

AGENDA

BOARD OF COMMISSIONERS HOUSING AUTHORITY OF THE COUNTY OF MERCED

Regular Meeting
Tuesday, August 21, 2018
5:30 p.m.

Closed session immediately following

Housing Authority of the County of Merced
Administration Building
405 "U" Street
Board Room – Building B (Second Floor)
Merced, CA 95341
(209) 386-4139

Margaret Pia, Chairperson
Jack Jackson, Vice-Chair
Evelyn Dorsey
Rick Osorio
Jose Resendez
Rachel Torres

All persons requesting disability related modifications or accommodations may contact the Housing Authority of the County of Merced at (209) 386-4139, 72 hours prior to the public meeting.

All supporting documentation is available for public review in the office of the Administrative Assistant located in the Housing Authority Administration Building, Second Floor, 405 "U" Street, Merced, CA 95341 during regular business hours, 8:00 a.m. – 5:00 p.m., Monday through Friday.

The Agenda is available online at www.merced-pha.com

Use of cell phones, pagers, and other communication devices is prohibited while the Board Meeting is in session. Please turn all devices off or place on silent alert and leave the room to use.

I. CALL TO ORDER AND ROLL

II. COMMISSIONER and/or AGENCY ADDITIONS/DELETIONS TO THE AGENDA

(M/S/C): ___/___/___

III. APPROVAL OF THE FOLLOWING MEETING MINUTES:

A. July 17, 2018 Regular Meeting (M/S/C): ___/___/___

B. July 23, 2018 Special Meeting (M/S/C): ___/___/___



IV. UNSCHEDULED ORAL COMMUNICATION

NOTICE TO THE PUBLIC

This portion of the meeting is set aside for members of the public to comment on any item within the jurisdiction of the Commission, but not appearing on the agenda. Items presented under public comment may not be discussed or acted upon by the Commission at this time.

For items appearing on the agenda, the public is invited to comment at the time the item is called for consideration by the Commission. Any person addressing the Commission under Public Comment will be limited to a 5-minute presentation.

All persons addressing the Commission are requested to state their name and address for the record.

V. CONSENT CALENDAR:

- A. Rent Delinquency Report for July 2018
- B. Track Summary Report for July 2018
- C. Financial Reports for July 2018

(M/S/C): ___/___/___

VI. BUSINESS (INFORMATION AND DISCUSSION, RESOLUTION and ACTION ITEMS):

A. Information/Discussion Item(s):

- 1.) Director’s Updates
 - i. Shelter Plus Care Grant
 - ii. Resident Opportunity Self-Sufficiency – SC Grant
 - iii. Felix Torres Farmworker Housing Site Visit

B. Resolution Item(s):

- 1.) **Resolution No. 2018-20:** Approving a Debt Management and Continuing Disclosure Policy for the Housing Authority of the County of Merced.

(M/S/C): ___/___/___

- 2.) **Resolution No. 2018-21:** Authorizing and directing actions in connection with the refinancing of outstanding Housing Authority debt obligations and the issuance of pension obligation bonds.

(M/S/C): ___/___/___

- 3.) **Resolution No. 2018-22:** Authorizing awarding the contract for HVAC, window, and roof replacement of twenty-one (21) residential units to STW Contractors Inc.

(M/S/C): ___/___/___

C. Action Item(s):

None

VII. COMMISSIONER’S COMMENTS

VIII. CLOSED SESSION ITEM(S):

None

IX. ADJOURNMENT



MINUTES

BOARD OF COMMISSIONERS HOUSING AUTHORITY OF THE COUNTY OF MERCED

Regular Meeting Tuesday, July 17, 2018

- I. The meeting was called to order by Chairperson Pia at 5:36 p.m. and the Secretary was instructed to call the roll.

Commissioners Present:

Margaret Pia, Chairperson
Jack Jackson, Vice Chairperson
Evelyne Dorsey
Rick Osorio
Jose Resendez
Rachel Torres

Commissioners Absent:

None

Chairperson Pia declared there was a quorum present.

Staff Present:

Rosa Vazquez, Executive Director/Board Secretary
Dave Ritchie, Legal Counsel
Brian Watkins, Finance Officer
Blanca Arrate, Director of Housing Programs
Sue Speer, Director of Development & Asset Management
Maria F. Alvarado, HR Manager/Clerk of the Board

Others Present:

Rashawna Johnson, Human Services Agency
Joselyn Sedano, Human Services Agency

II. **COMMISSIONER and/or AGENCY ADDITIONS/DELETIONS TO THE AGENDA:**

Executive Director Vazquez notified the Board of a revision to the Debt Management and Continuing Disclosure Policy.

(M/S/C): Commissioner Torres/Commissioner Resendez/passed unanimously

III. **APPROVAL OF THE FOLLOWING MEETING MINUTES:**

A. June 19, 2018 Regular Meeting

(M/S/C): Commissioner Resendez/Commissioner Jackson/passed unanimously

IV. **PUBLIC HEARING: PUBLIC AGENCY ANNUAL PLAN:**

None



V. UNSCHEDULED ORAL COMMUNICATION:

Ms. Diane Love was present requesting follow up to her request to the Board to reinstate her Housing Choice Voucher as she is in dire need of the assistance. Chairperson Pia instructed staff to follow up on her addition to the waiting list.

VI. CONSENT CALENDAR:

- A. PHAS Report for June 2018
- B. Aged Receivables Report for June 2018
- C. Financial Reports for June 2018

(M/S/C): Commissioner Torres/Commissioner Jackson/passed unanimously

VII. BUSINESS (INFORMATION AND DISCUSSION, RESOLUTION and ACTION ITEMS):

A. Information/discussion Item(s):

1.) Directors Updates:

- a. Wulff Hansen provided an update on the refinancing of the Authority's bonds. They have completed the review and provided further information on the interest, reporting and policy requirements that the new bonds will require. They will be presenting two revised policies at the August 21, 2018 meeting.
- b. The Board was provided a copy of the Authority's Yearly Budgets for review. Approval of said budgets will be presented at the August 21, 2018 meeting.
- c. Executive Director Vazquez providing the Board a copy of the letter from Congressman Costa's office thanking the Authority for participating in the Homeownership Round Table.
- d. Executive Director Vazquez informed the Board that a Management Operating Review (MOR) was conducted at Merced Commons I and although there were some findings the rating was satisfactory.
- e. Executive Director Vazquez informed the Board that the Authority had been notified that as a result of an investigation conducted by the Office of Inspector General, the Authority will receive funds for previous years underpayment.
- f. Executive Director Vazquez requested guidance from the Board pertaining to a mileage reimbursement clause in the current Bylaws that has not been practiced as outlined. The Board stated and agreed that mileage reimbursement shall be paid for each meeting the Board is required to attend. Reimbursements will only cover travel to and from their residence to the designated meeting location.

B. Resolutions Item(s):



1.) **Resolution No. 2018-16:** Approving the Housing Authority of Merced PHA Annual Plan FY 2018 for HUD Submission.

(M/S/C): Commissioner Osorio/Commissioner Dorsey/passed

2.) **Resolution No. 2018-17:** Approving the revision to the Housing Authority of Merced Admissions and Continued Occupancy Plan (ACOP).

(M/S/C): Commissioner Osorio/Commissioner Dorsey/passed

3.) **Resolution No. 2018-18:** Approving the revision to the Housing Authority of Merced Housing Choice Voucher Administrative Plan.

(M/S/C): Commissioner Osorio/Commissioner Dorsey/passed

4.) **Resolution No. 2018-19:** Approving the Housing Authority of Merced revised Communications Policy.

(M/S/C): Commissioner Jackson/Commissioner Resendez/passed

5.) **Resolution No. 2018-20:** Approving the Housing Authority of Merced Debt Management and Continuing Disclosure Policy.

The resolution was tabled and will be presented at the August 2018 meeting.

(M/S/C): Commissioner Osorio/Commissioner Jackson/passed

C. Action Item(s):

None

VIII. COMMISSIONER'S COMMENTS

A. The Board stated they appreciated the presentation from Wulff Hansen as it was very informative.

IX. CLOSED SESSION ITEM(S):

None

X. ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at 7:43 p.m.

Chairperson Signature / Date

Secretary Signature/ Date



MINUTES

BOARD OF COMMISSIONERS HOUSING AUTHORITY OF THE COUNTY OF MERCED

Special Meeting Tuesday, July 23, 2018

- I. The meeting was called to order by Chairperson Pia at 5:30 p.m. and the Secretary was instructed to call the roll.

Commissioners Present:

Margaret Pia, Chairperson
Jack Jackson, Vice Chairperson
Evelyne Dorsey
Rick Osorio
Jose Resendez
Rachel Torres

Commissioners Absent:

None

Chairperson Pia declared there was a quorum present.

Staff Present:

Rosa Vazquez, Executive Director/Board Secretary
Dave Ritchie, Legal Counsel
Maria F. Alvarado, HR Manager/Clerk of the Board

Others Present:

None

- II. **COMMISSIONER and/or AGENCY ADDITIONS/DELETIONS TO THE AGENDA:**

None

- III. **APPROVAL OF THE FOLLOWING MEETING MINUTES:**

None

- IV. **UNSCHEDULED ORAL COMMUNICATION:**

None

- V. **CONSENT CALENDAR:**

None



VI. BUSINESS (INFORMATION AND DISCUSSION, RESOLUTION and ACTION ITEMS):

A. Information/discussion Item(s):

1.) Directors Updates:

None

B. Resolutions Item(s):

None

C. Action Item(s):

None

VII. COMMISSIONER'S COMMENTS

None

VIII. CLOSED SESSION ITEM(S):

The Board of Commissioners went into closed session at 5:32 p.m. The following people were present:

Board Members

Margaret Pia, Chair
Jack Jackson, Vice-Chair
Evelyne Dorsey
Rick Osorio
Jose Resendez
Rachel Torres

Others Present

Rosa Vazquez, Executive Director/Board Secretary
David Ritchie, Legal Counsel
Maria F. Alvarado, HR Manager/Clerk of the Board

A. Pursuant to Government Code §54956.9(b)
Anticipated Litigation

The Board returned to Regular Session at 6:02 p.m. direction was given to staff.

IX. ADJOURNMENT

There being no further business to discuss, the meeting was adjourned at 6:03 p.m.

Chairperson Signature / Date

Secretary Signature/ Date



PHAS Tracking Summary Fiscal Year Ending 09/30/18

Indicators	Estimated Status at End of Month												
Sub-Indicator #1	Performance Scoring	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep
Lease Up Days		0	0	0	32	21	21	21	21	21	21		
Average Lease Up Days		0	0	0	5	3	2	2	2	2	1		
Make Ready Time		26	26	111	661	784	883	883	1206	1206	2013		
Average Make Ready Days		26	26	56	94	98	98	98	101	93	112		
Down Days		0	0	0	31	31	31	31	147	238	417		
Average Down Days		0	0	0	4	4	3	3	12	18	23		
Total # Vacant Units Turned		1	1	2	7	8	9	9	12	13	18		
Total # Turn Around Days		26	26	111	724	836	935	935	1374	1465	2451		
Average Turn Around Days (To Date)	A = 0-20 B = 21-25 C = 26-30 D = 31-40 F = more than 50	26	26	56	103	105	104	104	115	113	136		

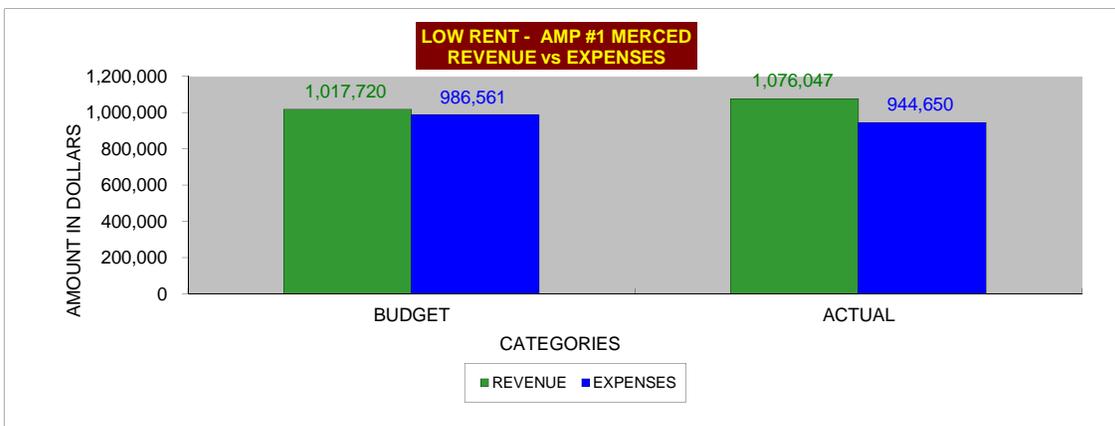
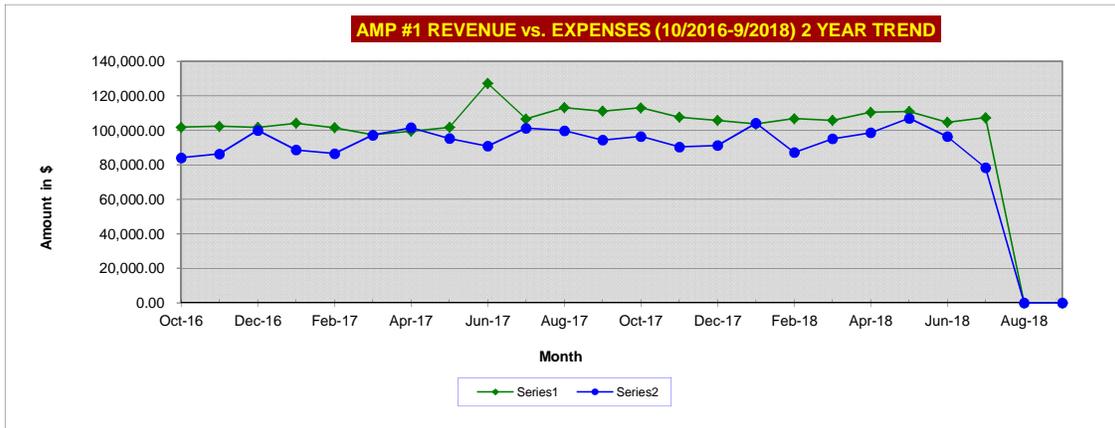
% Emergency Work Orders Abated W/in 24 hours	A = 99% B=98% C=97% D=96% E=95% F= less than 95%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%		
Average # days to complete Non-Emergency Work Orders	A = 25 days or less B=26-36 C=31-40 D=41-50 E=51-60 F= greater than 60	29	22	21	21	27	25	25	24	24	53		

Aged Receivables as of 7/31/18

Property	Property Name	0-30 days	31-60 days	61-90 days	Over 90 days	Total Unpaid Charges	Prepays	Balance
AMP1								
ca023001	PH - Merced	1,617.25	15.00	41.70	(817.41)	856.54	(1,959.33)	(1,102.79)
ca023010	PH - Merced	1,623.74	20.00	-	625.98	2,269.72	(3,063.41)	(793.69)
ca023013	PH - Merced Sr	1.17	(67.00)	-	930.00	864.17	(1,454.00)	(589.83)
ca023021	PH - Acquisition	-	-	-	(14.48)	(14.48)	-	(14.48)
ca023023	PH - Acquisition	-	-	-	-	-	(16.89)	(16.89)
AMP 1 TOTALS		3,242.16	(32.00)	41.70	724.09	3,975.95	(6,493.63)	(2,517.68)
AMP 2								
ca023003	PH - Atwater - Cameo	-	-	-	-	-	(457.78)	(457.78)
ca023006	PH - Livingston	1,135.46	559.00	(29.90)	161.00	1,825.56	(4,025.83)	(2,200.27)
012a	PH - Atwater	169.02	-	-	(687.01)	(517.99)	(1,165.42)	(1,683.41)
012b	PH - Winton	-	-	-	(301.00)	(301.00)	(1,181.75)	(1,482.75)
AMP 2 TOTALS		1,304.48	559.00	(29.90)	(827.01)	1,006.57	(6,830.78)	(5,824.21)
AMP 3								
ca023002	PH - Los Banos	437.72	-	-	-	437.72	(780.26)	(342.54)
ca023004	PH - Los Banos - Abby, B, C & D	603.34	336.00	84.00	669.87	1,693.21	(1,602.67)	90.54
ca023005	PH - Dos Palos - West Globe	670.00	428.00	25.00	1,707.90	2,830.90	(1,361.34)	1,469.56
ca023011	PH - Los Banos - J & K St	700.00	700.00	-	-	1,400.00	(157.84)	1,242.16
012c	PH - Dos Palos - Alleyne	1,570.67	71.00	25.00	79.00	1,745.67	(115.03)	1,630.64
012d	PH - Dos Palos - Globe	293.67	211.00	49.30	372.00	925.97	(646.46)	279.51
AMP 3 TOTALS		4,275.40	1,746.00	183.30	2,828.77	9,033.47	(4,663.60)	4,369.87
AMP 4								
ca023024	PH - 1st Street	499.00	-	-	-	499.00	(90.00)	409.00
AMP 4 TOTALS		499.00	-	-	-	499.00	(90.00)	409.00
VALLEY VIEW								
atw	Atwater Elderly	272.00	247.00	-	1,059.00	1,578.00	(2,929.00)	(1,351.00)
dp	Dos Palos Elderly	808.90	(60.00)	-	(13.00)	735.90	(1,791.00)	(1,055.10)
mid	Midway	4,173.44	1,543.89	29.87	6,204.00	11,951.20	(11,971.65)	(20.45)
VALLEY VIEW TOTALS		5,254.34	1,730.89	29.87	7,250.00	14,265.10	(16,691.65)	(2,426.55)
FELIX TORRES YEAR ROUND								
ft-yr	Felix Torres Year Round Center	770.00	448.00	10.00	3,445.00	4,673.00	(4,251.03)	421.97
FELIX TORRES YEAR ROUND TOTALS		770.00	448.00	10.00	3,445.00	4,673.00	(4,251.03)	421.97
HOUSING AUTHORITY TOTALS		15,345.38	4,451.89	234.97	13,420.85	33,453.09	(39,020.69)	(5,567.60)

01-Oct-17

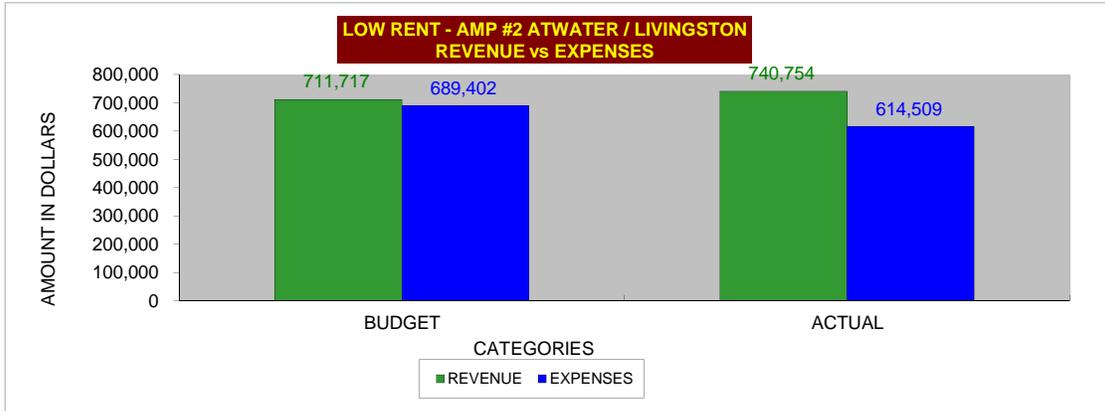
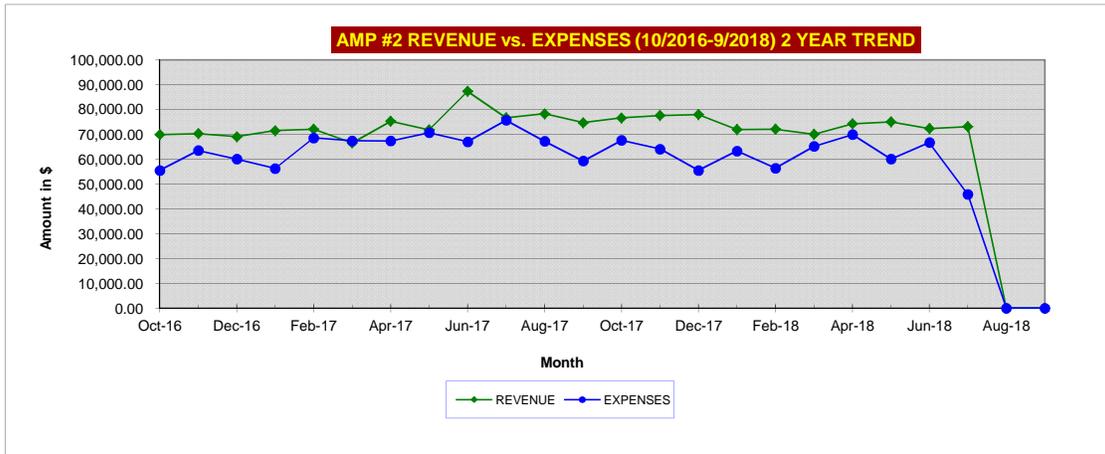
TO: 31-Jul-18



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
RENTS	555,729	581,889	316.10	330.98
NON-DWELL. RENTS	0	0	0.00	0.00
OTHER INCOME	16,648	28,926	9.47	16.45
PFS SUBSIDY	445,343	465,232	253.31	264.63
	1,017,720	1,076,047	578.88	612.06
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	323,573	304,141	184.05	173.00
TENANT SERVICES	0	1,957	0.00	1.11
UTILITIES	154,879	154,760	88.10	88.03
MAINT.	299,130	292,572	170.15	166.42
GENERAL	103,095	86,379	58.64	49.13
DEPRECIATION	105,884	104,840	60.23	59.63
EQUITY TRANSFERS	0	0	0.00	0.00
	986,561	944,650	561.17	537.32
NET SURPLUS	31,159	131,398		
NET FROM OPERATIONS	31,159	131,398		
ENDING EQUITY BALANCE	2,377,677	2,277,439		
NET SURPLUS	31,159	131,398		
ADD BACK DEPRECIATION	105,884	104,840		
CASH FLOW	137,043	236,238		

01-Oct-17

TO: 31-Jul-18



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
RENTS	474,478	481,758	405.98	412.21
INTEREST	0	0	0.00	0.00
OTHER INCOME	4,162	7,610	3.56	6.51
PFS SUBSIDY	233,077	251,386	199.43	215.10
	711,717	740,754	608.97	633.82

EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	231,762	198,539	198.31	169.88
UTILITIES	142,972	137,325	122.33	117.50
MAINT.	174,786	151,305	149.55	129.46
GENERAL	80,697	67,943	69.05	58.13
DEPRECIATION	59,185	58,600	50.64	50.14
EQUITY TRANSFERS	0	0	0.00	0.00
	689,402	614,509	589.88	525.79

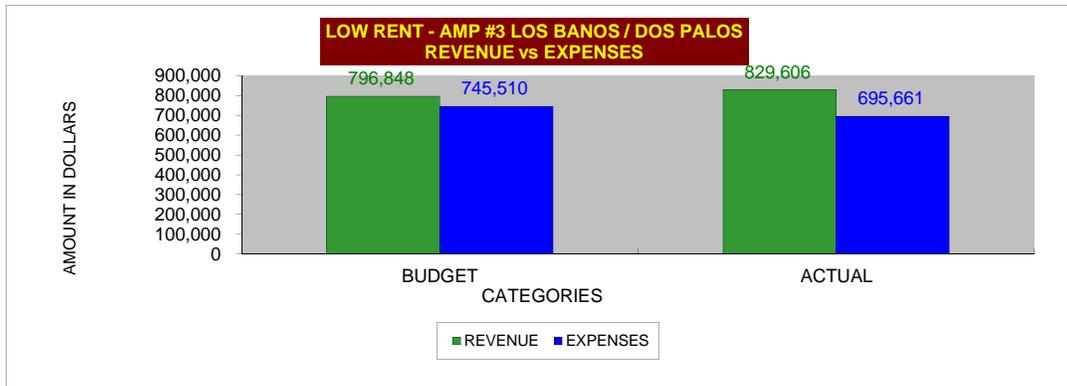
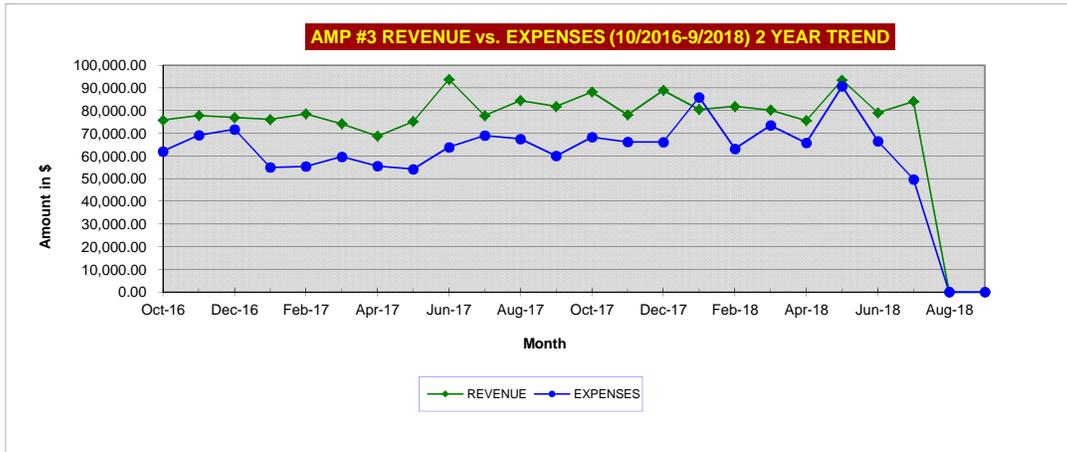
NET SURPLUS	22,315	126,245
NET FROM OPERATIONS	22,315	126,245

ENDING EQUITY BALANCE	1,805,773	1,701,843
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NET SURPLUS	22,315	126,245
ADD BACK DEPRECIATION	59,185	58,600
CASH FLOW	81,500	184,845

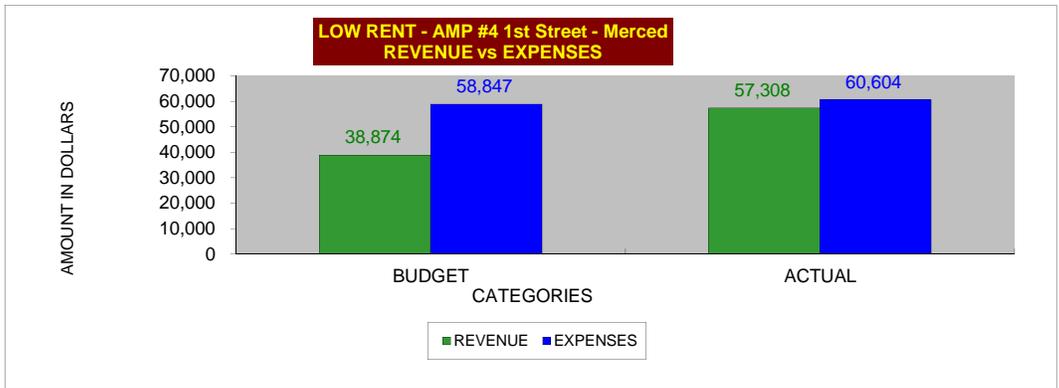
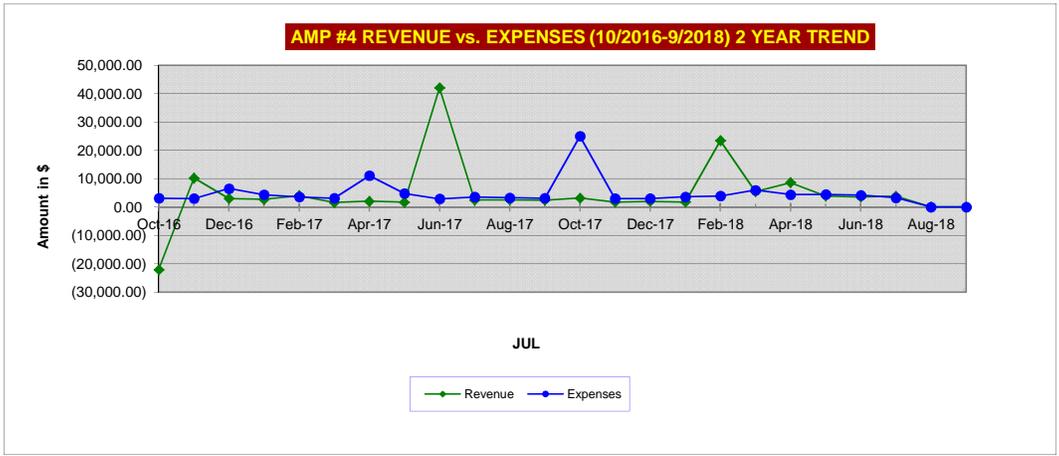
01-Oct-17

TO: 31-Jul-18



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
RENTS	476,349	483,717	390.88	396.93
INTEREST	0	0	0.00	0.00
OTHER INCOME	16,648	27,052	13.66	22.20
PFS SUBSIDY	303,850	318,837	249.33	261.63
	796,848	829,606	653.87	680.76
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	237,612	202,081	194.98	165.82
UTILITIES	125,383	115,044	102.89	94.40
MAINT.	259,504	266,274	212.94	218.50
GENERAL	74,378	63,056	61.03	51.74
DEPRECIATION	48,633	48,150	39.91	39.51
EQUITY TRANSFERS	0	0	0.00	0.00
	745,510	695,661	611.75	570.84
NET SURPLUS	51,338	133,945		
NET FROM OPERATIONS	51,338	133,945		
ENDING EQUITY BALANCE	1,725,789	1,643,182		
NET SURPLUS	51,338	133,945		
ADD BACK DEPRECIATION	48,633	48,150		
CASH FLOW	99,971	182,095		

01-Oct-17 TO: 31-Jul-18



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
RENTS	7,076	7,125	118.06	118.88
OTHER INCOME	3,122	2,459	52.08	41.03
PFS SUBSIDY	10,572	25,974	176.39	433.38
CFP FUNDS	18,105	21,750	302.08	362.90
	38,874	57,308	648.61	956.19

EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	11,499	13,290	191.86	221.74
UTILITIES	5,278	4,906	88.06	81.86
MAINT.	26,882	27,968	448.53	466.64
GENERAL	3,701	3,070	61.75	51.23
DEPRECIATION	11,487	11,370	191.66	189.71
EQUITY TRANSFERS	0	0	0.00	0.00
	58,847	60,604	981.86	1,011.19

NET SURPLUS	(19,973)	(3,296)		
NET FROM OPERATIONS	(38,078)	(25,046)		

ENDING EQUITY BALANCE	873,351	856,674		
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NET SURPLUS	(19,973)	(3,296)		
ADD BACK DEPRECIATION	11,487	11,370		
CASH FLOW	(8,486)	8,074		

HOUSING AUTHORITY OF THE COUNTY OF MERCED

VOUCHER

REVENUE & EXPENDITURE STATUS REPORT

FISCAL YEAR PERIOD FROM: 10/01/17 TO: 9/30/2018

REPORT PERIOD FROM:

01-Oct-17

TO: 31-Jul-18

EXPEND. RATE: 83.2%

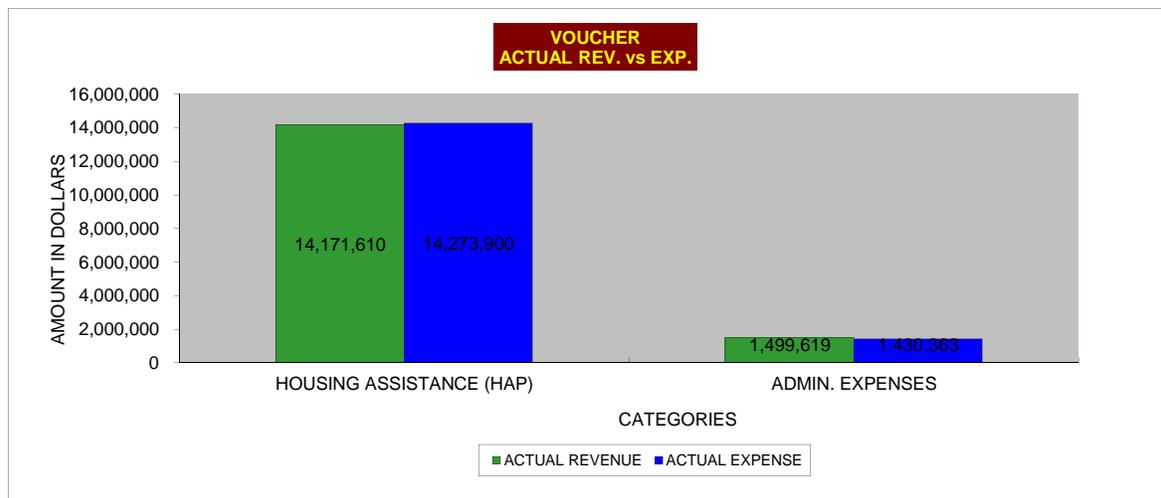
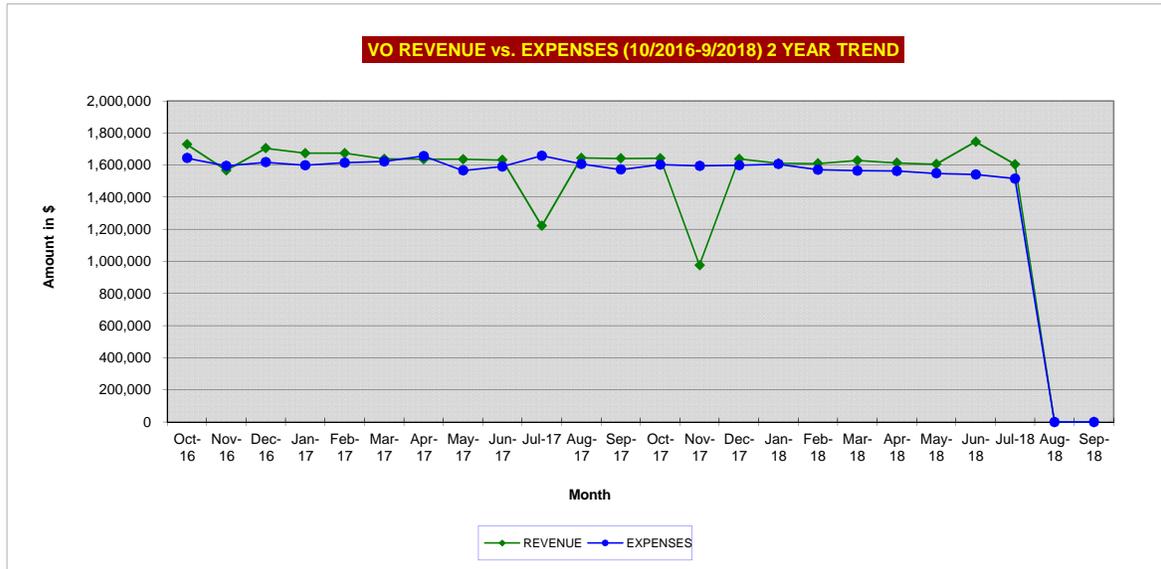
BUDGET # VOUCHER MONTHS: 33,492

YTD VOUCHERS

YTD %

16,177

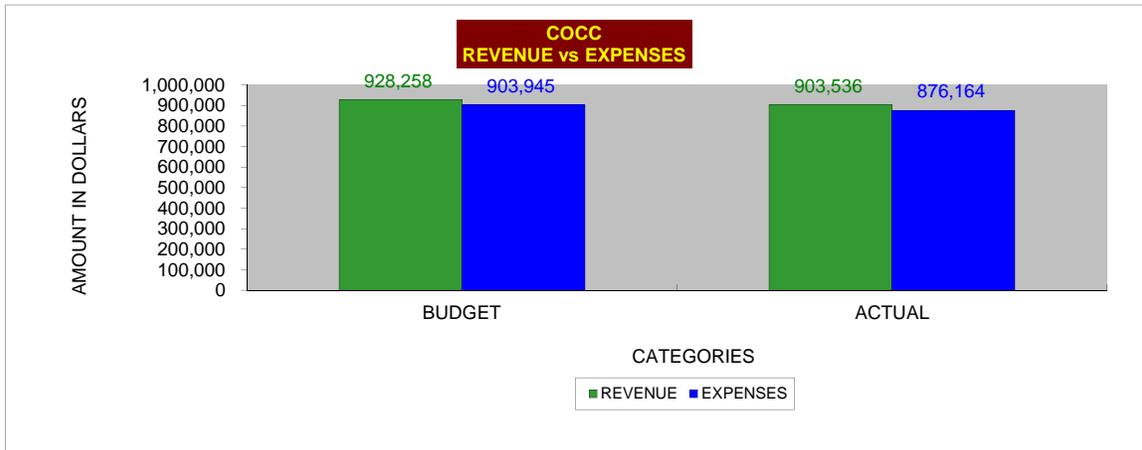
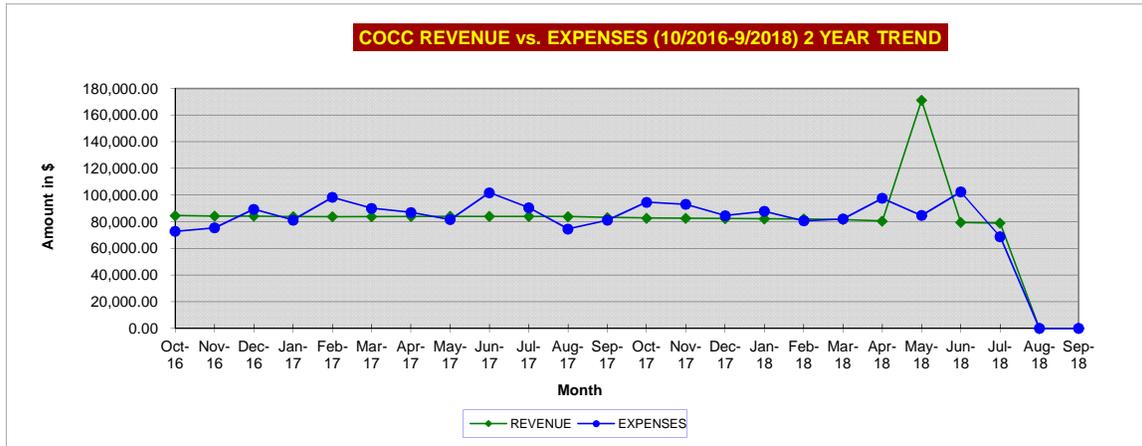
48.3%



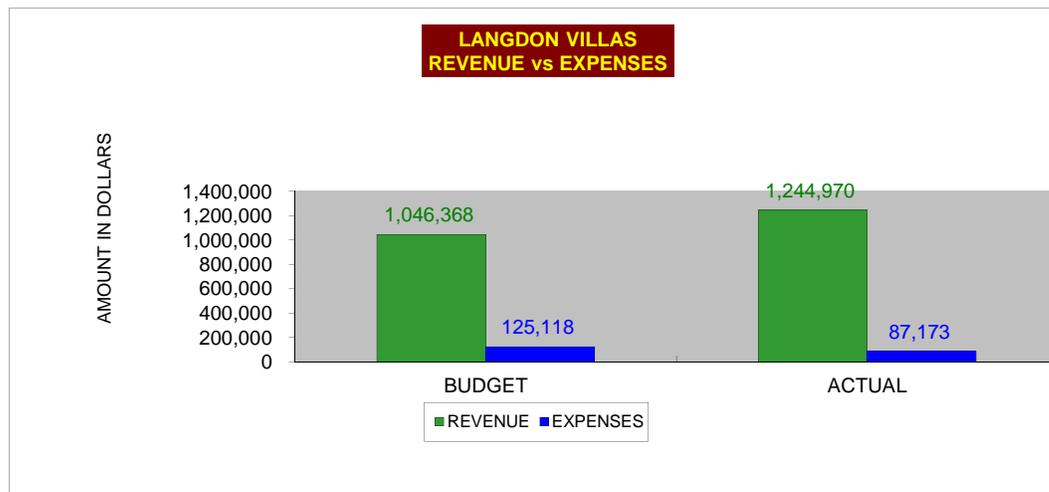
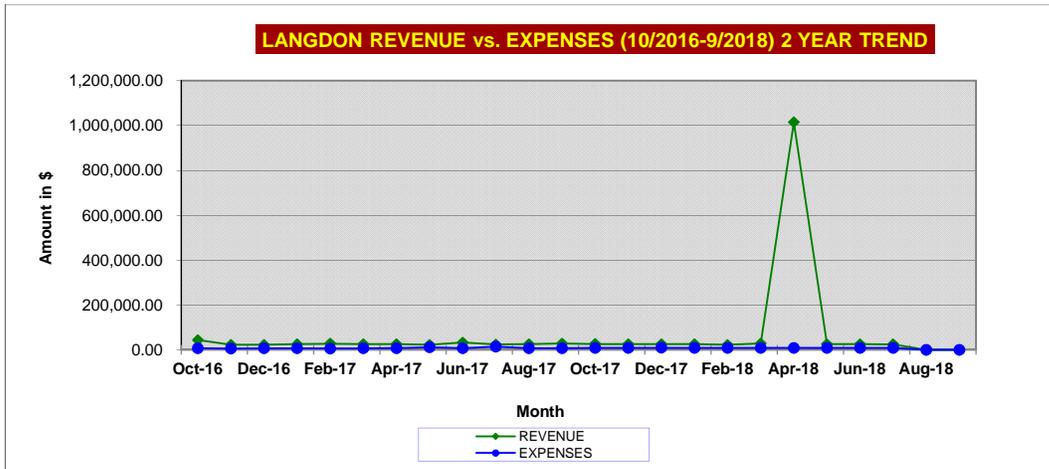
REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
HOUSING ASSISTANCE (HAP)	14,110,976	14,171,610	506.14	508.32
ADMIN. FEES	1,479,039	1,499,619	53.05	53.79
	15,590,015	15,671,229	559.19	562.11
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
HOUSING ASSISTANCE (HAP)	14,109,478	14,273,900	506.09	511.99
ADMIN. EXPENSES	1,498,840	1,430,363	53.76	51.31
	15,608,318	15,704,263	559.85	563.30
NET SURPLUS	(18,303)	(33,034)		
HAP SURPLUS YTD Change	1,499	(102,290)		
ADMIN SURPLUS YTD Change	(19,801)	69,256		
HAP SURPLUS BALANCE	150,791	47,002		
ADMIN SURPLUS BALANCE	(35,349)	53,708		

01-Oct-17

TO: 31-Jul-18



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
INTEREST	0	0	0.00	0.00
OTHER INCOME	0	91,392	0.00	37.34
MANAGEMENT FEES	811,632	812,144	331.64	331.85
ASSET MANAGEMENT FEES	41,708	0	17.04	0.00
CFP ADMIN FEES	74,918	0	30.61	0.00
	928,258	903,536	379.29	369.19
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	695,934	711,175	284.37	290.59
UTILITIES	33,380	28,743	13.64	11.74
MAINT.	63,613	56,952	25.99	23.27
GENERAL	111,017	78,737	45.36	32.17
	903,945	876,164	369.36	358.00
NET SURPLUS	24,313	27,372		
NET FROM OPERATIONS	24,313	27,372		
ENDING RESERVE BALANCE		(265,626)	(262,567)	
NET SURPLUS	24,313	27,372		
ADD BACK DEPRECIATION	0	0		
CASH FLOW	24,313	27,372		



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
RENTS	38,458	38,500	3,850.03	3,854.24
INTEREST	0	0	0.00	0.00
MANAGEMENT FEES	183,817	183,531	18,401.92	18,373.29
OTHER INCOME	824,093	1,022,939	82,499.96	102,406.48
	1,046,368	1,244,970	104,751.91	124,634.01
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	48,284	35,606	4,833.71	3,564.48
UTILITIES	1,373	1,237	137.45	123.82
MAINT. & OPER.	3,247	1,013	325.06	101.42
GENERAL	72,214	49,318	7,229.34	4,937.22
	125,118	87,173	12,525.56	8,726.94
NET SURPLUS	921,250	1,157,797		
ENDING EQUITY BALANCE	10,738,395	10,974,942		

HOUSING AUTHORITY OF THE COUNTY OF MERCED

Langdon

ASSETS, LIABILITIES & FUND EQUITY

FISCAL YEAR PERIOD FROM: 10/01/17 TO: 9/30/2018

REPORT PERIOD FROM:

01-Oct-17

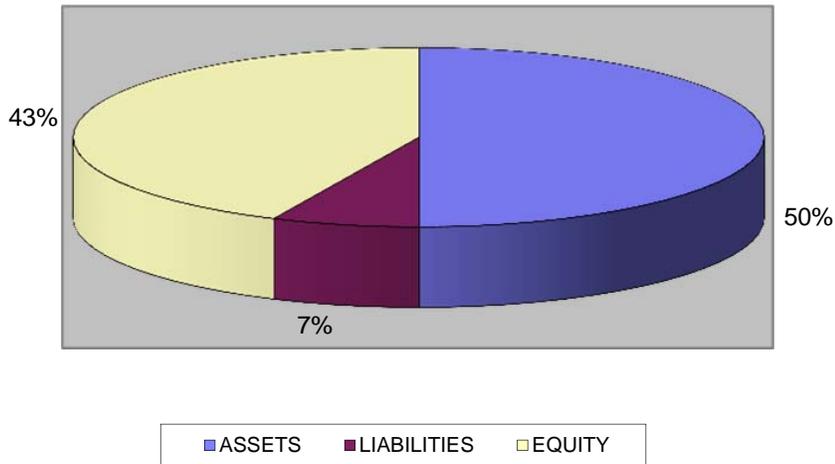
TO:

31-Jul-18

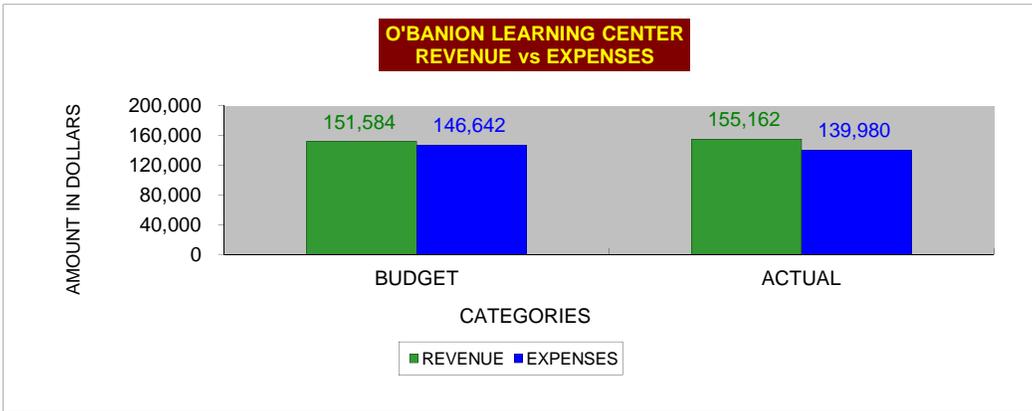
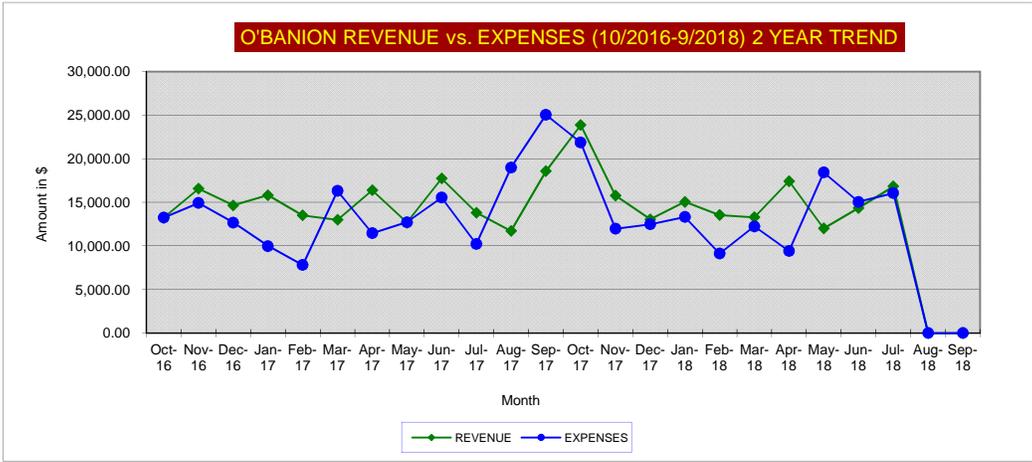
EXPEND. RATE:

UNIT/MONTH:

**LANGDON VILLA
BALANCE SHEET**



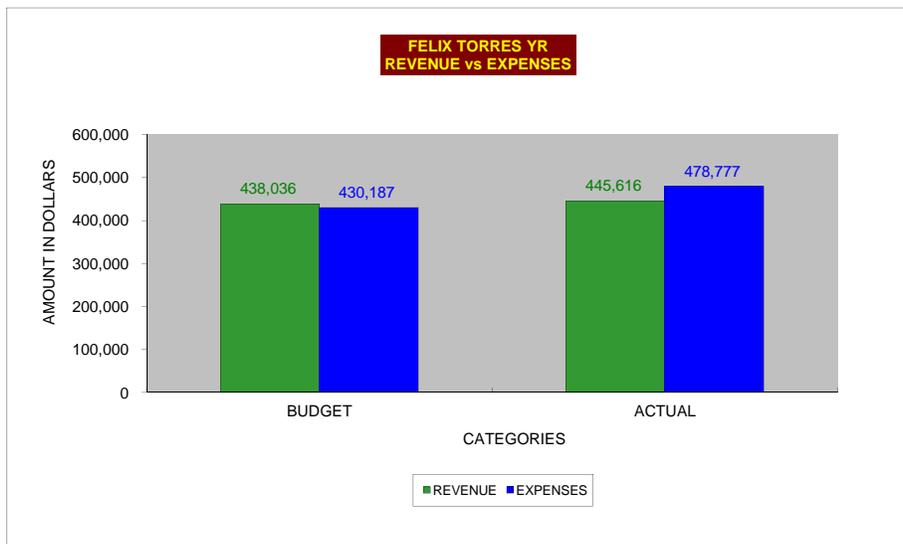
CATEGORIES	ASSETS	LIABILITIES	EQUITY	
CASH	4,988,394			
ACCTS. RECEIVABLE	131			
FIXED ASSETS	123,871			
NOTES RECEIVABLE	906,678			
2nd Trust Deeds	4,343,437			
OTHER L/T ASSETS	2,744,530			
DEFERRED OUTFLOWS	120,881			
ACCOUNTS PAYABLE		1,743		
Other Current Liabilities		151,678		
NOTES PAYABLE		0		
Other Non Current Liabilities		1,495,835		
DEFERRED INFLOWS		173,421		
PRIOR YEARS			10,247,447	
CURRENT YEAR			1,157,797	
EQUITY TRANSFERS			0	
	\$13,227,922	\$1,822,678	\$11,405,244	\$13,227,922
				LIAB. + EQUITY



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
NON-DWELL. RENTS	151,584	155,162	2,529.18	2,588.88
OTHER INCOME	0	0	0.00	0.00
	151,584	155,162	2,529.18	2,588.88
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	16,148	16,772	269.43	279.85
UTILITIES	53,733	50,544	896.54	843.32
MAINT. & OPER.	30,878	26,781	515.20	446.84
GENERAL	1,099	1,050	18.34	17.52
DEPRECIATION	44,784	44,833	747.22	748.04
	146,642	139,980	2,446.73	2,335.57
NET SURPLUS	4,942	15,182		
ENDING EQUITY BALANCE	2,436,661	2,446,901		
ADD BACK DEPRECIATION	44,784	44,833		
CASH FLOW	49,726	60,015		

01-Oct-17

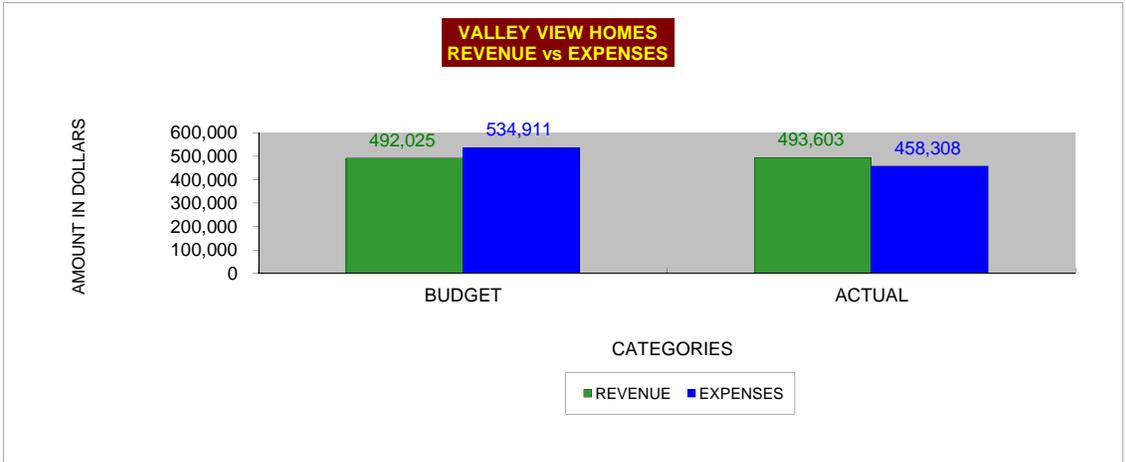
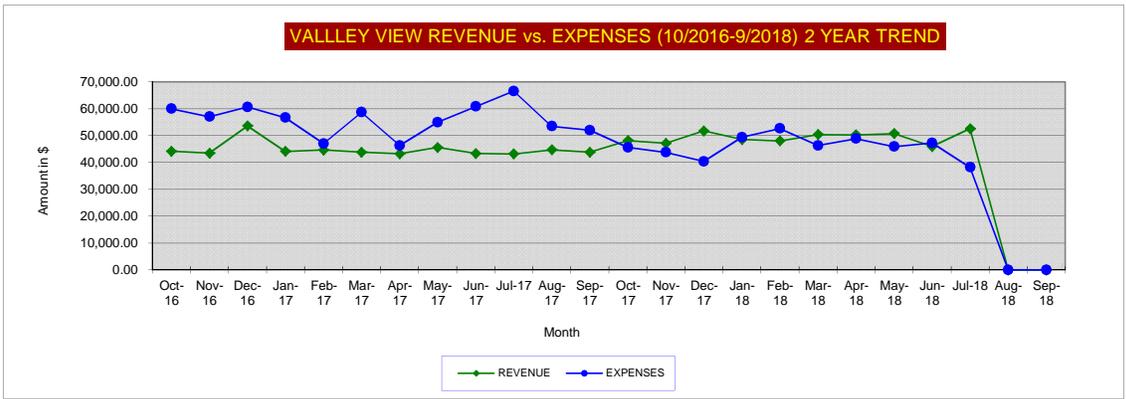
TO: 31-Jul-18



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
RENTS	437,203	443,600	951.49	965.41
INTEREST	0	174	0.00	0.38
OTHER INCOME	832	1,841	1.81	4.01
	438,036	445,616	953.30	969.80
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	57,687	55,752	125.54	121.33
UTILITIES	71,114	55,363	154.77	120.49
MAINT.	92,315	90,942	200.91	197.92
GENERAL	42,761	110,227	93.06	239.89
DEPRECIATION	166,310	166,493	361.94	362.34
EQUITY TRANSFERS	0	0	0.00	0.00
	430,187	478,777	936.22	1,041.97
NET SURPLUS	7,849	(33,161)		
NET FROM OPERATIONS	7,849	(33,161)		
ENDING EQUITY BALANCE	(156,979)	(197,989)		
NET SURPLUS	7,849	(33,161)		
ADD BACK DEPRECIATION	166,310	166,493		
LESS CAPITAL EXPENDITURES	0	0		
CASH FLOW	174,159	133,331		

01-Oct-17

TO: 31-Jul-18



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
RENTS	490,527	466,580	672.69	639.85
INTEREST	0	0	0.00	0.00
OTHER INCOME	1,498	27,023	2.05	37.06
	492,025	493,603	674.74	676.91
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
ADMIN.	110,266	98,878	151.22	135.60
UTILITIES	85,906	74,142	117.81	101.68
MAINT. & OPER.	118,131	88,606	162.00	121.51
GENERAL	28,877	21,892	39.60	30.02
DEPRECIATION	33,729	33,390	46.25	45.79
BOND INTEREST	142,810	141,400	195.85	193.91
BOND REPLACEMENT RESV	15,192	0	20.83	0.00
	534,911	458,308	733.56	628.51
NET SURPLUS	(42,886)	35,295		
BOND PRINCIPAL	62,431	0		
ADJUSTED SURPLUS	(105,317)	35,295		
ADD BACK DEPRECIATION	33,729	33,390		
ADD BACK BOND COST AMORT	0	0		
CASH FLOW	(71,588)	68,685		
ENDING EQUITY BALANCE	(2,559,178)	(2,418,566)		

HOUSING AUTHORITY OF THE COUNTY OF MERCED

Migrant (.migrant)

REVENUE & EXPENDITURE STATUS REPORT

FISCAL YEAR PERIOD FROM: 07/01/2018 TO: 06/30/2019

REPORT PERIOD

FROM:

01-Jul-18

TO:

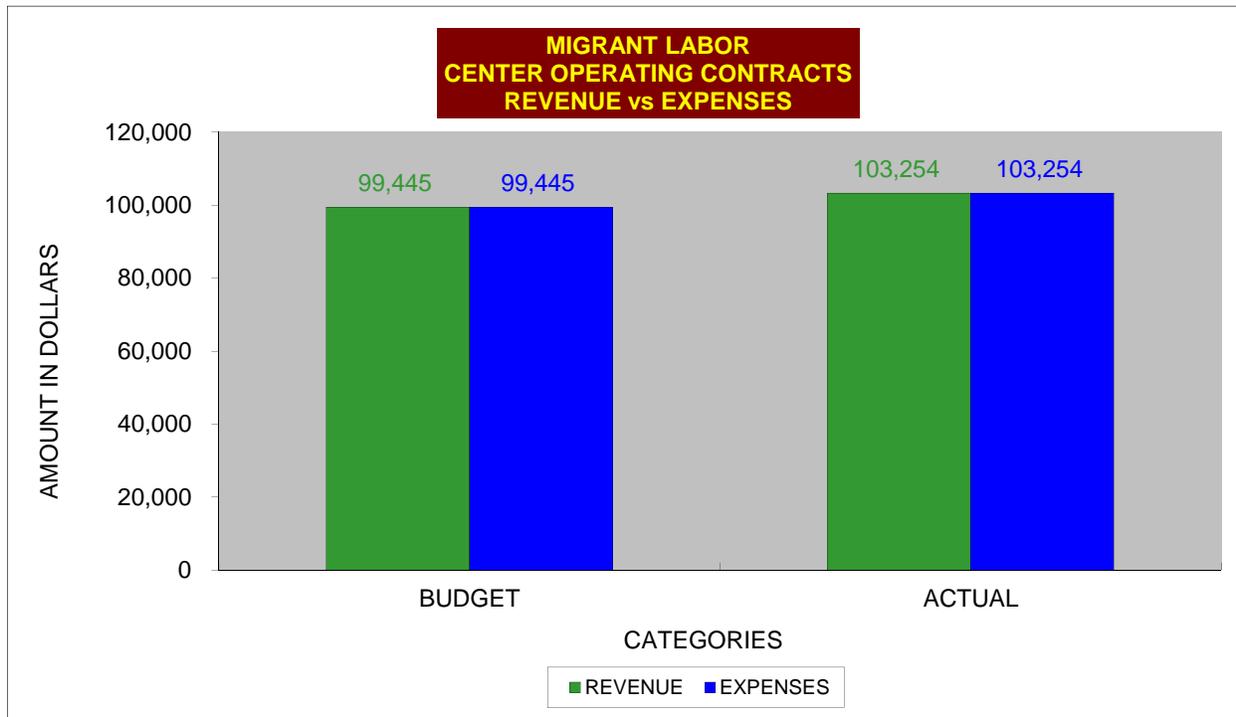
31-Jul-18

EXPEND. RATE:

8.2%

UNIT/MONTH:

1,548



REVENUE	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
OMS OPERATING	99,445	103,254	779.46	809.31
	99,445	103,254	779.46	809.31
EXPENSES	YTD BUDGET	YTD ACTUAL	PUM BUDGET	PUM ACTUAL
PERSONNEL	49,588	42,324	388.67	331.74
OPERATIONS	26,480	10,250	207.55	80.34
MAINTENANCE	1,537	451	12.05	3.53
ADMINISTRATION	9,444	8,786	74.02	68.87
DEBT SERVICE	12,396	41,443	97.16	324.84
	99,445	103,254	779.45	809.32
NET SURPLUS	-	-		

STAFF REPORT

TO: Board of Commissioners,
Housing Authority of the County of Merced

FROM: Rosa Vazquez, Executive Director

DATE: August 21, 2018

SUBJECT: Recommendation to adopt Resolution No. 2018-20, Approving a Housing Authority of the County of Merced Debt Management Policy.

A relatively new State law set forth in section 8855(i) of the Government Code requires that all public agencies in California that issue debt, including the Housing Authority, adopt a Debt Management Policy covering certain matters related to debt of the respective public agency. In addition, the California Debt Limit Allocation Committee has recently adopted regulations that require that any issuer of multifamily housing revenue bonds adopt policies related to conduit revenue bonds. The municipal advisor to the Housing Authority, Wulff, Hansen & Co., with input and review by the Housing Authority's General Counsel, David Ritchie, has helped draft a proposed policy for the Housing Authority that complies with the requirements of the Government Code as well as the requirements of the California Debt Limit Allocation Committee, and that incorporates best practices in these areas.

This Debt Management Policy is submitted for Board of Commissioners approval, prior to any consideration by the Board of Commissioners of the issuance or incurrence of any new debt obligation of the Housing Authority.

RECOMMENDATION

I recommend that the Board of Commissioners of the Housing Authority of the County of Merced adopt Resolution No. 2018-20, approving a Housing Authority of the County of Merced Debt Management Policy.

RESOLUTION NO. 2018-20

A RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE HOUSING AUTHORITY OF THE COUNTY OF MERCED, APPROVING A DEBT MANAGEMENT AND CONTINUING DISCLOSURE POLICY FOR THE HOUSING AUTHORITY OF THE COUNTY OF MERCED

WHEREAS, pursuant to the provisions of section 8855(i) of the Government Code that became effective on January 1, 2017, the issuer of any proposed state or local governmental debt is required to adopt local debt management policies concerning the use of debt and to determine that any proposed debt issuance is consistent with those local management debt policies; and

WHEREAS, in addition, the California Debt Limit Allocation Committee has adopted regulations requiring that issuers of housing revenue bonds adopt policies related to such bonds; and

WHEREAS, the Housing Authority of the County of Merced (the "Housing Authority") may issue debt from time to time to finance its activities, to refund and refinance outstanding debt obligations, and in the form of conduit revenue bonds to assist in the development of affordable housing by for-profit developers, and in connection therewith the Board of Commissioners would like to approve a debt management policy for the Housing Authority;

WHEREAS, a debt management policy has been developed for the Housing Authority and the Board of Commissioners now desires to adopt such policy.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Commissioners of the Housing Authority of the County of Merced does hereby approve the Debt Management Policy attached as Exhibit A hereto for the Housing Authority.

The foregoing Resolution was introduced at the August 21, 2018 Board meeting of the Board of Commissioners of the Housing Authority of the County of Merced and was adopted by the following vote:

Motion:

Second:

Ayes:

Nays:

Absent:

Abstain:

Chairperson, Board of Commissioners
Housing Authority of the County of Merced

Dated: August 21, 2018

HOUSING AUTHORITY OF THE COUNTY OF MERCED DEBT MANAGEMENT POLICY

This Debt Management Policy (the "Debt Policy") of the Housing Authority of the County of Merced was approved by the Board of Commissioners on August 21, 2018. The Debt Policy may be amended by Board of Commissioners as it deems appropriate from time to time in the prudent management of the debt of the Housing Authority.

This Debt Policy will apply to all debt issued by the Housing Authority.

The Debt Policy has been developed to provide guidance in the issuance and management of debt by the Housing Authority and is intended to comply with Government Code Section 8855(i), as amended, effective on January 1, 2017 and applicable regulations of the California Debt Limit Allocation Committee ("CDLAC"). The main objectives are:

- To establish conditions for the use of debt;
- Reference the types of debt the Housing Authority may issue
- To ensure that debt capacity and affordability are adequately considered;
- Describe the Housing Authority's policy goals related to its planning goals and objectives to promote the construction and rehabilitation of affordable residential rental housing for persons and families of very low, low and moderate income; and
- To maintain financial flexibility for the Housing Authority.

Debt, properly issued and managed, is a critical element in any financial management program. It assists in the Housing Authority's effort to allocate limited resources to provide the highest quality of service to the public. The Housing Authority understands that a properly managed debt program promotes the production and maintenance of affordable housing.

FINDINGS

This Debt Policy shall govern all financings undertaken by the Housing Authority. The Housing Authority hereby recognizes that a fiscally prudent debt policy is required in order to:

- Maintain the Housing Authority's sound financial position.
- Protect the Housing Authority's credit-worthiness.
- Ensure that all debt is structured in order to protect both current and future beneficiaries of the Housing Authority's resources.
- Ensure that the Housing Authority's debt is consistent with the Housing Authority's planning goals and objectives and capital improvement program or budget, as applicable.

- Ensure compliance with applicable U.S. Department of Housing and Urban Development regulations.

POLICIES

A. Purposes For Which Debt May Be Issued

The Housing Authority will consider the use of debt financing primarily to provide for decent, safe and sanitary dwelling accommodations for persons and families of low income consistent with the provisions of the Housing Authorities Law (section 34200 et seq. of the Health and Safety Code) and any applicable federal rules or regulations, and when resources are identified sufficient to fund the debt service requirements. Bonded debt should not be issued for projects with minimal public benefit, or to finance normal operating expenses.

For any project which is expected to use debt financing, the Executive Director, working with Housing Authority Staff, shall determine reasonable cost estimates, as well as expected sources of revenue that will provide payment for debt service. This will allow an analysis of the project's potential impact, if any, on the Housing Authority's debt capacity and limitations. The Executive Director shall also determine an estimate of any incremental operating and/or additional maintenance costs associated with the project and identify sources of revenue, if any, to pay for such incremental costs.

(i) Long-Term Debt. Long-term debt may be issued to finance or refinance the construction, acquisition, and rehabilitation of housing facilities and related improvements, and other capital assets to be owned by the Housing Authority, as well as for housing facilities to be owned by others (referred to as "conduit financing" in this Debt Policy and more particularly described in Exhibit A attached to this Debt Policy).

(a) Long-term debt financings are appropriate when one or more of the following conditions exist:

- When the project to be financed is necessary to provide decent, safe and sanitary housing to persons and families of low income.
- When the project is within the Area of Operation of the Housing Authority.
- When the project to be financed will provide benefit over multiple years.
- When total debt does not constitute an unreasonable burden to the Housing Authority.
- When the debt is used to refinance outstanding debt in order to produce debt service savings or to realize the benefits of a debt restructuring.

- When the debt will be used to finance a project in furtherance of a program administered by the Housing Authority.

(b) Long-term debt financings will not generally be considered appropriate for current operating expenses and routine maintenance expenses.

(c) The Housing Authority may use long-term debt financings subject to the following conditions:

- The project to be financed has received all necessary land use entitlements.
- The weighted average maturity of the debt (or the portion of the debt allocated to the project) will not exceed the average useful life of the project to be financed by more than 20%, unless specific conditions exist that would mitigate the extension of time to repay the debt and it would not cause the Housing Authority to violate any covenants to maintain the tax-exempt status of such debt, if applicable.
- The Housing Authority estimates that sufficient funds will be available to service the debt through its maturity.
- The Housing Authority determines that the issuance of the debt will comply with the applicable requirements of the Health and Safety Code and federal law.

(d) Periodic reviews of outstanding long-term debt will be undertaken to identify refunding opportunities. Refunding will be considered (within federal tax law constraints, if applicable) if and when there is a net economic benefit of the refunding. Refundings which are non-economic may be undertaken to achieve Housing Authority objectives relating to changes in covenants, call provisions, operational flexibility, or the debt service profile.

In general, refundings which produce a net present value savings of at least three (3) percent of the refunded debt will be considered economically viable. Refundings which produce a net present value savings of less than three (3) percent or negative savings will be considered on a case-by-case basis.

(ii) Short-term debt. Short-term borrowing may be issued to generate funding for cash flow needs in the form of tax and revenue anticipation notes.

Other forms of short-term borrowing may be considered as an interim source of funding in anticipation of long-term borrowing. Short-term debt may be issued for any purpose for which long-term debt may be issued, including capitalized interest and other

financing-related costs. Prior to issuance of the short-term debt, a reliable revenue source shall be identified to secure repayment of the debt.

Short-term debt may also be used to finance short-lived capital projects; for example, the Housing Authority may undertake lease-purchase financing for equipment, and such equipment leases may be longer than 7 years.

(iii) Financings on Behalf of Other Entities. The Housing Authority may also find it beneficial to issue debt on behalf of private third parties in order to further the public purposes of Housing Authority related to the production of affordable multifamily rental housing. Any such conduit financing shall be subject to the provisions set forth in detail in Exhibit A to this Debt Policy.

B. Types of Debt

In order to maximize the financial options available to further the purposes of the Housing Authority, it is the policy of the Housing Authority to allow for the consideration of issuing all generally accepted types of debt, including, but not exclusive to the following:

- General Obligation (GO) Bonds: General obligation bonds are suitable for use in the construction or acquisition of improvements to real property that will be owned by the Housing Authority.
- Revenue Bonds: Revenue bonds are limited liability obligations tied to a specific project or revenue stream. An example of a project that would be financed by a revenue bond would be a stand-alone housing facility that is expected to generate sufficient revenue to repay the related revenue bonds.
- Lease-Backed Debt/Certificates of Participation (COP/Lease Revenue Bonds): Issuance of lease-backed debt is a commonly used form of debt that allows a housing authority to finance projects where the debt service is secured via a lease agreement and where the payments are budgeted in the annual budget appropriation by the housing authority from its general fund.
- Multi-Family Mortgage Revenue Bonds: The Housing Authority is authorized to issue mortgage revenue bonds to finance the development, acquisition and rehabilitation of multi-family rental projects. The interest on the bonds can be exempt from Federal and State taxation. As a result, bonds provide below market financing for qualified rental projects. In addition, the bonds issued can qualify projects for allocations of Federal low-income housing tax credits, which can provide a significant portion of the funding necessary to develop affordable housing. It is expected that this type of financing will be governed by the specific policies in Exhibit A to this Debt Policy.

- HUD Section 108 Loan Guarantee Program: The U.S. Department of Housing and Urban Development (HUD) Section 108 Loan Guarantee Program and other programs allow for the use of certain entitlement grants to obtain federally guaranteed funds and other subsidies to pay for costs of certain affordable housing projects.

The Housing Authority may from time to time find that other forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

To maintain a predictable debt service burden, the Housing Authority will give preference to debt that carries a fixed interest rate. An alternative to the use of fixed rate debt is variable rate debt. The Housing Authority may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of securities. When making the determination to issue bonds in a variable rate mode, consideration will be given in regards to the useful life of the project or facility being financed or the term of the project requiring the funding, market conditions, credit risk and third party risk analysis, and the overall debt portfolio structure when issuing variable rate debt for any purpose. The maximum amount of variable-rate debt should be limited to no more than 20 percent of the total Housing Authority debt portfolio.

C. Relationship of Debt to Capital Improvement Program and Budget

The Housing Authority intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the Housing Authority's capital budget and the capital improvement plan.

The Housing Authority shall strive to fund the upkeep and maintenance of its facilities due to normal wear and tear through the expenditure of available operating revenues. The Housing Authority will seek to avoid the use of debt to fund facilities improvements that are the result of normal wear and tear, unless a specific revenue source has been identified for this purpose, or a project is in need of substantial rehabilitation.

The Housing Authority shall integrate its debt issuances with the goals of its capital improvement program by timing the issuance of debt to ensure that projects are available when needed in furtherance of the Housing Authority's public purposes. The Housing Authority shall seek to issue debt in a timely manner to avoid having to make unplanned expenditures for capital improvements or equipment from its general fund.

D. Policy Goals Related to Planning Goals and Objectives

The Housing Authority is committed to financial planning, maintaining appropriate reserves levels and employing prudent practices in governance, management and budget

administration. The Housing Authority intends to issue debt for the purposes stated in this Debt Policy and to implement policy decisions incorporated in the Housing Authority's annual operating budget.

It is a policy goal of the Housing Authority to protect constituents by utilizing conservative financing methods and techniques so as to obtain the highest practical credit ratings (if applicable) and the lowest practical borrowing costs.

The Housing Authority will comply with applicable State and federal law as it pertains to the maximum term of debt and the procedures for repaying debt obligations.

Except as otherwise described in Section 2.A., when refinancing debt, it shall be the policy goal of the Housing Authority to realize, whenever possible, and subject to any overriding non-financial policy considerations, minimum net present value debt service savings equal to or greater than 3% of the refunded principal amount.

E. Internal Control Procedures; Continuing Disclosure Obligations

When issuing debt, in addition to complying with the terms of this Debt Policy, the Housing Authority shall comply with any other applicable policies regarding initial bond disclosure, continuing disclosure, post-issuance compliance, and investment of bond proceeds.

The Housing Authority will periodically review the requirements of and will remain in compliance with the following:

- any continuing disclosure undertakings under SEC Rule 15c2-12 or otherwise in connection with a debt obligation,
- any federal tax compliance requirements, including without limitation arbitrage and rebate compliance, related to any prior bond issues, and
- any relevant Housing Authority investment policies as they relate to the investment of bond proceeds.

Whenever reasonably practicable, proceeds of debt will be held by a third-party trustee and the Housing Authority will submit written requisitions for such proceeds. The Housing Authority will submit a requisition only after obtaining the signature of the Executive Director or other officer of the Housing Authority authorized by resolution of the Board of Commissioners or otherwise in the relevant financing documents.

F. Waivers of Debt Policy

There may be circumstances from time to time when strict adherence to a provision of this Debt Policy is not possible or in the best interests of the Housing Authority and the failure of a debt financing to comply with one or more provisions of this Debt Policy shall in no way affect the validity of any debt issued by the Housing Authority in accordance with applicable laws.

EXHIBIT A

<p style="text-align: center;">HOUSING AUTHORITY OF THE COUNTY OF MERCED BOND ISSUANCE AND POST-ISSUANCE COMPLIANCE POLICIES FOR MULTIFAMILY MORTGAGE REVENUE BONDS AND SIMILAR OTHER FORMS OF CONDUIT FINANCING</p>

1. SUMMARY

1.1 Federal, state and local legislation authorize the issuance of mortgage revenue bonds by local governments to finance the development, acquisition, construction and rehabilitation of multifamily rental projects. The interest on the bonds can be exempt from federal and state income taxation, and provide below market rate financing for qualified projects. In addition, properly-structured tax-exempt mortgage revenue bonds can qualify projects for allocations of federal low-income housing tax credits, which may provide a significant portion of the funding necessary to develop affordable housing. The Housing Authority of the County of Merced ("Housing Authority") has established a program (the "Program") to issue mortgage revenue bonds and other forms of financing for qualified multifamily rental and other projects within its jurisdiction. The Housing Authority's Program uses tax-exempt and taxable mortgage revenue bonds (including notes and other debt instruments) issued by the Housing Authority to subsidize the development of affordable rental housing within the County and to meet its other goals.

1.2 There is no direct legal liability to the County or the Housing Authority in connection with the issuance or repayment of conduit revenue bonds; there is no pledge of the County's or the Housing Authority's faith, credit or taxing power and the bonds do not constitute general obligations of the issuer because the security for repayment of bonds is limited to project revenue and other sources specified in the documentation for each financing. Bonds for affordable housing projects are often effectively structured as real estate loans, and the obligation to repay the bonds is secured by a first deed of trust on the bond-financed property. The Program is completely self-supporting; developers must secure funding to pay for costs of issuance of the bonds and all other costs of each financing.

1.3 The Housing Authority may issue bonds to finance or refinance housing facilities, located within its "area of operation", which includes all of Merced County except the area within the territorial boundaries of any city in the County in which a city housing authority has been authorized to transact business. Except as authorized by certain provisions of the California Health and Safety Code, the Housing Authority will not issue bonds to finance or refinance housing facilities in any city located in Merced County and in which a housing authority has not been authorized to transact business unless the consent of the City Council has been obtained.

1.4 Bonds issued under the Program should generally be privately placed with a financial institution, or, with limited exceptions, publicly issued with a minimum rating of "A", or its equivalent, by one or more of the nationally recognized rating agencies listed in Section 4.1. Proceeds of the bonds may be used for both costs of construction or rehabilitation and permanent financing. The effective mortgage rate is the aggregate of the applicable bond rate and the add-on fees charged under the program, such as lender, trustee, issuer's fee, etc. The bond rate, for fixed rate bonds, is determined at the time of a bond sale and the resulting mortgage rate is typically below conventional mortgage rates. The project loans generally have a 30-year amortization schedule although the bond maturity may be shorter.

1.5 The goals of the Program include: increase and preserve the supply of affordable rental housing; encourage economic integration within residential communities; maintain a quality living environment for residents of assisted projects and surrounding properties; and, in the event of provision of public funds towards the project, optimize the effectiveness of Housing Authority, or other public funding by maximizing the leveraging of private sector funds.

1.6 The bond issuance and related loan amount for individual projects is based upon project costs, interest rates, revenues available to pay debt service, and the appraised value of the project being financed. The Housing Authority will consider multiple properties as part of a single bond financing on a case by case basis. If a tax-exempt financing is involved, bond and related loan amounts will be subject to the procedures of the California Debt Limit Allocation Committee ("CDLAC"), as described in Section 2.3 below.

1.7 Projects must consist of complete rental units, including kitchens and bathrooms. Bond proceeds may be used for costs of land acquisition (up to 25% of tax-exempt bond proceeds), construction, rehabilitation, improvements, architectural and engineering services, construction interest, loan fees and other capital costs of the project incurred after the date sixty days before the bond inducement date specified in Section 7.3. Tax-exempt bond proceeds cannot be used to acquire property from a party related to the buyer. No more than 2% of tax-exempt bond proceeds can be used to finance costs of issuance, such as the services of the financing team members, rating and printing of bonds, cost related to bond allocation, etc. Pursuant to federal tax-exempt bond requirements, if bonds are used for acquisition and rehabilitation, an amount equal to at least 15 percent of the portion of the acquisition cost of the building and related equipment financed with the proceeds of bonds must be used for rehabilitation of the project. The loans are assumable upon transfer of the project with the approval of the credit enhancement provider or bond purchaser, and Executive Director of the Housing Authority or designee.

1.8 The Housing Authority receives compensation for its services in preparing bond issuances by charging an up-front administrative fee payable at the bond closing. In addition, the Housing Authority also receives ongoing, annual fees for compliance monitoring of regulatory restrictions and administrative oversight of outstanding bond issues.

A. The administrative fee due on the bond closing date, is an amount equal to 25 basis points (0.25%) of the initial principal amount of bonds issued (or in the case of draw-down bonds [a bond structure with multiple draws over time]) the initial maximum authorized principal amount of bonds), not to exceed for tax-exempt bonds the amount otherwise allowed by the Internal Revenue Service ("IRS").

B. The annual ongoing administrative fee will be an amount equal to (a) prior to conversion to permanent financing, 0.125% of the maximum authorized principal amount of the bonds as of the closing date for the bonds, and (b) after conversion to permanent financing, if applicable, 0.125% of the outstanding principal amount of the bonds immediately after conversion to permanent financing; however, the annual ongoing fee in any event will not be less than \$10,000. The annual fee will be charged each year during the compliance period under the Bond Regulatory Agreement for the project (see Section 3.1), to recover administrative and monitoring costs of the Housing Authority, which will be charged to all projects for such compliance period, including projects where bonds are fully repaid prior to the end of the compliance period. The ongoing annual fee will be due and payable without the requirement for any invoice to be delivered to the project owner, on the first day of the month in which the anniversary of the bond closing occurs based on the facts in existence as of such first day of such month.

C. The annual ongoing administrative fee will remain fixed based on using the principal amount of bonds outstanding at permanent financing conversion regardless of any later reductions of the outstanding principal of the bonds.

D. Additional monitoring fees may be charged for monitoring affordable housing units governed by regulatory agreements in addition to the Bond Regulatory Agreement, or for projects with more than 50 units.

E. At the time of the application, the project proponent must pay a \$3,000 non-refundable application fee to the Housing Authority.

1.9 Due to IRS limitations applicable to fees charged by issuers of tax-exempt bonds where the bond purchaser and the tax credit investor are the same or related entities, the Housing Authority will not issue bonds for projects where the tax credit investor is also the same or a related entity to the bond purchaser. Exceptions may be granted on a case-by-case basis, in the discretion of the Housing Authority's Executive Director or designee.

1.10 To the extent that contractors will be providing services on behalf of a project proponent or a project owner related to the requirements of these Policies, the project proponent or project owner, as applicable, shall provide the Housing Authority with a written statement describing their relationship with the contractor and any rights the contractor has to income and obligations generated from any proposed bond issuance activity.

2. TYPES OF BONDS

2.1 The Housing Authority may issue either tax-exempt or taxable bonds (which include short term notes or other debt instruments including leases and loans), or both. Taxable bonds would generally be issued only in combination with tax-exempt bonds. Taxable bonds do not require an allocation of tax-exempt bond authority from CDLAC but still require compliance with State law requirements governing the Housing Authority's ability to issue bonds.

The Housing Authority may from time to time find that specific forms of debt would be beneficial to further its public purposes and may approve such debt without an amendment of this Debt Policy.

To maintain a predictable debt service burden, the Housing Authority will give preference to debt that carries a fixed interest rate. An alternative to the use of fixed rate debt is variable rate debt. The Housing Authority may choose to issue securities that pay a rate of interest that varies according to a pre-determined formula or results from a periodic remarketing of securities. When making the determination to issue bonds in a variable rate mode, consideration will be given in regards to the useful life of the project or facility being financed or the term of the project requiring the funding, market conditions, credit risk and third-party risk analysis, and the overall debt portfolio structure when issuing variable rate debt for any purpose. The maximum amount of variable-rate debt should be limited to no more than 20 percent of the total debt portfolio.

2.2 The interest paid on taxable bonds is not exempt from federal taxation. These bonds are not subject to federal volume "cap" limitations and therefore do not require allocation authority from CDLAC. Taxable bond issues must meet all applicable requirements of this Policy (including rating requirements), State law requirements and any additional regulations that may be promulgated, from time to time, by the Housing Authority.

2.3 Bond interest on which is tax-exempt under federal tax law (other than refunding bonds and 501(c)(3) bonds described below), require an allocation of bond authority from CDLAC. To obtain the allocation, the Housing Authority must submit an application to CDLAC on behalf of the project proponent. Submittal of the application is at the discretion of the Housing Authority, not the project proponent. The project proponent must provide all deposits and pay all fees required by CDLAC when due.

2.4 The Housing Authority may issue bonds described in section 145(d) of the federal tax code on behalf of qualified nonprofit organizations. The interest on these 501(c)(3) bonds is tax-exempt and these bonds do not require an allocation from CDLAC, but cannot be used with the Low Income Housing Tax Credit Program.

2.5 The Housing Authority will consider the issuance of bonds to refund outstanding bonds subject to the following conditions:

A. The project proponent agrees to cover all costs of the issuer, including costs for the issuer's municipal advisor, bond counsel, and trustee (if applicable).

B. The affordability restrictions of the existing bond regulatory agreement are subject to extension. The Housing Authority reserves the right to impose additional requirements on a case by case basis. All specifics of refunding proposals must be approved by the Housing Authority.

C. The provisions of Section 34312.3 of the California Health and Safety Code shall apply to projects financed under the Program.

D. Except in limited circumstances, the provisions of Sections 65863.10 and 65863.11 of the California Government Code shall apply to projects financed under the Program, and project proponents are advised to review the requirements of such Sections.

E. Default refunding applications require a default refunding analysis (to determine the eligibility for a default refunding). The Housing Authority shall choose the firm to conduct the analysis. The project applicant will deposit the cost for the study with the Housing Authority before the study begins.

F. Periodic reviews of outstanding long-term debt will be undertaken to identify refunding opportunities. Refunding will be considered (within federal tax law constraints, if applicable) if and when there is a net economic benefit of the refunding. Refundings which are non-economic may be undertaken to achieve Housing Authority objectives relating to changes in covenants, call provisions, operational flexibility, tax status of the issuer, or the debt service profile.

In general, refunding transactions that produce a net present value savings of at least three percent (3%) of the refunded debt will be considered economically viable. Refundings which produce a net present value savings of less than three percent (3%) or negative savings will be considered on a case-by-case basis, and are subject to Board of Commissioners approval.

2.6 Bonds for projects are intended to be non-recourse conduit financing in which none of the Housing Authority or the County will be responsible for the repayment of the debt. The Housing Authority's own capital improvement plans and budgets should not be impacted by the bond financing of projects.

3. AFFORDABILITY REQUIREMENTS

3.1 Term of Rental and Affordability Restrictions – The project must remain as rental housing and continuously meet the affordability requirements as provided in Sections 3.2, 3.3 and

3.4 for the longer of (a) the Qualified Project Period (as defined in Internal Revenue Code of 1986), (b) as long as the bonds remain outstanding, (c) such period as may be required in the opinion of Bond Counsel to satisfy applicable federal or State law, or (d) such period as may be required by CDLAC (typically 55 years). The rent of "in-place" tenants at the conclusion of the required affordability period will continue to be governed by the applicable affordability restriction, so long as those tenants continue to live in the development. The Housing Authority reserves the right to impose additional affordability restrictions.

A Bond Regulatory Agreement containing the rental and affordability restrictions will be recorded against the project property and must be complied with by subsequent owners. The Bond Regulatory Agreement may be terminated upon expiration of restrictions or in the event of casualty loss or foreclosure, and the subsequent retirement of bonds as a result of foreclosure.

The Bond Regulatory Agreement will be drafted by the Housing Authority's bond counsel for the financing and must be in a form acceptable to and approved by the Housing Authority. The Bond Regulatory Agreement will set forth federal, state and Housing Authority requirements applicable to the operation of the project to be financed, and pursuant to Section 5220(c)(1) of the CDLAC Regulations must incorporate by reference and as an attachment the CDLAC resolution allocating private activity bond authority to the Housing Authority for the project.

State law requires advance notice and other requirements upon termination of affordability requirements, some of which also place restrictions on the sale of previously affordable housing projects, pursuant to the provisions described in 2.5(D) above.

3.2 Income Restrictions – To be eligible for tax-exempt bond financing, federal law requires that the project meet one of the following conditions:

A. A minimum of 20% of the units in the project must be set aside for occupancy by households whose incomes do not exceed 50% of area median income, as adjusted for family size; or

B. A minimum of 40% of the units in the project must be set aside for occupancy by households whose incomes do not exceed 60% of area median income, as adjusted by family size.

In any event, State law requires that a minimum of 10% of the units in the project be set aside for occupancy by households whose incomes do not exceed 50% of area median income, as adjusted for family size, at specified rent levels.

Project owners must certify their tenant's eligibility semi-annually or as otherwise required by the Housing Authority in the applicable Bond Regulatory Agreement. If a tenant is no longer eligible, the next available unit in the project (if federal tax credits apply to the project, in the building in which the unit was located) must be rented to a new eligible tenant and the current

tenant's rent can be raised to a market level. A unit occupied only by full time students does not count towards the very low and low-income unit set-aside requirements.

Affordability definitions are based on the area median income for the County of Merced as established by the US Department of Housing and Urban Development. The median income is subject to change annually. Household size is determined under Section 34312.3(c)(1)(B) and (c)(2)(B) of the California Health and Safety Code consistent with Section 42(g)(2)(C) of the Internal Revenue Code. Section 42(g)(2)(C) requires that, in calculating rents, occupancy of units is assumed to be one person per studio unit, and for each other unit with one or more separate bedrooms, 1.5 individuals for each separate bedroom.

3.3 Rent Restrictions – The maximum rent for the affordable set-aside units shall not exceed 30% of one-twelfth of 50% of area median income, or 30% of one-twelfth of 60% of area median income (as the case may be, depending on the selected set-aside). The maximum rent amounts are further reduced by a utility allowance for tenant-paid utilities in the amounts determined by the Housing Authority's Executive Director or designee. In the event tax-exempt bonds are used with Low Income Housing Tax Credits, or any other public funds, the most restrictive rents of the applicable programs shall apply. The affordability of restricted units in relation to the project's market rents will be considered as part of the Housing Authority's approval of the financing. The maximum rent amounts will also apply if the set-aside units are occupied by Section 8 tenants (tenant-based vouchers).

In calculating restricted rents, household size/occupancy shall be as described in the last paragraph of Section 3.2 above.

3.4 Unit Distribution – The set-aside units must proportionately reflect the mix of all units in the project, be distributed throughout the project and have the same floor area, amenities, and access to project facilities as market-rate units. The objective of the program is to provide a set-aside of units with lower rents, not to create special "low-income sections" within larger developments.

3.5 Additional Affordability Restrictions under Restructuring of Existing Bond Issues– Additional public benefit in the form of deeper income targeting; additional rent restrictions; extension of the term of restrictions; additional number of restricted units; or any combination thereof, may be negotiated in connection with refundings or debt restructurings of existing bond issues. The level of additional restrictions will be determined in the context of the overall financial feasibility of each financing.

4. CREDIT CONSIDERATIONS

4.1 Required Rating on the Bonds – Any bonds issued under the Program that are sold to the public should generally be rated "A", or its equivalent, or better from one or more of the following nationally recognized rating agencies: Moody's Investors Service, S&P Global Ratings, or Fitch Ratings. The same rating requirement applies in the case of a substitution of existing

credit facility for bonds that are outstanding. On a case by case basis, the Housing Authority may determine, in its sole discretion and at a public hearing, that special circumstances are applicable to financing for a project, or refinancing of an existing bond issue, and it is suitable that the rating, credit enhancement or private placement requirements in Section 4 need not apply.

4.2 Credit Enhancement– A preferred way of obtaining the required rating on the bonds in accordance with Section 4.1 is through the provision of additional, outside credit support for the bond issue provided by rated, financially strong private institutions, such as government sponsored entities (including the Federal National Mortgage Association [Fannie Mae] or the Federal Home Loan Mortgage Corporation [Freddie Mac]), other government insured mortgage programs, or other qualified credit enhancement providers as long as the minimum bond rating is obtained. The rating on such bonds is determined based on the credit worthiness of the participating credit enhancement provider. The project proponent is required to identify and obtain any such credit enhancement. As the primary source of security for the repayment of bonds, the credit enhancement provider reviews and approves the borrower (credit, financial capability, experience, etc.) and the project and its feasibility, including the size of the loan and the terms of repayment, using their own underwriting criteria.

4.3 Rated Bonds Without Credit Enhancement– Fixed rate bonds can be issued without credit enhancement if the proposed financing structure results in the required minimum rating on the bonds by a rating agency as provided in Section 4.1. However, bonds issued without credit enhancement will only be sold to qualified institutional buyers (“QIBs”) as defined under Rule 144A of the Securities Act of 1933 and in minimum \$100,000 denominations, unless waived by the Executive Director in its sole discretion.

4.4 Privately Placed Bonds – The rating requirement specified in Section 4.1 is waived under the following conditions:

A. The bonds are privately placed with QIBs, or institutional “accredited investors,” as defined in Sections 501(a)(1), (2), (3) or (7) of Regulation D promulgated under the Securities Act of 1933, or any entity in which all of the equity owners meet the requirements of at least one such subsection.

B. The bonds must be sold in minimum \$100,000 denominations.

C. All initial and subsequent purchasers (including purchasers of participation interests in the bonds) must sign a sophisticated investor letter (Investor Letter) in a form approved by the Housing Authority. While the bonds remain unrated, their transferability will be restricted to QIBs or institutional accredited investors who sign an Investor Letter.

D. Unless otherwise approved by the Housing Authority Board, the bonds may not be held at any time by more than 15 investors.

E. Upon terms acceptable to the Housing Authority, bonds may be placed in a trust or custodial arrangement with participations sold to investors.

F. The Housing Authority as issuer reserves the right to require that a trustee or fiscal agent participate in privately placed bond transactions.

The purpose of these conditions is to assure that the bonds are placed with investors who are experienced in investing in unrated municipal securities and can conduct their own analysis or real estate credit underwriting. Bond funds and affordable lending financial institutions are the types of entities this condition anticipates.

4.5 Bonds with Hedges/SWAPs. The project proponent shall disclose to the Housing Authority at the time of application of its intention to purchase an interest rate cap, hedge or swap, and such instrument shall be obtained in an arm's length transaction. Under no circumstances shall the Housing Authority be a party to such swaps or hedges.

4.6 Indemnification. The project owner shall agree to defend and indemnify the Housing Authority against liability related to the bond financing and the project and agree to reimburse the Housing Authority for all expenses incurred by the Housing Authority in issuing the bonds and monitoring the project. The Housing Authority reserves the right to require a parent company or personal guaranty of such indemnification and expense reimbursement obligations.

5. OTHER ISSUERS

5.1 The Housing Authority, in very limited situations, will allow issuers other than the Housing Authority to issue bonds for multifamily housing projects located within the unincorporated area of the County of Merced, or in any City in the County that does not have its own housing authority and has requested that the Housing Authority operate within the respective City. Any project proponent considering the use of any issuer other than the Housing Authority should contact Housing Authority staff prior to proceeding with the project. The required County approvals of bond issuances by issuers other than the Housing Authority will be recommended only if the financing proposal is part of a pooled issuance involving projects located in multiple jurisdictions and the project proponent can demonstrate that a pooled issuance is required for the projects to be financial viable. All Housing Authority affordability requirements, procedures and requirements will apply to projects using "outside issuers".

6. THE FINANCING TEAM

6.1 The Bond Counsel and Municipal Advisor specifically represent the interests and concerns of the Housing Authority in ensuring the integrity of the bond transaction. The project sponsor may, at its own expense, add additional members to the finance team to represent its interests.

6.2 The Municipal Advisor selected by the Housing Authority will be responsible for preparation of a report regarding the proposed financing, which report may include, among other matters, an analysis as to whether it is economically feasible to proceed with the financing, an evaluation of the financial strength of the project; identification of sources of security for bonds in addition to a mortgage on the project; a description of the borrower's financial situation and experience in operating and managing multifamily rental or other housing projects; and information regarding the marketability of the bonds and the rights and resources of parties to the transaction in the event of default. The municipal advisor will provide financial advice on relevant issues to best protect the interests of the Housing Authority.

6.3 Bond Counsel selected by the Housing Authority will prepare the necessary legal documentation for the bonds, including provisions regarding compliance with any applicable continuing disclosure requirements, provide an opinion regarding the validity of the bonds and their tax exempt status (if applicable), and provide legal advice on all relevant issues to best protect the interests of the Housing Authority, including but not limited to the project monitoring requirements for federal and State tax law and CDLAC purposes.

6.4 Any Bond Underwriter/Remarketing Agent/Private Placement Purchaser for the bonds will be selected by the project proponent, subject to the approval of the Housing Authority.

6.5 Any bond trustee or fiscal agent (a financial institution designated by the Housing Authority as the custodian of funds and official representative of bondholders), if required by the Housing Authority in the bond structure for the financing, will be approved by the Executive Director or designee based upon past experience, or in the absence thereof, a request for proposals process.

7. THE FINANCING PROCESS

7.1 Application – A project proponent interested in new-money financing must submit an application for bond financing, or in the case of an existing financing a request for bond refunding or restructuring, to the Housing Authority. Part of the required information is a disclosure statement, on each of the parties involved in the developer/ownership entity. Housing Authority staff will review the application for feasibility.

7.2 Deposit–At the time of the application, the project proponent must post a \$10,000 application deposit to cover the preliminary costs of the Housing Authority related to the proposed bond issuance, reissuance or restructuring. If the financing proceeds to closing, the deposit may be subject to return after the bond closing. If the bond issue does not proceed to closing, then the \$10,000 application deposit will become nonrefundable, and will be retained by the Housing Authority for payment toward the preliminary costs incurred by the Housing Authority and its consultants. The \$10,000 application deposit may be waived or reduced by the Executive Director or designee.

7.3 Inducement/Reimbursement Resolution– In conjunction with bond counsel, a bond inducement/reimbursement resolution (hereafter an “inducement resolution”) will be drafted and adopted by the Housing Authority. All new money projects must be the subject of an inducement resolution. An inducement resolution is a conditional expression of the Housing Authority’s “official intent” to issue bonds for a given project and is required for tax-exempt financing under Treasury Regulation Section 1.150-2(e). Adoption of the inducement resolution establishes, through the public record, the date from which project costs incurred may be determined to be eligible for financing under the Program with proceeds of tax-exempt bonds. Therefore, applicants are encouraged to induce their projects as soon as practicable to clearly identify the project, its location, maximum number of units, the maximum amount of financing, and the proposed ownership entity.

A. Application to CDLAC – The inducement resolution also authorizes Housing Authority staff to submit an application to CDLAC, on behalf of the project proponent, for a private activity bond allocation if the bonds are to be tax-exempt.

B. No Binding Financial Commitment – Adoption of the inducement resolution does not represent any commitment by the Housing Authority, or the project proponent to proceed with the financing. The adoption by the Housing Authority of an inducement resolution, by itself, does not authorize any subordinate financing by the Housing Authority or any other entity of the County. The Housing Authority retains absolute discretion over the issuance of bonds through adoption of a required resolution authorizing such issuance and approving related bond documents.

C. No Land Use or Building Code Approval – Adoption of the inducement resolution shall not be construed to signify that the project complies with the planning, zoning, subdivision and building laws and ordinances of the County or other relevant agency or suggest that the Housing Authority, the County, or any officer or agent of the Housing Authority or the County will grant any such approval, consent or permit that may be required in connection with the development of a given project.

7.4 TEFRA Hearing and Approval – In order for interest on the bonds to be tax-exempt and in accordance with the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA), and Section 147(f) of the Internal Revenue Code of 1986, the issuance of bonds must be approved by an elected representative or representatives of a governmental unit with jurisdiction over the area in which the project is located, after a public hearing for which a public notice (describing the proposed location of the project, the number of units, and proposed bond issuance amount) is given. The purpose of the public hearing is to provide an opportunity for interested persons to provide their views on the proposed bond issuance and on the nature and location of the project.

7.5 Bond Allocation – Prior to the issuance of tax exempt bonds (other than 501(c)(3) bonds), the Housing Authority must apply for, and receive an allocation of bond issuing authority from CDLAC. To receive such an allocation, the Housing Authority and the project proponent must

document their readiness to proceed with the bond financing and must comply with all applicable CDLAC regulations.

7.6 Performance Deposit – At the time of the application to CDLAC, the project proponent must deposit with the Housing Authority an amount equal to one half of one percent of the requested allocation amount (or such other amount as may be required by CDLAC) as a performance deposit. The deposit will be returned to the project proponent only in accordance with CDLAC procedures; and the deposit is subject to reversion to CDLAC if the financing does not close under applicable CDLAC regulations.

7.7 Local Review– All projects must be in compliance with the County's (if the project is located in the unincorporated area of the County) or applicable City (if the project is located in an incorporated City) zoning requirements and adopted community plans. Prior to requesting the Housing Authority approval of a new money bond issuance, the project must undergo all planning procedures and land use approvals, including discretionary review, and environmental analysis, as required.

7.8 Housing Authority – Final Approval. Housing Authority staff recommendations to proceed with a proposed bond issuance, reissuance, or bond restructuring will be presented for approval by the Housing Authority. If approved, staff will work with the approved financing team to structure the financing and to prepare the necessary bond documents. The resulting bond documents, authorizing resolution, staff report, and other relevant docket materials will be submitted for final approval by the Housing Authority, a minimum of two weeks prior to the Housing Authority meeting date, at which the adoption by the Housing Authority of a resolution authorizing the issuance of the bonds is to be considered.

8. TENANT RELOCATION

8.1 As required by CDLAC regulations (Section 5211 "Tenant Relocation") if low-income tenants will receive a rent increase exceeding five percent (5%) of their current rent, then a relocation plan is required to address economic displacement. Where applicable, the project proponent shall provide evidence that their location plan is consistent with the Uniform Relocation Assistance and Real Property Acquisition Policy Act (42 U.S.C.61).

9. PROHIBITION OF CERTAIN "SUBSTANTIAL USERS"

9.1 The Housing Authority, in its sole and absolute discretion, reserves the right to reject and not issue bonds for proposed projects where, in the proposed financial structure, the proposed bond purchaser is the same entity or a related entity as the project owner (including, but not limited to, tax credit investor limited partners) or involves any other arrangement which may limit the Housing Authority's ability to charge administrative fees in the amounts detailed in Section 1.7 above, including but not limited to the circumstances described in Section 1.8 above.

10. POST ISSUANCE COMPLIANCE AND CONTINUING DISCLOSURE POLICY

10.1 Use of Bond Proceeds and Bond-Financed or Refinanced Assets. It is the Housing Authority's policy that the project owner shall be responsible for:

A. Monitoring the use of bond proceeds and the use of bond-financed or refinanced assets (e.g., facilities, furnishings or equipment) throughout the term of the bonds to ensure compliance with covenants and restrictions set forth in the documents relating to the bonds;

B. Maintaining records identifying the assets or portion of assets that are financed or refinanced with proceeds of each issue of bonds, including a final allocation of bond proceeds;

C. Consulting with bond counsel and other legal counsel and advisers in the review of any contracts or arrangements involving use of bond-financed or refinanced assets to ensure compliance with all covenants and restrictions set forth in the documents relating to the bonds;

D. Maintaining records for any contracts or arrangements involving the use of bond-financed or refinanced assets as described in 10.2 below;

E. Conferring at least annually with personnel responsible for bond-financed or refinanced assets to identify and discuss any existing or planned use of bond-financed or refinanced assets, to ensure that those uses are consistent with all covenants and restrictions set forth in the bond documents; and

F. To the extent that the project owner discovers that any applicable tax restrictions regarding use of bond proceeds and bond-financed or refinanced assets will or may be violated, consult promptly with bond counsel and other legal counsel and advisers to determine a course of action to remediate all nonqualified bonds, if such counsel advises that a remedial action is necessary.

10.2 Record Keeping Requirement. It is the Housing Authority's policy that the project owner shall be responsible for maintaining the following documents for the term of each issue of bonds (including refunding bonds, if any), plus at least three years:

A. A copy of the bond closing transcript(s) and other relevant documentation delivered to the project owner at or in connection with closing of the bond issue;

B. A copy of all material documents relating to capital expenditures financed or refinanced by bond proceeds, including (without limitation) construction contracts, purchase orders, invoices, trustee requisitions and payment records, draw requests for bond proceeds and evidence as to the amount and date for each expenditure of bond

proceeds, as well as documents relating to costs paid or reimbursed with bond proceeds and records identifying the assets or portion of assets that are financed or refinanced with bond proceeds, including a final allocation of bond proceeds;

C. A copy of all contracts and arrangements involving the use of bond-financed or refinanced assets; and

D. In respect of any investment of bond proceeds or collateral securing the repayment of the bonds, a copy of all records of investments, investment agreements, arbitrage reports and underlying documents, including trustee or fiscal agent statements, in connection with any investment agreements, and copies of all bidding documents, if any.

For housing bond financings subject to the requirements of Section 142(d) of the Internal Revenue Code of 1986, as amended (the "Code"), it is the Housing Authority's policy that the project owner shall be responsible for maintaining until the end of the "qualified project period" within the meaning of Section 142(d)(2)(A) of the Code, plus at least three years, a copy of all records evidencing compliance with the requirement of Section 142(d) of the Code, including tenant income verifications, leases and tenant records.

The project owner, in the documents relating to the bonds and/or other documents finalized at or before the issuance of the bonds, shall agree to the foregoing records retention requirements and procedures.

10.3 At completion of the new construction or rehabilitation work, the project owner shall provide to the Housing Authority staff a certification from the project's architect that the project includes all design elements that formed the basis for CDLAC's award of bond allocation points (including but not limited to sustainable building methods and/or energy efficiency elements). Additionally, at or before completion of the new construction or rehabilitation of the project, and in any event prior to conversion of bonds to permanent financing, the project owner shall provide the Housing Authority with the final actual sources and uses of funds in the form of an independent cost certification and shall confirm to the Housing Authority staff that such sources and expenditures comply with all state and federal legal requirements, including the requirements set forth in the tax or arbitrage certificate with respect to tax-exempt bonds.

10.4 Annual Certification of Public Benefits and On-going Compliance – As required by CDLAC regulations, all projects that receive a CDLAC bond allocation and are within an existing regulatory period and/or compliance period, shall be monitored by the Housing Authority staff for compliance with the terms and conditions of the CDLAC allocation resolution. The Housing Authority may choose to hire an outside compliance monitoring firm to assist with such requirements. It is acknowledged that the Housing Authority is required to collect, review and submit to CDLAC the Certification of Compliance I, Certification of Compliance II, and CDLAC Completion Certificate, for each issuance of bonds, when applicable.

A. Annually, on or before February 1 of each year until the expiration of the later of the qualified project period or compliance period under the applicable CDLAC Resolution and Bond Regulatory Agreement, the project owner shall provide a written certification of compliance to the Housing Authority, to confirm that the completed project meets the terms and conditions stated in the CDLAC Resolution.

B. The Housing Authority shall review the project owner's certification of compliance and may request supporting documents that evidence compliance as necessary in the sole reasonable discretion of the Housing Authority.

C. Annually, no later than March 1 of each year until the expiration of the qualified project period or compliance period under the CDLAC Resolution and Bond Regulatory Agreement, the Housing Authority shall complete and submit to CDLAC the Certification of Compliance II for Qualified Residential Rental Projects in such format as required by CDLAC, indicating that the completed project meets the terms and conditions stated in the applicable CDLAC Resolution.

D. The project owner is also required to submit IRS Form 8703 annually to the IRS on or before each March 31 as long as the bonds are outstanding. Form 8703 provides annual information to the IRS to help them determine whether a project continues to be a qualified residential rental project under section 142(d) of the Internal Revenue Code of 1986, as amended.

E. For projects receiving allocation of bond authority from CDLAC after December 31, 2016, CDLAC requires that a review of 20% of all management files associated with federally bond-restricted units either on site or electronically be performed upon project completion and every 3 years thereafter.

F. For projects which are not satisfying the terms and conditions stated in the CDLAC Resolution, the Housing Authority will work with CDLAC staff and Housing Authority legal counsel to institute remedial action, as necessary, including an action for specific performance or other available remedy. The Housing Authority may disqualify a bond application from any project owner or member of the development partnership who is not in compliance with CDLAC's Post Issuance Compliance requirements, as determined by the Housing Authority and/or by CDLAC.

10.5 Transfer of Ownership. The Housing Authority reserves the right to approve any voluntary change in ownership of a bond-financed project (i) to another owner, (ii) that results in a transfer of 50% or more of the total equity interests in a project owner, or (iii) that results in a transfer of any general partner or managing member interest in the project owner. Such approval of transfer ownership shall be at the discretion of the Housing Authority subject to any additional requirements set forth in the applicable tax certificate or Bond Regulatory Agreement. The Housing Authority shall review management practices of the proposed transferee's current and previously owned multifamily housing rental properties. Any proposed transferee (including

individuals within an ownership) whose currently-owned multifamily housing rental properties have been found by the Housing Authority to have deficiencies that have not been resolved within the time frame prescribed by the County, Housing Authority or other local government authority, may not assume ownership of, or an ownership interest in, any bond financed project. The Housing Authority may initiate additional inspections to verify findings.

10.6 Carryforward Election. With respect to each allocation of tax-exempt private activity bond issue authority to the Housing Authority in a given calendar year for which less than all of the allocation of volume cap was used, the Housing Authority staff shall contact CDLAC requesting confirmation of the amount, if any, of carryforward election the Housing Authority shall make under section 146(f) of the Internal Revenue Code and the Housing Authority will timely file a Form 8328 with the IRS.

10.7 Arbitrage Rebate Compliance. The project owner shall comply with all applicable federal tax laws set forth in the tax or arbitrage certificate and bond documents, including arbitrage rebate compliance. Upon request, the project owner shall provide the Housing Authority with documentation that verifies compliance with federal tax laws set forth in the tax or arbitrage certificate and bond documents, including rebate compliance reports.

11. CONCLUSION

This Policy is intended to guide and regulate the Housing Authority's issuance and administration of conduit revenue debt. This policy should be reviewed and updated periodically to reflect changes in the market, changes in the law, the identification of other best practices, and to incorporate the Housing Authority's own experience or changing circumstances.

While adherence to this Policy is generally required, it is recognized that changes in the capital markets, the Housing Authority's needs and other unforeseen circumstances may from time to time produce situations that are not covered by the Policy or will require modifications or exceptions to best achieve the Housing Authority's overall goals. Any deviations from this Policy that are recommended by staff should be highlighted in the staff report transmitting the resolution for approval of the financing.

STAFF REPORT

TO: Board of Commissioners,
Housing Authority of the County of Merced

FROM: Rosa Vazquez, Executive Director

DATE: August 21, 2018

SUBJECT: Recommendation to adopt Resolution No. 2018-21, Authorizing and directing actions in connection with the refinancing of outstanding debt obligations and the issuance of pension obligation bonds.

The Housing Authority has borrowed funds in 2003 and in 2007 from the California Affordable Housing Agency to refinance Housing Authority rental housing projects in South Dos Palos (34 units), in Atwater (14 units) and in Merced (65 units). Under current debt market conditions, the loans could be refinanced at this time by the Housing Authority by means of the issuance of refunding bonds by the Housing Authority resulting in substantial debt service savings. The Housing Authority also has a significant unfunded pension liability to the Public Employees Retirement System, which could now be financed, in part, with pension obligation bonds to be issued by the Housing Authority, resulting in a reduction of annual employee pension expenses.

The Housing Authority's Municipal Advisor, Wulff, Hansen & Co. has recommended that the Housing Authority issue refunding bonds and pension obligation bonds in order for the Housing Authority to realize the possible savings that would result from a refinancing of the 2003 and the 2007 loans, and financing a portion of the pension liability. The proposed Resolution directs Staff to bring back to the Board of Commissioners for its review and approval the proceedings and documents needed for the possible bond issues. The Resolution also designates and authorizes the Executive Director to enter into contracts with Wulff, Hansen & Co. and the firm of Quint & Thimmig LLP for municipal advisory and bond counsel services, respectively, needed to accomplish the bond issues. Finally, the resolution delegates to the Executive Director the authority to designate and contract with a placement agent for the bond issues.

RECOMMENDATION

I recommend that the Board of Commissioners of the Housing Authority of the County of Merced adopt Resolution No. 2018-21, Authorizing and Directing Actions in Connection With the Refinancing of Outstanding Debt Obligations and the Issuance of Pension Obligation Bonds.

RESOLUTION NO. 2018-21

AUTHORIZING AND DIRECTING ACTIONS IN CONNECTION WITH THE REFINANCING OF OUTSTANDING HOUSING AUTHORITY DEBT OBLIGATIONS AND THE ISSUANCE OF PENSION OBLIGATION BONDS

WHEREAS, the Housing Authority of the County of Merced (the “Housing Authority”) is a party to a Loan Agreement, dated as of February 1, 2003 (the “2003 Loan Agreement”), among the Housing Authority, the California Affordable Housing Agency (formerly known as the Affordable Housing Agency, and referred to below as the “Agency”), and The Bank of New York Mellon Trust Company, N.A., as trustee (successor to J.P. Morgan Trust Company, National Association, as trustee, and formerly known as The Bank of New York Trust Company, and otherwise referred to below as the “Trustee”), pursuant to which the Agency made a loan to the Housing Authority in the original principal amount of \$3,385,000 (the “2003 Loan”) proceeds of which 2003 Loan were used to refinance a 34 unit multifamily rental housing project of the Housing Authority located in South Dos Palos and a 14 unit multifamily rental housing project of the Housing Authority located in Atwater; and

WHEREAS, the Housing Authority is also a party to a Loan Agreement, dated as of March 1, 2007 (the “2007 Loan Agreement”), among the Housing Authority, the Agency and the Trustee, pursuant to which the Agency made a loan to the Housing Authority in the original principal amount of \$3,810,000 (the “2007 Loan”) proceeds of which 2007 Loan were used to finance the acquisition and rehabilitation of a 65 unit multifamily rental housing project of the Housing Authority located in Merced; and

WHEREAS, the 2003 Loan and the 2007 Loan are prepayable on any date by the Housing Authority upon notice given as required by the 2003 Loan Agreement and the 2007 Loan Agreement, respectively; and

WHEREAS, due to current interest rates in the public debt market, it appears that the Housing Authority can refinance the 2003 Loan and the 2007 Loan by means of the issuance of refunding bonds by the Housing Authority (the “Refunding Bonds”), resulting in substantial debt service savings to the Housing Authority; and

WHEREAS, the Board of Commissioners now desires to direct Housing Authority Staff to take the actions necessary to present to the Board of Commissioners for approval the documents needed for the issuance of Refunding Bonds the proceeds of which will be used to repay the Housing Authority’s obligations under the 2003 Loan Agreement and the 2007 Loan Agreement and thereby refinance the 2003 Loan and the 2007 Loan, as well as to possibly provide additional funds to finance the rehabilitation of one or more of the projects financed with proceeds of the 2003 Loan and the 2007 Loan; and

WHEREAS, the Housing Authority has a significant unfunded pension liability to the Public Employees Retirement System (“PERS”) and, in addition to the proposed issuance of the Refunding Bonds, the Housing Authority would like to take advantage of current low interest rates and issue pension obligation bonds (the “POBs”) to finance a portion of its unfunded pension liability to PERS; and

WHEREAS, in furtherance of the foregoing, the Board of Commissioners also desires to designate a Municipal Advisor and a Bond Counsel firm to assist with the Refunding Bond issue and the POBs, and to delegate to the Executive Director the authority to designate a placement agent for any Refunding Bonds and POBs to be issued.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Commissioners of the Housing Authority of the County of Merced as follows:

Section 1. Housing Authority Staff are hereby authorized and directed to take all actions necessary or advisable to present to this Board of Commissioners for its review and approval all proceedings and documents necessary (a) to issue the Refunding Bonds and refinance the 2003 Loan and the 2007 Loan, and (b) to issue the POBs.

Section 2. The firm of Wulff Hansen & Co. is hereby designated as Municipal Advisor to the Housing Authority for the Refunding Bonds and the POBs, the firm of Quint & Thimmig LLP is hereby designated as Bond Counsel to the Housing Authority for the Refunding Bonds and the POBs. The Executive Director is hereby authorized and directed to execute an addendum to the Housing Authority's existing agreement, with Wulff, Hansen & Co., and an agreement with said Quint & Thimmig LLP, respectively, for their services in connection with the Refunding Bonds and the POBs, in forms acceptable to the Executive Director upon consultation with the Housing Authority's General Counsel.

Section 3. The Executive Director, upon consultation with the Municipal Advisor, is hereby authorized and directed to designate a placement agent for the Refunding Bonds and the POSs, and to execute any necessary agreement for the services of the firm so selected in connection therewith, any such agreement to be in a form acceptable to the Executive Director upon consultation with the Housing Authority's General Counsel.

Section 4. The Executive Director and other Housing Authority Staff are hereby authorized and directed to take all actions necessary or advisable to carry out the purposes of this Resolution.

The foregoing Resolution was introduced at the August 21, 2018 Board meeting of the Board of Commissioners of the Housing Authority of the County of Merced and was adopted by the following vote:

Motion:

Second:

Ayes:

Nays:

Absent:

Abstain:

Chairperson, Board of Commissioners
Housing Authority of the County of Merced

Dated: August 21, 2018

HOUSING AUTHORITY OF THE COUNTY OF MERCED

SUMMARY OF FINDINGS PER ADDENDA 1 & 2 OF MUNICIPAL ADVISORY AGREEMENT

AUGUST 21, 2018

A summary of Wulff Hansen's Municipal Advisory work in accordance with our designated duties with the Authority is summarized below.

ADDENDUM 2: Review of Authority Policies with written review of findings.

We have reviewed all Authority policies and provide the following summary:

- With significant input from bond counsel and the Authority's General Counsel, we have developed a new Debt Management Policy for the Authority. This policy will address:
 - Required language and policies to comply with new State law section 8855(i) of the Government Code as well as California Debt Limit Allocation Committee regulations, as applicable;
 - The Authority's process for issuing conduit revenue bonds;
 - The Authority's process for issuing direct debt and loans;
 - Continuing Disclosure procedures.
 - Incorporate Best Practices into the Debt Management Policy
- We are addressing, with urgency, bringing required reporting on existing bond issues (2003 & 2007) current in order to avoid a report of default by the bond trustee and to allow the Authority to continue with the process of refinancing its existing bond issues and issuing a pension obligation bond.
- We have a model and will continue to meet with staff to develop a Capital Asset Policy.
- The existing Capital Improvement Policy is good in our opinion and can be updated as needed to meet future Authority requirements.
- The Reserve Policy has been discussed in concept but will need further development with input from staff. We intend to meet with staff to finalize this Policy.
- If new project funds are developed through the refinancing process, the Board will need to determine how to allocate the new money proceeds.
- We recommend the Authority develop and initiate proactive outreach to the development community for new housing projects to be funded through the Authority.

NEXT STEPS: A Resolution is before the Board to adopt the above Policies. Debt Management Policy adoption is required before any refunding or debt issuance can be undertaken.

ADDENDUM 1: Review of existing debt obligations for opportunities to generate savings and/or new project funds through refinancing and restructuring.

We have reviewed existing bond documents of the Authority and find that the **2003 and 2007 bond** issues offer several benefits, if refunded.

- Elimination of existing reporting requirements (relieves burden on staff)
- Savings potential by reducing interest rate cost
- Monetizing the savings to generate new project funds to the Authority

We have also identified significant potential savings to the Authority's general fund if it issues pension obligation bonds to pay down its **CalPERS Unfunded Accrued Liability (UAL)** fund balance.

We believe additional savings can be achieved by refinancing **other Authority obligations**, however more documentation must be located before we can proceed.

NEXT STEPS: In order for Wulff Hansen and the financing team to continue with the process of refinancing the 2003 and 2007 bond issues to generate savings and/or new project funds, and to proceed with assisting the Authority in issuing Pension Obligation Bonds to gain savings in the Authority's general fund, we will need Board authorization to proceed. A Resolution is presented to you tonight for this action. We will then return at your September Board meeting to present the financial structuring and documentation for Board approval to complete the contemplated transactions.

Analysis of Current Debt Refinancing Opportunities



Presented by:



WULFF, HANSEN & Co.

ESTABLISHED 1931

Series 2003A, Valley View

Debt Service Savings Analysis
Housing Authority of the County of Merced
2018A Refunding (Series 2003A)

Summary of Estimated Refunding Results

SOURCES & USES

Dated Date		11/14/2018
Delivery Date		11/14/2018
Sources		
Par Amount		3,038,000.00
Prior Reserve Fund		53,445.00
		3,091,445.00
Uses		
Refunding Escrow Deposits		2,543,566.18
Project Fund		390,000.00
Cost of Issuance		157,500.00
Additional Proceeds		378.82
		3,091,445.00

Prepared by Wulff, Hansen & Co. on 08/08/2018
All figures are preliminary, estimated, and subject to change

Debt Service Savings Analysis
Housing Authority of the County of Merced

Series 2003A

Existing Bond Debt Service

Period			
Ending	Principal	Interest	Debt Service
2019	105,000	79,263	184,263
2020	115,000	152,225	267,225
2021	120,000	145,325	265,325
2022	125,000	138,125	263,125
2023	135,000	130,625	265,625
2024	140,000	122,525	262,525
2025	150,000	113,425	263,425
2026	160,000	103,675	263,675
2027	170,000	93,275	263,275
2028	180,000	82,225	262,225
2029	190,000	70,525	260,525
2030	205,000	58,175	263,175
2031	215,000	44,850	259,850
2032	230,000	30,875	260,875
2033	<u>245,000</u>	<u>15,925</u>	<u>260,925</u>
Total	2,485,000	1,381,038	3,866,038

Prepared by Wulff, Hansen & Co.

All figures are rounded to the nearest dollar

Debt Service Savings Analysis
Housing Authority of the County of Merced
2018A Refunding (Series 2003A)

New Bond Debt Service

Period Ending	Principal	Coupon	Interest	Debt Service
2019	170,000	3.50%	13,882	183,882
2020	166,000	3.50%	100,380	266,380
2021	170,000	3.50%	94,570	264,570
2022	174,000	3.50%	88,620	262,620
2023	182,000	3.50%	82,530	264,530
2024	186,000	3.50%	76,160	262,160
2025	193,000	3.50%	69,650	262,650
2026	200,000	3.50%	62,895	262,895
2027	207,000	3.50%	55,895	262,895
2028	213,000	3.50%	48,650	261,650
2029	219,000	3.50%	41,195	260,195
2030	229,000	3.50%	33,530	262,530
2031	234,000	3.50%	25,515	259,515
2032	243,000	3.50%	17,325	260,325
2033	252,000	3.50%	8,820	260,820
Total	3,038,000		819,617	3,857,617

All figures are preliminary, estimated, and subject to change

All figures are rounded to the nearest dollar

Prepared by Wulff, Hansen & Co.

Debt Service Savings Analysis
Housing Authority of the County of Merced
2018A Refunding (Series 2003A)

Debt Service Savings				
Date	Existing Debt Service	Refunding Debt Service	Debt Service Savings Cash Flow	Present Value to 11/14/2018 @ 3.5004509%
2019	184,263	183,882	381	379
2020	267,225	266,380	845	1,249
2021	265,325	264,570	755	1,114
2022	263,125	262,620	505	842
2023	265,625	264,530	1,095	1,313
2024	262,525	262,160	365	645
2025	263,425	262,650	775	936
2026	263,675	262,895	780	888
2027	263,275	262,895	380	533
2028	262,225	261,650	575	633
2029	260,525	260,195	330	413
2030	263,175	262,530	645	585
2031	259,850	259,515	335	331
2032	260,875	260,325	550	424
2033	260,925	260,820	105	102
Total	3,866,038	3,857,617	8,421	10,386

PV of savings from cash flow	10,386
Less: Prior funds on hand	(53,445)
Plus: Refunding funds on hand	390,379
Net Present Value Savings:	347,699

All figures are preliminary, estimated, and subject to change

All figures are rounded to the nearest dollar

Prepared by Wulff, Hansen & Co.

Debt Service Savings Analysis
Housing Authority of the County of Merced
2018A Refunding (Series 2003A)

Summary of Refunding Results
Prepared by Wulff, Hansen & Co. on 08/08/2018

REFUNDING BONDS

Escrow Requirement at Call Date of 11/14/2018	2,543,566.18
Costs of Issuance	157,500.00
Prior Reserve Fund	53,445.00
Par Amount	3,038,000.00
Arbitrage Yield	3.50%
True Interest Cost (TIC)	3.50%
All-in TIC	4.34%
Average Life (years)	7.71
Final Maturity	2033

AVERAGE ANNUAL NET DEBT SERVICE (1)

Existing Debt Service	257,735.83
New Debt Service	257,174.47
Average Savings	561.37

TOTAL NET DEBT SERVICE (1)

Existing Debt Service	3,866,037.50
New Debt Service	3,857,617.00
Total Debt Service Cash Flow Savings	8,420.50
Net Present Value Savings	347,698.89
Savings on Refunded Bonds %	13.98%
Savings of Refunding Bonds %	11.43%

(1) Includes prior reserve fund and interest earnings thereon

All figures are preliminary, estimated, and subject to change

Debt Service Savings Analysis
Housing Authority of the County of Merced
2018A Refunding (Series 2003A)

Estimated Cost of Issuance

Fee	Party	% of Cost of Issuance
\$ 35,000	Bond Counsel - Quint & Thimmig LLP	22.22%
\$ 42,500	Municipal Advisor - Wulff, Hansen & Co.	26.98%
\$ 20,000	Placement Agent - TBD	12.70%
\$ 25,000	Housing Authority's Counsel	15.87%
\$ 15,000	Investor Counsel - TBD	9.52%
\$ 5,000	Trustee/Escrow - BNY	3.17%
\$ 5,000	Title Insurance	3.17%
\$ 10,000	Print & Miscellaneous	6.35%
\$ 157,500		100.00%

All figures are preliminary, estimated, and subject to change

Prepared by Wulff, Hansen & Co.

Series 2007B, Oak Terrace

Debt Service Savings Analysis
Housing Authority of the County of Merced
2018B Refunding (Series 2007B)

Summary of Estimated Refunding Results

SOURCES & USES

Dated Date		11/14/2018
Delivery Date		11/14/2018
Sources		
Par Amount		3,369,000.00
Prior Reserve Fund		251,715.00
		3,620,715.00
Uses		
Refunding Escrow Deposits		3,041,021.63
Project Fund		422,000.00
Cost of Issuance		157,500.00
Additional Proceeds		193.37
		3,620,715.00

Prepared by Wulff, Hansen & Co. on 08/08/2018
All figures are preliminary, estimated, and subject to change

Debt Service Savings Analysis
Housing Authority of the County of Merced

Series 2007B

Existing Bond Debt Service

Period Ending	Principal	Interest	Debt Service
2019	100,000	75,819	175,819
2020	100,000	146,638	246,638
2021	105,000	141,638	246,638
2022	115,000	136,388	251,388
2023	120,000	130,638	250,638
2024	125,000	124,638	249,638
2025	130,000	118,388	248,388
2026	135,000	111,888	246,888
2027	145,000	105,138	250,138
2028	150,000	97,888	247,888
2029	160,000	90,200	250,200
2030	165,000	82,000	247,000
2031	175,000	73,544	248,544
2032	185,000	64,575	249,575
2033	195,000	55,094	250,094
2034	205,000	45,100	250,100
2035	215,000	34,594	249,594
2036	225,000	23,575	248,575
2037	<u>235,000</u>	<u>12,044</u>	<u>247,044</u>
Total	2,985,000	1,669,781	4,654,781

Prepared by Wulff, Hansen & Co.

All figures are rounded to the nearest dollar

Debt Service Savings Analysis
Housing Authority of the County of Merced
2018B Refunding (Series 2007B)

New Bond Debt Service

Period Ending	Principal	Coupon	Interest	Debt Service
2019	159,000	3.75%	16,494	175,494
2020	126,000	3.75%	120,375	246,375
2021	130,000	3.75%	115,650	245,650
2022	140,000	3.75%	110,775	250,775
2023	145,000	3.75%	105,525	250,525
2024	149,000	3.75%	100,088	249,088
2025	153,000	3.75%	94,500	247,500
2026	158,000	3.75%	88,763	246,763
2027	167,000	3.75%	82,838	249,838
2028	171,000	3.75%	76,575	247,575
2029	180,000	3.75%	70,163	250,163
2030	183,000	3.75%	63,413	246,413
2031	192,000	3.75%	56,550	248,550
2032	200,000	3.75%	49,350	249,350
2033	208,000	3.75%	41,850	249,850
2034	216,000	3.75%	34,050	250,050
2035	223,000	3.75%	25,950	248,950
2036	231,000	3.75%	17,588	248,588
2037	238,000	3.75%	8,925	246,925
Total	3,369,000		1,279,422	4,648,422

All figures are preliminary, estimated, and subject to change

All figures are rounded to the nearest dollar

Prepared by Wulff, Hansen & Co.

Debt Service Savings Analysis
Housing Authority of the County of Merced
2018B Refunding (Series 2007B)

Debt Service Savings				
Date	Existing Debt Service	Refunding Debt Service	Debt Service Savings Cash Flow	Present Value to 11/14/2018 @ 3.7504187%
2019	175,819	175,494	325	323
2020	246,638	246,375	263	488
2021	246,638	245,650	988	1,137
2022	251,388	250,775	613	759
2023	250,638	250,525	113	298
2024	249,638	249,088	550	645
2025	248,388	247,500	888	885
2026	246,888	246,763	125	262
2027	250,138	249,838	300	376
2028	247,888	247,575	313	365
2029	250,200	250,163	37	155
2030	247,000	246,413	587	504
2031	248,544	248,550	(6)	98
2032	249,575	249,350	225	226
2033	250,094	249,850	244	218
2034	250,100	250,050	50	88
2035	249,594	248,950	644	398
2036	248,575	248,588	(13)	23
2037	247,044	246,925	119	75
Total	4,654,781	4,648,422	6,359	7,323
PV of savings from cash flow			7,323	
Less: Prior funds on hand			(251,715)	
Plus: Refunding funds on hand			422,193	
Net Present Value Savings:			177,994	

All figures are preliminary, estimated, and subject to change

All figures are rounded to the nearest dollar

Prepared by Wulff, Hansen & Co.

Debt Service Savings Analysis
Housing Authority of the County of Merced
2018B Refunding (Series 2007B)

Summary of Refunding Results
Prepared by Wulff, Hansen & Co. on 08/08/2018

REFUNDING BONDS

Escrow Requirement at Call Date of 11/14/2018	3,041,021.63
Costs of Issuance	157,500.00
Prior Reserve Fund	251,715.00
Par Amount	3,369,000.00
Arbitrage Yield	3.75%
True Interest Cost (TIC)	3.75%
All-in TIC	4.36%
Average Life (years)	10.13
Final Maturity	2037

AVERAGE ANNUAL NET DEBT SERVICE (1)

Existing Debt Service	244,988.49
New Debt Service	244,653.79
Average Savings	334.70

TOTAL NET DEBT SERVICE (1)

Existing Debt Service	4,654,781.29
New Debt Service	4,648,422.00
Total Debt Service Cash Flow Savings	6,359.29
Net Present Value Savings	177,994.47
Savings on Refunded Bonds %	5.96%
Savings of Refunding Bonds %	5.28%

(1) Includes prior reserve fund and interest earnings thereon

All figures are preliminary, estimated, and subject to change

Debt Service Savings Analysis
Housing Authority of the County of Merced
2018B Refunding (Series 2007B)

Estimated Cost of Issuance

Fee	Party	% of Cost of Issuance
\$ 35,000	Bond Counsel - Quint & Thimmig LLP	22.22%
\$ 42,500	Municipal Advisor - Wulff, Hansen & Co.	26.98%
\$ 20,000	Placement Agent - TBD	12.70%
\$ 25,000	Housing Authority's Counsel	15.87%
\$ 15,000	Investor Counsel - TBD	9.52%
\$ 5,000	Trustee/Escrow - BNY	3.17%
\$ 5,000	Title Insurance	3.17%
\$ 10,000	Print & Miscellaneous	6.35%
\$ 157,500		100.00%

All figures are preliminary, estimated, and subject to change

Prepared by Wulff, Hansen & Co.

CalPERS Side Fund, Unfunded Pension Liabilities

Debt Service Savings Analysis
Housing Authority of the County of Merced
2018 Pension Obligation Bonds (CalPERS Side Fund)

Summary of Estimated Refunding Results

SOURCES & USES

Dated Date	1/1/2109
Delivery Date	1/1/2019
Sources	
Par Amount	6,885,000.00
	<u>6,885,000.00</u>
Uses	
Project Fund (CalPERS Miscellaneous Plan)	6,630,465.00
Cost of Issuance	170,000.00
Underwriter's Discount	82,620.00
Additional Proceeds	1,915.00
	<u>6,885,000.00</u>

Prepared by Wulff, Hansen & Co. on 08/08/2018

All figures are preliminary, estimated, and subject to change

Debt Service Savings Analysis
Housing Authority of the County of Merced
2018 Pension Obligation Bonds (CalPERS Side Fund)

New Bond Debt Service

Period Ending	Principal	Coupon	Interest	Debt Service
2019	250,000	3.27%	154,521	404,521
2020	260,000	3.52%	300,866	560,866
2021	320,000	3.76%	291,714	611,714
2022	370,000	3.89%	279,682	649,682
2023	210,000	3.99%	265,289	475,289
2024	235,000	4.07%	256,910	491,910
2025	260,000	4.17%	247,346	507,346
2026	290,000	4.31%	236,504	526,504
2027	315,000	4.41%	224,005	539,005
2028	350,000	4.51%	210,113	560,113
2029	385,000	4.61%	194,328	579,328
2030	420,000	4.71%	176,580	596,580
2031	460,000	4.76%	156,798	616,798
2032	470,000	4.81%	134,902	604,902
2033	485,000	4.88%	112,295	597,295
2034	485,000	4.88%	88,627	573,627
2035	470,000	4.88%	64,959	534,959
2036	140,000	4.93%	42,023	182,023
2037	125,000	4.93%	35,121	160,121
2038	115,000	4.93%	28,958	143,958
2039	110,000	4.93%	23,289	133,289
2040	125,000	4.93%	17,866	142,866
2041	85,000	4.98%	11,703	96,703
2042	80,000	4.98%	7,470	87,470
2043	55,000	4.98%	3,486	58,486
2044	5,000	4.98%	747	5,747
2045	5,000	4.98%	498	5,498
2046	5,000	4.98%	249	5,249
Total	6,885,000		3,566,842	10,451,842

All figures are preliminary, estimated, and subject to change

All figures are rounded to the nearest dollar

Prepared by Wulff, Hansen & Co.

Debt Service Savings Analysis
Housing Authority of the County of Merced
2018 Pension Obligation Bonds (CalPERS Side Fund)

Summary of Refunding Results
Prepared by Wulff, Hansen & Co. on 08/08/2018

REFUNDING BONDS (1)

Costs of Issuance	170,000.00
Par Amount	6,885,000.00
Arbitrage Yield	4.70%
True Interest Cost (TIC)	4.82%
All-in TIC	5.08%
Average Life (years)	10.92
Final Maturity	2046

AVERAGE ANNUAL NET DEBT SERVICE (1)

Existing Debt Service	440,220.79
New Debt Service	373,280.07
Average Savings	66,940.71

TOTAL NET DEBT SERVICE (1)

Existing Debt Service	12,326,182.00
New Debt Service	10,451,842.00
Total Debt Service Cash Flow Savings	1,874,340.00
Net Present Value of Savings	1,138,246.75
Net Present Value of Savings (%)	16.64%

All figures are preliminary, estimated, and subject to change

(1) Using CalPERS 28 Year Schedule and a matching 28 Year POB

Debt Service Savings Analysis
Housing Authority of the County of Merced
2018 Pension Obligation Bonds (CalPERS Side Fund)

Estimated Cost of Issuance

Fee	Party	% of Cost of Issuance
\$ 40,000	Bond Counsel - Quint & Thimmig LLP	23.53%
\$ 42,500	Municipal Advisor - Wulff, Hansen & Co.	25.00%
\$ 25,000	Disclosure Counsel	14.71%
\$ 25,000	Housing Authority's Counsel	14.71%
\$ 7,500	Trustee & Counsel	4.41%
\$ 5,000	Title Insurance	2.94%
\$ 25,000	Print & Miscellaneous	14.71%
\$ 170,000		100.00%

All figures are preliminary, estimated, and subject to change

Prepared by Wulff, Hansen & Co.

CALPERS Payment Schedules vs Pension Obligation Bond Proposed Payment Schedules									
	Scenario 1			Scenario 2			Scenario 3		
	CALPERS 28 year	2018 POB 28 years	Savings	CALPERS 28 year	2018 POB 20 years	Savings	CALPERS 15 year	2018 POB 15 years	Savings
	Current	Proposed	Excess	Current	Proposed	Excess	Current	Proposed	Excess
	Payment	Debt Service	Revenues	Payment	Debt Service	Revenues	Payment	Debt Service	Revenues
2019	578,930	404,521	174,410	578,930	403,608	175,323	599,659	550,979	48,680
2020	626,914	560,866	66,048	626,914	574,040	52,874	616,899	523,878	93,021
2021	678,395	611,714	66,681	678,395	624,360	54,035	634,635	540,606	94,029
2022	719,576	649,682	69,894	719,576	666,764	52,812	652,881	560,830	92,051
2023	543,981	475,289	68,692	543,981	491,593	52,388	671,651	579,549	92,102
2024	559,621	491,910	67,711	559,621	507,416	52,205	690,961	596,781	94,180
2025	575,710	507,346	68,365	575,710	522,038	53,673	710,826	617,536	93,290
2026	592,262	526,504	65,759	592,262	540,362	51,901	731,262	636,482	94,781
2027	609,289	539,005	70,285	609,289	557,001	52,289	752,286	658,380	93,907
2028	626,806	560,113	66,693	626,806	577,007	49,800	773,914	683,094	90,821
2029	644,827	579,328	65,499	644,827	590,094	54,733	796,164	705,318	90,846
2030	663,366	596,580	66,787	663,366	611,424	51,943	819,054	724,963	94,091
2031	682,437	616,798	65,640	682,437	630,464	51,973	842,602	751,939	90,664
2032	673,363	604,902	68,462	673,363	622,378	50,985	866,827	775,999	90,829
2033	663,203	597,295	65,909	663,203	608,328	54,875	891,748	797,088	94,660
2034	641,123	573,627	67,497	641,123	588,440	52,683			-
2035	605,001	534,959	70,043	605,001	553,308	51,693			-
2036	247,511	182,023	65,489	247,511	193,664	53,847			-
2037	229,953	160,121	69,833	229,953	175,283	54,670			-
2038	211,181	143,958	67,223	211,181	157,395	53,786			-
2039	203,560	133,289	70,272	203,560		203,560			-
2040	209,413	142,866	66,548	209,413		209,413			-
2041	164,511	96,703	67,808	164,511		164,511			-
2042	157,159	87,470	69,689	157,159		157,159			-
2043	126,140	58,486	67,654	126,140		126,140			-
2044	66,019	5,747	60,272	66,019		66,019			-
2045	19,658	5,498	14,160	19,658		19,658			-
2046	6,273	5,249	1,024	6,273		6,273			-
2047			-			-			-
Total	12,326,182	10,451,842	1,874,340	12,326,182	10,194,964	2,131,218	11,051,369	9,703,420	1,347,950

Payments 28 28 28 20 15 15

Notes:

1) CalPERS debt service projections are as provided to the Authority by CalPERS in August 2018 based on the June 30, 2017 actuarial valuation. Moreover, CalPERS' projected amortization schedules assume that there are no future plan changes, no further changes in assumptions other than those recently approved, and no liability gains or losses. Such changes can have a significant impact on required contributions. **CalPERS projections are subject to change and significant uncertainty.** For further information about this uncertainty and the associated risks, please refer to the CalPERS Annual Valuation Report, particularly pages 1, 2, and 16.

2) Refunding Pension Obligation Bond (POB) bond debt service projections were prepared by Wulff, Hansen & Co. and are estimated based on current market conditions. If refunding bonds are issued, their future debt service requirements will be fixed as of the date of issuance and will not be subject to change during the life of the bond issue.



STAFF REPORT

TO: Board of Commissioners,
Housing Authority of the County of Merced

FROM: Sue Speer, Director of Development and Asset Management

DATE: August 21, 2018

SUBJECT: Awarding contract for HVAC/Window/Roof Replacement of twenty-one (21) residential units in Project 23-01, Merced to STW Contractors, Inc.

The Housing Authority of the County of Merced (Authority) receives Capital Fund Grant funding. The Authority received fund for Year 2017, award CA01P023501-17. The Authority budgeted work to be completed in all Public Housing Asset Management Property (AMP) in the annual plan and the 5-year plan, to include the replacement of Heating, Vents and Air Conditioning (HVAC) units, roofing materials and single-pane windows with double-pane windows for twenty-one (21) residential units in Project CA023001, AMP 1. In Merced, California.

The Authority is required to seek competitive solicitations required by procurement policy. The Authority, to obtain wide-spread advertising, conducted a "Notice to Proposers" by publishing four (4) times in each of the following newspapers: Merced Sun Star, Modesto Bee and Fresno Bee and three (3) times in the Sacramento Bee, San Francisco Chronical and Bakersfield Californian. Solicitation letters were mailed to sixty (60) contractors, including general building, HVAC, Window and Roofing contractors. The Notice to Proposers and proposal packet were forwarded to seven (7) builders exchanges for advertising among their memberships. We hosted a walk-through on July 18, 2018 with twenty-four (24) contractors present for the walk-through.

Proposals were due on August 1, 2018, and provided to an Evaluation Committee on August 2, 2018. Evaluation reviews have been reviewed and scored with the following results, of 110 possible points.

Company	Points	Proposal Cost
STW Contractors, Inc.	95	\$436,750
CNW Construction, Inc.	92.7	\$609,000
Cen Cal Builders and Developers, Inc.	84.7	\$587,790

The proposal submitted by STW Contractors, Inc. is responsive and complete. HUD required background checks returned clear results. STW Contractors, Inc. is not Accredited with Better Business Bureau ("BBB") and no complaints have been filed with the BBB. Contractor's license is current and active with California State License Board.

The proposal submitted by CNW Construction, Inc. is responsive and complete. HUD required background checks returned clear results. CNW Contractors, Inc. is not Accredited with Better Business Bureau but does have one (1) complaint filed with the BBB. Contractor's license is current and active with California State License Board.

The proposal submitted by Cen-Cal Builders and Developers, Inc. is responsive and complete. We have successfully contracted with this company in previous years. HUD required background checks returned clear results. Cen-Cal Builders and Developers, Inc. is not Accredited with Better Business Bureau ("BBB") and no complaints have been filed with the BBB. Contractor's license is current and active with California State License Board

It is recommended to the Board: The Authority has conducted business with STW Contractors, Inc. Concurrence with the evaluation committee and recommend that the Authority we award the contract for HVAC/Roof/Window replacement for 21 units in Project CA023001/AMP #1 to STW Contractors, Inc. in the amount of \$436,750.00, utilizing Capital Fund Program (CFP)-17.

RECOMMENDATION:

It is hereby recommended that the Board of Commissioners of the Housing Authority of the County of Merced adopt **Resolution No. 2018-22**, awarding construction contract to STW Contractors, approving the expenditures of funds for removal and replacement of roofing materials for twenty-one (21) residential units in Project 23-01, Merced and authorize the Executive Director, Rosa Vazquez, to sign or take any other action necessary to carry out the completion of the work.

RESOLUTION NO. 2018-22

AWARDING CONTRACT FOR HVAC/WINDOW/ROOF REPLACEMENT OF TWENTY-ONE (21) RESIDENTIAL UNITS IN PROJECT 23-01, MERCED TO STW CONTRACTORS, INC.

WHEREAS, The Housing Authority of the County of Merced (Authority) receives Capital Fund Grant funding. The Authority received fund for Year 2017, award CA01P023501-17; and

WHEREAS, The Authority budgeted work to be completed in all Public Housing Asset Management Property (AMP) in the annual plan and the 5-year plan, to include the replacement of Heating, Vents and Air Conditioning (HVAC) units, roofing materials and single-pane windows with double-pane windows for twenty-one (21) residential units in Project CA023001, AMP 1. In Merced, California; and

WHEREAS, The Authority, to obtain wide-spread advertising, conducted a “Notice to Proposers” by publishing four (4) times in each of the following newspapers: Merced Sun Star, Modesto Bee and Fresno Bee and three (3) times in the Sacramento Bee, San Francisco Chronical and Bakersfield Californian; and

WHEREAS, three (3) bids were received and opened for review on August 1, 2018; and

WHEREAS, the lowest, most responsive bid was submitted by STW Contractors, Inc., Selma, California in the amount of \$436,750; and

NOW, THEREFORE, BE IT RESOLVED, that the Board of Commissioners of the HACM hereby:

1. Adopts Resolution No. 2018-22 awarding a construction contract to STW Contractors, Inc.
2. Approves the expenditure of funds in the amount of \$436,750.00 for the HVAC, window and roof replacement of twenty-one (21) residential units in Project 23-01, Merced.
3. Non-compliance will result in the disqualification of STW Contractors, Inc.

BE IT FURTHER RESOLVED, that the Board of Commissioners of the Housing Authority of the County of Merced does hereby authorize the Executive Director, Rosa Vazquez, to sign or take any other action necessary to carry out the completion of the work.

The foregoing resolution was introduced at the August 21 2018, Board meeting of the Board of Commissioners and adopted by the following vote:

Motion: Second:

Ayes:

Nays:

Absent:

Abstain:

Chairperson, Board of Commissioners
Housing Authority of the County of Merced

Dated August 21, 2018