

INDEPENDENT CITIES FINANCE AUTHORITY

**BOARD OF DIRECTORS ANNUAL MEETING
OCTOBER 7, 2015**

MINUTES

I. CALL TO ORDER.

The regular meeting of the Board of Directors of the Independent Cities Finance Authority (ICFA) was called to order in the City of South Gate on October 7, 2015 at 12:10 p.m. by Vice President Gil Hurtado.

II. ROLL CALL.

Members Of The Executive Committee/Board of Directors Present (Voting)

Gil Hurtado, Vice President	South Gate
Sylvia Ballin	San Fernando
Edwin Hernandez	Lynwood
Johnny Phineda	Huntington Park

Alternate Members Of The Board of Directors Present

None

The cities of Baldwin Park, Compton and Vernon were not represented by a voting member.

Guests Present

Sara Appel	Tripepi Smith & Associates
Guy Burgoon	Emerging Markets Group
Chip Conway	Krisla, Inc.
Gilbert Pacheco	
Janees Williams	Newcomb Williams Financial Group
Wes Wolf	Wolf & Company, Inc.

Staff Present

Michael Maurer	Best Best & Krieger LLP
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Glen Price

Best Best & Krieger
LP

Debbie Smith

Smith, Alvarez &
Castillo/ICFA

III. AMENDMENTS OR ADJUSTMENTS TO THE AGENDA.

There were no amendments or adjustments to the agenda.

IV. PUBLIC COMMENTS.

There were no members of the public who wished to speak.

V. NEW BUSINESS.

A. APPROVAL OF MINUTES OF THE JUNE 17, 2015 BOARD OF DIRECTORS MEETING.

It was moved by Sylvia Ballin, seconded by Edwin Hernandez, and unanimously carried to approve the minutes of the June 17, 2015 Board of Directors meeting.

B. APPROVAL/ADOPTION OF RESOLUTION NO. 2015-5 (A RESOLUTION OF THE BOARD OF DIRECTORS/EXECUTIVE COMMITTEE OF THE INDEPENDENT CITIES FINANCE AUTHORITY AUTHORIZING THE CREATION OF A \$100,000,000 SINGLE FAMILY LEASE PURCHASE HOMEOWNERSHIP INITIATIVE) AND APPROVING CERTAIN DOCUMENTS AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH.

After referring those present to the staff report, agreements, exhibits and documents contained in the agenda packet, Glen Price of Best Best & Krieger outlined the proposed ICFA Single Family Lease Purchase Homeownership Initiative program, including the roles and responsibilities of all parties.

After numerous questions of Mr. Price and Guy Burgoon of EMG Markets Group regarding the program, geographical area, restrictions, payments, etc., it was moved by Gil Hurtado, seconded by Johnny Phineda, and unanimously carried as follows:

1. To approve/adopt Resolution 2015-5 approving the creation of an ICFA Single Family Lease Purchase Homeownership Initiative;

2. To authorize Legal Counsel to work with various parties in finalizing all agreements, exhibits, and documents relating thereto; and
3. To authorize Vice President Hurtado and staff to execute all necessary documents.

Staff thanked Guy Burgoon and Glen Price for all their efforts in making this program come to fruition.

C. APPROVAL OF AN ENGAGEMENT LETTER BETWEEN ICFA AND BALLARD SPAHR TO CONDUCT RESEARCH RE THE USE OF AN INSTALLMENT METHOD OF ACCOUNTING ON CERTAIN BOND FINANCINGS.

Staff reported generally as follows:

A number of mobile home park owners have expressed interest in selling their parks to nonprofit organizations using ICFA bond financing. However, these sellers have also expressed concerns about the large amount of taxes that are potentially due on the sale date. Many mobile home park owners have owned their parks for a number of years and the value of their parks has appreciated substantially. Because of the large tax liability, sellers often ask for purchase prices that are too high to make financial sense for nonprofit organizations.

One possible solution is for ICFA to issue both senior bonds and subordinate bonds to finance a park acquisition. The senior bonds would be sold to investors for cash, and the cash would be used by the nonprofit organization to pay part of the purchase price of the park. The subordinate bonds would be delivered directly to the seller of the park as consideration for the remaining balance of the purchase price of the park.

The firm of Ballard Spahr has conducted preliminary research which indicates that sellers may be able to use installment accounting to account for payments received on the subordinate bonds. With installment accounting, the sellers would pay taxes over time as they received payments on the subordinate bonds instead of all at once on the sale date.

According to information from real estate brokers, sellers would potentially sell their projects for lower purchase prices to nonprofit

organizations if they could pay taxes over time instead of all at once on the sale date. This could potentially increase the number of parks being financed with bonds issued by ICFA.

Additional legal research is needed to determine if, in fact, sellers could use the installment method of accounting to account for payments received on subordinate bonds issued

by ICFA. Ballard Spahr proposes to research the tax issues and prepare a legal memorandum for ICFA that addresses this issue. Ballard Spahr estimates that such a memorandum and the accompanying legal research would cost between \$7,500 and \$12,500 in legal fees.

Vice President Hurtado asked if there were any questions or comments. There were none.

It was moved by Sylvia Ballin, seconded by Edwin Hernandez, and unanimously carried to approve the engagement letter between ICFA and Ballard Spahr authorizing them to conduct legal research to determine if an installment method of accounting can be used in certain bond financings at a fee not to exceed \$12,500.

D. STATUS REPORT ON SB 710 (GALGIANI) - JOINT EXERCISE OF POWERS: FINANCING

Staff provided an updated report on the status of SB 710 and indicated that, due to last minute unforeseen circumstances, the bill was dead.

Vice President HURtado asked if there were any questions or comments. There were none.

It was moved by Sylvia Ballin, seconded by Gil Hurtado, and unanimously carried to receive and file the item.

E. STATUS REPORT ON THE COUNTY OF LOS ANGELES BECOMING AN ASSOCIATE MEMBER OF ICFA.

Staff noted that the matter is currently pending in the County Counsel's Office and that Greg Spiker of Ken Spiker And Associates, Inc. is in the process of setting up a meeting with Supervisor Mark Ridley-Thomas.

F. APPROVAL OF FINANCIAL ACCOUNTING FOR THE PERIOD MAY 1, 2015 TO MAY 30, 2015.

It was moved by Sylvia Ballin, seconded by Gil Hurtado, and unanimously carried to approve the financial accounting for the period June 1, 2015 to September 30, 2015.

G. UPDATE ON PENDING PROJECTS/ACTIVITIES.

There were no reports.

VI. COMMENTS FROM BOARD MEMBERS.

There were no comments from Board Members.

VII. COMMENTS FROM STAFF.

There were no comments from staff.

VIII. ADJOURNMENT.

There being no further business to be discussed, the meeting was adjourned at 1:05 p.m.

Respectfully submitted,

/s/

Deborah J. Smith
Executive Director

