CITY OF NORWALK
REDEVELOPMENT AGENCY
SPECIAL MEETING
DECEMBER 18, 2008

ATTENDANCE:	(via Teleconference) Timothy Massad, Acting Chairman; Emil Albanese, Secretary/Treasurer; Ellen Gamer Wink
AGENCY COUNSEL:	Marc Grenier, Agency Counsel
STAFF:	Timothy T. Sheehan, Executive Director; John Slovak, NRA Comptroller

ROLL CALL

CALL TO ORDER

The meeting was called to order via teleconference at 1:09 P.M. Mr. Sheehan noted that a quorum was present.

I. FINANCE

1. Approval of the Draft Audited Financial Statements for NRA and North Walke for the Fiscal Year Ending June 30, 2008

Mr. Slovak reported that there are approximately six million dollars in loans shown on the financial statements that are of the sub prime nature, and currently there is no bad debt reserve. There are deferred loans on the books which were made to people who couldn't afford to pay them back, and probably should not have been shown as an asset. The Commission may want to show them as 100% bad debt reserve or a prior period adjustment so that there would be no increase in equity.

Mr. Sheehan explained that the loans were deferred for a period of ten years and it was based on ability to pay after the ten year period. At the end of ten years, the income was to be reassessed, and if there wasn't an ability to repay the loans, they got deferred for another ten years. The concern is that they are carrying the loans as an asset base, and it is a very large number. The suggestion is that there be a validity test as to what the number should be and a portion of that should be put into a reserve, so that when those loans do ultimately either default or go bad, there is a reserve to handle that.

Mr. Slovak said the first group of the deferred loans have just started to come due in the last few months, so they are now getting an experience factor as to whether these people are going to go into a paying mode or are they going to continue to defer for the next ten years, in which case the loans would be 100% reserve. There are about a million dollars of deferred loans in fund 100, and they would like to address the issue in this fiscal year rather than in the fiscal year ending 6/30/08.

Mr. Sheehan noted that of the first ten loans that came due, three of the loans ultimately went forward for repayment and the other seven are being rolled over for another ten years. The original note provided for the option to roll over, so they are not in default, but they are not paying. The Agency is just carrying the loans on their books and it is representing a bigger number than it really should.

Mr. Massad pointed out that the loans represent a third of the Agency's assets, and asked why they are not doing something now to at least know the issue. Mr. Slovak said that is why he brought up the issue of having a reserve.

Mr. Sheehan explained that the first of the loans are showing up now because they are just coming due. The person who handles the Agency's portfolio has been asked to begin to assess income information for the next three to five years, as they want to determine where people stand with their income in order to have some understanding of who is going to be paying, who is not going to be paying, and what the Agency should be anticipating is going to roll over. The point is that they are not in default if they are not paying, the loans ultimately stay as an asset, but they want to show the actual value of the loan when they are going into another deferral period for ten more years. They would not book those loans against the reserve, but even if they were posting the loans to the reserve, they would still not forgive them. They need to have a reasonable understanding of what the loan amounts reserve should be, and the only way to get that is to begin to understand what repayments are going to be coming in.

Mr. Massad said, from an accounting standpoint, he is not persuaded that the loans should be carried at full value. The sub prime problem has been going on for 18 months. He said he is happy to hear an explanation from the auditor, but it seems to him they should be taking it down to their reserve now.

Mr. Slovak said he agrees, and pointed out that he was the one who brought the issue up after the audit. They were going to address it in the coming fiscal year rather than in the year ending 6/30/08. If it is something the Commission feels they want changed, they would probably want to do it as a prior period adjustment so it doesn't substantially reduce income. If it were a prior period adjustment, it would simply reduce equity directly without flowing through the balance sheet and the P&L.

Mr. Massad noted that there would have to be a formula to do the adjustments.

Mr. Sheehan said, until they get the income information, they will do the adjustments on a percentage basis of what the Agency has gotten on the ten loans that came due, and then they will look at the other loans based on what their performance is. They are going to be highly conservative in terms of their approach, because the documentation that they will have to back it up is going to be limited, but they can certainly go back and make that adjustment with the auditor.

Ms. Wink pointed out that CBG funds are involved, which have many of their own restrictions, and asked if they should be looking to the auditor for guidance, or, because this is the first they are dealing with this situation and are trying to decide how to handle it, should they be asking for guidance from the State of Connecticut.

Mr. Sheehan said it is meshed with how the Agency is handling the assets on its books, and in terms of the funding source, it is not a problem. It is an issue in terms of what they are posting as the asset base, and they are not forgiving the loans or doing anything with regard to the way the notes were originally intended when they were approved. It is just that they are not stating that that is the actual asset base that the Agency has.

Mr. Massad asked for clarification of the Agency's investments as of June 30, 2008. He said there is a note on page 16 that says they consisted of various certificates of deposits and U.S. Treasury obligations maturing during the 2008 fiscal year, and then there is a paragraph below that says "In the event that a financial institution becomes insolvent and is placed under FDIC receivership", and he wasn't quite sure why that is there. It would suggest that they are holding CDs of insolvent banks.

Mr. Slovak said, having looked at a lot of different financial statements, that is typical boilerplate that the auditor puts in to cover the situation of uninsured amounts that go over the FDIC $100,000 limit. He said as of 6/30/2008, the Agency was invested in U.S. Treasury bills, which are paying about 3/10ths of one percent now. Currently they are invested in a money market with the Bank of America, which is paying 2%. On June 30th, 2008 the Agency did not have any CDs, and he doesn't know why the financial statements indicate that they did. On June 30th, 2008 the Agency had U.S. Treasury bills with Bank of America securities.

Mr. Massad recommended that the Agency do a little more work on the financial statements before a vote is taken. Mr. Albanese agreed, and said he would like to understand where the deferred revenue of a million four is coming from.

Mr. Slovak said that is money that the Agency earned from running the operations during the last three to four years. About $800,000 to $900,000 of that money was from capital gains on the 80 Fair Street project, and is real cash. The entry is debit cash credit deferred revenue. In other words, they didn't report it as revenue that year and show a substantial profit. Instead they debited it as cash and credited deferred revenue, so it is revenue they put off using until subsequent future years should they need to use it, and they probably will because of the declining economy. It is simply a matter of debiting deferred revenue, which is a balance sheet account entry, and crediting revenue in the new fiscal year when they need the money.

Mr. Sheehan said in terms of the money that the City owes, the City has paid back all of the money it owes, so that unfunded account is substantially cleared out.

Mr. Slovak noted that that is in addition to the deferred revenue shown, and it is over $300,000 new cash that they received this fiscal year from the City that goes in the unfunded account.

Mr. Sheehan said they will table the audit until the January meeting when they will have the auditor present to answer the questions put forward.

II. WALL STREET DEVELOPMENT PLAN

A. Redevelopment Parcel 3 (Head of the Harbor) Application to the State Housing Trust Fund

1. Resolution Authorizing the Application

a. Authorize the Executive Director to Execute "Certification of Applicant"

Mr. Sheehan said they actually applied for the same grant through North Walke two years ago. The Commissioners had supported it at that time. Because of the audit requirement that DECD is looking for, they need to approve it with the Redevelopment Agency as the applicant and not North Walke, unless they want to incur significant expense on the audit side. Therefore, the issues the Commission is being asked to approve are the same that it was asked to approve under North Walke, but they need to be approved under the Redevelopment Agency.

** **MR. ALBANESE MOVED (1) TO APPROVE THE ATTACHED RESOLUTION TO APPLY TO THE CONNECTICUT STATE AFFORDABLE HOUSING TRUST FUND; AND (2) TO AUTHORIZE THE EXECUTIVE DIRECTOR TO PROVIDE ALL SIGNATURES REQUIRED BY THE APPLICATION IN ORDER TO SUBMIT SAID APPLICATION TO THE STATE DEPARTMENT OF ECONOMIC AND COMMUNITY DEVELOPMENT.**

** **MR. MASSAD SECONDED.**

** **THE MOTION PASSED UNANIMOUSLY.**

2. Adoption of Fair Housing Policy Statement

Mr. Sheehan said the Fair Housing Policy Statement is required as part of the grant, and as indicated, they had approved it for North Walke and now need to approve it for the Redevelopment Agency as the applicant.

** **MR. ALBANESE MOVED THAT IT IS THE POLICY OF THE CITY OF NORWALK AND THE REDEVELOPMENT AGENCY:**
(A.) TO SAFEGUARD ALL INDIVIDUALS WITHIN THE CITY ENGAGED IN HOUSING-RELATED TRANSACTIONS WITH NORWALK REDEVELOPMENT AGENCY FROM DISCRIMINATION BECAUSE OF RACE, COLOR, RELIGIOUS CREED, SEX, AGE, NATIONAL ORIGIN, MARITAL STATUS, ANCESTRY, SEXUAL ORIENTATION, LAWFUL SOURCE OF INCOME, FAMILIAL STATUS OR MENTAL OR PHYSICAL DISABILITY, INCLUDING, BUT NOT LIMITED TO BLINDNESS, AND SEXUAL ORIENTATION, IN CONNECTION WITH HOUSING,

THEREBY TO PROTECT THEIR INTEREST IN PERSONAL DIGNITY AND FREEDOM FROM HUMILIATION, TO MAKE AVAILABLE TO THE CITY THEIR FULL PRODUCTIVE CAPACITIES, TO SECURE THE CITY AGAINST STRIFE AND UNREST WHICH WOULD MENACE ITS DEMOCRATIC INSTITUTIONS AND TO PRESERVE THE PUBLIC SAFETY AND GENERAL WELFARE; AND
(B.) TO SUPPLEMENT THROUGH OFFICIAL LOCAL ACTION THE IMPLEMENTATION IN NORWALK OF SECTION 46-a-64c AND 46a-81e OF THE GENERAL STATUTUES OF THE STATE OF CONNECTICUT (PROHIBITING DENIALS OF FULL AND EQUAL ACCOMODATIONS IN HOUSING), THE PROVISIONS WHEREOF ARE INCORPORATED HEREIN BY REFERENCE. REFERENCES IN THIS ARTICLE TO SUCH SECTIONS OF THE GENERAL STATUTES SHALL INCLUDE SUCH AMENDMENTS THEREOF AS MAY BE MADE FROM TIME TO TIME.

**** MR. MASSAD SECONDED.**

**** THE MOTION PASSED UNANIMOUSLY.**

III. OLD BUSINESS
(None.)

IV. NEW BUSINESS
(None.)

ADJOURNMENT

The teleconference was adjourned at 1:46 P.M.

Respectfully submitted,

Karen Pacchiana