

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 RESÉNDIZ Member
SHARON THOMASON, Member
LEO VASQUEZ, Member

DAVID CERVANTES, Acting Director

I N D E X

<u>AGENDA ITEM</u>	<u>PAGE</u>
CALL TO ORDER	7
ROLL CALL	
CERTIFICATION OF QUORUM	
CONSENT AGENDA	
ITEM 1: APPROVAL OF THE FOLLOWING ITEMS PRESENTED IN THE BOARD MATERIALS:	7
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

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: 7
- 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 8

- 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 11
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 13
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 15
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 18
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 65
 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 77
 action on a request for changes to
 Direct Loan terms

17511 AHA! at Briarcliff Austin

PUBLIC COMMENT ON MATTERS OTHER THAN ITEMS 80
 FOR WHICH THERE WERE POSTED AGENDA ITEMS

EXECUTIVE SESSION none

OPEN SESSION --

ADJOURN 83

P R O C E E D I N G S

1
2 MR. GOODWIN: Good morning, and I welcome you
3 to the first Board meeting for the Texas Department of
4 Housing and Community Affairs for January 17, 2019, the
5 first Board meeting for 2019.

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

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

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

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

18 (No response.)

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

21 (No response.)

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

24 MR. BRADEN: So moved.

25 MR. GOODWIN: It's been moved. A second?

1 MS. THOMASON: Second.

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

4 (Speaker from audience not at microphone.)

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

7 (Speaker from audience not at microphone.)

8 MR. GOODWIN: Those are on the action items.
9 Okay?

10 Any other questions?

11 (No response.)

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

14 MS. THOMASON: Second.

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

17 (A chorus of ayes.)

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

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

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

25 This item is 3(a) which is approval of the

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

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

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

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

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

23 MR. GOODWIN: Questions?

24 MR. BRADEN: Yes, to the chair.

25 MR. GOODWIN: Yes.

1 MR. BRADEN: Good morning, Monica.

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

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

8 MR. BRADEN: Okay.

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

11 MR. BRADEN: And so what --

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

17 MR. BRADEN: Okay.

18 MR. GOODWIN: Any other questions?

19 (No response.)

20 MR. GOODWIN: Do I hear a motion?

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

22 MR. GOODWIN: Okay. Second?

23 MS. BINGHAM ESCAREÑO: Second.

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

25 Any further discussion?

1 (No response.)

2 MR. GOODWIN: All those in favor say aye.

3 (A chorus of ayes.)

4 MR. GOODWIN: Opposed?

5 (No response.)

6 MR. GOODWIN: Okay.

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

17 The 2019A bonds that we just discussed in the
18 prior item, they'll be issued under this indenture, and
19 that will be the first issue for this indenture since
20 2011. Purchase of those bonds will constitute deemed
21 consent for this amended and restated indenture, so
22 concurrent with closing this bond issue, we will have
23 achieved 64 percent bondholder consent. We'll need two-
24 thirds consent so we still have to pursue additional
25 bondholders and get the rest of the consents then, but

1 this is called a springing covenant so the amendments
2 won't go into effect until we have all of the required
3 consents combined with any additional third parties that
4 need to consent such as Freddie, Fannie, some of the other
5 players that are within our indenture.

6 I'd be happy to answer any questions.

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

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

14 MR. GOODWIN: Okay. Any questions?

15 MR. BRADEN: Again to the chair.

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

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

25 MR. BRADEN: Okay.

1 MR. GOODWIN: Any other questions?

2 (No response.)

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

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

5 MR. GOODWIN: Second?

6 MS. BINGHAM ESCAREÑO: I'll second.

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

8 Any further discussion?

9 (No response.)

10 MR. GOODWIN: All in favor say aye.

11 (A chorus of ayes.)

12 MR. GOODWIN: Opposed?

13 (No response.)

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

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

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

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

1 which means that we need to reduce our MCC volume.

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

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

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

18 MR. GOODWIN: Any questions?

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

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

22 MR. BRADEN: I'll move to approve.

23 MR. GOODWIN: Moved to approve.

24 MS. THOMASON: Second.

25 MR. GOODWIN: And seconded. Any further

1 discussion?

2 (No response.)

3 MR. GOODWIN: All in favor say aye.

4 (A chorus of ayes.)

5 MR. GOODWIN: Opposed?

6 (No response.)

7 MR. GOODWIN: Thank you, Monica.

8 Moving on to item 3(d), Teresa.

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

11 Chairman Goodwin and members of the Board, item
12 3(d) involves the issuance of multifamily revenue bonds
13 for the acquisition and rehabilitation of 100 units in San
14 Antonio, with restricted units ranging from 50 percent of
15 the area median income to 80 percent of the area median
16 income. McMullen Square will serve the general
17 population.

18 Under the proposed financing structure, the
19 Department will issue unrated tax exempt bonds in the
20 amount of \$10 million. The bonds will bear interest at a
21 fixed rate during construction and there will be a forward
22 starting swap in place at closing that will commence once
23 the property has reached stabilization. The Department is
24 not a party to the swap. The interest rate on the bonds
25 is reflected in the bond resolution along with the

1 specific terms and maturity. The structure for this
2 transaction is somewhat similar to the Forestwood
3 transaction that this Board approved a few months ago.

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

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

23 MR. GOODWIN: Good. Any questions?

24 (No response.)

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

1 MS. BINGHAM ESCAREÑO: I move to approve or to
2 so resolve, to also grant the waiver and provide the
3 determination notice, all staff's recommendation.

4 MR. GOODWIN: Do I hear a second?

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

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

8 MS. THOMASON: Second.

9 MR. GOODWIN: It's been moved and seconded.
10 Paul.

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

22 MS. GALUSKI: Yes, we do have processes in
23 place and we've been talking with our disclosure counsel,
24 and Ed Morris is our compliance person for disclosure, and
25 so we have standard operating procedures, we're very aware

1 of the change and we are looking at that making sure we're
2 complying.

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

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

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

14 MR. BRADEN: That makes sense.

15 MR. GOODWIN: Any other questions?

16 (No response.)

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

19 (A chorus of ayes.)

20 MR. GOODWIN: Opposed?

21 (No response.)

22 MR. GOODWIN: It passes.

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

24 MR. HUNT: Good morning. I'm Earnest Hunt,
25 director of Compliance, Subrecipient Monitoring.

1 I'm reporting on agenda item number 4(a)
2 regarding the Department's initiation of proceedings to
3 remove the eligible entity status from Galveston County
4 Community Action Council, Inc., and to terminate their
5 2019 Community Services Block Grant contract and future
6 funding. The Department is recommending this action as a
7 result of reoccurring monitoring findings as far back as
8 the 2012 program year, however, I want to lay out the more
9 current issues that have led to this recommendation today.

10 In March 2018 the Department monitored
11 Galveston County and in May 2018 we issued a report with
12 deficiencies and concerns. These concerns included many
13 repeat findings from monitoring visits prior to that time
14 that were not resolved within the corrective action
15 period. While not going into all of these issues, just a
16 few examples include inadequacies in their procurement
17 policies and procedures which creates a risk for ongoing
18 disallowed costs, missing income support documentation,
19 erroneous cost allocation, inaccurate income eligibility
20 calculations and incomplete client files. That visit also
21 resulted in outstanding disallowed costs of approximately
22 \$37,000.

23 The Department's Community Affairs Program
24 Division has provided extensive training to Galveston
25 County every year since 2014, however, that training was

1 not effective. Therefore, the staff procured a third
2 party provider to provide an intensive assessment and
3 consultation on behalf of the Department. This was
4 performed by WiseCAP, Inc. and Whitley, LLP, also known as
5 the Partnership. That report identified numerous fiscal,
6 programmatic and systems findings, most of which were
7 consistent with the findings of the Department.

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

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

1 116, or IM-116, the Department issued a final decision
2 letter in October of 2018 which required Galveston County
3 to develop and then fully implement the QIP by December 5,
4 2018.

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

17 Galveston County has the opportunity and
18 ability to come into compliance until the end of
19 termination proceedings. It should be noted that the
20 recommendations made by the Partnership and the
21 requirements for the QIP were reflective of findings
22 identified by the Department prior to the May 2018 visit.

23 The length of time Galveston has had to fix these issues
24 predates the QIP. Therefore, staff is requesting Board
25 approval to move forward with initiating the process to

1 remove Galveston County's eligible entity status.

2 Please note this request to the Board is an
3 early phase of a lengthy IM-116 process. If the Board
4 approves the request, the Department will pursue a hearing
5 with the State Office of Administrative Hearings, or SOAH.

6 SOAH will issue a proposal to the Board regarding the
7 request to terminate eligible entity status. If the Board
8 decides to move forward with termination, then Galveston
9 County may seek review of the case by Federal Health and
10 Human Services. If Health and Human Services does not
11 overturn the decision by the 90th calendar day from the
12 Board's decision, then all CSBG contracts will be
13 terminated, however, Galveston County will still be
14 eligible to draw funds throughout this entire process.

15 I can address any questions.

16 MR. GOODWIN: Okay. Any questions?

17 (No response.)

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

21 MS. BINGHAM ESCAREÑO: So moved.

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

23 MS. THOMASON: Second.

24 MR. GOODWIN: Moved and seconded. All in favor
25 say aye.

1 (A chorus of ayes.)

2 MR. GOODWIN: Opposed?

3 (No response.)

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

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

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

14 When I graduated from college, I went into the
15 Peace Corps, and that was a long time ago, back in the
16 sixties, and during the time I was in the Peace Corps, my
17 mother helped form a community action agency in the small
18 Kansas community which I come from. After returning to
19 the states from the Peace Corps, I started working at that
20 community action agency, and I give you that information
21 to let you know that community action is part of me, it's
22 part of who I am. All of my adult life I have worked in
23 the area trying to make sure that individuals who were
24 less fortunate than myself have an opportunity to move
25 towards the American dream.

1 I have been in Texas now for approximately 20
2 years. I came down here to work for the University of
3 Texas Medical Branch. I was recruited to come down here
4 at the University of Texas Medical Branch, and I think my
5 service there has been very effective. For a number of
6 years individuals have come to me and said, You need to go
7 work over at the community action agency. And I didn't
8 really understand why but they were trying to tell me at
9 the time that there were numerous problems in that agency.
10 And so finally, after a number of years of people telling
11 me this, I finally got an opportunity to go over there and
12 apply for a position and I got the position of executive
13 director.

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

21 The situation that we're in today, in the time
22 that I've been there I've tried to restructure exactly how
23 that organization performs. The individuals who received
24 training from the TDHCA staff, none of them are there now.
25 The staff that is there now is all brand new because I

1 have gotten rid of that staff that was performing so
2 unsatisfactorily. Most of that staff was hired as a
3 result of going through a secretarial pool, bringing
4 individuals in on a temporary basis, and after they worked
5 there for maybe six months to a year, then they were
6 hired.

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

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

25 And so it has taken us a while to get to that

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

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

24 I finally decided since I am the executive
25 director, I'm going to hire somebody based upon what is

1 currently out there, and so I hired a CPA that makes
2 80-some thousand dollars a year, and as a result, all of
3 the fiscal policies, all the fiscal difficulties that we
4 have had have been changed. The reconciliations will be
5 completed the end of this month but he had almost a year
6 to try to do reconciliations in addition to creating a
7 financial manual, creating allocation plans, creating
8 everything that has to do with the fiscal operations of
9 the department. And we only have three people in that
10 department and so it's taken us a little bit of time, but
11 all of the other things that the Partnership brought
12 before us and said we needed to do, we have done, we have
13 met that QIP except for those items.

14 And all of a sudden now we're being told we owe
15 \$37,000 in disallowed costs. That's the first time I've
16 ever heard that figure. We were told that we owed \$18,000
17 in disallowed costs and that the Department would work
18 with us to ensure that that could be reduced, that we
19 could identify where those monies could have gone and how
20 they could have been spent to demonstrate that they were
21 in fact allowed costs.

22 I don't know what to say other than the fact
23 that we have worked very hard and we have worked in good
24 faith to try to get this done in a manner that we are
25 serving the people that we are here to serve. Community

1 action to me is that we give the money to the people and
2 that's what we have been attempting to do and that's what
3 we will do if given an opportunity to do so.

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

6 MR. GOODWIN: Thank you.

7 Did you want to speak, sir?

8 MS. THOMASON: I had a question.

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

10 MR. WILLIAMS: I'm sorry.

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

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

15 MS. THOMASON: Okay. Thank you.

16 MR. GOODWIN: Any other questions?

17 (No response.)

18 MR. COMPIAN: Good morning. My name is Joe
19 Compian. I'm the board president of Galveston County
20 Community Action Council. I assumed that role in November
21 of 2017 when the previous president resigned. Mind you,
22 in November '17 we were dealing with Hurricane Harvey. My
23 own home was flooded and when I assumed that board
24 position, I told Melvin: Melvin, I'll be honest with you,
25 I know you're competent. He also happens to chair our

1 local public housing authority, he's previous chairman of
2 the Galveston County Parks Board, we're longtime friends,
3 and I know his level of competence. I said, Go out and do
4 what you need to do. The previous board chairman was in
5 his office every day and preventing him from doing his
6 job.

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

15 And I'm proud to say that it faced some challenges once I
16 became president, one of which happened to be some
17 financial, and I'm also proud to say that given the time,
18 in ten days, based upon local community relationships this
19 organization had never done before, we were able to secure
20 \$280,000 worth of funding from a generous Galveston
21 foundation -- of which there are many -- and we are
22 continuing to build relationships with them to permit
23 greater growth of this organization.

24 Melvin touched upon -- please understand
25 something, this organization for 54 years has consisted of

1 board members exclusively from Galveston County,
2 exclusively from Galveston County, and as Mr. Hunt and Mr.
3 DeYoung, who have attended our meetings on numerous
4 occasions and have seen the dysfunctional family which we
5 are, it took the board through in some instances being
6 dis-invited from the board to understand this as action
7 that had to be taken to expand the representation of our
8 board structure to the other counties.

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

1 Mr. Hunt's visit. So that's number one.

2 And I don't think that the narrative that's
3 been presented to this Board is complete. There's a
4 totally other side to this story and we have been
5 diligently following up with the resources that we have to
6 deal with the deficiencies. I want to make something very
7 clear, none of the deficiencies have identified any thefts
8 of funds, there have been cost allocations that have been
9 improperly made or calculations from a staff that had no
10 training, and last year we reimbursed this agency
11 \$130,000, and this year when the audit occurred, we also
12 were in the process of finalizing and seeing what we had
13 to reimburse this agency as well.

14 Now, as a result of this notice, you've made my
15 job harder. As a result of this notice and this event
16 occurring now, potential board members that I had from all
17 of those counties are now questioning their willingness to
18 serve on this board. That's unfortunate. I can tell you
19 I have put in three months of work with these people just
20 to get them and build relationships there, and now
21 suddenly if you take this action, I don't even think that
22 I'm able to do that, I really don't think. And so the
23 statement by Mr. Hunt that we'll have 30 days or 90 days,
24 I don't even know that we'll be able to do that to rebuild
25 these relationships.

1 Please let us continue and do the work that we
2 do well in this county. But I keep asking myself what is
3 the reason for this, why are we moving forward at such a
4 fast pace. I don't understand. Well, there is a call
5 that I started receiving from other community action
6 councils and other employees in some of the other
7 counties, and they indicated that the CEAP placement --
8 which is an item in your book -- had already been made to
9 an organization known as Baker Ripley, which is a big
10 organization out of Houston, and their 990 in 2016
11 indicated revenues of \$270 million and their CEO and
12 president under that 990 received in excess of \$366,000 in
13 salaries.

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

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

1 Thank you.

2 MR. GOODWIN: Any questions?

3 (No response.)

4 MR. GOODWIN: Mr. Hunt.

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

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

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

1 they have received communication from me.

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

5 MR. HUNT: The SOAH hearing?

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

13 MR. HUNT: It's a lengthy process. Our first
14 step is to set a SOAH hearing, and so that's contingent
15 upon available schedules and whatnot. That may be several
16 months before we can get that set up. I can't speak to
17 that specifically because there are moving targets there,
18 but it's not going to happen next week. With that in
19 mind, once the SOAH hearing is set, at that hearing SOAH
20 will hear both our side as well as Galveston County's and
21 make a recommendation to the Board either to support the
22 Department's stance or to support Galveston County's
23 stance, after which time we have to bring it back to the
24 Board for the Board to make a decision either to terminate
25 or to not terminate. From that date Galveston County

1 still has 90 days to appeal to Federal Health and Human
2 Services. So overall it's an extremely lengthy process.
3 Throughout that time they continue to receive their CSBG
4 funding.

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

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

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

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

22 MR. HUNT: From a compliance perspective, it's
23 not necessarily an adverse action, but it's a point --
24 because this has been ongoing for so long and we've
25 started this process with the final decision letter, I'm

1 not sure how that impacts our responsibilities as far as
2 the IM-116 process. It's one of those things there are
3 very distinct steps that need to take place in order to
4 meet the requirements of Health and Human Services, and so
5 by delaying, I don't know that it adversely impacts, I'd
6 have to defer to either the program division or legal
7 counsel, but it's not quite in line with those defined
8 steps.

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

11 MR. HUNT: That is correct.

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

18 MR. HUNT: That's correct.

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

23 MR. HUNT: So as Mr. Compian mentioned, we had
24 report -- monitoring review with a report prior to this
25 2018 latest report with \$137,000, approximately, in

1 disallowed costs, which they were able to provide
2 repayment to the Department. Since then, the subsequent
3 monitoring review, we've maintained findings in basically
4 the exact same areas of noncompliance that we had in the
5 prior report. Now, this report is \$37,000 of disallowed
6 costs that have yet to be repaid, however, it's like a
7 snowball rolling downhill, at some point, if we don't
8 bring them into compliance, how much larger does this
9 \$37,000 in disallowed costs become. That is something
10 that we're responsible to Health and Human Services for
11 for repayment, so it's an ongoing risk.

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

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

22 Procurement, it's one of those things that if
23 it's not done right, there's not a lot to be done to fix
24 it. Cost allocation, we have extended the opportunity to
25 Galveston County to provide sufficient support that their

1 allocations are supported by an allowable cost basis.
2 Both the State Uniform Grant Management Standards as well
3 as the Code of Federal Regulations provides means and
4 measures for how you can properly allocate indirect costs,
5 but it's very specific, it's either within this realm or
6 it's not. We have afforded that opportunity, we still
7 afford that opportunity to Galveston County if they can
8 true up those expenses. We have not received that to
9 date.

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

18 MR. HUNT: I will say that I received
19 procedures to review as part of that QIP review. I
20 believe that they have a method and means to possibly
21 allocate appropriately going forward. I can't say for
22 certain because this was early on. This is December that
23 they've actually established a process so we don't have a
24 length of time for them to accumulate costs for us to
25 review to determine if this is worth it.

1 As far as procurement, based on my discussions
2 with the staff in December, I still have concerns about
3 their capacity to properly procure. I guess to speak
4 comprehensively, are these fixable items or areas of
5 deficiency, yes. We just do not have a history of
6 compliance to turn to to say that they're going to correct
7 these deficiencies going forward.

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

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

14 MR. BRADEN: Okay.

15 MR. GOODWIN: Other questions?

16 (No response.)

17 MR. GOODWIN: Are you wanting to speak?

18 MR. COMPIAN: If I could.

19 MR. GOODWIN: You need to come up here.

20 MR. COMPIAN: I'm sorry.

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

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

25 There was a statement made on these cost

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

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

24 And the last thing, we talk about CSBG but this
25 item (b) refers to CEAP and that's where I'm already

1 having problems, as I said. CEAP, there's some action
2 that's already been taken. I put a FOIA request in to
3 find out exactly when all these discussions are going on.

4 But Baker Ripley has already been contacting individuals
5 down there and that's how I've had this difficulty with
6 potential board members. If we're going to get in
7 compliance, I'm hitting a stumbling block now. I've got
8 to go back and that's my first order of business, after
9 seeing the speaker of the House for lunch in Lake Jackson,
10 is to get back and touch base with all these members.

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

21 MR. GOODWIN: Any questions?

22 (No response.)

23 MR. HUNT: If I may speak. The monitoring
24 report that I alluded to earlier, as well as a subsequent
25 delinquency report, provides the detail of that \$37,000 in

1 disallowed costs. And Mr. Compian is correct, we have
2 extended the opportunity and will continue to extend the
3 opportunity for them to true up their indirect
4 allocations.

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

6 (No response.)

7 MR. GOODWIN: This is a long tedious process.
8 We've been through this, I think, Leslie and I, with
9 another agency and there's plenty of time from this day
10 forward to correct all of these things and for this role
11 to be reversed, but I need to hear a motion from a Board
12 member as to what you want to do as it relates to item
13 4(a). I'm hearing no motion.

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

19 MR. HUNT: So at the point after a SOAH hearing
20 that the Board has an opportunity to make a decision
21 whether to terminate or not terminate, if that decision is
22 to terminate, they have 90 days from that point to appeal
23 to Health and Human Services. If they do not appeal or
24 that appeal is not successful, it's at that point that we
25 begin termination proceedings.

1 MR. GOODWIN: They have 90 days to appeal but
2 that doesn't mean that Health and Human Services has to
3 make a ruling in 90 days.

4 MR. HUNT: No.

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

9 MR. HUNT: That sounds about right.

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

12 MR. HUNT: That's reasonable.

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

18 MR. HUNT: That's correct.

19 MR. BRADEN: I understand that and I respect
20 what you're saying, but I guess what concerns me is, first
21 of all, you put a black mark on your agency like that and
22 I can see how it might be more difficult to recruit board
23 members. And then the second thing, I'm sure they have
24 finite resources and to go through an appeal and go
25 through all this process, it's going to take resources

1 away from other things that they need to work on. Mind
2 you, obviously they have to work on certain things, but
3 that's what makes me hesitant by saying, well, we've
4 passed this action and they still have a lot of time,
5 well, they do and I acknowledge that, but it also means
6 they have to devote resources to face that.

7 MR. GOODWIN: But the main part of those
8 resources, in my opinion, Paul, are to correct these
9 problems, and I realize these gentlemen are new on the
10 scene but these are problems that have been there since
11 2012. And it kind of reminds me when we went through this
12 with another agency and the counterparts of these
13 gentlemen stood up and said, Well, we didn't hear this, we
14 didn't hear that. And our staff said, Well, here's a
15 letter where they were told this back in October. Well,
16 this is my first time to hear it.

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

21 MS. BINGHAM ESCAREÑO: Maybe one of the
22 differences, I think, in some of our previous history,
23 what I do hear Earnest saying is that on first blush it
24 does appear that there are some processes in place. The
25 procurement -- and I'm going to oversimplify --

1 procurement is pretty black and white, you're either doing
2 it right or you're not, and there's not a way to fix it if
3 you haven't been doing it correctly. The ineligible
4 activities could be process issues, and what I hear you
5 saying is first blush too early to tell, it does appear
6 there are processes in place. In my experience that does
7 speak well of the organization in that there have been
8 other organizations that have come before the Board that
9 we never could really get a really good grasp that we were
10 in agreement that there had been a failure of processes or
11 an absence. And I'm sure that speaks to your history,
12 Melvin, and your commitment to the organization.

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

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

1 president.

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

17 MR. WILLIAMS: Again, this is Melvin Williams.

18 We have a competent staff now and I mean the
19 staff that was there was not competent. The individuals
20 that I have hired in most instances are college graduates,
21 they understand what case management is about, so the
22 programmatic things we will -- in fact, I will say we have
23 those things taken care of now. The files are being
24 monitored as they should be monitored to ensure that
25 everything that should be in that file that would document

1 that the individual client is in fact eligible to receive
2 these services is in fact eligible. So those programmatic
3 things I think we have in place right now, and I think you
4 can see that in the QIP that we put together. In fact,
5 I've got a flash drive of the QIP that we submitted to Mr.
6 Hunt and his staff and I'll leave that with you here
7 today.

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

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

25 The procurement, that's a process that we've

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

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

20 MS. BINGHAM ESCAREÑO: Thank you.

21 MR. WILLIAMS: Thank you.

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

25 MR. WILLIAMS: He expects to have them all

1 completed at the end of this month.

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

14 So I started setting up time frames and this
15 CPA, she didn't like the times that I set up because she
16 said she was busy doing other things. Well, it ended up
17 that we couldn't get it done in the time that I needed to
18 have it done, and so quite naturally, we all got a little
19 bit upset with her. So she was under contract through
20 November 30 and I told her at that point that she needed
21 to be there for the audit, we would reschedule it and get
22 it done when she could be available, but after that audit
23 was done then she was gone regardless of the time frame,
24 and so that meant that she was going to be leaving
25 sometime in September.

1 So I put out to try to recruit a new CPA and at
2 the dollars that I was asking, it was going to be real
3 hard, but I found someone that was very competent that
4 accepted the job at what I could pay at the time. This
5 was an individual who had worked in the school district,
6 and the reason she was available and the reason she was
7 desperate for a job is because the La Marque School
8 District had been banned, and she didn't have a job or
9 anyplace to go. So she came and she was enthusiastic and
10 she was working quite well, I was very, very impressed. I
11 had her for five weeks because a job opened up where she
12 could get her state retirement and she could make more
13 money, and so all of a sudden here I was, I was without
14 anyone to do anything in the fiscal office. And I'm not
15 an accountant but I was doing what I had to do over there
16 because we didn't have anyone.

17 I finally hired an individual in January of the
18 next year, and this was after we had gone through some
19 real fiscal problems in Head Start and I had been
20 monitoring that ever since I was on the staff and knew
21 that we were going to have some kind of shortfall, I just
22 didn't realize it was going to be a \$280,000 shortfall,
23 and so we got the money to get Head Start through.

24 And then I hired this individual that I wasn't
25 real comfortable with but I needed someone in that office,

1 and it turned out that I should have been even less
2 comfortable than I was because this person had no idea.
3 He didn't know the financial system and he kept blaming
4 everything on the old CPA saying that he tried to talk to
5 her and if we had dealt with her in a more friendly
6 fashion then maybe she would communicate better with him.

7 And he had one excuse after another, one excuse after
8 another, until finally it was realizing, I said, Look,
9 this isn't going to work.

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

16 MR. GOODWIN: Any other questions?

17 MR. ECCLES: If I could just ask Earnest.

18 Reading in the bar it says that the QIP has not been fully
19 implemented and that's what demonstrates a recurring
20 inability to resolve programmatic and compliance issues.
21 What aspects of the QIP after the required time period
22 have not been fully implemented, in addition to the
23 disallowed costs?

24 MR. HUNT: So I'll have to kind of take it item
25 by item just for memory sake, so it may include some

1 things that they have addressed to some degree.

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

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

24 Regarding their board structure, at the time
25 that I visited them in December, and I think as of this

1 date there's still not quite a tripartite board structure.

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

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

15 Part of the QIP reflect the consulting report,
16 so it addresses issues that we don't necessarily undertake
17 during compliance, but our final decision letter is pretty
18 clear that they need to address all of the issues in that
19 QIP, so a big portion of it were for deficiencies related
20 to their IT systems and their ability to not only maintain
21 their electronic documentation but secure it. At the time
22 that I visited they had a contractor out there assessing
23 how many holes were in their systems that they had in
24 place. At that time, though, no changes had been
25 implemented. I have not received any indication to this

1 date that those things have been improved, but I will say
2 that I did meet with the contractor and he was in the
3 process of assessing.

4 MR. GOODWIN: Any other questions?

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

7 MR. GOODWIN: Okay.

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

14 MR. COMPIAN: Joe Compian once again.

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

24 What has occurred, when this process began I
25 can tell you I've lost friendships. I grew up, I was born

1 in Galveston, I knew everybody on this board. I first
2 came on three years ago and immediately noticed I've got
3 some background, I serve on other boards, some nonprofit
4 financial knowledge, and I said, These financials don't
5 mean anything to me. And the people there were insulted
6 that I would even question the financials because no
7 questions had been asked.

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

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

1 Galveston County, which is myself as that representative.

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

12 Is that what you're asking?

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

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

19 MR. GOODWIN: Any other questions?

20 MS. RESÉNDIZ: Thank you.

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

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

24 MR. DeYOUNG: Yes, sir. Michael DeYoung,
25 Community Affairs Division director.

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

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

15 A reminder for the Board that they can fix all
16 of this while this process proceeds, and they can fix all
17 of it if you decide to table it, they can still fix. This
18 is all fixable during the time period that we got through
19 this process. TDHCA still has repayment risk regardless
20 of whether you take action or don't take action. Right
21 now we have \$37,000, it could be \$30-, it could be moving.

22 That will exist up and until the contract is terminated,
23 if it is terminated. If it's not terminated, we still
24 have the repayment risk and we'll have to work with
25 Galveston County Community Action, or the new Greater

1 Coastal.

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

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

18 Thank you.

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

21 Hey, Michael, so if the Board did contemplate -
22 - and I hear what you're saying about specific
23 deliverables because I completely agree -- if we have
24 deliverables around -- so the cost allocation plan and the
25 disallowed costs remain, that one, what we need to see is

1 that there's a cost allocation plan that works and meets
2 expectations or criteria, but the disallowed costs that's
3 still there, just like you said, it's going to be there no
4 matter what. That number may go smaller, larger,
5 whatever.

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

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

21 And then Earnest was telling us about IT which
22 was something, and maybe a bigger kind of global picture
23 of IT but there being issues around maintenance and
24 security of data, maintenance of data and security of
25 data.

1 So I'm just going to throw a hardball at you.
2 If we were to consider tabling or postponing action, does
3 that sound like a group of deliverables that can happen in
4 30 days or not, or more like 60 or 90? What are we
5 thinking?

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

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

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

25 For the board, I will say one of the

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

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

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

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

24 But I do want to state that as part of that
25 IM-116 process, as I mentioned earlier, in that final

1 decision letter we gave them a hard deadline. This was
2 prior to them entering into the QIP. So the QIP response,
3 the initial one and the amended one, both have dates well
4 outside of that time frame. And this is, again, something
5 that's required by IM-116.

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

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

16 MR. GOODWIN: April. Okay.

17 Any other questions, comments?

18 (No response.)

19 MR. GOODWIN: Do I hear a motion?

20 MS. BINGHAM ESCAREÑO: Mr. Chair, I'd like to
21 make a motion to table this action until the April 25
22 Board meeting, and maybe amend or further clarify. I'm
23 very much in support of staff establishing deliverables
24 that are reasonable. I hear that some things are put in
25 motion, but I'm also hearing that there was history and

1 that this history predated the QIP, and so everybody
2 should have been very clear on what should have happened
3 by today based on, I think, our November action or the
4 agency's November action. So I would accept from staff
5 clear deliverables for an expectation of progress around
6 the items that have been identified, and maybe
7 checkpoints -- and you guys help us, Earnest, on whether
8 that comes from you and your department or Michael --
9 maybe checkpoints at every 30-day mark on how things are
10 looking. So that's a messy motion, I can try again if you
11 want, or I can shut up.

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

14 Do I hear a second?:

15 MR. BRADEN: Second.

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

17 Other discussion?

18 (No response.)

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

24 MR. GOODWIN: Okay.

25 MS. HENDERSON: Good morning. Peggy Henderson,

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

7 MR. GOODWIN: Yes.

8 MR. ECCLES: Yes. And these are simple comment
9 cards that just register opposed. It doesn't offer any
10 sort of legal or any other rationale, it's just a name and
11 that they are opposed.

12 MS. HENDERSON: Correct. They've all checked
13 against staff recommendation for items 4(a) and (b).

14 MR. GOODWIN: Okay.

15 MS. HENDERSON: I'm going to read these names.
16 Please excuse me if I don't get all of them exactly
17 correct.

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

1 Latanya Turner.

2 Thank you.

3 MR. GOODWIN: Thank you.

4 Earnest, did you want to speak?

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

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

8 (No response.)

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

11 (A chorus of ayes.)

12 MR. GOODWIN: Opposed?

13 (No response.)

14 MR. GOODWIN: Okay. April 25.

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

16 MR. HUNT: Thank you.

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

23 In July of 2018 the Board conditioned Galveston
24 County's Comprehensive Energy Assistance Program, or CEAP,
25 award upon satisfactorily resolving findings identified in

1 the Partnership report that I shared with you in item
2 4(a). The deadline for addressing the findings was
3 December 14, 2018. Also, as I previously noted in item
4 4(a), the Department's assessment during our December
5 monitoring visit of Galveston's progress indicates that
6 the findings have not been completely addressed as
7 required by the condition.

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

15 So this Board action authorizes several
16 actions: to reduce Galveston's 2019 allocation amount by
17 24.99 percent which is approximately \$820,000 and award
18 those funds immediately, as an interim award for up to
19 eleven months but at least until a permanent provider is
20 named, to Baker Ripley for Brazoria, Fort Bend, Galveston
21 and Wharton counties; and also to provide Galveston County
22 with a 30-day notice of the termination of the remaining
23 funds from Galveston County's program year 2019 Low Income
24 Home Energy Assistance Program, Comprehensive Energy
25 Assistance Program award, and to authorize staff to

1 release an RFA to identify permanent entities to
2 administer the remainder of the program year 2019 CEAP
3 contract and possibly be designated as the CEAP network
4 provider for the service area.

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

14 And I can entertain any questions.

15 MR. GOODWIN: Any questions?

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

1 for instance.

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

4 MR. GOODWIN: Thank you, Beau.
5 Melvin, did you want to speak?

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

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

25 In my opinion -- and you know better than I --

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

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

24 That wasn't our fault. I'm not saying that the
25 people that made the errors, the legitimate errors were

1 right and that we are right in letting them make those
2 errors. What I'm saying is that 80 percent of the files
3 that they indicated were bad files was not in fact bad
4 files, and those individuals who actually had the bad
5 files are no longer with GCCAC, they are now gone.

6 MR. GOODWIN: Any questions for Mr. Williams?

7 (No response.)

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

13 MS. BINGHAM ESCAREÑO: So moved.

14 MR. GOODWIN: A second?

15 MR. BRADEN: Second.

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

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

23 MR. HUNT: So a couple of things to note. As
24 far as monitoring reviews, I want to say the greater bulk
25 of the eligibility issues have been for CEAP. The

1 auditor's review for eligibility was specific to CSBG and
2 CSBG disaster monies, and his report doesn't indicate
3 specifically the reasons why. I will say that we
4 requested the files in question and found at this time at
5 least \$8,000 of that to be disallowed, but it's a running
6 total because we have since then issued a follow-up to
7 that single audit report requesting additional
8 information, and at this time I don't think we have it,
9 but at this time I think we can say at least \$8,000 of it
10 is disallowed.

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

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

1 costs.

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

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

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

22 MR. BRADEN: When I read the back materials and
23 what you just said, I was more concerned about this
24 program because it does seem unlike the other program
25 where the repayment risk lasts until whenever final

1 determination will be made so we're sort of living with it
2 otherwise, this seems like we could take more immediate
3 action, and if the wrong people are getting these grants
4 they'll be disavowed, or these people aren't getting this
5 money when they clearly need it, especially this time of
6 year, I mean, those are concerning things.

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

16 MR. HUNT: So the prior processes were
17 insufficient, and I will say clearly there was a gap in
18 understanding how to properly assess clients and intake
19 them and determine their eligibility. Now, the bulk of
20 that staff are gone and there's a new program manager
21 running that area, both the CSBG and CEAP. That is a new
22 person with a new perspective who is also now learning the
23 program. We've received updated procedures and it looks
24 facially like it could foster some improvement, but it's a
25 difficult question to answer without a body of work to be

1 able to demonstrate yes, in fact these things have been
2 corrected, especially with consideration to we're again
3 still talking about brand new staff. I don't know to
4 what extent they have experience with these programs or
5 any.

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

14 MR. HUNT: Yes, and it's both, actually.
15 Monitoring reports we actually separate out the issues by
16 the specifics of that particular finding. So we have a
17 body of files where the families were just not eligible,
18 not that they weren't documented, but in calculating their
19 eligibility, they were not eligible. And then we have a
20 body of files where we can't determine eligibility because
21 the documentation is not provided for us to be able to
22 make that assessment. Those costs remain in question
23 until either they can provide that support or we've
24 reached a deadline to say, well, we gave you sufficient
25 time, these costs are now disallowed.

1 MR. CERVANTES: So that would continue to be
2 one of the expectations here. If we were to go out and do
3 subsequent monitoring reviews, those components would have
4 to come together to mitigate the risk here and to show
5 that their procedures are starting to shape and their
6 controls are starting to be put in place effectively. Is
7 that a fair statement?

8 MR. HUNT: That's correct.

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

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

21 MR. GOODWIN: Other questions?

22 (No response.)

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

1 I'm sorry.

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

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

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

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

13 Any Board member disagree with that?

14 (No response.)

15 MS. BINGHAM ESCAREÑO: Mr. Williams.

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

24 MR. ECCLES: Well, but there also will be
25 disallowed costs that are going to carry through

1 regardless of when those occurred.

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

6 MS. BINGHAM ESCAREÑO: Substantial.

7 MR. GOODWIN: Any other questions?

8 (No response.)

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

11 (A chorus of ayes.)

12 MR. GOODWIN: Opposed?

13 (No response.)

14 MR. GOODWIN: Okay. That is tabled until April
15 25.

16 We move to action item number 5. Andrew.

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

22 So this direct loan award was made to
23 Accessible Housing Austin under the 2017-1 multifamily
24 direct loan NOFA in February of last year. This award of
25 \$1,492,200 was structured as two loans for repayment

1 purposes in order to get under the 1.35 maximum debt
2 coverage ratio. So you've got one loan for \$1,337,200
3 structured as a zero percent deferred forgivable loan, and
4 then the second loan is \$155,000 structured as a zero
5 percent hard repayable loan.

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

20 An additional step that staff has taken to
21 ensure the 1.15 minimum DCR is met is to reduce the new
22 principal amount of TSAHC's loan from about \$995,000 to
23 \$967,500, so about a \$30,000 haircut.

24 The second request in addition to getting our
25 loan to be all deferred forgivable from AHA! is to allow

1 TDHCA's loans -- I say loans because there are two sources
2 of funding that compose the direct loan award for this
3 deal, as if it wasn't complex enough --

4 (General laughter.)

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

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

20 MR. GOODWIN: Any questions for Andrew?

21 (No response.)

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

24 MS. THOMASON: I make a motion to accept
25 staff's recommendation.

1 MR. GOODWIN: Okay. Second?

2 MS. BINGHAM ESCAREÑO: Second.

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

4 Any further discussion?

5 (No response.)

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

8 (A chorus of ayes.)

9 MR. GOODWIN: Opposed?

10 (No response.)

11 MR. GOODWIN: It is passed.

12 MR. SINNOTT: Thank you.

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

16 Joy, did you want to speak?

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

20 For those of you I may not have met yet, I'm
21 delighted to meet you, and to let you know that New Hope
22 Housing is the leading provider of supportive housing in
23 the State of Texas. We have 1,200 units of supportive
24 housing, most of those units financed through the Texas
25 Department of Housing and Community Affairs, for which we

1 always thank you on behalf of the people who live there.
2 Our residents, 65 percent of them have experienced
3 homelessness, and of that number, more than 50 percent of
4 the 65 percent have been chronically homeless or have
5 lived literally on the streets.

6 Most of our housing is for adults who live
7 alone, but I'm here today to thank you very especially for
8 what was a very difficult transaction for us to do and for
9 you to approve -- it came to a Board vote -- and that's
10 New Hope Housing at Reid, and I brought some pictures. I
11 hope you can see them from here, this is two-sided. It's
12 187 one, two and three bedroom apartments, and again, the
13 remainder of our housing is for adults who live alone,
14 this is homeless and at-risk families, and it's a part of
15 a 49-acre campus that we share with Star of Hope, the
16 state's largest provider of services for the homeless, and
17 with Buckner International out of Dallas which offers a
18 community space that's right across, community center that
19 is literally across the street from the building you're
20 looking at.

21 So you're a single mom, your children come home
22 on the school bus across the street from the apartment
23 building you're looking at, they get off the bus and they
24 walk about 20 steps to the community center where
25 everything is free, the after school programming, the

1 summer programming, and we have 16,000 square feet of
2 services space. There's a small building, that's one of
3 the photographs you can see, where most of that services
4 space is. I'll turn it over here so you can see one of
5 our proud residents getting off the bus and some of the
6 living space that's provided.

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

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

1 my thanks to you.

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

6 Thank you so very much.

7 MR. GOODWIN: Thank you, Joy.

8 (Applause.)

9 MR. GOODWIN: Any other comments?

10 (No response.)

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

13 MS. BINGHAM ESCAREÑO: So moved.

14 MR. GOODWIN: And seconded?

15 MR. BRADEN: Second.

16 MR. GOODWIN: All in favor aye.

17 (A chorus of ayes.)

18 MR. GOODWIN: We are adjourned.

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

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C E R T I F I C A T E

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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