today
4 is what was approved in our appropriation for 2000/2001.

5 MS. BINGHAM: What about travel?

6 MR. DALLY: Travel is the same. So we did not
7 ask for a waiver [phonetic].

8 MS. BINGHAM: We were able to -- okay.

9 MR. DALLY: So it's within those criteria.

10 MR. BETHEL: So the appropriations -- LAR does
11 a two-year -- we're on biennium. Right?

12 MR. DALLY: Correct.

13 MR. BETHEL: And this budget is within the
14 second year of the biennium.

15 MR. DALLY: Of the one that was passed the last
16 session.

17 MR. BETHEL: Right.

18 MR. DALLY: That's correct.

19 MR. BETHEL: The what, 76th session?

20 MR. DALLY: That's correct. And it's a -- I
21 don't know if this is typical of all agencies, but, in our
22 legislation, it requires that we go ahead and bring to you
23 this portion of the operating budget for the Housing and
24 Finance Division. I think that's a carryover from when it
25 was a housing agency.

1 But that's -- this exercise today is to bring
2 you that operating budget. But it's operating underneath
3 the umbrella of that appropriations bill for 2000/2001.
4 And we are currently working on our requests for the next
5 two years, 2002 and 2003. So I kind of wanted to clarify
6 that.

7 MS. BINGHAM: Could you, for the purpose of the
8 Committee, just go over the overall budget in comparison
9 to the previous budget and the proposed budget for '01 and
10 explain the variances? I think -- I'm sure the Board is
11 going to want to hear some -- we have some new members.
12 They may want to hear something in detail.

13 But could -- for my sake, could you just
14 explain the overall budget and the variances from --
15 between this year and the upcoming year?

16 MR. DALLY: Okay. If you'll turn to page 2 of
17 this document. The first column is last year's budget
18 that was approved. And then the second column is what
19 we're proposing today. And then you can see our
20 variances.

21 I -- and I faxed this out late yesterday, and
22 I've got copies. Do you have a copy of this?

23 MS. BINGHAM: I have a copy of it.

24 MR. DALLY: Okay. If you'll flip to about the
25 third page --

1 MS. BINGHAM: I've read it. I just want you to
2 get it on record.

3 MR. DALLY: Okay. First thing I wanted to
4 point out, on the salary and wages, that when we build
5 this budget, we build it under the assumption of 370
6 employees 12 months a year.

7 In actuality, if you look back over our history
8 and look at -- you'll see that those numbers in actuality
9 will not be that high, because we are not fully staffed,
10 you know, each and every year up to those levels.

11 But we do have an increase of about 2.9 percent
12 in salary and wages, and that's to accommodate for our
13 reclass and merit approval between last year and this
14 year.

15 Now, on payroll-related costs, even though our
16 salary and wages have gone up, we used -- we lowered the
17 percentage that we used for payroll-related costs. And
18 payroll-related costs are the state-paid health insurance
19 for employees, the retirement match, and the employer's
20 side of FICA that's paid by the State.

21 And, typically, we've used in the past 26
22 percent. When you actually look at the actual numbers
23 from a year, that's a little high. And so we went ahead
24 and rolled that back to 22 percent. And I'm still
25 comfortable that that still gives us some cushion of

1 margin there.

2 MR. BETHEL: So that's even with the \$445,000
3 increase?

4 MR. DALLY: Right. There's sort of a wash
5 there. So -- but we're sort of taking out the -- probably
6 overbudgeted under that 26 percent in prior years on
7 payroll-related costs. So, between the salary increase
8 and the payroll-related costs, that's pretty much a wash.

9 MR. BETHEL: So the 22 percent, is that based
10 on the 2001 budget? It's 22 percent of the increase?

11 MR. DALLY: What we're using -- we're using the
12 2001 salary and wages times 22 percent --

13 MR. BETHEL: Okay.

14 MR. DALLY: -- to arrive at that --

15 MR. BETHEL: Okay.

16 MR. DALLY: -- payroll-related cost. Travel
17 is a fixed number. The next large number on this budget
18 is professional fees. And let me go over sort of what
19 that includes.

20 That's our outside legal counsel, our
21 independent auditors, engineers, and any other third-party
22 expertise, such as software programmers and stuff that we
23 need to go outside our own staff to get.

24 Also in there is the fees that we pay to cities
25 and counties that do installation and inspections. We

1 have contracts with them to do some of our installations
2 and inspections on manufactured housing. So that's built
3 in there.

4 We also have an interagency contract with the
5 Department of Economic Development. They do our
6 underwriting on the Texas Capitol Funds. And so that's
7 built into this professional fees.

8 And I should point out that, within that line
9 item, we sort of built in some contingency budget. In
10 other words, we have \$500,000 for outside legal fees. We
11 have not approached that this year. But we -- but that's
12 sort of been our standing amount. And some years, you
13 know, we'll have more in legal fees than others.

14 But we will not necessarily spend all of this
15 professional fees, but we do have some contingency built
16 in there.

17 The other items -- materials, supplies,
18 repairs -- that's your consumables, postage and paper.
19 Repairs and maintenance -- that includes software
20 licensing agreements. Those are considered a maintenance
21 item -- printers, our faxes, and those sorts of things.

22 Rental and lease -- this includes both the
23 rents for our Austin office, as well as some of the field
24 offices. And we've been paying -- this is the last year
25 of our modular furniture.

1 And that's one of the reasons that that
2 particular line is going down because we only have to
3 pay -- there's generally two payments in a year, and we'll
4 only have the one payment. We're on our last payment this
5 year, so we won't have that second payment. And that's
6 the reason that's gone down.

7 Registration fees includes some of the
8 directors' and officers' insurance that the Department
9 carries for employees and the board. We also have board
10 and employee surety bonding that covers those conference
11 and registration fees for trainings and conferences that
12 staff and the board go to during the year.

13 Freight and delivery -- that's our overnight
14 delivery chiefly.

15 Communications and utilities -- that's our --
16 both our local and our long-distance telephone networks.
17 We have contracts locally with the GSC, who provides the
18 capitol area network telephone system. But we also have
19 long distance providers.

20 Our capital outlay -- that includes chiefly our
21 upgrades and moving our computer systems, both the ones
22 that are our backbone and the IS, but also those desktop
23 units. And we're -- been in a goal that every -- within
24 three years that we would have everyone upgraded. So
25 there's sort of a three-year cycle. We're not trying to

1 upgrade everybody in any one single year, but we're moving
2 on sort of a three-year plan.

3 And I've attached a memo with regard to some of
4 that capital outlay. I had the -- Terry Vickers is our
5 software -- recent software manager. And I asked him to
6 prepare that for your information.

7 The last item -- the 275,000 for office
8 renovation and consolidation. I think the topic came up
9 at the last meeting. We're going to have -- more than
10 likely we're close on signing a lease on our current
11 building. But we're going to hold the same rent, but
12 we're going to have to give up a floor, so that's the
13 trade off.

14 And we're giving up a floor because we -- we're
15 mandated under the state to have no more than, on average,
16 153 square feet per employee. We have been over that,
17 chiefly because we still had some of that space when the
18 corporation -- Texas State Affordable Housing Corporation
19 moved away about a year and a half ago and got their own
20 office space. We still have some of that space on our
21 third floor. We'll need to give some of that up.

22 And we'll have to consolidate. And that's
23 going to mean reconfiguring some of the telephone lines
24 and computer lines and some of the network stuff.

25 MR. BETHEL: Does the board room figure in on

1 that computation on the square feet per employee?

2 MR. DALLY: Yes. In fact -- well, the
3 computation includes all common areas, and it's all looked
4 at in total. I've got the facilities person here --

5 MR. BETHEL: Is that per -- the FTEs are the
6 budgeted FTEs?

7 MR. DALLY: It's budgeted FTEs. We also have
8 in there -- we can budget in there -- typically, we've got
9 a set of auditors, too, and consultants and whatever, that
10 may be on premises. And we can put them in our average
11 too.

12 There's also allowances made for your -- some
13 of your file cabinets and those kind of things. But
14 there's an elaborate set of rules that GSC has set out
15 that we must follow.

16 If you look at that bottom line, the total
17 variance between this year and last year is \$285,000. And
18 our estimate on that office renovation and consolidation
19 is 275,000. So we -- essentially, we're about the same as
20 last year in that we made -- you'll see that we've made
21 some shifts between line items because we had to -- if we
22 want a little more in one line item then we give up
23 something somewhere else. Because, like I say, we're
24 still operating under our -- the appropriation that was
25 given to us last session.

1 MS. BINGHAM: Now, you're basically 1 percent
2 over your last year's budget, and most of that is
3 attributable to the field out -- office?

4 MR. DALLY: Yes. And I should say that we had
5 some discussion even yesterday about this particular
6 number because the lease is not, you know, firm. We don't
7 have firm bids against this number.

8 This is our educated guess about what we think,
9 given our experience with some of the modular furniture
10 and moving things around on the phone lines and stuff.
11 This is our best guess at what that will cost to lose that
12 floor in the bidding.

13 The next --

14 MR. JONES: Could I ask a question?

15 MR. DALLY: Uh-huh.

16 MR. JONES: I didn't mean to interrupt. Going
17 to page 3, could you comment on the changes with regard to
18 the Community Development Division and with regard with
19 the Office of Colonia Initiatives, please?

20 MR. DALLY: Yes. If you'll skip back in this
21 memo one page -- or two pages -- I laid out a page on
22 staffing. And there have been some shifts among the
23 staff. And part of that -- what's happened -- change from
24 CDBG is we've moved some of that monitoring staff out from
25 that division and into compliance. We've also done that

1 in HOME.

2 A lot of that came out of our -- David Gaines
3 on the internal audit report -- the Audit Committee --
4 where the idea is to remove -- where before, when they're
5 in their programs they could also be doing technical
6 assistance and for those clients and making awards and
7 then turn around and doing some monitoring and then still
8 reporting to that division head.

9 So we decided it would be a better plan to
10 consolidate and put some of those folks in the compliance
11 area to meet -- address some of the issues and -- I think,
12 too, it occurred, at least in HOME's case, where, when we
13 had open FTE positions there tended to be the monitors.
14 And they kept moving folks up meeting the needs in the way
15 of managing the program and making awards and those sorts
16 of things and not on the monitoring. I mean, that's -- so
17 we're --

18 MS. BINGHAM: Isn't it more or less a
19 segregation of duties that you want the -- you don't want
20 the same people who are recommending awards and contracts
21 to also be monitoring them, so you move the people to a
22 separate compliance section?

23 MR. DALLY: Exactly.

24 MS. CEDILLO: And I can explain some more on
25 that. We had them separated in CDBG, and we felt that

1 bringing in the HOME monitors with the CDBG monitors,
2 because we have so many similar regulations under CDBG,
3 that those two areas could probably be cross-trained.
4 And, in fact, I think that Ms. Phillips has already
5 started that to be able to get those monitors from the
6 HOME program working with the CDBG monitors.

7 And we've actually increased the number of
8 monitors in the HOME program by one. We took one person
9 from the program area and put it in compliance -- put that
10 person in compliance.

11 And what we've also done -- and you notice a
12 decrease in an FTE in the Office of Colonia Initiatives.
13 We've taken a person from the Office of Colonia
14 Initiatives and given it to the HOME program area as a
15 regional coordinator.

16 MR. DALLY: And there was some other minor one
17 or two half FTEs that moved among divisions just to kind
18 of meet workload demands. That page 3 -- it's essentially
19 the same budge, but it's laying it out. And you see all
20 the various divisions, and you're looking at the changes.

21 And then down below you'll see the various
22 methods of finance -- the general revenue, federal funds,
23 appropriated receipts and stuff. Are there any questions
24 on that?

25 (Pause.)

1 MR. DALLY: Then, as you go back through the
2 budget, you'll see which of the program areas laid out as
3 they are in the appropriation bill under their various
4 goals. You can see each of those individually and the
5 comparison budget. I trust you don't want it page by
6 page, but --

7 MR. BETHEL: I don't have any questions. Any
8 other questions?

9 MS. BINGHAM: Mr. Chairman, I would make a
10 motion to refer this budget to the full board for
11 discussion only -- not for approval, but for discussion --
12 additional discussion.

13 MR. BETHEL: Okay. And I -- we can do it by
14 common consent, then, I think -- just not take action on
15 it. All right. Do we have -- do we want to go with the
16 Housing Finance Division?

17 MR. DALLY: Yes. And that's in this -- the
18 memo dated yesterday. If you'll flip back, it will have a
19 title page, Annual Housing Finance Operating Budget,
20 Fiscal Year 2001.

21 This is that subset of our -- of the overall
22 operating budget, but it focuses in on those sources of
23 funds and methods of finance that come from our bond
24 administration fees, tax credit fees, the Affordable
25 Housing Disposition Program fees, which are the --

1 considered our Housing Finance Division revenues. And
2 you'll see that's about \$10.7 million.

3 And then you'll see spread across -- the titles
4 across the top are the various divisions that are
5 receiving support from that source of funds. And then
6 down in the left hand, you'll see the objects of expense.

7 I think this is -- if I recall, I believe this
8 is probably an overall increase of about 300-, \$400,000
9 over last year.

10 MS. BINGHAM: Could you explain the -- why
11 the -- this budget is generally presented separately from
12 the regular budget?

13 MR. DALLY: It has to do with -- I made copies
14 of our legislation. And if you -- I think that may be the
15 next page or two. I believe it's a carryover. If you
16 look at the historical and statutory notes, this thing
17 dates back into the eighties and seventies.

18 So I think this language is something that's
19 been a carryover from when we had a separate housing
20 agency. And then when the two were combined the
21 distinction that's generally made in the legislation now
22 is it's the Housing Finance Division.

23 And that's where they also make distinctions
24 about where our funds are deposited for the Housing
25 Finance Division. They are not in the treasury. They are

1 kept in Safekeeping Trust Company because those are
2 generally our bond funds, and those are pledged in a trust
3 estate, so that bondholders have rights to those, but we
4 manage them. But that's just a legacy I think. I can't
5 explain it other than that.

6 MR. BETHEL: Are there any questions on this?
7 We want to, by common consent, throw this to the board?

8 MS. BINGHAM: Yes.

9 MR. JONES: Fine with me.

10 MR. BETHEL: Okay. We'll just do both of these
11 at the board meeting then.

12 MR. DALLY: Okay.

13 MR. BETHEL: We'll pass on them.

14 MR. DALLY: Right.

15 MR. BETHEL: And I don't have -- do you have
16 any other questions? Any more? Okay. Thank you very
17 much.

18 MR. DALLY: Thank you.

19 MR. BETHEL: That would be agenda item 2 and 3
20 that we will not make a recommendation on. Thank you,
21 David.

22 MR. ALDRICH: Thank you, sir.

23 MR. BETHEL: We'll go to agenda item number 4
24 is the -- a possible approval of a resolution approving
25 documents relating to the issuance of residential mortgage

1 revenue bond Series 2000B, 2000C, D, E, and other matters.

2 Ms. Cedillo?

3 MS. CEDILLO: Yes, sir. Byron Johnson will be
4 making that presentation this morning. And he has his
5 whole team here to back him up.

6 MR. JOHNSON: Good morning, Mr. Chairman,
7 members, Ruth. We're here today to present to you the
8 resolution for the next bond program. We -- as you may
9 recall -- I think it was April -- we came to you and said
10 we were going to do something a little different. We took
11 and refunded an old program -- took the proceeds from that
12 program and recycled them into additional monies to
13 add into the next bond program.

14 That was -- that turned out to be about
15 \$18,265,000. The total size of this deal we're estimating
16 to be between 115 million and \$140 million. The
17 difference in that amount is attributable to the use of
18 taxable bonds.

19 We feel that the underwriters and financial
20 advisor and bond finance feels that this is a very highly
21 favorable time in the market, and we can add additional
22 volume with little cost or impact in the mortgage rate.

23 We're estimating -- or at the time we were
24 preparing the documents, we were estimating a rate of
25 about 7-11-707. And, just based on some numbers from

1 yesterday, you know, we're looking at a 6-90 with 25
2 million in taxable bonds and the 18-million-265. So those
3 are -- on the bond side those are the highlights.

4 On the program side, you have a separate
5 handout which talks about the program itself. We're doing
6 two things a little different. First, we're switching
7 from a lender allocation process to a first-come, first-
8 served process. This is where lenders can come in and,
9 you know, take them out of proceeds they wish and use at
10 their discretion.

11 With the allocation method we would, you know,
12 assign a certain amount of monies to each lender. And
13 then, you know, for all intents and purposes, the lenders
14 could do what they wanted because they paid for it up
15 front. And they could just hold on to it for about a year
16 or so, and just if rates moved against them or whatnot,
17 just not use the money. So this way everybody has an
18 equal opportunity to use the money.

19 Something else we're doing a little bit
20 differently is, for the first time, we're --

21 MS. BINGHAM: May I interrupt you for a second?

22 How do you control the income set-asides when you do
23 that?

24 MR. JOHNSON: Let me bring Pam Morris up.

25 MS. BINGHAM: Yes. I just want to know how

1 you're going to --

2 MS. MORRIS: Good morning. I'm Pam Morris,
3 Director of Housing Finance Programs. In the past when a
4 lender received an allocation of two million or one
5 million, or whatever it was, 30 percent of their money was
6 restricted to borrowers at 60 or below.

7 Basically, it will work the same way. What
8 we're going to do is allocate by regions. So we'll have a
9 set-aside by region, and it will be first-come, first-
10 served within the region.

11 But you'll have two pools of money. You'll
12 have 60 percent income -- 30 -- which is 30 percent of the
13 money set aside for registrations under that, and then the
14 rest of it -- the balance will be in a pool.

15 MS. BINGHAM: So they'll come on a first-come,
16 first-served --

17 MS. MORRIS: Right.

18 MS. BINGHAM: -- basis, but they'll have to --
19 that percentage that they take down -- they'd have to
20 bring it down into income.

21 MS. MORRIS: Right.

22 MS. BINGHAM: Thank you.

23 MS. MORRIS: When they register with the
24 service they know which --

25 MS. BINGHAM: Thank you.

1 MR. JOHNSON: And that kind of leads into the
2 second major revision that was made to the program. We're
3 using a regional reservation system. And for the first
4 six months of the program, the funds will be made
5 available on a regional basis.

6 And we will calculate how much to put in each
7 region based on the population of that region for this
8 particular issue -- you know, going forward, single
9 families -- you know, exploring other options. But right
10 now -- time constraints -- we felt that population was the
11 best basis for allocating the funds to those regions.

12 MS. BINGHAM: And I assume Houston will get
13 most of the money.

14 MR. BETHEL: And Lamesa's not going to get any.

15 MR. JOHNSON: We'll work it out.

16 MS. MORRIS: We hope that the six months will
17 at least help give some regions an amount of money
18 protected for them.

19 MS. BINGHAM: How are the regions by
20 population? Are they pretty even by population or are
21 there some variations?

22 MS. MORRIS: It goes from, say, region one,
23 which is like a 3.89 percent of the population, to one of
24 the highest being region six, which is 23 percent of the
25 population.

1 MS. BINGHAM: Which region is that?

2 MS. MORRIS: Region six is --

3 MR. BETHEL: It's Houston.

4 MS. BINGHAM: I know the answer.

5 MS. MORRIS: Houston.

6 MS. BINGHAM: I just want everybody to know.

7 MR. BETHEL: What about region nine? What
8 percent?

9 MS. MORRIS: Region 9 is 2.72 percent of the
10 population.

11 MS. BINGHAM: And I'm just -- I just raised
12 that -- I knew the answer. I just raised that question in
13 terms of regional allocation. How could one assume that
14 each region should have the same amount of money to
15 population? It's so uneven. But I would like a copy of
16 your population by region.

17 MS. MORRIS: Sure. We used it based on the
18 uniform state service region population numbers through --
19 estimated through 1999 out of Housing Resource Center to
20 kind of be consistent.

21 MS. BINGHAM: Could you get those for me?

22 MS. MORRIS: Absolutely.

23 MS. BINGHAM: Just mail them to me please.

24 MS. MORRIS: Absolutely.

25 MR. JOHNSON: And this same information we have

1 provided to Bond Review Board. And this is something we
2 can start providing to you when we come to you, you know,
3 for bond issuances.

4 MR. BETHEL: You didn't factor in the median
5 income on any of these, just the population?

6 MS. MORRIS: Just the population. We --

7 MR. BETHEL: Not median income?

8 MS. MORRIS: We have a variety of variables to
9 choose from, and I've worked with Sarah [phonetic] to see
10 what those options are for us going forward, because we
11 obviously have a formula that we're working on for Senate
12 Bill 1112.

13 And even though the bond program isn't subject
14 to that, I wanted to be somewhat consistent in our
15 formula. It's just in the amount of time I only used
16 population. But, going forward, yes, we'd like to take on
17 housing needs, income, and those variables to come up with
18 a more true percentage per region for need.

19 MR. JOHNSON: But we also wanted to keep it a
20 little bit more simple for this issue because bond
21 investors see this, and then they're like, Well, you know,
22 explain it or we're not going to buy your bonds. So we
23 wanted something we can explain readily available and
24 quickly.

25 MR. BETHEL: Okay.

1 MR. JOHNSON: Okay. So it's about a \$140
2 million deal, 25 million of which will be taxable.
3 However, we will use our discretion on the day of pricing
4 to determine the amount of taxable bonds based on the
5 impact on the mortgage rate.

6 Countrywide has provided a point up front to
7 assist us with the cost of issuance. We're going to raise
8 premiums from the bonds to pay for the cost of issuance.
9 We're trying to -- there are certain stipulations in
10 indenture which may require us to use funds from our
11 pockets up front. But the premium will be used like
12 within two or three months to reimburse us. So, ideally,
13 we will have no out-of-pocket expenses for the
14 transaction. And that's all I have right now.

15 MS. BINGHAM: What is the number that's on
16 this, for the sake of the motion?

17 MR. JONES: It's 00-25. I'll go ahead and make
18 a motion.

19 MS. BINGHAM: Okay.

20 MR. JONES: I move we recommend Resolution
21 Number 00-25 to the full board for approval.

22 MS. BINGHAM: Second.

23 MR. BETHEL: We have a motion by Mr. Jones,
24 seconded by Ms. Bingham, that we pass Resolution 00-25
25 relating to the Program 56. Is this 56?

1 MS. CEDILLO: Yes.

2 MS. BINGHAM: 56.

3 MR. BETHEL: 56. Okay. All those in favor say
4 aye.

5 (A chorus of ayes.)

6 MR. BETHEL: Opposed nay.

7 (No response.)

8 MR. BETHEL: Motion carried. Thank you.

9 MR. JOHNSON: Thank you.

10 MR. BETHEL: All right. Are you on the next
11 one? The last item on the agenda is the single family
12 mortgage refunding tax-exempt commercial paper notes,
13 Series A, B, and other things. Byron?

14 MS. CEDILLO: Byron.

15 MR. JOHNSON: Thank you, Ruth. In 1994 the
16 department created a mechanism for recycling prepayments
17 to new mortgages. And this is what we just referred to in
18 the previous deal. We were able to use this mechanism,
19 the issuance of commercial paper, to recycle \$18 million.

20 The program started in '94. It was approved
21 annually by the Bond Review Board. And then in '96 the
22 Bond Review Board gave us a four-year approval. That four
23 years is due to expire December 31, 2000. So we didn't
24 want to wait that long.

25 We would like to come to you now and ask that

1 you give us authority to extend the program another four
2 years.

3 And, as I pointed out, we're using commercial
4 paper program right now to recycle about \$30-some million
5 in the current Program 56. It's slightly cumbersome to
6 use, but it's a very effective method of recycling and
7 reusing volume cap.

8 MR. BETHEL: Are there any questions?

9 (Pause.)

10 MR. JONES: Mr. Chairman, I would move that we
11 recommend Resolution Number 00-26 for approval to the full
12 board.

13 MS. BINGHAM: Second the motion.

14 MR. BETHEL: We have a motion by Mr. Jones,
15 seconded by Ms. Bingham, that we approve Resolution 00-26
16 and recommend it to the board. All those in favor say
17 aye.

18 (A chorus of ayes.)

19 MR. BETHEL: Opposed nay.

20 (No response.)

21 MR. BETHEL: Motion carried. Do we have
22 anything else for the Finance Committee?

23 MS. CEDILLO: No, sir.

24 MR. BETHEL: I believe we have a -- the board
25 meeting is scheduled for -- what time, Mr. -- Chairman

1 Jones?

2 MS. BINGHAM: 11:30.

3 MR. BETHEL: 11:30. So at 11:30 we'll have the
4 full board. Thank you very much.

5 (Whereupon, the meeting was concluded.)

C E R T I F I C A T E

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MEETING OF: Finance Committee
LOCATION: Austin, Texas
DATE: August 11, 2000

I do hereby certify that the foregoing pages,
numbers 1 through 31, inclusive, are the true, accurate,
and complete transcript prepared from the verbal recording
made by electronic recording by Penny Bynum before the
Texas Department of Housing and Community Affairs.

08/17/2000
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