

1 CHAIRMAN WALLACE: That's the Carlson report.

2 MR. KLEIN: The Carlson report. And it is
3 important, I think, for us all to realize that it is highly
4 unusual to have this well developed hedging strategy among
5 housing finance agencies.

6 CHAIRMAN WALLACE: It's terrific what they have
7 done, and we have had some presentations from sources that
8 impact his report. But I think a periodic refresher is a
9 good idea.

10 MR. KLEIN: Right.

11 CHAIRMAN WALLACE: Rather than just a written
12 report. So I am hoping to have that in June. And the same
13 with, Dom, you and Dawn. Having said that, we need to get
14 into the budget. So, Jackie, your turn.

15 **RESOLUTION 02-13**

16 MS. RILEY: Mr. Chairman, Board Members. As you
17 have heard, the common theme throughout a lot of the Business
18 Plan is infrastructure. We are increasing our budget by a
19 total of 17.1 percent. We are requesting to add 22
20 positions, which is a 10 percent increase in our number of
21 positions in the Agency. We did this knowing that state
22 government is facing a huge budget crunch and everybody else
23 is subject to cutbacks and such but we thought it was
24 necessary to continue the level of activity that we are doing
25 and also to build our capacity for continued growth.

1 As Linn had mentioned, his staff accomplished what
2 they accomplished but over time it takes a toll on staff to
3 be working at those kinds of levels. Production goals are
4 up. Our infrastructure really hasn't exactly kept pace.
5 That is very true somewhat on the lending side but especially
6 on the operations side. So **14** of the **22** positions that are
7 added are on the operations side. Six of those actually are
8 under my purview and some of those are in personnel, some are
9 in IT.

10 We are adding new systems for document management.
11 We are starting to undertake a very large document imaging
12 system. We are trying to get all of our systems in order and
13 also trying to keep pace with what is going on on the
14 production side. And being able to actually go out and
15 recruit, hopefully, some very good candidates. On the
16 operations side we may be able to absorb some folks from the
17 other side of state government where there will be cutbacks
18 and all of that on our general classifications.

19 We have increased our line items for space. As we
20 mentioned before, we are out of space in the Senator even
21 though we renegotiated the lease last year. They have
22 provided some means for us increasing our space in that
23 building, and they love us there and they would like to keep
24 us there, what has happened is some of the units are gr wing
25 so large, like home ownership or Bruce's, the comptroller's

1 fiscal services, it gets where you are dividing them up in
2 little tiny groups where it doesn't work so well anymore. So
3 we are actively pursuing space for the first time in 17 years
4 outside of that building. So there are the resources in here
5 for the space.

6 Also, equipment is doubled this year, our equipment
7 line item, because we need to buy desks and complements of
8 furniture, computers and all that for new positions.
9 Obviously, the facility line item has gone up to reflect
10 increases in our own rent in the Senator and also to provide
11 the additional off-site space. And lastly, as you heard
12 Nancy talk about and Linn somewhat too, our contracting line
13 item is going up for the resources they need for studies to
14 get some other things accomplished and on the operations side
15 of things to do some of our systems kind of stuff. Our
16 infrastructure, as I mentioned. Inventory control and some
17 other things that we are actively pursuing.

18 Some of the contracting is a one-time only cost.
19 That should be reduced next year again when we get these
20 systems in place. We are hopeful in the next eight to nine
21 months to really increase our capacity to get more staff in
22 place so that those of us who have been doing some heavy
23 lifting for awhile can sort of just work at a normal pace.
24 Also, I think too, that it is important to do, going forward,
25 looking at doing some transfer of knowledge to other

1 individuals. Thinking about some secession planning. Who is
2 going to succeed some of us who may not be around for the
3 next ten years or whatever. So with that, we have knowingly
4 increased the budget and hope that you will approve it.

5 CHAIRMAN WALLACE: Yo have also factored in the
6 factor of if the bond passes.

7 MS. RILEY: Thank you, Mr. Chairman. There
8 actually are not any positions added into this particular
9 budget that have anything to do with the bond. We did not
10 want to put that in at this moment in time to see if the bond
11 actually passes. It is anticipated that if the bond passes
12 we would probably be back around the first of the year to
13 request a few additional positions. That's more likely on
14 the home ownership side because those programs, because they
15 are something that we have done before, we can get those up
16 and running very quickly.

17 We also know on the accounting side at some point
18 that will hit accounting. It may not hit in this next fiscal
19 year, it may be the year after when they actually need some
20 staff to do that. In insurance there may be a need for a
21 position or so in insurance. In this upcoming fiscal year
22 those programs may hit. But the big impact as far as the
23 personnel resources will be actually next fiscal year, not
24 the one upcoming.

25 MR. KLEIN: Mr. Chairman, and maybe the Director

1 could comment because we have a predictable and immediate
2 need this summer to expand communications, media information
3 type expenditures. Maybe we are going to do it by contract.

4 MS. RILEY: Those dollars are in here.

5 MR. KLEIN: Okay.

6 MS. RILEY: There is an additional position in
7 marketing. There is also an additional \$250,000 for our
8 branding campaign and other marketing activities.

9 MR. KLEIN: And is there enough discretion for the
10 Director and the staff so that if they see a greater
11 communication need this summer for the bond campaign as a
12 foundation of information the public will need, to have some
13 flexibility to do some additional things?

14 MS. PARKER: We would come back and talk with you
15 about that. But yes, we do have flexibility that we can do
16 that. I think a good example of that, Mr. Klein, is,
17 obviously, the discussion that we were having with the
18 Treasurer who, would frankly, like to have someone pretty
19 much dedicated to do marketing activities around the teachers
20 program. So I think we are looking at that as part of
21 developing a program.

22 I think we recognized that these are big numbers.
23 Dick and I are former Department of Finance people. We
24 recognize that these are big numbers but on the other hand
25 what we have done is really not increased our budget the last

1 several years when we have been seeing those huge increases
2 in production. We have now gotten to the point of saying, if
3 we really want to do the kinds of things that you all have
4 been talking about wanting us to do we have just got to bite
5 the bullet and get the infrastructure set up. And if we do
6 it this year, particularly if the bond is being considered,
7 it essentially sets us up for a bond passing. Being able to
8 move forward productively.

9 MR. KLEIN: Right.

10 MS. PARKER: There is one other thing that I want
11 to let the Board know that I am continuing to work on,
12 continuing to see this as something to help accomplish that I
13 see as my own personal challenge and part of my work as the
14 Executive Director, and hopefully as part of my legacy at
15 some point in time. That we need to deal with the issue of
16 our salary structures and our compensation.

17 With that, when we met with the Treasurer the other
18 night I asked the Treasurer if he would be willing, since
19 some of his own boards and commissions have problems with
20 recruiting and retaining staff because of salaries in areas
21 that are very similar to what ours are, and that's tax credit
22 and bond cap, where they really area paid by fees but their
23 salaries are set as state employees by DPA. In that sense,
24 even though the community wants to pay for the services there
25 is not, we can't hire anybody because their compensation is

1 not enough.

2 Anyway, we talked to the Treasurer about being
3 willing to put together a project we could work on of taking
4 together in tandem some kind of a request for classifications
5 that may take into consideration this unique work, the
6 comparability to salaries of the private sector as opposed to
7 the public sector, and hopefully be able to move forward on
8 this issue. We think we have some good data because of our
9 own recruitment activities. I'm sure that given the
10 experience that Jeanne and Laurie have in CDLAC and TCAC of
11 their loss of staff, that could be added, and hopefully, in
12 that sense, build some momentum on this issue.

13 MR. KLEIN: I, as you know, have been an advocate
14 for making certain that with the additional responsibility we
15 have and the growing sophistication of these programs that
16 those classifications be developed. If we are going to
17 retain and build the best staff to really serve the public
18 you are going to have more comparable salaries, which we
19 clearly don't have now.

20 I actually believe that there is very strong
21 legislative history that you should have the ability to
22 actually determine those salaries outside of the DPA
23 structure. Perhaps late this fall some of that legislative
24 history could be presented to the Attorney General for him to
25 review decisions that may have been made without the benefit

1 of that history. But unless we aggressively seek
2 compensation for our staff it is going to be very hard to
3 maintain the high level of quality we have in this Agency.

4 MS. NEVIS: I would just like to add that currently
5 there is a moratorium on any type of classification study
6 with regard to DPA. So anything you can do --

7 MS. RILEY: Actually, Judy, they are willing to
8 entertain something from us since we do have an exemption
9 from the freeze.

10 MS. NEVIS: Oh, really?

11 MS. RILEY: Yes.

12 MS. NEVIS: Well, good. Excellent.

13 MS. RILEY: So we have our foot in the door and we
14 are keeping it open.

15 CHAIRMAN WALLACE: Was the Treasurer receptive,
16 Terri?

17 MS. PARKER: Jeanne was in the meeting. I'll let
18 Jeanne represent her boss.

19 MS. PETERSON: Yes.

20 CHAIRMAN WALLACE: Yes, you are willing to
21 represent your boss?

22 MS. PETERSON: Yes, the Treasurer was receptive.

23 CHAIRMAN WALLACE: Ah.

24 MS. PETERSON: And I am willing to represent my
25 boss.

1 CHAIRMAN WALLACE: Okay.

2 MS. PETERSON: Yes. It's a common problem amongst
3 us at the Treasurer's Office, particularly at the CDLAC and
4 the TCAC committees. We are in a tougher situation. I am
5 happy that we can **look** at a budget that provides for so many
6 new positions because we are indeed, although we take no
7 money from the government, currently under a hiring freeze.
8 And I also have a very overworked staff and so on. **So** it is
9 nice that at least CHFA has that exemption.

10 CHAIRMAN WALLACE: Well, I think it is time. We
11 have held our breath and we have pushed, pushed, pushed for a
12 number of years and I think it's high time we take advantage
13 of the current situation and do play catch up for all the
14 reasons you have said and others have mentioned. **So** I
15 strongly urge that we adopt this.

16 MS. PARKER: We want you to know that is based on a
17 set of assumptions and we will be coming back if the bond
18 passes and as we move through and look at our work on CaHLIF.
19 That is an unknown at this point in time. **So** I just want to
20 reserve the caveat that we are not done yet.

21 CHAIRMAN WALLACE: We are a long ways from done but
22 it will sure make the -- I told Nancy again this morning, I
23 want her to turn over every rock and look at that and come
24 back with a better mousetrap. Or maybe there's a better
25 term. But still, I think this is timely, appropriate. We

1 haven't really had a wholesale increase in the areas like
2 you're suggesting for a long time. So I strongly urge its
3 adoption. Having said that, trying to capture momentum.

4 MR. KLEIN: Would you like a motion?

5 CHAIRMAN WALLACE: I would accept a motion.

6 MR. KLEIN: I would move approval.

7 MR. CZUKER: Second.

8 MS. HAWKINS: I'll second.

9 CHAIRMAN WALLACE: A motion by Klein and Czucker
10 seconds. Or is it Carrie? Did you --

11 MS. HAWKINS: I think we did it simultaneously.

12 CHAIRMAN WALLACE: Yes. Put down Czucker and
13 Hawkins there. The Czucker/Hawkins second.

14 MR. KLEIN: That is a powerful second.

15 CHAIRMAN WALLACE: Any discussion on the motion?
16 Yes, Ed.

17 MR. CZUKER: Totally supportive, but in the budget
18 are we going to look further at the technology, in increasing
19 technology, and are we also going to take another hard
20 experiment in advancing the remote meeting where we had the
21 teleconferencing?

22 CHAIRMAN WALLACE: I don't think that's in the
23 budget but I see in the second to the last paragraph, and
24 having heard this in advance, to provide technical and legal
25 support. At any rate, replete in that --

1 MS. RILEY: There's probably --

2 CHAIRMAN WALLACE: What Linn was saying.

3 MS. RILEY: Right.

4 CHAIRMAN WALLACE: There's some technological
5 updating that we have.

6 MR. MAIO (FROM THE AUDIENCE): There are a lot of
7 technological projects in the budget for next year.

8 MS. RILEY: In the budget.

9 CHAIRMAN WALLACE: A lot of it. So the answer is,
10 yes, Ed.

11 MS. RILEY: Yes.

12 CHAIRMAN WALLACE: But it is not yes, necessarily,
13 to your last item.

14 MS. RILEY: Right.

15 MR. CZUKER: Video conferencing.

16 CHAIRMAN WALLACE: Teleconferencing. I thought we
17 got a report on that it raised as many problems as it solved.

18 And you may not have been here. We should dig out --

19 MR. CZUKER: I actually enjoyed it.

20 CHAIRMAN WALLACE: No, you may not have been here
21 when we got a follow-up report to that.

22 MR. CZUKER: Oh, a follow-up.

23 CHAIRMAN WALLACE: And we probably ought to get
24 that to Ed.

25 MS. PARKER: Yes. The Board asked us and I don't

1 remember. I think we reported it back --

2 CHAIRMAN WALLACE: Two or three meetings ago.

3 MS. PARKER: Yes, yes. So I think we put something
4 together. We'll look for that.

5 CHAIRMAN WALLACE: And why don't you send that back
6 out, particularly to the Eds.

7 MS. PARKER: Sure.

8 CHAIRMAN WALLACE: Because it had some problems,
9 largely driven by the Ed Hobbs (sic) situation, etcetera,
10 which hasn't worked out. But having said that, back to the
11 original motion. Any members of the Board or the public that
12 are interested in further questioning this motion? If not,
13 secretary, call the roll.

14 MS. OJIMA: Thank you, Mr. Chairman. Ms. Peterson?

15 MS. PETERSON: Aye.

16 MS. OJIMA: Mr. Bayuk?

17 MR. BAYUK: Aye.

18 MS. OJIMA: Ms. Nevis?

19 MS. NEVIS: Aye.

20 MS. OJIMA: Ms. Sandoval?

21 MS. SANDOVAL: Aye.

22 MS. OJIMA: Mr. Czucker?

23 MR. CZUKER: Aye.

24 MS. OJIMA: **Ms.** Hawkins?

25 MS. HAWKINS: Aye.

1 MS. OJIMA: Mr. Klein?

2 MR. KLEIN: Aye.

3 MS. OJIMA: Mr. Shine?

4 MR. SHINE: Aye.

5 MS. OJIMA: Mr. Wallace?

6 CHAIRMAN WALLACE: Aye.

7 **MS. OJIMA:** Resolution **02-13** has been approved.

8 CHAIRMAN WALLACE: Resolution **02-13** is hereby
9 approved. Moving on to Item -- Thank you, Jackie.

10 **OTHER BOARD MATTERS**

11 Moving on to Item 6, discussion of other
12 unagendized Board matters or reports. You got quite a bit.
13 Dawn is putting a lot of stuff in there that we haven't seen
14 much before and Ken has an excellent report. Di has a report
15 in there, some of which we have discussed, the Acosta bill
16 and so on. So no further discussion on that?

17 **PUBLIC TESTIMONY**

18 I'll move on to public testimony. This will grab
19 us if it happens. Have you got another report, Dick?

20 MR. LaVERGNE (FROM THE AUDIENCE): No, the public
21 (inaudible because he was away from the microphone) Board
22 Meeting.

23 CHAIRMAN WALLACE: You did? Oh, good. Well, Item
24 7 is for any public testimony. Any members of the public?
25 Hearing and seeing none, our next meeting is June 6 in

1 Sacramento, Holiday Inn, Capitol Plaza, where we were before.

2 MR. HUGHES: Mr. Chairman, at the beginning of the
3 meeting you asked to be reminded at the end of the meeting
4 that you wanted to end the meeting in memory of Karney Hodge.

5 CHAIRMAN WALLACE: I did, thank you. We were
6 saddened to hear of the passing of Karney Hodge. He was with
7 the Agency for a long time, did many great things, and so I
8 would ask you to bow your heads and observe a moment of
9 silence in respect to Karney and all the great things he was
10 to CHFA, if you please.

11 (A moment of silence was observed.)

12 Thank you, we are adjourned.

13 (The meeting was adjourned at
14 12:37 p.m.)

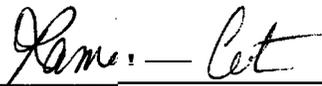
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