

TENNESSEE HOUSING DEVELOPMENT AGENCY
AUDIT & BUDGET COMMITTEE
September 24, 2019

Pursuant to the call of the Chair, the Audit & Budget Committee of the Tennessee Housing Development Agency Board of Directors met on Tuesday, September 24, 2019, at 9:30 a.m., in the Centennial Room of the Read House Hotel, Chattanooga, Tennessee.

The following Committee members were present: Secretary of State Tre Hargett (Chair), Michael Hedges, Dorothy Cleaves, Christine Rhea, and Ashley Fuqua (for Treasurer David Lillard). Austin McMullen was absent. Other Board members present were: Regina Hubbard, Lynn Tully and John Snodderly.

Recognizing a quorum present, Chair Hargett called the meeting to order and asked for approval of the minutes of the July 23, 2019, meeting. Upon motion by Ms. Rhea and second by Mr. Hedges the minutes were unanimously approved.

Chair Hargett recognized Ms. Gay Oliver THDA Director of Internal Audit to present the Executive Director performance evaluation process. Ms. Oliver referenced the memo included in the Board packet that addresses the Executive Director performance evaluation process. She noted that the Audit and Budget Committee Charter and the THDA By-Laws charge the Committee with developing and implementing the evaluation process for the Executive Director. Ms. Oliver summarized the proposed process and noted that it is similar to the process followed the previous year. The consensus of the Committee was to proceed with the proposed process as described in the referenced memo.

The next item for consideration was the Director of Internal Audit performance evaluation process. Chair Hargett referenced the memo included in the Board packet that addresses the Director of Internal Audit performance evaluation process. He noted that the evaluation process for the Internal Audit Director is similar to the process for the Executive Director's performance review, except that this evaluation is wholly within the purview of the Committee, therefore no action by the Board will be required. The consensus of the Committee was to proceed with the process as described in the referenced memo.

Chair Hargett recognized Mr. Joe Brown THDA Controller to present the Fiscal Year 2019 Investment Report. Mr. Brown referenced the memo included in the Board packet dated September 13, 2019, for the quarter ending June 30, 2019 from THDA Chief Financial Officer Trent Ridley. He noted that the report is for information purposes and no Committee or Board action is required.

Chair Hargett indicated the next item for consideration was the proposed Fiscal Year 2021 budget (the "Proposed Budget") and recognized Mr. Joe Brown who provided the following highlights:

- Assets increased to \$3.3 billion;
- Liabilities increased to \$2.8 billion from \$2.2 billion for the fiscal year ended June 30, 2019;
- The fund balance increased to \$525 million from \$514 million for the fiscal year ended June 30, 2019;
- \$2.2 million in savings were realized for the fiscal year ended June 30, 2019 due to mortgage loan servicing being brought in-house;
- The Program Asset to Debt Ratio ("PADR") for the 2013 General Resolution at June 30, 2019, was 1.29, well above the PADR of 1.04 required by the rating agencies;

- The Proposed Budget includes an improvement for 21 additional positions for the conventional loan program, federal grants, and related administrative functions; and
- The Proposed Budget shows balanced expenditures and revenues.

Chair Hargett noted that following Board approval, the state portion of the Proposed Budget goes through a review and approval process that includes the Department of Finance & Administration, the Governor's office, and the legislature. Following adoption of the state budget by the legislature, the state portion of the Proposed Budget becomes THDA's work program for fiscal year 2021. Adjustments during this process are normal and need to be authorized in the approval motion.

Upon motion by Chair Hargett and second by Mr. Hedges, the Committee recommended the Proposed Budget to the Bond Finance Committee and the Board with authorization for staff to make adjustments as required through the State review and approval process.

With no other issues or reports to be presented, Chair Hargett adjourned the meeting.

Respectfully submitted,



Gathelyn Oliver
Director of Internal Audit

Approved this day 19th of November, 2019.