TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS

GOVERNING BOARD MEETING

Dewitt C. Greer State Highway Building
Ric Williamson Hearing Room
125 E. 11th Street
Austin, Texas

January 17, 2019
8:00 a.m.

BOARD MEMBERS:

J.B. GOODWIN, Chair
LESLIE BINGHAM ESCAREÑO, Vice Chair
PAUL BRADEN, Member
ASUSENA RESENDIZ Member
SHARON THOMASON, Member
LEO VASQUEZ, Member

DAVID CERVANTES, Acting Director

ON THE RECORD REPORTING
(512) 450-0342
AGENDA ITEM

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

EXECUTIVE
a) Presentation, discussion, and possible action on Board meeting minutes summary for November 8, 2018

LEGAL
b) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning related properties, Cottonwood Apartments (HTC 12048/HOME 1001677 / CMTS 544) and Elmwood Apartments (HTC 12045 / HOME 1001679 / CMTS 1130)
c) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Oak Timbers Ennis (HTF 85004 / CMTS 2679)
d) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Coppertree Village (HTC 70131 / CMTS 931)
e) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Harmon Elliott Senior Citizens Complex (HTF 355007 / CMTS 2642)
f) Presentation, discussion, and possible action regarding the adoption of an Agreed Final Order concerning Sutton Oaks II (HTC 12004 / CMTS 4853)

COMMUNITY AFFAIRS
g) Presentation, discussion, and possible action regarding authorization to release
a Notice of Funding Availability for Program Year 2019 Community Services Block Grant Discretionary funds for education and employment initiatives for Native American and migrant seasonal farm worker populations

BOND FINANCE

h) Presentation, discussion, and possible action on Resolution No. 19-023 authorizing the filing of one or more applications for reservation with the Texas Bond Review Board with respect to qualified mortgage bonds and containing other provisions relating to the subject

I) Presentation, discussion, and possible action regarding site eligibility under 10 TAC §11.101(a)(2)(E) relating to Undesirable Site Features and an Inducement Resolution No. 19-026, for Multifamily Housing Revenue Bonds Regarding Authorization for Filing Application for 2019 Private Activity Bond Authority for Lago de Plata (#19600) in Corsicana

MULTIFAMILY FINANCE

j) Presentation, discussion, and possible action regarding site eligibility under 10 TAC §11.101(a)(2) relating to Undesirable Site Features and 10 TAC §11.101(a)(3) related to Neighborhood Risk Factors for Residences of Stillwater in Georgetown

k) Presentation, discussion, and possible action on a Determination Notice for Housing Tax Credits with another Issuer

18456 Jackie Robinson Memorial Apartments El Paso
19408 Mission Trails at Camino Real San Marcos

OCI/HTF/NSP DIVISION

l) Presentation, discussion, and possible action to authorize the issuance of an amended 2018 Amy Young Barrier Removal Program Notice of Funding Availability and publication of the Notice of Funding Availability in the Texas Register

ON THE RECORD REPORTING
(512) 450-0342
HOUSING RESOURCE CENTER
m) Presentation, discussion, and possible action on a minor amendment of the 2018 State of Texas Consolidated Plan: One-Year Action Plan

ASSET MANAGEMENT
n) Presentation, discussion, and possible action regarding a material amendment to the Housing Tax Credit, Housing Trust Fund, and HOME Land Use Restriction Agreements for Clifton Manor Apartments I and II (HTC #05236, HTF #1000422, and HOME #1000434)

o) Presentation, discussion, and possible action regarding a material amendment to the Housing Tax Credit Land Use Restriction Agreement for Town Parc at Tyler (HTC #02110)

RULES
p) Presentation, discussion, and possible action on an order adopting the repeal of 10 TAC Chapter 10 Subchapter F and an order adopting new 10 TAC Chapter 10 Subchapter F, concerning Compliance Monitoring, with changes, and directing their publication for adoption in the Texas Register

CONSENT AGENDA REPORT ITEMS

ITEM 2: THE BOARD ACCEPTS THE FOLLOWING REPORTS:

a) TDHCA Outreach Activities, (December-January)

b) Report regarding a request for a permitted exception to the federal regulation of conflict of interest, found at 24 CFR §570.489(h), for the Neighborhood Stabilization Program

ACTION ITEMS

ITEM 3: BOND FINANCE

a) Presentation, discussion, and possible action on Resolution No. 19-022 authorizing the issuance, sale and
delivery of Texas Department of Housing and Community Affairs Residential Mortgage Revenue Bonds, Series 2019A, approving the form and substance of related documents, authorizing the execution of documents and instruments necessary or convenient to carry out the purposes of this resolution, and containing other provisions relating to the subject

b) Presentation, discussion, and possible action on Resolution No. 19-025 authorizing the form and substance of amendments to the Residential Mortgage Revenue Bond Trust Indenture, authorizing the execution of an Amended and Restated Residential Mortgage Revenue Bond Trust Indenture and other documents and instruments relating to the foregoing, making certain findings and determinations in connection therewith, and containing other provisions relating to the subject

c) Presentation, discussion, and possible action on Resolution No. 19-024 authorizing the implementation of Texas Department of Housing and Community Affairs Mortgage Credit Certificate Program 92, approving the form and substance of the program manual and program summary, authorizing the execution of documents and instruments necessary or convenient to carry out Mortgage Credit Certificate Program 92, and containing other provisions relating to the subject

d) Presentation, discussion, and possible action regarding the Issuance of Multifamily Housing Revenue Bonds Series 2019 Resolution No. 19-021 and a Determination Notice of Housing Tax Credits for McMullen Square Apartments in San Antonio

ITEM 4: COMPLIANCE

a) Presentation, discussion, and possible action on initiation of proceedings to remove the eligible entity status of Galveston County Community Action Council, Inc. and terminate the 2019 Community Services Block Grant contract and future funding
b) Presentation, discussion, and possible action regarding termination of Program Year 2019 Low Income Home Energy Assistance Program Comprehensive Energy Assistance Program award to Galveston County Community Action Council, Inc.; award of 24.99% of the Program Year 2019 Comprehensive Energy Assistance Program awards for each of the specific service areas covered by Galveston County Community Action Council, Inc., to alternate providers; the commencement of the 30-day notification period required by Tex. Gov’t Code §§2105.203 and §2105.301; and the authorization of staff to identify a provider, through release and subsequent award of a Request for Application or through a direct designation, to temporarily and permanently administer the Comprehensive Energy Assistance Program in Brazoria, Fort Bend, Galveston, and Wharton counties (the areas served by Galveston County Community Action Council, Inc.).

ITEM 5: MULTIFAMILY FINANCE

a) Presentation, discussion, and possible action on a request for changes to Direct Loan terms

17511 AHA! at Briarcliff Austin

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

EXECUTIVE SESSION none

OPEN SESSION --

ADJOURN 83
MR. GOODWIN: Good morning, and I welcome you to the first Board meeting for the Texas Department of Housing and Community Affairs for January 17, 2019, the first Board meeting for 2019.

We'll start with roll call, which it's very obvious that all Board members are here with the exception of Mr. Vasquez, so I will rule that we have a quorum and we will begin.

We'll start by if you would stand and follow David in leading us in the Pledge of Allegiance to both the U.S. and Texas flags.

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

MR. GOODWIN: On our consent agenda, is there any items that anyone wants to pull? Any Board members have anything they want to pull?

(No response.)

MR. GOODWIN: If not, anybody from the public have anything they want to pull?

(No response.)

MR. GOODWIN: If not, I'll accept a motion to approve our consent agenda.

MR. BRADEN: So moved.

MR. GOODWIN: It's been moved. A second?
MS. THOMASON: Second.

MR. GOODWIN: I'm sorry, sir, did you want to say something?

(Speaker from audience not at microphone.)

MR. GOODWIN: Pull for discussion. We're about to approve the entire consent agenda in its entirety.

(Speaker from audience not at microphone.)

MR. GOODWIN: Those are on the action items.

Okay?

Any other questions?

(No response.)

MR. GOODWIN: If not, we have a motion. Do I have a second?

MS. THOMASON: Second.

MR. GOODWIN: Have a motion and a second. All in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: So the consent agenda and report items are approved.

So we move into the action items and we start with Monica, who has one good leg and one not so good leg.

MS. GALUSKI: (Microphone not turned on.) Good morning, everyone. I'm Monica Galuski, the director of Bond Finance.

This item is 3(a) which is approval of the
upcoming RMRD Bond Series 2019A. The Board moved approval to begin this issue in November of '18. Since then we've determined -- (Microphone turned on.) Thank you. That's very different.

Since then the structure has been determined, we've received the ratings on the bonds, they're AAA Moody's, AA+ Standard & Poor's, and the issue has been submitted to the Bond Review Board and hopefully we'll get their approval right after this meeting at their ten o'clock meeting.

Based on current market conditions, we expect the par amount of bonds to be about $166.6 million, we expect to receive about $8.4 million in premium on the bonds, total proceeds $175 million. We're scheduled to price February 5 and 6 and to close March 20.

We've requested authorization for an issuer contribution of up to $10.5 million, but based on current conditions and the premium we look like we're going to generate, that should be significantly lower, approximately $3.5 million, if everything holds.

At that point that concludes my presentation. I'd be happy to answer any questions.

MR. GOODWIN: Questions?

MR. BRADEN: Yes, to the chair.

MR. GOODWIN: Yes.
MR. BRADEN: Good morning, Monica.

I notice these planned amortization class bonds, PAC bonds, it looks like they're non-callable bonds. Is that intended just to generate some additional premium?

MS. GALUSKI: Actually, the PAC bonds are callable between 100 and 400 percent PSA.

MR. BRADEN: Okay.

MS. GALUSKI: We have some premium serial bonds that are not callable until the optional redemption date.

MR. BRADEN: And so what --

MS. GALUSKI: It's to generate the additional premium. And we've got so many other bonds to protect them that we're picking up about ten basis points in a lower mortgage rate and ten basis points overall better on our execution on the debt service on the bonds.

MR. BRADEN: Okay.

MR. GOODWIN: Any other questions?

(No response.)

MR. GOODWIN: Do I hear a motion?

MR. BRADEN: I'll make a motion to approve.

MR. GOODWIN: Okay. Second?

MS. BINGHAM ESCAREÑO: Second.

MR. GOODWIN: It's been moved and seconded.

Any further discussion?
(No response.)

MR. GOODWIN: All those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay.

MS. GALUSKI: This item is 3(b) which is approval of an amended and restated Residential Mortgage Revenue Bond trust indenture, which is our RMRB indenture. This indenture is one of two master indentures through which we issue single family mortgage revenue bonds. Through this indenture the Department has issued 36 series of bonds, there are currently approximately $119 million in bonds outstanding. This master indenture has been in place since 1987 and it needs to be updated to provide the Department flexibility in structuring its bond issues.

The 2019A bonds that we just discussed in the prior item, they'll be issued under this indenture, and that will be the first issue for this indenture since 2011. Purchase of those bonds will constitute deemed consent for this amended and restated indenture, so concurrent with closing this bond issue, we will have achieved 64 percent bondholder consent. We'll need two-thirds consent so we still have to pursue additional bondholders and get the rest of the consents then, but
this is called a springing covenant so the amendments
won't go into effect until we have all of the required
consents combined with any additional third parties that
need to consent such as Freddie, Fannie, some of the other
players that are within our indenture.

I'd be happy to answer any questions.

MR. GOODWIN: So is approval of this motion
subject to getting that $166-?

MS. GALUSKI: No. What you're approving is the
actual amended and restated indenture. That can only go
into effect and be put into place if we receive the
required bondholder consents and third party beneficiary
consents.

MR. GOODWIN: Okay. Any questions?

MR. BRADEN: Again to the chair.

So you said we almost have the two-thirds
consent already. Are these bonds widely held, are there a
few funds?

MS. GALUSKI: One of the problems is there's a
series of NIBP bonds in there, so we're going to need
consent from Treasury and Fannie and Freddie no matter
what. So our plan right now is if we can get Treasury's
consent, they're the holder of those NIBP bonds, that will
put us over.

MR. BRADEN: Okay.
MR. GOODWIN: Any other questions?

(No response.)

MR. GOODWIN: If not, do I hear a motion?

MR. BRADEN: I'll make a motion to approve.

MR. GOODWIN: Second?

MS. BINGHAM ESCAREÑO: I'll second.

MR. GOODWIN: So it's been made and seconded.

Any further discussion?

(No response.)

MR. GOODWIN: All in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Moving on to 3(c).

MS. GALUSKI: Monica Galuski. This is 3(c).

It's the approval of Program 92 which is the Department's next Mortgage Credit Certificate program.

We've been down this road before. We're releasing a new program. Our existing program was put into place in October. We're effectively out of funds, out of authority to do more MCCs, and we've got a waiting list going. As we've discussed in the past, though, volume cap is a scarce resource and we manage the volume cap pretty tightly, so right now Program 92 is the only MCC program that we currently have slated to come in 2019,
which means that we need to reduce our MCC volume.

So staff has determined that suspending our stand-alone MCC option would be the most effective and least disruptive way for program continuity. We have a stand-alone option where the loans are originated and closed by third party lenders and we just issue the MCC. We have the combo option that we provide the first mortgage, a second mortgage, and that all goes through our TBA program, and so basically we need to cut our volume in half or else we'll just have a series of fits and starts.

We'll release a program, we'll run out of money, targeted area funds will then become available, we'll reopen it. So this way we're at least looking at we can provide a consistent product to the borrowers.

So that's just sort of an update. I think as we move forward there will be additional adjustments to address the private activity cap issue.

MR. GOODWIN: Any questions?

MS. GALUSKI: I'm available for any questions.

MR. GOODWIN: If not, do I hear a motion to approve.

MR. BRADEN: I'll move to approve.

MR. GOODWIN: Moved to approve.

MS. THOMASON: Second.

MR. GOODWIN: And seconded. Any further
discussion?

(No response.)

MR. GOODWIN: All in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Thank you, Monica.

Moving on to item 3(d), Teresa.

MS. MORALES: Teresa Morales, manager of Multifamily Bonds.

Chairman Goodwin and members of the Board, item 3(d) involves the issuance of multifamily revenue bonds for the acquisition and rehabilitation of 100 units in San Antonio, with restricted units ranging from 50 percent of the area median income to 80 percent of the area median income. McMullen Square will serve the general population.

Under the proposed financing structure, the Department will issue unrated tax exempt bonds in the amount of $10 million. The bonds will bear interest at a fixed rate during construction and there will be a forward starting swap in place at closing that will commence once the property has reached stabilization. The Department is not a party to the swap. The interest rate on the bonds is reflected in the bond resolution along with the
specific terms and maturity. The structure for this
transaction is somewhat similar to the Forestwood
transaction that this Board approved a few months ago.

The materials in your board book speak to a
resolution of no objection that is required to be
submitted with all 4 percent housing tax credit
applications. Pursuant to statute, the Board cannot
approve such application unless the applicant has
submitted a certified copy of this resolution. Statute
does not speak to the deadline by which this resolution
must be submitted. Instead, the Department through its
rules establishes this deadline to be 14 days before the
Board meeting. For McMullen Square, the resolution was
adopted by city council on January 10 and it was submitted
to the Department shortly thereafter. As reflected in
your materials, staff recommends that a waiver be granted
of this deadline based on the circumstances surrounding
this particular application.

Staff recommends approval of Bond Resolution
No. 19-021 in the amount of $10 million and a
determination notice of 4 percent housing tax credits in
the amount of $425,285.

MR. GOODWIN: Good. Any questions?

(No response.)

MR. GOODWIN: If not, I'll entertain a motion.
MS. BINGHAM ESCAREÑO: I move to approve or to so resolve, to also grant the waiver and provide the determination notice, all staff's recommendation.

MR. GOODWIN: Do I hear a second?

MR. BRADEN: I have a related question that I can ask after the motion.

MR. GOODWIN: Okay. Let's get a second.

MS. THOMASON: Second.

MR. GOODWIN: It's been moved and seconded.

Paul.

MR. BRADEN: This is somewhat related. So there's a change in Rule 15(c)(212) that requires disclosure now of financial obligations, which we just approved a CDA that has this requirement in it. Do we have internal processes to monitor and evaluate? I would not think this is the type of financial obligation that would have to be disclosed, but do we have processes in place to keep track of these things and take a look at that? And I don't know if you're the right person to answer, or I just it generally out there to start thinking about that. Monica might already know the answer.

MS. GALUSKI: Yes, we do have processes in place and we've been talking with our disclosure counsel, and Ed Morris is our compliance person for disclosure, and so we have standard operating procedures, we're very aware
of the change and we are looking at that making sure we're complying.

MR. BRADEN: And any time we enter into these non-rated, non public offered bonds, we'll consider whether or not -- this shouldn't be material because we're not on the hook for anything.

MS. GALUSKI: Well, the 15(c)(212) stuff isn't our responsibility on a multifamily. On the single family side we're covered.

MS. MORALES: On multifamily transactions, because the Department is serving as a conduit issuer, the responsibility for continuing disclosure is really on the part of the borrower.

MR. BRADEN: That makes sense.

MR. GOODWIN: Any other questions?

(No response.)

MR. GOODWIN: If not, I have a motion and a second. All in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: It passes.

We're moving on to item 4(a).

MR. HUNT: Good morning. I'm Earnest Hunt, director of Compliance, Subrecipient Monitoring.
I'm reporting on agenda item number 4(a) regarding the Department's initiation of proceedings to remove the eligible entity status from Galveston County Community Action Council, Inc., and to terminate their 2019 Community Services Block Grant contract and future funding. The Department is recommending this action as a result of reoccurring monitoring findings as far back as the 2012 program year, however, I want to lay out the more current issues that have led to this recommendation today.

In March 2018 the Department monitored Galveston County and in May 2018 we issued a report with deficiencies and concerns. These concerns included many repeat findings from monitoring visits prior to that time that were not resolved within the corrective action period. While not going into all of these issues, just a few examples include inadequacies in their procurement policies and procedures which creates a risk for ongoing disallowed costs, missing income support documentation, erroneous cost allocation, inaccurate income eligibility calculations and incomplete client files. That visit also resulted in outstanding disallowed costs of approximately $37,000.

The Department's Community Affairs Program Division has provided extensive training to Galveston County every year since 2014, however, that training was
not effective. Therefore, the staff procured a third party provider to provide an intensive assessment and consultation on behalf of the Department. This was performed by WiseCAP, Inc. and Whitley, LLP, also known as the Partnership. That report identified numerous fiscal, programmatic and systems findings, most of which were consistent with the findings of the Department.

In addition, a single audit of Galveston County identified material weaknesses relating to bank reconciliations. The audit also identified a significant issues surrounding CSBG files in which more than 40 percent of the files reviewed were noted as not having adequate supporting information for income eligibility and CSBG disaster relief files in which case more than 33 percent of the files reviewed did not have adequate documentation of income eligibility as well.

Based on the previous monitoring by Department staff, the significant concerns noted in the recent audit, and the Partnership's assessment, and in consideration of the amount and extent of training and technical assistance already provided to Galveston County, the Department determined that the development and implementation of a quality improvement plan, or QIP, to be an appropriate requirement. And in compliance with the Federal Health and Human Services Information Memorandum

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116, or IM-116, the Department issued a final decision letter in October of 2018 which required Galveston County to develop and then fully implement the QIP by December 5, 2018.

They did generate a QIP after feedback from the Department, and the Department then visited Galveston County on December 18 of 2018 to assess the implementation of that QIP. We determined at that time that the QIP was in various stages of implementation. As a whole, the QIP is not fully implemented as required by IM-116, although some improvement was noted by the staff, several of the changes recommended by the Partnership have not been satisfactorily implemented, thereby triggering the commencement of formal legal proceedings to terminate Galveston's eligible entity status. Further training and technical assistance is not needed.

Galveston County has the opportunity and ability to come into compliance until the end of termination proceedings. It should be noted that the recommendations made by the Partnership and the requirements for the QIP were reflective of findings identified by the Department prior to the May 2018 visit. The length of time Galveston has had to fix these issues predates the QIP. Therefore, staff is requesting Board approval to move forward with initiating the process to
remove Galveston County's eligible entity status.

Please note this request to the Board is an early phase of a lengthy IM-116 process. If the Board approves the request, the Department will pursue a hearing with the State Office of Administrative Hearings, or SOAH. SOAH will issue a proposal to the Board regarding the request to terminate eligible entity status. If the Board decides to move forward with termination, then Galveston County may seek review of the case by Federal Health and Human Services. If Health and Human Services does not overturn the decision by the 90th calendar day from the Board's decision, then all CSBG contracts will be terminated, however, Galveston County will still be eligible to draw funds throughout this entire process.

I can address any questions.

MR. GOODWIN: Okay. Any questions?

(No response.)

MR. GOODWIN: We have people that want to speak to this. Do I hear a motion to hear comments regarding this motion?

MS. BINGHAM ESCAREÑO: So moved.

MR. GOODWIN: It's been moved. Second?

MS. THOMASON: Second.

MR. GOODWIN: Moved and seconded. All in favor say aye.
(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay. So we will now start to hear comments.

If you will, when you come in please sign up and tell us your name.

MR. WILLIAMS: Good morning, Mr. Chairman, Board members. My name is Melvin Williams. I'm the executive director of the Galveston County Community Action Council. I've been with the organization now for approximately 19 months, and I think it's relevant if I give you some resume of myself.

When I graduated from college, I went into the Peace Corps, and that was a long time ago, back in the sixties, and during the time I was in the Peace Corps, my mother helped form a community action agency in the small Kansas community which I come from. After returning to the states from the Peace Corps, I started working at that community action agency, and I give you that information to let you know that community action is part of me, it's part of who I am. All of my adult life I have worked in the area trying to make sure that individuals who were less fortunate than myself have an opportunity to move towards the American dream.
I have been in Texas now for approximately 20 years. I came down here to work for the University of Texas Medical Branch. I was recruited to come down here at the University of Texas Medical Branch, and I think my service there has been very effective. For a number of years individuals have come to me and said, You need to go work over at the community action agency. And I didn't really understand why but they were trying to tell me at the time that there were numerous problems in that agency. And so finally, after a number of years of people telling me this, I finally got an opportunity to go over there and apply for a position and I got the position of executive director.

And when I got there, there were numerous problems, not only with the staff but numerous problems with board structure and how the board was actually performing. Since I've been there it's been a real difficult task, and as Mr. Hunt has indicated, there has been a number of trainings provided to that staff and a number of trainings provided to the board of directors.

The situation that we're in today, in the time that I've been there I've tried to restructure exactly how that organization performs. The individuals who received training from the TDHCA staff, none of them are there now. The staff that is there now is all brand new because I
have gotten rid of that staff that was performing so unsatisfactorily. Most of that staff was hired as a result of going through a secretarial pool, bringing individuals in on a temporary basis, and after they worked there for maybe six months to a year, then they were hired.

The managerial staff did not have the type of experience nor education to know exactly what needed to be done, what community action was really all about, and so we've been negligent in that area, but the QIP that we have worked with and that we have submitted to the state identifies how far we have come in the time since I have been there, and we have come a long way.

Those areas where we are short are the areas dealing with the tripartite board, and if you can imagine a community action agency that serves four counties but all of the board members come from one county, which was Galveston County, and they've been there for years and years and years, trying to get those individuals to understand that, look, we need to be represented by the four counties that we serve, and unfortunately, some of you are going to have to leave, in fact, most of you. Can you imagine what kind of tensions, what kind of anxieties that has created?

And so it has taken us a while to get to that...
point where we can now have a tripartite board that represents the four communities that we serve, and we are there, we are there. When Mr. Hunt came down -- and it wasn't December 18, it was December 4 and 5 when he came down for the visit, a visit that was supposed to occur December 16 -- we were not there at that point in time, nor had all the reconciliations been done in the four bank accounts that we currently have. Now, why do we have four bank accounts? That's beyond me when we should have one, we're not that big of an industry that we needed four bank accounts.

But the individuals who had been serving as the CPAs for that organization had done the organization a disservice. As indicated, our cost allocation plans were almost non-existent, our procurement policies -- we've had to change the whole entire fiscal policies and to get there has taken a little bit of time, and based upon the limitations I had from staff, that being that I could only hire individuals based upon what they would let me pay them, I had a very difficult time trying to find competent CPAs that would come to work for $60,000 a year. I mean, you just can't do that. But that's what I was doing, and as a result, we got what we got which was incompetency.

I finally decided since I am the executive director, I'm going to hire somebody based upon what is
currently out there, and so I hired a CPA that makes 80-some thousand dollars a year, and as a result, all of the fiscal policies, all the fiscal difficulties that we have had have been changed. The reconciliations will be completed the end of this month but he had almost a year to try to do reconciliations in addition to creating a financial manual, creating allocation plans, creating everything that has to do with the fiscal operations of the department. And we only have three people in that department and so it's taken us a little bit of time, but all of the other things that the Partnership brought before us and said we needed to do, we have done, we have met that QIP except for those items.

And all of a sudden now we're being told we owe $37,000 in disallowed costs. That's the first time I've ever heard that figure. We were told that we owed $18,000 in disallowed costs and that the Department would work with us to ensure that that could be reduced, that we could identify where those monies could have gone and how they could have been spent to demonstrate that they were in fact allowed costs.

I don't know what to say other than the fact that we have worked very hard and we have worked in good faith to try to get this done in a manner that we are serving the people that we are here to serve. Community
action to me is that we give the money to the people and
that's what we have been attempting to do and that's what
we will do if given an opportunity to do so.

I'm sorry I went over my three minutes but I
think you need to understand some of that. Thank you.

MR. GOODWIN: Thank you.

Did you want to speak, sir?

MS. THOMASON: I had a question.

MR. GOODWIN: Oh, wait a minute, Mr. Williams.

MR. WILLIAMS: I'm sorry.

MS. THOMASON: That's fine. So your new CPA,
when were they brought in?

MS. THOMASON: Savan [PHONETIC] has been there
now since September.

MS. THOMASON: Okay. Thank you.

MR. GOODWIN: Any other questions?

(No response.)

MR. COMPIAN: Good morning. My name is Joe
Compian. I'm the board president of Galveston County
Community Action Council. I assumed that role in November
of 2017 when the previous president resigned. Mind you,
in November '17 we were dealing with Hurricane Harvey. My
own home was flooded and when I assumed that board
position, I told Melvin: Melvin, I'll be honest with you,
I know you're competent. He also happens to chair our
local public housing authority, he's previous chairman of the Galveston County Parks Board, we're longtime friends, and I know his level of competence. I said, Go out and do what you need to do. The previous board chairman was in his office every day and preventing him from doing his job.

I can tell you this board, when I joined it -- and it's a tripartite board consisting of a public official, private representatives and low income representatives. I happen to be a private representative from the League of United Latin American Citizens. This board serves an organization that has now existed for 54 years, it was organized in 1965, and it originally began with the Head Start program which we continue to operate.

And I'm proud to say that it faced some challenges once I became president, one of which happened to be some financial, and I'm also proud to say that given the time, in ten days, based upon local community relationships this organization had never done before, we were able to secure $280,000 worth of funding from a generous Galveston foundation -- of which there are many -- and we are continuing to build relationships with them to permit greater growth of this organization.

Melvin touched upon -- please understand something, this organization for 54 years has consisted of
board members exclusively from Galveston County, exclusively from Galveston County, and as Mr. Hunt and Mr. DeYoung, who have attended our meetings on numerous occasions and have seen the dysfunctional family which we are, it took the board through in some instances being dis-invited from the board to understand this as action that had to be taken to expand the representation of our board structure to the other counties.

Now, this action, by the way, I'm here to urge you to not take action or disapprove it -- I don't know the appropriate language -- number one, lack of notice. I was not even aware that this was an agenda item but for earlier this week I am on your email list from work that we did on Hurricane Ike and happened to just take a look at it and noticed that this was on it. And I reached out to Senator Taylor, a friend of mine, and new Representative Middleton and tomorrow with Speaker Bonnen, who is in this area, and to bring them up to speed to this, our situation here. But other than that, the first call that I got back -- and I sent emails to representatives of this TDHCA after Mr. Hunt left, there was nothing, no word. The first call I got was from Mr. DeYoung yesterday morning, who said, Good morning, Joe -- very early -- I'm returning your call. I called him prior to the holidays to see what was going on as a result of
Mr. Hunt's visit. So that's number one.

And I don't think that the narrative that's been presented to this Board is complete. There's a totally other side to this story and we have been diligently following up with the resources that we have to deal with the deficiencies. I want to make something very clear, none of the deficiencies have identified any thefts of funds, there have been cost allocations that have been improperly made or calculations from a staff that had no training, and last year we reimbursed this agency $130,000, and this year when the audit occurred, we also were in the process of finalizing and seeing what we had to reimburse this agency as well.

Now, as a result of this notice, you've made my job harder. As a result of this notice and this event occurring now, potential board members that I had from all of those counties are now questioning their willingness to serve on this board. That's unfortunate. I can tell you I have put in three months of work with these people just to get them and build relationships there, and now suddenly if you take this action, I don't even think that I'm able to do that, I really don't think. And so the statement by Mr. Hunt that we'll have 30 days or 90 days, I don't even know that we'll be able to do that to rebuild these relationships.
Please let us continue and do the work that we do well in this county. But I keep asking myself what is the reason for this, why are we moving forward at such a fast pace. I don't understand. Well, there is a call that I started receiving from other community action councils and other employees in some of the other counties, and they indicated that the CEAP placement -- which is an item in your book -- had already been made to an organization known as Baker Ripley, which is a big organization out of Houston, and their 990 in 2016 indicated revenues of $270 million and their CEO and president under that 990 received in excess of $366,000 in salaries.

So when I hired this man as part of our board as head of the personnel committee, he agreed to accept a salary of $65,000. The previous E-D was earning approximately $100,000. And what did we do? The board said we needed to put this money back and give it to our clients; that was our goal, to build up the amount of money. And I guess I made an error there. Perhaps I should have said to Melvin, Come on aboard and I'll double your salary, and maybe we can compete with organizations that you're proposing to use right now.

Please do not take action or let's not do this right now, please. We have the ability to finalize this.
Thank you.

MR. GOODWIN: Any questions?

(No response.)

MR. GOODWIN: Mr. Hunt.

MR. HUNT: In order to address some of the statements and concerns provided, as I noted earlier, we issued a final decision letter to Galveston County on October 5, 2018. That letter discloses that this is the initiation of the IM-116 process. And again, I did visit Galveston County to assess where they were in the implementation of the QIP. As part of that, we held lengthy discussions and conversations about the process that would take place afterwards, including the IM-116 process.

Also, immediately after that visit I drafted notes to provide an update to our executive team back at the Department. Prior to having that meeting, I did submit that to Galveston County for input because, again, we want it to be reflective of the true circumstances at that time. I didn't receive any feedback from Galveston County, so I proceeded with disclosure of my results of that assessment.

And so I don't believe this should be a surprise to Galveston County. I can't speak to whatever communication they received from the program division, but
they have received communication from me.

MR. GOODWIN: I have a question, if I might,
Mr. Hunt. It seems like in this process once you start
it, the state judge hearing --

MR. HUNT: The SOAH hearing?

MR. GOODWIN: Yes. It seems like all that
takes in the neighborhood of six months to a year, and
then there's an appeal process to HHS that is available to
them, at which time they can present anything they have
done to meet the QIP program. That whole process, am I
right in remembering that that takes about nine months to
a year?

MR. HUNT: It's a lengthy process. Our first
step is to set a SOAH hearing, and so that's contingent
upon available schedules and whatnot. That may be several
months before we can get that set up. I can't speak to
that specifically because there are moving targets there,
but it's not going to happen next week. With that in
mind, once the SOAH hearing is set, at that hearing SOAH
will hear both our side as well as Galveston County's and
make a recommendation to the Board either to support the
Department's stance or to support Galveston County's
stance, after which time we have to bring it back to the
Board for the Board to make a decision either to terminate
or to not terminate. From that date Galveston County
still has 90 days to appeal to Federal Health and Human Services. So overall it's an extremely lengthy process. Throughout that time they continue to receive their CSBG funding.

MR. GOODWIN: They continue to receive their funding and they can continue to improve, and if they improve and they come back in front of this Board in July or September, we can always say we're not going to terminate their eligibility status if that improvement continues.

MR. HUNT: That is correct. At any time during that process Galveston County can address these deficiencies, reach out to the Department, request an assessment. We'll accommodate that. We will assess them and determine to what extent they implemented these requirements of the QIP.

MR. GOODWIN: Any other questions for Mr. Hunt?

MR. BRADEN: So if we were to table, defer action on this item, what are the adverse consequences of that, if we were to, say, wait 30 or 60 days before we even decide to start the process?

MR. HUNT: From a compliance perspective, it's not necessarily an adverse action, but it's a point -- because this has been ongoing for so long and we've started this process with the final decision letter, I'm
not sure how that impacts our responsibilities as far as
the IM-116 process. It's one of those things there are
very distinct steps that need to take place in order to
meet the requirements of Health and Human Services, and so
by delaying, I don't know that it adversely impacts, I'd
have to defer to either the program division or legal
counsel, but it's not quite in line with those defined
steps.

MR. BRADEN: And one of those defined steps is
this Board taking action, though. Right?

MR. HUNT: That is correct.

MR. CERVANTES: Earnest, if I could interject
just quick. Maybe just also to add to it, can you speak
just briefly, because I know that the other item that the
Department is taking under consideration is exposure, and
in this case risk of continuing a buildup in terms of
disallowed costs.

MR. HUNT: That's correct.

MR. CERVANTES: And, Paul, to your question,
you know, in terms of what exposure, what risk does there
continue to be the longer we wait. So can you put that
into context for our Board members?

MR. HUNT: So as Mr. Compian mentioned, we had
report -- monitoring review with a report prior to this
2018 latest report with $137,000, approximately, in
disallowed costs, which they were able to provide repayment to the Department. Since then, the subsequent monitoring review, we've maintained findings in basically the exact same areas of noncompliance that we had in the prior report. Now, this report is $37,000 of disallowed costs that have yet to be repaid, however, it's like a snowball rolling downhill, at some point, if we don't bring them into compliance, how much larger does this $37,000 in disallowed costs become. That is something that we're responsible to Health and Human Services for for repayment, so it's an ongoing risk.

MR. BRADEN: So by disallowed costs, what does that actually mean, that they can't document how they spent the grant funds in a manner that's consistent with the grant?

MR. HUNT: So the latest report primarily consists of noncompliance in procurement, as well as unsubstantiated cost allocation, and then a portion of it contains ineligible activities, meaning they're unable to document that a household that was assisted was in fact eligible to receive assistance.

Procurement, it's one of those things that if it's not done right, there's not a lot to be done to fix it. Cost allocation, we have extended the opportunity to Galveston County to provide sufficient support that their
allocations are supported by an allowable cost basis. Both the State Uniform Grant Management Standards as well as the Code of Federal Regulations provides means and measures for how you can properly allocate indirect costs, but it's very specific, it's either within this realm or it's not. We have afforded that opportunity, we still afford that opportunity to Galveston County if they can true up those expenses. We have not received that to date.

MR. BRADEN: And do you have a feel generally - they seem to indicate that most of these problems deal with past sins and they've now put in place things, at least starting in September of last year with a better CPA, trying to recruit different board members, that on a going forward basis that they at least have processes that it's not a continuing problem. Do we have any feel that that's accurate?

MR. HUNT: I will say that I received procedures to review as part of that QIP review. I believe that they have a method and means to possibly allocate appropriately going forward. I can't say for certain because this was early on. This is December that they've actually established a process so we don't have a length of time for them to accumulate costs for us to review to determine if this is worth it.
As far as procurement, based on my discussions with the staff in December, I still have concerns about their capacity to properly procure. I guess to speak comprehensively, are these fixable items or areas of deficiency, yes. We just do not have a history of compliance to turn to to say that they're going to correct these deficiencies going forward.

MR. BRADEN: And of the $137,000 that we've identified as disallowed costs, do you have a feel for how much of that is procurement issues -- which I agree would be kind of hard to fix now.

MR. HUNT: And again, the $137,000 was repaid. I want to say about 60 percent of that was procurement.

MR. BRADEN: Okay.

MR. GOODWIN: Other questions?

(No response.)

MR. GOODWIN: Are you wanting to speak?

MR. COMPIAN: If I could.

MR. GOODWIN: You need to come up here.

MR. COMPIAN: I'm sorry.

MR. GOODWIN: Re-identify yourself for the record.

MR. COMPIAN: I'm Joe Compian again. I'm a former justice of the peace.

There was a statement made on these cost
allocations and calculations. One of them referred to the hurricane, and I go back to this, we're doing our best. For Hurricane Harvey disaster funds, we didn't have the capacity and the staff did not have the knowledge to undertake that. At the direction, and with the assistance of Mr. Michael DeYoung, your staff member, South Texas Community Action Council sent up staff to distribute and work with us on all of the disaster funds. Our staff was not involved in those calculations. That was a staff properly trained from South Texas, and this is the first time I've heard that there was any difficulties with regard to those particular calculations on the hurricane distribution.

Second, this is the first time I've heard, and when I saw this agenda item, about the $37,000. The figure that we had with regard to the audit letter was approximately $19,000. And when Mr. Hunt here at your last Board meeting outside indicated to us -- we introduced our new CPA -- that when he came down he would work with us to identify those things that could be properly allocated -- correct? -- and we could make those corrections and really come down to a figure. This is the first time, once again, that I've seen this figure.

And the last thing, we talk about CSBG but this item (b) refers to CEAP and that's where I'm already
having problems, as I said. CEAP, there's some action that's already been taken. I put a FOIA request in to find out exactly when all these discussions are going on. But Baker Ripley has already been contacting individuals down there and that's how I've had this difficulty with potential board members. If we're going to get in compliance, I'm hitting a stumbling block now. I've got to go back and that's my first order of business, after seeing the speaker of the House for lunch in Lake Jackson, is to get back and touch base with all these members.

So if this can be tabled, I think that's the action that needs to be taken today. Let us come back to you, and I'll be the first to say look, folks, work to let's transition this if I fail. But we just recently got renewed for five years for our Head Start program. Head Start represents figures in excess of $3 million a year, a non-competitive grant renewal for a five-year period. We know what we can do, just give us the opportunity to do it and finish up what we started. That's all we're asking. Thank you.

MR. GOODWIN: Any questions?
(No response.)
MR. HUNT: If I may speak. The monitoring report that I alluded to earlier, as well as a subsequent delinquency report, provides the detail of that $37,000 in
disallowed costs. And Mr. Compian is correct, we have extended the opportunity and will continue to extend the opportunity for them to true up their indirect allocations.

MR. GOODWIN: Any other questions for Mr. Hunt?

(No response.)

MR. GOODWIN: This is a long tedious process. We've been through this, I think, Leslie and I, with another agency and there's plenty of time from this day forward to correct all of these things and for this role to be reversed, but I need to hear a motion from a Board member as to what you want to do as it relates to item 4(a). I'm hearing no motion.

MS. THOMASON: Is my understanding correct that if the Board takes the recommended action of staff today they continue to operate as they're operating, they continue to have the opportunity to correct things that need to be corrected up until when?

MR. HUNT: So at the point after a SOAH hearing that the Board has an opportunity to make a decision whether to terminate or not terminate, if that decision is to terminate, they have 90 days from that point to appeal to Health and Human Services. If they do not appeal or that appeal is not successful, it's at that point that we begin termination proceedings.
MR. GOODWIN: They have 90 days to appeal but that doesn't mean that Health and Human Services has to make a ruling in 90 days.

MR. HUNT: No.

MR. GOODWIN: They just have 90 days to file the appeal. And I believe in the case in the Valley they did appeal and it seems to me it didn't come back with an HHS determination for another six months after that.

MR. HUNT: That sounds about right.

MR. GOODWIN: This process very easily could be discussed at January's Board meeting a year from now.

MR. HUNT: That's reasonable.

MR. GOODWIN: That's reasonable. Could happen quicker than that but it's reasonable to think that they would have until then to provide that they've been able to take all of these corrective actions and put them into place.

MR. HUNT: That's correct.

MR. BRADEN: I understand that and I respect what you're saying, but I guess what concerns me is, first of all, you put a black mark on your agency like that and I can see how it might be more difficult to recruit board members. And then the second thing, I'm sure they have finite resources and to go through an appeal and go through all this process, it's going to take resources.
away from other things that they need to work on. Mind you, obviously they have to work on certain things, but that's what makes me hesitant by saying, well, we've passed this action and they still have a lot of time, well, they do and I acknowledge that, but it also means they have to devote resources to face that.

MR. GOODWIN: But the main part of those resources, in my opinion, Paul, are to correct these problems, and I realize these gentlemen are new on the scene but these are problems that have been there since 2012. And it kind of reminds me when we went through this with another agency and the counterparts of these gentlemen stood up and said, Well, we didn't hear this, we didn't hear that. And our staff said, Well, here's a letter where they were told this back in October. Well, this is my first time to hear it.

MR. BRADEN: And I do agree with that. I mean, notice went to their agency and if individuals didn't hear it, that's an internal issue, we did not do anything wrong.

MS. BINGHAM ESCAREÑO: Maybe one of the differences, I think, in some of our previous history, what I do hear Earnest saying is that on first blush it does appear that there are some processes in place. The procurement -- and I'm going to oversimplify --
Procurement is pretty black and white, you're either doing it right or you're not, and there's not a way to fix it if you haven't been doing it correctly. The ineligible activities could be process issues, and what I hear you saying is first blush too early to tell, it does appear there are processes in place. In my experience that does speak well of the organization in that there have been other organizations that have come before the Board that we never could really get a really good grasp that we were in agreement that there had been a failure of processes or an absence. And I'm sure that speaks to your history, Melvin, and your commitment to the organization.

And maybe legal counsel could help us out. So here's my thought. We hate to prolong your pain. You know, if it's a process that's going to take a long time and there definitely is exposure to the state and our responsibility to HHS, then we don't want to send a message that in tabling or postponing this Board decision that you're going to work miracles. I guess where I'm kind of struggling is if legal counsel or programs doesn't see a lot of harm, with the exception of the exposure which we have to take seriously, but if there's not harm in us touching base in another 30 days, where do you think you're going to be in 30 days?

MR. COMPIAN: Joe Compian once again, the board
president.

In 30 days I'll have a new board in four counties. That's what this means today not tabling this item. I will be able to go back and face county judges in each one of those jurisdictions, as well as the low income representatives which are Head Start programs or charter school programs in those four counties, as well as private representatives which include NAACP and some ministerial alliances in those areas, and I can go back and rebuild. If you take this action today, I can't promise we're going to have a new board, and I committed to this man and to Michael DeYoung over there -- and God knows he's been down enough times -- that we'd have this board in place by this month. If you can't take this action today, I can't promise that at all, and that's how much this means. That's my biggest concern right now, my biggest concern.

MR. WILLIAMS: Again, this is Melvin Williams. We have a competent staff now and I mean the staff that was there was not competent. The individuals that I have hired in most instances are college graduates, they understand what case management is about, so the programmatic things we will -- in fact, I will say we have those things taken care of now. The files are being monitored as they should be monitored to ensure that everything that should be in that file that would document
that the individual client is in fact eligible to receive
these services is in fact eligible. So those programmatic
things I think we have in place right now, and I think you
can see that in the QIP that we put together. In fact,
I've got a flash drive of the QIP that we submitted to Mr.
Hunt and his staff and I'll leave that with you here
today.

MS. BINGHAM ESCAREÑO: Mr. Williams, I took a
note about -- and I'm not going to hold you to this, you
can clarify for me -- I think you had talked about your
new CPA had gotten pretty far through the reconciliation
but still had some remaining, and that with the exception
of the reconciliation, your impression is that you have
managed to button down at least the processes that need to
be in place around the other deliverables in your QIP.

MR. WILLIAMS: To the fiscal office, we're
talking about the cost allocations and the procurement.
We still have two bosses here relative to cost allocation
and procurement. What we've done relative to the cost
allocation, we've gone and measured all of our office
space, all of the spaces that we're using and we've
actually had the employees to provide us on a daily basis
exactly what they are doing so that we could get those
costs allocated right, and we have done that.

The procurement, that's a process that we've
been going through and I think that we've got it. One of
the difficulties that we had when we did the cost
allocations is that we thought we were fixing them for
TDHCA and then when we submitted those to Head Start, they
didn't like them, they said, No, no, this is what we want
you to do. And so we've had to meld those together and
get Head Start to understand this is what TDHCA is
requiring and we think that this is proper even though you
don't, and they have finally agreed that, okay, yes, we
accept it.

And so we're moving, we are turning the corner.
He indicated that it's been since 2012. I've looked back
at monitoring reports and it goes back further than 2012,
this isn't a new problem with GCCAC, it's been a problem,
and it's taken us a while but we have turned the corner,
and we just want to be allowed to let that staff feel
comfortable that they're going to have a job tomorrow,
that they're going to have a job next week, because they
are doing the job that we've asked them to do.

MS. BINGHAM ESCAREÑO: Thank you.

MR. WILLIAMS: Thank you.

MS. THOMASON: I have one. So as of today are
you aware of how many months of bank statement
reconciliations are still to be done?

MR. WILLIAMS: He expects to have them all
completed at the end of this month.

And what happened is the CPA that we had when I started, there was difficulty with her and the board of directors, and some of it was real and some of it was personal. And we were trying to get an audit accomplished and I worked with trying to procure an auditor and we found one, Mr. Phillips -- who happens to be from Kansas also -- and so once we identified that this is the person that we wanted to do our audit and I started setting up time frames for him to come because we had deadlines that had to be met, Head Start deadlines, we would be in default with Agriculture done by September 30, we could possibly lose that food money.

So I started setting up time frames and this CPA, she didn't like the times that I set up because she said she was busy doing other things. Well, it ended up that we couldn't get it done in the time that I needed to have it done, and so quite naturally, we all got a little bit upset with her. So she was under contract through November 30 and I told her at that point that she needed to be there for the audit, we would reschedule it and get it done when she could be available, but after that audit was done then she was gone regardless of the time frame, and so that meant that she was going to be leaving sometime in September.
So I put out to try to recruit a new CPA and at the dollars that I was asking, it was going to be real hard, but I found someone that was very competent that accepted the job at what I could pay at the time. This was an individual who had worked in the school district, and the reason she was available and the reason she was desperate for a job is because the La Marque School District had been banned, and she didn't have a job or anyplace to go. So she came and she was enthusiastic and she was working quite well, I was very, very impressed. I had her for five weeks because a job opened up where she could get her state retirement and she could make more money, and so all of a sudden here I was, I was without anyone to do anything in the fiscal office. And I'm not an accountant but I was doing what I had to do over there because we didn't have anyone.

I finally hired an individual in January of the next year, and this was after we had gone through some real fiscal problems in Head Start and I had been monitoring that ever since I was on the staff and knew that we were going to have some kind of shortfall, I just didn't realize it was going to be a $280,000 shortfall, and so we got the money to get Head Start through. And then I hired this individual that I wasn't real comfortable with but I needed someone in that office,
and it turned out that I should have been even less comfortable than I was because this person had no idea. He didn't know the financial system and he kept blaming everything on the old CPA saying that he tried to talk to her and if we had dealt with her in a more friendly fashion then maybe she would communicate better with him. And he had one excuse after another, one excuse after another, until finally it was realizing, I said, Look, this isn't going to work.

But we were five, six, seven months down the road at that time, and I started looking for a new one and had made up my mind that whatever it cost to get this new person, I was going to get someone in there that was competent and could do the job, and I have that person in there now.

MR. GOODWIN: Any other questions?

MR. ECCLES: If I could just ask Earnest. Reading in the bar it says that the QIP has not been fully implemented and that's what demonstrates a recurring inability to resolve programmatic and compliance issues. What aspects of the QIP after the required time period have not been fully implemented, in addition to the disallowed costs?

MR. HUNT: So I'll have to kind of take it item by item just for memory sake, so it may include some
things that they have addressed to some degree.

The QIP provided us a cost allocation plan. They were able to provide some indirect for me to look at in December. It's not really a body of work that would be able to demonstrate that their process for allocating costs is correct, but the other side of that is that we still have monitoring report with outstanding disallowed costs based on, partially, the cost allocation. That report directs them to utilize an appropriate means and method to allocate costs, to reallocate those previously unsupported indirect costs and provide that to the Department to determine to what degree either monies are owed to the state or not. That process has not occurred so that portion of those disallowed costs still remain.

As far as procurement, we received SOPs for procurement. They were pretty general but procurement SOPs generally are, but we did not have procurement to review outside of procurements that had taken place prior to that December visit. I will say in my review of that, there were gaps and holes in those procurements that I discussed at length with Mr. Williams, so if I were monitoring them at that time, that would be additional deficiencies and potentially additional disallowed costs.

Regarding their board structure, at the time that I visited them in December, and I think as of this
date there's still not quite a tripartite board structure.

I think our discussion is that that may be later this month, they may have that in place, but I cannot speak to that because at this time they don't have that available.

Regarding their client file and intake system deficiencies, they provided SOPs that facially appear to address the issues if implemented. There was a very limited body of work for us to review to determine if those systems are working, so I really can't speak to where they are now because there's been some time since December. But I will say at the time that what we reviewed we can say that it looks facially that they've made some improvement. Is it 100 percent, no, but there has been some improvement.

Part of the QIP reflect the consulting report, so it addresses issues that we don't necessarily undertake during compliance, but our final decision letter is pretty clear that they need to address all of the issues in that QIP, so a big portion of it were for deficiencies related to their IT systems and their ability to not only maintain their electronic documentation but secure it. At the time that I visited they had a contractor out there assessing how many holes were in their systems that they had in place. At that time, though, no changes had been implemented. I have not received any indication to this
date that those things have been improved, but I will say
that I did meet with the contractor and he was in the
process of assessing.

MR. GOODWIN: Any other questions?

MS. RESÉNDIZ: Mr. Chairman, I do have a
question.

MR. GOODWIN: Okay.

MS. RESÉNDIZ: In regards to your board
members, I was looking at the list of the 14 that are
listed, are there any there scheduled, one, to go over.
And then two, who are the board members which y'all are
looking to to really help your role in helping ensure this
organization is healthy?

MR. COMPIAN: Joe Compian once again.

For 54 years the Galveston County Community
Action Council -- which by the way, I finally got the
board to agree to a name change to be able to represent
out area, which is Greater Coastal Community Action
Council, as well, that's pending -- but the tripart
structure was really just focused on Galveston County. So
we had one-third the elected officials, one-third low
income reps, and then the remainder of the private
organizations.

What has occurred, when this process began I
can tell you I've lost friendships. I grew up, I was born
in Galveston, I knew everybody on this board. I first
came on three years ago and immediately noticed I've got
some background, I serve on other boards, some nonprofit
financial knowledge, and I said, These financials don't
mean anything to me. And the people there were insulted
that I would even question the financials because no
questions had been asked.

So what has occurred, Board Member Reséndiz, is
that we've had -- because of this transition that we're
working for, what we have is certain board members that
represent in Galveston County, these tripartite members
have resigned from the board, and we had a board meeting
on Tuesday where I thought we were finally going to have
the termination -- the acceptance of the new board
members, and questions were raised at that point, Tuesday,
when we find out later this afternoon about this thing
going on too, other people already apparently, it was
rejected by the existing board.

So our goal was to have in place by the 22nd,
next Tuesday, with an annual meeting. So the goal is
tripartite, the county judge from each of the three
counties and they appoint a representative -- I'm sorry --
four counties and they appoint a representative for that
position. Then we have groups that represent private
entities. To have some consistency, LULAC will be in
Galveston County, which is myself as that representative.

Then we've got two low income representatives in
Galveston which is recognizing -- we have a Head Start
program and it's only in Galveston, we have 400 students
there, and one is the low income representative for Head
Start and the other is a low income representative from
the public housing authority there in Galveston. And then
in Brazoria and Fort Bend counties we have private
representatives as well; private representative in Fort
Bend is NAACP, we're trying to finalize in Brazoria a
United Way representative as well, too.

Is that what you're asking?

MS. RESÉNDIZ: It is, but how long has your
treasurer been in place? Is this one of the new board
members?

MR. COMPIAN: No. The treasurer resigned
recently, after the previous one also resigned too, so
it's been a lot of transition.

MR. GOODWIN: Any other questions?

MS. RESÉNDIZ: Thank you.

MR. COMPIAN: I just once again urge you to
table this and we can finalize this. Thank you.

MR. GOODWIN: Michael, did you want to speak?

MR. DeYOUNG: Yes, sir. Michael DeYoung,

Community Affairs Division director.
I've been jotting down a bunch of notes so it's kind of scattered, but I just want to clarify a couple of points and then ask some additional questions.

First, Melvin had stated that the staff that was trained is all gone. I just want to clarify that their current staff has been trained as well. His statement was not inaccurate, it's just there's been a huge turnover at this agency and so we've worked with the old staff, did training, and we've worked with the new staff and continue to do that training. Training is available throughout this process; if the Board takes action today, they still have the opportunity to request training and we would continue to train them on the CSBG initiatives.

A reminder for the Board that they can fix all of this while this process proceeds, and they can fix all of it if you decide to table it, they can still fix. This is all fixable during the time period that we got through this process. TDHCA still has repayment risk regardless of whether you take action or don't take action. Right now we have $37,000, it could be $30-, it could be moving. That will exist up and until the contract is terminated, if it is terminated. If it's not terminated, we still have the repayment risk and we'll have to work with Galveston County Community Action, or the new Greater
Coastal.

This all emanated back in July. We came to you with the LIHEAP and CSBG plans, and in that Board action in late July we had placed a notification that we had two agencies that we were struggling with and we may come back in December to notify you that we may or may not be continuing on with those two agencies. So the reason why the time is working out the way it is is we now have to implement 2019 contracts and this is an issue we brought to your attention in the plan and said we would follow up with you.

And then last, if the Board does decide to table this action, the only thing I would ask is that we get a good idea of what you expect of program staff and from the compliance staff, what would you like us to do and how would you like us to proceed, so we can work diligently to meet your expectations.

Thank you.

MS. BINGHAM ESCAREÑO: I have a question for Michael.

Hey, Michael, so if the Board did contemplate -- and I hear what you're saying about specific deliverables because I completely agree -- if we have deliverables around -- so the cost allocation plan and the disallowed costs remain, that one, what we need to see is
that there's a cost allocation plan that works and meets expectations or criteria, but the disallowed costs that's still there, just like you said, it's going to be there no matter what. That number may go smaller, larger, whatever.

The procurement, the SOPs are there, they may work, but there really hasn't been any procurement activity. Right? And it sounds like the same for client intake, there's SOPs but there hasn't really been a lot of history yet on client intake, there's been improvement but if we were giving letter grades, we wouldn't give 100 percent A-plus on that. One, there hasn't been enough activity to test it, and two, just there's some incremental improvement.

And then board structure, we've heard from Mr. Compian on board structure and kind of the challenges around that, the model, the current makeup, and going from not meeting the expectation, and sounding, by all accounts, I think, pretty dysfunctional, to needing to be a functional board that meets the expectations.

And then Earnest was telling us about IT which was something, and maybe a bigger kind of global picture of IT but there being issues around maintenance and security of data, maintenance of data and security of data.
So I'm just going to throw a hardball at you. If we were to consider tabling or postponing action, does that sound like a group of deliverables that can happen in 30 days or not, or more like 60 or 90? What are we thinking?

MR. DeYOUNG: Okay. So a bunch of topics there and I'll try and walk through them, and that's great.

Cost allocation, I think in Earnest's comments you heard we think they have a plan that complies. The question is do they follow it, and we have to see a body of transactions go through that process and that's what we don't have. Same thing with procurement, we think they have procedures in place but we've got to see procurements go through a process.

Client intake, they have worked diligently, we've done a lot of training with their newer staff. The departures of their staff have not been in block, it wasn't like all -- I don't know the number of case workers but say six -- six did not walk out in one day. It's been a process of them churning through their intake staff, and they have a person in charge who I think is very attentive to what has gone wrong and what needs to be fixed and how to fix it and putting systems in place and asking about how that works at other agencies.

For the board, I will say one of the
complicating factors for Joe has been with the fall elections. Joe had done a bunch of legwork to get a board in place but in a four-county area, he's got to work with four county judges. Two county judges who he expected, or who many expected to win, did not win their election, and so what he had discussed with them no longer was in play and he had to go approach two new county judges who probably on their surface didn't know who Community Action from Galveston County was because their presence was just a Galveston County board.

So in all of that, it's really hard to grade an agency based on that. It's basically an incomplete. If we go back to being a professor, you would say, well, it's incomplete at this point. And how do we go about finding out whether they're going to get -- what's the letter grade they're going to get.

I'll turn it over to Earnest to follow up.

MR. HUNT: So regarding their responses in the QIP for the deficiencies, by their own scorecard they're looking at going through March before full implementation of the QIP. That's by their scorecard. It would be difficult for me to make a self-assessment that it would take any longer or any less, but that is their scorecard.

But I do want to state that as part of that IM-116 process, as I mentioned earlier, in that final
decision letter we gave them a hard deadline. This was prior to them entering into the QIP. So the QIP response, the initial one and the amended one, both have dates well outside of that time frame. And this is, again, something that's required by IM-116.

MR. GOODWIN: If I'm hearing you right, Earnest, and I thought what I was hearing Leslie ask was there's no reason to table this for a month if in a month it still wasn't enough time, we'd hear the same argument, should we table it for 90 days if the desire of the Board is at 90 days if we looked up and said, Well, we have the same issues and same problems.

MR. HUNT: Using their scorecard, we couldn't — if they fit their own timetable, we wouldn't be able to bring something back to the Board till April.

MR. GOODWIN: April. Okay.

Any other questions, comments?

(No response.)

MR. GOODWIN: Do I hear a motion?

MS. BINGHAM ESCAREÑO: Mr. Chair, I'd like to make a motion to table this action until the April 25 Board meeting, and maybe amend or further clarify. I'm very much in support of staff establishing deliverables that are reasonable. I hear that some things are put in motion, but I'm also hearing that there was history and
that this history predated the QIP, and so everybody
should have been very clear on what should have happened
by today based on, I think, our November action or the
agency's November action. So I would accept from staff
clear deliverables for an expectation of progress around
the items that have been identified, and maybe
checkpoints -- and you guys help us, Earnest, on whether
that comes from you and your department or Michael --
maybe checkpoints at every 30-day mark on how things are
looking. So that's a messy motion, I can try again if you
want, or I can shut up.

MR. GOODWIN: It's not that messy. I think the
intent is pretty well understood.

Do I hear a second?:

MR. BRADEN: Second.

MR. GOODWIN: It's been moved and seconded.

Other discussion?

(No response.)

MR. ECCLES: Just before there's a vote on it,
I believe there were some public comment cards that were
registered with the Department that relate to items 4(a)
and 4(b), so before voting on 4(a), it would be
appropriate for those to come in.

MR. GOODWIN: Okay.

MS. HENDERSON: Good morning. Peggy Henderson,
TDHCA. I'm going to register public opinion. We have 28 of these, so what I'm going to do is read the actual names of the individuals who provided these. These are all against staff recommendations for items 4(a) and (b) which we are discussing now, and (b) will also be discussed, I assume?

MR. GOODWIN: Yes.
MR. ECCLES: Yes. And these are simple comment cards that just register opposed. It doesn't offer any sort of legal or any other rationale, it's just a name and that they are opposed.
MS. HENDERSON: Correct. They've all checked against staff recommendation for items 4(a) and (b).
MR. GOODWIN: Okay.
MS. HENDERSON: I'm going to read these names. Please excuse me if I don't get all of them exactly correct.

Tammy Russell, Ester Abrego, Rosalyn Preacher, Rev. Robert L. Tubbs, Sandy S. Compian, Robert M. Quintero, Carl A. Aldridge, Phyllis French, Renia Brooks, Manuela Peña, Barbara Coleman, Luella Norman, Maria R. Riojas, Dee Nora Gonzalez, Delsi Garcia, Rosa Buentello, Sabrena Lowe, Jo'Lesica Mosley, Susan Patina, Maricela Castro, Kristen Williams, Tamika R. Horton, Gerald Marsh, Alyssa Ashton, Monica Mack, Lauria Brown, Rosa Martinez,
Thank you.

MR. GOODWIN: Thank you.

Earnest, did you want to speak?

MR. HUNT: Only if you have questions for me.

MR. GOODWIN: Okay. If not, we have a motion and a second. Any further discussion?

(No response.)

MR. GOODWIN: If not, all those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay. April 25.

Do you want to move on with item 4(b)?

MR. HUNT: Thank you.

Item 4(b) is also regarding Galveston County Community Action Council. I will not reiterate all of the background that we covered in item 4(a), but I do want to relay that our concerns relating to them for CSBG items are equally problematic and risky for the LIHEAP funds that we're about to discuss.

In July of 2018 the Board conditioned Galveston County's Comprehensive Energy Assistance Program, or CEAP, award upon satisfactorily resolving findings identified in
the Partnership report that I shared with you in item 4(a). The deadline for addressing the findings was December 14, 2018. Also, as I previously noted in item 4(a), the Department's assessment during our December monitoring visit of Galveston's progress indicates that the findings have not been completely addressed as required by the condition.

As a result, the Department is requesting Board approval to proceed with termination of Galveston's contract. In order to ensure that CEAP utility assistance payments continue for clients in the service area, the Department is recommending that a portion of the contract funds for the area also be contracted to a temporary provider.

So this Board action authorizes several actions: to reduce Galveston's 2019 allocation amount by 24.99 percent which is approximately $820,000 and award those funds immediately, as an interim award for up to eleven months but at least until a permanent provider is named, to Baker Ripley for Brazoria, Fort Bend, Galveston and Wharton counties; and also to provide Galveston County with a 30-day notice of the termination of the remaining funds from Galveston County's program year 2019 Low Income Home Energy Assistance Program, Comprehensive Energy Assistance Program award, and to authorize staff to
release an RFA to identify permanent entities to
administer the remainder of the program year 2019 CEAP
contract and possibly be designated as the CEAP network
provider for the service area.

    Please note, Galveston County is still
operating with program year 2018 funding which we
anticipate will last through March of this year. My last
comment is to note that in the Board materials we stated
that we would be updating the previous participation
review of Baker Ripley and relay EARAC's recommendation to
you, including any recommendations for conditions at this
meeting. That review has occurred and EARAC recommends
approval with no conditions.

    And I can entertain any questions.

    MR. GOODWIN: Any questions?

    MR. ECCLES: Just as a point of clarification,
Earnest, because we've spent about an hour discussing the
CSBG eligible entity revocation process, this is different
with LIHEAP and CEAP. Correct? This is a contractual as
well as a Texas Administrative Law matter where just under
a quarter of the contract can be immediately moved off to
somebody else to provide services temporarily, while the
remainder of the process then goes through a SOAH hearing
and the opportunity to have that hearing, but this isn't
going up in a protracted appeal to the Secretary of HHS,
for instance.

MR. HUNT: That is correct, and stated much better than I could put it.

MR. GOODWIN: Thank you, Beau.

Melvin, did you want to speak?

MR. WILLIAMS: Again, this is Melvin Williams.

The CEAP program is important to us and it ties in directly with our CSBG program. We don't have a weatherization project at this point in time but there are other areas around us that do have weatherization projects, and as a result, we utilize CEAP to refer people who really need to have these weatherization problems that they have taken care of, and if we're not there to identify those individuals, I'm afraid that monies that are going for CEAP are essentially being wasted because people are getting money to pay their bills but they still have the same problems because these are poor folks that have insulation problems, all kinds of problems.

In addition to that, not only are those agencies around us that are providing weatherization, we have a grant in to one of the foundations there in Galveston at this point in time to start a weatherization program there in Galveston. Without the CEAP program, some of that is going to be lost.

In my opinion -- and you know better than I --
I think that if this is postponed or delayed, just like the CSBG funds are delayed, that we will have an opportunity to demonstrate that we can in fact do this. There isn't anything in any of the reports that have been provided, whether it's a monitoring review or what-have-you, that indicates that we were not utilizing these funds properly or that we could not identify individuals. Sure, there were some files that indicated that there were errors, but I don't think there were any files that ever indicated that CEAP monies had been misused or there was any fraud taking place.

One of the problems that I noticed was that when our auditor came down, Mr. Phillips from Kansas, the files that he identified that were problem files, 80 percent of those files were a problem with the auditor, and they were a problem with the auditor because the auditor said that all of these files, the file did not indicate that this family received food stamps. All of you know that in Texas food stamps is not considered income; in Kansas food stamps are considered income. Based upon their Kansas knowledge, they said these files were improper because the case manager did not indicate that that food stamp income was there.

That wasn't our fault. I'm not saying that the people that made the errors, the legitimate errors were
right and that we are right in letting them make those errors. What I'm saying is that 80 percent of the files that they indicated were bad files was not in fact bad files, and those individuals who actually had the bad files are no longer with GCCAC, they are now gone.

MR. GOODWIN: Any questions for Mr. Williams?

(No response.)

MR. GOODWIN: Is it the feeling of the Board to give them 90 days to resolve this other problem? I'm not taking a formal vote here but an informal poll if the same attitude exists as it relates to this, I would entertain a motion.

MS. BINGHAM ESCAREÑO: So moved.

MR. GOODWIN: A second?

MR. BRADEN: Second.

MR. GOODWIN: So it's been moved and seconded to give them the same 90 days, develop some of the same deliverables, and come back on April 25.

MS. BINGHAM ESCAREÑO: Mr. Chair, may I just ask Earnest to just respond just for the record on what Mr. Williams just said, because we read about it in the Board book too.

MR. HUNT: So a couple of things to note. As far as monitoring reviews, I want to say the greater bulk of the eligibility issues have been for CEAP. The
auditor's review for eligibility was specific to CSBG and CSBG disaster monies, and his report doesn't indicate specifically the reasons why. I will say that we requested the files in question and found at this time at least $8,000 of that to be disallowed, but it's a running total because we have since then issued a follow-up to that single audit report requesting additional information, and at this time I don't think we have it, but at this time I think we can say at least $8,000 of it is disallowed.

MS. BINGHAM ESCAREÑO: I'm going to put you on the spot and ask you do you have a specific concern about the results of the informal Board poll just a minute ago to possibly allow the 90-day postponement for this item, or do you believe that there are factors that may be pressing that the Board may want to take a different position?

MR. HUNT: The real difficulty, I think, in this case is that they've experienced extreme staff turnover, some of it by design, they've let a lot of people go. And so much like if we're entering into a contract with another provider, there is a period of time where you're dealing with brand new people who don't understand the ins and outs of the program, so by design, there are going to be issues and potential disallowed
costs.

So the agency has a history of issues. I cannot say that they haven't made steps to try to address them, but the bigger part of their steps to address those issues relate to letting go of old staff and bringing in new staff, and much like a new organization, these are new people that have to be trained and have to understand the program. Meanwhile, we've got a running total of disallowed costs, so that's the main thing that the Board needs to be fully aware of, whereas right now we're talking about $37,000, I can't tell you how much that may be now or three months from now.

MS. BINGHAM ESCAREÑO: One more question. If we did postpone for 90 days, is there something measurable or objective that you would see at the end of 90 days relative to this program compliance?

MR. HUNT: So what I would recommend is a subsequent monitoring review where we can go out and actually put our hands on everything and assess. Without that, I really couldn't speak to where they are in implementation.

MR. BRADEN: When I read the back materials and what you just said, I was more concerned about this program because it does seem unlike the other program where the repayment risk lasts until whenever final
determination will be made so we're sort of living with it otherwise, this seems like we could take more immediate action, and if the wrong people are getting these grants they'll be disavowed, or these people aren't getting this money when they clearly need it, especially this time of year, I mean, those are concerning things.

I think at the end of the day the prior item, you identified sort of five things in that QIP and they've all sort of started putting things in process to address those items, maybe there was no track record or it hadn't been in place long enough to determine whether practice was following the procedures. Here do you even have a feel? I mean, it seems like they've lost other people but have there been procedures put in place and if they follow them they'd be in compliance?

MR. HUNT: So the prior processes were insufficient, and I will say clearly there was a gap in understanding how to properly assess clients and intake them and determine their eligibility. Now, the bulk of that staff are gone and there's a new program manager running that area, both the CSBG and CEAP. That is a new person with a new perspective who is also now learning the program. We've received updated procedures and it looks facially like it could foster some improvement, but it's a difficult question to answer without a body of work to be
able to demonstrate yes, in fact these things have been
corrected, especially with consideration to we're again
still talking about brand new staff. I don't know to
what extent they have experience with these programs or
any.

MR. CERVANTES: Earnest, in this particular
case, are we talking about -- again, just for
clarification and for the Board's edification -- are we
talking about undocumented files or just as the
eligibility has taken place, the eligibility process in
terms of the knowledge necessary to make a good decision
on an eligible client? Can you speak to that just
briefly?

MR. HUNT: Yes, and it's both, actually.
Monitoring reports we actually separate out the issues by
the specifics of that particular finding. So we have a
body of files where the families were just not eligible,
not that they weren't documented, but in calculating their
eligibility, they were not eligible. And then we have a
body of files where we can't determine eligibility because
the documentation is not provided for us to be able to
make that assessment. Those costs remain in question
until either they can provide that support or we've
reached a deadline to say, well, we gave you sufficient
time, these costs are now disallowed.
MR. CERVANTES: So that would continue to be one of the expectations here. If we were to go out and do subsequent monitoring reviews, those components would have to come together to mitigate the risk here and to show that their procedures are starting to shape and their controls are starting to be put in place effectively. Is that a fair statement?

MR. HUNT: That's correct.

MR. GOODWIN: Can that be done by April 25?

MR. HUNT: According to their response, yes. Systematically is it possible, yes. We don't have an extreme amount of experience with deficiencies to this level. Typically it's a staff person or several staff persons that need to be retrained and brought up to standard. When it's a section, or rather their program staff as a body, or either new or they were old staff who were not doing it correctly prior, that's kind of new for the Department, it's not really new but it doesn't happen often and not to this extent, but I will say it's possible.

MR. GOODWIN: Other questions?

(No response.)

MR. GOODWIN: We have a motion on the table to table this till the 25th and a second. Any further discussion? If not, we'll take a vote on that motion.
I'm sorry.

MR. BRADEN: Clarification. In that motion does it include subsequent monitoring?

MS. BINGHAM ESCAREÑO: Actually, we asked Earnest to make a recommendation based on our request and he recommends subsequent monitoring.

MR. ECCLES: Just as a clarification, is that monitoring to happen before the April 25 meeting and to make recommendations at that meeting?

MR. GOODWIN: I would assume that it would happen before April 25 and you would come back with a recommendation on April 25.

Any Board member disagree with that?

(No response.)

MS. BINGHAM ESCAREÑO: Mr. Williams.

MR. WILLIAMS: The only clarification I would like to have is that the monitoring that takes place needs to take place based upon the staff that's there now and not old monitoring based upon the staff that was there. You need to know that the current staff is doing the job that needs to be done and not looking at things that happened six months or seven months ago. And that staff that is not there now didn't just leave.

MR. ECCLES: Well, but there also will be disallowed costs that are going to carry through
regardless of when those occurred.

MR. GOODWIN: I don't want to speak for the other Board members, but I think what we're going to be looking for on April 25 is improvement, substantial improvement.

MS. BINGHAM ESCAREÑO: Substantial.

MR. GOODWIN: Any other questions?

(No response.)

MR. GOODWIN: If not, let's vote on the motion. All those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: Okay. That is tabled until April 25.

We move to action item number 5. Andrew.

MR. SINNOTT: Good morning, Chairman Goodwin, members of the Board. This is the last item of the action agenda, item 5, Presentation, discussion and possible action on a request for changes to direct loan terms for AHA! at Briarcliff.

So this direct loan award was made to Accessible Housing Austin under the 2017-1 multifamily direct loan NOFA in February of last year. This award of $1,492,200 was structured as two loans for repayment...
purposes in order to get under the 1.35 maximum debt coverage ratio. So you've got one loan for $1,337,200 structured as a zero percent deferred forgivable loan, and then the second loan is $155,000 structured as a zero percent hard repayable loan.

Since February of last year, construction costs and projected operating costs have increased, leading the applicant to increase the loan amount from the Texas State Affordable Housing Corporation, which is one of the other lenders on this deal, TSAHC. As a result of the increased loan amount and increased debt service on that loan, AHA! has requested that the entirety of TDHCA's direct loan be structured as deferred forgivable, as allowed under the supportive housing soft repayment set-aside under which they were awarded. So in other words, convert $155,000 of our loan from repayable to deferred forgivable in order to achieve them minimum 1.15 DCR. So it was a problem of going over the maximum DCR, now it's an issue of meeting the minimum DCR.

An additional step that staff has taken to ensure the 1.15 minimum DCR is met is to reduce the new principal amount of TSAHC's loan from about $995,000 to $967,500, so about a $30,000 haircut.

The second request in addition to getting our loan to be all deferred forgivable from AHA! is to allow
TDHCA's loans -- I say loans because there are two sources of funding that compose the direct loan award for this deal, as if it wasn't complex enough --

(General laughter.)

MR. SINNOTT: -- TCAP repayment funds and National Housing Trust Fund are the two sources, so the second request is to allow TDHCA's loans to be in parity first lien position with TSAHC's -- since TSAHC will now be the only lender providing a hard repayable loan. TDHCA has experience using parity lien agreements with USDA on their rural development loans, so we have a template that we can use and have some level of comfort with sharing first lien position with TSAHC since they have a similar mission of providing affordable housing, albeit as a nonprofit rather than a governmental agency.

For these reasons, staff recommends approval of AHA!'s request to restructure the direct loan terms in the manner I just presented for this deal. If you have any questions.

MR. GOODWIN: Any questions for Andrew?

(No response.)

MR. GOODWIN: Do I hear a motion to accept staff's recommendation?

MS. THOMASON: I make a motion to accept staff's recommendation.
MR. GOODWIN: Okay. Second?

MS. BINGHAM ESCAREÑO: Second.

MR. GOODWIN: It's been moved and seconded.

Any further discussion?

(No response.)

MR. GOODWIN: If not, all those in favor say aye.

(A chorus of ayes.)

MR. GOODWIN: Opposed?

(No response.)

MR. GOODWIN: It is passed.

MR. SINNOTT: Thank you.

MR. GOODWIN: We've come to the point in the agenda where we'll take public comments only for purposes of future Board meeting agenda items.

Joy, did you want to speak?

MS. HORAK-BROWN: I did want to speak. I'm Joy Horak-Brown. I'm the president and CEO of New Hope Housing in Houston, Texas.

For those of you I may not have met yet, I'm delighted to meet you, and to let you know that New Hope Housing is the leading provider of supportive housing in the State of Texas. We have 1,200 units of supportive housing, most of those units financed through the Texas Department of Housing and Community Affairs, for which we
always thank you on behalf of the people who live there. Our residents, 65 percent of them have experienced homelessness, and of that number, more than 50 percent of the 65 percent have been chronically homeless or have lived literally on the streets.

Most of our housing is for adults who live alone, but I'm here today to thank you very especially for what was a very difficult transaction for us to do and for you to approve -- it came to a Board vote -- and that's New Hope Housing at Reid, and I brought some pictures. I hope you can see them from here, this is two-sided. It's 187 one, two and three bedroom apartments, and again, the remainder of our housing is for adults who live alone, this is homeless and at-risk families, and it's a part of a 49-acre campus that we share with Star of Hope, the state's largest provider of services for the homeless, and with Buckner International out of Dallas which offers a community space that's right across, community center that is literally across the street from the building you're looking at.

So you're a single mom, your children come home on the school bus across the street from the apartment building you're looking at, they get off the bus and they walk about 20 steps to the community center where everything is free, the after school programming, the
summer programming, and we have 16,000 square feet of services space. There's a small building, that's one of the photographs you can see, where most of that services space is. I'll turn it over here so you can see one of our proud residents getting off the bus and some of the living space that's provided.

I knew this was going to be successful and you knew it too, which is how we got past all of this, which was difficult and protracted. I didn't realize how successful it would be. We leased up in a heartbeat. There are about 500 children there, most of them are young children, not older, and the services that have come from not only Star of Hope and Buckner but from the YMCA, from the Houston Food Bank, from the Children's Museum -- which is run by Tammy Kahn, her husband Barry Kahn is sitting in this room today, Tammy is doing a fabulous job there -- from the Houston Ballet, from the Symphony and from the Barbara Bush Literacy Foundation. I mean, the list of people who have come to this building to help these families is a long one and one that I hope you feel as proud of as I do.

And so this room is going to fill up in the next couple of months with people and a lot of them will be grumbling, and who knows, I may be among them, I do hope not. But today I'm here with a smile on my face and
my thanks to you.

I'm sorry Leo Vasquez isn't here because he's been here and he could bear witness, and I would love to see you here in Houston at any time it is convenient for you.

Thank you so very much.

MR. GOODWIN: Thank you, Joy.

(Applause.)

MR. GOODWIN: Any other comments?

(No response.)

MR. GOODWIN: If not, I'll entertain a motion to adjourn.

MS. BINGHAM ESCAREÑO: So moved.

MR. GOODWIN: And seconded?

MR. BRADEN: Second.

MR. GOODWIN: All in favor aye.

(A chorus of ayes.)

MR. GOODWIN: We are adjourned.

(Whereupon, at 9:47 a.m., the meeting was adjourned.)
CERTIFICATE

MEETING OF: TDHCA Board
LOCATION: Austin, Texas
DATE: January 17, 2019

I do hereby certify that the foregoing pages, numbers 1 through 84, 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.

DATE: January 23, 2019

(Transcriber)

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