

TENNESSEE HOUSING DEVELOPMENT AGENCY  
AUDIT & BUDGET COMMITTEE MEETING  
September 28, 2021

Pursuant to the call of the Chairman, the Tennessee Housing Development Agency Board of Directors Audit and Budget Committee met in regular session on Tuesday, September 27, 2021 at 10:00 a.m. Central Standard Time., in the Conference Rooms A and C of the William R. Snodgrass Tennessee Tower Building, in Nashville, Tennessee.

The following Board members were present and in person: Mike Hedges (Chair), Kevin Bradley (for Treasurer David Lillard). Those Board members participating via Webex were: Chris Mustain (for Secretary Tre Hargett) and Christine Rhea. Those absent were Austin McMullen and Rick Neal.

Recognizing a quorum present, Chair Hedges called the Committee meeting to order and recognized Bruce Balcom, THDA Chief Legal Counsel, who noted the following:

*“Certain Committee members will be participating in this meeting by telephone as authorized by Tennessee Code Annotated Section 8-44-108. Notice was posted stating that this meeting would be conducted in this fashion. This meeting is being conducted in this manner because the matters to be considered by the Committee today require timely action and the physical presence of a sufficient number of Committee members to constitute a quorum is not possible within the timeframe in which action is required and also because of COVID-19. Therefore, it is necessary for some members to participate via telephone. Committee members participating by telephone were sent documents relevant to today’s meeting.”*

There was no motion, nor a second, but with a roll call vote with all members identified as present voting “yes,” consensus was to conduct business in this manner.

Chair Hedges asked for consideration of the July 27, 2021, Audit and Budget Committee meeting minutes. Upon motion by Mr. Bradley, second by Mr. Hedges, and following a roll call vote with all committee members identified as present voting “yes” (4 ayes), the motion carried to approve the minutes.

Chair Hedges recognized Mr. Balcom to present the next agenda item, Code of Conduct Revisions. Mr. Balcom noted that the revisions to the Code of Conduct are not substantive to the requirements contained within the Code of Conduct. The revisions include a consequences section for code violations and a revision table. Upon motion by Mr. Bradley, second by Ms. Rhea, and following a roll call vote with all committee members identified as present voting “yes” (4 ayes), the motion carried to approve the Code of Conduct Revisions.

Chair Hedges noted the next agenda item, Executive Director and Director of Internal Audit Evaluation Process and recognized THDA Executive Director, Mr. Ralph Perrey, to explain the process. He referenced the memo included in the Board packet that addresses the Executive Director’s performance evaluation process. Mr. Perrey 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. He explained that the evaluation process for the Director of Internal Audit is similar to the process for the Executive Director's performance review, except the latter evaluation is wholly within the purview of the Committee. Mr. Perrey added the final evaluations will occur at the November meeting, therefore no action by the Board will be required. The consensus of the Committee was to proceed with the proposed process as described in the referenced memo.

Chair Hedges recognized Ms. Gay Oliver, Director of Internal Audit to present the Internal Audit Updates. Ms. Oliver referenced the memo and additional documentation included in the Board packet. She noted that the documentation is related to work the Internal Audit division has done to assure that they are in compliance with the standards of the Institute of Internal Auditors. She added that they are preparing for the External Quality Assessment scheduled for the week of October 18<sup>th</sup>, and in preparation they have completed an internal readiness assessment, the results are outlined in the packet. In addition, as a result of the assessment the additional documents require the Committee's approval:

- Quality Assurance and Improvement Program (QAIP) review spreadsheet
- Internal Audit division Strategic Plan
- Independence Objectivity and Conflict of Interest Policy for Internal Audit
- Annual Independence and Objectivity Declaration
- Internal Audit QAIP Manual

Chair Hedges recognized Mr. Trent Ridley THDA Chief Financial Officer to present the Proposed Budget for Fiscal Year 2022-2023. Mr. Ridley referenced the Budget Proposal documents included in the Board packet. He noted the following:

- The FY21 results were: Assets of \$3.6 Billion, Liabilities of \$3.1 Billion, and \$550 Million in Net Position. Operating income was increased to \$24 Million, primarily due to federal COVID related grants.
- FY22 estimated revenues and expenses are projected to be \$1,419.6 million and \$1,413.5 million respectively, of which \$1,280.8 million is State Budget. Operating revenues and expenses are projected to be \$265.8 million and \$249.5 million respectively for an Operating Income of \$16.3 million.
- FY23 Proposed Budget operating revenues and expenses are projected to be \$173.3 million and \$157.0 million respectively, netting an approximate \$16.3 million operating income. This income will be used to fund \$7.5 million for Tennessee Housing Trust Fund grants.
- The State Treasury Budget decreases to \$379.0 million, primarily due to \$816.9 million of non-recurring grants (Cares Act, American Rescue Plan, and AG Mortgage Settlement).

Mr. Ridley 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 2023. Adjustments during this process are normal and need to be authorized in the approval motion.

Chair Hedges called for consideration of the Budget Proposal, upon motion by Mr. Bradley, second by Mr. Mustain, and following a roll call vote with all members identified as present voting "yes" (4 ayes), the motion carried that the proposed budget be submitted to 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 Hedges adjourned the meeting.

Respectfully submitted,

A handwritten signature in cursive script that reads "Gathelyn Oliver". The signature is written in black ink and is positioned above the printed name.

Gathelyn Oliver

Director of Internal Audit

Approved this 16<sup>th</sup> day of November, 2021.

TENNESSEE HOUSING DEVELOPMENT AGENCY  
BOND FINANCE COMMITTEE  
September 28, 2021

Pursuant to the call of the Chairman, the Bond Finance Committee of the Tennessee Housing Development Agency Board of Directors (the "Committee") met on Tuesday, September 28, 2021, at 10:26 A.M. at the William R. Snodgrass Tennessee Tower, Conference Rooms A & C, 312 Rosa Parks Blvd; Nashville, TN 37243 with certain members present via video WEBEX call.

The following Committee members were present in person: Mike Hedges (Chair); Kevin Bradley (for Treasurer Lillard); and Katie Armstrong (for Comptroller Jason Mumpower). The following Committee members were present via WebEx: Chris Mustain (for Secretary of State Tre Hargett) and Doree Hicks (for Commissioner of Finance & Administration Butch Eley). Also, other Board Members present were: Joann Massey; Mathew McGauley; John K. Snodderly; Chrissi Rhea; and Tennion Reed.

Recognizing a quorum present, Chair Hedges called the meeting to order at 10:26 a.m. Central Time and recognized Mr. Bruce Balcom, THDA Chief Legal Counsel, who presented the following statement:

*"Certain Committee members will be participating in this meeting by telephone as authorized by Tennessee Code Annotated Section 8-44-108. Notice was posted stating that this meeting would be conducted in this fashion. This meeting is being conducted in this manner because the matters to be considered by the Committee today require timely action and the physical presence of a sufficient number of Committee members to constitute a quorum is not possible within the timeframe in which action is required. This is also necessary to protect everyone's health and safety due to COVID. Therefore, it is necessary for some members to participate via telephone. Committee members participating by telephone were sent documents relevant to today's meeting."*

Upon motion by Ms. Armstrong and second by Mr. Mustain, and following a roll call vote, the motion carried to approve doing business in this manner with all members identified as present voting "yes".

Chair Hedges called for consideration of the July 27, 2021, Bond Finance Committee Meeting Minutes. Upon motion by Kevin Bradley, second by Ms. Armstrong, and following a roll call vote with all members identified as present voting "yes", the motion carried to approve the July 27, 2021, minutes.

Chair Hedges indicated the next item for consideration was the sale of Issue 2021-3 Bonds. Bruce Balcom, THDA Chief Legal Counsel, presented the following documents that were circulated for the Committee's consideration:

- A memorandum regarding Issue 2021-3 from Mr. Balcom, dated September 9, 2021, that described the documents to be considered, explained how the authorization for Issue 2021-3 complied with THDA's Debt Management Policy, and included recommendations regarding bookrunning senior manager and rotating co-manager based on information provided in a separate memo dated September 8, 2021, by CSG Advisors incorporated ("CSG"), financial advisor for THDA.
- A separate memorandum from CSG dated September 8, 2021, that recommended authorization of Issue 2021-3 under the 2013 General Resolution, through a negotiated sale, in an aggregate principal amount not to exceed \$175 million, to refund certain outstanding THDA bonds, and to include a Convertible Option Bond to preserve remaining 2018 volume cap.
- The Plan of Financing for Issue 2021-3 in an aggregate principal amount not to exceed \$175 million (the "Plan of Financing").
- Resolution of the Board of Directors of the Tennessee Housing Development Agency authorizing the issuance and sale of Residential Finance Program Bonds, Issue 2021-3, that includes the form of Supplemental Resolution for Issue 2021-3 and that authorizes the referenced bond issue and delegates authority to the Authorized Officer to determine all final terms and conditions of the bonds (the "Authorizing Resolution").
- Resolution of the Board of Directors of the Tennessee Housing Development Agency authorizing reimbursement of THDA from proceeds of Issue 2021-3 in an amount not to exceed \$50,000,000 (the "Reimbursement Resolution").
- The form of Supplemental Resolution for Issue 2021-3.
- A separate memorandum from CSG dated September 8, 2021, that recommended Citigroup Global Markets Inc. to serve as bookrunning senior manager and for Duncan Williams to serve as the rotating co-manager.

Upon motion by Ms. Armstrong, second by Mr. Bradley, and with a roll call vote with all members identified as present voting "yes", the motion carried to recommend the Authorizing Resolution, the Reimbursement Resolution, and the form of Supplemental Resolution to the Board of Directors, and to approve the Plan of Financing.

Bruce Balcom, THDA Chief Legal Counsel, requested guidance from the Bond Finance Committee for moving forward with the Underwriter Team Selection Process. Typically, every three years, THDA has employed a process to select an Underwriting Team to conduct THDA's bond sales. The last time THDA underwent this process was in 2018, but due to the COVID-19 pandemic, THDA granted a one-year extension to the current Underwriting Team. In an effort to maintain the three-year period, it is time to begin the Underwriter Selection Process for the next three-year period, for calendar years 2022, 2023, and 2024. THDA staff plans to provide more information and a detailed memo at the November 2021, Bond Finance Committee meeting and request a vote to approve the Underwriter Team selection process.

No formal motion needed to move forward with the Underwriter Selection Process, however, an approval by consensus was endorsed by Chair Hedges. There were no objections and Chair Hedges deemed the plan to move forward with the Underwriter Selection Process for the next three-year period to be approved.

There being no further business, Chair Hedges adjourned the meeting at 10:37 A.M.

Respectfully submitted,

A handwritten signature in cursive script that reads "Sandi Thompson".

Sandi Thompson,  
Assistant Secretary

Approved this 16<sup>th</sup> day of November, 2021

TENNESSEE HOUSING DEVELOPMENT AGENCY  
GRANTS COMMITTEE MEETING MINUTES  
September 28, 2021

Pursuant to the call of the Chairman, the Grants Committee (the "Committee") of the Tennessee Housing Development Agency (THDA) Board of Directors (the "Board") met in regular session on Tuesday, September 28, 2021, at 10:20 a.m. in Conference Rooms A and C of the William R. Snodgrass Tennessee Tower Building, Nashville, Tennessee.

The following Committee members were present via webex: Chris Mustain (for Tre Hargett Secretary of Treasury), Tension Reed, and Joann Massey. In person were Mike Hedges (Board Chair) and Katie Armstrong (for Comptroller Jason Mumpower).

Chair Hedges recognized Bruce Balcom, Chief Legal Counsel, who read the following statement:

*"Board members will be participating in this meeting by telephone as authorized by Tennessee Code Annotated Section 8-44-108. Notice was posted stating that this meeting would be conducted in this fashion. This meeting is being conducted in this manner because the matters to be considered by the Board today require timely action and the physical presence of a sufficient number of Board members to constitute a quorum is not possible within the timeframe in which action is required. This is also necessary to protect everyone's health and safety due to COVID. Therefore, it is necessary for some members to participate via telephone or electronically. Board members so participating were sent documents relevant to today's meeting."*

There was no motion, nor a second, but with a roll call vote with all members identified as present voting "yes," consensus was to conduct business in this manner.

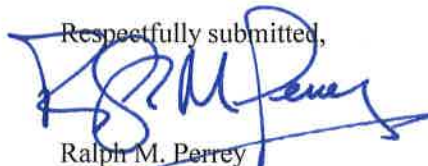
Recognizing a quorum present, Chair Hedges called the Committee meeting to order and called for consideration of the July 27, 2021, Grants Committee meeting minutes. Upon motion by Ms. Katie Armstrong, second by Mr. Chris Mustain, and a vote with all members identified as present voting "yes," the motion was adopted and the minutes were approved.

Chair Hedges called for consideration of the 2022 Winter Round Tennessee Housing Trust Fund Competitive Grants - Ms. Cynthia Peraza, Director of Community Programs. Ms. Peraza referenced her memorandum dated September 1, 2021, authorizing the Executive Director or a designee to award the 2022 Winter Round of the THTF Competitive Grants funds to applicants for applications scored by staff. Scoring is based on the rating scale contained in the approved Program Description. Funds will be awarded in descending order from highest score to lowest score until available funding for eligible applications is exhausted, subject to all requirements in the approved Program Description; and allow staff to make minor programmatic changes, as deemed necessary and appropriate, and as approved by the Executive Director.

With no questions raised or discussion opened, upon motion by Ms. Armstrong, second by Mr. Mustain, and a vote with all members identified as present voting "yes," motion carried and the motion was adopted.

With no further business, the meeting was adjourned at 10:33 a.m.

Respectfully submitted,



Ralph M. Perrey  
Executive Director

Approved the 16<sup>th</sup> day of November, 2021.