

MEETING MINUTES OF THE COOK COUNTY LAND BANK AUTHORITY
FINANCE COMMITTEE

June 17, 2016

Finance Committee of the Cook County Land Bank Authority met pursuant to notice on June 17, 2016 at 9:15 AM in the offices of Holland and Knight, 131 South Dearborn, Suite 3000, Chicago, Illinois.

I. Call to Order and Roll Call

Committee Chair Holmes called the meeting of the Finance Committee to order.

Present: Directors Gainer, Holmes, Jenkins, Ostenburg, Sherwin (4)

Absent: None

Also Present: Robert Rose (CCLBA Executive Director)

Other Present: Angela Allen (*Washington, Pittman, and McKeever*), Bola Babatunde (*Washington, Pittman, and McKeever*), D'Angelo Boyland (*Concerned Citizen*), Natasha Cornog (*Cook County Land Bank Authority*), Darlene Dugo (*Concerned Citizen*), Cassidy Harper (*Cook County Land Bank Authority*)

II. Public Speakers

Committee Chair Holmes noted there were no registered public speakers.

III. Accountant's Report (Cassidy Harper)

Cassidy Harper presented the Profit & Loss Statement, unaudited financial for the period of December 1, 2015 – May 31, 2016. Revenues for the year total \$6.1 million. Included in that amount is program income of \$4.6 million. CCLBA has collected \$4.4 million for proceeds from disposition, \$103,000 for miscellaneous fees and funds (that were reprogrammed for overages), and donations of \$171,000. CCLBA anticipates some reimbursable expenses that CCLBA has already incurred, those expenses were for the Riverside Lawn project and for start-up of the Blight Reduction Program Round #1.

Director Holmes: Who is CCLBA largest donors and what is the average amount of the donation? Cassidy Harper: Fannie Mae and Wells Fargo are CCLBA's largest contributors of donations. The average donation amount is \$25,000 per property.

The bulk of Operating Expenses are due to acquisition cost. Acquiring properties to increase inventory is the result of CCLBA's sales quadrupling in comparison to last fiscal year. Other expenses include fees that had to be paid to Cook County Clerk's office and postage for the take notices related to 7,777 Scavenger Sale properties. Operating income at present is \$617,835. This report shows CCLBA net position as negative (Angela Allen will speak more regarding this matter). Cook County does fund based accounting balance once a year and CCLBA does not

have real time access to a formal balance sheet or income statement. Cook County tracks everything through revenue & expenses.

Calvin Holmes: CCLBA believes the net position is what is posted in the 2015 draft audit. Cassidy Harper: CCLBA will be transparent once the QuickBooks software has been implemented, which will begin upon completion of the 2015 audit. QuickBooks will be an internal measure CCLBA will use to reconcile with Cook County.

CCLBA is still to receive \$1.5 million from Attorney General Settlement. This was the initial funding for CCLBA. Currently there are 70 properties scheduled to close that will generate \$2.9 million dollars.

Director Jenkins: When do you anticipate receipt of remaining Attorney General funds? Director Rose: all reports have been submitted. CCLBA have not been given a date, anticipate receiving before the end of the year.

Director Jenkins Will CCLBA receive a lump sum: Director Rose: Anticipates receiving two payments of \$750,000.

Breakdown of program income using the cumulative method December CCLBA received 8% of total collected for the year, by January another 12% was added, each month on average monies increase by \$775,000 a month in program income. CCLBA have seen positive results from CCLBA preferred buyers group (pre-sales).

Director Rose: One of CCLBA charges of the funding received from the AG's office was to capitalize and create a sustainable organization. CCLBA is well on the way of being able to sustain the organization. CCLBA will continue to look for funding to grow the organization. Being able to receive these funds and generate revenue that can be recycled for operations has allowed CCLBA to exceed what was awarded for the initial award.

Director Jenkins: How does this compare to last year? Director Rose: Last year CCLBA only received less than \$500 million earned revenue. For all of 2015 revenue CCLBA was just over \$1.6 million this time last year CCLBA had not ramped up its inventory.

CCLBA highest expense s are the Property Taxes payments.

Appropriations

CCLBA budgeted for \$6.4 million in spending authority for the year. CCLBA has expended \$5.7 million this year, but expected to receive \$12 million in revenue by the end of the year. Director Rose met with President and Cook County CFO to inquire about adjusting CCLBA spending authority and the rule is iron clad, no adjustments can be made. Director Rose developed a spending plan that will not sacrifice CCLBA operations. This plan allows us to maintain CCLBA staffing level as planned, continuing to keep the acquisitions and dispositions levels up, by shifting our acquisition dollars from inside programs, shifting to donations and forfeitures on abandonments cases. CCLBA is working with Cook County Circuit Court system in the suburbs and demo and vacant building court in the City of Chicago. This shift has allowed CCLBA a

way of developing a robust pipeline. CCLBA anticipates having just as much impact to serve the community. CCLBA will continue to utilize and purchase homes through NSI. CCLBA have been able to engage Fannie about CCLBA's needs. CCLBA is still on track. CCLBA is currently putting five properties a week under contract, and closings are taking place within 60-90 days. CCLBA is projecting about \$12 million in revenue. Currently at \$6 million which will result in \$6 million carryover for next year.

Director Jenkins: Are appropriation established annually and at what time period? Director Rose: Appropriations budget takes place annually. CCLBA will present a preliminary budget to CCLBA Board of Directors in September and will present to the Cook County Board of Commissioner in October. CCLBA will be requesting to have a "continuing appropriations language" embedded into CCLBA budget, because CCLBA generates its own revenue but do not have a set amount of revenue that will be generated. This is the long term solution that will allow CCLBA the ability to continue to spend.

IV. Presentation by Washington Pittman and McKeever – Angela Allen

Angela Allen thanked the CCLBA Board of Directors for allowing Washington, Pittman, and McKeever the opportunity to serve as CCLBA auditing firm for another year.

Included in the packets was a draft of financial statement for period ending November 30, 2015. For the most part the audit has been completed and there are a few items that need to be reviewed/verified before the audit is finalized, as well as, obtain sign off from management of the final numbers and management representation numbers are needed prior to finalizing this year's audit. Washington Pittman and McKeever plan to issue an unmodified/unqualified opinion on the financial statement for the year ending November 30, 2015.

Management Discussion and Analysis

Regarding the statement of financial position, the net position in Cassidy mid-year financial statement report and Washington Pittman and McKeever report differ because CCLBA included the receivables from the Attorney General and other receivable CCLBA anticipate receiving whereas Cook County does not account for receivables in their system. CCLBA ended the year with an increase in net position of 1,232,000 from last year.

Changes to point out, due from Cook County as decreased from 1.8 to zero. CCLBA actually owes Cook County due to the repeat of funds and the spending of funds going on throughout the year. CCLBA does not have a separate bank account from Cook County causing tracking of the cash to be a little different.

Angela pointed out that the property inventory held for resale has increase dramatically from \$619,000 to \$4 million representing 137 properties at the end of the year compared to prior year.

Total liabilities have decrease by \$500,000 and part of that increase because of the due to Cook County \$431,000 and income was deferred due to the recognition of the AG grant of \$750,000 as well as some spend down of other grants.

Statement of Revenue, Expenses and Changes in Net Position

The change in net position is \$1.2 million which is a decrease from last year of \$1 million down from \$2.24 million. Some of the significant changes in that is due to government grants decreased at the same time contributions increased. Primarily, due to a \$1 million contribution from Citibank and property donations increased. Last year the number was \$148,000 compared to \$1 million this year in donated property. CCLBA expenses increase related to acquisition of properties and the cost associated with holding the properties.

Director Rose acknowledged Angela Allen and Bola Babatunde contributions as being extremely helpful in helping CCLBA to navigate the gap on how CCLBA operates as an agency versus how Cook County rolls out its financials.

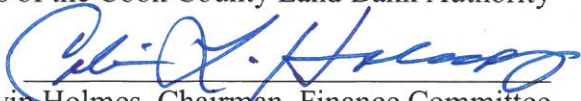
Once the audit has been finalized CCLBA will get a complete report in terms of Washington Pittman and McKeever's required communications to those charged with governance, significant deficiencies, and material weaknesses or areas of improvement. Washington Pittman and McKeever has not identified any material weaknesses that need to be reported, but in terms of areas of improvement and possible significant deficiencies one thing that has been discussed with management is the need to utilize QuickBooks and the need to establish good accounting procedures with Cook County.

Director Holmes: Explain the procedure of transferring balances? Cassidy Harper: Once 2015 audit is finalized all entries will be booked and that will be CCLBA beginning balances. All expenses will be entered for 2016 so that expenses are captured in the correct month. Discussions are taking place regarding how to record acquisition and dispositions as it relates to capturing the expenses.

V. Adjournment

Director Jenkins, seconded by Director Ostenburg, moved to adjourn. **THE MOTION CARRIED AND THE MEETING WAS ADJOURNED.**

Respectfully submitted,
Board of Directors of the Cook County Land Bank Authority


Calvin Holmes, Chairman, Finance Committee