



Entry Form 2017 Annual Awards for Program Excellence

Entry Deadline: Thursday, June 15, 2017, Midnight ET

Each entry must include a completed entry form. Please complete a form for each entry your HFA is submitting. The completed entry form will become the first page of your entry.

This form is a fillable PDF. Type your information into the entry form and save it as a PDF. Please do not write on or scan the entry form. **Questions: Call 202-624-7710 or email awards@ncsha.org.**

Entry Title: Enter your entry's title exactly as you wish it to be published on the NCSHA website and in the awards program.

Category:

Subcategory:

Entry Summary: A 15-word (max) summary of the program, project, or practice you are entering.

HFA:

HFA Staff Contact:

Phone:

Email:

Visual Aids:

Are you mailing to NCSHA 10 copies of any visual aids that cannot be included in your entry PDF? Yes No

Payment:

My HFA is mailing a check to NCSHA.

My HFA is emailing the credit card authorization form to awards@ncsha.org.

"If the plan doesn't work, change the plan not the goal."

At the California Housing Finance Agency, the goal never changes: we create and finance progressive housing solutions so more Californians have a place to call home.

But the plan, well, the plan must always change. The plan changes when the market fluctuates or when government policy is amended, and the plan must change as we attempt to improve.

THE CHALLENGE

Previously the CalHFA strategic planning process was largely informal and lacked a balance between providing too much detail or not enough. Business Plans were adopted without Board participation or integrating revenue projections and other budgetary considerations into the discussion. There was little or no monitoring of the Operating Budget and Business Plan throughout the year. Because of this, our projections were frequently off the mark and actual performance varied wildly from established goals.

Furthermore, each division submitted its annual plan individually with no alignment across the agency; similarly, operating budgets and production goals were not aligned either.

It was clear that we needed alignment with all divisions and management, realistic production goals and a strategic planning process that would facilitate these desired outcomes.

THE SOLUTION

"If you don't know where you're going, you might wind up someplace else."

It was essential to establish a solid foundation, one that was built on a common understanding, a strategic clarity and congruent, measurable goals. To address these issues, CalHFA management put a new planning process in place to create a more powerful and precise Strategic Business Plan and Operating Budget for 2017/18.

Our new strategic planning process consists of several segments. It is a "living process" that will continue to guide our business decisions and hone our projections month after month and year after year.

Senior Management Offsite Meetings

([Attachment 1](#))

We scheduled three, all-day business planning sessions staggered one week apart. This allows time to complete action items from the prior meeting, while keeping discussions and concepts fresh in the minds of participants. All senior staff participates in business planning sessions to allow communication from all perspectives and improve buy-in across the management team.

Prior to the offsite meetings, all senior staff are tasked with reading relevant materials (e.g. Statewide housing assessment, housing sections of



the state budget, legislative initiatives and industry papers), which are provided one week prior to the first meeting. Executive leadership communicates clear expectations regarding senior staff participation and preparedness.

Day 1 of the three offsite meetings has management focused on market opportunities. On this day, the participants discuss current housing policies, programs and other key initiatives in the market. The group decides on what new initiatives the Agency might want to work on for the upcoming year. ([Attachment 2](#))

After a week of working with their staff, each Production Unit returns on Day 2 to present its proposed plan and initiatives. The plans and initiatives are then vetted by the group, and the action items are finalized. ([Attachment 3](#))

Armed with those identified action items, the Senior Staff in the Support Service Units spend the following week working with their staff to develop plans to support the Production Units' initiatives. These support plans are presented on the third and final offsite meeting for vetting and finalization by the whole management team. ([Attachment 4](#))

Housing Market/Business Planning Workshop with Board Members

Following the intensive offsite planning sessions, we hosted a workshop to inform and educate our Board of Directors which included briefings from industry experts on state and federal housing policy, and expert economic analysis regarding trends specific to California. Also, included in the workshop was a mid-year budget and business plan update with projections through the end of the current fiscal year, along with possible business planning initiatives for the coming fiscal year. With all of this information in mind, the Board gave suggestions and feedback on initiatives to complete the draft business plan.

Business Plan and Operating Budget Development and Board Member Adoption

Once the integrated discussions, planning and research was completed, each division participated in in-depth budgetary meetings with the Director and the Budget Officer to set appropriate operating budgets needed to achieve the plans agreed upon in the planning sessions and workshops. CalHFA management then compiled data and feedback and presented the 2017/18 Business Plan consisting of business goals, action items and the integrated Operating Budget to the CalHFA Board of Directors, who approved it unanimously. ([Attachment 5](#))

Quarterly & Mid-Year Update reporting to the Board Members

Throughout the year, we monitor our progress by pulling production data and reporting the status to the Board on a quarterly basis ([Attachment 6](#)). Additionally, we monitor non-production-number items during our quarterly Strategic Governance Committee meetings, where we review each action item of the Business Plan to ensure we stay on track and are held accountable for the plans we've made.

THE RESULTS

In January of 2016 we kicked off the development of the 2017-18 Strategic Business Plan and Operating Budget using our new Strategic Business Planning process in which senior staff and department heads participated in a series of business planning offsites and budget meetings intended to ensure that each department's budget proposal supports the goals and strategic initiatives outlined in CalHFA's proposed business plan. It is a plan that will allow us to measure success, be held accountable, adjust as needed and will help us to succeed.

The Business Plan and Operating Budget are now fully integrated and the business plan guides all work activities of the Agency. The Board and all division management have been incorporated in the business planning and budgeting process, and we now include revenue goals in both the business plan and budget process.

The success of our business planning process is not only measured by the activities of the Agency and our achievements, but also by what others are saying about our planning process.

At a recent Board meeting, the members had nothing but positive reviews of the new plan.

- "Just congratulations on a good business plan."
- "I like it. It's great."
- "Excellent job here."

More kudos came when the Governor's Deputy Secretary of Housing and Consumer Services asked CalHFA to present our new Strategic Business Planning process to the Housing and Transportation Subcommittee members. In attendance were members from Business Consumer Services and Housing Agency, Department of Housing and Community Development, CA Department of Transportation, CA State Transportation Agency and CA High Speed Rail Authority.

The BCSH Deputy Secretary, in an email request for the presentation, had this to say: *"[at the upcoming] Housing and Transportation Workgroup there is an agenda item about Strategic Plans; essentially good practices that departments can share and emulate. I immediately thought of the CalHFA Strategic Business Plan that your team provided to me in the intro package. I found it to be such a great example of how to design and format a plan so that it is accessible, useable and trackable."*

After the presentation, the Deputy Secretary stated *"[CalHFA's strategic plan was] A great example for people to take back to their respective organizations ..."*

CalHFA developed the Strategic Business Planning process solely in-house. There were no outside fees or costs. The process not only benefits CalHFA, but has now been shared with a variety of state agencies in California who can reap those benefits as well.

"The goal has not changed. The plan has, and it's better than ever."

Appendix

- Attachment 1 – Offsite Meetings Purpose and Expectations
- Attachment 2 – Offsite Day 1 Agenda
- Attachment 3 – Offsite Day 2 Agenda
- Attachment 4 – Offsite Day 3 Agenda
- Attachment 5 – Board Memo; Business Plan and Operating Budget
- Attachment 6 – Quarterly Report to Board

17/18 Business Planning Outline

DAY ONE – Market Opportunities & Policy Discussion - January 26th

At this one-day offsite, Sr. Staff will discuss new affordable housing solution and policy opportunities in CA. This round table conversation should concentrate on California's housing needs outlined in the Statewide Housing Plan, what's hot with the Governor's office and legislature (ex: ADUs, Self Help), what's hot with our partners (ex: DPA funding, fees, policies), and where CalHFA might play a role.

Meeting Agenda:

- Brainstorming areas of new opportunity, need & policy
- Discussing pros and cons of each; and how we could address them
- Selecting the final list of efforts based on our commitment to accomplish in FY 2017/18

After this session, *[between 1/23/17 and before 2/1/17]* Sr. Staff in Production Units (Multifamily, Single Family, KYHC) will take their respective opportunities back to their divisions and work with their managers & staff to develop possible processes, programs and solutions to these new efforts. They will also finalize their division's standard, annual business plan and add the new efforts we've agreed on.

DAY TWO – Program/Production Concepts & Innovation Planning - January 31st

Once Multifamily, Single Family & KYHC has prepared their division's complete business plan (including their standard, annual plan and the new efforts agreed on in Day One) the business planning team will reconvene to discuss each division's plan for 17/18 fiscal year. The team will finalize business plan action items for each Production Unit.

Meeting Agenda:

- Each Production Unit will present their division's business plan; team discussion
- Each Production Unit will present their plan for new efforts; team discussion
- The team will finalize business plan action items

After this session, *[between 2/1/17 and before 2/8/17]* Sr. Staff in Support Services Units (IT, Accounting, Marketing, Financing, Administration, Asset Management, Servicing, Legal, etc.) will work with their managers & staff to develop a plan to support the production business plan action items.

DAY THREE – Support Services Planning - February 8th

Once the Support Services Units have prepared support solutions, the business planning team will reconvene. The team will discuss and finalize the support units' action items.

Meeting Agenda:

- Each Support Unit will present their division's business plan; team discussion
- Each Support Unit will present their plan for new efforts; team discussion
- The team will finalize business plan action items

DAY ONE AGENDA

17/18 Business Planning

Production Opportunities & Policy Discussion: At this one-day offsite, Sr. Staff will discuss new affordable housing solutions and policy opportunities in CA. This round table conversation should concentrate on California's housing needs outlined in the Statewide Housing Plan, what's hot with the Governor's office and legislature (ex: ADUs, Self Help), what's hot with our partners (ex: DPA funding, fees, policies), and where CalHFA might play a role.

9:00 AM Brainstorm a list of new areas of focus

Here is a sample list of topics to get us started, please think of others to bring to the meeting.

- FFHA Duty to Serve – Manufactured Housing
- ADUs
- NOAH
- Aging in place/Growing population of elderly
- DPA sources of funding
- Self Help
- Construction lending

12:00 NOON Discuss Pros and Cons of chosen items from the brainstorming session

Working Lunch

- Dig deeper into each item, list what we can and can't do; or what we should or shouldn't do

2:00 PM Narrow down the items that we want to commit to in 2017/2018

- Of these items, choose which we will commit to accomplishing in the next fiscal year.

4:00 PM Meeting adjourned

REMEMBER: After this session, *[between 1/23/17 and before 2/1/17]* Sr. Staff in Production Units (Multifamily, Single Family, KYHC) will take their respective opportunities back to their divisions and work with their managers & staff to develop possible processes, programs and solutions to these new efforts. They will also finalize their division's standard, annual business plan and add the new efforts we've agreed on.

DAY TWO AGENDA

17/18 Business Planning

Production Concepts & Action Item Planning: At this second, one-day offsite, Single Family and Multifamily will discuss their plans for the 17/18 fiscal year, including their standard annual business action items as well as concepts and ideas for the new initiatives that we agreed on from Day One. The team will finalize business plan action items for each Production Unit.

9:00 AM Single Family to discuss their 17/18 business plans

- A) Present standard plan
- B) Discuss ideas for new initiatives (*from day one*)
- C) Finalize SF business plan action items

12:00 - 12:30 Transition from Single Family to Multifamily

Working Lunch

12:30 PM Multifamily to discuss their 17/18 business plans

- A) Present standard plan
- B) Discuss ideas for new initiatives (*from day one*)
- C) Finalize MF business plan action items

4:00 PM Meeting adjourned

REMINDER: After this session, [*between 2/2/17 and before 2/8/17*] Sr. Staff in Support Services Units (IT, Accounting, Marketing, Financing, Administration, Asset Management, Servicing, Legal, etc.) will work with their managers & staff to develop a plan to support the production business plan action items and be ready to present support unit plans on 2/8/17.

DAY THREE AGENDA

17/18 Business Planning

Support Units Planning: At this third, one-day offsite, Support Units will discuss their plans to support and assist with the Production Divisions' business goals for the 17/18 fiscal year. The team will finalize business plan action items for each Support Unit.

9:00 **Recap Day 1 & Day 2**

9:15 **Review and discuss possible adjustments to 17/18 Business Plan Goals & Key Strategies**

10:00 AM **Support Units to discuss their 17/18 business plans**

A) Administration Presentation (30 MINS)

a. Finalize plan items

B) Budgets/Operating (30 MINS)

a. Finalize plan items

C) Financing (30 MINS)

a. Finalize plan items

11:30-12:00 *Working Lunch*

12:00 PM **Remainder of Support Units to discuss their 17/18 business plans**

D) Fiscal (30 MINS)

a. Finalize plan items

E) Information Technology (30 MINS)

b. Finalize plan items

F) Legal (30 MINS)

c. Finalize plan items

G) Legislative (30 MINS)

d. Finalize plan items

H) Marketing (30 MINS)

e. Finalize plan items

3:00 PM **Recap Support Unit plans; Additional discussion as needed.**

4:00 PM **Meeting adjourned**

State of California

MEMORANDUM

To: CalHFA Board of Directors

Date: May 11, 2017

Donald Cavier, Chief Deputy Director
From: CALIFORNIA HOUSING FINANCE AGENCY

Subject: Agenda Item: Proposed Strategic Business Plan & Operating Budget for Fiscal Year 2017-18

Background

The proposed fiscal year 2017-18 strategic business plan and operating budget were developed over the course of several months in which senior staff and department heads participated in a series of business planning off-sites and budget meetings intended to ensure that each department's budget proposal supports the achievement of the goals and strategic initiatives outlined in the Agency's proposed business plan. In March, staff conducted a mid-year business plan update and policy workshop with the Board in which staff reported the results of operations and projections for the remainder of the current fiscal year, and solicited feedback from the Board regarding possible initiatives for the coming fiscal year. During this robust and informative discussion, the Board provided thoughtful and relevant comments and suggestions which staff has incorporated into the proposed FY 2017-18 business plan.

As was mentioned during the March workshop with the Board, the mid-year results and revised projections for the current fiscal year are very positive and reflect healthy growth in both our lending programs as well as the organization as a whole.

Agency lending activities have experienced excellent progress during the fiscal year. For fiscal year 2016-17 Single Family Lending targeted \$1.01 billion in 1st mortgage loan purchases and \$48 million in subordinate lending. At mid-year, 1st mortgage loan purchases were \$1.02 billion or 100% of business plan objectives, and are expected to reach \$1.77 billion in first mortgages and \$135 million in subordinate lending for down payment assistance (DPA) and closing costs.

Multifamily Lending programs targeted \$545 million in overall lending activity with \$190 million in 1st lien origination, \$300 million in conduit issuance and \$55 million in Special Needs Housing Program (SNHP) lending. At mid-year, the Multifamily Lending program has closed \$27 million in 1st lien loans, \$194.8 million in conduit issuance, and \$3.7 million in SNHP loans. Despite the slow start, the current pipeline of multifamily projects set to close in the second half of the fiscal year will dramatically improve production. The Agency expects to close approximately \$491

million in loan volume or 90% of goal for 3,154 units of affordable housing. While we expect to fall short of our original business planning goals due to the recent increases in interest rate environment and the uncertainty in the tax credit markets, current projections still represents a \$126 million increase in lending activities over the prior fiscal year.

Further, we are pleased to report that the efforts to strengthen the Agency's financial position by expanding credit facilities and maximizing return on equity have been successful. In the first six months of the fiscal year, the Agency became the first housing associate to borrow from the Federal Home Loan Bank of San Francisco; this partnership has provided a \$100 million credit facility for single family lending. With this favorable credit facility in place CalHFA strategically purchased Agency-generated Mortgage Backed Securities (MBS) to incrementally improve return on equity for the Agency. The Agency intends to expand this relationship in near future to support Multifamily programs as well.

There was very limited rating agency activity in the first half of the fiscal year; however, Moody's did upgrade the Agency's Home Mortgage Revenue Bond indenture and CalHFA's overall issuer credit rating from A2 (stable outlook) to A2 (positive outlook) noting the Agency's stable and profitable financial position as well as its strong management team.

Additional highlights from the first half of the year include:

- Participating in the CalHR workforce planning pilot program
- Developed pilot electronic workflow process for procurement documents
- Implementation of 'HotDocs' software for multifamily lending documents
- Consolidated offsite storage for operational savings
- Completed upgrade of Microsoft Dynamics Great Plains (GP)
- Implemented web portal for borrower inquiries on multifamily loans
- Hired Asset Management Chiefs in Culver City and Sacramento
- Hired Director of Enterprise Risk Management and Compliance
- Completed the State Leadership Accountability Act Risk Assessment
- Completed IT Risk Assessment and Controls Review per AB670
- Updated and tested Business Continuity Plan
- Implemented Information Security Awareness Training Program
- Conducted Information Technology Vulnerability Assessment
- Implemented new CommVault Backup/Replication system to speed up backups and recoverability of Agency data and systems
- Contributed to the development of the Statewide Housing Assessment
- Collaborated with HCD on various State housing programs and initiatives including No Place Like Home, Veteran Housing and Homelessness Prevention program, HUD 811, HOME Tenant Based Rental Assistance
- Provided analysis of housing data to HCD and the Department of Finance

With the accomplishments of the current fiscal year as a back drop, the Agency submits the proposed fiscal year 2017-18 business plan for Board approval.

Business Plan

The proposed fiscal year 2017-18 Strategic Business Plan consists of the following four goals for the Agency:

1. Increase the Agency's future income and equity position by expanding Single Family and Multifamily lending activities consistent with State housing needs
2. Continue to improve operational efficiencies through the use of technology, workforce planning and the implementation of best practices
3. Collaborate with other housing entities and stakeholders to deliver effective and innovative housing solutions
4. Help prevent avoidable foreclosures by providing assistance to eligible homeowners who have financial hardship and/or significant negative equity

The Business Plan was formed by the Agency's mid-year performance and revised projections for fiscal year 2016-17, collaboration efforts between related housing agencies and other state partners, internal analysis of operational requirements needed to advance business planning goals, the successes and lessons learned during the current fiscal year, and the changes in the political and financial markets. As a part of the business plan and the budget, we have incorporated resource projections to provide a complete picture of how the Agency funds its operations and to demonstrate that the resources coming into the Agency are sufficient to support the cost of operations.

Highlights of the proposed fiscal year 2017-18 Business Plan (Attachment 7-A) which supports the four goals previously outlined includes:

- Targeting \$1.5 billion in 1st mortgage loan purchases estimated to generate \$16.8 million in revenue for Single Family Lending
- Targeting \$54 million in MyHome subordinate loans for down payment assistance resulting in \$2.7 million in administrative fees
- Targeting \$54 million in Zero Interest Program (ZIP) subordinate loans for closing cost assistance resulting in an estimated present value of \$35 million
- Implement robust homebuyer education/counseling program and add Fannie Mae's HFA preferred no mortgage insurance product
- Expand Single Family Lending activities to include loans insured through the Veterans Administration (VA) and the US Department of Agriculture (USDA)

- Targeting \$200 million in 1st lien Multifamily lending, \$300 million in conduit issuance and \$30 million in SNHP lending
- Targeting \$15.7 million in revenue generation for Multifamily Programs
- Create lending programs and partnerships to preserve naturally occurring affordable housing (NOAH) across the state and increase lending capacity by partnering with localities, Community Development Financial Institutions (CDFI), and private banks
- Renew letters of credit for variable rate demand obligation bonds and implement hedging and delivery strategies to achieve more competitive lending rates and increase program revenue
- Expand uses and eligible collateral on the Federal Home Loan Bank of San Francisco credit facility
- Implement Geographic Information System (GIS) data mapping to improve decision making, communications & outreach and monitoring outcomes
- Continue to refine Agency operations by realigning staff resources (Single Family Lending, Loan Servicing, Fiscal Services, Executive Office, etc.) to meet current business environment
- Complete Implementation of Phase II of the Fiscal Systems upgrades to Microsoft Great Plains (GP) to enhance the efficiency of fiscal and budgetary operation, and improve the timeliness and functionality of financial reporting
- Analyze viability of consolidating the three systems used to track information and service Multifamily loans
- Develop CalHFA ADU pilot program that collaborates with localities and other State partners
- Continue to monitor developments for the financing of manufactured housing through the Government-sponsored enterprises (GSE)
- Continue collaboration efforts with HCD, TCAC, CDLAC and other State partners to inform lending decisions and preservation strategies
- Continue to monitor state & federal policy regarding affordable housing programs and advocate with U.S. Treasury for continued support of Multifamily Federal Financing Bank (FFB) financing program

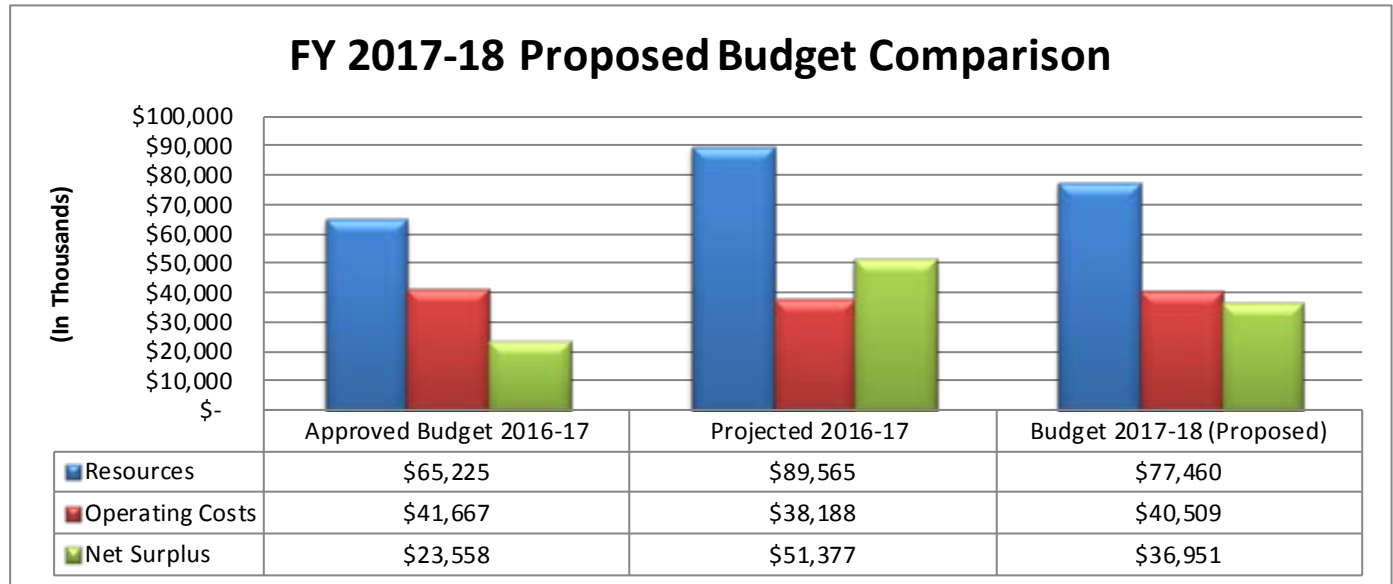
- Continue to heavily market Keep Your Home California (KYHC), assess barriers to eligibility and monitor program outcomes to ensure funds are fully utilized to meeting the needs of eligible homeowners

Budget Summary

With the above Business Plan in mind, the proposed budget for fiscal year 2017-18 was developed. The following charts provide a summary of the estimated resources for fiscal year 2017-18 and how those resources will be deployed. Staff anticipates that resources for fiscal year 2017-18 will exceed operating costs by approximately \$36.9 million. Any surplus funds will be used to support future affordable housing lending and operational costs of the Agency. In order to implement and deliver on the goals and activities outlined in the Agency's strategic business plan, staff is recommending adoption of an operating budget of \$40.5 million, of which \$29 million will be used for personal services, \$11.6 million for operating expenses and equipment. The table below reflects the Agency's proposed fiscal year 2017-18 budget for resources and operating costs.

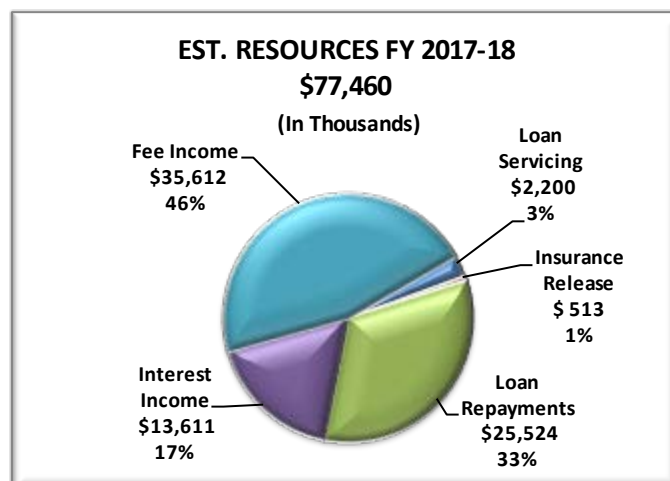
CALIFORNIA HOUSING FINANCE AGENCY						
Fiscal Year 2017-18 BUDGET						
(DOLLARS IN THOUSANDS)						
	Adopted Budget 2014-15	Adopted Budget 2015-16	Adopted Budget 2016-17	Proposed Budget 2017-18	Variance FY 16/17 to FY17/18	
RESOURCES						
Loan Servicing	3,000	2,067	1,953	2,200	247	13%
Insurance Release	942	813	643	513	(130)	-20%
Loan Repayments	19,744	18,997	21,099	25,524	4,425	21%
Interest (mortgages/securities/cash)	14,774	10,298	13,559	13,611	52	0%
Fee Income	11,314	27,582	24,972	35,612	10,640	43%
Extraordinary Items		2,803	2,999	-	(2,999)	-100%
TOTALS	\$ 49,774	\$ 62,560	\$65,225	\$ 77,460	\$ 12,235	19%
OPERATING BUDGET						
Salaries and Benefits	29,984	29,596	29,683	29,131	(552)	-2%
Reimbursements	(496)	(534)	(599)	(512)	87	-15%
Temp Services/Other	633	724	526	291	(235)	-45%
Personal Services	30,121	29,786	29,610	28,910	(700)	-2%
General Expense	677	641	694	827	133	19%
Communications	497	499	414	440	26	6%
Travel	390	414	480	553	73	15%
Training	134	160	175	203	28	16%
Facilities Operation	3,084	3,100	2,825	2,919	94	3%
Consulting & Professional Services	4,893	4,458	3,861	3,460	(401)	-10%
Central Administrative Services	2,312	2,960	2,624	2,254	(370)	-14%
Information Technology	663	602	854	813	(41)	-5%
Equipment	120	130	130	130	-	0%
Operating Expenses	12,770	12,964	12,057	11,599	(458)	-4%
TOTALS	\$ 42,891	\$ 42,750	\$41,667	\$ 40,509	\$ (1,158)	-3%
-						
NET SURPLUS/(EXPENDITURE)	\$ 6,883	\$ 19,810	\$23,558	\$ 36,951	13,393	57%

The next chart provides a summary comparison of the adopted budget and the projected results of fiscal year 2016-17 with the proposed fiscal year 2017-18 budget. Agency resources for fiscal year 2016-17 are higher than originally anticipated due primarily to accelerated loan repayments, increased fee income from Single Family Lending, and from unexpected Multifamily loan prepayments.



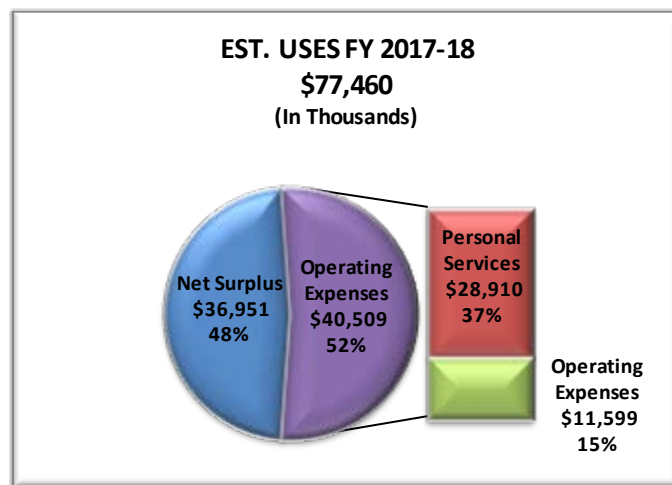
Resources

Agency resources are primarily generated from loan origination fees, principal and interest payments on loans, compliance monitoring fees, etc. While the Agency still has some reliance on legacy resources to cover operating costs, the rapid growth of our lending programs is steadily changing that dynamic. Fee income from our Single Family Lending programs have grown quickly as loan volume approaches \$1.77 billion annually, and we are seeing the market embrace the Agency's new Multifamily risk share program and the conduit issuance bond program. For fiscal year 2017-18, resources available to cover operating costs are expected to be \$77.5 million and are estimated to exceed operating costs by \$36.9 million.

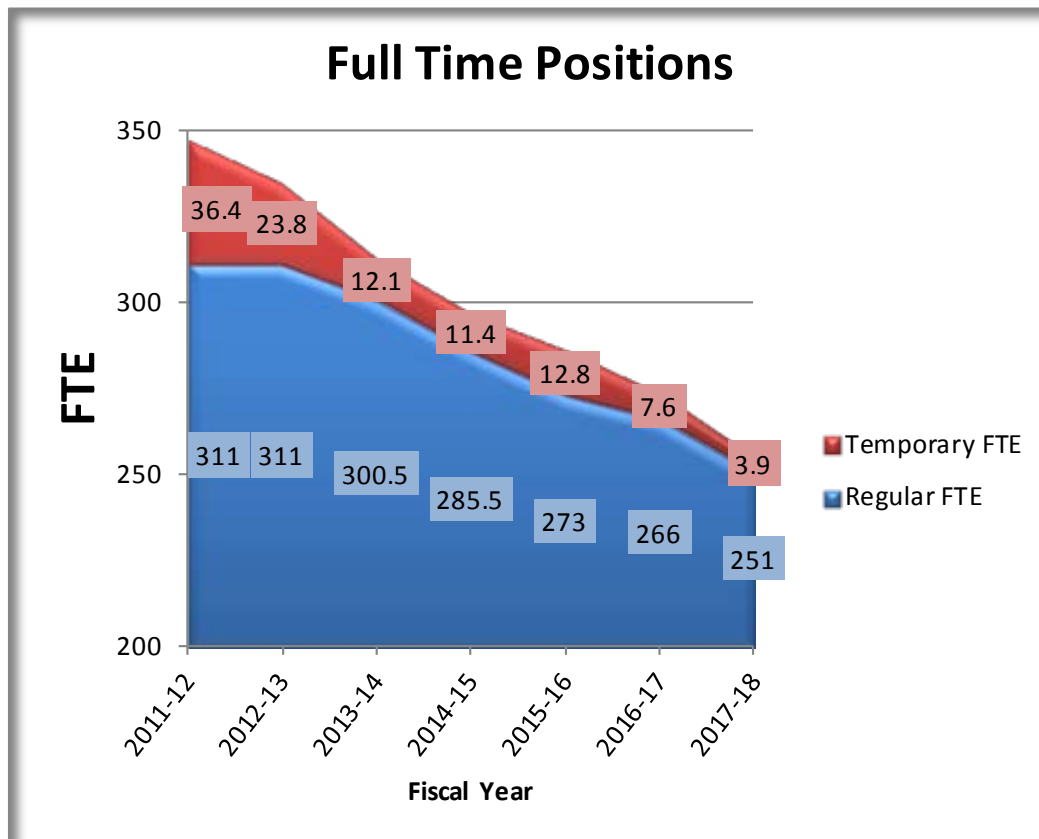


Operating Budget

The Agency proposes a balanced operating budget in the amount of \$40.5 million representing the operational activities for fiscal year 2017-18. The proposed budget represents a \$1.15 million or 3% percent decrease in appropriations compared with the prior year. The decrease in annual appropriations represents the net impact of changes in salaries and benefits, professional services and central administrative services. Specifically, the Agency reduced salary and benefit costs by eliminating 15 vacant full time equivalent (FTE) positions and 3.7 temporary help positions. The salary and benefit savings from these reductions were largely offset by increases in the costs for employee pensions, medical costs and post-retirement medical benefits. The strategic reduction in staff levels has helped hold salary and benefits costs static despite the rising costs of benefits. Consulting and professional services costs are down 10% due to departmental realignments which have allowed for elimination of unneeded contracts. Additionally, central administrative services costs, the State's overhead allocation, have also decreased 14% percent due to reductions in both FTE and operating budget. The jump in general expense is attributable to a change in the treatment for administrative cost reimbursements by the mortgage insurance fund. Previously these reimbursements were posted as direct offsets of expenditures, but are now treated as operating fund revenue. The increase to facilities operation is due to the annual base rent increase for leased facilities. Appropriations for travel and training have been increased 15% respectively to accommodate the Agency's workforce planning initiatives to improve staff development, retention and succession planning.



For fiscal year 2017-18, the Agency is proposing that authorized full time equivalent positions be reduced from 273.6 FTE to 254.9 FTE (251 regular positions and 3.9 temporary positions), a net reduction of 18.7 positions compared with prior year. The following table illustrates the changes in the approved FTE since fiscal year 2011-12:



The Board's approval of the Strategic Business Plan and Operating Budget, along with the accompanying resolutions is requested.

Attachments

- 7-A FY 2017-18 Proposed Business Plan
- 7-B FY 2017-18 Proposed CalHFA Operating Budget:
 - 1. Consolidated CalHFA and MIS Operating Budget
 - 2. CalHFA Operating Budget
 - 3. MIS Operating Budget
 - 4. Summary of Personnel and Division Budgets
 - 5. Summary of Personnel and Salaries by Division
 - 6. 2245 CA Housing Finance Agency – Position/Salary Detail
 - 7. Out of State Travel
 - 8. Schedule of Contracts
- 7-C Business Plan Resolution 17-14

CalHFA Strategic Business Plan FY2017-18

Mission: To create and finance progressive housing solutions so more Californians have a place to call home.

BUSINESS PLAN GOALS	KEY STRATEGIES	ACTION ITEMS	Due Dates
Increase the Agency's future income and equity position by expanding single family and multifamily lending activities consistent with State housing needs	1 Generate income via single-family lending opportunities	A Targeting \$1.5 billion in 1st mortgage loan purchases estimated to generate \$16.8 million in revenue for Single Family Lending	6/30/2018
		B Targeting \$54 million in MyHOME subordinate loans for down payment assistance resulting in \$2.7 million in administrative fees	6/30/2018
		C Targeting \$54 million in Zero Interest Program (ZIP) subordinate loans for closing cost assistance resulting in an estimated present value of \$35 million	6/30/2018
		D Implement more robust homebuyer education program with in-person counseling to mitigate risks associated with expanded underwriting guidelines	6/30/2018
		E Expand single family lending activities to include loans insured through the Veterans Administration (VA) and the US Department of Agriculture (USDA)	6/30/2018
		F Implement Fannie Mae's HFA preferred no mortgage insurance product	6/30/2018
	2 Generate income via multifamily lending opportunities	A Generate \$11.4 million in revenue through \$200 million in 1st lien lending during FY 2017-18	6/30/2018
		B Generate \$0.8 million in revenue through \$300 million in conduit issuance during FY 2017-18	6/30/2018
		C Generate \$3.5 million in revenue through \$30 million in SNHP allocations and loans	6/30/2018
		D Develop and get Board approval for policies on bond issuance and compliance to meet new CDLAC requirements	ongoing
		E Create lending programs and partnerships to preserve naturally occurring affordable housing (NOAH) across the state	6/30/2018
		F Continue to explore ways to increase lending capacity by partnering with localities, CDFIs, and private banks; reputation & image building; rebranding & outreach	6/30/2018
	3 Strengthen Agency financial position by expanding credit facilities and maximizing return on investment and return on equity.	A Continue to improve functionality of Single Family Lending's Mortgage Access System (MAS) to allow for alternative delivery options on secondary market	6/30/2018
		B Expand uses and eligible collateral on the Federal Home Loan Bank of San Francisco credit facility	6/30/2018
		C Renew letter-of-credits supporting variable rate demand obligation bonds	6/30/2018
		D Negotiate extension of administrative services from mortgage insurance provider	6/30/2018
		E Implement hedging and delivery strategies to achieve more competitive lending rates and increase program revenue	6/30/2018

CalHFA Strategic Business Plan FY2017-18

Mission: To create and finance progressive housing solutions so more Californians have a place to call home.

BUSINESS PLAN GOALS		KEY STRATEGIES		ACTION ITEMS	Due Dates
Continue to improve operational efficiencies through the use of technology, workforce planning and the implementation of best practices	4	Increase Operational Efficiencies	A	Improve Agency contracting process by standardizing contracts and providing staff training for developing scopes of work and soliciting requests for proposal or qualifications (RFP/RFQ)	6/30/2018
			B	Continue to refine Agency operations by realigning staff resources (Fiscal Services, Loan Servicing, Single Family Lending, Executive office, etc.) to meet current business environment	6/30/2018
			C	Implement GIS data mapping to improve decision making, communications & outreach and monitoring outcomes	6/30/2018
			D	Continue to decrease external storage costs by eliminating 5,000 boxes stored offsite during FY 2017-18	6/30/2018
			E	Implement a formal workforce planning strategy based upon the workforce plan developed in FY 2016-17 and provide training to business units	6/30/2018
			F	Implement a formal 'new employee orientation' and redesign CalHFA website for mobile accessibility	6/30/2018
			G	Pursue options to automate timecard processing	6/30/2018
			H	Implement changes to the Debt Management System (DMS) to eliminate manual processes and implement 'Hot Docs' software to standardize loan document preparation	6/30/2018
			I	Complete Implementation of Phase II of the Fiscal Systems upgrades to Microsoft Great Plains (GP) to enhance the efficiency of fiscal and budgetary operation, and improve the timeliness and functionality of financial reporting	6/30/2018
			J	Review of Fiscal Systems to identify ways to streamline and automate manual processes performed within support divisions	6/30/2018
			K	Analyze viability of consolidating the three systems used to track information and service multifamily loans	6/30/2018
	5	Implement long-term strategies to monitor and mitigate enterprise risks	A	Continue to participate in the State Leadership Accountability Act (SLAA) process to identify Agency business risks, reduce waste and strengthen internal controls	ongoing
			B	Procure and implement a system to replicate the Agency's critical servers to the disaster recovery site to reduce our business risk during a real disaster	6/30/2018
			C	Initiate the establishment of an Enterprise Risk Management Department to identify Agency business risks and strengthen internal controls by hiring a Director of Enterprise Risk Management and Compliance	6/30/2018
			D	Continuously evaluate and seek opportunities to improve systems and applications to support CalHFA business units. Implement electronic workflows, etc. where appropriate	6/30/2018

CalHFA Strategic Business Plan FY2017-18

Mission: *To create and finance progressive housing solutions so more Californians have a place to call home.*

BUSINESS PLAN GOALS		KEY STRATEGIES		ACTION ITEMS	Due Dates
Collaborate with other housing entities and stakeholders to deliver effective and innovative housing solutions	6	Increase opportunities to meet California's affordable housing needs	A	Develop CalHFA ADU pilot program that partners with localities and other State partners	6/30/2018
			B	Increase focus and target resources to support financing multifamily developments for the missing middle through naturally occurring affordable housing (NOAH)	6/30/2018
			C	Continue to explore opportunities for a permanent sources of down payment assistance to support financing of affordable homeownership	Ongoing
			D	Promote collaboration with other State housing agencies and continue efforts to expand multifamily housing opportunities for veterans	Ongoing
			E	Provide technical assistance to legislature and others regarding affordable housing	Ongoing
			F	Continue to monitor state & federal policy regarding affordable housing programs	Ongoing
			G	Advocate with US Treasury for continued support of Multifamily FFB financing program	Ongoing
			H	Continue to monitor developments for the financing of manufactured housing through the GSE's	Ongoing
			I	Research Self-Help housing needs through stakeholder engagement	6/30/2018
Help prevent avoidable foreclosures by providing assistance to eligible homeowners who have financial hardship and/or significant negative equity	7	Maximize use of KYHC program funds	A	Aggressively market programs to eligible homeowners, community groups and media to expand awareness	Ongoing
			B	Aggressively pursue and on-board additional servicers	Ongoing
			C	Collaborate with other public and private sector entities to maximize and leverage potential benefits of foreclosure prevention resources	Ongoing
			D	Measure program outcomes and assess barriers to eligibility	Ongoing
			E	Monitor program recipients to assess level of homeownership sustainability facilitated by program assistance	Ongoing

May 11, 2017

CALIFORNIA HOUSING FINANCE AGENCY
2017-18
CONSOLIDATED CALHFA AND MIS FUNDS OPERATING BUDGET
(DOLLARS IN THOUSANDS)

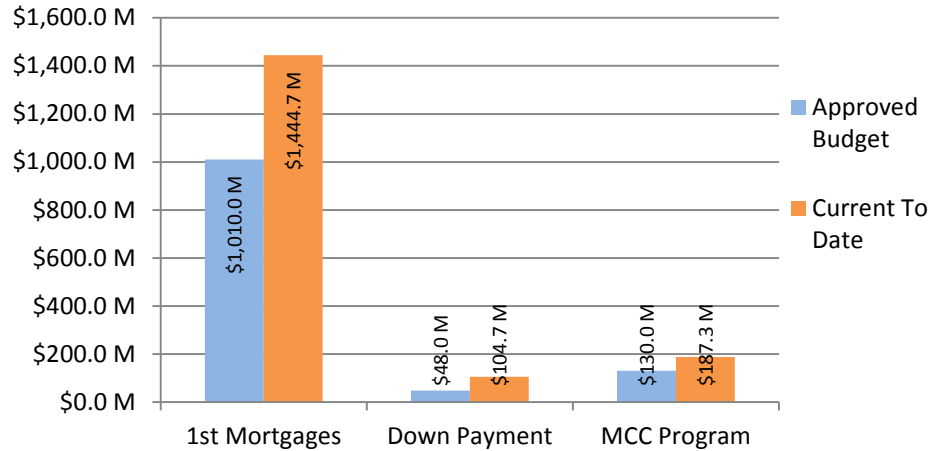
	Adopted Budget	Actual	Adopted Budget	Projected Actual	Proposed Budget
<u>EXPENDITURE ITEM</u>	<u>2015-16</u>	<u>2015-16</u>	<u>2016-17</u>	<u>2016-17</u>	<u>2017-18</u>
PERSONAL SERVICES					
Salaries and Wages	\$21,511	\$21,511	\$20,874	\$20,874	\$21,319
Benefits	8,754	8,712	9,627	8,850	9,580
Estimated Savings (Vacancies)	(668)	(2,710)	(818)	(2,322)	(1,767)
Anticipated Salaries and Wages and Benefits	<u>29,596</u>	<u>27,513</u>	<u>29,683</u>	<u>27,402</u>	<u>29,132</u>
Temporary Help	626	733	430	458	223
Overtime	98	101	96	60	67
Reimbursements	(534)	(851)	(599)	(704)	(512)
TOTALS, Personal Services	<u>\$29,786</u>	<u>\$27,496</u>	<u>\$29,610</u>	<u>\$27,216</u>	<u>\$28,910</u>
OPERATING EXPENSES AND EQUIPMENT					
General Expense	640	709	694	694	827
Communications	499	415	414	375	440
Travel	414	384	480	442	553
Training	160	87	175	103	203
Facilities Operation	3,100	3,003	2,825	2,776	2,919
Consulting & Professional Services*	4,458	3,143	3,861	3,144	3,460
Central Admin. Serv.**	2,960	2,923	2,624	2,624	2,254
Information Technology	602	456	854	684	813
Equipment	130	215	130	130	130
TOTALS, Operating Expenses and Equipment	<u>\$12,964</u>	<u>\$11,333</u>	<u>\$12,057</u>	<u>\$10,972</u>	<u>\$11,599</u>
TOTALS, EXPENDITURES	<u>\$42,750</u>	<u>\$38,828</u>	<u>\$41,667</u>	<u>\$38,188</u>	<u>\$40,509</u>

*Historical Strategic Project Contracts moved to and included in Consulting & Professional Services

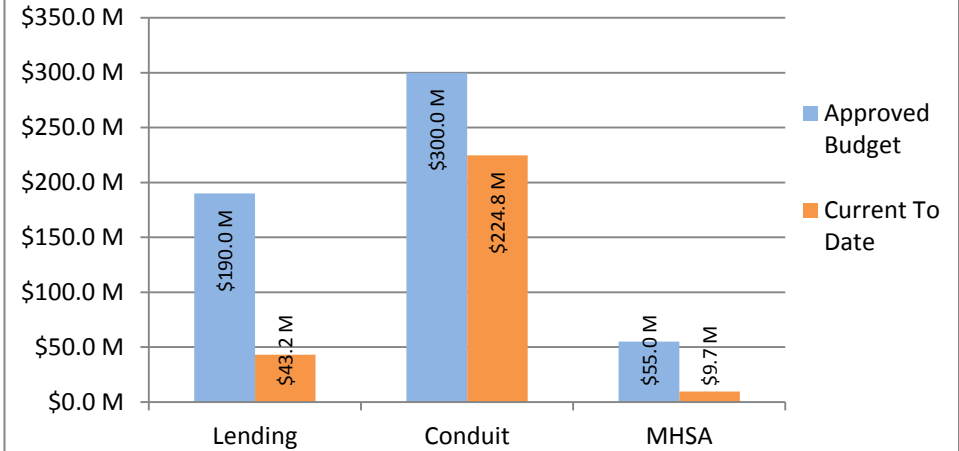
**Represents CalHFA's allocated share of the State's central administrative costs.

Fiscal Year 2016/2017 - 3rd Quarter Report

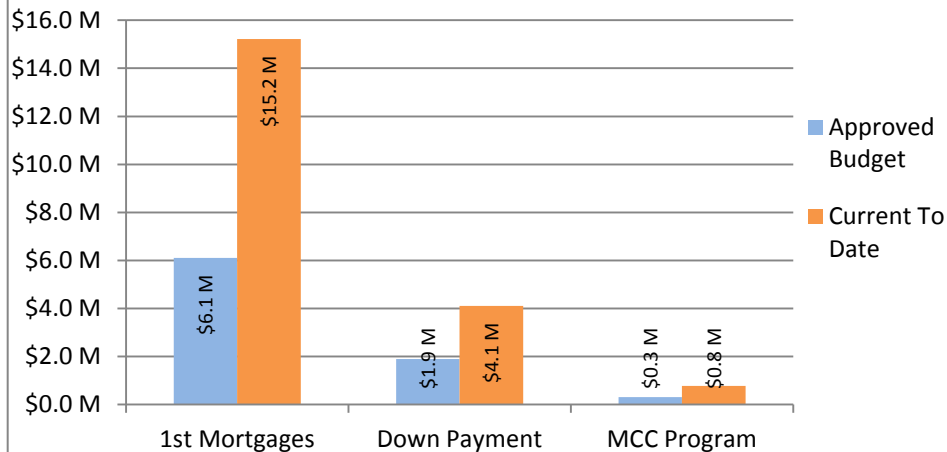
Single Family Volume



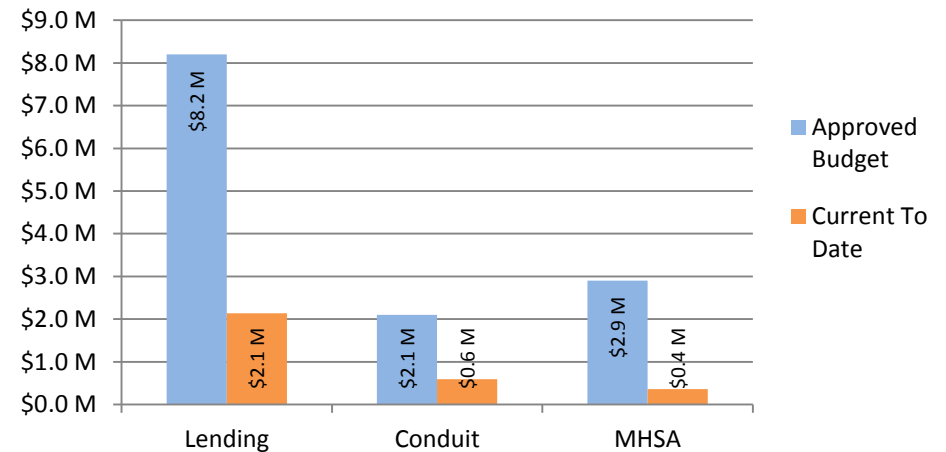
Multifamily Volume

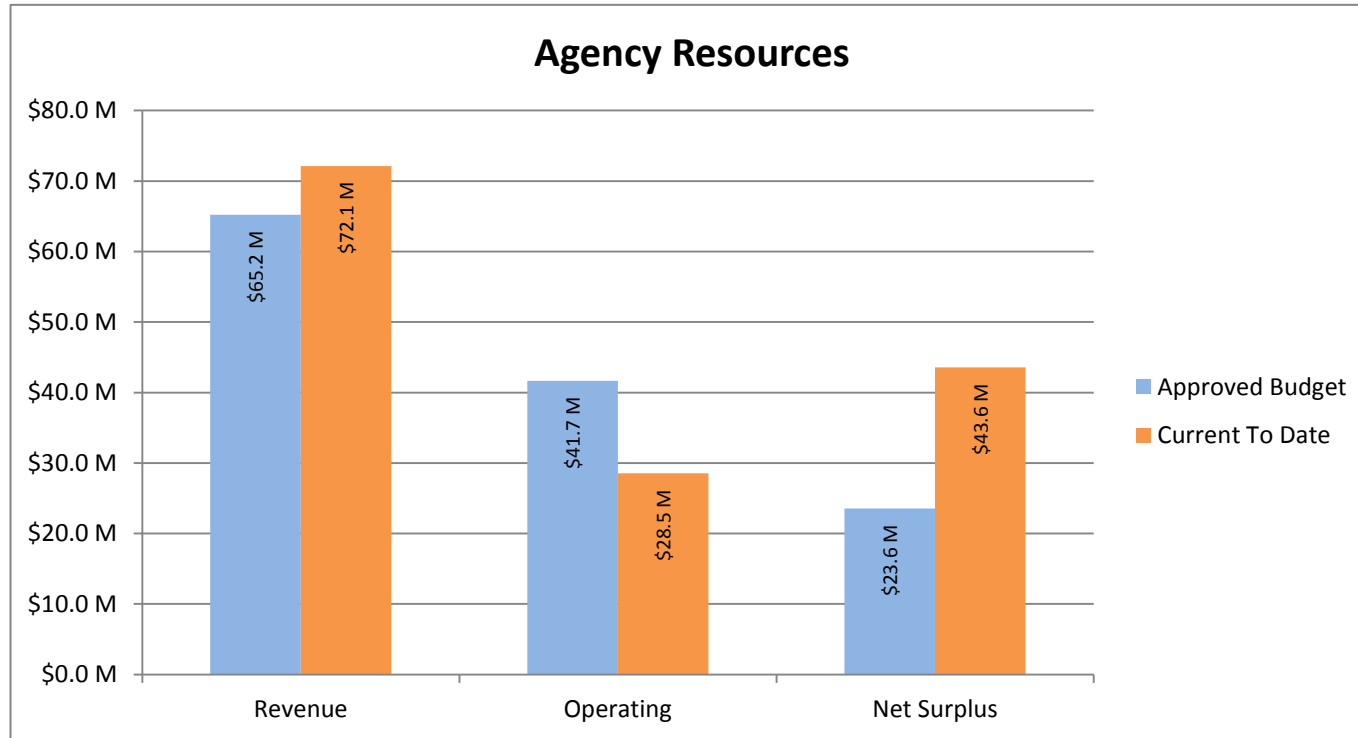


Single Family Revenue



Multifamily Revenue





CALIFORNIA HOUSING FINANCE AGENCY 2016-17 QUARTERLY REPORT							
	Approved Budget	FY Quarter 1	FY Quarter 2	FY Quarter 3	FY Quarter 4	Current To Date	Year-End Actuals
CURRENT YEAR PRODUCTION RESOURCES							
Single Family Lending							
First Mortgage Programs*	\$ 1,010,000,000	\$ 524,465,423	\$ 490,779,486	\$ 429,424,452	\$ -	\$ 1,444,669,361	\$ -
Down Payment Programs	\$ 48,000,000	\$ 39,718,862	\$ 34,720,691	\$ 30,218,901	\$ -	\$ 104,658,454	\$ -
Mortgage Credit Certificates	\$ 130,000,000	\$ 60,520,502	\$ 66,288,405	\$ 60,457,356	\$ -	\$ 187,266,263	\$ -
Total SF Volume	\$ 1,188,000,000	\$ 624,704,787	\$ 591,788,582	\$ 520,100,709	\$ -	\$ 1,736,594,077	\$ -
Single Family Revenue						\$ -	
First Mortgage Programs	\$ 6,100,000	\$ 5,638,943	\$ 4,285,440	\$ 5,294,795	\$ -	\$ 15,219,178	\$ -
Down Payment Programs	\$ 1,890,000	\$ 1,986,556	\$ 1,305,184	\$ 806,575	\$ -	\$ 4,098,315	\$ -
Mortgage Credit Certificates	\$ 300,000	\$ 155,600	\$ 292,075	\$ 319,500	\$ -	\$ 767,175	\$ -
Other Fee Income	\$ -	\$ 5,700	\$ 30,500	\$ 88,219	\$ -	\$ 124,419	\$ -
Total SF Revenue	\$ 8,290,000	\$ 7,786,799	\$ 5,913,198	\$ 6,509,089	\$ -	\$ 20,209,087	\$ -
Multifamily Programs						\$ -	
Acquisition/Rehabilitation Program	\$ 90,000,000	\$ -	\$ -	\$ 6,175,000	\$ -	\$ 6,175,000	\$ -
Mod/Refinance Loan Program	\$ 100,000,000	\$ 18,794,000	\$ 14,740,000	\$ -	\$ -	\$ 33,534,000	\$ -
Conduit Issuance Program	\$ 300,000,000	\$ 194,790,231	\$ -	\$ 30,000,000	\$ -	\$ 224,790,231	\$ -
MHSA/SNHP	\$ 55,000,000	\$ 770,666	\$ 6,300,000	\$ 2,647,523	\$ -	\$ 9,718,189	\$ -
Small Perm	\$ -	\$ 3,500,000	\$ -	\$ -	\$ -	\$ 3,500,000	\$ -
Total MF Volume	\$ 545,000,000	\$ 217,854,897	\$ 21,040,000	\$ 38,822,523	\$ -	\$ 277,717,420	\$ -
Multifamily Revenue						\$ -	
Acquisition/Rehabilitation Program	\$ 2,770,000	\$ -	\$ -	\$ 563,063	\$ -	\$ 563,063	\$ -
Mod/Refinance Loan Program	\$ 5,430,000	\$ 640,805	\$ 509,050	\$ -	\$ -	\$ 1,149,855	\$ -
Conduit Issuance Program	\$ 2,100,000	\$ 471,599	\$ -	\$ 122,270	\$ -	\$ 593,868	\$ -
MHSA/SNHP	\$ 2,900,000	\$ 32,225	\$ 178,596	\$ 150,107	\$ -	\$ 360,928	\$ -
Small Perm	\$ -	\$ 426,250	\$ -	\$ -	\$ -	\$ 426,250	\$ -
Total MF Revenue	\$ 13,200,000	\$ 1,570,879	\$ 687,646	\$ 835,440	\$ -	\$ 3,093,965	\$ -
TOTAL VOLUME	\$ 1,733,000,000	\$ 842,559,684	\$ 612,828,582	\$ 558,923,232	\$ -	\$ 2,014,311,497	\$ -
TOTAL REVENUE	\$ 21,490,000	\$ 9,357,677	\$ 6,600,845	\$ 7,344,529	\$ -	\$ 23,303,051	\$ -

* Securitized lending.

CALIFORNIA HOUSING FINANCE AGENCY 2016-17 QUARTERLY REPORT							
	Approved Budget	FY Quarter 1	FY Quarter 2	FY Quarter 3	FY Quarter 4	Current To Date	Year-End Actuals*
TOTAL AGENCY RESOURCES**							
Loan Servicing	\$ 1,953,000	\$ 2,500,000	\$ -	\$ -	\$ -	\$ 2,500,000	\$ -
Insurance Release	\$ 643,000	\$ 369,978	\$ 368,360	\$ 347,619	\$ -	\$ 1,085,957	\$ -
Loan Repayments	\$ 24,098,000	\$ 8,338,841	\$ 7,871,744	\$ 6,255,858	\$ -	\$ 22,466,443	\$ -
Interest (mortgages/securities/cash)	\$ 13,559,000	\$ 3,757,681	\$ 3,576,203	\$ 3,991,223	\$ -	\$ 11,325,107	\$ -
Fee Income	\$ 24,972,000	\$ 9,762,083	\$ 11,569,323	\$ 8,743,532	\$ -	\$ 30,074,938	\$ -
Extraordinary Items	\$ -	\$ -	\$ 4,677,734	\$ -	\$ -	\$ 4,677,734	\$ -
TOTAL RESOURCES	\$ 65,225,000	\$ 24,728,583	\$ 28,063,364	\$ 19,338,232	\$ -	\$ 72,130,179	\$ -
OPERATING BUDGET							
Salaries and Benefits	\$ 29,683,000	\$ 6,862,475	\$ 6,834,596	\$ 6,829,047	\$ -	\$ 20,526,118	\$ -
Reimbursements	\$ (599,000)	\$ (183,903)	\$ (167,979)	\$ (154,806)	\$ -	\$ (506,688)	\$ -
Temp Services/Other	\$ 526,000	\$ 143,921	\$ 119,531	\$ 124,399	\$ -	\$ 387,851	\$ -
<i>Personal Services</i>	<i>\$ 29,610,000</i>	<i>\$ 6,822,493</i>	<i>\$ 6,786,148</i>	<i>\$ 6,798,640</i>	<i>\$ -</i>	<i>\$ 20,407,281</i>	<i>\$ -</i>
General Expense	\$ 694,000	\$ 169,232	\$ 179,688	\$ 103,751	\$ -	\$ 452,671	\$ -
Communications	\$ 414,000	\$ 88,262	\$ 61,273	\$ 120,238	\$ -	\$ 269,773	\$ -
Travel	\$ 480,000	\$ 59,863	\$ 131,328	\$ 84,720	\$ -	\$ 275,911	\$ -
Training	\$ 175,000	\$ 13,461	\$ 30,167	\$ 31,145	\$ -	\$ 74,773	\$ -
Facilities Operation	\$ 2,825,000	\$ 650,997	\$ 686,603	\$ 677,123	\$ -	\$ 2,014,723	\$ -
Consulting & Professional Services	\$ 3,861,000	\$ 826,886	\$ 494,784	\$ 577,340	\$ -	\$ 1,899,010	\$ -
Central Administrative Services	\$ 2,624,000	\$ 854,710	\$ 870,048	\$ 871,784	\$ -	\$ 2,596,542	\$ -
Information Technology	\$ 854,000	\$ 158,699	\$ 58,459	\$ 277,248	\$ -	\$ 494,406	\$ -
Equipment	\$ 130,000	\$ 6,186	\$ 49,076	\$ 4,567	\$ -	\$ 59,829	\$ -
<i>Operating Expenses</i>	<i>\$ 12,057,000</i>	<i>\$ 2,828,296</i>	<i>\$ 2,561,426</i>	<i>\$ 2,747,916</i>	<i>\$ -</i>	<i>\$ 8,137,638</i>	<i>\$ -</i>
TOTAL EXPENSES	\$ 41,667,000	\$ 9,650,789	\$ 9,347,574	\$ 9,546,556	\$ -	\$ 28,544,919	\$ -
NET SURPLUS/(EXPENDITURE)	\$ 23,558,000	\$ 15,077,794	\$ 18,715,790	\$ 9,791,676	\$ -	\$ 43,585,260	\$ -

* Unaudited numbers

**Represents resources from current & legacy lending activities.