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BOARD MEETING MINUTES Wednesday, May 8, 2013

A regular Board meeting of the Housing Finance Authority of Broward County, Florida, was held on Wednesday, May 8, 2013 in the 2nd Floor Conference Room, located at 110 N.E. 3rd Street, Fort Lauderdale, Florida immediately following a Tax Equity and Fiscal Responsibility Act ("TEFRA") hearing for a Multi-family Rehabilitation Housing Project known as Caravel Arms.

Mr. McKinzie called the meeting to order at 5:32p.m.

Board Members Present

Robert McKinzie, Jr., Chair	Kirk L. Frohme, Member
Daniel Reynolds, Vice Chair	Donna Jarrett, Member
Tony R. Valentine, Secretary	Jose "Pepe" Lopez, Member
John Primeau, Assistant Secretary	Bertha Smith, Member

Board Members Excused Absence

Brad Orvieto, Member

Staff:

Noel Pfeffer, Deputy County Attorney
Ralph Stone, Executive Director
Norman Howard, Assistant to the Director
Elizabeth Kersting, Interim Administrative Assistant

Also Present:

JoLinda Herring, Bryant, Miller & Olive, P. A.
Tracy Bryan, Dufresne & Associates, CPA
Tim Wranouix, Raymond James & Associates
Helen Feinberg, RBC Capital Markets
Vladimir Munoz, Regions Financial Corp
Anthony Brunson, Sharpton, Brunson & Associates, P.A.
Sophia S. Miller, Sharpton, Brunson & Associates, P.A.
Deborah Zomermaand, Zomermaand Financial Advisory Services

CALLING OF THE ROLL

A Roll Call was taken by Ms. Kersting and a quorum declared.

The TEFRA Hearing was conducted by Mr. McKinzie and Mr. Stone at 5:35 p.m., at 110 N.E. 3rd Street, 201, Fort Lauderdale, Florida. The Public Hearing was closed at 5:40 p.m.

A second roll call was taken by Ms. Kersting and a quorum declared.

Ms. Donna Jarrett entered the meeting at 5:42 p.m.

CONSENT AGENDA (1 through 7)

1. Approval of April 10, 2013 Regular Meeting Minutes
2. Executive Director's Report
3. Financial Reports
4. Pembroke Gardens Apartments Project (LURA Agreement)

MOTION TO APPROVE Resolution of the Housing Finance Authority of Broward County, Florida approving and authorizing an amendment to Land Use Restriction Agreement in connection with its \$9,600,000 Housing Finance Authority Multifamily Housing Revenue Bonds, Series 1999A and its \$500,000 Housing Finance Authority Taxable Multifamily Housing Revenue Bonds, Series 1999B (Pembroke Gardens Project); approving and authorizing the execution and delivery of certain other documents in connection therewith; and providing an effective date.

5. 2013 Florida Association of Local Housing Finance Authorities (FL ALHFA) Educational Conference July 10–13, 2013 in St Augustine.

MOTION TO APPROVE Staff and HFA Board members to attend the 2013 Annual Florida Association of Local Housing Finance Authorities Conference in St. Augustine, Florida from July 10-13, 2013.

6. Sharpton, Brunson and Company, P.A. (Agreement/Option)

MOTION TO APPROVE the second and final one (1) year option in the Agreement between the HFA and Sharpton, Brunson and Company, P.A. from August 12, 2013 to August 12, 2014 for Audit Services for the HFA Single Family and Multifamily Mortgage Revenue Bonds.

7. Request for Letters of Interest (RLI) – HFA Financial Advisory Services for Single-Family and Multi-family Mortgage Revenue Bonds

MOTION TO APPROVE Request for Letters of Interest (RLI) No. 20140413-FA1 to provide the HFA with financial advisory services in the area of housing tax exempt and or taxable private activity bonds, assist with capital and strategic planning, preparing, preparing special reports and analyses as requested by the HFA board or Designee

MOTION was made by Mr. Reynolds, seconded by Ms. Smith to approve Consent Agenda Items 1, 2, 3, 4, 5, 6, and 7 for May 8, 2013. This motion was unanimously approved.

REGULAR AGENDA

PRESENTATION

8. Ms. Sophia Miller and Mr. Anthony Brunson of Sharpton, Brunson & Company, P.A. presented the 2012 Single Family and Multifamily Housing Revenue Bond Audited Financial Statements (Results Financial Overview).

Mr. Brunson thanked the HFA members on behalf of the Sharpton Brunson Family for the opportunity of being of service in regards to the recent bond audit for the fiscal year ending September 30, 2012. Mr. Brunson made reference to the Financial Report that was presented to the Board of Directors. He stated that this report summarized certain matters required by professional standards to be communicated in reference to HFA's oversight responsibility to the Multi-family and Single Family Bond Issues financial reporting process.

Mr. Brunson spoke about the auditor's responsibilities of expressing an opinion on management's preparation of the bonds fund financial statements, and whether they were presented fairly and in conformity with Generally Accepted Accounting Principles (GAAP). Mr. Brunson stated that in terms of significant accounting policies and unusual transactions, there were no unusual transactions or alternative treatments pursuant with GAAP standards that were discussed with management. In terms of management's accounting estimates and judgements Mr. Brunson made reference to an addendum that was provided regarding some of the accounting estimates that were specific to the HFA. He noted that there were some audited adjustments related to write-offs, allowances and balances but was not considered unusual.

Mr. Jose Lopez and Mr. Tony Valentine entered the meeting at 5:45 p.m.

Mr. Brunson indicated that major issues including the Federal Guarantee Insurance Corporation solvency, management's challenge surrounding the 2nd mortgage collection activities; monitor/collection of nonperforming 2nd mortgages and Moody's ratings on the 2006 and 2007 Single Family Mortgage Revenue bonds were discussed with management, Trustees, and Dufresne & Associates. He stated that there were no disagreements or difficulties in working with management and staff. He stated that his firm remained independent in connection with their relationship with the HFA.

Scope of Examination: Mr. Brunson provided the scope of examination which included a review of internal control environment and tested compliance with bond covenants. A total of 25 bonds were audited for FYE 2012 (19 multifamily bonds and 6 single family bonds issues) compared to 38 audits done last year 2011 (31 multifamily and 7 single family bond issues). Mr. Brunson stated that an unqualified audit opinion was issued on financial statements of all bond issues; internal control over financial reporting reflected no significant deficiencies.

Significant Audit Results: Mr. Brunson provided a power-point Presentation of the audit results and financial overview of the multi-family and single family bond issues.

Slide 4 – Multi-family Bond Issues: there were no bonds added in FYE 2012. Six (6) bonds were refinanced or paid off in FYE 2012: 1997 Pompano Oaks, 1997 Jacaranda Village, 2002 Golf View Gardens, 1998 Cross Keys, 1999 Bridgewater Place and 2000 The Pointe at Banyan Trails. Three (3) bonds were waived by developers in accordance with the bond Indenture: 2006 Pembroke Village; 2002 St. Croix and 1998 Praxis Phase III. Therefore, no audits could be performed on these three bonds.

Slide 5 – Single Family Bond issues: there were no bonds added or paid off in FYE 2012.

Slide 6 – Single-family 1985 Series B bond issue experienced a loss of approximately \$78,000 with an accumulated deficit of approximately \$640,000. Mr. Brunson noted that if assets are insufficient to make interest and principal payments required under the Trust Indenture the HFA Trustee is to file a claim with the Financial Guarantee Insurance Corporation, but this can only be filed if there is a non-payment of principal and interest.

Slide 7 – Single-family 2000 Series A&B bond issues – The HFA contributed \$78,000 to assist in the payment of certain bond issuance costs. It showed revenues which exceeded expenses by approximately \$48,000 due to interest income from long term investment in Federal National Mortgage Association (FNMA) and Government National Mortgage Association (GNMA) pool funds. The bonds were redeemed in December 2012 resulting in \$875,000 cash collateral.

Slide 8 – Single-family 2006 Series AB&C bond issues – Overview at inception, HFA's contribution was \$345,950 to assist in the payment of certain bond issuance costs. The risk factor was that this amount might not be refundable upon the maturity of the bond. In terms of performance, the excess expenses over revenue for the period ended was approximately \$92,000 with an accumulated deficit of approximately \$184,000.

Mr. Brunson noted that the bond fund incurred an arbitrage liability that will be refunded to the United States. He stated that on December 2010 \$163,000 was paid for arbitrage liability. The accumulated arbitrage liability remaining as of September 30, 2012 was \$16,000. It was noted that the HFA Trustee holds sufficient funds in a Rebate Trust Account to cover this liability.

Slide 10 – Single Family 2006 Series AB&C – there was a comparative calculation on 2nd mortgages allowance for doubtful debt between FYE 2011 and FYE 2012. In 2011 bad debt expenses reflected approximately \$293,000 (6 delinquency - 120 days - \$240,000; Foreclosure \$53,000). In 2012 bad debt expenses reflected approximately \$108,000 (2 foreclosures \$71,000 and 1 delinquency -120 days - \$37,000).

Slide 11 – Single Family 2007 Series A, B, C & D - At inception, the HFA contributed \$800,000. It was noted that at maturity there is no guarantee there will be any residual funds to refund. In terms of performance, excess expenses over revenue for the period, was approximately \$100,000 and accumulated surplus was approximately \$555,000. Attributing to this surplus was investment income during prior periods.

Slide 12 - Single Family 2007 Series ABC&D - there was a comparative calculation on 2nd mortgages allowance for doubtful debt between FYE 2011 and FYE 2012. FYE 2011: Bad debt expenses of approximately \$297,000 (3 delinquencies – 120 days - \$131,000; the difference between G/L and Citicorp Schedule was \$166,000). FYE 2012: Bad debt

expenses of approximately \$106,000 (1 foreclosure - \$11,000; 3 delinquencies - 120 days - \$95,000).

Slide 13 – Single Family 2007 Series E&F – At inception there was a \$487,000 contribution by the HFA towards the Bond Program Funds to pay certain bond issuance costs – Excess revenue over expenses for the period ended was approximately \$264,000 with accumulated surplus of approximately \$335,000.

At the conclusion of the audit presentation there was a question and answer session between the HFA Board members, HFA Professional Team (RBC Markets, Financial Advisor, County Attorney, Bond Counsel and Staff). The Auditors Ms. Miller and Mr. Brunson provided clarification of the audit process in reference to the Single Family Bond Series 2006 and 2007 2nd mortgages. Recommendations and solutions in reference to the Master Servicer, CitiMortgage Inc. were provided by staff. Mr. McKinzie thanked Mr. Brunson for his audit presentation to the HFA Board.

9. **MATTERS OF HFA MEMBERS**

None

10. **MATTERS FROM THE FLOOR**

Mr. McKinzie reiterated information concerning the upcoming FLALHFA Educational Conference in St. Augustine, Florida. He encouraged members to respond to HFA staff whether they will be in attendance so that appropriate registrations can be made.

11. **NEXT BOARD MEETING**

June 12, 2013

12. **ADJOURNMENT**

Meeting was adjourned at 6:20p.m.

Disclosure: The above captioned Minutes are transcribed in a summary format. To hear the full meeting, a compact disk of the meeting (#HFA 04-10-2013) can be provided after 24 hour notice to the administrative office at 954-357-4928