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## **BOARD MEETING MINUTES Wednesday, April 9, 2014**

A regular Board meeting of the Housing Finance Authority of Broward County, Florida, was held on Wednesday, April 9, 2014, in the 2<sup>nd</sup> Floor Conference Room, located at 110 N.E. 3rd Street, Fort Lauderdale, Florida.

Mr. Reynolds called the meeting to order at 5:30pm.

### Board Members Present:

Daniel Reynolds, Chair  
John Primeau, Vice Chair  
Bertha Smith, Secretary  
Donna Jarrett, Assistant Secretary  
Kirk L. Frohme, Member  
Milette Thurston, Member

### Board Members Absent:

Robert McKinzie, Jr., Member  
Jose "Pepe" Lopez, Member

### Staff:

Noel Pfeffer, Deputy County Attorney  
Carlos Rodriguez-Cabarrocas, Assistant 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.  
Shaun Davis, S. Davis and Associates, PA  
Linda Dufresne, Dufresne & Associates P.A – via telephone  
Kevin Adderley Sharpton, Brunson & Company P.A.  
Deborah Zomermaand, Zomermaand Financial Advisory Services

## **CALLING OF THE ROLL**

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

## **CONSENT AGENDA (1 through 5)**

1. Approval of March 12, 2014, Regular Meeting Minutes
2. Executive Director's Report
3. Financial Reports
4. Harbour Cove Apartments Project

MOTION TO APPROVE Resolution of the Housing Finance Authority of Broward County, Florida approving and authorizing an amendment to Land Use Restriction Agreement, a Subordination Agreement and an Escrow Deposit and Defeasance Agreement in connection with its \$13,915,000 Multi-family Housing Revenue Bonds, (Harbour Cove Project), Series 2003; approving and authorizing the execution and delivery of certain other documents in connection therewith; and providing an effective date.

5. 2014 Florida Association of Local Housing Finance Authorities (FLALHFA) Educational Conference July 9–12, 2014, in St. Augustine.

MOTION TO APPROVE Staff and HFA Board members to attend the 2014 Annual Florida Association of Local Housing Finance Authorities Conference in St. Augustine from July 9-12, 2014.

There were no discussions on consent agenda items #1 through #5.

**MOTION was made by Mr. Kirk Frohme, seconded by Mr. John Primeau to approve Consent Agenda Items 1, 2, 3, 4, and 5 for April 9, 2014. This motion was unanimously approved.**

## **REGULAR AGENDA**

### PRESENTATION

6. Sharpton, Brunson & Company, P.A. - 2013 Single-family and Multi-family Housing Revenue Bonds Audited Financial Statements (Results Financial Overview).

Mr. Kevin Adderley of Sharpton, Brunson & Company, P.A. did a presentation of the audit results and financial overview in reference to the HFA 2013 Single-family and Multi-family Housing Revenue Bonds for year ended September 30, 2013. Several slides were reviewed in reference to the scope of examination and significant audit results.

**Scope of Examination:** Mr. Adderley stated that a total of 25 bonds were audited for 2013 (19 Multi-family bond issues and 6 single-family bonds issues) pursuant to generally accepted auditing standards, government auditing standards, internal control environment and tested compliance with bond covenants. He stated that an unmodified audit opinion was issued on financial statements of all bond issues and acknowledged that it was clearly presented and reflected no significant deficiencies in terms of internal control over financial reporting.

**Significant Audit Results:** Slide 4 - Multi-family bond issues – Mr. Adderley reported that there were no bonds added in fiscal year ending 2013. Three bonds were paid off: 1993 Sawgrass Pines Project, 1998 Praxis Phase III Project and 1999 Pembroke Gardens Apartment Project.

Slide 5 - Single Family Bond issues - It was reported that there were no bonds added for fiscal year ending 2013. A total of two bond issues were paid off – 1991 Series C and D GNMA collateralized. Residual assets of \$61,000 were transferred to the HFA with \$21,000 residual assets remaining to be paid to the HFA as of September 30, 2013. For the 2000 Series A and B – residual assets of \$999,000 was transferred to the HFA with a remaining balance of \$58,000 due to the HFA as of September 30, 2013.

Slide 6 - Single Family Bond issue 1985 Series B experienced a loss of approximately \$78,000 with an accumulated deficit of approximately \$720,000. It was reported that there would be no liability to the HFA. Should assets be 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.

Slide 7 – Single Family Bond Issues 2006 Series A, B & C – The HFA contributed \$346,000 at inception to assist in the payment of certain bond issuance costs. If not paid earlier per the trust indenture, this amount should be refundable to the HFA upon maturity of the bonds to the extent that there are residual funds. Excess expenses over revenue for the period ended was approximately \$47,000. This was attributed to a decrease in the FMV of long term investments of \$74,000. Prior period adjustments were to the amount of \$248,000. It was reported that during FY 2013 the HFA implemented GASB Statement 65, which resulted in a prior period adjustment to capitalized bond issue costs of \$98,000. There was also a reclassification to the equity of \$346,000 that was contributed by the HFA which previously was reported as other liabilities.

Slide 8 – It was reported that the 2006 Series A, B & C net position was \$16,000 as of September 30, 2013. For the period the bond fund incurred an accumulated arbitrage liability of \$16,000 that will be refunded to the United States Treasury. Mr. Adderley stated that HFA Trustee holds sufficient funds in a Rebate Trust Account to cover this liability. An allowance amount of \$173,000 was in reserve to cover doubtful debt in terms of 2<sup>nd</sup> Mortgages.

Slide 9 - Single Family Bond Issues 2007 Series A, B, C & D – At inception, the HFA contributed capital of \$800,000 to the Bond Program Funds to pay for certain bond issuance costs. Excess expenses over revenue for the period ended was approximately \$408,000. This excess was attributed to a decrease in the FMV of long term investments of \$342,000 market to market adjustments to the investment for that bond issuance with an increased allowance for doubtful debt reserve to the amount of \$124,000. Prior period adjustments were \$686,000. Mr. Adderley stated that during FY 2013 the HFA implemented GASB Statement 65, which resulted in a prior period adjustment to capitalized bond issue costs of \$114,000. Net position of this bond issuance as of September 30, 2013 was \$833,000 with a total of \$311,000 allowance reserved for doubtful debt on the 2<sup>nd</sup> Mortgages.

Slide 10 - Single Family Bond Issues 2007 Series E & F – At inception the HFA contributed \$487,000 to Bond Program Funds for bond issuance costs. Excess expenses over revenue

were approximately \$240,000. This excess expense over revenue was attributable to a decrease in the FMV of long term investments of \$332,000. Prior Period Adjustments was \$435,000. During FY 2013 the HFA implemented GASB Statement 65 which resulted in a prior period adjustment to capitalized bond issue costs of \$52,000. There was also a reclassification to the equity of \$487,000 contributed by the HFA which was previously reported as other liabilities. Net position as of September 30, 2013 was \$531,000. Mr. Adderley stated that significant issues were discussed with Management in reference to the Single Family bond issues: Federal Guarantee Insurance Corporation solvency; prior period adjustments to fiscal year 2013 financial statements; monitoring the collection activity of nonperforming 2<sup>nd</sup> mortgages and adequate allowance for doubtful accounts for 2<sup>nd</sup> mortgage receivables with no collection activity for a certain time period.

At the conclusion of the presentation there was a question and answer period among board members. Inquiries were made on several bonds in reference to their maturity dates; marketing investments of the bonds, claims filed via Florida Guarantee Insurance Corporation; as well as insurance coverage of the bonds. Clarification was requested regarding market to market adjustments and prior period adjustments in terms of the single-family bond issues: 1991 Series C&D and 2000 Series A&B. Mr. Primeau expressed some concerns in reference to the delay in reimbursements of the residual assets on these bonds (remaining balance still outstanding of approximately \$21,000 and \$58,000 respectively as of September 30, 2013). Mr. Howard was directed to contact the Bank of New York to find out the reason for this delay. Mr. Frohme made reference to the single family bond issues 2007 ABC&D and Series 2007 E&F in terms of huge deficits incurred. He made inquiries as to the nature of these investments and the huge market to market adjustments that were made (\$342,000 and \$332,000 respectively). Mr. Adderley provided an explanation and stated that for clarification he will provide a 5 year trend for distribution to the HFA Board.

## **UPDATE ITEM**

### 7. HFA Board Retreat

Mr. Stone provided information regarding the HFA Board Retreat that is being planned for May 14, 2014, from 1:30pm to 4:30pm. The retreat will be held at Secret Wood Nature Center located at Broward Parks and Recreation, 2701 West State Road 84, Dania Beach Florida.

## **INFORMATION ITEM**

### 8. Advisory Boards & Authorities - General Requirement & Policies (Section 1-233)

Mr. Reynolds made reference to the revision of the Advisory Board Policies Section 1-233(e) (4) together with supporting Ordinance 2014-08 stating that the Board of County Commissions made some changes pertaining to attendance records for appointees to Advisory Boards and Authority. Significant change to the policy stated that: *"If a board member does not confirm to the board coordinator that he or she will be present, at least two (2) days prior to the meeting, he or she will be marked absent where such failure results in the meeting being cancelled for lack of a quorum."* There was discussion regarding this matter. Mr. Pfeffer responded accordingly providing clarifications to inquiries made by board members.

9. **MATTERS OF HFA MEMBERS**

Mr. Stone informed members of an email received on April 8, 2014, from Mark Hendrickson, Executive Director of Florida ALHFA advising HFA participants of the limited availability of funds for the local HFA's Down Payment Assistance (DPA) Program (2<sup>nd</sup> mortgage loans) that Broward HFA partnered with Lee County HFA Single Family Bond Program. He deferred to Ms. Zomermaand who provided a status update regarding the program. Ms. Zomermaand stated that currently the HFA has \$118,000 of outstanding commitments of which one loan has been funded in the amount of \$10,000. It is anticipated that there will be an additional 5 to 8 loans at \$10,000 per loan that will be in the pipeline between now and April 25, 2014, making the anticipated HFA exposure below \$200,000. She mentioned that there have been discussions to assure an orderly end of the program, but no decisions have been finalized at this time. Based on Mr. Hendrickson's email there is an indication that extra moneys may be available to the HFAs allowing for continued funding within the program. Therefore, this information is being brought to the attention of the Board to initiate the necessary direction to staff.

Mr. Stone requested that the Board provide direction to staff that: (1) if Florida Housing does not provide additional funding by April 25, 2014, to immediately stop the origination of additional loans or (2) if Florida Housing does provide additional funding to continue to originate loans and apprise the Board on the funding allocation at the next HFA Board Meeting.

**MOTION was made by Mr. John Primeau, seconded by Mr. Kirk Frohme to approve and authorize Staff to cease the program if there is no funding by Florida Housing after April 25, 2014, or continue funding loans if funds are available and provide an update of the available funds received by Florida Housing at the next HFA Meeting. This motion was unanimously approved.**

10. **MATTERS FROM THE FLOOR**

Mr. Reynolds informed members that Mr. Carlton Moore, City Commissioner of Fort Lauderdale passed away this week. He stated that among the many things he championed in his lifetime was affordable housing, and this means that all should work harder in his absence. He would be greatly missed by this community.

11. **NEXT BOARD MEETING**

May 14, 2014

12. **ADJOURNMENT**

There being no other business the meeting was adjourned at 6:15 pm.

**Disclosure:** The above captioned Minutes are transcribed in a summary format. To hear the full meeting, a compact disk of the meeting (#HFA 4-9-2014) can be provided after 24 hours' notice to the administrative office at 954-357-4928