

MEETING MINUTES OF THE COOK COUNTY LAND BANK AUTHORITY
BOARD OF DIRECTORS FINANCE MEETING

September 18, 2020

Board of Directors of the Cook County Land Bank Authority met pursuant to notice on September 18, 2020 at 9:00 AM via Zoom, Chicago, Illinois.

I. Call to Order and Roll Call

Present: Chairman Calvin Holmes, Director Tony Smith, Director Maurice Cox, Commissioner Gainer (4)

Also Present: **Rob Rose** (*CCLBA Executive Director*), **Cassidy Harper** (*CCLBA Accounting*)

Not Present: None

II. Public Speaker

Chairman Holmes notes there are no public speakers.

III. FY2021 Budget Presentation (Rob Rose & Cassidy Harper)

Executive Director Rob Rose: To give you a sense of where CCLBA is in the cycle, the county does an initial budget estimate beginning in May. The Land Bank has had a series of meetings with the budget committee and budget office to go through and map out some of the key assumptions that we have. We have been working on clarifying those assumptions and that will be culminated in today's presentation. We will walk through those assumptions in our presentation and answer any questions.

Ultimately, we will look for approval at the board meeting which follows this meeting. Once that happens, the last piece is to present this as the official budget to the budget office. We will then present this budget at the budget hearing in October to the board of commissioners. Once approved, it goes into effect December 1, 2020 which is the start of the fiscal year for 2021.

Highlights of the Budget:

- We always include a continuing appropriations resolution to be adopted with our budget. This provides us with spending authority for additional revenue. If we can earn more revenue than what we budgeted for, it gives us the authority to continue to spend based on additional revenue.
- In terms of the acquisition goals for the year, we are looking to acquire 800 properties. Also, we will continue to execute on our scavenger sale acquisition strategy
- In terms of disposition goals, we are looking to dispose of 250 properties. We will have a breakdown of what that looks like in the budget. Also, we will continue with our

Homebuyer Direct Program.

- We have been able to sell what we have in inventory, but inventory is low. We have not been able to replenish because of the shortage of supply coming from Freddie Mae, Fannie Mae, and HUD. We will continue that program as we are able to get more inventory.
- We will continue to execute on our staffing plan. The goal is to be fully staffed in 2021.
- We will continue to acquire properties via deed in lieu and abandonment. We will also talk about how we have been able to strengthen our ability to work more with the City of Chicago.

Cassidy Harper -Accounting: As we plan for FY21, we note that we have three grants that are budgeted right now. The three grants are as follows:

- Franklin Park Project Grant for \$4.6 million and that is the main part of the budget. It's another flood home strategic voluntary buyout. It is in conjunction with MWRD and the Department of Planning and Economic Development. We anticipate getting started on the Franklin Park project before the end of this fiscal year. Please note, this number will likely change by the time the budget actually comes into play because it will carry over what is remaining. We do budget whatever we have left at the time that the budget request is due.
- IHDA Grant which is part of the APP program - the abandoned property program. We have round three that is about 50 percent complete and the remaining balance that we have budgeted here for round three is roughly \$130,000.
- IHDA Grant for round four is also at \$250,000 and it is the total amount budgeted for round four.

Special Purpose Fund: Our normal operating fund, we have budgeted \$10.2 million. If you remember, the county's budget is baselined. We budgeted \$10.2 million to earn in revenue therefore we use that number to fund our normal operations. Anything that we have discretionary left out of that \$10.2 million gets fed into our acquisitions.

Disposition Goals: For the 250 properties we expect to sell next year, 220 will be residential properties at roughly \$25,000 each. We budgeted 30 commercial industrial properties at around \$70,000 each. We then have carryover from activities of this fiscal year, FY20, that we have built in. That's what we use to get to our \$10.2 million.

Executive Director Rob Rose Key Points on the Budget:

- The first point was salary allocation by position. You will notice the salary budget number that we gave you is different from this number here. The budget allocation spreadsheet that we gave you as a supplemental is every salary funded at 100 percent. That's every position filled day one of the fiscal year. The reality of it is that the executive assistant position is not anticipated to be filled on day one of fiscal year 2021. There is a small variance between what we have here in the budget for staff salaries which is our anticipation of bringing a position online versus the supplemental we have which assumes that all of those positions are filled day one.

- The second point is that the personnel benefits that we have is a number that is generated from human resources based on the staff levels that we give them. This is based on their estimates of all of the different pension obligations and insurance costs at the time. This number is an estimate and is a subject to change. You may see that as we start to look at actual numbers and as we go from year-to-year, this is a number that we don't control. This is a number that we are given for what we should contribute to employee benefits. Therefore, what is in the budget is based on the information that we have given to them and this number is very much subject to change.
- The third point I want to make is about contractual services, including this \$5 million, which includes the \$3 million line of credit allocation. I will explain how this works with the county. They make us have a line item for the full \$3 million if something catastrophic happens. We must have the budget allocations, the appropriations authority to return on the entire line. We use this line as a way of being able to reflect principal payments that are being made so the \$3 million is never fully drawn. Our primary source of repayment for the principal is to be able to sell the properties. If we have to take things off of the line because they don't sell within six months, we use this line item to reduce the line down to reflect those principal reductions. Our acquisitions number, the \$1.9 million, has an extra \$3 million behind that, making us actually closer to \$4.9 million in terms of what we can actually acquire because the \$3 million line of credit that we have for acquisitions is captured in contractual services line and not the acquisitions line.

This is just a quirk of how the county budget is done and it's important that that's understood. It's not as if we are reducing the amount of properties that we can acquire, it's just allocated differently based on the line of credit versus acquisition dollars that we have coming directly from the county.

Update on the 2019 Budget:

Executive Director Rob Rose: We need to engage the 2019 audit with Washington, Pittman and McKeever and they have not started their fieldwork. We will engage them to start the work. We would love to have had a 2019 done by the summer. We are hopeful that we will have the 2019 audit complete by the December meeting.

Cassidy Harper- Accounting: We will move into the year comparison. We looked at 2019 actuals, and our major variance was a deficiency of \$2.1 million. We have a positive fund balance that was noted in our audit and it's also reflected on the county's books. We are still in a good position, but we are trying to realize some of these expenses that we made up front to acquire the scavenger sale properties coming forward into 2021. This is really where we have the lower dollar purchases really began to take shape for us especially in the form of the commercial industrial properties.

Executive Director Rob Rose: At the end of fiscal year 2019, we had \$8.5 million fund balance. For 2020, we anticipate seeing a reduction in our fund balance of about \$4.2 million due to COVID and some of the challenges we have talked about. That's going to leave us a fund balance of about \$4.3 million in our fund balance going into 2021. That positive fund balance

means that we have the ability to keep and run our programs. The other thing to note is that we have been realizing our expenses and taking each in the accounting periods. The revenues that we generate are now being realized. It's the 2015 and 2017 scavenger sales where we have been taking those expenses throughout the years. Those properties are just starting to sell now.

COVID- Breakdown:

Executive Director Rob Rose: We anticipated in 2020, pre-COVID, that we were going to have 400 to 500 homes that came through the scavenger sale and we would be able to sell those. We have realized about 300 of them. We have had healthy sales based on that, but COVID did slowdown the ability to bring those into inventory and to sell those. We recognize in the new year that we would still not be at as much as we had anticipated for last year, but it is certainly a pickup of what we've done this year as we start to move out of COVID. Because of COVID, there are labor shortages where people are working, and they are not working as many jobs. In some cases, they are refusing to do work if they don't think it's going to be safe for them. The cycle is still occurring, everything is just taking longer. That's what's more reflective in our numbers and slower turnover. It's because of those factors. This is a very consistent across all geographies; both City of Chicago and suburban Cook County as well as across all the property types; commercial and residential, multifamily. We are seeing this consistent dynamic in terms of how long things are taking. The lenders, regardless of whether they are lending to a single-family home, multifamily, or commercial, have heightened their due diligence. We are seeing multiple final verifications before they fund.

If we can make the \$4.2 million, we will be able to fund our operations and the other expenses are based on activity and what we are able to do in terms of our flexibility and responding to these other conditions. We expected the jump from 2020 to 2021 to be even greater pre-COVID. It is essentially flat because of COVID. We do see some growth because of the value of inventory that we will have in our possession at the beginning of the year which is critical.

If you look at the number of properties demolished, the jump from 2020 to 2021, is directly related to the Franklin Park project. Demolishing properties is a part of that strategic buyout program in Franklin Park. That's what's driving most of the numbers in 2021 along with the abandoned properties program and the two rounds of funding that Cassidy mentioned that we have through IDHA.

We anticipated that, that would be at the beginning of the buying season and we would see a big increase in our sales during that time period. It was two weeks after that that we shut down for COVID. Even though we were operating remotely, we absolutely saw that have an immediate effect on our ability to sell those properties.

Going forward, I think people have adjusted to COVID and the restrictions that are happening. We have more inventory that we will be entering the year with, and we will have more staff to be able to handle that. We think we will be able to get back down to a more normal level as everyone is adjusting to the new normal. That is the conclusion of our report.

IV. Motion to Approve the Continued Appropriation Resolution.

Director Smith, seconded by Chairman Holmes, moved to approve the continued appropriation resolution. **The motion was carried unanimously.**

V. Motion to Approve June 19, 2020 Meeting Minutes

Director Smith, seconded by Chairman Holmes, moved to approve the June 19, 2020 Meeting Minutes. **The motion was carried unanimously.**

VI. Chairman Report (Chairman Holmes)

Chairman Holmes: As everyone has heard, the budget was thoroughly researched, based on sound assumptions, and very achievable revenues which is where we want our budget to be.

I want to applaud Rob and Cassidy and the team for focusing on increasing the inventory and the disposition velocity while holding the program staff itself relatively constant so that they can boost overall operational efficiency. Job well done.

We are in good fiscal condition as is always the case, and we've got a very healthy fund balance to rely on should we need it.

VII. Motion to Adjourn

Director Smith, seconded by Chairman Holmes, motioned to adjourn the meeting. **The motion was carried unanimously, and the meeting was adjourned.**

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

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Calvin Holmes
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Calvin Holmes, Committee Chair