

MINUTES
FINANCE/AUDIT COMMITTEE OF THE
CONNECTICUT HOUSING FINANCE AUTHORITY (CHFA)
REGULAR MEETING
January 31, 2019

Committee Members

Present: Jared Schmitt, Chairperson of Finance/Audit Committee
Michael Cicchetti
Timothy Hodges
Jorge Perez, Banking Commissioner
David Kooris, representing the Department of Economic & Community
Development
Sheree Mailhot, representing Shawn Wooden, State Treasurer
Franklin Perry II

Staff Present: Theresa Caldarone, Assistant Director, Legal
Joyce Ciampi, Director, Internal Audit
John Chilson, Director, Portfolio Management
William Dickerson, General Counsel
Sherry Lambert, Manager, Research and Analysis
Allison Murphy, Director, Financial Reporting and Control
Ed Myskowski, Director, Investment & Debt Management
Hazim Taib, Chief Financial Officer

Others Present: Jessica Aniskoff, BlumShapiro, External Auditor
Robert Lamb, Lamont Financial Services, Financial Advisor
Ronald Nossek, BlumShapiro, External Auditor
Kathleen Orlandi, Hawkins, Delafield & Wood, Co-Bond Counsel
Julian Quintanilla, Lamont Financial Services, Financial Advisor

Jared Schmitt called the meeting of the Finance/Audit Committee to order at 9:02 a.m., in the Executive conference room of CHFA's offices, 999 West Street, Rocky Hill, Connecticut 06067.

Mr. Taib discussed the recommendation to commence necessary preparations for the 2019 Series A Bond issue for the single-family program. He noted that this is the first issuance in 2019 for the single-family program. The bonds are anticipated to generate approximately \$125,000,000 of lendable proceeds to finance approximately 684 single-family loans, and CHFA anticipates refunding approximately \$59,000,000 of prior bonds. Mr. Taib stated that CHFA expects to use approximately \$76,000,000 of its 2018 carryforward balance and \$15,000,000 of taxable bonds to generate the lendable proceeds. The resolution authorizes Citigroup Global Markets to act as the book running senior manager.

Upon a motion made by Mr. Perez, seconded by Mr. Kooris, the Finance/Audit Committee members voted in favor of recommending to the Board for consideration the resolution for the commencement of necessary preparations for the 2019 Series A Bond Sale for the Housing Mortgage Finance Program (Mr. Cicchetti and Mr. Hodges were not present for the vote).

Mr. Taib spoke about the Private Activity Bond Volume Cap and mentioned that in December 2018, the State Bond Commission awarded CHFA unused carryforward. He noted that assumptions made for the 2019 budget included carryforward being allocated to single family. Mr. Taib stated that CHFA's 2019 Lending Plan is amended to show the revised amounts for the carryforward allocation, the changes to the 2019 tax-exempt bond allocation, and changes to the allocation of 9 percent federal low-income housing tax credits.

Upon a motion made by Mr. Perry, seconded by Mr. Kooris, the Finance/Audit Committee members voted in favor of recommending to the Board for consideration the resolution regarding the State Carryover Bond Allocation (Mr. Cicchetti was not present for the vote).

Mr. Taib introduced Mr. Nossek and Ms. Aniskoff from BlumShapiro. Mr. Nossek discussed the 2018 audit plan for CHFA's financial statements for the year ended December 31, 2018. He stated that this is BlumShapiro's third year, and noted that the risk profile of CHFA has not changed much over the last several years. Mr. Nossek indicated that the information provided to the Finance/Audit Committee members highlights the engagement team, the audit objectives and scope, fundamental dates, the audit approach and key audit areas/areas of emphasis. With respect to industry developments, Mr. Nossek mentioned that GASB Statement 75 will be applicable in the audit and requires actuarial measurement of liability for other post-employment benefits (OPEB). He noted that this change will result in the restatement of last year's numbers and a significant booking of liability on CHFA's balance sheet. Mr. Nossek asked for input on other areas which the Finance/Audit Committee members would like BlumShapiro to focus on and encouraged the Finance/Audit Committee members to contact BlumShapiro with any questions and/or feedback.

Mr. Taib discussed the financial reports for December 2018, noting that the information contained in the reports is preliminary and unaudited. He reviewed the reports in comparison with year-end reports for 2017, highlighting the major variances. In response to a question about the adjustment for fringe benefits, Ms. Murphy explained that CHFA is provided with the fringe benefit rate by the State Comptroller's office July 1 for the State's fiscal year July 1 through June 30. However, CHFA operates by calendar year, so the rate provided by the state is only applicable to CHFA budget through June 30. Mr. Taib spoke about the delinquencies for CHFA's loans and noted that the delinquency rate for the combined portfolios of mortgage-backed securities and whole loans is 3.85%. Mr. Taib stated that the multifamily delinquency rate is 2.27%.

Ms. Lambert reviewed the monthly tracking report. She summarized the recommendations that will be presented today at the Mortgage Committee and Board meetings under the multifamily program which includes reservations of tax-exempt bonds and 4 percent low-income housing tax credits. Ms. Lambert stated that under the homeownership program for the 2018 calendar year,

CHFA purchased 1,544 first-time homebuyer loans and 1,167 Downpayment Assistance Program loans. First mortgage purchases were approximately 8 percent higher than in 2017 and downpayment assistance loans were lower than 2017 which was expected due to the change in the program.

Mr. Schmitt asked the Finance/Audit Committee members to consider the minutes from the November 29, 2018 meeting.

Upon a motion made by Mr. Perez, seconded by Mr. Kooris, the Finance/Audit Committee members voted in favor of adopting the minutes from the November 29, 2018 Finance/Audit Committee meeting as presented (Mr. Cicchetti, Ms. Mailhot and Mr. Perry abstained from the vote).

There being no further business to discuss, upon a motion made by Mr. Perez, seconded by Mr. Perry and unanimously approved, the meeting was adjourned at 9:23 a.m.