

*DEPARTMENT OF REAL ESTATE*

*STRATEGIC PLAN*

*2007/2008*



*ARNOLD SCHWARZENEGGER*  
GOVERNOR

*DALE E. BONNER*  
Secretary  
Business, Transportation and Housing Agency

*JEFF DAVI*  
Real Estate Commissioner  
Department of Real Estate

---

## **TABLE OF CONTENTS**

<b>I.</b>	<b>EXECUTIVE SUMMARY</b> -----	<b>1</b>
<b>II.</b>	<b>INTRODUCTION</b>	
	A. Department Description -----	2
	B. Division Descriptions -----	2
	C. Strategic Planning Conceptual Framework -----	9
	D. Methodology Statement -----	9
<b>III.</b>	<b>DEPARTMENTAL ELEMENTS</b>	
	A. Mission -----	10
	B. Purpose -----	10
	C. Principles -----	10
	D. Vision -----	11
	E. Internal/External Assessment -----	11
	F. Strategic Goals -----	17
	G. Monitoring Performance -----	21
	H. Project Management Methodology -----	21
	<b>APPENDIX</b>	
	A. Organization Chart -----	22
	B. Resource Assumptions -----	23
	C. Financial and Position Information -----	24
	D. Department Offices and Executive Staff -----	25

---

## **EXECUTIVE SUMMARY**

This Strategic Plan has been prepared to help guide the Executive Management of the Department of Real Estate (Department) as they set the course for the future of the Department. In developing the Plan, Executive Staff integrated the needs of consumers and the real estate industry and incorporated the core elements of performance based management.

The Plan contains three major goals upon which the Department will focus its efforts. To achieve these goals, specific objectives have been identified, which will be used to gauge success and provide accountability. In achieving these goals, the Department will continue to reduce processing timeframes, extend transparency of government, and ensure succession planning and skill replacement of the workforce. The Plan is primarily a one-year plan, with certain longer-term objectives identified for the following two years.

Challenges to accomplishing the Strategic Plan objectives include the continuing need to address an increased workload resulting from a historically high number of real estate licensees, market transitions, evolving industry trends and demands, and legislative mandates.

In summary, the Plan provides a blueprint for accomplishing objectives primarily during the 2007/08 fiscal year that are aimed at mitigating consumer risk, improving operational efficiency, increasing service levels to the real estate industry, and enhancing consumer protection for the growing and diverse population of California.

---

## ***DEPARTMENT DESCRIPTION***

The core functions of the Department of Real Estate are to administer license examinations, issue real estate licenses, regulate real estate licensees, and qualify subdivision offerings.

The Department is a special fund agency that derives virtually all its revenues from examination, license and subdivision fees. It has limited authority to fine and, as a result, regulatory related fines compose less than one percent of its budget. Fines collected by the Department are paid into the Recovery Account to help compensate victims of real estate fraud.

The Department of Real Estate maintains five offices: Sacramento, Oakland, Fresno, Los Angeles, and San Diego, and, as of June 30, 2007, has 342 authorized positions. Currently, there are approximately 533,000 real estate licensees in California.

The Real Estate Commissioner is the chief executive officer of the Department of Real Estate. It is the Commissioner's responsibility to determine administrative policy and enforce the provisions of the Real Estate Law for the protection of the public. The Commissioner is appointed by the Governor and reports directly to the Secretary of the Business, Transportation and Housing Agency.

The Department of Real Estate is divided into various divisions that are managed by program chiefs (Assistant Commissioners), who report directly to the Commissioner and the Chief Deputy Commissioner. These divisions are as follows: Licensing, Enforcement, Legal, Audits, Subdivisions, Legislation and Public Information, and Administrative Services, which consists of Information Systems, Fiscal and Human Resources.

## ***DIVISION DESCRIPTIONS***

### ***LICENSING:***

If a person wishes to engage in the real estate business and act in the capacity of, advertise as, or assume to act as a real estate broker or salesperson within California, a real estate license must first be obtained from the Department of Real Estate.

Before a real estate salesperson applicant may obtain a license, he or she must apply for and pass a real estate examination and fulfill certain educational requirements. A broker applicant, in addition to the required education, must have two years of licensed salesperson experience (or the equivalent) before applying for the exam. Broker and salesperson licenses are issued for a four-year period. In general, both types of licenses may be renewed by submitting the appropriate application and fee, along with evidence of completion of 45 hours of Department-approved continuing education courses (including required courses in Ethics, Agency Relationships, Trust Fund Handling, Risk Management and Fair Housing).

---

### Education and Research

Under the direction of the Assistant Commissioner for Licensing and Administration, the Education and Research Section reviews continuing education courses and approves examination qualification courses offered by private schools. In addition, this Section administers a research program authorized under Section 10451.5 of the Business and Professions Code, which makes funds available to be used by the Real Estate Commissioner for the advancement of education and research in the field of real estate.

### *ENFORCEMENT:*

The Enforcement Section is the investigative division of the Department. The Real Estate Law provides that, either upon receipt of a verified written complaint, or on his/her own motion, the Commissioner may investigate, within the jurisdiction of the Department, the actions of any person acting in the capacity of a real estate licensee within California.

To investigate these complaints, the Department maintains five Enforcement offices: Oakland, Sacramento, Fresno, Los Angeles, and San Diego. Enforcement staff administers the law through the investigation of consumer complaints against licensees, the investigation of alleged subdivision violations, and the qualification of applicants for real estate licensure. Staff also conducts investigations of unlicensed persons who may be performing activities for which a real estate license is required.

The primary purpose of an investigation is to determine whether or not a violation of the Real Estate Law has occurred. If the evidence gathered by the assigned investigator indicates that a violation has occurred, a staff attorney will review the file for legal sufficiency in anticipation of filing an Accusation against the licensee. An Accusation is a formal accusatory pleading informing the licensee of the alleged violations and the intention of the Department to either suspend or revoke his or her license if the violations are proven at an administrative hearing.

### Mortgage Loan Activities:

The Mortgage Loan Section monitors mortgage loan activity through required business and trust account reports submitted by real estate brokers who meet certain threshold criteria. Mortgage loan advertising is reviewed on a statewide basis in all media, and educational materials are prepared and made available by this unit to both brokers and consumers. Also, consumers are assisted with problems incurred with brokers in mortgage loan transactions and if violations are discovered, they are referred to the Enforcement Section for investigation.

The Mortgage Loan Section is the primary liaison with mortgage trade organizations and other state and federal agencies enforcing laws relative to mortgage loan brokerage activity.

---

## *AUDITS:*

The mission of the Audit Program is to protect the consumer through financial compliance audits of real estate licensees and subdivision developments. The primary focus of an audit is the handling of trust funds by licensees and subdividers. Through the Audit Program, Department Auditors determine if the operations of real estate brokers or subdividers, as reflected in their business records, comply with the requirements of the Real Estate Law and the Subdivided Lands Law. In addition, the Audit Program reviews threshold mortgage loan broker annual and quarterly reports for possible trust fund handling violations, and is responsible for the internal audit function of the Department. It also acts as the Audit Resolution Liaison for all external audits of the Department by its control agencies; e.g., Department of Finance, State Controller's Office, Bureau of State Audits.

The Department has field auditors assigned to the Sacramento, Oakland, Fresno, Los Angeles, and San Diego offices. Audits performed are either investigative or routine. Investigative audits are initiated based on a complaint from the public or information received indicating probable violations by a licensee. Routine audits are performed, when resources allow, on randomly selected licensees engaged in real estate activities, primarily where the risk of financial loss to the public is high; e.g., mortgage loan brokers, property managers and broker escrows.

As to cost recovery, the Department may charge for those audits that relate to substantiating trust fund mishandling by a real estate broker provided the violation is subsequently proven and results in some form of disciplinary action. The Department may also bill the licensee for follow-up compliance audits.

## *SUBDIVISIONS:*

The principal State law regulating most sales (or leases) of subdivided land in California is the Subdivided Lands Law (Business and Professions Code Sections 11000 – 11200). The Vacation and Time-share Ownership Act of 2004 (Business and Professions Code Sections 11210-11288) regulates the sale of timeshares. These laws protect the public against fraud and misrepresentation in the sale or lease of subdivided land through the issuance of public reports, which are disclosure documents provided to prospective purchasers of subdivision interests. In this regard, the Real Estate Commissioner is charged with the responsibility for adopting regulations to oversee the creation and marketing of subdivision interests. These regulations are found at Title 10 California Code of Regulations Sections 2790 – 2817.

### Technical Unit

The Technical Unit (located at the Sacramento Principal Office) processes complex subdivision filings, including timeshares and undivided interest subdivisions.

### Budget Review Unit

Department staff review and analyze proposed homeowner association budgets pertaining to maintenance and operational costs relative to common areas and facilities of common interest subdivisions and timeshares.

## *LEGAL:*

---

---

The primary duties of the Legal Section are to administratively prosecute violations of the Real Estate Law and the Subdivided Lands Law, file disciplinary actions, issue Desist and Refrain Orders, represent the Department in Administrative Procedure Act hearings, prepare and process regulations, and provide legal guidance and advice to Department staff regarding legal instruments and the law, including the Regulations of the Real Estate Commissioner and the provisions of the Real Estate and Subdivided Lands Laws.

Disciplinary actions are instituted by filing either a Statement of Issues to challenge an applicant's qualifications for licensure or an Accusation to seek the suspension or revocation of an existing license. These pleadings are then brought to trial in a formal adversary evidentiary hearing before an Administrative Law Judge. The hearings are conducted in accordance with the provisions of the Administrative Procedure Act. A Desist and Refrain Order is an administrative injunction issued to stop violations of either the Real Estate Law or the Subdivided Lands Law. Desist and Refrain Orders may be issued to any person, licensed or not.

#### Recovery Unit

The Legal Section also administers the Real Estate Recovery Account. Currently, 12 percent of all license fees are paid into the recovery account. This money is then used to reimburse "aggrieved" members of the public who have obtained a civil judgment, arbitration award or criminal restitution order, based on intentional fraud, deceit, misrepresentation or conversion of trust funds in connection with a transaction in which the licensee (judgment debtor or criminal defendant) was performing acts for which a real estate license was required, and have been unable to fully collect on their judgment or order. To be eligible for payment, applicants must be able to prove that they have satisfied the requirements set forth in the Business and Professions Code. Applications for payment from the Real Estate Recovery Account are filed with the Recovery Unit.

Successful applicants are able to recover up to \$20,000 per transaction of their actual and direct (out-of-pocket) losses in the transaction. The maximum liability of the Recovery Account is \$100,000 per licensee.

#### *LEGISLATION AND PUBLIC INFORMATION UNIT:*

The Assistant Commissioner for Legislation and Public Information acts as principal legislative advocate for the Department of Real Estate, and organizes and directs the legislative activities for the Department. He serves as the Department media contact and is responsible for the public information program. He directs staff involved in the preparation and dissemination of the quarterly "Real Estate Bulletin" and other departmental publications, and in updating Department forms as well as its website policies and content. He also, along with the Real Estate Commissioner, oversees the activities of the Information Security Officer and Privacy Coordinator.

#### Information Security Officer (ISO) and Privacy Program Coordinator

Under the oversight of the Assistant Commissioner for Legislation and Public Information, the Information Security Officer (ISO) implements and maintains the information and computer security functions necessary to assist management in the protection of computer and network resources and

---

the associated information assets against accidental or unauthorized modification, destruction or disclosure. The main responsibilities of the ISO include:

- coordinating and overseeing department-wide compliance with State policies and procedures regarding the confidentiality, integrity, and security of DRE's information assets.
- developing, implementing, maintaining and monitoring department-wide information security, standards, guidelines and procedures for adequate and appropriate protection of information assets.
- overseeing the development and maintenance of technical, application and business process standards, guidelines and procedures.
- managing the development and delivery of information security awareness and risk assessment methodology.
- coordinating department-wide information security efforts, working with systems, technology, human resources, legal, audit and other groups to identify information security goals and priorities.
- providing for the integrity and security of automated information, produced or used in the course of DRE's operations.
- monitoring of security procedures and practices for multi-platform environments with diverse and complex security systems.
- identifying and evaluating potential and existing operational risks based upon continual review of the various server logs and audit files available. Investigating and reporting on noted irregularities and incidents.
- ensuring adequate security for new systems, enhancements, or corrections and assists in the development of scenarios of usage as well as testing for abnormalities or exposures.
- responding on behalf of the department to all security related incidents to the appropriate authorities.
- participating in and monitoring the activities of the Incident Response Team. Representing DRE at all security-related seminars and meetings.
- recommending policy, standards and guidelines in accordance with State Administrative Manual (SAM), Statewide Information Management Manual (SIMM), Budget Letters, Management Memos, guidelines and best practices related to information security.
- developing and publishing DRE's COOP/COG consistent with the requirements of Executive Order S-04-06 and the Office of Emergency Services guidelines and directives. Responsible for the continual review and upgrade of the Operations Recovery Plan, Risk Management Plan, Emergency Plans, and the Pandemic Plan.

#### *ADMINISTRATIVE SERVICES:*

Administrative Services consists of the Fiscal (Accounting, Budget, Business Services) Section, Information Systems Section, and Human Resources. These units provide support services to each line program of the Department.

#### Human Resources

Human Resources provides administrative support to the line programs through support services such as recruitment and hiring, position classification, civil service examinations, employee discipline, labor relations, personnel transactions, employee benefits, training, employee counseling, equal employment, and records management.

---

The Human Resources Section is located in the Sacramento Principal Office.

Information Systems Section

The Information Systems Section (ISS) has as its primary mission the identification and conduct of activities related to aligning the business direction of the Department with emerging and proven technology solutions.

ISS is a multi-functional entity that provides for the development, maintenance, operation, and administration of information technology solutions for the Department. This includes support of all information processing, telecommunication, and office automation system efforts.

ISS staff is located in the Sacramento Principal office.

Fiscal Section

Management oversight of Department budget resources is facilitated by a centralized procurement methodology. With this methodology in place, management ensures that all acquisitions are appropriately approved and justified, procurement rules are observed, purchases are directly tied to approved strategic objectives, and financial limits are adhered to.

All fiscal operations as described below are located in the Sacramento Principal Office.

- Budgets

The Department of Real Estate is administered in accordance with an authorized budget approved by the Administration and the Legislature. The Budget Section maintains individual Department program financial data that includes an itemized summary of expenditures and income for each fiscal year (July 1 – June 30). Based on this information, and with the input from the Managers of the major operating units within the Department, fiscal projections and proposed budgets are developed.

- Accounting

The Accounting Section utilizes the CALSTARS Accounting System (State computerized accounting network) in managing the bookkeeping involved with Department business transactions. This Section is responsible for the preparation of financial statements concerning Department assets and liabilities. In addition, the Accounting Section is responsible for cashiering all money receipts, dishonored checks and publication sales and for making travel arrangements for Department staff.

- Business Services

The Business Services Section manages the statewide business operations of the Department including: 1) purchase-related programs, 2) assets of the Department, 3) communications with control agencies, 4) mail and shipping operations, 5) facilities, fleet and telecommunications, and 6) periodic or special financial and procedure reporting.

- Contracts

---

The primary responsibilities for Contracts include ensuring contract procurement compliance and contract execution.

---

## ***STRATEGIC PLANNING CONCEPTUAL FRAMEWORK***

Strategic planning is a long-term, iterative, and future-oriented process of assessment, goal setting, and decision-making that maps an explicit path between the present and the vision of the future. It includes a multi-year view of objectives and strategies for the accomplishment of Department goals as well as its Performance Improvement efforts, as determined through an interactive process with the Business, Transportation and Housing Agency.

Clearly defined action plans and plans for monitoring performance are important considerations in all planning, resource allocation, and operating decisions. Through the strategic planning process, direction is set for all departmental operations.

## ***METHODOLOGY STATEMENT***

Department of Real Estate Executive Staff meets annually to develop the Strategic Plan over a period of three or four months. Open discussions of the existing environment, technology issues, current assumptions, projected challenges and desired outcomes lead to the final plan. Prior to the initiation of this process, each Program Manager polls his or her staff to ascertain internal assessments and direction for the future. Input is also sought from various industry trade associations with whom the Department interacts.

The Department of Real Estate includes the following considerations when assessing strategic and operational performance measures:

- Implementing updated, enhanced, and cost effective technology capabilities.
- Maximizing results through internal efficiencies and operational reforms.
- Managing workforce and workload to stabilize and improve processing timeframes.
- Maintaining a prudent fee structure and reserve fund balance.
- Striking a proper balance between consumer protection and regulation of business.
- Promoting effective communication and education.
- Exploring opportunities for collaborative initiatives with industry, business, and government partners to leverage cost and implement objectives.
- Responding to the needs of industry and consumers.

A successful strategic planning process provides benefits to the Department as well as those affected by its operations. The Strategic Plan is primarily a one-year plan with certain longer-term objectives identified for two years beyond.

---

## *MISSION*

To protect and serve the interests of the public in real estate transactions and provide related services to the real estate industry.

## *PURPOSE*

- To be an effective consumer advocate by monitoring and regulating industry practices while promoting public awareness.
- To be an effective customer-focused department providing timely and efficient services to licensees, subdividers and consumers.

## *PRINCIPLES*

The governance of the Department of Real Estate is structured with core values that promote independence and balance between its two distinct mission responsibilities. These values preserve the integrity of operational obligations, ensure coordination and cooperation between the operating programs, engage Department stakeholders, and foster an environment that supports the professional development of its staff.

The primary responsibility of the Department of Real Estate is to the public as a consumer protection agency. As government is not able to guarantee a risk-free marketplace, the Department acts in concert with other governmental agencies, education providers, and community organizations to enhance its enforcement and consumer awareness efforts to lessen the risk of loss to consumers in real estate transactions. In this regard, consumer and licensee information as well as education are regarded as important operational elements. Through consumer education, the public is better able to make more informed decisions and protect themselves to the extent they are able. By educating its licensees, the Department helps ensure that they are aware of their legal responsibilities, as well as their obligations to their clients. By approaching these principal responsibilities from the multiple avenues of education and enforcement, the Department maximizes the effectiveness of its consumer protection efforts.

In its role as an industry service provider, the Department undertakes strategic planning disciplines that result in the identification of objectives intended to have a direct benefit to the consumer, the State, the real estate industry, subdivision development businesses, and timeshare commerce.

The Department of Real Estate, like all other State agencies, is challenged to manage its workload and responsibilities. To meet these demands, the Department continues to seek efficiencies in programs and activities, and to use technology, partnerships, and common-sense solutions to make doing business with the Department more transparent on all levels.

---

## *VISION*

The vision of the future for the Department of Real Estate is focused upon adopting innovations that will create new standards of excellence in service offerings and consumer protection by:

- Incorporating advanced technology in its processes to better serve the industry and the public.
- Providing licensing, subdivision qualification and consumer-related services more conveniently and timely.
- Expanding the knowledge base and contributions of staff.
- Improving the accessibility to information that is progressive and secure.
- Expanding consumer education to facilitate the making of informed decisions in real estate transactions.
- Adapting to the changing business environments of the real estate industry.
- Providing leadership in housing in California.

## *INTERNAL/EXTERNAL ASSESSMENT*

The assessment of internal and external factors that influence the Department of Real Estate helps it recognize current and future issues that may affect operations and results. This assessment pinpoints the major issues affecting the Department during this planning process timeframe.

### *EXTERNAL ENVIRONMENT:*

#### *FISCAL CONDITION*

The Department of Real Estate is a Special Fund department that derives virtually all of its revenues from examination, license and subdivision fees. As the interest in real estate licensure began to sustain a significant increase in Fiscal Year 2002/03, the Department reduced all fees to 1982 levels effective August 1, 2003. With its current revenue flow and reserve balances, the Department does not anticipate a fee adjustment in the immediate future.

As to fiscal tracking, the Department monitors items of expense as well as revenue and reserve fund balances on an ongoing basis, providing reports to the Program Managers at monthly financial briefings. More detailed reports are provided to the Program Managers on a quarterly basis. Additionally, projected expenditures are analyzed and provided to the Assistant Commissioner of Administration, the Chief Deputy Commissioner and the Commissioner on at least a quarterly basis to ensure appropriate allocation of financial resources. Revenue and reserve analysis reports are also routinely provided to the real estate industry.

The Department anticipates future fiscal challenges in balancing its fee structure and reserves as a result of legislative changes affecting real estate licensure and as conditions change in the real estate marketplace, which affect both housing and the licensee population. Also, the future repayment of the reserve funds that were previously loaned to the State's General Fund will need to be addressed.

---

### MARKET INFLUENCES and WORKLOAD

Several key economic factors are analyzed in order to project the future direction of the real estate market and the resulting impact on the licensee population and Department workload. Experience with forecasting indicates that a gradual downturn in the number of real estate salesperson licensees is likely, but such events do not immediately coincide with the market slowdown.

Despite the softening market, real estate licensure in California continues to increase. Once a license is issued, it is relatively inexpensive to maintain and most licensees will renew their licenses (lowest renewal rate was 70 percent during the late 90's) despite their relative inactivity in the industry. Even with a transitioning market and presuming a long-term disinterest in real estate licensure, the Department projects its resources will be impacted for at least the next eight years as it will take two renewal cycles (four years each) before the population base potentially declines back to the level expected at the conclusion of this fiscal year. During this time, support of the licensee base will continue to impact Department workload and resources.

Additionally, as the market continues to transition, the Department's concentration on consumer awareness and protection remains at the forefront. The Department must be cognizant of the market's effect on business practices and the potential impact to the public, especially in the area of mortgage loan brokerage.

#### *Subdivisions:*

The UCLA Anderson Forecast (December 2006) calls for a slowing housing market which will negatively impact the California economy. The central message is that the forecast for the construction sector will continue to weaken. The Department of Real Estate may see sustained filing numbers in spite of this forecast because subdividers will create more development phases, which lessen the potential for standing inventory, to offset a slower market.

The Department of Real Estate currently meets with the California Building Industry Association (CBIA) and the American Resort Development Association (ARDA) to discuss subdivision processing plans, goals, procedures and processes. These meetings provide a beneficial forum to project future filings, address issues of mutual concern and explore new opportunities in subdivision development.

There are several workload issues facing the Subdivisions Program. The first is an increase in the number of timeshare and technical filings resulting from the passage of AB 2252 – The Vacation Ownership and Time-share Act of 2004. New vacation ownership business practices indicate that this trend of increased timeshare application submittals will continue as the market focus continues to expand both regionally and nationally. Currently, California is considered to be a major market for timeshare development and sales due to amenities the State offers and its sizeable population.

The second workload issue is the increase in the number of complex subdivision filings, such as mixed-use projects and tenancy-in-common. With the transformation of the real estate market and the demand for affordable housing, creative forms of ownership have developed that require the Department to adapt and expand its operations to more efficiently address these more complex types of subdivision filings.

---

### ENFORCEMENT/LEGAL/AUDITS:

A major trend in the real estate brokerage industry is increased concentration. Corporate franchising, net branching, acquisition of related industries and the goal of “one-stop shopping” are changing the industry into a more centralized enterprise. This creates new regulatory challenges and the potential exists in this environment for consumers to be directed to the service providers that generate the greatest profit for the brokerage as opposed to those that offer the best services at the most competitive rates. Further, the favorable real estate market has helped promote the expansion of many real estate operations. As the market continues to transition, there is some concern that potential business downturns and failures may lead to violations of the Real Estate Law. This is particularly true in the mortgage brokerage field as many firms have flourished as a result of low interest rates, nontraditional and subprime loan products, and homeowner refinances. Other factors affecting Department workload are issues associated with the expansion of eCommerce, which require staff to be more technologically proficient in order to conduct investigations and audits. Additionally, the diversity of the State’s population is a component that needs to be addressed through appropriate enforcement and education efforts.

Specifically as to subprime lending, loan defaults and foreclosures have increased, which has led to the need to maximize consumer protections in this area. This is being accomplished through extensive consumer outreach and enhanced disclosures. These protections will result in more knowledgeable consumers who can make better informed decisions when choosing a loan product. Also, with respect to regulatory activities, consumers who have been adversely affected by subprime lending are being encouraged to file complaints against their mortgage broker if they believe they have been treated wrongly. From a workload standpoint, these investigations are usually quite complex, very time consuming and can lead to extensive violations and license disciplinary action.

### CUSTOMER SERVICE

Inasmuch as performance measurement is directly related to customer service standards and customer satisfaction, the Department of Real Estate will continue to make reasonable efforts in assessing clientele approval levels. These efforts include industry meetings, such as the Department of Real Estate Forums, and conferences wherein specific performance feedback will be received. The analysis of these indicators will be measured against the Strategic Plan objectives as a factor in determining their successful accomplishment

---

## *INTERNAL ENVIRONMENT:*

### *TECHNOLOGY*

Technology enhancements have allowed the Department of Real Estate to offset a substantial portion of the Licensing resource needs associated with the increased licensee population. In furtherance of these efforts, the Department continues to explore ways to enhance and expand its technology resources. In this regard, the Department is in the second year of the following multi-year technology projects:

#### *Electronic Examinations*

The Electronic Examinations System, which is under development, will automate the manual examination administration processes. This system will provide the Department with the capability to reduce the overall turnaround time for candidates to receive a real estate license while administering exams in a more efficient and effective manner. With Electronic Examinations, no examination booklets or answer sheets will be used. Candidates will be tested using computer equipment in one of the Department's examination centers. Significant improvements in examination security will be a feature of the new system. Examination grading will be performed automatically at the conclusion of the exam. Those examinees who pass the electronic exam and have satisfied all license requirements can be provided a temporary license.

DRE project staff have concluded the system design and are currently developing the customized modules. DRE is also working with the Department of General Services (DGS) to finalize the construction plans for the various DRE examination centers. DRE is envisioning a phased implementation of the electronic examination system into these examination centers once renovated. The Electronic Examinations Project is a 3-year project and DRE is currently in the second project phase.

#### *Interactive Voice Response (IVR) System*

A new Licensing call center is being designed that will improve the services provided by the Department while ameliorating the customer service and business problems associated with the existing telephone system. The new system will provide for an upgrade to the existing call center system that will expand the number of telephone calls answered, provide a more suitable method for mobile clients to obtain information, and provide appropriate service for callers. A new, optimally configured, IVR system will enable the Department to significantly improve service delivery and provide quality customer service.

The IVR project team has finalized the technical and functional requirements for the new Licensing call center. During this time, DRE and its system integrator have been meeting with the State designated service providers to discuss DRE specific business needs. DRE will forward the requirements to the State designated service providers for their response and cost information while DRE begins the user interface design and custom application development. The deployment of the new Licensing call center is scheduled for June 2008.

---

### *IT Infrastructure Replacement*

The new IT infrastructure being installed statewide will ensure that the Department operates computer systems that are within current industry standards; control security, both within and outside the organization; provide immediate and timely information to staff, as well as its customers; and promote knowledge, document management, and collaboration throughout the Department.

The project team has installed equipment and software and established a lab environment that simulates the production Citrix environment. This lab is being used for both testing and hands-on training of new system components prior to production deployment. The Infrastructure Replacement project is a 3-year project that is focused upon replacing the oldest and highest risk of failure equipment as a priority.

### *E-Government*

E-Government is important to the Department of Real Estate not only because it recognizes the valuable uses of the Internet to deliver government services, but also because it brings the Department closer to its customers and stakeholders while improving operational efficiency. The eLicensing system, which is an on-line, interactive system offered by the Department on its Web site, is instrumental in providing information to consumers and improved service offerings to the real estate industry, while protecting individual privacy. The Department will continue with its efforts to enhance and expand this system.

Also, the Department will continue to explore applicable advances in technology to improve its overall service and increase departmental efficiencies.

### CONSUMER PROTECTION

The Department of Real Estate acknowledges the importance of enhancing its efforts to educate consumers on the home buying/selling and mortgage lending processes as well as to increase their awareness of inappropriate actions and real estate fraud. Towards this end, the Department explores methods to increase exposure of critical information to consumers, including the distribution of educational videos and guides, consumer brochures and information, enhancement of mortgage loan disclosures and expansion of the consumer educational materials that are posted on its website. Many of these offerings are available in a variety of languages, as the non-English proficient public is often the most vulnerable.

### ACCOUNTABILITY

The Executive Management of the Department has placed a strong emphasis on program assessments of reasonable performance targets through review of current department baselines, enhanced by new strategic objectives, and followed by periodic progress monitoring. With the development of each new Strategic Plan, the Department charges its programs to reassess and develop goals with specific targets and accountability for achieving the desired results. Each program has initiated ongoing processes to track performance beginning with the evaluation of existing, as well as the creation of new, performance metrics that are in line with the operational priorities of the Department and its Performance Based Management Program.

---

Also, as personal and public information is collected by the Department to accomplish its lawful purpose, the physical, electronic and procedural safeguards that are in place to protect that information are continually reviewed and updated. Annual training programs for staff are an integral part of that process.

*WORKFORCE*

The Department will continue to analyze its staffing and refine its workforce plan to address short-term needs as well as the long-term issues of losing experienced staff due to potential retirements. The workforce plan addresses the ongoing need for adequate staffing and training as well as succession planning.

---

***STRATEGIC GOALS***  
(Goals are not in priority order.)

1. Enhance consumer awareness and protection.
2. Assess and improve services.
3. Promote workforce excellence.

The following are the department's outcomes, objectives, strategies and plans with respect to the aforementioned goals:

**GOAL 1: ENHANCE CONSUMER AWARENESS AND PROTECTION**

Outcomes	Objective	Strategy	Plan
More knowledgeable real estate practitioners.	By 2010, ensure 100% of the real estate salesperson and broker examination subject categories and sub-categories are applicable to identified current industry standards of practice.	Update real estate examination content	Perform a Job Analysis and Testing Procedures Study of the Department's Examination Program (2008/09 – 2009/10)
	By 2008, increase by 60% (compared to 2006 levels) the number of original real estate salesperson licenses issued to individuals who have a demonstrated real estate competency supplemented with the completion of a minimum of three college-level real estate courses.	Eliminate the real estate salesperson conditional license	Licensing will implement provisions of new legislation geared toward strengthening consumer protection through increased educational prerequisites and the elimination of the conditional license. (2006/07 – 2007/08)
	By 2009, transform the administration of 100% of real estate examinations scheduled at DRE examination center facilities from paper-based tests to an electronic examination delivery system.	Provide Electronic Examinations	Electronic Examinations Project (EEP) (2007/08 - 2008/09)
	By 2008, increase by 20% (compared to 2006 levels) the number of proactive audits related to high-risk mortgage lending activities, escrow handling, and property management.	Monitor industry activities relating to mortgage lending practices.	Implement Risk Assessment Program – Phase Two (2007/08)
	By 2009, answer and resolve 89% of incoming Licensing telephone calls through the deployment of a new call center that includes self-service options to assist the licensee population in maintaining their license status and professional educational standards.	Increase industry access to information	Licensing IVR System Upgrade (2007/08 - 2008/09)
	By 2010, update 100% of the Subdivisions guidelines and publications referenced by the building industry as informational resources in the proper submittal of applications for standard and common interest subdivision public reports.		Develop qualification guidelines for 'Tenancy-in-Common' type subdivisions (2007/08 – 2008/09) Revision of the SPRAG Manual (2008/09 – 2009/10)
Better informed public.	Through 2010, increase by 10% annually the number of key consumer real estate issues addressed through understandable public information made available through identified public outreach media: the Internet, publications, consumer disclosures, public forums, and news broadcasts.	Web Site  Publications  Public interaction and information	Redesign the DRE Web site (2007/08)  Update the 'Reserve Study Guidelines' publication to promote understanding of the reserve study portion of annual operating budgets (2009/10) Update the booklet, 'Reverse Mortgage, Is One Right for You' (2007/08) Study and develop a more proactive approach to alerting consumers and industry of abusive practices in the real estate marketplace (2007/08) Revision of the Subdivision Public Report format and language to improve consumer understanding (2007/08) Develop and implement a program by which the DRE would provide periodic guest columns to major newspapers stressing consumer education in the home buying and mortgage loan areas (2007/08)

**GOAL 2: ASSESS AND IMPROVE SERVICES**

Outcomes	Objective	Strategy	Plan
Increased number of online services and information.	Through 2010, annually increase by five (5) the number of online service offerings that, by quality and design, will leverage the Internet to provide one-stop access to services and transactions.	<p>Conduct management analysis to determine most beneficial services</p> <p>Consider expanding services to include mandatory reporting submittals and applications</p>	<p>Promote the use of the Internet (2007/2008 - 2009/10)</p> <p>Conduct a study to determine the feasibility of the electronic submission of pre-license and continuing education course information (2009/10)</p> <p>Study the feasibility of electronic submission of timeshare applications (2009/10)</p> <p>Develop a process for brokers to electronically submit MLB advertising for review and approval (2007/08 – 2008/09)</p>
Improved departmental access to information.	<p>Through 2010, improve operational efficiency and accessibility to information by reducing 70% of the labor hours associated with remedy and help desk trouble tickets associated with routine information technology user support issues.</p> <p>Through 2010, improve record file access and information management by providing 100% electronic sources and routing for fiscal processes, personnel action requests, and enforcement administrative action approval by converting current paper-based tracking processes into electronic management systems.</p> <p>By 2010, complete the automation of 100% of the audit working paper directory by implementing the remaining 3 (three) audit working papers.</p>	<p>Complete second phase of IT project</p> <p>Expand electronic access to DRE reference information and internal technology services.</p>	<p>Enhance DRE's technology infrastructure (2007/08 - 2009/10)</p> <p>IT Infrastructure Upgrade Project (2007/2008)</p> <p>Design and implement a technology solution that provides workflow collaboration and creates a digital library (2007/08-2008/09)</p> <p>Improve operations through the use of automation and technology for the daily reconciliation of the credit card process, invoice process for book orders, subpoenas and chargeable audits (2007/2008 - 2008/2009)</p> <p>Automate the Personnel Action Request Process (2008/09)</p> <p>Revise and implement computerized Subdivision Audit Working Papers (2007/08)</p> <p>Revise and implement computerized Broker Escrow Audit Working Papers (2008/09)</p> <p>Revise and implement computerized Residential Resale Audit Working Papers (2009/2010)</p>
Expanded Performance Management System.	<p>By 2009, to ensure consistent and effective department-wide performance management, expand the reported performance measures to meet 100% of the reporting requirements identified in the internal Performance Management Plan.</p> <p>By 2009, 100% completion of three (3) identified initiatives that will focus on pairing various investigative processes dictated by the type of enforcement case, administrative settlement methodology used in concluding enforcement actions, and department contracts management with innovation to find more effective tools and approaches to meet complex operational challenges.</p> <p>By 2010, upon completion of the financial analyses of specific business processes, establish an appropriate fee structure for 100% of the departmental services.</p> <p>By 2008, 100% development of two (2) recommendations that address the potential consolidation of the statewide mortgage broker threshold audit review functions into the same office as the Mortgage Lending Program and the possible expansion of the statewide district office presence to include the Inland Empire region.</p>	<p>Publish and expand measures</p> <p>Evaluate and modify business practices</p> <p>Consolidation and Expansion</p>	<p>Continue to enhance and automate department-wide Performance-Based Management (2007/08 – 2008/09)</p> <p>Study the investigative process to identify methods to improve efficiency (2007/08)</p> <p>Develop, study and implement a new process for the expedited and streamlined review of administrative cases for settlement potential (2007/08)</p> <p>Conduct an appropriate fee study (2009/10)</p> <p>Develop a Contract Management Plan (2007/08 - 2008/09)</p> <p>Feasibility of a Statewide Threshold Report Review Desk (2007/08)</p> <p>Study the feasibility of establishing a new district office (2007/08)</p>

GOAL 3: PROMOTE WORKFORCE EXCELLENCE

Outcomes	Objective	Strategy	Plan
<p>Workforce of employees who are competent, caring and committed to the mission of the department.</p>	<p>By 2010, reduce the time to recruit qualified, entry level auditor and deputy commissioner candidates by 20 days as a result of targeting recruitment goals through workforce planning, aligning employment classification specifications with current requirements, as well as improving hiring examination content, test delivery methods, results-notification processes, and establishment of list eligibility.</p>	<p>Recruit qualified and capable employment candidates</p>	<p>Workforce Planning Update (2007/08 – 2008/09)</p> <p>Update the Deputy Real Estate Commissioner Specifications (2007/08)</p> <p>Review existing Deputy Real Estate Commissioner examination (2008/09)</p> <p>Update the Managing Deputy Real Estate Commissioner specifications (2008/09)</p> <p>Review existing Auditor I examination (2009/10)</p>
	<p>By 2008, expand internal training programs by 50% to include four (4) key modules critical to departmental business functions - management training, enforcement deputy investigative training, mortgage lending training, and auditor training.</p>	<p>Develop training programs</p>	<p>Develop a DRE Management Training Program (2007/08)</p> <p>Develop a statewide Enforcement deputy training program (2007/08)</p> <p>Develop a Mortgage Loan Broker training module for inclusion in the DRE's overall Training Plan for Deputies and Auditors (2007/08)</p> <p>Revise Auditor Training Program (2007/2008)</p>
	<p>Through 2008, finalize three (3) procedures manuals documenting 80% of the critical business functions that have been identified through workforce management endeavors as high-priority succession planning tasks.</p>	<p>Provide employees with reference information as part of succession planning</p>	<p>Prepare a Legislative Procedures Manual (2007/08)</p> <p>Update internal Accounting Section Procedure Manuals (2007/08 - 2008/09)</p> <p>Update the Timeshare Manual (2007/08)</p>

---

## ***MONITORING PERFORMANCE***

To monitor overall progress and performance, the Commissioner and the Chief Deputy will conduct meetings, quarterly and as necessary, with each of the Program Managers who are responsible for carrying out the stated objectives.

## ***PROJECT MANAGEMENT METHODOLOGY***

The project management methodology employed by the Department of Real Estate is a disciplined, structured approach to managing projects. It addresses all phases of project management from conceptualization to completion. This methodology integrates scope, quality, time, costs, risk, human resources, contracts and communications with comprehensive guidelines for effective project management and administration, while providing sufficient flexibility to meet the needs of individual projects and project managers.

The system development methodology is folded into the project management methodology. The system development methodology follows the best practices of both the Project Management Institute's Project Management Book of Knowledge (PMBOK) and proven project management disciplines such as the Oracle CASE Method framework with which the Department has proven success. These practices cover the complete system lifecycle. The use of methodologies such as these is critical because it provides a framework by which complex problems can be attacked systematically by a group of technical experts consistently over the life of a project and into the system maintenance cycle. This process covers the Planning, Requirements Definition, Design, Build, Testing, Transition, and Production stages. This approach seeks to minimize mistakes to the maximum extent possible, adapts easily to anticipated change, and ensures that flexibility is designed into the structure of the system. Also, this methodology has defined benchmarks that are monitored and controlled as part of the project management effort.

These best practices, in addition to the State guidelines, generate a blended strategic approach to Project Management.

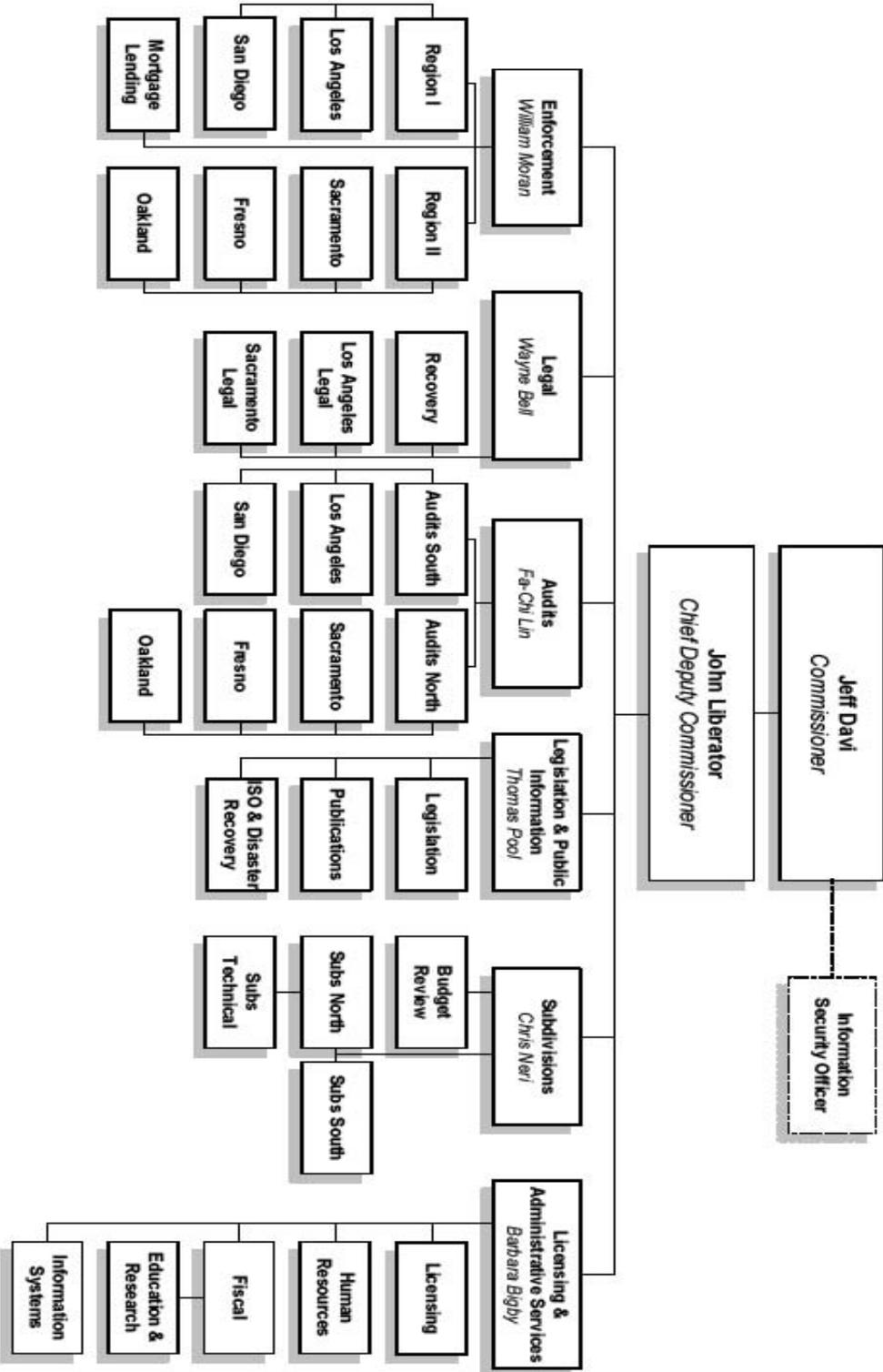
---

# *APPENDIX*

---



# Department of Real Estate



---

***APPENDIX B***

***RESOURCE ASSUMPTIONS***

Depending on additional information which may be developed in the future, it appears that the specific action plan items listed for fiscal years 2007/08, 2008/09, and 2009/10 can be accomplished within existing or projected resources except for the specific items set forth below, which may be dependent on resource augmentations being authorized through the budget process.

**2007/08:**

None

**2008/09:**

Study the feasibility of establishing a new district office. (Enforcement)

**2009/10:**

None

---

**APPENDIX C**

**FINANCIAL AND FULL-TIME EQUIVALENT (FTE) POSITION INFORMATION**

**EXPENDITURES:**

2005-06 Actual	\$32,773,526
2006-07 Estimated	\$44,983,000
2007-08 Projected	\$46,604,000

-----  
**POSITIONS (PY'S):**

2005-06 Actual	308.5
2006-07 Estimated	336.3
2007-08 Projected	336.5

-----  
**REVENUES:**

2005-06 Actual	\$47,975,516
2006-07 Estimated	\$45,100,000
2007-08 Projected	\$42,691,000

**APPENDIX D**

**CALIFORNIA DEPARTMENT OF REAL ESTATE**  
**Principal Office - Sacramento**  
2201 Broadway  
P.O. Box 187000  
Sacramento, CA 95818  
(916) 227-0782  
FAX: (916) 227-0777  
<http://www.dre.ca.gov>

Real Estate Commissioner  
Chief Deputy Commissioner  
Chief Legal Counsel  
Chief Auditor  
Assistant Commissioner, Enforcement  
Assistant Commissioner, Administrative Services  
Assistant Commissioner, Legislation & Public Information  
Assistant Commissioner, Subdivisions

Jeff M. Davi  
John R. Liberator  
Wayne Bell  
Fa-Chi Lin  
William Moran  
Barbara Bigby  
Thomas L. Pool  
Chris Neri

**FRESNO DISTRICT OFFICE**

2550 Mariposa Mall, Suite 3070  
Fresno, CA 93721-2273  
(559) 445-5009  
FAX: (559) 445-5879

**LOS ANGELES DISTRICT OFFICE**

320 W. 4<sup>th</sup> Street, Suite 350  
Los Angeles, CA 90013-1105  
(213) 620-2072  
FAX: (213) 576-6903

**OAKLAND DISTRICT OFFICE**

1515 Clay Street, Suite 702  
Oakland, CA 94612-1462  
(510) 622-2552  
FAX: (510) 622-2540

**SAN DIEGO DISTRICT OFFICE**

1350 Front Street, Suite 3064  
San Diego, CA 92101-2867  
(619) 525-4192  
FAX: (619) 525-4375