

ABAG Finance Authority for Nonprofit Corporations

Executive Committee

September 5, 2019

Agenda Item 7

Annual Portfolio Update

Subject: Report on Annual Portfolio Update

Background: This report provides a summary of all activities for Fiscal Year 2018-19 in the ABAG Finance Authority for Nonprofit Corporation's (ABAG FAN) existing debt portfolio. All activities are summarized into the following categories:

- Fiscal Year 2018-2019 Revenues and Collections
- IRS Audits
- Financing Activities
- Defaulted Bonds
- Housing Compliance Reporting
- Housing Compliance and Financial Services Software
- Portfolio Update

Fiscal Year 2018-2019 Revenues and Collections

ABAG FAN earned approximately \$655,000 in fee revenue for FY 2018-19. The majority of the revenue was generated from annual administrative and monitoring fees. Payments on all billings were received in a timely manner with no major issues regarding payment collectability or past due invoices.

Additionally, ABAG FAN earned approximately \$250,000 in transaction and amendment fees for FY 2018-19. This amount included revenue from application fees, issuance fees, and transaction amendment fees.

- 690/942 Market—approximately \$103,000 earned through application and issuance fee.
- Bryte Gardens—approximately \$63,000 earned through prepayment of monitoring fee and transaction amendment fee.
- Mountain View (Shorebreeze)—approximately \$39,000 earned through prepayment of monitoring fee and transaction amendment fee.
- Heritage Plaza—approximately \$10,000 earned through amendment of regulatory agreement.

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- Institute for Defense Analysis—approximately \$36,000 earned through the application and reissuance of the 2019 bonds along with an amendment to the Modification Agreement.

IRS Audits

There were no IRS audit inquiries.

Financing Activities

In April 2019, there was a surge in refinancing inquiries due to the uncertainty of proposed federal tax law changes. Most of the inquiries did not materialize. Only one transaction came through with amendments to interest rate language. Below is the amended transaction:

- Institute for Defense Analysis—Amended documents to reflect change in interest rate mode. In doing so, it extended the Bank Holder Rate which caused a reissuance for federal tax purposes.

Defaulted Bonds

Air Force Village West, Inc. Bonds went into default in January 2017 and was brought to staff's attention in January 2018. It was also reported that the facility is in the process of being liquidated pursuant to the bankruptcy case. At the present time, the bonds are bank owned.

Housing Compliance Reporting

Housing Compliance was engaged to serve as administrator for all housing transactions that involve compliance monitoring and reporting. They are primarily responsible for submitting project status reports and continuing program compliance. The Authority still continues to monitor projects within their defined Qualified Project Period. To date, all projects have submitted their compliance documents with minimal to no issues other than timing.

Housing Compliance and Financial Services Software

In 2018, the ABAG FAN Executive Committee approved staff's request to enter into a contract with Compliance Services, LLC to

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utilize its customized bond program management software. The software was intended to assist with monthly billing for administrative and monitoring fees. However, staff decided that the work would be better performed internally. As such, this portion of the contract terminated at the end of the fiscal year resulting in an overall cost savings of \$50,000 annually.

Portfolio Update

As of June 30, 2019, nine (9) transactions have been paid off. There are currently 103 remaining transactions in the ABAG FAN debt portfolio. The portfolio will continue to remain in run-off mode as we explore possible options for appointing a successor agency. Staff will continue to administer the portfolio to ensure all requirements are fulfilled.

Issues:

None

Recommended Action:

The ABAG FAN Executive Committee is requested to approve the staff report.

Attachments:

None

Reviewed:



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