



**CRHMFA Homebuyers Fund
Board of Directors Meeting
December 4, 2013
11:45 a.m.
1215 K Street Suite 1650
Sacramento, CA 95814**

AGENDA

1. **Call to Order & Determination of Quorum**
*Chair, Supervisor Richard Forster, Amador County
Vice Chair, Supervisor Kim Dolbow Vann, Colusa County*
2. **Approval of Minutes – June 19, 2013 Board Meeting** **Page 1**
*Board Members absent from the meeting will be recorded as abstained unless
the Board Member indicates otherwise*
3. **Member County Concerns**
4. **Public Testimony**
Presentation only of any matters of concern to the general public
5. **Investment Policy Renewal 2014 – ACTION** **Page 5**
*Greg Norton, Executive Director
Patricia Megason, Deputy Director
Karl Dolk, Chief Financial Officer*
6. **Resolution 14-01: Repayment by CHF of RCRC 2004
Administrative Contract Write-Off Amount - ACTION** **Page 13**
*Greg Norton
Patricia Megason
Karl Dolk*
7. **2014 Proposed Budget - ACTION** **Page 19**
*Greg Norton
Patricia Megason
Karl Dolk*
8. **Energy Program Update**
*Greg Norton
Craig Ferguson, Vice President*
9. **Housing Programs Update**
*Greg Norton
Craig Ferguson*

10. Adjournment

Meeting facilities are accessible to persons with disabilities. By request, alternative agenda document formats are available to persons with disabilities. To arrange an alternative agenda document format or to arrange aid or services to modify or accommodate persons with a disability to participate in a public meeting, please call Sarah Bolnik at (916) 447-4806 at least 48 hours before the meeting.

Agenda items will be taken as close as possible to the schedule indicated. Any member of the general public may comment on agenda items at the time of discussion. In order to facilitate public comment, please let staff know if you would like to speak on a specific agenda item.



**CRHMFA Homebuyers Fund
Board of Directors Meeting
June 19, 2013
11:45 a.m.
1215 K Street, Suite 1650
Sacramento CA 95814
916-447-4806**

MINUTES

Call to Order & Determination of Quorum

Supervisor Nate Beason, Nevada County, called the meeting to order at 12:45 p.m. A quorum was determined at that time. Those present:

<u>Supervisor</u>	<u>County</u>
Mary Rawson	Alpine
Brian Oneto	Amador
Doug Teeter	Butte
Merita Callaway	Calaveras
John Viegas	Glenn
Michael Kelley	Imperial
Linda Arcularius	Inyo
Carre Brown	Mendocino
Geri Byrne	Modoc
Tim Alpers	Mono
Diane Dillon	Napa
Nate Beason	Nevada
Terry Swofford	Plumas
Anthony Botelho	San Benito
Les Baugh	Shasta
Lee Adams	Sierra
Larry Munger	Sutter
Debra Chapman	Trinity
Allen Ishida	Tulare
Randy Hanvelt	Tuolumne
Roger Abe	Yuba

Absent

Kim Dolbow Vann	Colusa
David Finigan	Del Norte
Ray Nutting	El Dorado
Anthony Farrington	Lake
Aaron Albaugh	Lassen

David Rogers
Kevin Cann
John Pedrozo
Jim Holmes
Michael Kobseff
Bob Williams
Jim Provenza

Madera
Mariposa
Merced
Placer
Siskiyou
Tehama
Yolo

Others in Attendance

Supervisor John Fenley, Trinity County
Mark Lowder, Director of Housing Finance, NHF
Ed Horton, Placer County Water Agency

Staff in Attendance

Greg Norton, Executive Director
Patricia Megason, Deputy Director
Karl Dolk, Chief Financial Officer
Craig Ferguson, RCRC Vice President
Sarah Bolnik, RCRC Executive Assistant
Nick Konovaloff, Legislative Analyst
Staci Heaton, Regulatory Affairs Advocate
Sanjay Lee, Staff Accountant

Approval of Minutes – March 20, 2013 Board Meeting

Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise.

Supervisor Diane Dillon, Napa County, motioned to approve the minutes of the March 20, 2013 CHF Board of Directors Meeting. Supervisor Roger Abe, Yuba County, seconded the motion. Motion unanimously passed.

Member County Concerns

None

Public Testimony

None

CHF 2012 Audited Financial Statements

Greg Norton, Executive Director, provided a summary of the 2012 audited financial statements for the CRHMFA Homebuyers Fund (CHF) prepared by independent auditing firm, Moss Adams LLP. CHF received a clean opinion and there were no findings or recommendations on the grant programs.

Staff Recommendation

Staff recommends that the Board review and approve the 2012 audited financial statements and information letter as presented.

Supervisor John Viegas, Glenn County, motioned to approve the staff recommendation as presented. Supervisor Diane Dillon, Napa County, seconded the motion. Motion unanimously passed.

Approval and Acceptance of Mendocino County

Greg Norton shared with the Board Mendocino County's interest in joining CHF JPA after becoming a member of RCRC. Mendocino County has previously been an Associate Member of CHF. Mr. Norton also added that with the addition of Mendocino County, the organization would have thirty-two of RCRC's thirty-three member counties.

Staff Recommendation:

Staff recommends that the CHF Board of Directors approve acceptance of Mendocino County as a CHF Member County.

Supervisor Les Baugh, Shasta County, motioned to approve the staff recommendation as presented. Supervisor Randy Hanvelt, Tuolumne County, seconded the motion. Motion unanimously passed.

Housing Program Update

Craig Ferguson, Vice President, provided housing program updates to the CHF Board, including the ACCESS 2nd mortgage program, the Platinum down payment assistance program, and the Mortgage Credit Certificate program. Mr. Ferguson also provided updates to the CHF Energy Retrofit Program, as well as the Board approved \$10 Million loan to affiliate entity, National Homebuyers Fund, Inc. for new program implementation.

Adjournment

Supervisor Nate Beason, Nevada County, adjourned the meeting of the CHF Board of Directors at 12:58 p.m.



To: CRHMFA Homebuyers Fund Board of Directors
From: Greg Norton, Executive Director
Patricia Megason, Deputy Director
Karl Dolk, Chief Financial Officer
Date: November 25, 2013
Re: Investment Policy Renewal 2014 - **ACTION**

Summary

The Investment Committee is responsible for overseeing the investment activity and is to present the Investment Policy to the Board for review and approval.

Issue

The Investment Policy was last revised and approved in February 2013. The Investment Committee consisting of the CHF Executive Director, Deputy Director and Chief Financial Officer has reviewed and is submitting the policy for annual review as required.

Following a thorough review in late 2010, including review and input from the organizations' Investment Consultant, the investment committee does not have any suggested revisions for 2013 other than applicable dates.

The Policy was reviewed by the RCRC Executive Committee on November 13, 2013. The Executive Committee directed the CHF Executive Director to recommend approval by the CHF Board of Directors.

Staff Recommendation

Staff recommends that the CHF Board of Directors review and approve the attached 2014 Investment Policy.

Attachment

- 2014 CHF Investment Policy

CRHMFA HOMEBUYERS FUND

Subject: INVESTMENT POLICY	Class: ACCOUNTING	Number: A - 03
	(<input type="checkbox"/>) Complete Revision <input checked="" type="checkbox"/> Partial Revision <input type="checkbox"/> New	Supersedes: Policy dated <u>4/19/12</u> Approved:

INTRODUCTION

The investment policies and practices of CRHMFA Homebuyers Fund (CHF) are based upon state law and provide guidelines for the prudent investment of CHF's reserve funds as well as temporarily idle cash. The primary goals of these policies are:

1. To safeguard the principal funds.
2. To provide sufficient liquidity to meet normal operating expenditures and expenditures beyond the ordinary budgeted expenses.
3. To generate investment income commensurate with the parameters of prudent risk management and consistent with the above policies.

Investments shall be made with judgment and care – under circumstances then prevailing – in the same manner that prudent investors, using discretion and intelligence, would exercise in the management of their own affairs when doing so for investment and not for speculation, and considering the probable safety of their capital as well as the probable income to be derived. The Investment Committee will use the “prudent investor” standard in managing CHF's portfolio.

Investment Committee members acting in accordance with written procedures and the investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and actions are taken to control adverse developments. Any deviations, once identified, should be documented and reviewed to determine whether replacing the security would be in the best interest of the organization.

OBJECTIVES

CHF's investment policy shall be managed in a manner that emphasizes the preservation of capital. The long-term goal is to seek competitive returns while minimizing exposure to credit and market risk. The investment portfolio shall remain sufficiently liquid to meet anticipated cash requirements. CHF's objective is to diversify its investment by investing funds among a variety of securities offering independent returns and financial institutions. This can be accomplished through diversity of instruments to include those with active secondary markets, maturities that match expected cash needs, and the Local Agency Investment Fund (LAIF) and CalTrust which includes diverse investment portfolios and immediate withdrawal provisions. The investment objective shall be to achieve a rate of return that is commensurate with safety and liquidity requirements of the organization. Management of the Investment portfolio will be directed by the objectives of Preservation of Capital – understanding that losses may occur on individual securities; Risk Aversion - understanding that risk is present in all types of investment; and Adherence to Investment Discipline, adhering to this policy.

The portfolio's target total return should meet or exceed all of the following over a full market cycle (at least 5 years):

- California's Local Agency Investment Fund (LAIF) rate for the same period.
- The 90 day Treasury Bill rate for the same period.

Subject: INVESTMENT POLICY	Class: ACCOUNTING		Number: A - 03
	() Complete Revision (x) Partial Revision () New	Supersedes: Policy dated <u>4/19/2012</u> Approved:	Page: 2 of 5 Date:

DELEGATION OF AUTHORITY

Authority to manage CHF's investment program is derived from California Government Code Sections 53601 and 53607 and by annual actions of CHF's Board of Directors (Board). The Board has delegated management responsibility for the investment program to the Investment Committee consisting of CHF's Executive Director, Deputy Director Chief Financial Officer (CFO). The Investment Committee shall be responsible for all investment transactions undertaken.

RESPONSIBILITY OF THE INVESTMENT CONSULTANT(S)

In the event the Investment Committee determines to utilize an Investment Consultant, the Investment Consultant's role will be that of a non-discretionary advisor to the Investment Committee. Investment advice concerning the investment management of assets will be offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this statement.

LIQUIDITY

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Investment Committee will monitor expected net cash flow requirements.

To maintain the ability to deal with unplanned cash requirements that might arise, the Investment Committee will determine the portion of assets that shall be maintained in cash or cash equivalents, including money market funds or short-term U.S. Treasury bills.

MARKETABILITY OF ASSETS

The Investment Committee requires that all assets be invested in liquid securities, defined as securities that can be transacted quickly and efficiently, with minimal impact on market price.

AUTHORIZED AND SUITABLE INVESTMENTS

CHF is empowered to invest in LAIF, CalTRUST and, as provided in Government Code (GC) Section 53601 and 53601.1 to invest in the following types of securities:

- Debt issued by CHF or other public agencies
- Money market instruments within the limitations provided in GC Section 53601.1
- Debt and/or securities of affiliated companies when that debt or security meets the requirements of any of the securities listed in GC Section 53601.1

CRHMFA HOMEBUYERS FUND

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Allowable Assets

1. Cash Equivalents

- Treasury Bills
- Money Market Funds
- Banker's Acceptances
- Repurchase Agreements
- Certificates of Deposit

2. Fixed Income Securities

- U.S. Government and Agency Securities
- Corporate Notes and Bonds
- Mortgage Backed Bonds/Securities

3. Mutual Funds

- Mutual Funds which invest in securities as allowed in this statement.

ASSET ALLOCATION

Sections 53601 and 53601.1 of the California Government Code provide legal authorization for investment of funds of local agencies. All investments of CHF shall conform to the restrictions of those laws and shall be consistent with prudent and conservative investment standards.

1. The Investment Committee will determine the Aggregate Fund Asset Allocation (allocation) giving consideration to resources, operating needs and economic conditions. The Investment Committee will monitor the allocation and take steps to balance the allocation as appropriate.
2. Should an investment percentage-of-portfolio limitation be exceeded due to an incident such as fluctuation in portfolio size, the affected securities may be held to maturity to avoid losses. When no loss is indicated, the Investment Committee shall consider rebalancing the portfolio, basing the decision, in part, on the expected length of time the portfolio will be unbalanced.
3. In order to achieve a prudent level of portfolio diversification, the securities of any one company or government agency or particular industry should not be excessive as determined by the Investment Committee. The total allocation to treasury bonds and notes may represent up to 100% of the aggregate bond position

CRHMFA HOMEBUYERS FUND

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ETHICS AND CONFLICTS OF INTEREST

Members of the Investment Committee shall refrain from personal business activity that could conflict with proper execution of the investment program or which could impair their ability to make impartial investment decisions. Investment Committee members shall disclose annually any material financial interests in financial institutions that conduct business with CHF and they shall further disclose any large personal financial/investment positions that could be related to the performance of CHF. The annual disclosure on California Fair Political Practices Commission Form 700 will suffice to meet this requirement.

AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

The CFO will maintain a list of financial institutions authorized to provide investment services. In addition, a list will also be maintained of approved security broker/dealers selected by credit worthiness who are authorized to provide investment services in the State of California. These may include primary dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depository as established by State of California laws.

All financial institutions and broker/dealers who desire to be approved for providing investment services must provide the Investment Committee with the following:

- Audited financial statements
- Proof of National Association of Security Dealers certification
- Trading resolution
- Proof of State of California registration
- Certification of having read CHF's investment policy and depository contracts

An annual review of the financial condition and registrations of approved security broker/dealers will be conducted by the Chief Financial Officer.

INVESTMENT PERFORMANCE REVIEW AND EVALUATION

The Investment Committee shall ensure that performance reports are compiled at least quarterly. The market value of the portfolio shall be calculated and an investment report shall be prepared at least quarterly for presentation to the RCRC Executive Committee. The report shall include the following:

- Listing of individual investments held at the end of the reporting period, showing institution, selling institution, date of maturity, amount of deposit, and current market value
- Realized and unrealized gains or losses resulting from appreciation or depreciation
- Return on investment expressed as an annual percentage rate
- Average weighted yield to maturity of portfolio as compared to applicable benchmarks
- Statement of current allocation of investments

CRHMFA HOMEBUYERS FUND

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		Page: 5 of 5

The Investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Investment Committee intends to evaluate the portfolio(s) over at least a three year period.

INVESTMENT POLICY REVIEW

The investment policy shall be reviewed and approved annually by the Board of Directors in accordance with Government Code Section 53646. By adoption of this investment policy, the Board of Directors delegates investment authority to the Investment Committee (consisting of the Executive Director, Deputy Director and Chief Financial Officer) in accordance with Government Code Section 53607. Such investment authority shall include authority to invest or to reinvest funds of CHF and to sell or exchange securities so purchased. All investments require the approval of at least two members of the Investment Committee.



To: CRHMFA Homebuyers Fund Board of Directors
From: Greg Norton, Executive Director
Patricia Megason, Deputy Director
Karl Dolk, Chief Financial Officer
Date: November 25, 2013
Re: Resolution 14-01: Repayment by CHF of RCRC 2004 Administrative Contract Write-Off Amount - **ACTION**

Summary

CHF and Rural County Representatives of California (formerly known as Regional Council of Rural Counties) ("RCRC") annually enter into an agreement ("Administrative Services Contract") whereby RCRC provides all administrative and support services required for the operation of CHF's various housing/loan programs and grant programs ("Contract Support Services"), and CHF agrees to pay a monthly fee to RCRC, plus reimburse RCRC for actual ordinary and necessary business expenses for such Contract Support Services performed.

Beginning in calendar year 2003, and continuing during 2004, CHF experienced a significant decrease in revenues associated with the decrease in housing loan volume. As a result of this decrease in revenues, during 2004, CHF was not able to meet its financial obligations to RCRC under the 2004 Administrative Services Contract.

On December 15, 2004, as part of its adoption of the 2005 budget for RCRC and its affiliate entities, the RCRC Board of Directors approved the write-off of the CHF Accounts Payable balance of \$1,488,246 for Contract Support Services provided under the 2004 Administrative Services Contract that CHF was not able to pay.

Given the more recent turn-around in the economy, and increase in housing loan volume and its program activities, CHF now has a budget surplus and sufficient revenue to repay to RCRC the amount previously written off as part of RCRC's 2005 budget approvals.

Based on the level of existing resources and proposed 2014 Budget activity, CHF has the resources necessary to repay the 2004 write-off and retain a positive cash flow for 2014.

Repayment of the 2004 write-off to RCRC was discussed with the RCRC Executive Committee on November 13, 2013.

Staff Recommendation

Staff recommends that the CHF Board of Directors approve Resolution 14-01 including the following:

1. Execution of an Agreement between CHF and RCRC, for repayment of \$1,488,246 to RCRC, which amount represents CHF's 2004 Accounts Payable balance that was written off by RCRC as part of the 2005 budget approval.
2. Authorize the payment of \$1,488,246 to RCRC as part of the 2014 CHF Budget.

Attachment

1. Resolution 14-01
2. Agreement between CHF and RCRC

RESOLUTION 14-01

**RESOLUTION OF THE CRHMFA HOMEBUYERS FUND APPROVING
AND AUTHORIZING EXECUTION OF AN AGREEMENT WITH THE
RURAL COUNTY REPRESENTATIVES OF CALIFORNIA FOR
REPAYMENT OF 2004 WRITE-OFF AMOUNT**

WHEREAS, CRHMFA Homebuyers Fund (an affiliate of RCRC) ("CHF") and Rural County Representatives of California (formerly known as Regional Council of Rural Counties) ("RCRC"), annually enter into an agreement ("Administrative Services Contract") whereby RCRC provides all administrative and support services required for the operation of CHF's various housing/loan programs and grant programs ("Contract Support Services"), and CHF agrees to pay a monthly fee to RCRC, plus reimburse RCRC for actual ordinary and necessary business expenses for such Contract Support Services performed; and

WHEREAS, beginning in calendar year 2003, and continuing during 2004, CHF experienced a significant decrease in revenues associated with the decrease in housing loan volume. As a result of this decrease in revenues, during 2004, CHF was not able to meet its financial obligations under the 2004 Administrative Services Contract; and

WHEREAS, on December 15, 2004, as part of its adoption of the 2005 budget for RCRC and its affiliate entities, the RCRC Board of Directors approved the write-off of the CHF Accounts Payable balance of \$1,488,246 for Contract Support Services provided under the 2004 Administrative Services Contract that CHF was not able to pay; and

WHEREAS, given the more recent turn-around in the economy, and increase in housing loan volume and its program activities, CHF now has a budget surplus and sufficient revenue to repay to RCRC the amount previously written as part of RCRC's 2005 budget approvals, and CHF desires to repay said amount to RCRC.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF DIRECTORS OF THE CRHMFA HOMEBUYERS FUND, as follows:

1. The Board of Directors hereby approves and Agreement between CHF and RCRC, including without limitation the repayment to RCRC of \$1,488,246, which is the amount due and payable by CHF under the 2004 Administrative Services Contract that CHF was not able to pay at that time, which amount was written off by RCRC as part of the 2005 Budget approval.

2. The Board of Directors further authorizes and directs the Executive Director to execute the Agreement on behalf of CHF, in substantially the form attached hereto and incorporated herein by reference, subject to any minor, clarifying and technical changes as may be approved by legal counsel. The Executive Director and staff is further authorized and directed to take such actions as necessary to carry out the purposes of this Resolution, including without limitation incorporation of the repayment amount within the 2014 Budget, and repayment of such amount in accordance with the Agreement.

I hereby certify that the above Resolution was approved by the Board of Directors of the CRHMFA Homebuyers Fund, on _____, 2013.

Name: _____
Title: _____

AGREEMENT

This Agreement ("Agreement"), dated as of _____, 2013, is entered into by and between CRHMFA HOMEBUYERS FUND, a joint powers agency organized and operated under Articles 1-4 of Chapter 5 of Division 7 of Title I (commencing with Section 6500) of the California Government Code (hereinafter "CHF") and the RURAL COUNTY REPRESENTATIVES OF CALIFORNIA, a California nonprofit mutual benefit corporation (hereinafter, "RCRC").

Recitals

A. CHF (an affiliate of RCRC) and RCRC (formerly known as Regional Council of Rural Counties), annually enter into an agreement ("Administrative Services Contract") whereby RCRC provides all administrative and support services required for the operation of CHF's various housing/loan programs and grant programs ("Contract Support Services"), and CHF agrees to pay a monthly fee to RCRC, plus reimburse RCRC for actual ordinary and necessary business expenses for such Contract Support Services performed.

B. Beginning in calendar year 2003, and continuing during 2004, CHF experienced a significant decrease in revenues associated with the decrease in housing loan volume. As a result of this decrease in revenues, during 2004, CHF was not able to meet its financial obligations under the 2004 Administrative Services Contract.

C. On December 15, 2004, as part of its adoption of the 2005 budget for RCRC and its affiliate entities, the RCRC Board of Directors approved the write-off of the CHF Accounts Payable balance of \$1,488,246 for Contract Support Services provided under the 2004 Administrative Services Contract that CHF was not able to pay.

D. Given the more recent turn-around in the economy, and increase in housing loan volume and its program activities, CHF now has a budget surplus and sufficient revenue to repay to RCRC the amount previously written as part of RCRC's 2005 budget approvals, and CHF desires to repay said amount to RCRC.

Agreements

NOW, THEREFORE, in consideration of the foregoing, and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto hereby agree as follows:

1. The Recitals set forth above are true and correct and are incorporated into this Agreement by this reference.

2. CHF agrees to repay to RCRC an amount equal to One Million Four Hundred Eighty-Eight Thousand Two Hundred Forty-Six Dollars (\$1,488,246) ("Repayment Amount"), which the parties agree is the amount of the accounts payable balance that was due to be paid by CHF to RCRC under the 2004 Administrative Services Contract, but was written off by RCRC

because CHF was unable to pay said amount due to a shortfall of revenues at that time. CHF agrees to pay the Repayment Amount to RCRC by December 31, 2014.

All payments under this Agreement shall be without expense to RCRC and CHF agrees to pay all costs and expenses incurred in connection with the payment of amounts due under this Agreement.

3. This Agreement and the legality, validity and performance of the terms hereof shall be governed by, enforced, determined and construed in accordance with the laws of the State of California.

4. This Agreement shall be binding upon RCRC and CHF and their respective legal representatives, successors and assigns.

5. All notices given under this Agreement shall be made in writing and shall be deemed received when personally delivered, received by the United States Mail, postage prepaid, and shall be deemed communicated as of the date of actual receipt. Mailed notices shall be addressed as follows:

To RCRC: Rural County Representatives of California
1215 K Street, Suite 1650
Sacramento, CA 95814
ATTN: Patricia Megason

To CHF: CRHMFA Homebuyers Fund
1215 K Street, Suite 1650
Sacramento, CA 95814
ATTN: Greg Norton

6. The terms of this Agreement may only be amended or modified by a written agreement executed by all of the parties hereto.

WHEREFORE, the parties hereto have executed this Agreement as of the date first set forth above.

RCRC:

RURAL COUNTY REPRESENTATIVES
OF CALIFORNIA, a California nonprofit
mutual benefit corporation

By: _____
Patricia Megason
Executive Vice President

CHF:

CRHMFA HOMEBUYERS FUND, a joint
powers agency

By: _____
Greg Norton
Executive Director



To: CHF Board of Directors
From: Greg Norton, Executive Director
Patricia Megason, Deputy Director
Karl Dolk, Chief Financial Officer
Date: November 25, 2013
Re: 2014 Proposed Budget - **ACTION**

Summary

At its November 13, 2013 meeting, the RCRC Executive Committee reviewed the enclosed budget and directed the CHF Executive Director to present it to the CHF Board.

The proposed 2014 CHF Operating Budget constitutes CHF's continued commitment to its core functions of providing affordable housing down payment assistance and energy retrofit programs. The proposed 2014 CHF Budget has been developed to provide for \$14.9 million of revenue from new and existing programs, \$1,600,000 from other revenue sources, and to track and account for existing mortgage, bond and grant activities.

The proposed 2014 CHF Operating Budget includes total revenues of \$16,483,434 and total expenditures of \$15,934,921. The primary sources of revenue are from housing program revenue, energy grant reimbursements, investment interest earnings, and mortgage interest earnings. The primary uses of expenditures are for housing program gifts, contract support services payments to RCRC, program administration fees, consultants, and loan losses.

The attached 2014 Budget provides the details of the proposed budget. The following sections describe in more detail the highlights of the proposed 2014 budget.

2014 Proposed Revenue Highlights

The proposed 2014 CHF Operating Revenue Budget totals \$16,483,434. Following is a summary of the primary proposed revenues:

- One of the primary programs of CHF has been the second mortgage program funded by residual and program resources. The program origination is proposed to be transferred to NHF for 2014. CHF retains a large portfolio of 2nd mortgages from this program. Projected 2014 revenues from this portfolio are \$943,101 in loan mortgage interest.
- Another primary program is the home loan program which includes a 3%-5% gift to the borrower. This program is currently being offered through several lending institutions and is projected to generate \$14.5 million in revenue in 2014.

- Resources from the past ARRA energy program grant have accumulated from payments and interest earnings. These resources may be used for energy efficiency loan loss reserves and/or additional loans to homeowners. The existing loans continue to require loan servicing. CHF cost reimbursements from this grant are estimated to be \$410,400 for 2014.
- Additional revenues will be earned from previously issued bonds and residual 2nd mortgages remaining from those bonds.
 - Master indenture interest - \$131,061
 - Ongoing issuer fees - \$38,944
- Interest earnings from investments are projected to be \$93,928.

2014 Proposed Expenditure Highlights

The proposed 2014 CHF Operating Expenditure Budget is designed to provide the resources necessary to pursue and implement housing and energy programs and services. The proposed 2014 Budget totals \$15,934,921 and includes housing and grant program expenditures.

Following is a summary of the primary proposed 2014 CHF expenditures:

- The primary expenditure items for CHF are the housing program gifts to homebuyers (\$9.45 million) and associated program management expenses (\$1,890,000).
- The 2014 contract support services payments to RCRC total \$1,760,712.
- The proposed budget includes the lump sum contract services amount the CHF Board is requested to consider and approve as part of its budgeting process for the 2014 calendar year. The proposed lump sum contract services amount for RCRC services includes a prorated amount of the salaries for RCRC personnel who provide services to the JPA through the contract for services with RCRC, including those of the President/CEO, the Executive Vice President and the Chief Financial Officer of RCRC. The proposed contract services amount and the underlying compensation proration for RCRC personnel that are included in the proposed budget were approved by the RCRC Board of Directors.
- In 2004, CHF did not have the resources to pay the agreed upon RCRC contract service fee in full. Now that the financial position of CHF has substantially improved, staff is proposing that the unpaid 2004 fees be paid in full which will result in an additional \$1,488,246 payment to RCRC.
- In addition to regular operating expenditures such as accounting, auditing, insurance, rent and other housing & operating fees, the proposed housing related expenditures for CHF include the following:

- Bank Fees for program gift wires - \$29,598
 - CDLAC Fees - \$55,000
 - Consultants - \$193,500
 - Loan losses - \$360,000
- Grant Costs of \$410,400 for payment of loan servicing costs.

Key Differences between the 2014 and 2013 Expenditure Budgets

The proposed 2014 expenditures budget for CHF is \$15,934,921, which is a \$349,740 (2.1%) decrease from the 2013 approved budget. Following is a summary of the key differences between the proposed 2014 and the 2013 approved budgets:

- **Business Development and Expansion** – A decrease of \$132,381 (88.3%) primarily due to the shifting of the business development efforts to NHF.
- **Consultants** – A decrease of \$34,500 (15.1%) primarily due to a decrease in the consultant role for development of a statewide energy efficiency program.
- **Contract Support Services** – A decrease of \$354,588 (16.7%) in current fees due to a decrease in assigned employees and associated overhead and costs.
- **Prior Year Contract Support Services Fee** - An increase of \$1,488,246 for payment of the remaining 2004 contract support services fee.
- **Contract-Temporary Labor** – A decrease of \$35,635 (100%) based on no expected need to hire temporary staff in 2014.
- **Energy Grant** – The energy grant agreement with the CEC was amended to reimburse CHF for costs of servicing the loans generated by the program. Expected fees for 2014 are \$410,400. The 2013 budget did not include loan servicing fees since the contract amendment was not anticipated when the budget was prepared.
- **Legal Services** – A decrease of \$83,253 (83.3%) due to reduced need for legal services for the grant program.
- **Housing Gift Program** – A reduction of \$1,632,000 in Platinum program gifts and associated expenditures. The reduction is due to an anticipated decrease in program activity.
- **Professional Fees** – A decrease of \$198,000 (90%) as the funds were not utilized in 2013 and it is not anticipated to have much of a need in 2014.

Budgeted Net Revenue

The proposed budget for 2014 will result in net revenue over expenditures of \$548,513. The budgeted expenditures include a noncash item, the loan losses, of \$360,000. Therefore, the proposed 2014 budget is projected to generate positive cash flow of \$908,513.

Other Related Matters

Due to the volatility and pace of the housing programs and markets, staff annually requests authority for the Executive Director to make necessary business decisions up to \$500,000 per decision outside of the approved operating budget. Staff also requests the Executive Director be granted with the authority to proceed with necessary operating decisions due to changes in the market, economy or changing transactional requirements to avoid unnecessary delay and provide the necessary flexibility to effectively and timely implement and modify programs. Such expenditure and operational decisions are to be made in consultation with the Vice President, the CHF Chair and the CHF Vice Chair and are reported back to the Board with subsequent ratification as necessary.

Recommendations

The proposed budget was presented to the RCRC Executive Committee on November 13, 2013. The RCRC Executive Committee approved the CHF budget and accompanying recommendations and directed the CHF Executive Director to present the following recommendations to the CHF Board of Directors.

That the CHF Board of Directors:

1. Approve the attached proposed 2014 CHF Operating Budget.
2. Grant the CHF Executive Director the authority to make necessary business decisions and utilize up to \$500,000 per decision outside of the approved operating budget when necessary. Such decisions will be made with notification to the CHF Board Chair and Vice Chair and reported back to the CHF Board at the next available Board meeting.
3. Grant the CHF Executive Director the authority to proceed with necessary operating decisions due to changes in opportunities, the market, the economy or changing transactional requirements to provide necessary flexibility to effectively and timely implement programs. Such decisions to be made in consultation with the Vice President, CHF Chair and CHF Vice Chair with subsequent ratification by the Board of Directors as necessary.
4. Consider and approve the lump sum contract service fee to RCRC in the amount of \$1,760,712 which includes a prorated amount of the salaries for RCRC personnel who provide services to the JPA through the contract for services with RCRC, including those of the RCRC President/CEO, Executive Vice President and Chief Financial Officer.
5. Approve the \$1,488,246 for payment of the remaining 2004 contract support services fee.

Attachment

- 2014 CHF Operating Budget

CRHMFA HOMEBUYERS FUND

FY 2014 BUDGET

January 1-December 31, 2014

Income:	2014 Budget	2013 Budget	Change
Grant Reimbursed Costs	410,400	120,000	290,400
Housing Program Revenue	14,866,000	18,450,000	(3,584,000)
Interest	93,928	154,500	(60,572)
Ongoing Issuer Fees	38,944	45,284	(6,340)
Master Indenture Interest	131,061	172,000	(40,939)
ACCESS Interest	943,101	400,000	543,101
Total Income	16,483,434	19,341,784	(2,858,350)
Expenditures:			
Accounting & Auditing	58,868	41,868	17,000
Arbitrage Rebate	10,000	10,000	0
Bank Fees	29,598	7,200	22,398
Board Member Reimbursements	12,528	0	12,528
Business Development and Expansion	17,619	150,000	(132,381)
CDLAC fees	55,000	55,000	0
Conferences Attended by RCRC Staff	1,684	2,500	(816)
Consultants	193,500	228,000	(34,500)
Contract Support Services	1,760,712	2,115,300	(354,588)
Contract Support Services-2004 Restored	1,488,246	0	1,488,246
Contract-Temporary Labor	0	35,635	(35,635)
Delivery Services	150	150	0
Dues, Fees & Subscriptions	1,000	1,000	0
Grant Costs	410,400	0	410,400
Insurance	54,329	48,820	5,509
Legal Services	16,747	100,000	(83,253)
Lender Training	8,769	15,000	(6,231)
Loan Losses	360,000	177,000	183,000
Meetings	267	200	67
Miscellaneous	309	100	209
Off-Site Storage	516	1,440	(924)
Platinum Gifts	9,450,000	10,800,000	(1,350,000)
Platinum Pipeline Services	0	120,000	(120,000)
Platinum Administration	1,890,000	2,052,000	(162,000)
Postage	2,701	800	1,901
Printing and Duplication	1,653	1,100	553
Professional Fees	22,000	220,000	(198,000)
Promotion and Marketing	5,000	0	5,000
Rent	48,335	70,548	(22,213)
Sponsorships	20,000	0	20,000
Telephone/Data Lines	958	1,000	(42)
Travel-Employees	14,032	30,000	(15,968)
Total Expenditures	15,934,921	16,284,661	(349,740)
Net Revenues Over Expenditures	548,513	3,057,123	(2,508,610)
Noncash Adjustments:			
Loan Losses	360,000	177,000	183,000

