TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

BOARD OF DIRECTORS MEETING

John H. Reagan Building
Room JHR 140
105 W. 15th Street
Austin, Texas

April 10, 2014
9:04 a.m.

MEMBERS:

J. PAUL OXER, Chair
JUAN MUÑOZ, Vice-Chair
J. MARK McWATTERS, Member
LESLIE BINGHAM ESCAREÑO, Member
ROBERT THOMAS, Member
TOM GANN, Member

TIMOTHY K. IRVINE, Executive Director
INDEX

AGENDA ITEM

CALL TO ORDER, ROLL CALL
CERTIFICATION OF QUORUM

CONSENT AGENDA

ITEM 1:  APPROVAL OF THE FOLLOWING ITEMS
PRESENTED IN THE BOARD MATERIALS:

EXECUTIVE

a)  Presentation, Discussion, and Possible
Action regarding the Board Minutes
Summary for December, 12, 2013;
January 23, 2014; February 20, 2014

b)  Presentation, Discussion, and Possible
Action superseding Resolution
No. 13-012 by the adoption of
Resolution No. 14-018, Designating
Signature Authority

RULES

c)  Presentation, Discussion, and Possible
Action on the proposed amendments to
10 TAC Chapter 25 relating to the
Colonia Self-Help Center Program and
directing its publication for public
comment in the Texas Register

d)  Presentation, Discussion, and Possible
Action on proposed new 10 TAC
Chapter 1, Administration, Subchapter
A, General Policies and Procedures,
§1.24, concerning Protected Health
Information, and directing its
publication for public comment in
the Texas Register

e)  Presentation, Discussion, and Possible
Action on a proposed repeal of 10 TAC
Chapter 5, Community Affairs Programs,
Subchapter A, General Provisions, §5.23,
concerning Protected Health Information,
and directing its publication for public
comment in the Texas Register

f)  Presentation, Discussion, and Possible
Action on an order adopting amendments
to 10 TAC Chapter 5, Community Affairs
Programs, Subchapter D, Comprehensive
Energy Assistance Program, §5.430,
concerning Allowable Subrecipient Administrative and Program Services Costs, and directing its publication in the Texas Register.

g) Presentation, Discussion, and Possible Action on proposed amendments to 10 TAC Chapter 1, Administration, Subchapter A, General Policies and Procedures, §1.5(e), concerning Previous Participation Reviews, and directing their publication for public comment in the Texas Register.

COMMUNITY AFFAIRS
h) Presentation, Discussion, and Possible Action to Grant staff the Authority to Award a contract to one or more responsive bids generated from a previously authorized Request for Proposals that provides organizational assessments and possible associated technical assistance to awardees of programs funded through the Department, primarily nonprofit organizations funded through the Community Affairs Division programs.

I) Presentation, Discussion, and Possible Action on an amendment to the existing Community Services Block Grant contracts awarded to Texas Homeless Network for additional CSBG-D funds.

j) Presentation, Discussion, and Possible Action on the Award of Department of Energy (DOE) Weatherization Assistance Program (WAP) and Low-Income Home Energy Assistance Program (LIHEAP) WAP contracts to Community Council of South Central Texas, Inc. to provide weatherization services in Dimmit, Edwards, Kinney, LaSalle, Maverick, Real, Uvalde, Val Verde, and Zavala counties.

BOND FINANCE
k) Presentation, Discussion, and Possible Action on Resolution 14-019 regarding the annual approval of the Department’s Investment Policy.

l) Presentation, Discussion, and Possible Action on Resolution No. 14-020.
authorizing the Second Amendment to the Servicing Agreement between the Department and US Bank

LEGAL
m) Presentation, Discussion, and Possible Action on the adoption of an Agreed Final Order concerning Trails Redevelopment dba Spanish Creek Apartments (HTC 93173)

ASSET MANAGEMENT
n) Presentation, Discussion, and Possible Action on approval of a Material LURA Amendment (PULLED)

95081/93057 Parks at Wynnewood Dallas

o) Presentation, Discussion, and Possible Action on approval of Housing Tax Credit Amendments

13232 Pine Lake Estates
Nacogdoches
13118 Oak Ridge Apartments
Nolanville
13196 Emerald Village
San Antonio
12252 Gulf Coast Arms Apartments
Houston
060613/060613B Stonehaven Apartment Homes Houston

p) Presentation, Discussion, and Possible Action regarding Resolution No. 14-025 pursuant to Texas Government Code §2306.174 concerning the holding of real estate beyond three year limitation

MULTIFAMILY FINANCE DIVISION
q) Presentation, Discussion, and Possible Action on Determination Notices for Housing Tax Credits with another Issuer

13429 William Cannon Apartments
Austin
13430 Parmer Place Apartments
Austin
14400 The Point at Ben White
Austin
14401 Villages of Ben White
Austin

r) Presentation, Discussion, and Possible Action to approve up to a six month extension and take other appropriate
action to facilitate such extensions and completion of HOME Investment Partnership (HOME) Program Multifamily 2011 and 201 Contracts which have not yet cleared their final the Department construction inspection

s) Presentation, Discussion and Possible Action regarding Resolution No. 14-026 for the Redemption Agreement relating to the Multifamily Housing Revenue Bonds for Tranquility Bay Apartments, Series 2004

REPORT ITEMS

The Board accepts the following reports:

1. Presentation on the Department Quarterly Snapshot Tool


3. TDHCA Outreach Activities, Feb-March 2014

ACTION ITEMS

ITEM 2: SINGLE FAMILY, COMMUNITY AFFAIRS AND METRICS

a) Report from the Deputy Executive Director or Single Family, Community Affairs, and Metrics

b) Presentation, Discussion, and Possible Action on submitting an application to the U.S. Department of Housing and Urban Development for the Fiscal Year 2013 Section 811 Project Rental Assistance (PRA) Program

ITEM 3: BOND FINANCE

a) Presentation, Discussion, and Possible Action on Resolution 14-021 regarding the annual approval of the Department’s Interest Rate Swap Policy

b) Presentation, Discussion, and Possible Action on Resolution No. 14-022 authorizing Transfer of Interest Rate Swap Transactions with Respect to Single Family Variable Rate Mortgage Revenue..
Refunding Bonds, 2004 Series B and Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H

c) Presentation, Discussion, and Possible Action on Resolution No. 14-023 authorizing Amendments to the Supplemental Indentures for the Single Family Variable Rate Mortgage Revenue Refunding Bonds, 2004 Series B and Single Family Variable Rate Mortgage Revenue Bonds, 2006 Series H

d) Presentation, Discussion, and Possible Action on Resolution No. 14-024 authorizing Certain Actions Relating to Interest Rate Swap Transactions

ITEM 4: ASSET MANAGEMENT

a) Presentation, Discussion, and Possible Action on approval of Housing Tax Credit Amendments

13201 Trails at Carmel Creek Hutto

ITEM 5: COMPLIANCE DIVISION

a) Presentation and discussion of a preliminary draft Enforcement Rule

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS FOR WHICH THERE WERE POSTED AGENDA ITEMS.

EXECUTIVE SESSION

OPEN SESSION

ADJOURN
MR. OXER: Good morning, everyone. I'd like to 
welcome you and everyone here and those following with us, 
since we now know that we're online on the webcast, to the 
April 10 meeting of the Texas Department of Housing and 
Community Affairs Governing Board. 

We will begin, as we do, with the roll call. 

Ms. Bingham is not here, and is not expected, I 
understand. 

Mr. Gann?

MR. GANN: Here. 

MR. OXER: Professor McWatters?

MR. McWATTERS: Here. 

MR. OXER: Dr. Muñoz?

DR. MUÑOZ: Present. 

MR. OXER: I'm here, and we expect Mr. Thomas 
here in a bit, so we have four, we have a quorum so we're 
in business. 

Tim, lead us in the salute to the flag. 

(The Pledge of Allegiance and the Texas Pledge 
were recited.) 

MR. OXER: Okay. Thank you everybody for 
dealing with us for a little bit of a delay. We were 
having some production trouble here getting on the webcast 
and getting back out so everybody following along at home
can play our game. Captain Tweety over here will be
taking messages.

MR. LYTTLE: I prefer the Big Twit.

MR. OXER: The Big Twit.

MS. DEANE: So do we.

(General laughter.)

MR. OXER: You know, Michael, you can tell who
your friends are by what they say about you.

Okay. I will turn to the consent agenda at
this point. Does any member of the Board have any item
they care to pull from the consent agenda?

MR. IRVINE: Staff has some.

MR. OXER: Okay.

MS. DEANE: Mr. Chair, we have three items.

1(n), Parks at Wynnewood, is being pulled. They will
probably come to next month's Board meeting instead of
this Board meeting.

MR. OXER: So it's not to be considered.

MS. DEANE: Right. It's just being pulled
altogether.

1(j) is coming off consent -- that's the
Weatherization contract -- just so staff can update you on
some additional developments.

1(q), the two Ben White deals will be
considered after executive session.
MR. OXER: Okay. Dr. Muñoz, did you have a question or did you have your question satisfied on the item you had for the consent agenda?

DR. MUÑOZ: I did. I would like to ask after the vote that maybe Homero can come up and give us just a little bit of quick background on item 1(c).

MR. OXER: Do you wish to have that considered before? That's more of an information item?

DR. MUÑOZ: Yes.

MR. OXER: All right. Then with the exception of 1(j) and 1(q) and 1(n), which is withdrawn -- 1(n), is that correct, Barbara?

MS. DEANE: 1(n), and on 1(q), just the two Ben White deals, the other two are still going on consent.

MR. OXER: Okay. Motion to consider.

DR. MUÑOZ: So moved.

MR. OXER: Motion by Dr. Muñoz to approve the consent agenda with the exception of item 1(n) being withdrawn, item 1(j) being pulled, and item 1(q), the two Ben White units.

MS. DEANE: Well, actually 1(n) is the one being pulled, 1(j) is being moved to an action item, and then the two Ben White deals.

DR. MUÑOZ: After the executive session.

MR. OXER: We're not going to consider 1(n),
and we're going to consider 1(j) during the action items, and we're going to take 1(q) after the exec session. Got that right?

MS. DEANE: Yes.

MR. OXER: Okay, good.

MS. DEANE: The two Ben White deals.

MR. OXER: Any questions from the Board?

MR. GANN: I'll second.

MR. OXER: Okay. Second by Mr. Gann. Is there any public comment? There appears to be none.

And just for the record, a temporary timeout here, to remind everybody once again, this row right up here, these six seats in the front on my left, which is stage right for you guys, are the places for those who wish to speak on any item. Please come up and sit in that row beginning here, for those in that order that you'd like to speak.

With that housekeeping out of the way, motion by Dr. Muñoz, second by Mr. Gann to consider the consent agenda. All in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none.

Homero, can you come up and give Dr. Muñoz a
quick comment?

DR. MUÑOZ: Homero, just some background, just a little bit, on why these changes are being made.

MR. CABELLO: My name is Homero Cabello, the director for the Office of Colonia Initiatives of the Housing Trust Fund.

Just some history on the Colonia self-help center program. It was passed by the Texas Legislature back in 1995 that created five centers along the Texas-Mexico border that concentrates on five Colonias in five counties on the border, which is El Paso, Webb County, Starr County, Hidalgo County and Cameron County which also serves Willacy County. The Department, also in 2000 added two additional centers in Maverick County and Valverde, Del Rio and Eagle Pass.

These centers provide concentrated attention to five Colonias. They partner with local non-profits, local housing authorities community action agencies to provide services from a tool lending library where they can go and check out tools to fix their own home, some rehabilitation, new construction, counseling classes, internet access, things of that nature. We also have a small repair program where the center goes to a home, again, it's a third party inspection report, they identify all the deficiencies, they prioritize them, and then the
center gives them materials and they utilize the tools from the center to make improvements to their home.

The changes that we're making that we're recommending to our program rules is to clarify some definitions, also to clarify overcrowding conditions in the Colonias where they live in the Colonia and we move them out to another subdivision. In Webb County in Laredo, we're moving them out the Colonia and putting them right next door to a Habitat project that's funded with our Texas Bootstrap Loan Program. So we're making a lot of improvements in these targeted Colonias through these centers.

Any questions?

(No response.)

MR. OXER: Thanks, Homero.

MR. CABELLO: Thank you.

DR. MUÑOZ: Homero, thanks for all you do, thanks for your support of this, not just the Colonia centers but the people down there.

MR. CABELLO: Thank you, sir. Appreciate it.

MR. OXER: Okay. The first action item which is number 2. Brooke, are you going to handle that one? Time out, Brooke. My mistake. Let's do 1(j) first and get that out of the way. He gets to take the first bullet, Brooke. Don't worry.
MR. GOURIS: Good morning. I'm Tom Gouris, the deputy executive director for Asset Analysis and Management.

1(j) was pulled at staff's suggestion because the previous participation review for this award was pending at the time the Board book was posted, but has since been completed. The Executive Award and Review Advisory Committee, EARAC, met on Tuesday to discuss the prior non-compliance issues that, while ultimately corrected or resolved, were not corrected within the corrective action period for their review. While the committee believes the primary issues that led to non-compliance should no longer be present, the committee wanted to ensure that CCSCT had appropriate controls in place to successfully administer this new program to them.

Therefore, some benchmark conditions were added and are being recommended for this award, and are read into the record as follows: The award is approved subject to the CCSCT board must adopt a weatherization implementation plan on or before the end of July addressing: 1) the necessary controls, 2) any required procurement, 3) board requirements for management reporting addressing both substance and timing.

It's also subject to the board-approved plan.
that should be provided to the CA staff for formal review. Any necessary procurement will be completed on time in the time frame specified in this plan that they present to their board. CCSCT is expected to be ready for weatherization activity on or before September 30, and CCSCT will notify us of the date on which the weatherization activity will actually commence.

In addition, one or more of the interim monitorings of this weatherization contract are anticipated likely in September when the activity starts, as well as followup monitoring to ensure prior findings were properly addressed, as previously reported to staff.

So with those award recommendations, we recommend approval of the award.

MR. OXER: Questions from the Board? I have a question, Tom. Why was this delayed? Why didn't they deliver?

MR. GOURIS: Why did they have compliance issues to start with?

MR. OXER: Right.

MR. GOURIS: They had an executive team that has several members that have since been replaced that were not doing the things in the way that they needed to be doing them, and they've replaced these folks, the executive director, for example, with someone who has some
weatherization experience, and while that wasn't one of their activities previously, it's going to be going forward and we think that they've addressed those issues.

DR. MUÑOZ: Which agency was that?

MR. GOURIS: Community Council of South Central Texas, CCSCT.

MR. OXER: You say they've upgraded their management capabilities?

MR. GOURIS: That's correct.

MR. OXER: I'll get it over with you early.

Okay. They've got a bigger tractor that can pull with now?

MR. GOURIS: That's right. Thank you, sir.

They have a much bigger tractor.

MR. OXER: Check the box for this meeting.

MR. GOURIS: We hope so, yes.

MR. OXER: Okay. Any questions from the Board?

(No response.)

MR. OXER: Okay. Motion to consider.

DR. MUÑOZ: So moved.

MR. OXER: Motion by Dr. Muñoz to approve staff recommendation. Do I hear a second?

MR. McWATTERS: Second

MR. OXER: Second from Professor McWatters. Is there any public comment? There appears to be none. All
in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none.

MR. GOURIS: Thank you.

MR. OXER: Thanks, Tom.

Okay, Brooke. Sorry about the delay.

MS. BOSTON: That's okay. Good morning,

Chairman Oxer and Board. I'm Brooke Boston, one of our
deputy executive directors.

As I did in September and December, I wanted to
share with you about more of the behind-the-scenes
accomplishments of my teams. As a reminder, these are
part of the significant body of work at the agency that
either Board action or go forward on consent. Don't get
me wrong, we like being on consent, but it does minimize
the time that we get to speak directly with you about the
program. So on behalf of my management team, I'll share a
few more successes and identify some kudos to our staff.

For the HOME Program, the last several times I
came before you I mentioned how rapidly the Amy Young
Program and the HOME Persons with Disabilities funds were
reserved upon their release through our reservation
system. Well, we did it again. Our strong pool of
administrators really did it again, supported by our dedicated staff who helped them get set up and ready. This time our single family HOME funds that were released at $3 million, that can be used for tenant-based rental assistance, homebuyer assistance, and homeowner rehabilitation, were released and fully reserved in just a few minutes. $2.5 million of the funds were released in just under two minutes, and the remaining $500,000 were reserved in about another ten minutes. So that's wonderful.

MR. OXER: Didn't waste any time, did you?

MS. BOSTON: Our administrators didn't, so we've actually talked to them a good bit about this since.

The next thing I wanted to mention to you is I haven't gotten up to talk to you much about community affairs, and for instance, the action you just talked about was a community affairs contract. You often see the allocation and plans come through piecemeal or on consent but I wanted to actually give you some perspective about what they do and how much they actually manage.

Excluding our treasury programs, the LIHEAP program, out of Community Affairs, is by far the agency's largest annual grant, with an allocation of $128 million, and that is only one of the division's six programs. Across the six programs, staff oversees more than $240...
million annually and manages 327 separate active contracts, as well as also administering over 800 Section 8 vouchers.

Those programs are funded by three federal oversight agencies with three separate sets of regulations. Within HUD there are two different branches of HUD that actually oversee the program. The programs, as you can imagine, require knowledge of everything, from homeless policy and prevention, public voucher requirements, weatherization and poverty programs. The data gathering and reporting requirements go through an array of complicated and sometimes less than logical federal systems.

The division, which years ago actually was its own state agency, has three sections in it: a fiscal and contracting section, a planning and training section, and a Section 8 area. These units do everything what we would consider front-end work on the programs, such as handling rule changes, drafting NOFAs, reviewing and processing applications, overseeing requests for proposals that have been awarded, providing intensive training and technical assistance, maintaining federal relationships, managing often intensive subrecipient relationships, including going to CAA board meetings when needed, coaching boards, and tracking every dollar for every contract, every unit,
every household, and every administrative source. And keep in mind they're doing this for six programs.

Not to leave them out, Patricia's area also does the extensive monitoring inspections for these programs as well. So while you don't hear much about us from consent, it is an impressive and significant division. One of the reasons you rarely hear from us is they do a really great job and things are able to go through smoothly on consent, and it's under their management and leadership that that occurs.

Michael DeYoung, the director, is our go-to man for working very intensively with the staff and boards of individual community action agencies. Cathy Collingsworth, our manager of fiscal and reporting, who is our money and number guru. Sharon Gamble, the manager for planning and training, who innovation and detail on releasing funds is amazing. Incidentally, she used to be the tax credit administrator at a period in time. And then last, but not least, Andre Adams, our Section 8 manager, who has also been instrumental in working with HUD to bring our Section 8 Program to a very ideal status with HUD relating to both our finances as well as our performance.

So like the HOME administrators, who really drive the demand and success of the program, the community
action programs are similar. It is the subrecipient agencies that are out in the communities delivering the poverty prevention programs, utility assistance, weatherization units, providing homelessness prevention and services, and outreaching and expanding the community continuum of care network.

One recent efficiency in the community affairs reporting function is a long-needed change to the way we complete our CSBG national survey. This is a required report by the U.S. Health and Human Services. The reporting detail is extensive and gets down to specific means of assistance at the household level. This report has historically taken three months or more of dedicated staff time, however, as ongoing improvements to systemic data tracking have changed and organizational staffing changes have been made, this year we were able to generate the needed queries to generate that report in roughly four weeks. So major props to Cathy Collingsworth and her fiscal and reporting team, and also to David Johnson for helping with a lot of the database work behind that.

Another community affairs thing is with the new organization we want to keep our staff trained with the necessary expertise to successfully run the programs. One of these training needs recently newly required by Department of Energy relates to a change in industry...
standards. The certification which is the industry's top credential is a quality control inspector certification from the Building Performance Institute. The certification has rigorous written and field exams and work experience requirements. Those with the certifications are considered to meet the global benchmark for quality personnel certification.

Generally, the certification process has a pass rate of about 32 percent. Recently several of the Community Affairs Division staff pursued this certification. I was thrilled to learn that all three of the staff in our training area who pursued the certification over the intense five-day testing period, successfully passed the test and achieved the certification. So way to go, and thank you for pursuing the staff excellence to Kevin Glenke, Doug Misenheimer and Marco Cruz. I would also note that this certification is something that's going to be required of all the subrecipients as well, as they'll be required to inspect to this level as well.

A couple more things. One is I actually want to brag about a person that's in a different division, so this brag is for someone in David Cervantes's area, but I just had to do it. Internally, it is our time of year to start work on our annual operating budget, and that will
be presented to you over the summer. Needless to say, with seven of the agency's divisions reporting to me, I'm in a lot of meetings with them about this. Those meetings are led by Ernie Palacios and Joe Guevera out of the financial administration area.

Last year during this time Ernie created a new salary planning tool that provided each manager with a far greater degree of detail in determining when and how much salary action should be taken, so down to the month and looking at specific salaries, specific merit amounts they would have over the course of the year. So this, as you can imagine, was amazingly helpful for financial administration but it also helped managers predict and anticipate what they were going to need to do.

Not to be outdone by that prior year, Ernie, over the last few quarters, has rolled out another great tool that allows management to better track and accordingly review the billing or grant coding of our staff. So for instance, if an employee has been working on weatherization and billing 60 percent of their time to DOE WAP and 40 percent to LIHEAP, but they were budgeted 40 percent and 60 percent conversely, it actually lets management go in and as soon as we see that showing through on time reporting, we can immediately work to adjust and work with that employee.
So in this case, they're both eligible sources, so it's not an issue of not being eligible, it's just an issue of trying to make sure the way we ultimately are having our staff bill their grant time is consistent with the way we budgeted. So that has also been a huge help for all of us, so big thanks to Ernie and his team.

One of the last things I want to talk about is the single family activities, and then I'll get down.

MR. OXER: Don't get in a hurry. We never get tired of hearing good news, I assure you.

MS. BOSTON: Good. You know, when I've come up I like to talk about the joint collaborations across the agency. The last time I was here I talked to you guys about accomplishments of our single family initiative with a focus on training. As you may recall, the single family initiative involves those efforts that cross multiple divisions across the agency. I wanted to update you on that.

As we reached the two-year mark from having rolled out that initiative, we wanted to reaffirm the goals and forward-going projects. So Tim and I had talked through what did we want those forward-going goals to look like and we wanted to make sure we communicated that with the external participants in the program who actually do it, so we want our time to be spent on what they think
they need most.

The forum was a great success. Our biggest accomplishment was that the loan closing process, something that we were strongly criticized and had heard a lot of criticism for years, but particularly at the forum two years ago, was seen as a total success. We asked them several times: Are you sure you don't have anything to say? And everyone just said, It's great, it's going beautifully. So that was huge.

There were a lot of other successes that I've briefed you on before. I would note that the position of the single family coordinator, which was an additional duty placed on one of the single family directors, that is a rotating position, and during these first kind of inaugural two years of the position, Homero Cabello -- who you just saw -- led that. So he was backed by a single family implementation leader, Dee Patience. The effort, though, involved the strong coordination of all the single family directors, so Marni Holloway with NSP, Jennifer Molinari with HOME, Homer, of course, with OCI and HTF, and then also getting insight from Eric Pike and Tim Nelson.

I'd like to give huge thanks to Homer as we are rotating out of that position and rolling into a new coordinator role, and it has always intended to be a
rotation and we decided to tie that with the forum and kind of the reaffirmation with our public, so to speak, of how they wanted to our efforts spent. So Homer did a wonderful job of getting us there, and I want to say thank you in advance because Marni is going to be taking it on for the next two years.

And with that, I'm finally done. I could go on forever about a lot of the great things we do, but I'll probably be back in a few more months to share some more.

MR. OXER: Great. Sit tight for a second.

Any questions from the Board?

DR. MUÑOZ: Thanks, Brooke. I just want to take a second of privilege. I want to recognize someone from the South Plains, Bill Powell -- Bill, raise your hand a little bit -- from the South Plains Community Action Association out of Levelland just outside of Lubbock, Texas. I just want to appreciate and recognize Bill for making the long trip. I know how long it is, so thanks. It's one of the great agencies that does so much for that part of the state and appreciate what he does and appreciate what you and your team does. Thank you, Brooke.

MS. BOSTON: Thank you.

MR. OXER: Just an observation or two here. So what you're saying is in the last two years you've gotten
up where you're smoother in distributing the money through
the NOFAs, everybody seems to be paying attention, it goes
through much more quickly, your accuracy is going up, your
speed is going up, and you're doing it with fewer people.

MS. BOSTON: Yes.

MR. OXER: Anybody see anything wrong with
that? Great, Brooke. Thanks very much.

MS. BOSTON: Thank you.

MR. IRVINE: I have a comment on it.

MR. OXER: I'd like to hear from the executive
director then.

MR. IRVINE: My comment is that we don't live
in a static world, things are always changing and we're
always trying to recalibrate and stay attuned to
conditions on the ground, and some of the great successes
that Brooke mentioned, the improvement of the speed with
which money is moving under NOFAs and so forth, that is
absolutely a resounding success. We have whittled away
some huge balances that had built up over time, and it's
really terrific to be getting the money out and deployed, but we're also continuing to explore the need for
additional recalibration to make sure that people around
the state who want to access to these funds have the
ability to grab then, and this is not over and done, I
imagine the model will continue to evolve.
MR. OXER: The pursuit of excellence, which I compliment all of the staff, and I have to say since the time that I showed up and was in this team, everybody has made every effort to continue to escalate their play and to improve the smoothness and efficiency and the quality and level of support that we provide the community that's our direct client community out there. I personally appreciate that and recognize that.

As I've said before, I haven't seen any state or federal budget going up in terms of the ability for staffing, so being able to manage these things with fewer people, with fewer staff that operate better and smoother with more systems and a higher degree of accuracy, as an engineer would put it, that's the first derivative, the improvement grade is going up, so we're doing all the right things. So thank you from me.

And for those not engineers among us, including the vice-chairman, first derivative means things are improving, Dr. Muñoz.

(General laughter.)

MR. OXER: Okay. Let's see, 2(b). Hi, Kate.

MS. MOORE: Good morning.

MR. OXER: So far.

MS. MOORE: Good morning, Chairman Oxer, Board.

My name is Kate Moore, and I am the Section 811 manager,
reporting directly to Brooke Boston, deputy executive
director. We're here for agenda item 2(b) to ask for
approval to apply for the next round of Section 811
project rental assistance funding.

As you may recall, in February 2013, the U.S.
Department of Housing and Urban Development announced that
TDHCA was one of 13 states selected to participate in the
first ever Section 811 housing for persons with
disabilities project rental assistance demonstration, and
we were awarded $12 million for the program. We were
awarded these funds because we successfully applied for
them under the 2012 round.

Since that time, TDHCA, as well as other states
that received awards, have been working with HUD to
finalize the contract for that 2012 round. The contract,
known as the Cooperative Agreement, is nearing its final
draft, and assuming TDHCA and HUD can agree on the final
program design, we will begin implementing the 2012 HUD
811 Program once it's signed.

But today I'm here to talk about the next round
of funding that has been made available by HUD through
their fiscal 2013 notice of funding availability for the
Section 811 Program. This 2013 NOFA was published on
March 4, 2014 and has a response deadline of next month,
May 5.
TDHCA staff has taken a close look at this NOFA and are recommending that the Board authorize us to submit an application. We believe the Department should move forward with an application despite any overarching concerns we may have regarding how HUD will oversee the administration of the program, because the importance of the population to be served warrants pursuit and because the program promotes housing choice. The submission of the application will also be contingent on the ability for the health and human service entities that we are partnering with to also execute the contractual agreements with TDHCA required by HUD.

One of the notable changes from the fiscal year 2012 NOFA to the fiscal year 2013 program is the increase in the administration fee from 5 percent, the amount initially set forth in the 2012 NOFA, to 8 percent. In our response to the new NOFA, we intend to mimic, to a large degree, our previous 2012 program design for the new 2013 program. Our ability to proceed with a new grant will be based on our ability to leverage the work we have done for systems, processes, staff and infrastructure for the existing 2012 grant.

HUD is releasing $120 million under this NOFA and will award between 12 and 18 states, with each state eligible to receive anywhere between $2 million and $12
Following the 2012 program, TDHCA anticipates serving the same target populations, making 811 units available for placement at multifamily properties that have received funding from the department and are monitored by us, and will serve the same seven metropolitan statistical areas, with the possible addition of four new ones.

While the 2012 program design will be similar to the 2012 program design, HUD has made a few changes to the NOFA versus the old one. The new NOFA provides more emphasis on a state commitment to the Section 811 Program for new construction which would most realistically be achieved through incentives in the Department's Qualified Allocation Plan. Although points were not included in the most recent QAP during the November 2013 meeting, it's staff understanding that the Board is open to creating incentives in the next QAP for this program, something that would greatly improve the chances of this program being successfully awarded.

So next steps. If the Board approves today's action item, staff will move forward with taking the steps to submit an application to HUD under the fiscal year 2013 NOFA. Additionally, TDHCA looks forward to signing the 2012 Cooperative Agreement and moving forward with
implementing the 2012 program. Assuming TDHCA is awarded funds under the 2013 program, we assume a 2013 cooperative agreement will need to be signed with HUD as well.

So for this Board action item we are asking for authority to move forward with submitting an application to HUD under the 2013 NOFA for this program, and I'm happy to answer any questions.

MR. OXER: Good. Thanks.

Any questions of the Board?

MR. THOMAS: Quickly.

MR. OXER: Mr. Thomas.

MR. THOMAS: Thank you. The increase from 5 percent to 8 percent for administration, how broadly are we allowed to use those funds, or are they also fairly earmarked on what constitutes administration?

MS. MOORE: To my understanding, it's fairly broad and it's consistent with our other HUD programs.

MR. OXER: So it could be used for staff or infrastructure or software upgrades, or whatever.

MS. MOORE: Yes, or for contracting. Yes.

MR. OXER: So essentially, you're asking to be cut loose to chase this one.

MS. MOORE: Exactly.

MR. OXER: What's your prospects?

MS. MOORE: I think we're less competitive than
we were last time because there's a new emphasis on having
existing infrastructure in your financing programs, such
as the QAP, but I think what's strong for our application
is that we have an existing award and we have a really
strong existing infrastructure that we can build on, so I
think that's our strength for it.

MR. OXER: So you're saying the QAP adds or
detracts from that strength?

MS. MOORE: If we had points in our QAP, it
would add to the strength because that's one of the things
they're looking for in this NOFA. So what we are talking
about is submitting something saying that the staff
intends to submit a draft for the Board to consider for
2015 that would include points for Section 811.

MR. OXER: And, Barbara, tell me if I'm getting
off the beam here, but I'm curious if adding any points to
consider that in the QAP would alter our QAP with respect
to transparency, fairness, any of those. Counsel, do you
want to give us a comment first on that?

MS. DEANE: I wouldn't think so. I'm sure when
staff does the analysis to bring it forward in 2015, we'll
be extremely careful to make sure that it's in accordance
with the standards that have been set for the QAP already.

MR. OXER: Yes, because I get the impression
we've got a pretty competitive QAP which has its
strengths. I just want to keep it that way.

MS. MOORE: Of course.

MR. OXER: Do you have something to say, Tim?

MR. IRVINE: We will absolutely develop and recommend a compliant QAP with below the line point items for participation in the 811 Program. We'll also analyze the entire matter to ensure that it's in conformity with Fair Housing requirements and other similar requirements, such as the remedial plan.

MR. OXER: So there is a way to include that without damaging the strength of the QAP that we have now.

MS. MOORE: We believe so.

MR. OXER: Okay. All right. Are there any questions of the Board? Motion to consider?

MR. GANN: I so move.

MR. OXER: Motion by Mr. Gann to approve staff recommendation on this item.

MR. THOMAS: Second.

MR. OXER: Second by Mr. Thomas. No public comment, nobody sitting in our chairs. All in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none, it's unanimous.

Thanks, Kate.
Okay, let's see here. Tim, I think you're up.

MR. NELSON: Good morning, Mr. Chairman, members of the Board. My name is Tim Nelson, director of Bond Finance.

I'd like to begin, first of all, by commending you on your use of the first derivative, noting that that was, no doubt, included as a segue into the batch of items that we're going to cover now, all of which, fortunately or unfortunately, are swap related.

MR. OXER: Which are derivatives, in and of themselves.

MR. NELSON: Which are derivatives.

MR. OXER: Well, as you'll find out, we tend to be data driven, as Dr. Data will soon tell you when he comes up.

MR. NELSON: But I promise that, A, you've done nothing wrong to deserve this, and B, I think in particular given the swap survey course that you were all exposed to at the last meeting, I think we can dispense with these with a minimum of fanfare and discussion, but we'll see.

The first item that we have here, 3(a), is a presentation, discussion and possible action on resolution 14-021, regarding the annual approval of the Department's interest rate swap policy. As outlined in our statute,
the Board has to annually approve our swap policy in addition to our investment policy which the Board, thank you, approved in the consent agenda. And actually, before I get too much into these items, I did want to point out that we have with us today, from George K. Baum, our FA and swap advisor, Gary Machak, Barton Withrow, and David Adams, and certainly if you guys ask questions that are too difficult for me, they will be stepping to the podium.

But let me just make a couple of comments on our swap policy, and first of all, I'll say that the policy has been out there for about ten years now. There have really been no substantive changes to the policy, I think, during that time period. Last year we did, in order to conform to some of the new Dodd-Frank requirements, we made some changes, the Board may recall, but those were more just to align with these provisions. The Board might remember in some of the discussion from last month -- and certainly in our next Board item we'll be dealing with the 2004-B swap -- as part of that item we needed to locate a new swap counterparty which to assign the 2004-B swap there's, again, some discussion of that in the next item, but I wanted to point that out because I think it underscores a little bit of what staff is talking about on the recommendation on this item, that we went out and surveyed
the entire universe and determined that there were four
counterparties in the entire universe who met our current
swap policy.

One of those parties dropped out of our process
due to the fact that they had a requirement that our swap
needed to be rated, which, for a number of different
reasons, that has not occurred on any of our swaps and
cannot occur, and so they went to the wayside. We had
another provider who, because of some of our downgrade
triggers, elected not to move forward. So in the end, we
ended up with two providers, and of those two, we selected
one.

But going through that process, I think staff
and our advisors felt like a policy that basically exposes
you to two parties in the entire universe is probably one
that is out of step with the market. I mean, when we
first put this policy in place there were 10 or 15 AAA, we
had three or four AAA bond insurance companies. Today's
world looks much different than that. Our policy has not
evolved to reflect that.

So we looked at it, and what we are proposing
is amending the policy to really address two things: to go
through and lower our rating threshold for the
counterparties that we would be willing to accept. Had we
done that, we would have had a number of additional
parties that potentially we could have worked with on this latest assignment. We might have still selected BNY, who, in fact, is who we ended up with, but we felt like it would have been a more robust process had we had more parties involved.

The second thing that we're recommending is that we lower the downgrade trigger that is really done in concert with your rating threshold. And I did want to point out to the Board that in our writeup we did do a comparison with some of the other state agencies here in Texas, in Austin in particular, UT Systems and Veterans Land Board, and that's outlined, again, in the writeup that I think our proposed policy aligns very closely with what those entities are doing, so by no stretch of the imagination are we proposing that we get wild and crazy in terms of what we're doing with swaps.

And I would also point out to the Board that we haven't entered into a new swap since 2007, much as we've got with this next item, in terms of managing our swap portfolio, it's very likely that we could have situations where we need to assign one of our existing swaps in order to make adjustments to it over time. Given where we're at right now, that's probably more what we'll be looking at, so it isn't, again, that we're anticipating that all of a sudden we're going to be doing new transactions that would
require new swaps, although, certainly this policy would
address that if that were the case.

And so with that, I would say that staff
recommends approval as has been set forth in the
amendment, and I'll stop talking and let you ask questions
if you got any.

MR. OXER: Good. Thanks, Tim.

Any questions from the Board?

(No response.)

MR. OXER: I have a couple. You said lowering
the bar, so to speak, to have more come into consideration
as a swap counterparty, does that increase our risk, or
does that only increase their risk on the swap?

MR. NELSON: Well, it's lowering the rating
threshold of who we would be willing to accept, so yes, in
a way, potentially, to the extent that we end up selecting
an entity that has a lower rating.

MR. OXER: There is a potential risk on that,
but that risk that we would be looking at with those
agencies would be no lower than other agencies that the
state, like the Land Board and such, that would be
consistent with the other agencies of the state.

MR. NELSON: That is correct. Again, staff and
our advisors, again, you could put in your policy I'm only
going to deal with AAA, gilt-edged entities.
MR. OXER: Both of them.

MR. NELSON: None of them. So yes, there's a tradeoff.

MR. OXER: The two in the universe or the one in the universe that we found is sort of a rare gem.

MR. NELSON: There's always a balancing act between, again, setting those types of thresholds, and again, as you lower thresholds, definitionally, assuming you believe that ratings accurately reflect risk, and I don't know that I would necessarily correlate those two.

MR. OXER: Based on the experiences I've had since 2008 with Standard & Poor’s and Moody's ratings, I'm not sure that rating agency ratings constitute much more than a, I'll say, a biased perspective.

MR. NELSON: But it is, nonetheless, a litmus test and we use it, as well as other people.

MR. OXER: It is a test but it's not the test.

MR. NELSON: That's correct.

MR. OXER: So how many swaps are coming up that are due to be turned?

MR. NELSON: We have the '04-B that's the subject of the next agenda item, we have an '04-D that we will likely be bringing to the next Board meeting, and in a couple of years we'll probably have an '06-H, and as I pointed out to the Board, I think, at the last meeting, we
have two matched swaps, our '05-A and '07-A that do not
have any optional par termination rights. If all the
planets aligned, we might be able to restructure those but
those are going to be our most difficult. So very likely
we'll be looking at restructuring certainly three out of
our five current swaps.

MR. OXER: Current swaps.

MR. NELSON: Over the next two years, two of
them over the next two months.

MR. OXER: While I am, obviously, an aggressive
proponent of high standards for everything we do, one of
the thing -- just to toss in a little aphorism with
respect to sentences, admonitions on defensive
fortifications, make it too hard to get in and you can't
get out.

MR. NELSON: Right.

(General laughter.)

MR. OXER: We want to have plenty of players in
this so we've got a choice.

Professor McWatters, did you have a thought?

MR. McWATTERS: Yes, Tim. Tell me again what
the advantage is of going with lower ratted
counterparties. Is it that there are more counterparties
to choose among and that the fees charged by those
counterparties are less?
MR. NELSON: I would say a qualified yes, because it doesn't take a leap of the imagination to understand that if the two counterparties, who we are now working with, ultimately figure out they are the only two counterparties that we can work with, the deal that we hope to strike this month will not be the deal that we can strike next month, because they're going to recognize that there's no competition here. So I think the idea is -- and I did state that earlier -- the fact that we're lowering that threshold doesn't mean that if we have four entities come to us that as part of the extensive vetting process that staff and advisors are going through, that we won't end up selecting the highest rated entity.

So that's what I'm saying, had we had the new policy we're proposing and we had gone through the 2004-B process, that we could have still selected BNY, who we selected under the old policy. We just would have had five or six people involved in the mix. That creates more competition and in theory should drive down our cost.

MR. McWATTERS: I assume there's also some risk diversification in using more than two counterparties. I mean, you may pick, for example, two counterparties, but if one of those fails, then a lot of swaps may be in trouble, so there could be the advantage in going to lower rated that you can diversify your exposure, systemic
exposure across the agency to a lot of different counterparties.

MR. NELSON: That's correct. Again, to make it easiest, if we only had one counterparty that we would work with, over time we would end up with all of our swaps being with that one counterparty that that concentration, albeit with a higher rated institution, is, again, probably not good. So yes, there are a multitude of factors that have to be looked at.

MR. OXER: Do we have an exposure limit to any entity in that respect? From what I gather, we're trying to avoid -- the ultimate limit to where this was headed was a monopsony situation where you've got one seller -- or one buyer. Okay?

MR. NELSON: We don't have anything in our policy that sets out specific concentration, or in the reverse, diversification requirements, but, again, that is something that staff and advisors look at in terms of developing a recommendation if we're going to select someone.

MR. OXER: And I'm sure the fees come into it, but if you assume that the services are static and it's the fees that are the variant in that, then if you have only two, then you've got a bi-pole choice, there's no graduation in that choice, so a larger diversification
gives you a larger gradation in the quality of services you can expect. Is that fair to say?

MR. NELSON: And the pricing on those. Again, it's getting a little bit in the weeds, but since we're talking about it, the differential between the bids, between BNY and Wells Fargo, who was our number two candidate, was about a 50 percent difference.

MR. OXER: Not insignificant.

MR. NELSON: That is not insignificant. Now, again, who's to say if we'd have had six that that would have been better and narrower.

MR. OXER: Closer and tighter.

MR. NELSON: But that's what we're looking for.

MR. OXER: Well, the Jaguar motto is: Competition improves the breed. And I think it's fair to say that the harder standards with more competition, it does, I think, what we've been looking to do.

MR. NELSON: And again, as I said, we looked at what other people were doing in the marketplace, in the local marketplace, so this is Veterans Land Board and UT, UT has many multiples more outstanding of these than we do, and certainly Veterans Land Board as well, so they are big users of swaps. Our proposed new policy is in line with what they are doing, so again, certainly we're not looking to step out of what certainly the local market is.
We didn't survey the entire country but thought it more relevant what people are doing across the street as opposed to what people are doing in California or New York.

MR. OXER: So the two providers have experience here and you have plenty of other individual examples of swaps that are being considered.

MR. THOMAS: Mr. Chairman, I'd like to ask a question.

MR. OXER: Mr. Thomas.

MR. THOMAS: I'm feeling a little bit like this discussion is being directed, and I don't mean that in a bad way, but directed, and I do want to support the staff, but I've got some serious reservations and some questions about how many other state agencies, because the two that you're listing are materially and significantly different than our agency in tremendous ways.

MR. OXER: That's fair to say.

MR. NELSON: That is a true statement.

MR. THOMAS: What are the other agencies that might be similarly situated to ours and have our same kind of constituency issues, as well as funding issues that might be able to compare their ratings?

MR. NELSON: I'm going to bring the experts, at least the experts in this room, up to help address that
question.

MR. ADAMS: Mr. Chair, members of the Board.

My name is David Adams.

MR. OXER: Welcome aboard, David. Welcome to your first one.

MR. ADAMS: Thank you. The other agencies that are in a similar situation, I used to work for Colorado Housing and Finance Authority, and was in a situation where we had one exposure, basically, to Lehman Brothers, and that, obviously, didn't work out very well for us. Broad diversification does help out tremendously and you're definitely faced with a conundrum of do you go with a lower rated counterparty and accept more risk, or do you maintain your standards and limit your resources that are available to you.

MR. THOMAS: I understand that. I guess I'm asking about Texas entities, Texas agencies in particular, do we have any others within the State of Texas that would be more comparable to ours?

MR. OXER: A brief housekeeping item. Tell us who you're speaking on behalf of.

MR. ADAMS: George K. Baum.

MR. MACHAK: Gary Machak at George K. Baum, financial advisor, swap advisor. Good morning.

In terms of Texas, really the largest users, as
Tim mentioned, are the University of Texas and Texas Veterans Land Board, and the amount that they have outstanding is in the billions, over a billion each.

Another user, but I don't believe their amounts were that much, is Texas Department of Transportation, I think has used some, but I don't believe theirs is anywhere as large as the Veterans Land Board, and they haven't been doing it as long as University of Texas either.

MR. OXER: Hold on just a second. Is that microphone on?

MR. MACHAK: How's that, better?

MR. OXER: That's better. I want to make sure they can hear you back there.

MR. MACHAK: In terms of other issuers across the state, back in the 2005 to 2006 there were some school districts that used swaps to a very limited degree. They have, I think, to some extent exited that business.

MR. THOMAS: Why is that?

MR. MACHAK: Why is that? Because I don't think that they were working for them. I think that what happened was the market went against them on their swaps and they didn't feel comfortable that it was an instrument for them.

MR. THOMAS: So why are swaps such a wonderful tool but potentially dangerous tool?
MR. MACHAK: They are tools that can be used, they do have inherent risks in them, and we enumerate those risks in our policy.

MR. THOMAS: But just in English, just simple English for folks listening to this, particularly like me, who doesn't have your level of sophistication, anywhere near it, tell me in English what is the magnifier opportunity of this as well as the downside.

MR. OXER: It is a magnifier, but it could go potentially in each direction.

MR. MACHAK: These are swaps that we entered into, and at that time these swaps offered us a vehicle to reduce the amount of the mortgage rate of our mortgages on the program in order to make sure that we had a competitive product out there, and we entered into various types with various optionality. The optionality on these particular swaps that Tim mentioned offer us opportunities now to restructure that and to do it safely.

DR. MUÑOZ: Gary, but generally our use of this tool has been favorable.

MR. MACHAK: Yes.

DR. MUÑOZ: It has inherent risks but they haven't necessarily expressed themselves in our sort of use of this instrument or this tool.

MR. MACHAK: That's right. We have not had
counterparties that have been downgraded where we've had
to go through a termination process. I believe both
agencies, I know one of them for sure, Veterans Land
Board, did have to go through that with Lehman Brothers, as
David mentioned Colorado had to go through. So that in
itself was painful because to some extent they had to
negotiate a termination fee with that entity, and it
wasn't in the favor of the issuer.

MR. OXER: Hold on a second.

MR. IRVINE: Mr. Thomas, you raised the
question about similarity of situations with respect to
other issuers, and it's just my simpleton perspective here
that the swap itself, the interest rate swap, really it's
characteristics don't necessarily have anything to do with
the different types of structures or the size of
structures to which they relate. It's simply we issued
variable rate debt. We entered into an agreement with
somebody else on specified negotiated terms that they
would take on the risk that rates would change, and the
risk is if that occurs will they be able to perform.

MR. THOMAS: I understand. I guess I was
talking specifically not to -- I think I understand the
nuances on our side and every deal is different, I get
that. I think I was more worried about the question of
the comparability based upon our particular constituencies
in all of them. Let me put it in a context.

In the business world we're told that if you have a problem and you have a board that costs are significant and important but that if things go wrong, a la the economic crash, a la Lehman, a la too big to fail, that it is always much easier to go back to your board when you're the chief executive and discuss that you hired the absolute best, the brightest that had the ability, skills, et cetera versus something because you were concerned about costs.

That's a very oversimplification, but I guess that's where I'm trying to put my head around what kind of process if we had to turn and look to our constituents and the leaders in our state on these kinds of issues, since we're so differently situated than the entities that we're talking about, our sister entities.

MR. OXER: Tim.

MR. NELSON: I was going to say I think overall what you're referring to, and we talked about this a little bit last month, is when you do swaps you're introducing yourself to more counterparty risk. We have a swap counterparty, we have a liquidity provider, we have remarketing agents, and that's really out of our control.

MR. OXER: That has less to do with us and interest rates than it does with their horsepower.
MR. NELSON: Right.

MR. OXER: So that's why keeping the standards at a certain level is particularly important.

MR. NELSON: And again, there is no doubt that Veterans Land Board, the GO issuer, if they run into a problem they will go to the treasurer and say: I need money to solve that problem. The treasurer and the governor probably are not going to be very happy about that, but nonetheless, that is an outlet that they have that we, as a revenue issuer, do not. And so that certainly places a premium on the management of these things, and as Gary pointed out with the school districts, again, broadly I think you could say we've got the management horsepower, I'm not really sure that they did. And so again, it doesn't eliminate it but it's a mitigating factor, certainly.

DR. MUÑOZ: Tim, I've got a question. Gary said that when we enter into these agreements, and now that there's an opportunity sort of to restructure, I mean, I presume that there is some consideration to minimize whatever sort of exposure we do have that we can't control.

MR. NELSON: Well, and again, we'll discuss this a little bit on the next item, but yes, when you look at these, our goal, as I outlined at the last meeting, was
to: A, reduce the ongoing cost, the rate; second, almost
more important or certainly equal, shorten the time
period. I think, Mr. Thomas, you had asked last meeting
what's our goal or our hope, the restructuring of that
'04-B swap, we hope to have 100 percent par termination
option in seven years that we currently do not own.

Again, you addressed some of these ongoing
risks, if I've got that risk in place for 30 years, I'm
going to worry about it a little bit more than if I can
get out of it in seven years. Again, does it completely
eliminate it? No. But again, it's those tradeoffs that
you're looking at.

MR. OXER: And I think it's an important
distinction to make, and your point is well taken and very
valid, Robert, that this constitutes a risk but one of the
historic issues associated with financial swaps is they
got an extraordinarily bad name here. I was at an
organization in Houston that didn't do very well at some
of those, so they got an extraordinarily bad name, but
because of the fact that there were a lot of people that
got into that didn't know what they were doing and didn't
spend enough time to figure it out.

Now, despite the fact that you're probably
tired of standing up there and answering questions, I
compliment all of the Board for asking those questions
because part of our responsibility is to make damn sure
that you know what you're talking about.

MR. McWATTERS: I have one more.

MR. OXER: Professor McWatters.

MR. McWATTERS: Let me ask this question, Tim, you and to Gary, moving from two swap counterparties to
let's say five swap counterparties, on a systemic basis,
does that overall lower our counterparty risk or does it
increase our counterparty risk? When you factor in
everything, what's the purpose of doing this? It seems
like the purpose should be to lower risk at perhaps
keeping costs the same or maybe even lowering costs, but I
want to hear from you guys, because if you're saying no,
if we go from two to five and those extra three have lower
credit ratings, we're increasing the overall, then I start
getting very nervous.

MR. NELSON: Well, first of all, I would say we
need to separate -- there's really two concepts involved.
The policy addresses minimum qualifications of who we can
have discussions with, and then ultimately when we select
someone, they may or may not be different than the other
counterparties that we already have so it's very possible.
Like for instance, right now our biggest counterparty is
probably J.P. Morgan. J.P. Morgan does not qualify under
our old policy. Do they qualify under our revised? But
in any case, they may or may not even be on the list and
so they may not be allowed for us to discuss with, and so
therefore, we wouldn't increase any of that concentration.

And again, the second thing that I would say is
even though we are including a larger universe, it does
not preclude us from selecting the highest rated entity,
irrespective of whether that party might not have had the
lowest cost.

MR. IRVINE: So really aren't we looking to
develop a swap policy that does two things: one, it
hedges interest rate risk -- that's the traditional role
of the swap counterparty -- but two, it facilitates our
negotiation of a structure that lines up with our ability
to exit variable rate debt.

MR. NELSON: Yes.

MR. OXER: And over the long term, this is a
step in over the long term managing our short-term
interest rate exposure.

MR. NELSON: Yes, because ironically, if we
want to talk about risk, the third entity who dropped out
because our thresholds were too high on downgrade was RBC,
the highest rated entity we were talking to.

So again, you can't simply align these things
up. Had we had this new policy in place, we could have
gotten a better bid from RBC and selected a higher rated
entity than the one we're bringing you today.

MR. OXER: Essentially what you're trying to do is take something that was a fixed point in an organic process and reestablish that point with the whole intent to manage that risk down over time. Is that correct?

MR. NELSON: Yes.

MR. OXER: Okay. And to the point that I made about making sure, trust me, I trust you and you two up there to know what you're doing, and I continue to believe that's one of the reasons that our entire financial portfolio is in such a strong position right now is the fact that it is intimately and aggressively well managed, and so I compliment both of you, you inside and you outside, for having done such a good job of that.

MR. THOMAS: I don't think anybody, including me, questions. In fact, I have great respect. You guys have let me sit at the table with you in mind-numbing detail, and you know how passionately I care about what you do that keeps us safe. I just respectfully have some different opinions, but I respect that you're the experts.

MR. OXER: And well stated, and I appreciate that, Robert. And the point is I feel the same way, but that said, we do have a fiduciary responsibility to the state and an obligation to the public, including those people who are sitting out there and the ones who are
listening at home, playing it on their board, to make sure that the discussion that we're having gets exposed so everybody understands that.

    MR. NELSON: And again, certainly from staff's standpoint, we work at the direction of the Board, and so our role in this process is to try to inform you as fully as we can. Ultimately, if you were to come back and say after you have fully informed me and we've had this wide-ranging great discussion, we've decided we would really like to keep our policy and we think the way it was before is fine, that obviously is the state of the world that could occur and there would be nothing wrong with that.

    MR. McWATTERS: But Tim, I'm still having a difficult time understanding if this new policy, as implemented at your discretion, keeping the same two people, selecting them or selecting new people, if the goal of this is to overall lower the risk, counterparty risk, counterparty failure, September 2008 Lehman weekend, all that stuff, is that the goal to lower the risk, or is the goal to save money and perhaps accept slightly higher risk?

    MR. NELSON: Again, I don't know because, again, even if we'd had the old policy in place, again, we're recommending BNY, who we don't have any present swaps with, they're highly rated, certainly as highly
rated as the other counterparties we currently have, so we're not increasing concentration. And again, that could have been the case, or we could have ended up with a more highly rated entity had we had the new policy in place. So again, I know it probably sounds frustrating but I don't know that they're directly sort of linked that if you do one, ergo that means you're increasing risk.

You could potentially be, but again, you have to recognize there's still a vetting process that occurs with staff and advisors that takes into account, I think, all the various things that you're concerned about. All we're saying is that there is a value to the Board and to the citizens of the State of Texas to allow more people to participate in the process.

Going back to the old GIC days when we used to bid GICs, the IRS, in their ultimate wisdom, decided you must have three parties bidding. We don't have that requirement on swaps, but if we did, we would have been in violation of it. So all we're saying is that more people involved in the dialogue is going to result in a lower cost, almost certainly, but it does not necessarily mean that we're going to end up with lower rated entities, and therefore, more risk for the Department.

MR. OXER: I appreciate the comment from every member of the Board and from staff and our advisors, but
what this does, changing the policy simply makes those
that we include in the discussion a little wider. Any
selection that you would do ultimately would come back to
us for corroboration in the first place.

MR. NELSON: That is correct. All the policy
really does is guide us in terms of the pool of candidates
that we are allowed, for lack of a better term, to include
in the discussions and ultimately come back to you as a
recommendation, and certainly at that point in time, had
we selected a lower rated entity, it's certainly within
the Board's purview at that point to say: Well, you've
brought us Bank B, who had a higher rating than the bank
you're recommending, we understand that that other bank
had lower cost, we would rather work with Bank B who has
got a higher rating. And that is what we would do.

So at the point in time that there's a
selection made, the Board is still in complete control in
terms of managing who we ultimately end up working with.
I think it just puts more information in play and almost
certainly reduces the cost, whomever we end up dealing
with.

MR. OXER: Okay. Any other questions? Motion
to consider?

DR. MUÑOZ: So moved.

MR. OXER: All right. Motion by Dr. Muñoz to
approve staff recommendation on this item 3(b).

MR. GANN: Second.

MR. OXER: Second by Mr. Gann. Any more questions?

MR. IRVINE: This is 3(a).

MR. OXER: That's why I asked. Okay, 3(a).

Item 3(a), motion by Dr. Muñoz, second by Mr. Gann on item 3(a), there appears to be no public comment. All in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

MR. THOMAS: No.

MR. OXER: Okay. Opposed by Mr. Thomas, it's four to one.

(General talking and laughter.)

DR. MUÑOZ: Mr. Chairman, before we get off point, I just want to say, David, welcome to your first meeting.

(General laughter.)

MR. OXER: Game face, Tim. Next, 3(b).

MR. NELSON: Okay. Having completed 3(a), we will move on to 3(b), which I almost feel like we've half discussed already, but this item we now bring before you is presentation, discussion and possible action on Resolution No. 14-022, authorizing transfer of interest.
rate swap transactions with respect to single family variable rate mortgage revenue refunding bonds, 2004 Series B and single family variable rate mortgage refunding bonds, 2006 Series H. Try saying that ten times.

Again, I think we talked about this a little bit last month. As Gary pointed out, we have an opportunity on all of these transactions that we do after a period of time, typically ten years, we can come back and take a look at restructuring them. Staff and advisors took a look at a number of restructuring opportunities on this transaction, doing a taxable or tax-exempt refunding bond, doing an MVS sale which the Board has authorized on a number of prior occasions -- we did two refunding issues last May that ended up saving the Department $10- to $12 million on a present value basis.

In reviewing those here, it was determined that those, either doing a refunding or an MVS sale, did not result in the best deal for the Department, in fact, it ended up increasing costs, and so we started looking at restructuring the existing swap that we have in place. And in order to do so, as is outlined in the writeup to this item, our current provider, UBS, exited the municipal swap business a number of years go and so we entered into discussions with them and very quickly they made it clear
to us that we are exiting, or have exited the muni swap business so we are not interested in restructuring a swap with you, we would like that swap to go away.

And so we started the process of procuring a substitute swap provider, and again, that process is outlined the writeup. As mentioned earlier, after having completed that process, we selected BNY, based on their being the lowest cost, they're also very highly rated, certainly higher rated, UBS was an AA2 rating, BNY comes to us with a AA2, AA-minus, so in this transfer we actually end up upgrading our rating over the prior counterparty that we were dealing with.

MR. OXER: So essentially achieving what Mr. Thomas was looking for, and Professor McWatters.

MR. NELSON: That is correct.

And so entering into this process, our goal was to do really two things, as I stated earlier, wanted to reduce our swap rate which is currently 3.846, down to what we believe will be something in the 3.60-ish range, 3.65, 3.67, and to allow 100 percent par termination in seven years. And as I outlined at the last meeting, we have three different kinds of terminations: we have mandatory terminations that are built into the contract, we have optional par terminations that are rights we negotiate as part of our deal, and we have optional market

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terminations which cost us money or would cost the
counterparty money, depending upon where interest rates
were at.

So we believe we've been able to successfully
put this together, and if the Board gives us the authority
to move forward, our game plan would be to try to price on
about the 22nd or 23rd of April and close within a day or
two of that date. And again, the end result is -- and I
got through my discussion last month about optionality --
in reordering this optionality, going forward it will more
closely align with what we believe the optionality we need
to carry out our program. Right now we have much more
optionality than we can use today, and that is expensive,
so we turned that optionality in and got back 100 percent
par termination right in seven years that we did not have
before. That is a very valuable right.

And I think with that I'll let the Board ask
any questions that you have. Obviously, staff recommends
approval of this item as set forth.

MR. OXER: Great. Any questions, Mr. Thomas,
Professor McWatters?

MR. McWATTERS: You said BNY Mellon is A2
rated. Is that right?

MR. NELSON: AA2 Moody's, AA-minus S&P.

MR. McWATTERS: Did you consider other
potential counterparties that had a higher rating, and was there a cost differential between going with a lower rating and this one?

MR. NELSON: We had two parties out of the four that we started with that ultimately submitted bids, and we selected BNY over Wells Fargo because the cost differential was, again, as I stated, 50 percent difference between.

MR. THOMAS: What is that number? That's a relative term. What is the number?

MR. NELSON: You're talking hundreds of thousands of dollars, given what we're talking about.

MR. OXER: For the same service, essentially.

MR. NELSON: For the same service. And again, I don't have Wells Fargo's rating at my fingertips.

MALE SPEAKER FROM AUDIENCE: It's AA3, AA-

MR. NELSON: So BNY is a better rating than Wells Fargo.

MR. OXER: Better rating and less fee.

MR. NELSON: Yes.

MR. THOMAS: And financial advisor and legal fees are going to be another $317,500 on top of the savings, plus $5,000 for insurance costs.

MR. NELSON: We've also got rating fees, AG
filing fees, and all of those were taken into account, and we generate a present value savings of several million dollars, in addition to picking up these additional par call rights down the road that, again, staff believe sufficient to handle what we need to do, while at the same time, again, giving us this 100 percent par collapse capability in seven years which, as I outlined at the last meeting, that's our goal is to put these together so that at some point in time we will be completely out of those.

If we could have done it so we could be completely out of them today, that is what we would have recommended.

That resulted in a net cost to the agency of several million dollars present value, so again, unless the Board directs us differently, we believe we should be prudently managing our assets and those risks, and we believe that this recommendation fits within that framework.

MR. OXER: So this is just one more step along that ramp down to the point of having zero exposure in swaps.

MR. NELSON: That is correct. The Board will remember last month we canceled, March 1 canceled $13 million of the swap notional on this, and moving forward, we will have additional optional par termination rights, and again, ultimately 100 percent par termination right in
seven years that we don't currently have. So we have effectively, if this plays out the way that we hope, shortened by eleven years, from like 2033 to 2021 or two, the time that this swap will be outstanding.

MR. McWATTERS: Okay. So the two financial institutions that submitted bids, BNY Mellon is higher rated than Wells Fargo and their fee is lower.

MR. NELSON: That is correct.

MR. McWATTERS: Okay. Is there a reason why a higher rated financial institution, higher rated than BNY Mellon, did not submit a proposal?

MR. NELSON: Well, again, we had RBC, who is a better rating than both of these entities, who, because of how they internally look at this, felt that our collateral posting threshold was too high, so they felt given where their rating currently is -- again, their analysis, not mine -- that there would be a higher likelihood they would have to post collateral, therefore, increasing their expected cost, and therefore, they elected not to submit a bid because they felt like our policy framework was too stringent for them to feel comfortable submitting a bid.

MR. OXER: So the price that they were going to get for this represented more than they wanted to get for this.

MR. THOMAS: More than the risk that they
wanted to take.

MR. OXER: No. More than the risk they wanted to take, but more than the exposure that they wanted for their balance sheet.

MR. NELSON: Correct.

MR. McWATTERS: Has there been a change in our posting of collateral positions, or has this been kind of a traditional rule and these guys, RBC, is taking a more conservative approach.

MR. NELSON: I will turn that back over to the market experts.

MR. ADAMS: Could you repeat the question, please?

MR. McWATTERS: Yes. I was told that RBC basically looked at our collateral posting and risk profile and said: It's too much risk here relative to perhaps submitting a bid at the same dollar amount as BNY New York; we could submit a bid but it's going to be at a much higher cost and we know you're not going to want that bid so we're just not even going to submit it.

MR. OXER: You have to say who you are and who you represent.

MR. ADAMS: This is David Adams with George K. Baum.

RBC was looking at the possibility of them
being downgraded, and if they were downgraded below that
treshold and were exited out of, they would have to exit
out of their hedges, and that was a risk that they were
unwilling to take. They also don't like the competitive
bid process; within a swap they prefer negotiated.

MR. OXER: Do tell.

(General laughter.)

MR. OXER: So the potential was they were
looking at the potential exposure for something that was
about to happen to them and they didn't know the outcome,
so that constituted a risk for them that they weren't
willing to take on the bid, as opposed to the fact that
their balance sheet wasn't strong enough to cover the
collateral posting requirements. Is that fair?

MR. MACHAK: This is Gary Machak.

And maybe one of the reasons that they looked
at it, out of all the institutions that we looked at, they
have been downgraded by Moody's from AAA all the way down
to AA3.

MR. OXER: So was Texas, so what.

MR. MACHAK: So RBC, although they are still a
strong rated institution, they have been downgraded, and I
think it's because they're looking through some of the
what they thought was some sovereign backing with Canada
to the bank that they may not like that credit as much as
they used to.

MR. OXER: Right. Anything else, Mark?

MR. McWATTERS: No.

MR. OXER: Robert, are you good?

MR. THOMAS: The bottom line is we don't have a choice. We're being told that our current partner is exiting and we've got to go somewhere, and you're just saying this is who we'd like you to go with.

MR. NELSON: Well, we could certainly stay with UBS at the old deal.

MR. THOMAS: But they're making it clear they want out.

MR. NELSON: Correct.

MR. THOMAS: And you never want to be with a partner that doesn't want to dance with you. Right?

MR. NELSON: I believe that is correct.

MR. THOMAS: So this conversation really begged the question -- and I wish we had almost had this one first -- doesn't the nuances here -- I mean, I appreciate the difficulties that we have, and more importantly, that you all have in trying to make sure that our funds, both from an internal and external perspective, are protected, and the solvency and all kinds of other things, but doesn't this beg the real question that I think Mark and I are trying to get to, that the complexities associated
around this, we can spin it any way we really want but the
market exposure is market exposure. If we have another
Lehman, if we have another issue, it doesn't matter how
small or how big, you're all going to be affected. And I
guess that was my concern, that I'd like to make sure
we're talking about it in the context of all those
triggers.

My wife happens to be -- Tim, as you know --
she spent the better part of her career doing exactly what
you all are doing as a bond lawyer, so I probably have sat
at the dinner table and listened to the conversation with
bond lawyers and bankers way more than I should have, but
it just seems like --

MR. OXER: Probably more than you wanted to.

MR. THOMAS: Probably more, but it certainly
prepared me for this. So I guess my concern about that is
understanding the nuances that our staff and our advisors
have to work within, but also making sure that we
appreciate, as our chairman pointed out, that there are
some questions we probably need to ask, certainly for the
record, so that people are aware of the level of
sophistication, the level of concern that your board and
your advisors go into on these issues.

MR. NELSON: Yes. I'm reminded, a friend of
mine once asked me if I wanted to play backgammon, and I
said, Well, I don't really know how to play, can you teach me, or how long would it take to teach me. And he said, Well, I could teach you how to play backgammon in five minutes, but it takes a lifetime to master. And I think there's no truer statement, yes, we could do a whole semester course on any one of these very narrow items that we're talking about, they're extremely complex, and all I can say is the best we can do, and I think as people have outlined before, we've got some of the best management on top of this, and again, that's all you can do. Can we prevent a Lehman from happening? No, but we're worrying about this 24 hours a day and trying to manage it accordingly.

MR. OXER: In the end, the best you can do is the best you can do. Okay? But we have to ask the questions because that's what our job is to ask those questions. And in the end, you're talking about a probability of occurrence in the future, there are not absolute right answers and wrong answers, there's only good choices, and it may be a good choice amongst a bunch of poor selections, but we have to take the best choice we have available, with the idea that we're managing this risk long term, it's going down.

MR. NELSON: That is correct.

MR. OXER: Okay. Is that a fair summary of
where we stand? Does anybody else have a comment?

(No response.)

MR. OXER: Well, in that case, let's talk about this and have a motion to consider, please.

DR. MUÑOZ: So moved.

MR. OXER: Dr. Muñoz is busy today. Okay.

Motion by Dr. Muñoz to approve staff recommendation. Do I hear a second?

MR. GANN: Second.

MR. OXER: Second by Mr. Gann. There appears to be no other public comment. Motion by Dr. Muñoz, second by Mr. Gann. All in favor?

(A chorus of ayes.)

MR. OXER: And opposed?

(No response.)

MR. OXER: There are none. It's unanimous.

MR. THOMAS: We don't have a choice, we've got to do something.

MR. OXER: We've got to do something, so keep the lipstick pretty on this one, Tim.

(General laughter.)

MR. NELSON: Okay. Moving on to 3(c).

MR. OXER: For the record, before we move on, I'd like to summarize the Board's assessment that it's a hard decision, but we know you know what you're talking
about, and we know it's hard but you're climbing a
mountain of broken glass at certain times, so we're just
trying to make sure that we don't get cut up too bad at
the end, and we appreciate the effort that you and the
rest of your financial team put in on this.

MR. NELSON: Stated differently, my gray hair
is well earned.

MR. OXER: I didn't have any till I took this
job.

(General laughter.)

MR. NELSON: Okay. Moving to 3(c), this item
is presentation, discussion and possible action on
Resolution No. 14-023, authorizing amendments to the
supplemental indentures for the single family variable
rate mortgage revenue refunding bonds 2004 Series B and
single family variable rate mortgage revenue bonds 2006
Series H.

In a nutshell, if I could, as part of the
discussions with BNY, they looked at our current scheme of
what we do as far as trying to set aside money for these
swaps in case there is a termination event, a market
termination event where we would end up paying money. We
have in our existing agreements that we have money sitting
in our surplus fund -- right now that's about $16-1/2
million -- and in our current contracts we do a mark to
market calculation, and to the extent that that is against TDHCA -- which I think the Board is well aware that all of ours are against the Department to the tune of, I think, about $25 million currently -- and we're to set aside one-third of that out of that surplus fund.

In essence, that basically says that if we were to ever remove -- or work with our trustee who is really the one that manages these trust estates -- remove any money from this trust indenture, that we would have to make sure that that hold-back is held back and we couldn't take an amount that would not meet that requirement.

BNY looked at that and said, We would really feel more comfortable if you set aside more money. And I had told them, basically as a management principle, we would never come before the Board and ask to remove money from the single family indenture unless 100 percent of that mark to market was being accounted for. And they said, Well, that's great but that's not in the contract, and so we would like to see something in the contract.

And so what we have in 3(c) is a proposed amendment to those two supplemental indentures for '04-B and '06-H. And oh, by the way, we haven't really talked much about '06-H, but it was another UBS swap and so when we went to them to talk about the '04-B, they said, Well, you've got to take the sister transaction at the same
time, I don't want to be left with an orphan when you're done with this. And so the last action that you took was really to assign both of those swaps over to BNY and this is to amend both of those indentures to basically allow us to set aside more money in the surplus fund for those two swaps which is, again, something we're already doing, and I don't think anyone would argue that that isn't something that's prudent and that we should be doing. This just codifies it in the contract.

And so with that, I will say staff recommends and allow you to ask any questions.

MR. OXER: So this essentially continues our current aggressive and intense management of the whole process.

MR. NELSON: Yes. Again, it just moves it from a management practice to vis-à-vis these two swaps, it will now be in the contract in the indenture.

MR. OXER: Codified and memorialized in the contract.

MR. NELSON: That is correct.

MR. OXER: Tim.

MR. IRVINE: It's consistent with containing all of the legal responsibility within the indenture.

MR. NELSON: That's correct.

MR. THOMAS: I certainly like it. I really
trust our current management and our senior staff, and so within the context and confines of those types of decisions being made, particularly in conjunction and communicating with our current chair -- who I don't know if he's going to stay with us much longer if I keep asking questions -- but in the context of that world, I really like the flexibility and the conservative approach that our senior staff and our executive director and our chair has taken.

My concern is codifying something in a contract that might remove the flexibility potentially. And I guess my question is, maybe to you, Tim, and maybe to Tim, what situations or what circumstances might exist in which you might need that flexibility, even short term, of those funds.

MR. OXER: It all backstops our financial instruments, anyway. Right?

MR. NELSON: Well, again, you have to look at it twofold. The situation they're trying to avoid is us removing money from the trust indenture. This says before you do that, let's make sure we take care of these two swaps. Within the confines of the indenture, especially in a termination fee situation, the swap counterparty is the most junior claim on any of these assets, so if we ever need any surplus fund to pay debt service, to pay
department expenses, to pay anything that's in that indenture, every dollar in the surplus fund, including the swap hold-back and including the dollars that we're talking about here for BNY, are all available for those purposes.

So this is merely, again, if you were ever to decide, hey, I'd like to have this money to go do something else, they're just saying you might want to make sure I'm taken care of first. Which, again, we are saying from a management standpoint that is what we would do anyway, but they would rather not rely on the kindness of strangers, they would rather have it codified. But I don't think it really reduces any of our flexibility because we can do anything we need to do within the indenture and I don't believe we would ever look to pull money out of this to go do something else if this weren't taken care of first, in any case.

MR. OXER: So within the indenture there are a list of things for that money that are specified that we can use that money for right down to the point of exhausting those funds, to the point that the swap hold-back is still exhausted. They don't have an option. But what we're saying is that we wouldn't take money out of this without coming to the Board first. You would certainly come to the Board first.
MR. NELSON: Well, we would have to come to the Board to say we would like to take this money out of the indenture and this is what we want to use it for. What this provision would require in the calculation of how much you could potentially take out, they would say not only do you have to take into account the swap hold-back, the one-third that's currently in there, but also take into account these new provisions which, again, in essence would say set aside 100 percent for these two swaps before you start looking to pull any money out. As I said, and I think the Board would agree, we wouldn't recommend doing that even if they didn't have this provision in here, but they just feel this is necessary in order to give them --

MR. OXER: So they're trying to climb the ladder to get in first place on the lien.

MR. NELSON: Well, they can't get in front of everybody else in the indenture but they can certainly get in front of people outside the indenture, so that's what they're trying to do, say before you remove money from this indenture, make sure you have us properly collateralized.

MR. THOMAS: I guess that's not my question. My question is understanding the nuances of the situation -- and I may have indirectly gotten my answer -- there's not a situation where we would have balance sheet
issues, balance sheet availability or access to funds which our management would be able to manage for short-term immediate issues or needs which wouldn't cause a violation of a contractual provision which is now just managed by good internal fiscal principles and practices.

Is that the right answer?

MR. NELSON: I suppose we could dwell up a theoretical problem.

MR. THOMAS: Not theoretical. I really want to know.

MR. NELSON: As a practical matter, I don't believe that there is one.

MR. THOMAS: Okay.

MR. OXER: And in the long run, whatever comes up, you'd have to come and ask us to approve that exercise.

MR. NELSON: That's correct. If we were going to take any money out of the indenture, we would have to come to the Board to do so.

MR. THOMAS: Sure, but the point is contractually, then, the Board would have to be voting to violate or breach a contract.

MR. NELSON: Yes, that if you went through and staff said here's the amount that's available to withdraw based on the contractual provisions, and you said, well,
we have a need that's in excess of that so we want you to pull more than that out, then I guess if you did that, yes, you would be voting to violate the provisions of that indenture.

MR. IRVINE: Even if you did not amend the indenture to state that, if you wanted to pull surplus funds out of the indenture, you still have to go to the trustee and ask, and the trustee, in their fiduciary position, has to make a decision as to whether to grant or reject your request.

MR. NELSON: So yes, that's why I'm saying I don't know even if we didn't have this provision, the trustee, in their fiduciary role, might say: Well, before you take that money out, you really ought to make sure we've got money set aside for these other obligations because they're there. That's why I'm saying it's a difficult question to answer. All this does is, again, codify it rather than relying on the analysis of staff or the trustee in execution of their fiduciary duty.

MR. IRVINE: And I think it's consistent with treating these as revenue bonds that are self-contained and we're not trying to blur the lines between revenue and GO.

MR. OXER: Does that answer your question, Robert? Are you good on that?
MR. THOMAS: Thank you.

MR. OXER: Okay.

MR. McWATTERS: Is someone being contractually primed by making this change? I mean, will there be a party that potentially is aggrieved here and will argue that there was no consideration for this, and the contract is not enforceable? I'm trying to think why they would ask for this change if they didn't have some concern that without the contractual change they could be primed or go pari passu with somebody else and have to share. I just don't know.

MR. NELSON: They're not so, I think, concerned about that. Again, if there's a default situation, these two swaps, all five of our swaps are the very last in line, and I believe -- and I'm not a legal expert, but I believe they are all pari passu amongst themselves, so I don't think this provision in that situation puts them ahead of the other swaps.

But it does, again, just sort of trap more money in this surplus fund which, again, I think the situation they're really more concerned about is if we're downgraded, and therefore, there's a termination event, and so they go, okay, TDHCA, you owe me $6 million, and we go, well, we had $6 million in there but we withdrew it last month to go do something else with it. This
provision merely says that money would then be sitting there and would be available to make that termination payment and would not have been removed from the indenture potentially. So that's the situation they're trying to avoid.

But I don't think this really, again, certainly in a default situation, puts them in front of, certainly, the bondholders and I don't believe it puts them in front of the other swap providers, it just, again, traps some of this money within the surplus fund in the where it could be potentially removed.

MR. McWATTERS: I have to suppose they're asking for this for a reason, there's some contingent liability or concern that they're worried about, and my concern is that we may upgrade their priority where another party may, in the future, have an issue with that. And again, I apologize, I cannot come up with a scenario where I can more appropriately articulate that, but I've just seen enough of these deals where someone comes in and says: Oh, can you make this contractual change where it makes sure I get paid? And someone comes in later and says: Whoa, what was that all about?

MR. NELSON: Actually, we have George Rodriguez with our bond counsel firm. As I stated earlier, I'm not a lawyer and don't play one on TV, so I will turn it over
to him to address legal questions.

MR. OXER: George, state your name and who you're with.

MR. RODRIGUEZ: George Rodriguez with Bracewell and Giuliani, and we are bond counsel for TDHCA.

In response to your question, there is no aggrieved party that I can imagine that could complain about this change because the parties that have a higher priority than Bank of New York Mellon, they do not lose that priority, because all this is doing is creating a sub-account within the surplus fund, but the money is really not dedicated to paying Bank of New York Mellon, it's simply a mechanism to prevent that money from being withdrawn from the indenture for some other purpose and then it turns out later that the money was needed to pay a termination payment.

So the persons who would be aggrieved, so to speak, would be people completely outside of the indenture that really have no contractual rights to that money to begin with. And so as a result, this is just simply putting that money where it would be available if it's needed to pay the termination payment, but in a scenario where, let's say, there's a shortfall in cash for the bonds themselves, the bondholders still have a superior claim to that money over Bank of New York Mellon, even the
subordinate bondholders do. So it's not priming a claim, all it is simply doing is setting aside money to prevent its withdrawal from under the indenture.

MR. McWATTERS: Okay. So it doesn't move the recipient up the food chain to a higher level by including it in the contract. Same right they would have if it wasn't in the contract.

MR. RODRIGUEZ: That is correct.

MR. McWATTERS: Okay. And as far as you can tell, by putting it in the contract, it does not prime someone else?

MR. RODRIGUEZ: That is correct.

MR. McWATTERS: Okay. Thank you.

MR. OXER: Thanks, George.

MR. THOMAS: We're conferring.

MR. OXER: I'm allowing the time here; want to make sure it's working.

Any other questions?

(No response.)

MR. OXER: Okay. 3(c), do we have a motion to consider? There's deathly silence in here, by the way. Do the conferees have a point to make?

DR. MUÑOZ: So moved.

MR. OXER: Motion by Dr. Muñoz to approve staff recommendation on item 3(c). Do I hear a second?
MR. GANN: I think if you make a second, you're no more guilty than if you just vote for it. I'll make a second to move it along.

MR. OXER: Second by Mr. Gann. Is this one beaten to death, we've got it aired out? Motion by Dr. Muñoz, second by Mr. Gann on item 3(c) to approve staff recommendation. All in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none, it's unanimous. And with that, we're going to close our first three hours on banking and finance 101 and take a short brief session. It is not 10:47, let's be back in our chairs at eleven o'clock straight up and we'll get back to it.

(Whereupon, at 10:47 a.m., a brief recess was taken.)

MR. OXER: Okay. Thanks, everyone. Tim, I think we're on item 3(d) now.

MR. NELSON: Like a bad penny, I have returned.

(General laughter.)

MR. OXER: We are so glad to have you.

MR. NELSON: Item 3(d), presentation, discussion and possible action on Resolution No. 14-024,
authorizing certain actions relating to interest rate swap transactions.

I will try to summarize this thusly: there are certain situations in our transactions where, and in particular, if a prepayment comes in, that under the IRS tax rules we are required to redeem the bonds. We don't have any choice in that matter. As I discussed on a number of occasions, our swaps have call rights embedded in them, so if we happen to be in a situation where we have to call the bonds, yet I do not have the right to redeem or to reduce the swap in a par optional termination, I then have to do a market termination. And under a market termination I have to go to the swap counterparty, and they say: Okay, based upon where this thing is marked right now, either I owe you money or you owe me money. Obviously, I'm more concerned if we owe them money which is certainly the situation we have now.

So what staff is looking for here, and again, this is also exacerbated a little bit by Texas state law which basically tells us that we cannot be in a situation where we're over-swapped. That means we have more swaps outstanding than we have bonds, so that's precisely the situation I just outlined. So staff is asking here for the Board to give them flexibility that were that situation to occur, we could certainly negotiate a market
termination -- that's the only option really we have now --
or we would like the flexibility to reallocate that
portion of the swap which would otherwise have to be
terminated to one of our other taxable transactions, and
we would look at that and try to arrive at a least cost
alternative.

We may still arrive at the conclusion that the
best thing for us to do is a market termination, we're
just asking to have more flexibility so if it's determined
we can allocate it to another deal for no cost.
Obviously, we would rather do that than to have to pay a
market termination.

MR. OXER: You just want a bigger box of
crayons on this one.

MR. NELSON: That's correct. And with that, I
can get into a lot more detail, but that is the essence of
what we're looking for.

MR. OXER: So the thing that would potentially
initiate this circumstance would be they're unrelated
because you have bonds, you've got swaps against the
bonds, and if there's a call on those, then there's not a
correlative swap reduction, and it's not something you can
control on the bond.

MR. NELSON: Yes. All we can do, when I talked
about how we've reordered the par termination rights on
this revised swap, it's based on our expectations of what we believe could possibly happen, and we think it covers a fairly wide range and we think we are adequately protected. It is not 100 percent certainty, so if we were to experience, basically, a very high prepay, our current protection would take us to somewhere in the 250 to 275 PSA range. Our portfolio historically has prepaid at 150 to 175, so we have an extensive amount of cushion there. If we were to have prepays that resulted in 400, I'm getting more prepays that I have to use to call bonds, I don't have corresponding optional par termination rights, so I've either got to do a market termination or if I've got this flexibility, I could potentially take a piece of that swap and just allocate it over to another transaction.

MR. OXER: Essentially what you're doing, is if current circumstances on the swaps versus the bonds, you're working on the probability of an occurrence in the future, ultimately you've got to allow for -- even though it's a 95 percent probability, for example, you've still got to allow for the occurrence of that other 5 percent derogatory event.

MR. NELSON: That's correct.

MR. OXER: And in the long term, you need more tools to deal with that, and to my way of thinking, I
would like to think the way the Board thinks, is ultimately the best tool in our toolbox is have the best people in the agency that do good management of this. And so to that end, I continue to compliment you based on the discussions we've already had, but I see what you're doing.

MR. NELSON: Thank you.

MR. OXER: Any questions of the Board? Do you want to state the resolution, Tim? You don't have to read it off, but obviously the staff recommends approval.

MR. NELSON: Staff recommends approval of 14-024.

MR. OXER: Any questions?

(No response.)

MR. OXER: So it's just like before, we were casting a wider net to be able to talk to more entities as a swap counterparty, and in this one we're looking for more tools in the toolbox to deal with a low probability occurrence.

MR. NELSON: Right now we have one tool and it is potentially expensive, so we're looking for other tools that might be potentially less expensive.

MR. GANN: I move staff recommendation.

MR. OXER: Motion by Mr. Gann to approve staff recommendation on item 3(d). Is there a second?
DR. MUÑOZ: Second.

MR. OXER: Second by Dr. Muñoz. Are there any other questions from the Board?

(No response.)

MR. OXER: Okay. There's no public comment requested. Motion by Mr. Gann, second by Dr. Muñoz. All in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none, it is unanimous. Thanks, Tim.

MR. NELSON: Thank you.

MR. OXER: So the end of our banking and finance class. We now start with, Cari. How are you doing?

MS. GARCIA: Good. Cari Garcia, director of asset management.

I, too, am going to continue the discussion on swaps, although this is a much easier swap, this is a swap really at the elementary level of a unit designation on a request for an application amendment, so I think everyone will be able to follow along on my swap discussion.

MR. OXER: You're not getting into the infinite financial esoterica in the weeds on this?
MS. GARCIA: No. So item 4(a) is the presentation, discussion and possible action on a housing tax credit application amendment request for Trails at Carmel Creek Apartments which is 13201.

This development was awarded HOME funds and tax credits during the 2013 cycle to construct 61 units of senior housing in Hutto. On January 22, 2014, the owner requested an application amendment to change the income and rent level for one unit at the property which is designated as a 30 percent tax credit and low HOME unit, they would like to change it to a 50 percent tax credit and low HOME unit. Their claim is that this was a mistake made by them during a deficiency response at the time the application was reviewed.

So let me just walk you through the timeline a little bit. They applied for tax credits in 2013, and then on May 28 the application was removed by program staff and a deficiency notice was sent identifying two issues, one of which involved the number of HOME that they identified in their application. Based on the 2.21(d)(3) subsidy limits, they were required to have a certain number of HOME units based on their HOME award. In a nutshell, at application the rent schedule identified a total of eight HOME units, and based on their requested HOME funds of $1 million, nine HOME units were required.
So program staff informed the applicant of the issue in a direct request and specifically asked the owner to make appropriate corrections. It's common practice for program staff to identify what the deficiency is and request that corrections be made, but not specifically tell them how to make the correction. That's an applicant decision.

The owner was provided five business days to correct the deficient items. The following day the owner submitted a response to the deficiency notice, correcting he rent schedule to identify the nine HOME units. The correction was made by changing a previously designated 50 percent tax credit unit to a 30 percent tax credit and HOME unit, and before that they had four units at 30 percent, they increased that to five units. The correction could have been made a couple of ways, but again, that was an applicant decision on how they wanted to correct it.

The application was later underwritten using this revised rent schedule and found to be financially feasible, and they ultimately received an award of tax credits and HOME funds. The underwriting report was posted on July 25, and on July 29 the owner signed an appeal election form confirming that they had reviewed the report and would not be appealing the recommendation of
the underwriting report.

On September 16, the owner submitted an executed commitment notice and compliance tracking form. Initially the tracking form did identify only four units at 30 percent, however, the owner identified this discrepancy, made the correction, and on October 1 executed a new compliance tracking form showing the correct number of 30 percent units.

While staff is empathetic toward the owner in making what they perceive to be the wrong correction to a deficiency notice, it's not staff's responsibility to question the correction as long as the transaction remains financially feasible with our underwriting standards.

This application was originally underwritten with the total of nine HOME units, five of which were also designated as 30 percent tax credit units, and under that determination it was found to be feasible.

Since that time several other changes have occurred to the financial components: they increased their permanent loan amount; they were able to get a lower interest rate on their permanent loan; the new rent limits for both HOME and tax credit for 2014 are out which increased their ability to get a little bit higher rents; they also have been able to get a higher credit pricing, from 90 cents per credit dollar to 95 cents per credit.
dollar. All of these positive changes have allowed the previously proposed deferred developer fee to be reduced by approximately $230,000.

During our financial review of this amendment request, these positive changes were taken into account and the transaction continues to be feasible with the underwritten unit mix. In fact, the July 24 underwriting report concluded with a debt coverage rate on our side of 1.15, and the owner was estimating 1.20, and currently with these positive changes, including the five units, their debt coverage rate has actually increased to an estimate of 1.20. So there's actually an improvement in the financial feasibility from underwriting back in July.

The owner did, during this amendment request, provide letters from their permanent lender and syndicator in support of the amendment request, and these letters stated their opinion that this one unit would jeopardize the feasibility of the transaction. However, staff firmly believes that if there is a debt coverage rate or feasibility issue identified that the sources of funds could be further restructured, the permanent loan could be reduced, deferred developer fee could be increased as it was in the original underwriting report, and those concerns could be mitigated.

Currently our Real Estate Analysis Division is
looking at the overall structure for HOME closing, and there are some other changes that have happened. There's been some increase in costs, but I've also looked at those numbers and continue to agree with my original recommendation that the deal is still financially feasible with this one unit at 30 percent.

There have been several decision points in time where the owner could have identified this correction as a feasibility issue and requested revision via an appeal or an amendment, and they did not do so. However, it is likely that even if they would have done so, the deal would have been determined to be financially feasible with the five units as it was originally underwritten.

Section 10.405(a)(7)(A) of the asset management rules requires staff, in making an affirmative recommendation to the Board, to determine whether the unit adjustment is necessary for continued feasibility of the development. In accordance with TDHCA underwriting of the proposed changes in whole, the adjustment of one unit from 30 percent to 50 percent is not necessary for continued feasibility of this development. Therefore, staff's recommendation is to deny the application amendment request, as presented in the Board writeup. And I'll be happy to answer any questions you might have.

MR. OXER: Thanks, Cari. Any questions from
the Board? Yes, Mr. Thomas.

MR. THOMAS: Is a representative from DMA here?

Okay. No one came up to speak, so I didn't know.

Would this have changed had this mistake not
been -- had they submitted it the way they're now asking
that it be, would staff have approved it or recommended
approval at that time? If it was originally the way
they're asking for it to be now, would staff have felt
comfortable recommending approval to the Board then?

MS. GARCIA: Yes.

MR. THOMAS: So what is the core essence -- if
there's no harm, no foul, what's the core essence here of
working with them? Help me understand what is the harm,
the specific harm that staff is worried about which should
constitute a denial of this request?

MR. OXER: I have a partial answer for that,
but the essentially ex post facto change to that to be
able to upgrade, change the rating, it may have been a
difference in competitive nature under the QAP. So as a
consequence, if this is allowed to go --

MR. THOMAS: The executive director is shaking
his head no.

MR. IRVINE: I don't think it's a competitive
issue, I think the issue is simply should this one
household that's at 30 percent of area median income have
access to this unit, or should the unit be available to a household at a higher income.

MS. GARCIA: That, and plus our rule specifically says that we have to affirmatively determine that it's a feasibility issue and just this one unit to have this one increase is not necessary for feasibility of this development.

MR. OXER: So the DSCR changes but it's not materially different from what it would have been as it was originally submitted.

MS. GARCIA: Right, and as I've said, because of other changes in the transaction, the debt coverage ratio as presented today is actually better than what it was, including these five units at 30 percent.

This is also a senior development -- I think I mentioned that early on -- so as far as being able to find households in that income band, seniors have the lowest income out there so it shouldn't be an issue with marketing or being able to fill the unit.

MR. OXER: So there were opportunities, more than a few opportunities before for appeal or a change or a correction, and not unlike what we've said, we've denied several applications based on the fact that they made some mistakes in them and they had to come back next year. So this is what they applied for and got financing for, so
what we're saying is they've got to play by what they expected.

    MS. GARCIA: Right. This is what was underwritten. Their application originally included just four units but then they corrected it through the deficiency and then the five units is what was underwritten and awarded. It was awarded based on these five units.

    MR. OXER: So essentially we're sticking with the content continuity on the underwriting. Is that correct?

    MS. GARCIA: Yes.

    MR. THOMAS: So we're saying that their representations are inaccurate, if I understood you correctly.

    MR. OXER: If even only marginally so.

    MR. THOMAS: Right. Having read all the background and information, as well as the staff, that they're indicating that the project would not be feasible without this one unit. Now, how that works, I know these are really tight and it's staff's position that their analysis is such that it absolutely is feasible under the currently submitted and approved form.

    MS. GARCIA: Yes. And I believe the letters from their syndicator and lender both state that they are
underwriting to the highest possible debt coverage ratio, which obviously we have a tolerance of between 1.15 and 1.35. But yes, I can't say that this is not feasible as it was originally proposed.

MR. OXER: Motion to consider?

MR. GANN: I move staff recommendation to deny.

MR. OXER: Anything else, Tim? Barbara?

MS. DEANE: I was just pointing out the rule that basically it gives the Board discretion to make a determination whether or grant or deny, staff is bound by the feasibility issue. So staff's recommendation is bound by their feasibility determination, but the rule does provide the Board with the ability to make a determination -- its own determination based upon staff's recommendation.

MR. OXER: All right. First of all, we have a motion by Mr. Gann to approve staff recommendation which is to deny the appeal. Is that correct, Tom?

MR. GANN: That's correct.

MR. OXER: Okay. Is there a second?

MR. McWATTERS: Second.

MR. OXER: Second by Professor McWatters.

Now we'll have public comment on this, and I think to oppose staff recommendation, we have to find the reason that this satisfies a need for the State of Texas.
Is that correct, Barbara? What would we have to do to allow this to happen?

MS. DEANE: I think that's a recommendation related to whether or not to award funding, but I will say that the way the specific rule is written, it says the Board may or may not approve the amendment request, however, any affirmative recommendation to the Board is contingent upon concurrence from Department staff that the unit adjustment is necessary for continued feasibility. In other words, it doesn't appear that the rule binds the Board to the feasibility standard but it binds staff in terms of the recommendation that they must make a feasibility determination.

MR. OXER: So essentially, we have more latitude in this decision than we have in another one for awarding financing.

MS. DEANE: Under my reading of this specific rule, that appears to be correct.


MS. SISAK: Good morning, everyone. Janine Sisak, DMA Development Company.

Cari did a really good job of explaining kind of how we got to this point. We did make a mistake. You know, while I appreciate her comments about how staff isn't supposed to kind of lead applicants in how to
correct a mistake, we changed the tax credit income targeting somehow. We didn't need to do that in response to the deficiency. The deficiency was about HOME units, layering HOME units with tax credit units. We could have done it by called a 50 percent unit a HOME unit and not changing the income targeting of the tax credit units but we did somehow. I don't know why, I don't know how that mistake was made.

But had it been reviewed by a different staff member, that staff member could have very well, under the rules, come back and said, Wait a minute, we just asked you to layer it under a HOME unit, we didn't ask you to change your tax credit income targeting, and that's what you did; you can't do that, you can't change your tax credit units at this point. Had that happened, we wouldn't be here today.

We did decide not to appeal the underwriting that had the extra 30 percent unit because we didn't catch it there. When we get our commitment and kind of the summary that TDHCA staff does about kind of what we said in the application in terms of the income targeting, we compared that to underwriting and we caught the mistake. And when we first caught the mistake, I literally told Val, I said, Pick up the phone, this is an administrative error. I never thought that we would have to write a
check for $2,500, go through underwriting again, get staff recommendation, have it be overruled and be here today. And that's kind of where we are, it kind of puzzles me that something like this would take all of this time and all of staff time and all of our staff time for this. It seems silly to me, in all due respect. But we are where we are, and I just want to say big picture, this is a rural deal, a 2013 award. All of the rural deals, if there are developers in here that have 2013 rural deals, they will all say that these deals are incredibly tight, incredibly tight. Our lender wants to underwrite this deal at 1.30 debt service coverage, at application we were at 1.20, after underwriting we were at 1.15, now we're back to .120, it's still not cushy. We're talking about $3,000 in income. $3,000 in income can cover an unexpected spike in property taxes, it can make the difference in converting to a perm loan. The way our lender looks at the perm loan conversion test, they're very stringent. $3,000 is the difference between this property making break even, and I just can't imagine that the state would want to -- you know, it's kind of bad enough that the rules last year resulted in these really tight rural deals, and now at this point to penalize this deal with another $3,000 hit just doesn't seem like good public policy to further strain the financial resources of
this deal.

Yes, it might be feasible, keeping that fifth 30 percent deal, but in my opinion, it's feasible marginally so, and an extra $3,000 in income can make all the difference for us when we're out there leasing to people and paying expenses. So that's why we ask that you approve the amendment.

We really appreciate everyone's time, and Cari really did an excellent job describing it. And I apologize for the mistake, I mean, we make mistakes. But it didn't have any impact on scoring, we didn't take away tax credits from another applicant, it has no impact on this year's round, it's just a matter of, you know, having a little extra income to make the deal work.

MR. OXER: Originally, Janine, the application was for four units, this takes it up to five at the 30 percent.

MS. SISAK: The error took us up to five. We didn't need to go up to five.

MR. OXER: Five at 30 percent. What you want to do is take it back to what the four was and leave the extra unit at 50 percent.

MS. SISAK: Yes. Any questions for me?

MR. OXER: Hold on a second. Any questions from the Board?
MR. OXER: Your point about this seeming insignificant, it may seem insignificant to you but we are diligent in trying to make sure that our application of the rules makes sense in every sense, so while it may seem a lot of time spent on one unit for one deal in one rural location, the overall intent is to make sure that our application of the rules is consistent across the state.

MS. SISAK: And actually, the point I'm making is the opposite. I mean, I read the writeup and it seems like what real state analysis is saying is $3,000 is insignificant, and we're saying it's not insignificant, it's very significant to us.

MR. OXER: With that extra $3,000 you could do a lot of things for the residents there.

MS. SISAK: Right.

MR. OXER: Okay. Any questions of the Board?

MR. GANN: I'd make a comment on that. How many applicants did we approve this year, roughly, nothing exact?

MR. OXER: Jean, can you give us a number?

MS. LATSHA: Sure. Jean Latsha, director of Multifamily Finance.

2013 we approved, I believe, it was 67-68 applications, at the end of the day, out of 167 that were
submitted, out of 300 or so pre-applications.

MR. GANN: My point there is being that if we had people -- there's a lot of little mistakes in every one of those applications, if we had people coming back, it would tie up every day for days, and that was my major point on wanting to stick with the rules on that. But I also wouldn't want to be that one 30 percent of income that didn't get that apartment too, and that's why I made my motion. Thank you.

MR. THOMAS: Well, for my clarification, I understood staff to not contradict DMA's position that this would not have changed the staff's recommendation, whether it had been four or five. And while I love the idea and appreciate the idea, particularly in a community that is my home area, Hutto, and concerned about making sure that we have homes for the elderly, I'm particularly concerned that our tail is going to wag the dog on understanding how narrow the margins are to success for our developers.

And I want to be concerned about that as we clearly do what this Board's leadership has been, and that is to make us have good transparent and accountable rules that we follow and everybody knew what they were to follow, versus penalizing our constituents that are trying to comply and are human as well. I'm not sure where I
come out on that other than I don't feel good. In my gut, I feel like staff, if I understood Barbara's analysis of the rule, does not have discretion, they're following the rule of moving to deny the request, and this is an absolute appropriate thing for the Board to be considering -- not appropriate, it's required -- but this is a situation where the Board would be expected to make that judgment call on does this negatively impact our community, does it negatively impact the ability of our agency to deliver the services through our constituents in a way that doesn't seem like the rule is destroying the intent. That's what I'm really struggling with.

MR. OXER: There have been examples before where staff was, by virtue of whatever the decision required was, that they had to recommend but with the idea that they were bound by that. There are, as I've said before, and I like to make sure that we do this, is limited application of latitude applied lightly and rarely.

But this does seem like an option, and I understand Mr. Gann's point about making sure of the rules, but if it was originally underwritten at four units, five units -- if it was originally underwritten and would survive, and you're bound by the constraints in the debt service coverage ratio evaluation, I see your point,
Cari. I'm also trying to make sure, digesting Mr. Thomas's point about making sure that we make this available with the resources available in that community. What other options do they have in the future to come back on this to defray any modification going forward, or are they fixed?

         Hold on, Janine, I know who you are.

         MS. GARCIA: I don't know of other options besides an application amendment request to change the unit mix. I will say that because other things have changed in the transaction, as I mentioned previously, they were able to lower their developer fee into their pocket. Now, that may change. Again, it kind of is a fluctuating deal, but if they wanted the $3,000 back, they could lower their loan amount, increase the deferred developer fee in order to get that money back at the property level.

         MR. OXER: Any other questions of the Board?

         (No response.)

         MR. OXER: Well, if this is easy, you guys have already decided it. Right?

         Janine, anything else you want to say?

         MS. SISAK: Just in response to that last comment. We haven't closed this deal yet, we're in the middle of underwriting, and construction costs have come
in considerably higher than what we anticipated, so our deferred fee is right back where it was at application. Yes, we got a really good tax credit equity price and it looks like we'll lock an interest rate that's lower than what we anticipated, but we haven't locked it yet, we haven't gone through underwriting. I'm sure as we speak our lender is slashing our rents and increasing our expenses.

MR. OXER: That's rent and not risk. Right?

MS. SISAK: Right. So this concept of kind of, oh, the deal is in a lot better shape now from a feasibility standpoint than it was at application, it's just not the reality. It is based on what they've seen, and we sent numbers this week with the higher construction costs, but things tend to -- once we get through all of our dealings with TDHCA and we have our numbers, they tend to always get worse and not better when lenders and investors get their hands on it.

So I just wanted to respond to that. Thank you.

MR. OXER: Okay. Fair enough.

Any other questions of the Board?

(No response.)

MR. OXER: On item 4(a), I have a motion by Mr. Gann, second by Professor McWatters to approve staff
recommendation to deny the appeal. Is it an appeal?

MS. GARCIA: The amendment request.

MR. OXER: The amendment request. Okay. Make sure because there are definitions to these things. To deny the amendment request. All in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

MR. THOMAS: No.

MR. OXER: There is one opposition by Mr. Thomas.

Okay. Item 5(a). I suspect this is going to take a while, will it not, Patricia? We've got a few adventurous things to look at?

MS. MURPHY: I don't know how long it's going to take.

Patricia Murphy, chief of Compliance.

The next item before you is a discussion item about a possible rule regarding enforcement actions. The Texas Legislature has given us tools to promote compliant behavior, including the ability to assess administrative penalties and the ability to debar people from participation in the programs we administer.

Staff drafted a proposed rule, posted it to our website, posted a conference call, opened an online discussion forum, and hosted three roundtables to solicit
feedback on the rule, and boy, did we get feedback.

MR. OXER: It looks like your fan club is coming up here.

(General laughter.)

MS. MURPHY: And I very much appreciate the participation and feedback in this process. However, much of the feedback was really not about the content of the rule but really about whether or not we should have such a rule that contemplates administrative penalties for non-compliance with community affairs programs.

All of the Department's rules should reflect the policy decisions of this Board, so before staff goes any further, we wanted to bring this to you as a discussion item to get some guidance and to give people the opportunity to address you directly. The writeup in your Board book summarizes the feedback that we've received so far.

Staff is very mindful that non-profits and third-party consultants raise special issues. Non-profits and local governments will, more often than not, lack non-federal funds that could be used to pay an administrative penalty. A significant administrative penalty could even jeopardize viability for some of these non-profits. Some believe that, therefore, the possibility of an administrative penalty is not appropriate at all.
The Department has had an active administrative penalty process since 2008 for resolving non-compliance with land use restriction agreements under our multifamily programs. The proposed rule would follow the same process. So first of all, that means that except for very egregious non-compliance, the process is not even initiated if people are responsible and fix things within the corrective action period. If people disagree about a compliance matter, there are lots of ways for them to air their issues before any enforcement action occurs at all.

But if people don't respond or just don't correct their issues, the idea is that they should get referred to our Enforcement Committee. And the first thing the committee does is offer an informal conference. It's an opportunity to discuss the situation, make sure there's an understanding of the issues, and see if there's a mutually agreeable way to fix the issue. If past patterns hold true, most of the time the initiation of the administrative penalty process will not even result in the assessment or collection of penalty amounts.

If an entity and the Enforcement Committee can agree on a time frame for correction, it will usually be placed in the form of an agreed order that goes before you, this Board, for approval. There is an agreed order on today's agenda, item 1(m), which you approved, and I
think it pretty clearly demonstrates the effort that the Department takes before considering the assessment of an administrative penalty.

Agreed orders can often contain provisions for penalties to be probated, so that as long as the responsible party carries out their responsibility, they won't have the penalty. Even though we're not collecting much in administrative penalties, as we can see from the response we got from just proposing this rule, administrative penalties are a great attention-getter.

Regarding the penalty amounts, we have no interest in using a penalty as a way of putting someone out of business. If we truly believe that an entity should not be administering Department programs, we have other more effective tolls, like debarment, or in the case of community action agencies, termination of eligible entity status. When we do assess a penalty, even if it's probated, we take all appropriate factors into account, including the amount necessary to deter future violations.

Regarding debarment, we understand it's our most serious action. Third-party consultants pose special issues. They are often in a position where they cannot direct all aspects of programmatic activity and management, however, we strongly believe that there may be instances in which it's not only appropriate but it's the
For example, assume a development owner hires a third-party management company to operate their property. If we go out to monitor and we identify that the third-party management company is coaching tenants to falsify eligibility documentation, perhaps it's not appropriate to debar the property owner but clearly the third party is engaging in completely inappropriate activity, and depending on the egregiousness of the facts and circumstances, it may be that recommending them for debarment is the most appropriate course of action.

There are some peel that would like to make comment. I expect that you may hear comment about inconsistencies and other commentary about Department staff, and perhaps about a lack of training. I heard a lot of this type of comment at the roundtables, and honestly, I did not engage much in dialogue about it. We've heard their issues, we are constantly working to improve, and we're looking at new training ideas, but that the bottom line is that the process is not so broken that people cannot be held accountable for their non-compliance.

If there's anything specific that you hear in their public comment that you want me to respond to, I will be glad to respond to you with what's going on. But
before you hear comment, are there any questions about the proposed rule that I could answer for you?

MR. OXER: Thanks, Patricia.

Any questions from the Board?

(No response.)

MR. OXER: This is an information item?

MS. MURPHY: Yes. This is a discussion item; we're looking for guidance, what type of a rule would you like us to bring to you at a future Board meeting.

MR. OXER: Okay. So that being the case, there's no requirement for a Board motion to consider on this, we'll simply be hearing public comment.

Do you have a comment, Dr. Muñoz?

DR. MUÑOZ: I just have a question. Patricia, I read the Board book on this. It seems like we've gotten quite a bit of comment and feedback, it's been very robust. Do you anticipate that we're going to hear any other salient themes right now that aren't captured in your summary?

MS. MURPHY: I don't know

MR. OXER: She's not speaking for them, they're speaking for them.

DR. MUÑOZ: But we've got comment summaries of things that were already brought to your attention. Do you anticipate that those would be generally what folks
would be concerned about?

   MS. MURPHY: I think so.

   MR. OXER: Tim, you had a question.

   MR. IRVINE: Yes. I believe we have a couple of letters.

   MR. OXER: We're getting to those. You're right.

   MR. IRVINE: And I'd like to have those before we have public comment, and I would also like to raise a few points after those letters.

   MR. OXER: Those letters, since they come from the lege, they constitute first public comment, so if you want to read those in for us, Michael.

   MR. LYTTLE: The first letter comes from State Representative Pickett. It reads:

   "Dear TDHCA Board Members: It has been brought to my attention that you will convene on April 10, 2014, and along with all items posted, you will be considering rule changes to Texas Administrative Code, Chapter 10, Part I, creating Title 2, and I also know that some for the service providers here in El Paso are concerned about the proposed rule changes and are apprehensive about changes that could adversely affect their ability to deliver the services they provide to the community.

   "I further understand that you have been tasked
to ensure the accountability, as well as the efficient and effective expenditure of the taxpayers' monies, while at the same time regulating valuable services that are provided to needy citizens of Texas.

"I certainly appreciate the task before you and the job that you do for the Department of Housing and Community Affairs and the professional commitment that you bring to the Department. Hopefully, the vetting process, the Department working with service providers, will develop fair and equitable rules and requirements that increase the efficiency and accountability of services provided, while at the same time not placing any undue burdens on providers.

"Thank you for all you do for our state and for the people of Texas. Sincerely, Joe C. Pickett, Texas House of Representatives, District 79."

MR. OXER: And for point of clarification, Mike, that district is located where?

MR. LYTTLE: It's in El Paso.

MR. OXER: Okay. Thank you.

MR. LYTTLE: And our second letter is also from an El Paso area member. This is from Representative Naomi Gonzalez in House District 76, again in El Paso. It reads:

"On your hearing on April 10, 2014, posted on
your agenda you have item 5 pertaining to the adoption of rules. I would like to be on record as saying that I am opposed to the adoption of the rules as they are currently written.

"The most concerning of these proposed rules is the enforcement rule, Title 10, Community Development, Part I, Texas Department of Housing and Community Affairs, Chapter 2, Enforcement, Subchapter A through D. I understand the rules applies to municipal governments and community action agencies. It is designed, from a policy perspective, to ensure oversight of the grants that are awarded to single family housing programs. While I believe all accountability is paramount, reaching this goal is problematic under the rule.

"As the rule currently reads, it is ambiguous as to when and what triggers the enforcement mechanisms of the rule, yet the possible punishments for aforementioned organizations are debarment, fines ranging in costs that are also ranging in instance, day, violation. Clearly, this is problematic for several reasons.

"First, the most obvious is there is no bright line language in the rule that illustrates to the organizations what triggers debarment and when the debarment or fines go in effect, therefore, it will be difficult to know for sure when organizations have
violated the rule.

"Second, these organizations obviously depend largely on funds disbursed to them by some governmental entity. This rule will require them to pay fines that will essentially come out of their private donation coffers. In small cities, rural communities or for smaller organizations, this could have devastating consequences. Further, if the fines imposed could become so great for those organizations in the smaller cities or rural areas that this may shut down the only organization that provides assistance to single family housing.

"Third, this rule does not give the organizations any real due process to address any claims or issues they may have in appealing debarment or fines. A suggestion is to add an ombudsman or a 15- to 20-day appeals process for those being penalized.

"Fourth, because this rule is ambiguous and because the policy goal here is to have greater accountability, it would seem that better training for the organizations and their boards would be in order. Ultimately, the buck stops with the board of directors. They are the fiduciaries of the organizations. If they are not aware that a CEO, a CFO or an executive director is not keeping an organization in order, and if they are not asking critical questions, then it is the board of
directors that must be held responsible. Board training
is key and providing support to organizations is critical
to their success and accountability. Penalizing
organizations with this rule does not seem like an
appropriate route to take.

"I understand that these are just proposed
rules and that the Governing Board is trying to conform to
what the legislature has recommended, but the rule as
currently written should not be adopted.

"Thank you very much for your time and
indulging me in this opportunity to address these issues
with you. Sincerely yours, Naomi Gonzalez."

MR. OXER: Good. Thank you.

Any questions from the Board?

(No response.)

MR. OXER: I've got a couple, Patricia.

With respect to the due process, none of this
sneaks up on anybody. Right?

MS. MURPHY: That is correct. There is an
announcement that we're coming to monitor, there's a
monitoring visit, there's an exit interview, there's a
monitoring letter, there's a corrective action period. So
all of those processes are outlined in the Department's
compliance monitoring rules.

MR. IRVINE: Mr. Chairman.
MR. OXER: Yes.

MR. IRVINE: If I might enlarge on that a little bit. This may get repetitive and tedious, and I apologize, but I think due process is really, really important.

After all of those things that Patricia has mentioned have occurred, a monitoring letter is issued and it says: We've concluded there was some violation. There are opportunities, first of all, to question that and sort that out with the monitor who performed the monitoring, to go to the chief of Compliance if you're still unsatisfied with the result, and now to a newly created Compliance Committee for yet another, shall we say, level for review, perhaps, to a degree, mediation. So all of those things occur.

MS. MURPHY: And then they can go to the Board.

MR. IRVINE: And then they can go to the Board. Then they've got the remainder of their 90-day corrective action period, during which they're effectively safe. As long as you fix things within your corrective action period, we don't consider you to have been in non-compliance. So we're talking about someone who's had all of those notices, all of those opportunities and has gone beyond their 90-day corrective action period. So all of that's occurred before the matter even gets referred for

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the initiation of the administrative penalty process. That entire process is a multi-layer process. It begins, first of all, with a letter that says: Hey, this process has started; one of the possible outcomes of this process is a proceeding to assess administrative penalties. But the first thing that occurs after that formal announcement of the referral is an invitation to an informal conference. At that informal conference you sit down with the Enforcement Committee, and you see, first of all, is there a common understanding of what's occurred, are there matters that we did not properly take into account or consider in understanding your situation. It's a dialogue, it is not admissible if this matter can't be sorted out, it's, like I said, an informal opportunity to get pretty candid about what's occurred and what can be done to fix it.

And often in that process the committee launches into some ideas on ways that corrective action might be achieved. Sometimes they require additional training, variety of mechanisms. And that committee has got a fair amount of discretion in and of itself: it can dismiss the matter, it can try and negotiate a framework for an agreed resolution, or if agreement can't be reached, then it can refer it for further measures under the administrative penalty process.
If an agreed order is negotiated, that comes back to this Board and it requires Board action and there's an opportunity to comment on it as a posted action item. Typically, when penalties are assessed and there is an agreed order, we provide for probation of all or a significant portion of the penalties because in fashioning the penalties, the last thing that we want to do is be disproportionate or punitive or take actions over and above what's necessary to prevent recurring violations or to deter recurring violations. So all of that occurs.

If all of that has occurred and we can't reach some sort of agreed resolution, then we come back to this Board again as another posted action item to say: We're recommending that this be referred for an independent administrative law judge, at the State Office of Administrative Hearings, to hold a hearing. And the Board can decide then if it wants to say yes or no to that. So there's one more protection in which people have a right to come and address this Board about it.

It goes to a SOAH ALJ, that's an administrative law judge, and that person hears the matter. They have a variety of measures that they can use in appropriate settings at SOAH, such as mediation, but typically they go to hearings, and after the hearing this ALJ looks at the entire record and they create what's called a proposal for
decision. That's a document that comes back to this Board and it's got findings of fact and conclusions of law, and that document from the ALJ would form the basis for your issuance of a final order.

In fashioning their proposals for decisions, ALJs take into account the reasonableness of the penalties, they take into account a whole number of factors, and so it's a process that's just replete with due process. It's strictly in accordance with Chapter 2001 of the Texas Government Code, which is our codification of the Administrative Procedures Act. These are the due process mechanisms that work for all State of Texas regulatory agencies when they are taking these kinds of actions.

After it comes back to this Board, if the Board enters a final order assessing penalties, then people who are affected by those orders also have the possibility of taking them to district court for further action. So I just want to be unambiguous, this is a very accommodating process, it is something that I think is set up to optimize and maximize participatory resolution of problems, and if it can't achieve that result, it does have penalty mechanisms in place that I think are completely in accordance with due process standards.

MR. OXER: Good.
MS. MURPHY: Do you have any other questions for me?

MR. OXER: No. Thanks, Patricia.

Here's what we're going to do. I can tell this is going to be an item that we can't finish before lunch. It's now right at twelve o'clock, or coming up on it quickly. We're going to take a quick lunch break. I want everybody to sit still until I get finished with this because I've got to put this on the record. We're going to make this quick, and you folks up here in the front row will have an opportunity to come back, and we'll start with you when we come back in making comment on this.

The Governing Board of the Texas Department of Housing and Community Affairs will go into closed session at this time, pursuant to the Texas Open Meetings Act, to discuss pending litigation with its attorney under Section 551.071 of the Act, to receive legal advice from its attorney under Section 551.071 of the Act, to discuss certain personnel matters under Section 551.074 of the Act, to discuss certain real estate matters under Section 551.072 of the Act, and to discuss issues related to fraud, waste or abuse under Section 2306.039(c) of the Texas Government Code.

The closed session will be held in the anteroom of this room. The time is 11:59. We'll be back in our
chairs here at one o'clock and ready to fire up on this, so have some lunch and come back, be ready to fight.

(Whereupon, at 11:59 a.m., the meeting was recessed, to reconvene this same day, Thursday, April 10, 2014, following conclusion of the executive session.)
MR. OXER: The Board is now convened in open session at 1:04. We had a discussion, we made no decisions, and we received guidance from our counsel and information on current litigation.

So with that, it looks like we have some folks who want to have a few things to say about what Patricia mentioned before lunch. Do we need a summary, Patricia, or are you ready to have them come up?

And I remind everybody, and just for the record, that this is an informational discussion, there's no Board action required. We're here to have input into this discussion.

With that, first comment, come to the mic and we'll give you three minutes to start.

MS. RODRIGUEZ: Good afternoon, Mr. Chairman, members of the Board, and Mr. Irvine. I'm Stella Rodriguez, executive director of the Texas Association of Community Action Agencies. With me today are representatives from community action agencies across the State of Texas.

I want to comment about community action agencies which are also referred to as Community Services Block Grant eligible entities, or CSBG entities. There are 42 in the State of Texas, covering all 254 counties.
Some are private non-profit, others are city or county governments, and others are local units of government. As mandated by federal law, each agency is governed by a local tripartite board of directors comprised of one-third elected officials, one-third from the private sector, and one-third low income. This defining legislation is what makes community action agencies unique.

In fact, there are no two community action agencies in the State of Texas exactly alike. That is because each agency, through a local community needs assessment, determines the programs they will administer in their community. Programs are administered by the agency or in partnership with other local organizations, maximizing resources. Community action agencies administer a wide range of services, ranging from Head Start, youth programs, senior nutrition, energy conservation, utility bill payment assistance, housing, transportation, and on and on and on.

In my almost 35 years at the state association, I've seen many executive directors come and go, a few are still around. Never have I ever heard from the leadership of a community action agency, or the network as a whole, to say that they do not want to be monitored or comply with the rules. However, the proposed enforcement rules, we are highly concerned with what is proposed which is why
we have some CEOs from the agencies representing the
network here to speak about some specific issues.

And at this time I thank you, and if you have
any questions, if not, I may want to comment later.

MR. OXER: Okay. Thanks. Any questions from
the Board?

(No response.)

MR. OXER: Thanks, Stella.

MS. SHAW: I had good morning, but I guess I'll
say good afternoon to all of you. My name is Tama Shaw.
I'm the CEO of Hill Country Community Action Association
in the little town of San Saba. We cover nine counties,
we're incorporated in nine counties, but we do something
in 17 counties in Central and North Central Texas. And I'm
also the president of the Texas Association of Community
Action Agencies, proud to be that.

I've worked for Hill Country for 37 years and
I've been the CEO for the last 18. I'm passionate about
what we do in community action for the low income and
those at need that we serve in our communities. So what
should be foremost in our minds are those folks struggling
from day to day.

It's so easy for us to get caught up in rules
and regulations that sometimes we forget about our
mission. In my opinion, all of our time could be better
spent on doing the best job we can with the limited resources available. Why spend so much time, effort and money on fixing something that isn't broken?

I attended the first enforcement rule roundtable held here in Austin, and I was the first to speak, and during the course of the conversation that day, we were informed that currently only four of the 42 community action agencies would meet the criteria for possible enforcement of fines and/or debarment. So the question becomes: Why is the Department proposing this compliance rule when less than 10 percent of the agencies have compliance issues so serious that the rule might even apply?

Rather than adding another layer of administrative rules for us all to deal with, why don't we focus on some other, in our opinion, important issues, like preparing for the implementation of soon to be federally mandated organizational standards. They come up next year. We aren't really gearing up, haven't heard anything about that at the state level.

Providing consistent training and technical assistance for all community action agencies, not just those in trouble. When they get in trouble, they get attention, but we all want to do it right but we need to know how to do it right.
More coordination between the training and technical assistance side and the monitoring section within the Department. The left hand needs to know what the right hand is doing for it to run smoothly.

And releasing contracts in a timely manner would make all of our lives out in the field easier. On February 28 we received two DOE weatherization contracts, both with termination dates of March 31, one month. TDHCA did get an extension, but we weren't notified of the extension until a couple of days ago on April 8.

It's difficult enough to run our agencies with more rules and regulations than you can even imagine, because we don't just do your programs, we do a lot of other programs. It's very difficult to keep this boat afloat. We don't need any more burdens to worry about, to think about, to contemplate. And some others are going to speak to the monitoring issues.

In February in your Board book you received the results of a survey regarding the Compliance Division which reflected the need for improvement. Monitoring can be very inconsistent from one agency to the next, and findings resulting in the violations listed in the enforcement rule can be subjective. The disconnect between TNTA and monitoring sometimes results in findings
that are no fault of the agency. It seems to me that if time was spent by all parties involved in prevention rather than remedies, the people in need of our services would be better served.

I was asked at the roundtable if I had a suggestion other than fines to force agencies into compliance. In my opinion, there are enough rules and regulations already in existence, from both the state and federal level, to handle any non-compliance situation serious enough to have fines imposed, based on my understanding that fines will not be imposed as long as the agencies are communicating with TDHCA and making an effort to comply. Surely there are already remedies in place for any situation that would fall in that category.

We ask that you not support a rule that we feel is burdensome for all concerned and unnecessary. Thank you very much.

MR. OXER: Great. Thanks, Ms. Shaw.

Any questions from the Board?

(No response.)

MS. PONCE: Good afternoon. My name is Laura Ponce, and I'm the executive director for Project Bravo, the community action program for the County of El Paso. I'm here to talk about the finance provision in the enforcement rule and hope that it's stricken because of
its unhelpfulness as a deterrent for non-profit agencies and government agencies.

Fines are a bad economic model when applied to non-profit and government entities. In the private sector, profit margins are the clear indicator used to measure the success of an organization. Some organizations choose to decrease the quality of their products and services in order to maximize their profits. Fines are the most common way state and federal agencies keep for-profit entities in check by making it risky to skimp on materials and services for the customer, thus protecting the customer's rights. Fines affect the profits of the organization and ultimately the owner, the owners, the stockholders pay for the fines through their profit losses.

Only non-profit or government agencies may administer CSBG and other related funds. Non-profits and governments exist to provide programs and services to the public that have a value to the community. In our case, community action programs are the safety net for hundreds of thousands of low-income Texans, especially the elderly, people with disabilities and children. Elected officials and volunteer boards oversee these programs and we define success by how many people we serve and whether or not we're able to transition people out of poverty.
When financial penalties are assessed to non-profits and government agencies, the costs are passed along to the donors and the taxpayers because only non-federal funds can be used to pay these costs. Let me repeat this point: only donors and taxpayers, that is you and me, will end up paying for these fines if you allow this provision of the enforcement rule to move forward towards becoming the rule in the Texas Administrative Code.

There are other ways to make non-profit and government entities better comply with TDHCA rules. For example, back in 2010 my own organization was at risk of being shut down due to mismanagement of the organization and its funds by the executive director and bad oversight by the board of directors. The board terminated the executive director, and TDHCA worked closely with the board and interim executive director to correct all the deficiencies in the agency. The board was held accountable by TDHCA for providing proper oversight for the agency. Michael DeYoung, the current assistant deputy executive director, attended every Project Bravo board meeting for almost a year to ensure that the board was doing all their due diligence.

I was hired by the board through a fair and open process where qualifications, such as education and
experience, were considered, not political connections. I have a master's in public administration and almost 20 years of experience in the non-profit sector, and that makes a difference when managing an organization with typically a $10 million a year budget and 45 to 100 employees. Last year our organization helped over 40,000 people in the County of El Paso, with utility assistance, weatherization, GED classes, and other programs and services.

I can honestly say that if these fines existed back in 2010 when my organization was in trouble, we would not be here today. The fines would have burned through our unrestricted funds and distracted the board from addressing the real problem: mismanagement and lack of proper oversight. Maybe another agency would have eventually stepped in but this would have happened after a couple of years of paying fines and going through the process of termination as an eligible agency. The community would have suffered, not an owner or a stockholder.

The key to compliance for community action programs is good training and technical assistance.

Esteemed members of the TDHCA Board, consider investing more resources in training and technical assistance if you really want to address the problem at hand. Thank you
very much.

MR. OXER: Thank you, Laura.

Questions? Comment, Mr. Thomas?

MR. THOMAS: Just a quick question. You gave a
great example about your specific board. In light of the
communications that our executive director talked about
before our lunch break about the due process, how would
your organization have been affected if your organization
had been able to avail itself to that type of a very
lengthy due process to allow you to maybe get compliant
before it got so bad that your board had to take the
actions and that we had, as you said, I guess have a
former member go to all of your meetings? There's got to
be a healthy balance in there. Because what you described
was pretty bad, and that terrifies me, honestly.

MS. PONCE: Yes. And to tell you the truth, I
think that how our agency got to that point really was the
oversight that was given to the organization didn't really
kind of educate the agency as to how to be compliant. I
think that some of the issues back then were that ARRA
funding was underspent, and so I remember back then when I
first started at Project Bravo, it was November of 2010,
at that point we were 50 percent through the whole
contract time but we'd only spent 30 percent of the
contract funds, and so we were very, very far behind in
our spending.

We went from a four-person weatherization program to a 20-person weatherization program, so just imagine trying to ramp up a weatherization program within a year to try to spend these really huge amounts within the non-profit and with all the rules and with being monitored. And so in other words, this is just a very complicated agency to work with, at least in my experience, because there's so many different levels of things going on.

So for example, what ended up happening is that once I came in, I really worked on the resources that the department had. For example, they were so busy trying to weatherize homes that they didn't even have a photocopy in place in their office, so they were printing stuff out of their printers. So it was just all of these kind of very simple solutions, but it really takes somebody who understands process management, and I think that the executive director before just was not very skilled in that area.

MR. THOMAS: And multiply what you just described across all of our state and all of the service entities that are either direct funnelers of federal and state dollars, or they're the actual end-provider, and/or both. How do you help the Board understand that while
your agency was so very fortunate to get you, how do you help the Board figure out how to give training to the myriad -- this is an area I'm very passionate about -- how do you help the Board figure out if it's not an enforcement action with real teeth to get the attention of those boards?

MR. OXER: Here's the real question, Laura. The real question is Tim outlined before lunch, Patricia has mentioned before on this, there is an extensive process with, what, 12-15 gates in it you had to get through, and you said this finally happened when your board got the attention and recognized that there was a misplacement of resources, they needed somebody with more horsepower in doing this.

MS. PONCE: Correct.

MR. OXER: At what point in this process that we have did we finally get your board's attention?

MS. PONCE: I would say that probably with this particular situation, part of the problem was that the executive director they were the ones that were completely funneling the information to the board of directors, and I think that if there was a more direct line, kind of like a report card given to the board of directors letting them know is this agency turning in their reports on time. And for me, I go through all of the monitoring reports with my
board of directors. Are you being briefed on the monitoring reports that you are receiving?

I know that the board chair is supposed to get CC'd on these monitoring letters, but one time when I first started I had one board chair and then she stepped off, and then for a year and a half they kept sending the letter to her instead of the current board chair. It wasn't until her father died, and she called me three days after her father's death saying I have another monitoring letter, what do I do with it, that we were finally able to get the attention of the TDHCA staff to change the name that was being CC'd on that.

And I can only imagine, let's say the board chair dies, let's say the board chair is no longer at that address and so letters are coming over, and because of just administrative glitches that are happening at the state level, an agency could lose their funding.

MR. OXER: Fair enough. And the point about all this is there needs to be, just as there is with this board and any other board of directors in the private sector on a company or that sort of thing, there needs to be an independent auditor -- like we have an independent auditor here -- that gets information to us, there needs to be another independent source of communication for your board. And I'm sure Patricia has got that in mind.
MS. PONCE: I don't see it written anywhere in the rules.

MR. OXER: Well, that's a process, it won't be a rule. But the whole idea is to be able to keep that data updated. So that's good input to make, to make sure that there's communication with your board, because the last thing we want to do is have the communication from us to your board having to go through your executive director, who may not want to expose him- or herself to the things that the board is saying about it.

MS. PONCE: And whenever TDHCA gets involved, for me, my experience with the training and technical assistance side has been excellent, and really for us, we never would have spent all of our ARRA money, plus the extra allocation that we got if it wasn't for the training and technical assistance that we received.

I went to this three-day training given by Marco Cruz, and pretty much that was my blueprint for being able to move forward and understand weatherization and be able to spend the money correctly. Brooke Boston provided the most amazing spreadsheet that we use to monitor our production. Sharon Gamble, whenever we had any questions, she was very available and she would answer our questions as to what was allowable, what wasn't. You have a great team.
MR. OXER: We appreciate you enumerating that, but we already know we've got a great team.

MS. PONCE: Yes. And the thing is like you need to use them more.

MR. OXER: I can fairly confidently state that training and technical assistance is going to be a key component of all this, because the last thing we want to do is impose a rule without giving you some training about how to meet the impact of it.

Any other questions from the Board?

(No response.)

MR. OXER: Thanks, Laura.

MS. PONCE: Thank you so much.

MS. SWANSON: Mr. Chairman, members of the Board. I'm Karen Swanson. I'm the executive director for Greater East Texas Community Action Program, based in the most beautiful section of the Great State of Texas, the home of dogwoods and roses and azaleas, and also the Lufkin-Nacogdoches area of our beautiful state. I've been the executive director for Greater East Texas for approximately 16 years. I also come before you today as the president of the Region VI Association of Community Action Agencies which encompasses New Mexico, Oklahoma, Arkansas, Louisiana and Texas. Of course, Texas is the best and I tell Oklahoma that real frequently.
Today, as I come before you, I also want to share with you that on a national scale we are well represented and that we also are engaged on a national level on many issues that are very important to community action agencies. Along with myself as a regional president, Mr. Brad Manning, who will be speaking to you shortly, is the treasurer of the National Community Action Partnership, Mr. Bill Powell serves on the NCAF national board. Please know that we are engaged on a national level and issues that are of concern to community action agencies nationwide, we are on the forefront of that and want to stay ahead of the curve rather than being behind the curve.

I also am in agreement that these rules are a great concern. These enforcement rules are not being imposed in other states. I know from the Region VI Association that this is unique. There is nowhere in the country that we are aware that such sorts of enforcement conditions are being even considered.

Currently, to answer a little bit of your question, there are national performance indicators that are being looked at right now. This is a great indicator. There is an overall effort for these national standards, and these national standards are going to address many of the issues that you are talking about that these
enforcement rules would actually, in fact, be a part of. These national indicators will actually begin next year. We have to be addressing these right away, and quite honestly, we need to be considering how we're going to deal with these national indicators now.

These indicators, our state will have to be addressing, and there's 56 of these indicators nationwide that all community action agencies and our state agency will be reporting on that will, in fact, address many of the things that these enforcement rules will be looking at. But again, these indicators, we're going to have to be doing right now. We need to be already establishing a work group or something to begin to prepare for this implementation.

These national indicators are going to be for all over the nation, so this is something that is going to be good, it is going to happen, this is something that is happening, even as we speak. So I would encourage you to consider the fact that there already is a mechanism in place that is coming down the pike, and in 2016 the state has to report on it anyway, and we have to implement this in '15.

Additionally, I know Brooke Boston talked about the Department of Energy inspector guidelines, those certifications. We're delighted that the Department
already has three individuals who have gone through this training, but we need the Department to give us guidance right away. We need to have actual training statewide because we have to do this in weatherization. This begins next year. So again, this is very, very important.

The Department already has an established way to work with us as a network. Recently we looked back at the ROMA implementation, the Results Oriented Management and Accountability indicators that are required to do nationwide. The Department stepped forward at our regional conference, our Region VI conference, they came to the table and said, We need to figure out how we're going to implement this in Texas. And we established a very critical work group that continues to work together to establish the ROMA mandates and to make certain that Texas was indeed up to snuff and that we are indeed accountable to those national requirements.

This has worked beautifully. This is a partnership that we have with the TDHCA staff. You well know that you have some very skilled and passionate individuals who want to work with the network. I would encourage you to continue to consider that as we look to the future, because this is critical. Quite honestly, we have too many required federal mandates that are imminent, things that are happening as we speak. These enforcement
rules, we don't have time for this; we've got federal mandates that are going to cover this no matter. So I encourage you to consider that.

And in addition to that, one last thing, because Texas is the best in Region VI, we will be hosting the Region VI conference in beautiful San Antonio, Texas in October. I would encourage you to come and join us as we share how wonderful Texas is and the marvelous things that we are doing in Texas, because quite honestly, nothing thrills me more than to tell Oklahoma how great we are.

MR. OXER: Thank you, Ms. Swanson. Any questions?

(No response.)

MR. OXER: Good. Thank you.

MR. POWELL: Mr. Chairman, members of the Board. My name is Bill Powell and I was previously introduced this morning by Dr. Muñoz, and I appreciate his kind remarks.

I'm from West Texas, Levelland, and we have sand. I don't know what an azalea is, but we have lots of sand in West Texas, and we've had plenty of that this spring. Nonetheless, I wanted to just take a few minutes and just talk to you about my consideration on these proposed rules.
If I can digress just a little bit. I turned 66 last year and the woman at the Social Security office told me that I was entitled to say anything that I could remember.

(General laughter.)

MR. POWELL: I'm working on that. Hearing is a problem too. Nonetheless, in 1967-68 -- and I hope I can tie all this together -- '68-69, I went as a draftee to Vietnam -- and probably not too many but some of you, may have been in that era -- came back, went to school and finished school and went to work the next week for a community action agency. My wife at the time asked me where did you get the job, and I couldn't even remember the name of the organization that had hired me, but that was 40 years ago, and I've seen lots and lots of things in that period of time.

MR. OXER: For the record, I get my Medicare card next year.

MR. POWELL: Do you really? Great. I can address Part A, B and C for you, if you'd like, sir.

(General laughter.)

MR. POWELL: At any rate, we've probably done business with the Texas Department of Housing and Community Affairs now for 35 years, that I know of, and I can probably tell you the lineage of the executive
directors, Mr. Irvine, and you may know that too. But nonetheless, my concern, I guess, as much as anything is over those years we've seen a lot of things come and go, we've seen a lot of changes, we've seen a lot of personnel come and go. We've always, as a statewide organization, and speaking from my organizations perspective, we've always maintained a very good professional working relationship.

I think we've had a lot of the state, the state has done an excellent job, and I'm in total agreement with Brooke Boston this morning, I think we've had a very good relationship in terms of working together, but more than that, the benefactors of all that work has been the citizens of the State of Texas, and particularly those in need, and that's our great concern.

We've got lots of rules and regulations that we all have to live by currently. I don't see that we need additional rules and regulations that can be used to beat us over the head with. After all, we are, after the fed and the state, we're the recipient of the final and we're the smallest chicken in the barnyard, you might say, so we're the ones that are going to get beat up the most. I don't see adding another layer or another hammer or club to beat us over the head with is going to be all that profitable. I don't see there's really a need for that
sort of thing.

On a personal or on a local level, my organization, we've looked at those, I've taken these proposals to our attorney. She read them and advised me not to sign any contract that had anything to do with this. Now, she also advised me not to sign the first contract, so that's kind of where it's at.

MR. OXER: Most attorneys don't want you to sign anything, as it turns out.

MR. POWELL: Well, that's true, but nonetheless, we have to have attorneys. Right?

MR. OXER: We do? Oh, yes, that's right.

(General laughter.)

MR. POWELL: You're really putting me on the spot on that.

Nonetheless, I've got to go to my board, and I think all the community action agencies have got to go to their boards and talk to them in terms of what do we do, should we or should we not enter into this, realizing that it's probably a small risk on the one hand, on the other hand, you've already heard of one agency that has gone through a process, and there was a process in place at the state level to take care of that problem.

I went through a similar process with Head Start 15 years ago. The federal agency, HHS, sent in a
squad of people they had programmed and I was written up for 600-and something thousand dollars in misappropriation. Well, we went to appeals court, it was all thrown out. So I have a real fear of these kinds of rules and regulations. We had a clean bill of health, and in fact, the regional office was reprimanded for even drumming up those kinds of charges.

Again, my concern is our relationship with the state, with the state office and whether or not we, as an organization, can continue to operate with these kind of risks, and I don't see these risks going away, I don't see them getting any smaller, I think we're going to continue to shoulder these kinds of things if we stay in business.

My agency operates about $2- to $2-1/2 million in funds from TDHCA, on top of that we've got another $40 million, so we're having a lot of difficulty justifying -- or I'm having difficulty justifying that kind of exposure for my organization as opposed to the rest of the money that we've got under contract.

I'll be glad to respond to any kind of questions or concerns that you might have.

MR. OXER: Thank you, Mr. Powell.

Any questions?

(No response.)

MR. OXER: Thanks very much, sir.
MR. POWELL: Thank you, sir.

MR. MANNING: I'll bet you're hoping I'm the last guy.

MR. OXER: You're the last one in that row, anyway.

MR. MANNING: Last one on that row, true. My name is Brad Manning, and I am the executive director for Texas Neighborhood Serviced, Weatherford, Texas, just west of Fort Worth. And I do need to correct Mr. Powell, he doesn't have all the sand because about half of it blows into us in the springtime.

MR. OXER: Careful, my wife is from Fort Worth.

MR. MANNING: I like Fort Worth, I just wish we could keep the Lubbock sand out.

You've heard a lot of people talk today about a lot of issues, very near and very dear to their heart, and both from Tim's side and his passionate plea before we took our break for the due process, to each one of our individuals and their passionate plea. And the voice of experience from Mr. Powell told you a lot, and that is specifically that we are concerned as a network about where this could lead.

We understand that there is a discussion about due process, we understand that there is a multi-step process. We also know that it is the desire -- because
we've heard it said -- of the Department to see fewer agencies. We know that that desire is not only at the state level but it's at the national level, because in the CSBG Reauthorization Act, House bill 3548 from the U.S. House of Representatives -- the CSBG Reauthorization Act was issued in it there is money that is dedicated specifically for shrinking the number of community action agencies.

Our concern is we would like to see this Board take the time and not rush through to put through penalties. If that truly is your position in using these to reduce the number of agencies, we'd like to see you take the time to go through and make sure that all of these rules coming through, including the CSBG Act, that you're incorporating everything into it. That is our concern, or is my concern, and that's one I want to share with everybody because I want to make sure that you know the concerns.

I don't want to leave you with the impression that our concerns are we don't like penalties, we don't like debarment, just because we don't want to be held accountable. That is not the case. Every individual that has stood up before you today has a passion for what they do. They recognize that to be able to fulfill that passion they must be held accountable. No one standing up
before you today believes anything different, and if they do, I'll be the first one to help you get rid of them.

Because at the end of the day, 50 years ago LBJ went to fight for us and created the Economic Opportunity Act and so many of these other acts -- which, of course, our president is here today in Austin as we're celebrating the Civil Rights Act.

MR. OXER: Good luck on you guys trying to fly home this afternoon.

MR. MANNING: You know, actually I'm driving, but it's interesting because as I came into your fair city today, I thought that surely they must really not want me to come to this meeting. There is a patrol car at every intersection. Teach me to come in late. Right?

But seriously, we want to be able to work with this Department, we want to be able to not have concerns and fears, and we want to work together with you to find solutions. And so we ask that in your deliberations and in your advising your staff what to do, we ask, we implore you to be sure that we are considering all of our legislation. Thank you.

MR. OXER: Thanks, Mr. Manning.

Any questions from the Board?

(No response.)

MR. OXER: Patricia, come on up. You knew it
wasn't going to be that easy. I have a couple of questions, one of which is these federal mandates coming out through the ROMA evaluation, that whole process, are we in the process of making what we were trying to do consistent with that?

MS. MURPHY: I don't see them as exclusive; I don't see a conflict between the two.

MR. OXER: Okay.

MS. MURPHY: Do you, Tim?

MR. IRVINE: I don't on their face see any conflict. One of the things that I'm hoping is that when and if we do get into a formal proposal for a rule that we'll get the kind of detail level commentary that will point out any places where language needs to be corrected or tightened up to conform things.

You know, we already have an administrative penalties rule in place. Right?

MS. MURPHY: Correct.

MR. IRVINE: And are community action agencies subject to it?

MS. MURPHY: Yes.

MR. IRVINE: All right. So you're already subject to administrative penalties. What we're trying to do is to take existing rule and make it better, make sure that it addresses those types of potential disconnects and
inconsistencies, make sure that it provides for as much engagement and collaboration as possible. Nobody here seems to be aware of the fact that you are subject to an administrative penalty rule right now because you haven't had any problems under it.

We have had some agencies that have had compliance issues and we really would like to find a way to get them into a more engaged process to figure out what's wrong and how do we fix it.

MR. OXER: Which includes getting the attention of the agency's board sooner so that they can be bringing their judgment to bear on the operation of the individual agency.

Brad, to your point, we're not looking for fewer agencies out there, we'd like to have as many as we can, but we also want every one of them to have the horsepower to be able to do what they need to do. And the accountability, recognize that you're accountable. We have an accountability issue we've got to deal with too, and part of that is making sure that the subrecipients for the funds that we have are being given every opportunity to do so in as robust an administrative manner as they can generate. Otherwise, we get dinged for your problem. That's part of why this is a discussion point and we're airing this out here. So that said, I think there's going
to be considerable training and technical assistance.

To your point, Mr. Powell, where this constitutes $2 million out of another $40 million worth of funding that you have, I understand that, but we've also got rules, and I suspect the other contributors to that funding will have their rules of compliance. And we all have our rules we have to play by. If you'd like to speak again, come up. We have a lot of rules, the agency has to meet a lot of rules for more than one agency of the federal government too, that contribute to our funds. So there's a lot of things that Patricia has, a lot of things on her list of boxes that she has to check off when we go out and take a look at these things.

Is there any other comments from the Board?

Mr. Powell, would you like to make one more short comment?

I'll give you 30 seconds.

MR. POWELL: Just to follow up on your comment, we have to, as responsible parties for our organizations, have to make these kinds of judgments all the time, and you have to measure the risk apart from what you're going to gain at some point, and all that factors in. But it's a very difficult situation a lot of times for us to determine how much risk we really do want to take and how much risk and exposure we want to have and have placed on our boards, and you all understand that.
MR. OXER: Well, since you were here this morning, you heard our adventure through risk and reward, so we have that balancing act to do every day too.

MR. POWELL: That's true.

MR. OXER: Thank you for signing in, thank you for all your comments. Is there anybody else who would like to comment on this item? We have four items to be read in. Terry, microphone so we can tell who you are.

MS. ROEBER: Hi. I’m Terri Roeber with Texas Department of Housing.

I have four opinions that were given, they're all on 5(a), they're all against staff recommendations. The first one is Mark Bethune with Concho Valley Community Action Agency; next is Juan Vargas with Webb County Community Action Agency; Christy Smith with Economic Action Committee Matagorda County; and Vicky Smith with Community Action Committee of Victoria, Texas.

MR. OXER: Good. Thank you. Any last thing we need to have on this, Tim, to sum it up?

MS. RODRIGUEZ: If I may. Stella Rodriguez with Texas Association of Community Action Agencies.

I just wanted to clarify a statement that you made about if you all don't do your job, then you get dinged. But technically, HHS does not have a fine.
structure for CSBG or LIHEAP or DOE for the Weatherization Program, so you won't get fines dollar-wise like the agencies will.


All right. Anything else on this item?

MR. THOMAS: Yes.

MR. OXER: Okay, Mr. Thomas.

MR. THOMAS: When I joined this Board, this was an issue that I felt very passionate about and spent a lot of time getting additional training from the senior staff on. I have deep, deep roots in this particular area and it's one of the areas, quite frankly, as important as housing is to me. The community affairs side, as far as I'm concerned, has not had the level of involvement engagement that it needs. I'm very concerned about taking care of all aspects of all people in our community and all of those various needs.

Having an extensive background in this form of community service, not rivaling anything that you wonderful community servants have talked about, but from Neighborhood Centers, Inc. in the Greater Houston Area, to Safe Place here which is the merger of the Battered Women's Center and the Sexual Assault and Domestic Violence Center, and being a steward of governance and having served on those
boards and been a very active volunteer, we have some real, real holes in how these public trust fund monies, as well as the funds that are gifted to us by private donors, the fiduciary duty to make sure that those dollars get delivered in a way -- I'm preaching to the choir.

I guess what I'd like to see is I hear people saying that they're very concerned about the fines, and I've read very carefully all of the comments that were provided, but I haven't heard anything about how we're going to address the issues. And forgive me, ma'am, I don't remember your name, but my biggest concern is our subrecipients have almost no oversight, particularly the smaller.

When we start talking about the number of entities that are providing services in our community, the subrecipients in particular, that come nowhere new the $10- to $40 million size agencies that you're talking about, we run into situations where we have executive directors who are not communicating with their board, or boards who don't appreciate the significant responsibilities they have, and we have executive directors, worst case scenarios that you all have heard of, leaving with money, recently in Austin in the last couple of years.

So I hope we do something around this. I hope
that our Board has as many things on our agenda for community affairs as we have on housing and that we start a real robust dialogue about making sure that that side of our house is leading into the century for our community, but that means that we're going to have to move away from NIMBY approach from our social services agencies to a partnership, and we're going to sometimes make mistakes.

Fines may not be the way to go, I'll look forward to what comes out of this from our staff, but I want you to know you have a champion on this Board in me on this issue, but you also have someone who, as others have, having been in the streets with you, if you will, to provide these services, I'm very concerned with the fraud and the abuse, and even if it's not fraud, just the lack of oversight that results in an absolute violation of the trust and the fiduciary obligation that we have from our funders. So please know that.

MR. OXER: One of the things that I think you'll find is that none of us up here, none of the Board, Dr. Muñoz and Ms. Bingham included -- I'll add them in their absence -- none of this take this for granted. When I got appointed on this, I had an obligation and a certain amount of interest that I was obliged to pay attention to this. Being on a board, one of the things that I think Mr. Thomas is making a point about is being on a board for
a community action agency doesn't come as a gratuity or as
something you can stick on your resume, it comes with a
hook, you're now responsible. So to all of you out there,
if you're the president of the community action agency for
the state or you're representing the ones for Region VI,
don't take this casually, because we don't, and we're
going to expect them to take it as seriously as we do.

Any other questions? Any other contributions?

Laura.

MS. PONCE: I think that to address what Mr. Thomas was saying, the new organizational standards
actually cover -- will create a lot of avenues for making
the board more accountable. So for example, one of the
organizational standards is making sure that clients are
surveyed about the services that they receive and making
sure that that information is reported to the board,
making sure that there's proper governance in the
organization.

So in other words, really, right now I guess
part of my frustration is that we're spending a lot of
time talking about fines and just kind of these penalty
structures but the truth is that if we properly implement
the organizational standards, we will have more compliance
at the local level. And that's going to be part of the
job of TDHCA to make sure that the agencies at a local
level have all 56 standards in effect in their organization.

    MR. OXER: Good. Thank you.

    That's the last item on our formal agenda. Thank you for your comments. We've reached the point --

    MS. DEANE: We need to go back and pick up 1(q).

    MR. OXER: Oh, that's right, we do need to pick up 1(q) since it was post exec session. Let's see, 1(q), is that Jean?

    MS. LATSHA: Jean Latsha, director of Multifamily Finance.

    I believe we took off the Villages of Ben White and Point at Ben White. Is that correct?

    MR. OXER: Correct.

    MS. LATSHA: I can simply state that staff recommends approval of both of these developments, that is approval of both determination notices. If you have any questions about them, I'm happy to answer them.

    MR. OXER: And as a reminder, this was delayed till this point till after the executive session so we could have information provided by legal counsel that had potential bearing on these two. So your point is now, just to recount, staff recommends approval.

    MS. LATSHA: Of both determination notices, for
Point at Ben White and Villages of Ben White.

MR. OXER: Great. Okay. That being the case, I'll entertain a motion to consider. I know it's getting late but somebody has got to say something.

MR. GANN: I'll make a motion.

MR. OXER: Thank you, Mr. Gann. Motion by Mr. Gann to approve both of these -- what were they again, Jean, staff determinations?

MS. LATSHA: The issuance of a determination notice for both.

MR. OXER: Okay, good. And there is a second by? By the chair. Are there any other questions? Any other questions of Ms. Latsha?

(No response.)

MR. OXER: Okay. Motion by Mr. Gann, second by the chair to approve the determination notices. All in favor?

(A chorus of ayes.)

MR. OXER: Opposed?

(No response.)

MR. OXER: There are none. Thank you.

We have now reached the point in this agenda where we have the opportunity for public comment on matters other than items that were listed formally on the agenda. This is for information only and will be used to
build the agenda for future Board meetings. Does anybody care to have comment?

(No response.)

MR. OXER: Good. Is there any staff that has comment? Anybody want to say anything out there?

(No response.)

MR. OXER: Anybody on the dais want to say anything? Mr. Irvine wants to say something.

MR. IRVINE: I just want to say with respect to the further efforts to develop and refine the enforcement rules, I greatly appreciate the sentiments that were shared, but I do strongly believe that the existing rules do need refinement and improvement, and as we move ahead with that and bring something back to this Board for consideration to launch the rulemaking process formally, I hope we'll get really good engagement and detailed comment to ensure that whatever we do finally recommend is as consistent as possible with best practices, federal requirements and so forth.

And I want to make a personal assurance, I cannot speak for anyone on my team or my Board to whom I report, but it is my sincere intention that we have the strongest possible community action agencies, whether there are 42 of them or 22 of them. As long as they are strong and they are focused on their mission and they are
compliant, I'm a happy guy.

I also would share with you a personal commitment. If the assessment of an administrative penalty would put someone out of business, it's not the kind of action I'm inclined to pursue. To me, that is something that the Community Services Block Grant Act spells out a very clear process in terms of hearings on eligible entity status, and it would be my intention that that would be the way that those kinds of issues would be pursued.

MR. OXER: Good. Any members of the Board care to make a comment?

(No response.)

MR. OXER: I get the last word, like I always do. Thanks for all your input. This is a good thing that we do and I appreciate the effort on everybody's behalf. We'll see you on May 8. We're adjourned.

(Whereupon, at 1:56 p.m., the meeting was concluded.)
CERTIFICATE

MEETING OF:      TDHCA Board of Trustees
LOCATION:        Austin, Texas
DATE:            April 10, 2014

I do hereby certify that the foregoing pages, numbers 1 through 162, inclusive, are the true, accurate, and complete transcript prepared from the verbal recording made by electronic recording by Nancy H. King before the Texas Department of Housing and Community Affairs.

/s/ Nancy H. King  04/16/2014
(Transcriber)       (Date)

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