

**HAC BOARD OF DIRECTORS MEETING  
HAC OFFICE  
WASHINGTON, DC  
SATURDAY, SEPTEMBER 14, 2019**

**Members present:** G. Anders, A. Bias, L. Buxbaum, R. Calvillo, P. Carey, D. Castillo, S. Ferniza, N. Gutierrez, I. Jacobs, D. Lipsetz, T. Manning-Beavin, T. Martin Kekahbah, M.L. Mercado, A. Saavedra, N. Scipio, I. Sikelianos, D. Thorne, A. Winter, C. Wright, P. Wright

**Members absent:** B. Picotte, B. Thompson

**Staff present:** S. Booth, S. Charleston, L. George, K. Klusmann, J. McAllister, E. Neely, L. Strauss, L. Sutton

**Counsel:** J. McGovern

**CALL TO ORDER**

HAC Chair P. Carey called the meeting to order at 9:25 a.m.

**ADOPTION OF AGENDA**

P. Carey proposed that the agenda be changed so that the discussion of FY 2020 meeting dates and a report from the September 13 Executive Committee meeting would follow the Finance Committee report. M.L. Mercado suggested the Executive Committee report be presented at the next Executive Committee meeting rather than at this board meeting.

*I. Jacobs moved the agenda be adopted with P. Carey's proposed changes. L. Buxbaum seconded. The motion carried.*

**APPROVAL OF MINUTES**

*I. Jacobs moved and A. Winter seconded that the minutes of March 9, 2019, be approved as drafted. The motion carried unanimously.*

**CEO'S REPORT**

D. Lipsetz reported that HAC had a fantastic summer. Lending increased, more training and technical assistance were delivered, HAC's research garnered widespread attention and the organization succeeded in obtaining several grants and contracts to allow expansion of the staff in the field and other new activities. Work began on updating HAC's websites. A switch to Microsoft Teams software began. Management also carried out a new approach to budgeting that would allow detailed reports by specific lines of business.

Fall activities would include hiring several new staff in the field, fundraising, beginning work on the decennial Taking Stock research project, launching the annual audit process and convening the inaugural cohort of communities participating in the Citizens' Institute on Rural Design. D. Lipsetz had tremendous aspirations for this NEA-funded project. Planning for the 2020 conference would also begin in earnest in the fall. The event would kick off a year-long celebration of HAC's 50<sup>th</sup> anniversary.

Financially, HAC was on track to finish FY19 under budget. For this fifth consecutive year of deficit spending, the budget allowed for deficit spending of \$700,000. HAC's financial position was both expected – because HAC is a nonprofit dedicated to working in the poorest areas of the country – and alarming – because HAC's sources of support are shrinking. The FY20 budget would reduce the proposed deficit spending by 30 percent. It also called for investment in the income-producing parts of HAC's business, to meet the goal set by the board to break even by 2021.

Board members expressed appreciation for this very positive report, including the lower than expected deficit and progress toward breaking even. P. Carey noted that HAC's application to the Rural Capacity Building (RCB) program was new and exciting for 2020. D. Lipsetz said this would be the second year HAC has used that program to serve specific organizations that were targeted in advance. After hitting a nadir of \$700,000 two years ago, HAC's most RCB recent award was \$1.9 million. Instead of receiving about 15 percent of the appropriation, HAC received over 40 percent.

#### **FINANCE AND RESOURCE DEVELOPMENT COMMITTEE REPORT**

**HAC financial statements:** T. Manning-Beavin reported on the Finance Committee's September 13 meeting. Ten months into the fiscal year, HAC's operating budget had a deficit of \$523,890. The board had approved a deficit of just over \$700,000 for the year and at the current rate of operations the final deficit would be \$620,000. He was cautious about extrapolating the deficit forward that way, but it was clear that HAC was achieving its budget.

K. Klusmann added that she and E. Neely had begun discussing ways to bring loan fund deployment into the financial reports.

T. Manning-Beavin said HAC's new investment management company was now on board and staff reported they were responsive. HAC was also paying less in fees for their services.

Staff were working towards providing a multiyear projection for the budget. The software adjustments needed to accompany the way the new budget was aligned would be challenging. L. Buxbaum noted that it would probably be best to complete the strategic plan before developing three-year projections because the plan would have implications for the budget.

**RHS financial statements:** T. Manning-Beavin said Rural Housing Services, Inc. had positive revenue for the year. Staff were working on a plan to extricate HAC/RHS from the last three projects.

*S. Ferniza moved and M.L. Mercado seconded acceptance of the committee report. The motion carried unanimously.*

**FY20 budget:** T. Manning-Beavin thanked everyone involved in developing the proposed fiscal year 2020 budget, recognizing that it was a big lift for the whole organization, particularly the directors and K. Klusmann. He said the budget organized HAC's financial information by line of business so the board

could see how revenues and expenses connect to the lines of business. An exhibit to the narrative broke the lines of business down further, providing more granular information on the activity for each one. The information created would allow the division directors to better manage their work and the work of their employees.

K. Klusmann explained that instead of starting with HAC's contracts and activities under each contract, the division directors, D. Lipsetz and J. McAllister identified five lines of business in which HAC engages: lending, research and information, knowledge sharing (training and technical assistance) and advocacy and outreach. Supportive services were categorized as fundraising, management and general. Then they developed a list of core activities under each category, shown in Exhibit A to the budget.

She listed several caveats about presenting the budget this way.

- This was not division budgeting. Each line of business crosses HAC's divisions.
- This was not contract and grant budgeting. A contract could cover several lines of business. Those budgets would be tracked separately.
- Some budget line items had the potential to be reduced. For example, health care premiums were budgeted for a 10.5 percent increase, but staff hoped the increase would be smaller.
- HAC's accounting system would be restructured to capture the lines of business. The software would not change, but there would be a new chart of accounts.

Exhibit B showed the revenue supporting the budget, including opportunities for which HAC would apply and the estimated likelihood of receiving them. Some of them would have no net impact on the budget if not received. For example, if HAC did not receive an award from the Robert Wood Johnson Foundation it would not conduct the work proposed for that grant.

D. Castillo asked whether there were, or would be, targets for the earned income ratios for each line of business. Some lines might need to be supported with grant funding, but others might have earned income. K. Klusmann said staff would do more analysis to develop those.

K. Klusmann explained there was a new section in the budget for net financing income, showing the income HAC makes from its loan fund. L. Buxbaum noted that the written narrative said the \$667,000 net financing income shown in the budget was a conservative estimate.

Overall, K. Klusmann said, the budget showed expenses of \$5,477,100 and revenue of \$4,988,500 resulting in an operating deficit of \$488,600. HAC's July 31 financial statements showed a deficit of \$523,890 so far in FY19 against a budgeted \$702,934.

P. Carey and S. Ferniza expressed appreciation for basing the budget on how employees spend their time, giving division directors a good management tool. D. Castillo said it encouraged conversations as well as collecting information on how employees spend their time.

T. Manning-Beavin said the committee recommended approval of the budget.

#### **HAC 2019-05**

*M.L. Mercado moved and N. Scipio seconded approval of the budget as presented. The motion carried unanimously.*

**Fundraising:** D. Lipsetz introduced Jennifer McAllister, HAC's Development Manager, who had worked most recently at NeighborWorks and had an extensive history in housing. This was the first time HAC had a staffer dedicated full time to fundraising.

J. McAllister reported that in the past four months HAC's fundraising was on par with last year's efforts. Most recently, Capital One responded very quickly to a request for \$100,000.

Most funders have tightened their restrictions on use of funds for general operations, preferring to support specific programs. HAC was continuing to submit proposals.

C. Wright asked about HAC's application to the Chan Zuckerberg Initiative. J. McAllister said the Initiative issued a Request for Information from organizations that provide technical assistance and capacity building to nonprofits. They asked a series of questions about the respondent's expertise and the kind of capacity building they provide. She believed they might be gathering information to identify what they might do in this area.

G. Anders asked whether J. McAllister had experience with individual fundraising. She said she did, and had discussed the subject with D. Lipsetz. She was not sure it would work for HAC, which does not have strong consumer recognition and does not have the infrastructure to manage the necessary ongoing communications with donors. G. Anders said the National Housing Law Project has raised a six-figure amount from individuals and that that helped attract some larger donors.

L. Buxbaum said CEI offers an investment program for high wealth individual investors, and a similar program could be structured in a variety of ways. The investors make low-interest loans and some waive the interest. It took some years to build up the program. D. Lipsetz noted that some board and staff members have capital invested at HAC, as do some religious organizations.

T. Martin Kekahbah suggested it could be useful for board members to have a generic profile of HAC they could use when they have opportunities to interact with potential investors. J. McAllister said the FY20 budget included funding to create such materials.

P. Carey asked for information about "What Works," a possible \$500,000 award from the Robert Wood Johnson Foundation. D. Lipsetz explained that the book *What Works for America's Communities* was published by the Federal Reserve Bank of San Francisco and the Low Income Investment Fund, and included only one short piece on rural community development. He noted the first of this six-book series was published at the beginning of the Obama Administration and he watched it have a profound impact on the Administration's policy agenda. He had long been interested in preparing a book on what works for investing in rural communities. Doing that would require a substantial fundraising effort and additional staff but would be a great opportunity for HAC.

M.L. Mercado said some of the regional Federal Reserve Banks are very interested in the kind of work HAC does. For example, the Dallas Fed invests in persistent poverty areas. I. Jacobs said the San Francisco Fed was responding to recent wildfires in California. D. Lipsetz and J. McAllister described the contacts they had initiated with the Dallas and San Francisco Banks.

#### **OTHER BUSINESS: 2020 MEETING CALENDAR**

P. Carey suggested the board consider the proposed calendar for 2020, since at the June 2019 meeting questions were raised about the changes made in the 2019 calendar. He believed there were three questions. First, did the board want to meet on Thursdays and Fridays or on Fridays and Saturdays? Second, did the board want to reconsider its decision to switch the Executive Committee and board meetings? The switch was intended to allow the full board to address the audit and the budget in timely fashion. Third, did the board want to reconsider changing the meeting schedule from February-May-August-November to March-June-September-December? That was done to provide staff with time to prepare for the audit and budget reviews.

D. Castillo asked why HAC has a large Executive Committee that essentially functions as a second board. M.L. Mercado said funding was one factor, because bringing the entire board together four times a year was expensive. P. Carey pointed out the board was previously 35 people and, while it has been reduced to 21 or 22, the size of the Executive Committee has not changed. L. Buxbaum suggested that if a Governance Committee were formed, as suggested in the strategic planning process, it could consider whether changes should be made.

M.L. Mercado asked why the schedule proposed the Executive Committee and Finance Committee meeting on November 30, the Monday after Thanksgiving, an expensive time to travel. D. Lipsetz said the conference started that Tuesday. Staff hoped the reduced number of trips would counteract the added cost, and S. Charleston had worked the hotel costs into the conference hotel block.

G. Anders suggested designating the September board meeting as HAC's annual meeting. After some discussion, it was agreed that the schedule included in every board meeting packet should identify which board meeting is the annual meeting.

*I. Jacobs moved adoption of the schedule as proposed with one addition, a Loan Committee meeting by phone on October 9. A. Winter seconded the motion. N. Scipio suggested the Nominating Committee meet in person in June rather than by phone in August, so that it would not have all its meetings by teleconference. I. Jacobs and A. Winter accepted the change as a friendly amendment. The motion, as amended, carried unanimously.*

It was pointed out this change in the Nominating Committee's schedule would mean resumes of potential new board members would need to be submitted 30 days before the meeting on June 11 or 12.

## **EXECUTIVE SESSION**

The board convened in executive session.

## **LOAN COMMITTEE**

I. Jacobs reported that the Loan Committee did not meet in September.

Staff closed the last two SHOP 16 loans, bringing HAC closer to drawing all the funds from HUD by the deadline. Two SHOP 17 loans were also closed, and a third was being prepared.

HAC executed a \$2.5 million participation agreement with ROC USA. This financing would allow resident cooperatives to purchase their manufactured housing communities.

The Loan Fund staff has several new staff. Jennifer Lam, who had experience at Freddie Mac, started work as a Portfolio Manager. Louis Marshall was promoted from HAC's receptionist position to become a Loan Processor. Kristin Blum, most recently at CEI, would begin work on September 23 as a Senior Loan Officer.

Applications were recently submitted for \$4 million from the Capital Magnet Fund and \$6.1 million from the latest SHOP round.

D. Castillo asked whether E. McNeely had identified any improvements needed in HAC's policies or processes. E. McNeely said the policies were largely fine though dated. Staff were updating procedures to match practice. Staff were also migrating records to software that would be integrated into the accounting software, and were working on improving integration with the customer relationship management system.

### **NOMINATING COMMITTEE**

N. Scipio reported that the Nominating Committee met on June 13 but did not have a quorum so took no official action. The committee believed the minutes of that meeting should be removed from the board packet and reference to it should be deleted from the minutes of the June 13 Executive Committee meeting. J. McGovern said minutes are not prepared for a meeting that is not official, but notes can be provided.

N. Scipio reported that the committee did have a quorum for its August 9 teleconference, at which it determined its recommendations.

Six board members' terms were expiring: A. Bias, N. Gutierrez, I. Jacobs, T. Martin Kekahbah, B. Thompson and P. Wright. All had agreed to be nominated for another three-year term. The Nominating Committee recommended they all be reelected.

P. Carey asked for the vote to be conducted using paper ballots. J. McGovern recommended a formal resolution approving the use of paper ballots.

*I. Jacobs moved approval of the use of paper ballots. G. Anders seconded. The motion carried.*

L. Buxbaum noted that the bylaws provide for automatic removal of a board member with two consecutive absences unless the absences are excused by vote of the board.

### **HAC 2019-06**

*G. Anders moved that B. Thompson be excused from attendance requirements because of the special role he plays. I. Jacobs seconded. The motion carried unanimously.*

### **HAC 2019-07**

*The Nominating Committee's recommendation served as a motion to reelect A. Bias, N. Gutierrez, I. Jacobs, T. Martin Kekahbah, B. Thompson and P. Wright. The paper ballots were distributed, collected and counted by L. Buxbaum, the board secretary, and N. Scipio, chair of the Nominating Committee. Five*

*of the six candidates were reelected: A. Bias, N. Gutierrez, I. Jacobs, T. Martin Kekahbah and B. Thompson.*

**HAC 2019-08**

N. Scipio reported that the Nominating Committee recommended reelecting the current officers to serve a second one-year term:

Chair: P. Carey  
President: P. Wright  
Vice President: M.L. Mercado  
Secretary: L. Buxbaum  
Treasurer: T. Manning-Beavin

There was now a vacancy in the President's position, however.

*T. Manning-Beavin moved the election of:*

*Chair: P. Carey  
President: M.L. Mercado  
Secretary: L. Buxbaum  
Treasurer: T. Manning-Beavin*

*A. Saavedra seconded the motion. The motion carried. I. Jacobs abstained. P. Wright did not vote.*

**HAC 2019-09**

*S. Ferniza nominated A. Saavedra to serve as Vice President. G. Anders seconded. The motion carried unanimously.*

**HAC 2019-10**

*M.L. Mercado moved the reelection of all current Loan Committee members except herself, and the addition of D. Castillo to the Loan Committee:*

*Chair: I. Jacobs  
A. Bias  
P. Carey  
D. Castillo  
A. Saavedra  
A. Winter*

*Alternates:  
G. Anders  
L. Buxbaum*

*I. Jacobs seconded. The motion carried unanimously.*

**HAC 2019-11**

*I. Sikelianos moved that C. Wright be added to the Executive Compensation Committee and the other returning members of that committee be reelected:*

*Chair: T. Manning-Beavin*

*R. Calvillo*

*S. Ferniza*

*N. Gutierrez*

*N. Scipio*

*C. Wright*

*Alternates:*

*B. Picotte*

*D. Thorne*

*A. Winter seconded. The motion carried unanimously.*

**HAC 2019-12**

*A. Winter moved that the rest of the committee slates be approved as recommended by the Nominating Committee, with the understanding that the Nominating Committee would propose updates for consideration at the March 2020 board meeting. L. Buxbaum seconded. The motion carried unanimously.*

As elected, the remaining committee members are:

Executive Committee

Officers +  
G. Anders  
A. Bias  
S. Ferniza  
I. Jacobs  
T. Martin Kekahbah  
I. Sikelianos  
Vacant

Nominating Committee

Chair: N. Scipio  
R. Calvillo  
N. Gutierrez  
B. Picotte  
I. Sikelianos  
Vacant

Alternates:  
S. Ferniza  
D. Thorne

Finance and Resource Development Committee

Treasurer: T. Manning-Beavin  
G. Anders  
L. Buxbaum  
S. Ferniza  
A. Winter

Alternates:  
I. Jacobs  
Vacant

Futures Committee

Chair: T. Martin Kekahbah  
A. Bias  
P. Carey  
A. Saavedra  
I. Sikelianos

Rural Housing Services, Inc.

President: D. Lipsetz  
L. Buxbaum  
P. Carey  
N. Gutierrez  
T. Manning-Beavin  
M.L. Mercado  
D. Thorne

**Attendance:** S. Ferniza expressed concern about B. Picotte’s record of attendance at board meetings. D. Lipsetz said there had been four board meetings since B. Picotte returned to the board; he was present in May and November 2018, but absent in March and June 2019. B. Picotte had emailed L. Sutton saying he was not able to attend this meeting because of a HUD Office of Inspector General investigation.

L. Buxbaum referred to the bylaws provision requiring removal of a board member after two absences unless excused by a resolution of the board. J. McGovern noted that traditionally the board did not formally vote on excusing absences, but at each meeting former Executive Director M. Loza reported why some board members did not attend and there was essentially an unspoken consensus that those absences were excused.

M.L. Mercado suggested that if the board wanted to begin enforcing attendance, it should notify all board members that it planned to do that. L. Buxbaum agreed.

## HAC 2019-13

*L. Buxbaum moved to excuse B. Picotte's absence at this meeting. M.L. Mercado seconded. The motion carried.*

P. Carey suggested that board members' attendance at meetings should be tracked and made available to the board. G. Anders proposed including in the board packets a list of past meetings with attendance marked P for present, E for excused and N for not present. B. Thompson would always be marked E. There was general agreement to use this method.

There was also general agreement that members should communicate with D. Lipsetz or L. Sutton when they would not be present at a meeting and staff can share the information with the board chair.

P. Carey noted that members can also attend meetings by phone, and suggested that that alternative should be promoted.

**New bodies:** N. Scipio reported the Nominating Committee determined that under the bylaws creation of a Governance Committee or an Emeritus Board was not within the purview of the Nominating Committee.

She concluded her report with special thanks to P. Wright for her input to the Nominating Committee in June and August.

## RESEARCH AND INFORMATION

L. George referenced his written report, which contained 64 items, showing the significant amount of work the R&I Division was doing. He highlighted a few of them.

HAC is overhauling two of its websites: ruralhome.org and the Rural Data Portal ([ruraldataportal.org](http://ruraldataportal.org)), which might be renamed Rural Data Central. S. Ferniza suggested it would be helpful for the board to have a basic dictionary of web development terms so they could give effective feedback.

I. Jacobs said it would be ideal to have an inventory and a way to access the historical content on HAC's sites. L. George said HAC was committed to keep the information available. G. Anders said he had recently searched for certain USDA Administrative Notices and was able to find them using a search engine.

L. George said staff were beginning work on Taking Stock, a signature HAC publication that has been issued every 10 years. In the past, HAC's HUD grant covered the costs of preparing the report. For this one, staff were raising funds. It was amazingly helpful to have received core support from the Wells Fargo Housing Foundation.

This version of Taking Stock would include a printed report, but staff were also considering how best to present the information electronically. He hoped to identify a collaborator to work with HAC on each of the high needs sections of the report, and welcomed any suggestions.

T. Martin Kekahbah suggested recognizing all the people who have come before us and the contributions they made. L. George noted that because HAC would be celebrating its 50<sup>th</sup> anniversary

and the fifth decade of Taking Stock, the research would reach back to 1970 and include a long-term analysis.

S. Ferniza said HAC should provide photos of and recognition for HAC's founders and its founding board members. N. Gutierrez agreed. I. Jacobs said HAC should also look at current challenges and the work still needed.

#### **TRAINING AND TECHNICAL ASSISTANCE**

S. Charleston summarized highlights of her written report.

D. Castillo asked what guidance HAC is providing to the 21 local groups across the country that are receiving direct technical assistance, and what revenue opportunities are offered by HAC's technical assistance work. S. Charleston explained the targeted guidance involved identifying the training each organization needed and suggesting how they could obtain it. HAC has loans outstanding to a couple of TA recipients and there are additional business opportunities.

A. Saavedra said he worked with a number of the organizations receiving HAC aid and HAC was doing great work.

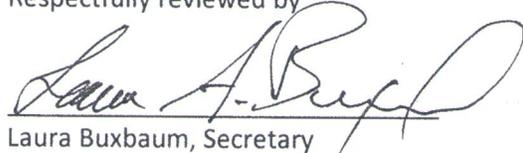
G. Anders asked what TA HAC was doing on rural rental preservation. S. Charleston said that A. Telles and G. Gonzales were working with USDA on some issues in the Southwest.

I. Jacobs expressed concern about the recent loss of a number of policies, practices and procedures such as Affirmatively Furthering Fair Housing. She found that many housing providers remained very interested in carrying out those policies even if they were no longer required. She suggested it could be helpful for HAC to do some training and TA on these subjects, to step in where federal agencies were moving out.

#### **ADJOURNMENT**

A Winter moved and M.L. Mercado seconded adjournment. P. Carey adjourned the meeting at 3:20 p.m.

Respectfully reviewed by



Laura Buxbaum, Secretary  
HAC Board of Directors

LB:Irs