VICE CHAIRPERSON HAWKINS: Thank you.

MS. PARKER: Thank you, Madame Chair. Since Dick LaVergne was not able to make it, Jackie and I will present the Agency's operating budget. We're prepared to go through a discussion of this to any great depth that the Board would like.

Clearly, the support budget has increased not only in dollars but also in personnel years, and we can go through that. We have added -- just so you don't have to be mind readers to try to figure out the 32 positions we've added where they have been added, Jackie has a little handout that shows all the positions, and the document shows an asterisk where we're adding additional, ones. They're tied to workload. Jackie and Dick make the agency staff go through a budget exercise. Dick LaVergne and I practice being finance analysts, much to torture of the directors, programs in the Agency.

But to the extent that you are our authorizing arm, they don't have to go through the budget crisis that other state agencies do. We do make them justify so that we can stand up and go through the process as rigorously as anyone else so that, you know, our public use of our resources is taken into consideration.

So we're presenting our budget. Jackie can go through some of the points where the major increases are
and be happy to answer any questions.

MS. RILEY: Along with that, we did put our staff through some pretty rigorous workload standard operations that we normally do a small amount of that. This year we were very mindful of the number of positions that we were getting requests for. I might add, of the 32 positions that we placed in, there were an additional 16 positions that were requested that were turned down. So we didn't do this hastily and made everybody go through, as Terri said, some rigorous hoops and hurdles and all that. But I wanted to make sure that we were mindful of minding the store here in the difficult budget times in the State of California.

With that we did add positions, specifically 32. Eight of those are for the Prop 46 programs. Two of those are in multifamily. Two of those are in single family. Three actually are in fiscal services. And one is in the insurance division.

Aside from those positions, obviously as you listened to the budget plan -- or I'm sorry, the Business Plan and you notice how business is increasing, the operations side of the house also has to keep pace with the program side. They drive our engine, and fortunately we're almost able to keep up with them. We try and do that.
So we've added additional positions on the operations side of the house, too. That's specifically legal. Every time there is more multifamily programs, legal has to do the documents and review all of those programs and loan closings.

We've also added more positions on the fiscal services side. Once again, those folks are minding the Agency's resources. And as Ken Carlson keeps coming up with newer and creative ways of financing things, things become more difficult. And the accounting side, Bruce's shop, has quite the task keeping up with him.

In addition, we also added some positions to information technology. When new programs are created, programs have to be created consequently to go along with those. We also have a very vigorous help desk and had to increase our resources on our help desk. So we have added, you know, those positions.

In addition, we have some lending positions. If you listened and paid attention to all of those line items that Linn talked about in all his various programs, he has been very ambitious, and we're adding more positions in multifamily and also in single family this year.

Asset management -- excuse me for one second, just to keep up as we keep building more multifamily projects, asset management has to keep pace too, so
there are positions there.

MS. PARKER: I'm sorry. I was -- one of the things I did mean to highlight to you, we have included a position in multifamily with the potential of hiring a chief that may act to serve the Bay Area. And we have included it, because I wanted to make this Business Plan from an operations standpoint as inclusive as we could in the dollars that we need for the entire fiscal year.

There is a person who's been in contact with Linn. Obviously a part of -- it wasn't that Linn was on the slopes skiing. He was trying to rebuild a multifamily team. And many of the people that you've seen before us today are really the product of Linn's time last year trying to get a team together and now growing them.

But given the work, it continues. We're in discussions with the possibility of someone who may come to the Bay Area, and so we've included a position to make sure that person knows that there will be Board support behind that and see whether or not that may lead to the necessity of someone more localized serving that particular area.

So we will continue to keep the Board informed about our progress on this. But I wanted to include it to give you a heads-up that we may have an opportunity. If we can, we'll want to move along with it.
MS. RILEY: Moving on to the operations side of the
house, all of our line items, if you have looked at the
budget, have increased. Specifically, those are for the
additional resources, the additional personnel that
we've added, also our pretty aggressive marketing
campaign.

We are moving some staff into additional quarters
probably September of this year. Along with that, there
are some one-time dollars added for that move.

And lastly, where it shows up a large increase is in
consulting and professional services. We have, as has
been discussed here with the Board, some legal costs for
litigation and added the resources to support that.

In addition, there is $500,000 that has been included
as a placeholder for a loan origination system for
multifamily. RFPs were sent out, and we had four people
submit proposals to us, just within the last month. And
those range from $200,000 to $500,000. We had not had
time and still hadn't, that starts next week, as far as
going through those proposals and actually analyzing
them.

We know that we will be coming back to the Board in
July to talk about that and to request approval, you
know, whatever we have decided to do, but, as Terri
said, wanted to place the resources in the budget but
know we won't be acting upon that until we come back and
get Board support for that.

With that we know there's a lot of dollars, a lot of
positions, but as you've heard, we have a very ambitious
Business Plan. We have some ambitious goals. And we
really feel we need these resources to go forward and
accomplish all the things that we have put in our
Business Plan, so we would ask your approval.

MS. PARKER: We'll continue to keep the Board
monitored about the dollars. Obviously, the Business
Plan for salaries includes what was bargained for salary
increases. To the extent that those don't materialize,
obviously -- salary, 5 percent salary increases?

MS. RILEY: It's not included, no.

MS. PARKER: Oh. I apologize. To the extent that
something changes on that, we will need to come back and
especially talk to the Board about that. So instead --

MS. RILEY: Some of the state budget -- excuse me,
Terri, on budgeting we actually do follow and the rest
of the state departments, if indeed that salary increase
goes through for rank and file in July, are required to
absorb those costs, but they were not included in here.

MS. PARKER: That's our contribution. Thank you for
correcting me, Jackie.

With that we'll be happy to answer any questions.
VICE CHAIRPERSON HAWKINS: Yes, Mr. Czuker.

Thank you.

MR. CZUKER: I think I can speak for everyone to say that we're very pleased with the progress that CalHFA has been making, and we're very supportive of the increase in the staff and the budget that's before us. If I understood you correctly, you're leaving a window of opportunity open to hire a multifamily director for Northern California?

MS. PARKER: No. Well, not quite. It's we're not -- we're not hoping to have a Linn twin. It's -- would be right now we've got a chief in Northern California and a chief in Southern California position. This would be perhaps to have someone at that level for servicing the Bay Area. So it would be -- the way the organization is, Linn is the director. Irene Jenkins is his sort of assistant director. And this would be a situation where there could be three people at the chief level.

MR. CZUKER: And I wanted to continue to comment by saying that most of the projects before us today were Northern California projects, and I think that one thing I would like to see is more of an emphasis on marketing in Southern California where populations are larger, demographics support and certainly need exists. And I
think that we can make a greater penetration into
opportunities for financing affordable housing in the
Southern California area and hope that with marketing
and with the budget resources we'll make a greater
effort in the future.

MS. PARKER: Mr. Czuker, just to add on to that, we
have had a position available to be a chief in the
Southern California office, and Linn and Jackie have
been working on the recruitment effort for quite some
time, and that is also reflected in the budget before
you.

MS. RILEY: And in addition, there is another
position slated for multifamily in the -- in this budget
for support.

MR. CZUKER: And in terms of marketing dollars to
help Southern California succeed in bringing forth
applications for financing, that would obviously be
something we're hoping for.

MS. PARKER: I think what we're trying to do here is
look at whether or not proximity of staff is going to
make a difference in being able to achieve higher dollar
volume levels in that sense, so by having people as
close as we can.

Obviously, if you look at the work that's being done
by Linn's staff in Southern California -- it depends
every time we come whether there is more Northern
Southern -- Northern or Southern California projects.
And if you looked at our pipeline in totality, there is
a tremendous amount of projects that are going on in
Southern California.
A lot of what is in our pipeline is going to be next
year's -- next year and the next two years' worth of
work through multifamily, legal, and all of the rest of
the organization. So we will be showing you that, and
we're certainly concerned about servicing that area of
the state.
VICE CHAIRPERSON HAWKINS: Yes, Mr. Klein.
MR. KLEIN: What is the volume in the multifamily
pipeline, roughly?
MR. WARREN: I'm sorry, I didn't hear the question.
MS. PARKER: Volume in the pipelines. Aren't you
close to between 4- and 500 million?
MR. WARREN: Yeah, it's about 550 million.
MR. KLEIN: Thank you.
And, Jackie, that was a great report.
VICE CHAIRPERSON HAWKINS: Thank you.
Yes, Ms. Peterson.
MS. PETERSON: I want to preface what I'm going to
say by saying that the Treasurer and the Treasurer's
office, TCAC, CDLAC, are very pleased with all of the
work that CalHFA has done in the past four years since Treasurer Angelides has been the Treasurer and has found it to be really quite remarkable.

The Treasurer has also asked that I convey with respect to the budget proposal today his belief, and I'm sure as a fiscal officer of the state, that all of us, whether we're included in the budget or not or whether we get funding from the state or not, need to be extremely fiscally responsible, given the state of -- the state of state and the state of the state budget.

And I know Jackie has said that she received many more requests for positions than have ended up in this budget. However, I can't help but notice that over just the past two fiscal years that there's a 50 percent increase in the staff full-time positions. And so that's, like I say, something that the Treasurer asked that we make sure, that all of us make sure, that we on the Board make sure and that staff make sure that all of the increases, both personnel and operations-wise, have been scrutinized most carefully.

I guess that's the end of the sentence.

VICE CHAIRPERSON HAWKINS: Thank you, Ms. Peterson.

Yes, Mr. Klein.

MR. KLEIN: I would just like to say that in the context of the Treasurer's comments, we have a great
deal of our staff committed to multifamily. And to have
a several-hundred-percent increase in multifamily
production with a 50 percent increase in the staffing is
showing that our staffing increases are substantially
trailing our increases in production. And hopefully
we're contributing a great deal of more sales tax
revenue and job tax revenue that will contribute to
making the Treasurer's job easier.

MS. PETERSON: Well, that's tremendous. And
actually, over the past two years is over a
hundred-percent addition in staff on the multifamily
side, and maybe part of this is coming from -- this is
not anything that I -- this is -- this was my direction.
I was given direction to say this, but -- but it's also
true that just on the multifamily lending side of CalHFA
alone, there will now be more staff than in both of the
affordable housing agencies housed in the Treasurer's
office.

MR. KLEIN: That points out the Treasurer needs more
staff.

MS. PETERSON: Indeed.

VICE CHAIRPERSON HAWKINS: Are there other questions
or comments?

I'd just like to add that I think it's great from
the standpoint and I think the transactions are more
complex now on the multifamily side and therefore takes
more time, doesn't it, to put these transactions
together? And -- and historically speaking, it's
amazing how on the single-family side, how much our
volume increased, yet because of streamlining the
systems and what a great job Ken Williams did over the
years, we were able to absorb that volume.
And so I think we've done a very good job
historically, and I feel comfortable with what I've
observed as far as this increase from what I've seen
produced with this increase.
So just any comments? Any other comments?
I'm ready to take --
MR. KLEIN: I'd just like to also say that with the
increase of housing production in the state, I think the
Agency should be highly supportive of the Treasurer
actually getting more staff because that staff is under
so much stress. And recognizing the discipline we all
have to have --
MS. PETERSON: This was not solicited.
MR. KLEIN: -- That can be supported by fee revenue
from the applicants, not by the state budget, which is a
very important distinction. But if we're going to
continue to show the dramatic progress in expanding
affordable housing in the state, the Tax Credit
Committee and the Bond Allocation Committee are going to have to have additional staff to handle the work. It's just a practical constraint.

MR. FRANKLIN: I would just add, being the subject of a very high percentage of Mr. Klein's remarks today, I'm somewhat miffed that I wasn't included in this final comment here as we close the Board meeting.

VICE CHAIRPERSON HAWKINS: I think I need to make another comment. I think I did not mean to leave out anyone else on the staff of CalHFA when I mentioned Ken Williams, but as he returned, it just brings to mind that it's been great, Terri, that you are able to retain good people and, of course, the rest of the staff, including Jerry Smart and others, have done a great job. So are we ready for a motion?

MR. KLEIN: I'd like to make the motion to approve the budget.

VICE CHAIRPERSON HAWKINS: Mr. Klein has moved that we adopt the budget.

MR. SHINE: Second.

VICE CHAIRPERSON HAWKINS: Mr. Shine has seconded.

Is there any discussion?

Mr. Shine seconds.

And is there any other discussion or questions from the Board or the public?
Hearing none, may we have the roll?

MS. OJIMA: Ms. Peterson.

MS. PETERSON: Abstain.

MS. OJIMA: Mr. Bayuk.

MR. BAYUK: Aye.

MS. OJIMA: Mr. Bell.

MR. BELL: Aye.

MS. OJIMA: Mr. Czuker.

MR. CZUKER: Aye.

MS. OJIMA: Mr. Franklin.

MR. FRANKLIN: Aye.

MS. OJIMA: Ms. Hawkins.

VICE CHAIRPERSON HAWKINS: Aye.

MS. OJIMA: Mr. Klein.

MR. KLEIN: Aye.

MS. OJIMA: Mr. Shine.

MR. SHINE: Aye.

MS. OJIMA: Resolution 03-30 has been approved.

VICE CHAIRPERSON HAWKINS: Thank you.

MS. PARKER: Thank you very much. We look forward to our Board meeting in July where I know Linn will have a number of titillatingly new projects to entice you with.

We -- on behalf of the staff, we do want to thank you for your interest and participation at all of our
Board meetings. There's some good questions that you
ask that makes our job that much more interesting.

VICE CHAIRPERSON HAWKINS: One moment. One moment.

Hold on one moment. We have Item No. 8 and 9. Is there
any further comments on any other subject from anyone
from the Board or the public, other than the budget, as
I asked before?

No.

The meeting is adjourned. Thank you.

(Whereupon the meeting concluded at 2:21 p.m.)
REPORTER'S CERTIFICATE

I hereby certify the foregoing meeting was held at the time and place therein named; that the proceedings were reported by me, a duly certified shorthand reporter and a disinterested person, and was thereafter transcribed into typewriting.

In witness whereof, I have hereunto set my hand this 29th day of May, 2003.

Yvonne K. Fenner
Certified Shorthand Reporter
License No. 10909