REGULAR MEETING AGENDA

October 18, 2018 at 10:00 a.m.

California State Association of Counties
1100 K Street, 3rd Floor, Sacramento, CA 95814

Telephonic Locations:

County of Kern
1115 Truxtun Avenue, Bakersfield, CA 93301

County of Solano
675 Texas Street, Fairfield, CA 94533

County of Yuba
915 8th Street, Marysville, CA 95901

City of Sausalito
420 Litho Street, Sausalito, CA 94965

A. OPENING AND PROCEDURAL ITEMS

1. Roll Call.
   — Dan Harrison, Chair
   — Larry Combs, Vice Chair
   — Kevin O’Rourke, Treasurer
   — Tim Snellings, Secretary

2. Consideration of the Minutes of the October 3, 2018 Special Meeting.

3. Consent Calendar.

4. Public Comment.

5. Recognition of Dan Harrison’s Service to CSCDA.

B. ITEMS FOR CONSIDERATION

6. Consideration of the issuance of revenue bonds or other obligations to finance or refinance the following projects, the execution and delivery of related documents, and other related actions:

This ___ page agenda was posted at 1100 K Street, Sacramento, California on ________________, 2018 at __:___. Signed ________________________________. Please email signed page to info@cscda.org
7. Conduct proceedings with respect to the Statewide Community Infrastructure Program (SCIP) (hearing to be held at 2 p.m. or shortly thereafter):
   a. Open Assessment District Public Hearing.
   b. Close Assessment District Public Hearing.
   c. Open assessment ballots and announce results.
   d. Consideration of resolution approving final engineer’s report, levying assessments, ordering the financing of specified development impact fees and/or capital improvements, and confirming unpaid assessment amounts.

8. Consideration Administration Agreement Renewal with PACE Funding.

9. Consideration of Key Card Sponsorship at CSAC Conference.

10. Closed Session: Conference with Legal Counsel – Initiation of Litigation, Government Code Section 54956.9(d)(4), One Case

11. Report, if any, from Closed Session.

C. STAFF ANNOUNCEMENTS, REPORTS ON ACTIVITIES OR REQUESTS

12. Executive Director Update.

13. Staff Updates.


NEXT MEETING: Thursday, November 1, 2018 at 2:00 p.m.
League of California Cities
1400 K Street, 3rd Floor, Sacramento, CA 95814
1. Inducement of Seaview Affordable Communities, L.P. (Seaview Village Apartments), City of Seaside, County of Monterey; issue up to $60 million in multi-family housing revenue bonds.

2. Consideration of Inglewood Community Facilities District Reimbursement Resolution.

3. Consideration of Amendment to Clean Fund Agreement for Riverside County.

October 18, 2018
1. Roll Call.
   ______ Dan Harrison, Chair
   ______ Larry Combs, Vice Chair
   ______ Kevin O’Rourke, Treasurer
   ______ Tim Snellings, Secretary
   ______ Jordan Kaufman, Member
   ______ Dan Mierzwia, Member
   ______ Brian Moura, Member
   ______ Michael Cooper, Alt. Member

2. Consideration of the Minutes of the February 16, 2017 Meeting.

3. Public Comment.


5. Executive Director Update.

6. Staff Updates.

7. Adjourn.
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**October 18, 2018**

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Commission Chair Dan Harrison called the meeting to order at 10:04 am.

1. Roll Call.

   Commission members present: Dan Harrison

   Commission members participating via teleconference: Larry Combs, Tim Snellings, and Brian Moura.

   Others present: James Hamill, Bridge Strategic Partners; Peter Pierce, Richards Watson & Gershon; and Sendy Young, CSAC Finance Corporation.

   Others participating via teleconference: Cathy Bando, CSCDA Executive Director

2. Consideration of the Minutes of the September 20, 2018 Regular Meeting.

   The Commission approved the September 20, 2018 regular meeting minutes.

   *Motion to approve by L. Combs. Second by T. Snellings. Unanimously approved by roll-call vote.*

3. Consideration of the Consent Calendar.

   The Commission approved the Consent Calendar.

   1. Inducement of 353 Main Street Family Apartments, L.P. (353 Main Street Family Apartments), City of Redwood City, County of San Mateo; issue up to $70 million in multi-family housing revenue bonds.

   2. Inducement of Hallmark 2019, LP (Hallmark House Apartments), City of Redwood City, County of San Mateo; issue up to $25 million in multi-family housing revenue bonds.

   3. Consideration of legal services agreement with Allen Matkins for bankruptcy counsel services related to Verity Health.
4. Consideration of CSCDA’s 2019 Meeting Calendar.

_Motion to approve by B. Moura. Second by T. Snellings. Unanimously approved with the by roll-call vote._

4. Public Comment.

There was no public comment.

5. Closed Session: Conference with Legal Counsel – Initiation of Litigation Government Code section 54956.9(d)(4), One Case

The CSCDA Special Meeting reconvened at 10:46 am.

6. Report, if any, from Closed Session.

Commission Chair Dan Harrison reported that CSCDA General Counsel provided guidance on potential litigation.

7. Executive Director Update.

Executive Director Bando informed the Commission that CSCDA would be represented at CAO’s Conference in a couple of weeks.

8. Staff Update.

James Hamill reminded the Commission of Dan Harrison’s farewell luncheon on October 18th.


The meeting was adjourned at 10:46 am.

Submitted by: Sendy Young, CSAC Finance Corporation

**NEXT MEETING:** Thursday, October 18, 2018 at 2:00 p.m.
California State Association of Counties
1100 K Street, 1st Floor, Sacramento, CA 95814
Agenda Item No. 3

Agenda Report

DATE: October 18, 2018

TO: CSCDA COMMISSIONERS

FROM: Cathy Bando, Executive Director

PURPOSE: Consent Calendar

SUMMARY:

2. Consideration of City of Inglewood (North Prairie) Community Facilities District Reimbursement Agreement.

   CSCDA is in the formation stage of a CFD in the City of Inglewood. As part of the formation process the developer will be required to deposit funds for upfront costs. Orrick, Herrington & Sutcliffe, LLP has prepared the form. Recommend approval.

3. Consideration of amendment to Clean Fund contract for Riverside County.

   Since certain Riverside County cities will not allow other JPA issuers to operate a PACE program within the County, CSCDA has released other PACE administrators, including Renew Financial and PACE Funding, from their exclusivity requirements under the Open PACE contract to participate with the Western Riverside Council of Governments. Clean Fund is requesting the same release and it is only applicable to Riverside County. Recommend approval.
DEPOSIT AND REIMBURSEMENT AGREEMENT

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

COMMUNITY FACILITIES DISTRICT

for

CITY OF INGLEWOOD (NORTH PRAIRIE PROJECT)

Recitals

The parties to this agreement are the CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY, a California joint exercise of powers authority (“CSCDA”), and VHDG Inglewood LLC, a Delaware limited liability company (the “Developer”).

A. The effective date of this agreement shall be [_______], 2018.

B. The Developer has requested CSCDA to implement special tax proceedings for the purposes of establishing a community facilities district (the “CFD”) to finance (i) certain public improvements and/or development impact fees relating to the development project commonly known as the North Prairie Project in the City of Inglewood, California (the “City”) and/or (ii) certain City services, said proceedings to be taken pursuant to the Mello-Roos Community Facilities Act of 1982 (Section 53311 and following, California Government Code) (the “Act”), and to issue and sell special tax bonds of CSCDA upon the security of the special tax levied and recorded against certain real property which the Developer has acquired or is in the process of acquiring and developing within said CFD.

C. In the event CSCDA is able to establish the CFD and to accomplish the sale and delivery of the special tax bonds pursuant to the Act, CSCDA intends to use the proceeds of sale thereof pursuant to the terms and conditions of this agreement to (1) reimburse the Developer for the deposits required by this agreement, (2) allow the City or other public agencies to acquire completed public improvements from the Developer, and (3) finance public improvements included in development impact fee programs of the City or other public agencies, applicable to development within the community facilities district, all in accordance with and subject to the terms and conditions of this agreement.

D. In consideration for the mutual undertakings of the parties stated herein, the parties agree as follows.

Agreement

1. The foregoing recitals are true and correct, and the parties expressly so acknowledge.

Forthwith upon approval of this agreement by the Commission of CSCDA and execution hereof by the authorized representatives of the parties, the Developer will deposit $50,000.00, into a special fund to be established and maintained by CSCDA. CSCDA is authorized to disburse amounts from said fund, from time to time, to pay preliminary and incidental
costs and expenses incurred by CSCDA in connection with CSCDA’s proceedings to implement the proposed CFD including specifically legal expenses and expenses associated with drafting a special tax report. Without limiting the generality of the foregoing, CSCDA may disburse amounts from said fund to other appropriate funds or accounts of CSCDA to reimburse CSCDA for the reasonable cost of staff time devoted to said proceedings, as well as to pay third party invoices from consultants retained by CSCDA to assist CSCDA in the implementation of the proposed CFD. Any payments to third parties shall be supported by appropriate invoices and shall be related to and for the purpose of completing formation of the proposed CFD and the sale of associated bonds. CSCDA agrees to provide the Developer with paid invoices upon request.

2. In the event that the balance in said fund is drawn down to an amount of less than $5,000, CSCDA may notify the Developer of such fact and provide the Developer a summary of the expenditure of the initial deposit, and the Developer shall forthwith provide CSCDA with an additional deposit of $10,000 or such larger amount specified by CSCDA to assure the continued availability of funds for the payment of such preliminary expenses.

3. Upon completing the legal proceedings pursuant to the Act, a special tax shall be authorized to be levied on the non-exempt real property within the CFD, commencing in the first fiscal year following completion of such processing. CSCDA shall proceed with all due diligence to accomplish issuance and sale of the special tax bonds in one or more series upon the security of the recorded special tax lien to accomplish the authorized purposes of the CFD, including, but not limited to, reimbursement to the Developer for its deposit or deposits pursuant to this agreement and its costs relating to the authorized public improvements and to acquire the completed work and improvements from the Developer upon completion; it being expressly understood that reimbursement to the developer may be contingent upon satisfaction of certain requirements relating to the Internal Revenue Code.

4. CSCDA agrees to use its best efforts to accomplish a public offering and sale of the proposed special tax bonds, it being understood that CSCDA intends to accomplish such offering and sale through a negotiated sale to RBC Capital Markets, LLC (the “Underwriter”). To enable CSCDA and the Underwriter to prepare an Official Statement to be utilized in connection with the Underwriter’s public offering of the proposed special tax bonds, the Developer agrees to provide such financial information, development program information, title reports, appraisal reports, and such other information as the Underwriter may consider material in connection with preparing the Official Statement and determining feasibility and structure of the proposed special tax bond issue. Such reports and information shall be provided to CSCDA and to the Underwriter at no cost to either, and the actual cost and expense of the Developer shall be eligible for reimbursement from bond sale proceeds, provided that sufficient allowance has been made in the cost estimate and bond sale for that purpose.
IN WITNESS WHEREOF, the parties hereto have caused this agreement to be executed by their authorized representatives as of the effective date stated above.

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

By ____________________________
Authorized Signatory

VHDG INGLEWOOD LLC,
a Delaware limited liability company

By ____________________________
Authorized Signatory
FIRST AMENDMENT TO 
CSCDA OPEN PACE PROGRAM ADMINISTRATOR 
PROFESSIONAL SERVICES AGREEMENT

This First Amendment to CSCDA Open PACE Program Administrator Professional Services Agreement ("Amendment") is dated as of October 18, 2018 ("Effective Date") and is between the California Statewide Communities Development Authority, a California joint powers authority (the “Authority” or “CSCDA”) and CleanFund Commercial PACE Capital, Inc. a Delaware corporation (“Administrator”). CSCDA and Administrator are sometimes individually referred to as “Party” and collectively as “Parties” in this Agreement.

RECITALS

A. The Parties entered into that certain CSCDA Open PACE Program Administrator Professional Services Agreement, dated as of April 7, 2016 (the “Agreement”) for the purpose of retaining Administrator to administer the CSCDA Open PACE Program (the “Program”).

B. The Agreement prohibits Administrator from entering into an agreement for services to administer a property assessed clean energy program with another joint powers authority or governmental agency that directly competes with the Program, without the prior written consent of CSCDA.

C. The Parties desire to amend the Agreement to allow Administrator to administer a competing property assessed clean energy program in the County of Riverside under certain conditions.

AGREEMENT

The Parties therefore agree as follows:

1. Paragraph H (Exclusivity) of Section 2 (Administrator’s Services) shall be amended in its entirety to read as follows:

“H. Exclusivity. Administrator shall not enter into an agreement for services to administer a property assessed clean energy (“PACE”) program with another joint powers authority or governmental agency that directly competes with the Program, except as permitted in the following subparagraph G1.

H1. County of Riverside. Administrator may offer a competing PACE program in a city within the County of Riverside unless such city has authorized within its jurisdiction the operation of the Program, and only until such time such city has authorized within its jurisdiction the operation of the Program (the date of such authorization being the “Authorization Date”). Any application initiated but not funded under a competing PACE program on the Authorization Date may be funded under the competing PACE program; provided, however, that no such application may be submitted to the competing PACE program on a date that is more than 30 days after the Authorization Date.”
2. Except as hereby amended, the Agreement, remains in full force and effect.

3. This Amendment and all amendments and supplements to it may be executed in counterparts, and all counterparts together shall be construed as one document.

4. The Parties, through their duly authorized representatives, are signing this Amendment as of the Effective Date.

CSCDA: California Statewide Communities Development Authority, a California joint powers authority

Administrator: CleanFund Commercial PACE, Inc., a Delaware corporation

By: ________________________________         By: ________________________________

Name: ________________________________        Name: ________________________________

Title: ________________________________        Title: ________________________________
RESOLUTION NO. 18H-__

A RESOLUTION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY SETTING FORTH THE AUTHORITY'S OFFICIAL INTENT TO ISSUE MULTIFAMILY HOUSING REVENUE BONDS TO UNDERTAKE THE FINANCING OF VARIOUS MULTIFAMILY RENTAL HOUSING PROJECTS AND RELATED ACTIONS

WHEREAS, the Authority is authorized and empowered by the Title 1, Division 7, Chapter 5 of the California Government Code to issue mortgage revenue bonds pursuant to Part 5 (commencing with Section 52000) of the California Health and Safety Code (the “Act”), for the purpose of financing multifamily rental housing projects; and

WHEREAS, the borrowers identified in Exhibit A hereto and/or related entities (collectively, the “Borrowers”) have requested that the Authority issue and sell multifamily housing revenue bonds (the “Bonds”) pursuant to the Act for the purpose of financing the acquisition and rehabilitation or construction as set forth in Exhibit A, of certain multifamily rental housing developments identified in Exhibit A hereto (collectively, the “Projects”); and

WHEREAS, the Authority, in the course of assisting the Borrowers in financing the Projects, expects that the Borrowers have paid or may pay certain expenditures (the “Reimbursement Expenditures”) in connection with the Projects within 60 days prior to the adoption of this Resolution and prior to the issuance of the Bonds for the purpose of financing costs associated with the Projects on a long-term basis; and

WHEREAS, Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations require the Authority to declare its reasonable official intent to reimburse prior expenditures for the Projects with proceeds of a subsequent tax-exempt borrowing; and

WHEREAS, the Authority wishes to declare its intention to authorize the issuance of Bonds for the purpose of financing costs of the Projects (including reimbursement of the Reimbursement Expenditures, when so requested by the Borrower upon such terms and condition as may then be agreed upon by the Authority, the Borrower and the purchaser of the Bonds) in an aggregate principal amount not to exceed the amount with respect to each Project set forth in Exhibit A; and

WHEREAS, Section 146 of the Internal Revenue Code of 1986 limits the amount of multifamily housing mortgage revenue bonds that may be issued on behalf of for-profit borrowers in any calendar year by entities within a state and authorizes the governor or the legislature of a state to provide the method of allocation within the state; and

WHEREAS, Chapter 11.8 of Division 1 of Title 2 of the California Government Code governs the allocation of the state ceiling among governmental units in the State of California having the authority to issue private activity bonds; and

WHEREAS, Section 8869.85 of the California Government Code requires a local agency desiring an allocation of the state ceiling to file an application with the California Debt Limit Allocation Committee (the “Committee”) for such allocation, and the Committee has certain policies that are to be satisfied in connection with any such application;
NOW, THEREFORE, BE IT RESOLVED by the Commission of the Authority as follows:

Section 1. The above recitals, and each of them, are true and correct.

Section 2. The Authority hereby determines that it is necessary and desirable to provide financing for the Projects (including reimbursement of the Reimbursement Expenditures) by the issuance and sale of Bonds pursuant to the Act, as shall be authorized by resolution of the Authority at a meeting to be held for such purpose, in aggregate principal amounts not to exceed the amounts set forth in Exhibit A. This action is taken expressly for the purpose of inducing the Borrowers to undertake the Projects, and nothing contained herein shall be construed to signify that the Projects comply with the planning, zoning, subdivision and building laws and ordinances applicable thereto or to suggest that the Authority or any program participant, officer or agent of the Authority will grant any such approval, consent or permit that may be required in connection with the acquisition and construction or rehabilitation of the Projects, or that the Authority will make any expenditures, incur any indebtedness, or proceed with the financing of the Project.

Section 3. This resolution is being adopted by the Authority for purposes of establishing compliance with the requirements of Section 1.103-8(a)(5) and Section 1.150-2 of the Treasury Regulations. In such regard, the Authority hereby declares its official intent to use proceeds of indebtedness to reimburse the Reimbursement Expenditures.

Section 4. The officers and/or the program managers of the Authority are hereby authorized and directed to apply to the Committee for an allocation from the state ceiling of private activity bonds to be issued by the Authority for each of the Projects in an amount not to exceed the amounts set forth in Exhibit A, and to take any and all other actions as may be necessary or appropriate in connection with such application, including but not limited to the payment of fees, the posting of deposits and the provision of certificates, and any such actions heretofore taken by such officers and program managers are hereby ratified, approved and confirmed.
PASSED AND ADOPTED by the California Statewide Communities Development Authority this October 18, 2018.

The undersigned, an Authorized Signatory of the California Statewide Communities Development Authority, DOES HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commission of said Authority at a duly called meeting of the Commission of said Authority held in accordance with law on October 18, 2018.

By: ________________________________

Authorized Signatory
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<th>Project Location</th>
<th>Project Description (units)</th>
<th>New Construction/ Acquisition and Rehabilitation</th>
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<td>City of Seaside, County of Monterey</td>
<td>133</td>
<td>Acquisition and Rehabilitation</td>
<td>Seaview Affordable Communities, L.P.</td>
<td>$60,000,000</td>
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A RESOLUTION DECLARING OFFICIAL INTENT TO REIMBURSE CERTAIN EXPENDITURES FROM PROCEEDS OF TAX-EXEMPT OBLIGATIONS, AND RELATED MATTERS.

WHEREAS, the Commission (the “Commission”) of the California Statewide Communities Development Authority (the “Authority”) expects the City of Inglewood (the “City”) and/or VHDG Inglewood LLC, a Delaware limited partnership (the “Developer”) to incur capital expenditures (the “Reimbursement Expenditures”) in connection with the projects more particularly identified on Exhibit A hereto (the “Projects”) prior to the issuance of tax-exempt obligations (the “Debt”) to finance such Projects; and

WHEREAS, the Commission reasonably expects that the Debt will be issued by the Authority in an amount not to exceed $8,000,000 and that certain of the proceeds of such Debt will be used to reimburse the Reimbursement Expenditures; and

WHEREAS, Section 1.150-2 of the Treasury Regulations (the “Treasury Regulations”) requires the Authority to declare its reasonable official intent to reimburse prior expenditures for the Projects with proceeds of a subsequent borrowing.

NOW, THEREFORE, BE IT RESOLVED by the Commission of the California Statewide Communities Development Authority, as follows:

Section 1. Recitals. That the foregoing recitals are true and correct.

Section 2. Purpose of Resolution. That this resolution is adopted solely for purposes of establishing compliance with the requirements of Section 1.150-2 of the Treasury Regulations. This resolution does not bind the Authority to make any expenditure, incur any Debt, or proceed with the Projects.

Section 3. Declaration of Authority. That the Authority hereby declares its official intent to reimburse the City and/or the Developer with proceeds of indebtedness for any of the Reimbursement Expenditures incurred by them prior to incurring such Debt.

Section 4. Effective Date of Resolution. This Resolution shall take effect immediately upon its adoption.
PASSED AND ADOPTED by the California Statewide Communities Development Authority this [__th/st]day of [____], 2018.

I, the undersigned, a duly appointed and qualified Authorized Signatory of the Commission of the California Statewide Communities Development Authority, DO HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commission of said Authority at a duly called meeting of the Commission of said Authority held in accordance with law on [____], 2018.

By: ______________________________________
    Authorized Signatory
    California Statewide Communities
    Development Authority
EXHIBIT A
PROJECT LIST

Construction of capital improvements by the City of Inglewood eligible for construction from its sewer connection fees, water connection and meter fees, and park fees and construction of school facilities and other related public capital improvements eligible for financing from the Inglewood Unified School District’s school impact fees.
Agenda Item No. 6a

Agenda Report

DATE: October 18, 2018
TO: CSCDA COMMISSIONERS
FROM: Cathy Bando, Executive Director
PROJECT: Las Cortes Apartments
PURPOSE: Approve the Financing of Rental Affordable Housing Project Located in the City of Oxnard, County of Ventura
AMOUNT: Not to Exceed $1,600,000

EXECUTIVE SUMMARY:

On June 23, 2016, CSCDA issued $29,559,000 in multi-family housing revenue bonds for Las Cortes Apartments (the “Project”), a new 144-unit rental affordable housing project located in the City of Oxnard (the “City”). 100% of the units will be rent restricted for low-income tenants. The Project encountered unforeseen additional costs requiring additional supplemental CSCDA issued tax-exempt bonds in order to remain in compliance with CDLAC’s 50% test.

PROJECT DESCRIPTION:

• Construction of 144-unit affordable rental housing facility located at 100 Amelia Court in the City of Oxnard.
• 12 acre site.
• 10 two-story wood frame buildings and one three-story building.
• Consists of 48 one-bedroom units, 42 two-bedroom units, 39 three-bedroom units, and 15 four-bedroom units.

PROJECT ANALYSIS:

Background on Applicant:

Urban Housing Communities (UHC) is a family-owned, mission-driven company dedicated to developing affordable, sustainable housing that benefits communities and stakeholders. UHC communities offer seniors and families earning 60% or less than area median income, attractive, safe, healthy, vital places to live in California. UHC’s on-site social services ensure their residents’ basic needs are met: health, education, and financial stability. Then UHC programming goes beyond the basics, tailoring services to a resident’s specific needs. UHC has established strong
relationships with local vendors, jurisdictional departments, state organizations, and political leadership throughout California. Las Cortes Apartments is UHC’s 8th financing with CSCDA.

Public Agency Approval:

TEFRA Hearing: July 7, 2015 – City of Oxnard – unanimous approval

CDLAC Approval: September 19, 2018 (supplemental allocation)

Public Benefits:

- 100% of the units will be rent restricted for 55 years.
  - 65% (92 units) restricted to 60% or less of area median income households.
  - 35% (50 units) restricted to 50% or less of area median income households.
- The Project is in walking distance to recreational facilities, grocery stores, and public K-12 schools.

Sources and Uses:

Sources of Funds:
  - Tax-Exempt Bonds: $1,300,000
  - Total Sources: $1,300,000

Uses of Funds:
  - Project Fund: $1,300,000
  - Total Uses: $1,300,000

Finance Partners:

Bond Counsel: Orrick, Herrington & Sutcliffe, LLP, San Francisco

Authority Counsel: Orrick, Herrington & Sutcliffe, LLP, Sacramento

Private Placement Purchaser: Bank of America Community Development Corporation

Finance Terms:

Rating: Unrated
Term: 24-month construction bonds; then converting to a FHA/HUD loan
Structure: Private Placement
Estimated Closing: October 31, 2018
CSCDA Policy Compliance:

The financing of the Project complies with CSCDA’s general and issuance policies for unrated debt.

DOCUMENTS: (as attachments)

1. CSCDA Resolution (Attachment A)

COMMISSION ACTION RECOMMENDED BY THE EXECUTIVE DIRECTOR:

1. Approves the issuance of the Bonds and the financing of the Project;

2. Approves all necessary actions and documents in connection with the financing; and

3. Authorizes any member of the Commission or Authorized Signatory to sign all necessary documents.
ATTACHMENT A

RESOLUTION NO. 18H-___

A RESOLUTION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY AUTHORIZING THE ISSUANCE AND DELIVERY OF MULTIFAMILY HOUSING REVENUE BONDS IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $1,600,000 TO FINANCE A MULTIFAMILY RENTAL HOUSING PROJECT LOCATED IN OXNARD, CALIFORNIA AND GENERALLY KNOWN AS LAS CORTES APARTMENTS; DETERMINING AND PRESCRIBING CERTAIN MATTERS AND APPROVING AND AUTHORIZING THE EXECUTION OF AND DELIVERY OF VARIOUS DOCUMENTS RELATED THERETO; RATIFYING ANY ACTION HERETOFORE TAKEN AND APPROVING RELATED MATTERS IN CONNECTION WITH THE BONDS.

WHEREAS, the California Statewide Communities Development Authority (the “Authority”) is authorized by the Joint Powers Act, commencing with Section 6500 of the California Government Code (the “JPA Law”), and its Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988, as the same may be amended (the “Agreement”), to issue revenue bonds for the purpose of financing, among other things, the acquisition, construction, development and rehabilitation of multifamily rental housing projects in accordance with Chapter 7 of Part 5 of Division 31 of the California Health and Safety Code (the “Housing Law”);

WHEREAS, UHC 00558 Oxnard, L.P., a California limited partnership, and entities related thereto (collectively, the “Borrower”), has requested that the Authority issue not to exceed $1,600,000 aggregate principal amount of its multifamily housing revenue bonds in one or more series (as further described in Section 2 hereof, the “Bonds”) to assist in the financing of the acquisition, construction and development of a multifamily rental housing development located in Oxnard, California, and generally known as Las Cortes Apartments (the “Project”);

WHEREAS, the Authority previously issued its Multifamily Housing Revenue Bonds (Las Cortes Apartments) 2016 Series J-1, in the aggregate principal amount of $18,242,000, and its Multifamily Housing Revenue Bonds (Las Cortes Apartments) 2016 Series J-2, in the aggregate principal amount of $11,317,000 (collectively, the “2016 Bonds”) pursuant to a Trust Indenture, dated as of June 1, 2016 (the “Original Indenture”), by and between the Authority and Wilmington Trust, National Association, as trustee (the “Trustee”), to provide financing for the Project;

WHEREAS, in connection with the issuance of the Bonds, the Authority and the Trustee will amend the Original Indenture and certain other documents to provide for the issuance of the Bonds;

WHEREAS, on September 19, 2018, the Authority received a supplemental allocation of private activity bond volume cap for the Project in the amount of $1,300,000 (the “Supplemental Allocation Amount”) from the California Debt Limit Allocation Committee;
WHEREAS, the City of Oxnard is a Program Participant (as defined in the Agreement) of the Authority and has authorized the issuance of the bonds for the Project;

WHEREAS, the Authority is willing to execute and deliver the Bonds in an aggregate principal amount not to exceed $1,600,000, provided that the portion of such Bonds issued as federally tax-exempt obligations shall not exceed the Supplemental Allocation Amount, and to loan the proceeds thereof to the Borrower to assist in providing financing for the Project, which will allow the Borrower to reduce the cost of the Project and to assist in providing housing for low income persons;

WHEREAS, pursuant to Section 5852.1 of the California Government Code, the Authority, as a conduit financing provider, has received certain representations and good faith estimates from the Borrower and has disclosed such good faith estimates as set forth on Exhibit A attached hereto;

WHEREAS, there have been prepared and presented at this meeting the following documents required for the issuance of the Bonds, each of which is in substantial form and an appropriate instrument to be executed and delivered for the purposes intended:

(1) Amended and Restated Trust Indenture (the “Indenture”), to be entered into between the Authority and the Trustee);

(2) Amended and Restated Loan Agreement to be entered into among the Authority, the Trustee and the Borrower (the “Loan Agreement”) with respect to the Bonds;

(3) First Amendment to Regulatory Agreement to be entered into among the Authority, the Trustee and the Borrower (the “Amendment”); and

(4) Bond Purchase Agreement (the “Purchase Contract”) to be entered into among the Authority, the Borrower and Banc of America Public Capital Corp, as purchaser of the Bonds (the “Purchaser”).

NOW, THEREFORE, BE IT RESOLVED by the members of the Commission of the Authority, as follows:

Section 1. The recitals set forth above are true and correct, and the members of the Commission hereby find them to be so.

Section 2. Pursuant to the JPA Law and the Indenture, and in accordance with the Housing Law, the Authority is hereby authorized to issue one or more series of Bonds in an amount not to exceed $1,600,000; provided that the aggregate principal amount of any tax-exempt Bonds issued shall not exceed the Supplemental Allocation Amount. The Bonds shall be designated as “California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (Las Cortes Apartments) 2018 Series Q,” with appropriate sub-series designations as needed. The Bonds shall be in the form set forth in and otherwise in accordance with the Indenture and shall be executed on behalf of the Authority by the facsimile signature of the Chair of the Authority or the manual signature of any Authorized Signatory (as defined below), and attested by the facsimile signature of the Secretary of the Authority, or the manual signature of any
Authorized Signatory. The Bonds shall be issued and secured in accordance with the terms of the Indenture, presented to this meeting, as hereinafter approved. Payment of the principal and purchase price of, and redemption premium, if any, and interest on, the Bonds shall be made solely from amounts pledged thereto under the Indenture, and the Bonds shall not be deemed to constitute a debt or liability of the Authority or any Program Participant or any Member of the Commission of the Authority (each, a “Member”).

Section 3. The Indenture in the form presented at this meeting is hereby approved. Any Member, or any other person as may be designated and authorized to sign for the Authority pursuant to a resolution adopted thereby (including, without limitation, the administrative delegates duly authorized pursuant to Resolution No. 18R-2 of the Authority, adopted on April 19, 2018) (together with the Members, each such person is referred to herein individually as an “Authorized Signatory”), acting alone, is authorized to execute by manual or facsimile signature, and to deliver to the Trustee, the Indenture with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof. The principal amount, date, maturity date or dates (which shall not extend beyond October 1, 2063), interest rate or rates (which shall not exceed 12%), interest payment dates, denominations, form, registration privileges, manner of execution, place of payment, terms of redemption and other terms of the Bonds shall be as provided in the Indenture as finally executed.

Section 4. The form, terms and provisions of the Loan Agreement in the form presented at this meeting are hereby approved. Any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Loan Agreement with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

Section 5. The form, terms and provisions of the Amendment in the form presented at this meeting are hereby approved and any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Amendment with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

Section 6. The Authority is hereby authorized to sell the Bonds to the Purchaser pursuant to the terms and conditions of the Purchase Contract. The form, terms and provisions of the Purchase Contract in the form presented at this meeting are hereby approved and any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Purchase Contract with such changes and insertions therein as may be necessary to cause the same to carry out the intent of this Resolution and as are hereby approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

Section 7. The Bonds, when executed, shall be delivered to the Trustee for authentication. The Trustee is hereby requested and directed to authenticate the Bonds by executing the Trustee’s certificate of authentication appearing thereon, and to deliver the Bonds, when duly executed and authenticated, to or at the direction of the Purchaser, in accordance with written instructions executed and delivered on behalf of the Authority by an Authorized Signatory, which
Authorized Signatory, acting alone, is hereby authorized and directed to execute and deliver such instructions to the Trustee. Such instructions shall provide for the delivery of the Bonds to or at the direction of the Purchaser in accordance with the Purchase Contract upon payment of the purchase price thereof.

Section 8. All actions heretofore taken by the officers and agents of the Authority with respect to the financing of the Project and the sale and issuance of the Bonds are hereby approved, ratified and confirmed, and any Authorized Signatory, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to a tax certificate, an amendment to regulatory agreement, amendments to or terminations of any security documents or other ancillary documents relating to the 2016 Bonds or the Bonds, any endorsement and/or assignment of the promissory note or other security for payment of the 2016 Bonds or the Bonds, and such other documents as described in the Indenture or the Purchase Contract, which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and delivery of the Bonds and to effectuate the purposes thereof and of the documents herein approved in accordance with this resolution and resolutions heretofore adopted by the Authority with respect to the Project and otherwise in order to carry out the financing of the Project.

Section 9. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the issuance of the Bonds, including without limitation any of the foregoing that may be necessary or desirable in connection with any default under or amendment of such documents, any transfer or other disposition of the Project, any addition or substitution of security for the Bonds or any redemption of the Bonds, may be given or taken by any Authorized Signatory, as appropriate, without further authorization by the Commission, and each such officer is hereby authorized and directed to give any such consent, approval, notice, order or request and to take any such action that such officer may deem necessary or desirable to further the purposes of this Resolution and the financing of the Project; provided such action shall not create any obligation or liability of the Authority other than as provided in the Indenture, and other documents approved herein.

Section 10. This Resolution shall take effect upon its adoption.

PASSED AND ADOPTED by the California Statewide Communities Development Authority this 18th day of October, 2018.

The undersigned, an Authorized Signatory of the California Statewide Communities Development Authority, DOES HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commission of the Authority at a duly called meeting of the Commission of said Authority held in accordance with law on October 18, 2018.

By _____________________________
Authorized Signatory
Agenda Item No. 7

Agenda Report

DATE: October 18, 2018

TO: CSCDA COMMISSIONERS

FROM: Cathy Bando, Executive Director

PURPOSE: 1. Conduct proceedings with respect to SCIP Assessment Districts (hearing to be held at 2:00 p.m. or shortly thereafter).

2. Consideration of resolutions with respect to SCIP 2018C (Ogden Ranch).

BACKGROUND AND SUMMARY:

On July 19, 2018 the Commission approved the resolution of intention for a SCIP assessment district known as Ogden Ranch in the City of Sacramento, and set the public hearing for September 6, 2018 for the formation of the assessment districts outlined below. The hearing on September 6, 2018 was continued to today’s meeting. A summary of the Ogden Ranch project is summarized in Attachment A.

The Commission is being asked today to:

(1) Conduct the public hearing for SCIP 2018C (Ogden Ranch);

(2) Approve the final engineer’s reports for SCIP 2018C (Ogden Ranch) assessment district, levying assessments, ordering the financing of specified development impact fees and/or capital improvements, and confirming unpaid assessment amounts.

FORMATION OF DISTRICTS:

The assessment district is being formed for the purpose of financing certain improvements and/or development impact fees as further described in the related engineer’s reports for such projects. Depending on market conditions and development status of each of the projects, such assessment districts will be included in one or more pooled or standalone bond issuances for SCIP.
RECOMMENDED ACTION:

CSCDA’s Executive Director recommends that the Commission approve the following:

1. Open Assessment District public hearing.
2. Close Assessment District public hearing.
3. Open Assessment District ballots and announce results.
4. Consideration of the following resolutions with respect to SCIP (Attachment B):
   a. Resolutions approving final engineer’s reports, levying assessments, ordering the financing of specified development impact fees and capital improvements, and confirming amounts of unpaid assessments.
<table>
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<th>Series</th>
<th>AD No.</th>
<th>County</th>
<th>Local Agency</th>
<th>Project</th>
<th>Developer</th>
<th>Land Use</th>
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<td>18-16</td>
<td>Sacramento</td>
<td>Sacramento, County of</td>
<td>Ogden Ranch (Phase I)</td>
<td>Silverado Land Holdings, LLC</td>
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ATTACHMENT B

RESOLUTION NO. 18SCIP-[ResNo]

RESOLUTION OF THE COMMISSION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY APPROVING THE FINAL ENGINEER’S REPORTS, LEVYING ASSESSMENTS, ORDERING THE FINANCING OF SPECIFIED DEVELOPMENT IMPACT FEES AND/OR CAPITAL IMPROVEMENTS, CONFIRMING THE AMOUNT OF UNPAID ASSESSMENTS, AND DIRECTING RELATED ACTIONS

WHEREAS, the California Statewide Communities Development Authority is a joint exercise of powers entity duly organized and existing under and by virtue of the laws of the State of California (the “Authority”), with this Commission (this “Commission”) serving as the legislative body of the Authority; and

WHEREAS, this Commission has taken a series of actions pursuant to the Municipal Improvement Act of 1913 (Division 12, commencing with Section 10000 of the Streets and Highways Code of the State of California) (the “1913 Act”) preliminary to ordering the financing of certain public capital improvements and/or of certain development impact fees, the proceeds of which will be used to pay the cost of other public capital improvements (the “Fees and/or Improvements”), in each case eligible to be funded under the 1913 Act, which development impact fees and/or capital improvements are described in the Final Engineer’s Reports (defined herein) approved by this Resolution, said fees and/or capital improvements and related incidental expenses allocable thereto to be charged to the parcels of land with respect to which the Fees and/or Improvements are payable or are to be located, as applicable, in connection with the proposed development of said parcels of land which are situated within one or more assessment districts (the “Districts”) to be designated as set forth in Exhibit A attached hereto and by this reference incorporated into this Resolution; and

WHEREAS, the program of the Authority providing for the financing of eligible development impact fees and capital improvements is commonly known as the “Statewide Community Infrastructure Program,” or “SCIP”; and

WHEREAS, on July 19, 2018, this Commission approved one or more boundary maps for the Districts and adopted one or more Resolutions of Intention (the “Resolutions of Intention”) relating to the Districts, and such boundary maps were thereafter filed for record in the office of the County Recorder of Sacramento County; and

WHEREAS, in accordance with the direction of this Commission provided in the Resolutions of Intention, the Assessment Engineer of the Authority for SCIP, as Engineer of Work (the “Engineer of Work”), prepared and filed with the Authority on July 19, 2018, a report for each District containing the information regarding such District required by Section 10204 of the Streets and Highways Code of the State of California, which reports were duly presented to this Commission for preliminary consideration; and

WHEREAS, this Commission, by one or more separate resolutions duly adopted on July 19, 2018 (the “Resolutions of Preliminary Approval”), corresponding to each of the proposed Districts, preliminarily approved the reports, and fixed 2:00 p.m., or as soon thereafter as the matter might be heard, on September 6, 2018, at the offices of the League of California Cities, 1400 K Street, 3rd Floor, Sacramento, California 95814, and continued with respect to the Districts to October 18, 2018, at the offices of the
California State Association of Counties, 1100 K Street, Sacramento, California 95814, as the time and place for a public hearing with respect to the financing of the Fees and/or Improvements, to the extent of the Districts and to the levy of the assessments therein (the “Assessments”); and

WHEREAS, prior to the public hearing on the date hereof, the Engineer of Work found it necessary to prepare and submit one or more modified engineer’s reports (the “Final Engineers Reports”) for the Districts due to requests from certain property owners to reduce the assessment amount, remove parcels, reflect subdivision of parcels, and/or effect certain ministerial modifications; and

WHEREAS, this Commission directed that notice of the public hearing and the related property owner assessment ballot procedure be given in the time, form and manner required by Article XIIID of the California Constitution (“Article XIIID”), together with the property owner assessment ballots themselves; and

WHEREAS, there have been filed with the Authority separate certificates with respect to each District setting forth the time and manner of the compliance with the requirements of law for mailing (a) the notices of the public hearing and assessment ballot procedure and (b) the property owner assessment ballots, as required by Article XIIID; and

WHEREAS, this Commission hereby finds and determines that notices of public hearing and assessment ballot procedure and the property owner assessment ballots themselves have been mailed in the form and manner required by Article XIIID; and

WHEREAS, said public hearing was duly convened by this Commission as a consolidated public hearing for all such Districts at said time and place specified in the notice of public hearing and was at such time continued to the date hereof, and this Commission has proceeded with said public hearing and duly heard all interested parties desiring to be heard at said public hearing on any aspect of any of the proposed Districts; and

WHEREAS, having thereupon closed the public hearing, and the assessment ballots which had been returned having been opened and tallied, and it having been determined that all of the assessment ballots which were returned were marked in support of the proposed levy of Assessments, this Commission hereby finds and determines that property owner assessment ballots cast against the levy of the Assessments did not exceed the property owner ballots cast in favor of the levy of the Assessments, with the assessment ballots weighted in proportion to the amount of the proposed Assessment for the parcel to which each such assessment ballot pertains; and

WHEREAS, this Commission has elected to comply with the requirements of Part 7.5 of the Special Assessment Investigation, Limitation and Majority Protest Act of 1931 (the “1931 Act”), being Division 4 (commencing with Section 2800) of Streets and Highways Code of the State of California, and on the basis of the information included in each Final Engineer’s Report, this Commission hereby finds and determines that the requirements of the 1931 Act are satisfied in the manner provided by subsection (d) of Section 2961 of said Part 7.5 of the 1931 Act; and

WHEREAS, there has been filed with the Authority a Consent and Waiver executed by each owner of each of the parcels upon which an Assessment is proposed to be levied or by an authorized representative of each owner, waiving any defect in the notice or procedure in the conduct of the public hearing and the assessment ballot procedure including the timing of receipt of the notice of the public hearing, waiving the entitlement to pay all or any part the Assessment in cash within the 30-day cash payment period, and consenting to the modifications made to the applicable Engineer’s Report between the preliminary approval thereof and approval of the Final Engineer’s Reports by this Resolution; and
WHEREAS, on the basis of the executed Consent and Waiver forms on file with the Authority, in which each owner of each parcel on which an Assessment is proposed to be levied has waived the entitlement to pay all or any portion of such Assessment levied upon the such parcel in cash (which entails the benefit of a cash payment discount) prior to the issuance, sale and delivery of bonds upon the security of such Assessment, the Authority has confirmed that the amount of unpaid Assessments is equal to the full amount of the Assessments levied;

NOW, THEREFORE, BE IT RESOLVED by the Commission of the California Statewide Communities Development Authority, as follows:

Section 1. The foregoing recitals are true and correct, and this Commission so finds and determines.

Section 2. There having been no protest received (either written or oral) from any owner of any of the parcels of land upon which an Assessment is proposed to be levied, this Commission finds that there has not been a “majority protest,” as said term is defined by Article XIIID, and this Commission hereby overrules the protests received, if any, whether written and oral, from any other person.

Section 3. This Commission hereby approves the Final Engineer’s Reports and the component parts thereof, including each exhibit incorporated by reference in the reports.

Section 4. This Commission hereby finds and determines that the requirements of the 1931 Act have been satisfied in the manner provided by Part 7.5 thereof, and this action shall be final as to all persons.

Section 5. This Commission hereby finds and determines that the Engineer of Work, in the Final Engineer’s Reports, has fairly and properly apportioned the cost of the financing of the Fees and/or Improvements to each parcel of land in the Districts in proportion to the estimated benefits to be received by each parcel, respectively, from the financing of the Fees and/or Improvements. This Commission hereby confirms and levies each individual Assessment as stated in the Final Engineer’s Reports.

Section 6. Bonds representing unpaid Assessments, and bearing interest at a rate not to exceed twelve (12%) per annum, will be issued in the manner provided by the Improvement Bond Act of 1915 (Division 10, commencing with Section 8500, of the Streets and Highways Code of the State of California) (the “1915 Act”), and the last installment of the bonds shall mature not to exceed twenty-nine (29) years from the second day of September next succeeding twelve (12) months from their date.

Section 7. This Commission hereby finds and determines that either each of the owners or an authorized representative of each of the owners of each of the parcels assessed in these proceedings has executed and filed with the administrator of SCIP (the “Program Administrator”) a form of Consent and Waiver by which the entitlement otherwise given to each such owner to pay all or any part of the subject Assessment or Assessments in cash within the 30-day cash payment period has been waived, and by which the property owner consents to the changes to the Engineer’s Reports between the preliminary approval thereof on July 19, 2018, and the approval of the Final Engineer’s Reports by this Resolution. Accordingly, this Commission hereby confirms that the amount of unpaid Assessments is equal to the full amount of the Assessments levied and directs the Program Administrator to proceed forthwith, without the necessity of the 30-day cash payment period otherwise required, to provide for the issuance, sale and delivery of limited obligation improvement bonds in a principal amount not to exceed the Assessments levied.

Section 8. The Program Administrator is hereby authorized and directed to prepare the auditors record for each District, pursuant to the Streets and Highways Code, and to transmit said auditors
record to the County Auditor of Sacramento County. The assessment installments for the initial series of bonds issued for the District shall be apportioned among the parcels in each District having an unpaid Assessment.

Section 9. The Program Administrator is hereby directed to record the Final Engineer’s Reports with the Authority. The Program Administrator is hereby further directed to record the assessment diagrams contained in the Final Engineer’s Reports and the notices of assessment in the office of the County Recorder of Sacramento County in the time, form and manner as required by law.

Section 10. This Resolution shall take effect immediately upon its passage.
PASSED AND ADOPTED by the Commission of the California Statewide Communities Development Authority this October 18, 2018.

I, the undersigned, an Authorized Signatory of the California Statewide Communities Development Authority, DO HEREBY CERTIFY that the foregoing resolution was duly adopted by the Commission of the Authority at a duly called meeting of the Commission of the Authority held in accordance with law on October 18, 2018.

By: ________________________________
   Authorized Signatory
   California Statewide Communities
   Development Authority
<table>
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<tr>
<th>District Name</th>
<th>Project Name</th>
<th>Assessment/Local Obligation Amount</th>
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DATE: October 18, 2018

TO: CSCDA COMMISSIONERS

FROM: Cathy Bando, Executive Director

PURPOSE: Consideration of Renewal of Agreement with PACE Funding Group LLC for its residential PACE Program

EXECUTIVE SUMMARY:

On September 10, 2015, CSCDA entered into a contract for services with PACE Funding Group LLC (“PFG”) to administer a residential PACE program. The term of the contract expired on September 10, 2018. After review of the current activities of PFG and its proactive consumer protection approach, an extension of the contract is appropriate. The attached agreement includes the following updates from the previous contract:

1. **Term** – Initial term of the contract is five years beginning September 10, 2018, with the potential for five one-year extensions. This is the same agreement CSCDA provided to Renew Financial.

2. **Exclusivity** – The contract grants Renew exceptions in Los Angeles County and Riverside County due to the current competitive environment in those two areas. In Riverside County once a city joins the Open PACE program they are required to transition that city over from any competing program.

3. **Scope of Services** – Expanded scope of services to include more reporting requirements to CSCDA and its membership.

CSCDA’s General Counsel, Richards, Watson & Gershon has reviewed the agreement as set forth as Attachment A.

RECOMMENDED ACTION:

CSCDA’s Executive Director recommends approval of the agreement with PACE Funding Group for its residential PACE program.
CSCDA OPEN PACE PROGRAM ADMINISTRATOR
PROFESSIONAL SERVICES AGREEMENT

This Professional Services Agreement ("Agreement") is dated September 10, 2018 ("Effective Date") and is between the California Statewide Communities Development Authority, a California joint powers authority (the "Authority" or "CSCDA") and PACE Funding Group, LLC, a California limited liability company ("Administrator"). CSCDA and Administrator are sometimes individually referred to as "Party" and collectively as "Parties" in this Agreement.

RECITALS

I. On November 6, 2014, the Authority Commission adopted its resolution entitled “Resolution of Intention” to establish the CSCDA Open PACE Program (the “Program”) to finance the cost of installation of distributed generation renewable energy resources or energy efficiency or water conservation improvements ("PACE Improvements").

II. Pursuant to that Certain Program Administration Agreement by and between CSCDA and Administrator, dated as of September 10, 2015 (the “2015 Agreement”), CSCDA utilizes the services of Administrator as an independent contractor to administer the Program.

III. Administrator represents that it is fully qualified to perform such services by virtue of its experience and the training, education and expertise of its principals and employees.

IV. Upon expiration of the 2015 Agreement, CSCDA desires to continue utilizing the services of Administrator and Administrator desires to serve CSCDA to perform these services in accordance with the terms and conditions of this Agreement.

The parties therefore agree as follows:
Term of Agreement.

The term of this Agreement shall be from the Effective Date through September 10, 2023, unless sooner terminated as provided in Section 15 of this Agreement.

This Agreement will automatically renew at the end of the term for up five (5) additional one (1) year terms unless either Party provides to the other Party at least 120 days’ notice prior to the end of the then-current term or renewal term (as the case may be) of their intent not to renew this Agreement, in which case it will terminate upon the end of the then-current term or renewal term.

Administrator’s Services.

Scope of Services. Administrator shall perform the services described in the Scope of Services, attached as Exhibit A (the “Services”). CSCDA may request, in writing, changes in the scope of services to be performed. Any changes mutually agreed upon by the parties, and changes in compensation, shall be incorporated by written amendments to this Agreement.

Non-Exclusivity. CSCDA has appointed and retains the right to appoint additional administrators for the Program. The Administrator has no rights to exclusivity in administering the Program.

Party Representatives. For the purposes of this Agreement, the CSCDA Representative shall be the CSCDA Executive Director, or such other person designated in writing by the CSCDA Executive Director (the “CSCDA Representative”). For the purposes of this Agreement, the Administrator Representative shall be Robert Giles, Manager and Chief Executive Officer (the “Administrator Representative”). The Administrator Representative shall directly manage Administrator’s services under this Agreement. Administrator shall not change the Administrator Representative without CSCDA’s prior written consent.

Standard of Performance. Administrator shall perform all services under this Agreement in accordance with the standard of care generally exercised by like professionals under similar circumstances and in a manner reasonably satisfactory to CSCDA.

Personnel. Administrator has, or will secure at its own expense, all personnel required to perform the services required under this Agreement. All of the services required under this Agreement shall be performed by Administrator or under its supervision, and all personnel engaged in the work shall be qualified to perform such services.
Agenda Item No. 8

Compliance with Laws. The Administrator shall keep itself informed of all local, state and federal ordinances, laws and regulations that in any manner affect those employed by it or in any way affect the performance of its service pursuant to this Agreement. The Administrator shall at all times observe and comply with all such ordinances, laws and regulations. CSCDA and its agents shall not be liable at law or in equity occasioned by failure of the Administrator to comply with this section.

Permits and Licenses. Administrator shall obtain and maintain during the Agreement term all necessary licenses, permits and certificates required by law for the provision of services under this Agreement.

Exclusivity. Administrator shall not enter into an agreement for services to administer a property assessed clean energy program with another joint powers authority or governmental agency that directly competes with the Program. Notwithstanding foregoing, Administrator may offer a competing residential PACE program in:

H1. the County of Los Angeles and all cities therein pursuant to the terms of a duly authorized and executed agreement by and between the Administrator and the County of Los Angeles; and

H2. an incorporated municipality within the County of Riverside unless such municipality has opted in to the Open PACE Program, and only until such time such municipality has opted into the Open PACE Program.

Green Attributes. Property owners or third party owners of PACE Improvements (such as lease or power purchase agreement providers) shall retain rights to any Federal Investment Tax Credit or State Incentives or Rebates related to renewable energy projects. The Authority shall retain rights to all of the green attributes that result from projects financed through the Program, including but not limited to Carbon Credits, Renewable Energy Certificates, Green Tags, Tradable Renewable Certificates, Renewable Energy Credits and Green House Gas offsets (“Carbon Credits”).

Qualified Contractors. To fulfill its obligations under this Paragraph, Administrator shall maintain a list of contractors who the Administrator has determined are eligible to provide Program services (each being and “Eligible Contractor”). Any contractor who Administrator has determined uses false or misleading marketing efforts, including using lead generating companies to distribute postcards with content that implies that the federal, state, or local government, or any
governmental entity other than CSCDA, provides the Program, shall not be included the list of eligible contractors.

J1. Applications. Notwithstanding anything in this Agreement to the contrary, Administrator shall not approve a property owner application for Program funding if such application: (a) does not identify an Eligible Contractor or (b) identifies a contractor who procured the work through marketing efforts that reasonably could be interpreted as implying that the federal, state, or local government, or any governmental entity other than CSCDA, provides the Program.

J2. Assessment Contracts. Notwithstanding anything in this Agreement to the contrary, CSCDA shall not authorize an assessment against a property, record a lien or otherwise assist in providing program funding for any application approved in violation of Subparagraph J.1).

Compensation.

A. Compensation. As full compensation for Administrator’s services provided under this Agreement, CSCDA shall pay Administrator as set forth in the Approved Fee Schedule, attached hereto as Exhibit B. Notwithstanding any provision in this agreement to the contrary, neither CSCDA nor the participating municipalities will have any obligation to pay any fees to the Administrator for, or to reimburse Administrator for, expenses incurred by Administrator in connection with, providing, or causing to be provided, the Services except as earned from administration of the Program as described in Exhibit B. Such fees will be the Administrator’s sole compensation for providing, or causing to be provided, the Services.

B. Additional Services. CSCDA shall not allow any claims for additional services performed by Administrator, unless the CSCDA Commission and the Administrator Representative authorize the additional services in writing prior to Administrator’s performance of the additional services or incurrence of additional expenses. Any additional services or expenses authorized by the CSCDA Commission shall be compensated at the rates set forth in Exhibit B, or, if not specified, at a rate mutually agreed to by the parties.

Audit of Records.

Administrator shall make all records, invoices, time cards, cost control sheets and other records maintained by Administrator in connection with this agreement available during Administrator’s regular working hours to CSCDA for review and audit by CSCDA.

Ownership of Documents. Upon completion of, or in the event of termination or suspension of this Agreement, all original documents, designs, drawings, maps, models, computer files
containing data generated for the work, surveys, notes, and other documents prepared in the course of providing the services to be performed (“written products”) pursuant to this Agreement shall become the sole property of the CSCDA without restriction or limitation upon its use and may be used, reused, disseminated or otherwise disposed of by the CSCDA without the permission of the Administrator. With respect to computer files containing data generated for the work, Administrator shall make available to the CSCDA, upon reasonable written request by the CSCDA, the necessary computer software and hardware for purposes of accessing, compiling, transferring and printing computer files. Administrator may take and retain copies of the written products as desired, but the written products shall not be the subject of a copyright application by Administrator.

Independent Contractor.

A. Administrator is, and shall at all times remain as to CSCDA, a wholly independent contractor. The personnel performing the services under this Agreement on behalf of Administrator shall at all times be under Administrator's exclusive direction and control. Neither CSCDA nor any of its agents shall have control over the conduct of Administrator or any of Administrator’s employees, except as set forth in this Agreement. Administrator shall not, at any time, or in any manner, represent that it or any of its officers, agents or employees are in any manner employees of CSCDA.

B. No employee benefits shall be available to Administrator in connection with the performance of this Agreement. Except for the fees paid to Administrator as provided in the Agreement, CSCDA shall not pay salaries, wages, or other compensation to Administrator for performing services hereunder for CSCDA. CSCDA shall not be liable for compensation or indemnification to Administrator for injury or sickness arising out of performing services hereunder.

Confidentiality. The Administrator agrees to establish such systems and procedures as may be reasonable to maintain the confidentiality of non-public information relating to CSCDA and the Program that may be obtained by Administrator in connection with this Agreement; provided, however, that such information may be disclosed (i) as required by law or in connection with any legal proceeding, (ii) to governmental or regulatory authorities having jurisdiction over the Administrator (iii) to its legal counsel and auditors, (iv) if it has become publicly available other than as a result of a breach of this Section, (v) if such information was already in the possession of the Administrator prior to its becoming involved in this transaction, and (vi) to its affiliates and its and their existing and future investors and funding sources and to the relevant rating agencies.

Conflicts of Interest. Administrator and its officers, employees, associates and subcontractors, if any, shall comply with all conflict of interest statutes of the State of California applicable to
Administrator’s services under this Agreement, including the Political Reform Act (Gov. Code, § 81000 et seq.) and Government Code Section 1090. During the term of this Agreement, Administrator may perform similar services for other clients, but Administrator and its officers, employees, associates and subcontractors shall not, without the CSCDA Representative’s prior written approval, perform work for another person or entity for whom Administrator is not currently performing work that would require Administrator or one of its officers, employees, associates or subcontractors to abstain from a decision under this Agreement pursuant to a conflict of interest statute. Administrator shall incorporate a clause substantially similar to this Section 8 into any subcontract that Administrator executes in connection with the performance of this Agreement.

Indemnification.

A. Indemnities for Third Party Claims. Administrator shall defend, indemnify, and hold harmless CSCDA, its officers, commissioners, employees, representatives, attorneys and agents (collectively, the “Indemnified Parties”) from and against any and all actions, suits, proceedings, claims, demands, losses, damages, and liabilities (collectively, “Covered Losses”) to which the Indemnified Parties, or any of them, may become subject under or any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of this Agreement, including but not limited to:

Transactions contemplated by this Agreement, including but not limited to, any assessment contract originated or proposed to be originated by Administrator (“Covered Assessment Contracts”), any property improved or proposed to be improved thereby (“Covered Property”), any owner of such property (“Covered Property Owners”), any improvements financed or proposed to be financed on such property (“Covered Improvements”), or any bonds or other financing, proposed or otherwise, in connection therewith (“Covered Financings”);

Negligence of Administrator or any of its licensees, agents, affiliates, contractors, vendors, servants, employees, owners, directors, representatives or consultants, including sales personnel and contractors selected, registered, or approved by Administrator to perform marketing and sales of the CSCDA Open PACE Program or to procure or install Improvements (the “Covered Parties”) in connection with the CSCDA Open PACE Program including but not limited negligence of a Covered Party in connection with the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in, on or about, or from the planning, design, acquisition, installation or construction of, any Covered Improvements or Covered Property;

any lien or charge upon payments by Administrator to CSCDA, or any taxes (including all ad valorem taxes and sales taxes), assessments, impositions and other charges
imposed on the Authority in respect of any portion of any Covered Improvements or Covered Property;

any violation of any laws, regulations or orders with respect to, or the release of any hazardous substances from, any Covered Property or Covered Improvements or any part thereof;

the refinancing, reissuance, defeasance, redemption or prepayment, in whole or in part, of any Covered Financing;

any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure or continuing disclosure document for any Covered Financing or any of the documents relating to a Covered Financing, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for a Covered Financing of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading; or

the trustee’s acceptance or administration of the trust of any indenture or trust agreement in connection with a Covered Financing, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to a Covered Financing to which it is a party; except to the extent such damages are caused by the willful misconduct of such Indemnified Party or are otherwise not permitted to be the subject of this indemnification as a matter of law.

In the event that any claim, action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, Administrator, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and Administrator shall pay the reasonable fees and expenses of such separate counsel; provided, however, that such Indemnified Party may only employ separate counsel at the expense of Administrator if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of such counsel.
Independent Contractor Relationship. Administrator shall pay all required taxes on amounts paid to Administrator under this Agreement, and indemnify and hold CSCDA harmless from any and all taxes, assessments, penalties and interest asserted against CSCDA by reason of the independent contractor relationship created by this Agreement. Administrator shall fully comply with the workers’ compensation law regarding Administrator and Administrator’s employees. Administrator shall indemnify and hold CSCDA harmless from any failure of Administrator to comply with applicable workers’ compensation laws. CSCDA may offset against the amount of any fees due to Administrator under this Agreement any amount due to CSCDA from Administrator as a result of Administrator’s failure to promptly pay to CSCDA any reimbursement or indemnification arising under this Agreement.

Subcontractors. Administrator shall obtain executed indemnity agreements with provisions identical to those in this Section from each and every subcontractor or any other person or entity involved by, for, with or on behalf of Administrator in the performance of this Agreement. If Administrator fails to obtain such indemnity obligations, Administrator shall be fully responsible and indemnify, hold harmless and hold the Indemnitees from and against any and all Liabilities in law or equity, whether actual, alleged or threatened, which arise out of, are claimed to arise out of, pertain to, or relate to the acts or omissions of Administrator’s subcontractor, its officers, agents, servants, employees, subcontractors, materialmen, contractors or their officers, agents, servants or employees (or any entity or individual that Administrator’s subcontractor shall bear the legal liability thereof) in the performance of this Agreement, including the Indemnitees’ active or passive negligence, except for Liabilities arising from the sole negligence or willful misconduct of the Indemnitees, as determined by final arbitration or court decision or by the agreement of the parties.

B. Workers’ Compensation Acts not Limiting. Administrator’s indemnifications and obligations under this Section, or any other provision of this Agreement, shall not be limited by the provisions of any workers’ compensation act or similar act. Administrator expressly waives its statutory immunity under such statutes or laws as to CSCDA, its officers, agents, employees and volunteers.

Insurance Requirements not Limiting. CSCDA does not, and shall not, waive any rights that it may possess against Administrator because of the acceptance by CSCDA, or the deposit with CSCDA, of any insurance policy or certificate required pursuant to this Agreement. The indemnities in this Section 9 shall apply regardless of whether or not any insurance policies are determined to be applicable to the Liability, tax, assessment, penalty or interest asserted against CSCDA.
Agenda Item No. 8

Survival of Terms. Administrator’s indemnifications and obligations under this Section 9 shall survive the expiration or termination of this Agreement.

Insurance.

Minimum Scope and Limits of Insurance. Administrator shall procure and at all times during the term of this Agreement carry, maintain, and keep in full force and effect, insurance as follows:

Commercial General Liability Insurance with a minimum limit of Two Million Dollars ($2,000,000) per occurrence for bodily injury, personal injury and property damage and a general aggregate limit of Two Million Dollars ($2,000,000) per project or location. If Administrator is a limited liability company, the commercial general liability coverage shall be amended so that Administrator and its managers, affiliates, employees, agents and other persons necessary or incidental to its operation are insureds.

Automobile Liability Insurance for any owned, non-owned or hired vehicle used in connection with the performance of this Agreement with a combined single limit of Two Million Dollars ($2,000,000) per accident for bodily injury and property damage. If Administrator does not use any owned, non-owned or hired vehicles in the performance of services under this Agreement, Administrator shall obtain a non-owned auto endorsement to the Commercial General Liability policy required under Subparagraph A. 1) of this Section 10.

Workers’ Compensation Insurance as required by the State of California and Employer’s Liability Insurance with a minimum limit of One Million Dollars ($1,000,000) per accident for bodily injury or disease. If Administrator has no employees while performing services under this Agreement, workers’ compensation policy is not required, but Administrator shall provide an executed declaration that it has no employees.

Professional Liability Insurance or Errors and Omissions Insurance with minimum limits of Two Million Dollars ($2,000,000) per claim and in aggregate.

Acceptability of Insurers. The insurance policies required under this Section 10 shall be issued by an insurer admitted to write insurance in the State of California with a rating of A:VII or better in the latest edition of the A.M. Best Insurance Rating Guide. Self-insurance shall not be considered to comply with the insurance requirements under this Section 10.
**Agenda Item No. 8**

**Additional Insured.** The commercial general and automobile liability policies shall contain an endorsement naming the CSCDA, its officers, employees, agents and volunteers as additional insureds.

**Primary and Non-Contributing.** The insurance policies required under this Section 10 shall apply on a primary non-contributing basis in relation to any other insurance or self-insurance available to CSCDA. Any insurance or self-insurance maintained by CSCDA, its officers, employees, agents or volunteers, shall be in excess of Administrator’s insurance and shall not contribute with it.

**Administrator’s Waiver of Subrogation.** The insurance policies required under this Section 10 shall not prohibit Administrator and Administrator’s employees, agents or subcontractors from waiving the right of subrogation prior to a loss. Administrator hereby waives all rights of subrogation against CSCDA.

**Deductibles and Self-Insured Retentions.** Any deductibles or self-insured retentions must be approved by CSCDA. At CSCDA’s option, Administrator shall either reduce or eliminate the deductibles or self-insured retentions with respect to CSCDA, or Administrator shall procure a bond guaranteeing payment of losses and expenses.

**Cancellations or Modifications to Coverage.** Administrator shall not cancel, reduce or otherwise modify the insurance policies required by this Section 10 during the term of this Agreement. The commercial general and automobile liability policies required under this Agreement shall be endorsed to state that should the issuing insurer cancel the policy before the expiration date, the issuing insurer will endeavor to mail thirty (30) calendar days’ prior written notice to CSCDA. If any insurance policy required under this Section 10 is canceled or reduced in coverage or limits, Administrator shall, within two (2) business days of notice from the insurer, phone, fax or notify CSCDA via certified mail, return receipt requested, of the cancellation of or changes to the policy.

**CSCDA Remedy for Noncompliance.** If Administrator does not maintain the policies of insurance required under this Section 10 in full force and effect during the term of this Agreement, or in the event any of Administrator’s policies do not comply with the requirements under this Section 10, CSCDA may either immediately terminate this Agreement or, if insurance is available at a reasonable cost, CSCDA may, but has no duty to, take out the necessary insurance and pay, at Administrator’s expense, the premium thereon. Administrator shall promptly reimburse CSCDA for any premium paid by CSCDA or CSCDA may withhold amounts sufficient to pay the premiums from payments due to Administrator.
Evidence of Insurance. Prior to the performance of services under this Agreement, Administrator shall furnish CSCDA’s Representative with a certificate or certificates of insurance and all original endorsements evidencing and effecting the coverages required under this Section 10. The endorsements are subject to CSCDA’s approval. Administrator may provide complete, certified copies of all required insurance policies to CSCDA. Administrator shall maintain current endorsements on file with CSCDA’s Representative. Administrator shall provide proof to CSCDA’s Representative that insurance policies expiring during the term of this Agreement have been renewed or replaced with other policies providing at least the same coverage. Administrator shall furnish such proof at least two (2) weeks prior to the expiration of the coverages.

Indemnity Requirements not Limiting. Procurement of insurance by Administrator shall not be construed as a limitation of Administrator’s liability or as full performance of Administrator’s duty to indemnify CSCDA under Section 9 of this Agreement.

Subcontractor Insurance Requirements. Administrator shall require each of its subcontractors that perform services under this Agreement to maintain insurance coverage that meets all of the requirements of this Section 10.

Mutual Cooperation.

CSCDA’s Cooperation. CSCDA shall provide Administrator with all pertinent data, documents and other requested information as is reasonably available for Administrator’s proper performance of the services required under this Agreement.

Administrator’s Cooperation. In the event any claim or action is brought against the CSCDA relating to Administrator’s performance or services rendered under this Agreement, Administrator shall render any reasonable assistance that CSCDA requires.

Intellectual Property. Administrator shall not obtain trademarks, copyrights or other intellectual property rights that contain or are reasonably likely to be confused with the California Statewide Communities Development Authority. CSCDA expressly acknowledges and agrees that any and all computer software and all source code thereof, developed by Administrator (“Proprietary Software”) in performing the Services, including all intellectual property rights contained therein, is property of Administrator or its licensors.

Administrator acknowledges and agrees that all intellectual property rights to the name “CSCDA Open PACE Program” shall belong to CSCDA. Notwithstanding the foregoing, Administrator may market or brand its PACE product so long as any marketing materials acknowledge it is offered through or in association with the CSCDA Open PACE Program.
Records and Inspections. Administrator shall maintain full and accurate records with respect to all matters covered under this Agreement. Such records shall include, but not be limited to, a database of the financings under the Program including the property address, block and lot number, assessor’s property number (APN), ownership information, original financing amount, annual assessment amount and related bond, and amortization schedules for each of the financings under the Program. Administrator shall, without charge, provide CSCDA with access to the records during normal business hours. CSCDA may examine and audit the records and make transcripts therefrom, and inspect all program data, documents, proceedings and activities.

Reporting. Administrator shall provide funding reports to CSCDA on a quarterly basis, or as mutually agreed between the CSCDA Representative and Administrator Representative, with such information as may be reasonably be requested by CSCDA.

Termination or Suspension of Agreement.

Right to Terminate or Suspend. CSCDA may terminate or suspend this Agreement at any time, at will, for any reason or no reason, after giving written notice to Administrator at least ninety (90) calendar days before the termination or suspension is to be effective. Administrator may terminate this Agreement at any time, at will, for any reason or no reason, after giving written notice to CSCDA at least one hundred-twenty (120) calendar days before the termination is to be effective. During any suspension of this Agreement by CSCDA, the exclusivity provisions of Section 2.H that limit Administrator’s ability to perform services of other property assessed clean energy programs shall also be suspended.

Obligations upon Termination. Administrator shall cease all work under this Agreement on or before the effective date of termination specified in the notice of termination. In the event of CSCDA’s termination of this Agreement due to no fault or failure of performance by Administrator, CSCDA shall pay Administrator based on the percentage of work satisfactorily performed up to the effective date of termination. In no event shall Administrator be entitled to receive more than the amount that would be paid to Administrator for the full performance of the services required by this Agreement.

Force Majeure. Administrator shall not be liable for any failure to perform its obligations under this Agreement if Administrator presents acceptable evidence, in CSCDA’s sole judgment, that such failure was due to strikes, lockouts, labor disputes, embargoes, acts of God, inability to obtain labor or materials or reasonable substitutes for labor or materials, governmental restrictions, governmental regulations, governmental controls, judicial orders, enemy or hostile governmental action, civil commotion, fire or other casualty, or other causes beyond Administrator’s reasonable control and not due to any act by Administrator.
Agenda Item No. 8

Notices. Any notices, consents, requests, demands, bills, invoices, reports or other communications which either party may desire to give to the other party under this Agreement must be in writing and conclusively deemed effective: (a) on personal delivery, (b) on confirmed delivery by reputable document delivery service or courier service during Administrator’s and CSCDA’s regular business hours, or (c) five business days after deposit in the United States mail, by first class mail, postage prepaid, and addressed to the party to be notified as set forth below:

If to CSCDA:
California Statewide Communities
Development Authority
1100 K Street, Suite 100
Sacramento, CA 95814
Attn: James Hamill

If to Administrator:
PACE Funding Group, LLC
750 University Avenue, Suite 240
Los Gatos, CA 95032
rachel@pacefunding.com
Attn: Rachel Hobbs

Copy to: bob@pacefunding.com

Non-Discrimination and Equal Employment Opportunity. In the performance of this Agreement, Administrator shall not discriminate against any employee, subcontractor or applicant for employment because of race, color, religious creed, sex, gender, gender identity, gender expression, marital status, national origin, ancestry, age, physical disability, mental disability, medical condition, genetic information, sexual orientation or other basis prohibited by law. Administrator will take affirmative action to ensure that subcontractors and applicants are employed, and that employees are treated during employment, without regard to their race, color, religious creed, sex, gender, gender identity, gender expression, marital status, national origin, ancestry, age, physical disability, mental disability, medical condition, genetic information or sexual orientation.

Subcontracting. The Administrator shall not subcontract any portion of the work required by this Agreement without prior written approval of CSCDA, provided that Administrator shall remain primarily responsible for any work performed.

Prohibition of Assignment and Delegation. Administrator shall not assign any of its rights or delegate any of its duties under this Agreement, either in whole or in part, without CSCDA’s prior written consent. CSCDA’s consent to an assignment of rights under this Agreement shall not release Administrator from any of its obligations or alter any of its primary obligations to be performed under this Agreement. Any attempted assignment or delegation in violation of this Section 20 shall be void and of no effect and shall entitle CSCDA to terminate this Agreement. As used in this Section 20, “assignment” and “delegation” means any sale, gift, pledge, hypothecation, encumbrance or other transfer of all or any portion of the rights, obligations, or
liabilities in or arising from this Agreement to any person or entity, whether by operation of law or otherwise, and regardless of the legal form of the transaction in which the attempted transfer occurs. A change of control of the Administrator shall not constitute an assignment of rights hereunder.

**No Third-Party Beneficiaries Intended.** Except as otherwise provided in Section 9, this Agreement is made solely for the benefit of the parties to this Agreement and their respective successors and assigns, and no other person or entity may have or acquire a right by virtue of this Agreement.

**No Recourse Against Constituent Members Of CSCDA.** CSCDA is organized as a Joint Powers Authority in accordance with the Joint Exercise of Powers Act of the State of California (Government Code Section 6500, et seq.) pursuant to the Joint Powers Agreement and is a public entity separate from its constituent members. CSCDA shall solely be responsible for all debts, obligations and liabilities accruing and arising out of this Agreement. Administrator shall have no rights and shall not make any claims, take any actions or assert any remedies against any of CSCDA’s constituent members in connection with this Agreement.

**Waiver.** No delay or omission to exercise any right, power or remedy accruing to CSCDA under this Agreement shall impair any right, power or remedy of CSCDA, nor shall it be construed as a waiver of, or consent to, any breach or default. No waiver of any breach, any failure of a condition, or any right or remedy under this Agreement shall be (1) effective unless it is in writing and signed by the party making the waiver, (2) deemed to be a waiver of, or consent to, any other breach, failure of a condition, or right or remedy, or (3) deemed to constitute a continuing waiver unless the writing expressly so states.

**Exhibits.** Exhibits A and B constitute a part of this Agreement and are incorporated into this Agreement by this reference. If any inconsistency exists or arises between a provision of this Agreement and a provision of any exhibit, the provisions of this Agreement shall control.

**Entire Agreement.** This Agreement and all exhibits referred to in this Agreement constitute the final, complete and exclusive statement of the terms of the agreement between the parties pertaining to the subject matter of this Agreement and supersede all other prior or contemporaneous oral or written understandings and agreements of the parties. No party has been induced to enter into this Agreement by, nor is any party relying on, any representation or warranty except those expressly set forth in this Agreement.

**Amendment of Agreement.** This Agreement may be amended only by a writing signed by both parties. The CSCDA Executive Director is authorized to sign an amendment to this Agreement on the CSCDA Commission’s behalf and without the CSCDA Commission’s prior approval to
make the following non-substantive modifications to the Agreement: (a) name changes; (b) extensions of time; (c) non-monetary changes in the scope of work; and (d) termination of the Agreement.

**Headings.** The headings in this Agreement are included solely for convenience of reference and shall not affect the interpretation of any provision of this Agreement or any of the rights or obligations of the parties to this Agreement.

**Word Usage.** Unless the context clearly requires otherwise, (a) the words “shall,” “will” and “agrees” are mandatory and “may” is permissive; (b) “or” is not exclusive; and (c) “includes” or “including” are not limiting.

**Time of the Essence.** Time is of the essence in respect to all provisions of this Agreement that specify a time for performance; provided, however, that the foregoing shall not be construed to limit or deprive a party of the benefits of any grace or use period allowed in this Agreement.

**Governing Law and Choice of Forum.** This Agreement, and any dispute arising from the relationship between the parties to this Agreement, shall be governed by and construed in accordance with the laws of the State of California, except that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not be applied in interpreting this Agreement. Any dispute that arises under or relates to this Agreement (whether contract, tort or both) shall be resolved in a municipal, superior or federal court with geographic jurisdiction over CSCDA.

**Attorneys’ Fees.** In any litigation or other proceeding by which on party seeks to enforce its rights under this Agreement (whether in contract, tort or both) or seeks a declaration of any rights or obligations under this Agreement, the prevailing party shall be awarded reasonable attorneys’ fees together with any costs and expenses, to resolve the dispute and to enforce the final judgment.

**Severability.** If a court of competent jurisdiction holds any provision of this Agreement to be illegal, invalid or unenforceable for any reason, the validity of and enforceability of the remaining provisions of this Agreement shall not be affected and continue in full force and effect.

**29. Authority to Execute Agreement.** The person or persons executing this Agreement on behalf of Administrator warrants and represents that he or she has the authority to execute this Agreement on behalf of the Administrator and has the authority to bind Administrator to the performance of its obligations hereunder.
Agenda Item No. 8

The parties, through their duly authorized representatives, are signing this Agreement on the date stated in the introductory clause.

CSCDA:

CSCDA,
a California joint powers authority

By: ____________________________
   Name: _________________________
   Title: __________________________

ATTEST:

By: ____________________________
   Name: _________________________
   Title: __________________________

Administrator:

PACE Funding Group, LLC,
a California limited liability company

By: ____________________________
   Name: Robert Giles
   Title: Manager

APPROVED AS TO FORM:

By: ____________________________
   Name: _________________________
   Title: __________________________
EXHIBIT A
SCOPE OF SERVICE

The scope of work for the Administrator is outlined below.

A. Document and Process Development
   a. Development of program reports, program handbook, application and all process-related materials.

B. Coordination of Local Governments
   a. Recruitment, support and management of local government activities to opt into the program.
   b. Reply to local government inquiries received from staff of participating or interested cities and counties, and provide updates on program activities (such as number of applications from within a participating region or status of program formation in interested regions.).
   c. Cooperation with other Open PACE Administrators for recruitment, support and management of local government.

C. Marketing and Outreach
   a. Development of marketing materials such as FAQs, flyers, brochures and digital media.
   b. Development and maintenance of Administrator’s website that will be linked to the CSCDA Open PACE website.
   c. Outreach to program stakeholders such as contractors, property owners and bond investors.
   d. Education of property owners and other stakeholders through creation of a program website, which includes information on the program, financing terms and other details, and approved improvements.

D. Application Processing
   a. The Administrator will develop, implement and administer software that:
      i. Processes applications and funding requests.
      ii. Provides loan repayment projections and bond debt service schedules.
      iii. Provides real-time reports on the number of projects financed and total amount financed through the program.

   b. Approve or deny applications based on eligibility requirements.
**Agenda Item No. 8**

c. Manage projects through reservation and installation period, including expiration and/or cancelation of applications.
d. Manage funding request documents including but not limited to final permit inspection certificate, final contractor invoice, and mechanic's lien release for review and approval.
e. Coordinate program team for disbursement of bond proceeds throughout installation period.

**E. Contractor Outreach and Management**
   a. Recruit and train qualified contractors.
   b. Develop and maintain quality control system to ensure contractors are accurately representing the terms of the Program to homeowners.
   c. Ensure compliance with the adopted CSCDA Consumer Protection Policies.

**F. Quality Assurance**
   a. Create and implement a quality assurance protocol to ensure projects meet program requirements and CSCDA Consumer Protection Policies.

**G. Bond Document Coordination**
   a. Intake of property owner-signed bond documents.
   b. Generate amortization schedule.
   c. Coordination with program team on lien recordation and bond closing documents.

**H. Customer Service**
   a. Provide website, email and phone support for interested property owners and stakeholders.
   b. Respond to emails and phone calls within 1 business day.
   c. Address and manage stakeholder issues associated with participation in the program in consultation with CSCDA staff.

**I. Reporting**
   a. Tracking and reporting to CSCDA of program progress such as applications received, executed assessment contracts, environmental benefits and participating local government participation.
   b. Online reporting to participating local governments on program activity within its region.
Agenda Item No. 8

J. Team Coordination
   a. Oversight and facilitation of program team including CSCDA, Bond Counsel, Issuer's Counsel, Tax Administrator and Fund Trustee
   b. Coordination of intra-team processes such as bond closing and tax roll preparation.
   c. Review county records on each January 31st and March 31st to determine delinquencies.
   d. Begin delinquency control process including the commencement of the foreclosure of defaulting properties in consultation with CSCDA staff.
EXHIBIT B

FEE SCHEDULE

The Administrator Fees for each funded Assessment shall be calculated as follows: the amount of charges that Administrator imposes on the property owner for such Assessment, less the amount paid by Administrator to CSCDA based on the following schedule (expressed as a percentage of the project costs financed by the applicable Assessment):

<table>
<thead>
<tr>
<th>Type of PACE</th>
<th>Fees Schedule</th>
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<tbody>
<tr>
<td>Residential PACE</td>
<td>0.875% at the issuance of the Bond or Assignment*</td>
</tr>
<tr>
<td>Commercial PACE</td>
<td>0.75% at the issuance of the Bond*</td>
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<tr>
<td>Alternatively, if an Assignment structure is used at origination:</td>
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<tr>
<td>At initial Assignment of the Assessment, 0.25%; and at issuance thereafter of a Bond secured by such Assessment, 0.50% with a minimum of $10,000 and a maximum of $250,000*</td>
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</table>

*Subject to change by resolution of CSCDA Commission.
DATE: October 18, 2018
TO: CSCDA COMMISSIONERS
FROM: Cathy Bando, Executive Director
SUBJECT: CSAC Conference Sponsorship

BACKGROUND:
The California State Association of Counties (CSAC) is holding its annual conference November 27-30 in San Diego County where 800-1000 attendees are expected. CSCDA has been asked to participate as the Hotel Key Card conference sponsor. CSCDA’s logo will be printed on both the front and back of each conference attendee’s hotel room key card. The cost of the sponsorship is $10,000.

RECOMMENDATION:
The Executive Director recommends that CSCDA approve the Key Card Sponsorship.
Commission chair Dan Harrison called the meeting to order at 2:28 pm.

1. Roll Call.

Commission members present: Dan Harrison; and Kevin O’Rourke. Irwin Bornstein; Alternate commissioner Brian Moura (not voting); Dan Mierzwa (not voting because his location was not noticed); Ron Holly; Tim Snellings; and alternate commissioner Jordan Kaufman (representing Larry Combs) participated by conference telephone.

CSCDA Executive Director, Catherine Bando also participated by conference telephone.

Others present included: Norman Coppinger and Perry Stottlemeyer, League of California Cities; Laura Labanieh, CSAC Finance Corporation; and James Hamill and Jon Penkower, Bridge Strategic Partners. Tricia Ortiz, Richards Watson Gershon participated by conference telephone.

2. Consideration of the minutes of the May 21, 2015.

The commission approved the minutes for the May 21, 2015 meeting.

Motion to approve by O’Rourke; second by Snellings; approved by majority roll-call vote (Kaufman abstained).

3. Public comment.

None.

4. Approval of audited financial statements for the fiscal year ended June 30, 2016.

Executive Director Bando explained that CSFA is a single-purpose entity created to issue the asset-backed securities relating to the tobacco settlement on behalf of eleven counties back in 2002. The audited financial statements relate to that settlement and are different from other financial statements that people usually see, because of the nature of the financing. The assets of the Authority are investments or endowments for the eleven counties and money is released as bond debt service is paid off. CSFA is in a deficit position because the bonds created more interest, which is monetized in the bonds and resulted in more bond expense than paydown.
CSFA considered refinancing the bonds a few years ago, but that did not move forward because of a tax issue, which is still not resolved. There was then some discussion amongst commissioners.

Bando recommends approval of the audited financial statements.

Motion to approve by Holly; second by Kaufman; unanimously approved by roll-call vote (Snellings dropped off the conference call).

5. Executive Director update.

None.

6. Staff update.

None.

7. Adjournment.

Commission chair Dan Harrison adjourned the meeting at 2:40 pm.

Submitted by: Perry Stottlemyer, League of California Cities staff
California Statewide Financing Authority (CSFA)  
Agenda Item No. 4

Agenda Report

DATE: October 18, 2018

TO: CSCDA COMMISSIONERS

FROM: Cathy Bando, Executive Director


BACKGROUND AND SUMMARY:

CSFA was created in 2002 as a joint powers authority between the following counties to finance payments from the nationwide Tobacco Settlement Agreement. The participants include: Colusa, Imperial, Kings, Madera, Modoc, San Benito, Solano, Tehama, Tuolumne, Yolo and Yuba counties.

The following is a summary of the year ended June 30, 2018 financial statements:

- The largest asset of the CSFA (79% of the assets) is investments primarily comprised of unspent bond proceeds.
- The only asset recorded for the pledged tobacco settlement proceeds is the receivable attributable to the current period.
- The CSFA’s net position is in a deficit of approximately $249.6 and $247 million as of June 30, 2018 and 2017 respectively. Since the interest accreted during the year in the amount of $9,054,368 this was more that the principal paid of $2,180,000 the overall outstanding bond liability and deficit increased.
- The revenue activity in 2018 was $1.7 million more than 2017 due to reductions in tobacco settlement proceeds in 2018.
- During the year long term debt increase by $7.0 million attributable to principal payments in the amount of $2.2 million, amortization of the bond discount of .2 million and the accretion of interest in the amount of $9.1 million.
- The decline in the overall consumption of cigarettes below level estimated, could have a material effect on the payments received by CSFA used to pay its debt service. CSFA is currently on track to meet the maturity dates of the bonds, but is presently behind on the expected final turbo redemption dates.

RECOMMENDATION:

CSCDA’s Executive Director recommends the approval of the year ended June 30, 2018 financial statements for CSFA.
CALIFORNIA STATEWIDE FINANCING AUTHORITY

Independent Auditor's Report
Financial Statements
and Supplementary Information

June 30, 2018
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<th>Page</th>
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<td>Financial Statements:</td>
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<td>Other Report:</td>
<td></td>
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<tr>
<td>Independent Auditor's Report on Internal Control Over Financial</td>
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<td>Reporting and on Compliance and Other Matters Based on an Audit of</td>
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<td>Performed in Accordance with Government Auditing Standards</td>
<td>16</td>
</tr>
</tbody>
</table>
INDEPENDENT AUDITOR’S REPORT

To the Board of Directors
California Statewide Financing Authority
Sacramento, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the debt service fund of the California Statewide Financing Authority (the Authority), as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

Management’s Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor’s Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the debt service fund of the California Statewide Financing Authority, as of June 30, 2018 and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.
Emphasis of Matter

As discussed in Note 8 to the financial statements, the Authority has a deficit net position as a result of the full amount of the long-term liabilities being presented on the face of the financial statements, but only a portion of the tobacco settlement revenues being presented on the face of the financial statements. In addition, Fitch withdrew all ratings assigned to U.S. tobacco asset-backed securities, and Moody's ratings on the Authority's Series 2002 term bonds range from Ba2 to Baa1. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis as listed in the table of contents, be presented to supplement the basic financial statement. Such information, although not a part of the basic financial statement, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statement in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statement, and other knowledge we obtained during our audit of the basic financial statement. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 25, 2018 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority's internal control over financial reporting and compliance.

Sacramento, California
September 25, 2018
Management's Discussion and Analysis (Unaudited)

The California Statewide Financing Authority (the Authority) is a public entity created by a Joint Exercise of Powers Agreement (Agreement) effective as of June 14, 2002 between the California counties of Colusa, Imperial, Kings, Madera, Modoc, San Benito, Solano, Tehama, Tuolumne, Yolo, and Yuba (the participating counties). A seven-member board of directors (Board) made up of the Commission of the California Statewide Communities Development Authority, a joint powers agency created pursuant to an amended and restated joint exercise of powers agreement dated as of June 1, 1998, governs it. The Authority was created for the purpose of empowering the Authority to finance the payments to be received by the participating counties from the nation-wide Tobacco Settlement Agreement (Payments) for such purposes, but not limited to, issuance, sale, execution and delivery of Bonds secured by those Payments or the lending of money based on thereof, or to securitize, sell, purchase or otherwise dispose of some or all of such Payments of the participating counties.

The Authority is a public entity legally separate and apart from the participating counties. The debts and liabilities of the Authority belong solely to it, and none of the participating counties are in any way responsible for those liabilities.

As management of the Authority, we offer readers of our financial statements this narrative overview and analysis of the financial activities for the year ended June 30, 2018.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) the financial statements and 2) notes to the financial statements.

Financial Statements. The financial statements combine what are known as the government-wide and fund financial statements.

The government-wide financial statements are designed to provide readers with a broad overview of the Authority's finances, in a manner similar to a private sector business, and include the following statements:

The statement of net position presents information on the Authority's assets and liabilities, with the difference between the two reported as net position. The statement of net position is presented as the right column on page 7.

The statement of activities presents information showing how the Authority's net position changed during the year ended June 30, 2018. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods (e.g. accrued interest payable). The statement of activities is presented as the right column on page 8.

Fund financial statements reflect a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund financial statements report essentially the same functions as those reported in the government-wide financial statements. However, unlike the government-wide financial statements, fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the period. The debt service fund financial statements are presented as the left columns on pages 7 and 8.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented. Reconciliations between both the governmental fund balance sheet and statement of revenues, expenditures, and change in fund balance and the government-wide statement of net position and statement of activities, respectively, are provided to facilitate the comparison. These reconciliations are presented as the adjustments columns on pages 7 and 8.

Notes to the Basic Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 9 - 15 of this report.
Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. The largest asset of the Authority (79% of total assets) is investments, primarily comprised of unspent bond proceeds, most of which is set aside for the bond reserve requirement. The majority of the Authority's liabilities (99%) relate to outstanding bonds. Because the only asset recorded for the pledged tobacco settlement proceeds is the receivable attributable to the current period, the Authority's net position is in a deficit position of approximately $249.6 million as of June 30, 2018 and 2017, respectively. Both the outstanding bonds and the deficit net position amounts will increase or decrease in tandem as tobacco settlement proceeds are received and bonds are paid. Since the interest accreted during the year of $9,054,368 was more than the principal paid of $2,180,000, the overall outstanding bond liability and deficit net position increased. While outstanding, the bonds will remain the primary liability of the Authority.

<table>
<thead>
<tr>
<th>Net Position</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current and other assets</td>
<td>$33,450,955</td>
<td>$29,036,582</td>
</tr>
<tr>
<td>Long-term liabilities</td>
<td>281,651,890</td>
<td>274,617,730</td>
</tr>
<tr>
<td>Other liabilities</td>
<td>1,444,306</td>
<td>1,464,741</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>283,096,196</strong></td>
<td><strong>276,082,471</strong></td>
</tr>
<tr>
<td>Unrestricted net position</td>
<td>$(249,645,241)</td>
<td>$(247,045,889)</td>
</tr>
</tbody>
</table>

Activity for the years ended June 30, 2018 and 2017 were as follows:

<table>
<thead>
<tr>
<th>Change in Net Position</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Program revenues</td>
<td>$15,468,499</td>
<td>$13,711,074</td>
</tr>
<tr>
<td>Expenses</td>
<td>18,067,851</td>
<td>17,657,010</td>
</tr>
<tr>
<td>Change in unrestricted net position</td>
<td>(2,599,352)</td>
<td>(3,945,936)</td>
</tr>
<tr>
<td>Unrestricted net position, beginning of year</td>
<td>(247,045,889)</td>
<td>(243,099,953)</td>
</tr>
<tr>
<td>Unrestricted net position, end of year</td>
<td>$(249,645,241)</td>
<td>$(247,045,889)</td>
</tr>
</tbody>
</table>

The revenue activity in 2018 was $1.7 million more than 2017 due to an increase in the settlement proceeds received during 2018. Interest and fiscal charge activity between the two years remained relatively consistent.

Governmental Activities

The Authority does not have business-type activities, and so the analysis presented above for the government-wide financial statements also represents an analysis of the Authority's governmental activities.

Financial Analysis of the Authority's Governmental Fund

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

As of June 30, 2018 and 2017, the Authority reported ending fund balances of $26.4 million and $22.2 million, respectively, which is all restricted for debt service purposes. For the year ended June 30, 2018, the Authority's fund balance increased by $4.2 million to $26.4 million as a result of the Authority incurring approximately $11.1 million for debt service expenditures, net of $14.4 million in tobacco settlement proceeds and $783,000 in interest income.
Capital Assets and Debt Administration

Capital Assets

At the end of the current period, the Authority did not have any capital assets.

Debt Administration

Tobacco Settlement Asset-Backed Bonds, Series 2002 Bonds were issued July 17, 2002 and Series 2006 Bonds were issued April 13, 2006, for the purpose of allowing the Authority to finance and secure a specific level of receipts in lieu of the actual payments to be received by the participating counties from the nation-wide Tobacco Settlement Agreement (Payments). The settlement was based on a number of lawsuits by states and local governments against the various tobacco corporations to recover the cost of health and related other costs attributed to smoking. A Master Settlement Agreement was created among the impacted parties, which delineated the receipts the participating counties would be entitled to receive from the settlement. The proceeds were used to purchase the tobacco settlement rights.

The participating counties expect to use the proceeds to fund escrow endowments and, from the endowments and interest earnings thereon, to finance or refinance over a period of years capital projects and/or other county non-capital programs not specifically identified.

- **$98,770,000** for two issues of Series 2002A Bonds. The first series is for $10,090,000 in serial bonds, issued with interest rates ranging from 3.125% to 5.125%, which final matured on May 1, 2017. The second series of A bonds represent three issues of term bonds. The first term bond is for $28,045,000 with an interest rate of 5.625%, and due on May 1, 2029. The second term bond is for $27,540,000 with an interest rate of 6%, with an expected final turbo redemption date of May 1, 2019, and due on May 1, 2037. The third term bond is for $33,095,000 with an interest rate of 6%, with an expected final turbo redemption date of May 1, 2022, and due on May 1, 2043.

- **$97,775,000** for two issues of Series 2002B Bonds. The first series is for $9,980,000 in serial bonds, issued with interest rates ranging from 3.125% to 5.125%, which final matured on May 1, 2017. The second series of B bonds represent three issues of term bonds. The first term bond is for $27,765,000 with an interest rate of 5.625%, due on May 1, 2029. The second term bond is for $27,265,000 with an interest rate of 6%, with an expected final turbo redemption date of May 1, 2019, and due on May 1, 2037. The third term bond is for $32,765,000 with an interest rate of 6%, with an expected final turbo redemption date of May 1, 2022, and due on May 1, 2043.

- **$25,566,106** Series 2006A Turbo Capital Appreciation Bonds with an interest rate of 6.25%, with an expected final turbo redemption date of June 1, 2028, and due on June 1, 2046.

- **$6,466,114** Series 2006B Turbo Capital Appreciation Bonds with an interest rate of 6.375%, with an expected final turbo redemption date of June 1, 2030, and due on June 1, 2046.

- **$18,913,518** Series 2006C Turbo Capital Appreciation Bonds with an interest rate of 7%, with an expected final turbo redemption date of June 1, 2035, and due on June 1, 2055.

- **$10,804,800** Series 2006D Turbo Capital Appreciation Bonds with an interest rate of 7.875%, with an expected final turbo redemption date of June 1, 2040, and due on June 1, 2055.

During the year ended June 30, 2018, long-term debt increased by $7.0 million attributable to principal payments in the amount of $2.2, amortization of the bond discount of $0.2 million, and the accretion of interest in the amount of $9.1 million.

The Moody's ratings on the Series 2002 Bonds are Baa1 on the term bonds maturing on May 1, 2029, Ba2 on the term bonds maturing on May 1, 2037, and Ba3 on the term bonds maturing on May 1, 2043. Moody's hasn't rated the Series 2006 Bonds.
On June 15, 2016, Fitch withdrew all ratings assigned to U.S. tobacco asset-backed securities because modifications to material calculations originally part of the base Master Settlement Agreement have eroded Fitch’s confidence that ratings can be consistently maintained, as insufficient information exists to predict the likelihood and effect of future modifications, or that insufficient information will exist to support new, material variables included in the modifications.

**Economic Factors and Next Year’s Budget**

The bond covenants relating to the borrowing restrict the Authority’s annual budget to no more than $300,000 per year. Bond rating services fees are estimated to be $20,000. The other significant fee is $60,000 for continuing disclosure services from Bondlogistix.

The bond repayment is subject to a debt repayment schedule, but it can be accelerated, dependent upon greater than expected receipts from the Nation-wide Tobacco Settlement Lawsuit pool. The actual receipts are predicated upon cigarette sales (for the annual gross amount available for distribution) and certain demographic factors (which determine the amount any litigant receives). Although the Authority is currently on track to meet the maturity dates of the Bonds, it is presently behind on the expected final turbo redemption dates of those same Bonds.

**Requests for Information**

This financial report is designed to provide a general overview of the Authority’s finances for all those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

California Statewide Communities Development Authority  
1100 K Street, Suite 101  
Sacramento, California 95814
### CALIFORNIA STATEWIDE FINANCING AUTHORITY

#### STATEMENT OF NET POSITION AND

#### GOVERNMENTAL FUND BALANCE SHEET

#### AS OF JUNE 30, 2018

**ASSETS**

<table>
<thead>
<tr>
<th></th>
<th>Debt Service Fund</th>
<th>Adjustments (Note 3)</th>
<th>Statement of Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Restricted investments (Note 5)</td>
<td>$ 26,405,835</td>
<td>$ -</td>
<td>$ 26,405,835</td>
</tr>
<tr>
<td>Pledged tobacco settlement proceeds receivable</td>
<td>7,045,120</td>
<td>-</td>
<td>7,045,120</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>$ 33,450,955</td>
<td>$ -</td>
<td>$ 33,450,955</td>
</tr>
</tbody>
</table>

**LIABILITIES**

<table>
<thead>
<tr>
<th></th>
<th>Debt Service Fund</th>
<th>Adjustments (Note 3)</th>
<th>Statement of Net Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued interest payable</td>
<td>$ -</td>
<td>$ 1,444,306</td>
<td>$ 1,444,306</td>
</tr>
<tr>
<td>Long-term liabilities (Note 6):</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due after one year</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>281,651,890</td>
<td>281,651,890</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>-</td>
<td>283,096,196</td>
<td>283,096,196</td>
</tr>
</tbody>
</table>

**DEFERRED INFLOWS OF RESOURCES**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unavailable revenue</td>
<td>7,045,120</td>
<td>(7,045,120)</td>
</tr>
</tbody>
</table>

**FUND BALANCE/NET POSITION**

<p>| | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund balance:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Restricted for debt service</td>
<td>26,405,835</td>
<td>(26,405,835)</td>
</tr>
<tr>
<td><strong>Total liabilities, deferred inflows of resources, and fund balance</strong></td>
<td>$ 33,450,955</td>
<td>$ 33,450,955</td>
</tr>
</tbody>
</table>

**Net position:**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted deficit</td>
<td>$ (249,645,241)</td>
</tr>
</tbody>
</table>


See accompanying notes to the financial statement
CALIFORNIA STATEWIDE FINANCING AUTHORITY
STATEMENT OF ACTIVITIES AND
GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2018

<table>
<thead>
<tr>
<th></th>
<th>Debt Service Fund</th>
<th>Adjustments (Note 4)</th>
<th>Statement of Activities</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>EXPENDITURES/EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Debt service:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Principal</td>
<td>$ 2,180,000</td>
<td>($2,180,000)</td>
<td>$ -</td>
</tr>
<tr>
<td>Interest and fiscal charges</td>
<td>8,874,126</td>
<td>9,193,725</td>
<td>18,067,851</td>
</tr>
<tr>
<td>Total expenditures/expenses</td>
<td>11,054,126</td>
<td>7,013,725</td>
<td>18,067,851</td>
</tr>
<tr>
<td><strong>PROGRAM REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>782,588</td>
<td>-</td>
<td>782,588</td>
</tr>
<tr>
<td>Pledged tobacco settlement proceeds</td>
<td>14,498,487</td>
<td>187,424</td>
<td>14,685,911</td>
</tr>
<tr>
<td>Total revenues</td>
<td>15,281,075</td>
<td>187,424</td>
<td>15,468,499</td>
</tr>
<tr>
<td>Change in fund balance/net position</td>
<td>4,226,949</td>
<td>(6,826,301)</td>
<td>(2,599,352)</td>
</tr>
<tr>
<td>Fund balance/net position - July 1, 2017</td>
<td>22,178,886</td>
<td>(269,224,775)</td>
<td>(247,045,889)</td>
</tr>
<tr>
<td>Fund balance/net position - June 30, 2018</td>
<td>$ 26,405,835</td>
<td>($276,051,076)</td>
<td>($249,645,241)</td>
</tr>
</tbody>
</table>

See accompanying notes to the financial statement
NOTE 1 - NATURE OF ORGANIZATION

The California Statewide Financing Authority (the Authority) was created by a Joint Exercise of Powers Agreement (Agreement) effective as of June 14, 2002 between the counties of Colusa, Imperial, Kings, Madera, Modoc, San Benito, Solano, Tehama, Tuolumne, Yolo, and Yuba (the participating counties). A seven-member board of directors (Board) made up of the Commission of the California Statewide Communities Development Authority, a joint powers agency created pursuant to an amended and restated joint exercise of powers agreement dated as of June 1, 1998, governs it. The Authority was created for the purpose of empowering the Authority to finance the payments to be received by the participating counties from the nation-wide Tobacco Settlement Agreement (Payments) for such purposes, but not limited to, issuance, sale, execution and delivery of Bonds secured by those Payments or the lending of money based on thereof, or to securitize, sell, purchase or otherwise dispose of some or all of such Payments of the participating counties.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Government-wide and Fund Financial Statements

The Authority’s financial statements have been condensed to present both the government-wide and debt service governmental fund financial information in one set of financial statements.

The government-wide financial information (i.e., statement of net position and statement of activities) is presented as the right hand column of the financial statements presented on pages 7 and 8. This information includes the financial activities of the overall Authority. Eliminations have been made to minimize the double counting of internal activities.

The statement of net position is designed to display the financial position of the entity.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular segment or function. Revenues that are not classified as program revenues, including all taxes, are presented instead as general revenues.

The debt service governmental fund financial information is presented as the left hand column of the financial statements presented on pages 7 and 8. The middle column of these financial statements reconciles the two other columns, and the reconciling amounts are explained in further detail in notes 3 and 4.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses when the liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Authority considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.
NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pledged tobacco settlement proceeds are considered 'measurable' when the event giving rise to recognition - the domestic shipment of cigarettes (sales) - occurs. Because the annual pledged tobacco settlement proceeds are based on cigarette sales from the preceding calendar year, the Authority accrues half of the pledged tobacco settlement proceeds received in the subsequent year, which represents sales derived from January 1 to June 30. However, since those proceeds are not received until April of the following year, they are not considered available, and therefore are reported as deferred inflows of resources at year end.

The Authority reports the following major governmental fund:

- The debt service fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Net Position/Fund Balance

The government-wide financial statements utilize a net position presentation. Although the Authority's activities are restricted for debt service, its net position is categorized as unrestricted because of the deficit position.

The governmental fund utilizes a classified fund balance presentation. Fund balance is reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purpose for which amounts can be spent. The Authority's fund balance is restricted for future debt service payments as its resources are legally segregated for that specific purpose.

When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first, then unrestricted resources as they are needed.
NOTE 3 - ADJUSTMENTS BETWEEN GOVERNMENTAL FUND BALANCE SHEET AND STATEMENT OF NET POSITION

The financial statement presented on page 7 includes an adjustments column that reconciles the balance sheet of the debt service governmental fund and the government-wide statement of net position. These adjustments are further detailed below while reconciling the fund balance of the debt service governmental fund and net position of the government-wide financial information.

Fund balance $26,405,835

Certain long-term assets are not available to pay for current-period expenditures and, therefore, are reported as deferred inflows of resources in the fund. $7,045,120

Long-term liabilities, including bonds payable and related discounts, are not due and payable in the current period and therefore are not reported in the governmental fund. Interest on long-term liabilities is not accrued in the governmental fund, but rather is recognized as an expenditure when it is due. Accrued interest payable is reported in the statement of net position.

Accrued interest payable $(1,444,306)
Bonds payable $(207,765,538)
Accreted interest $(77,854,500)
Discounts on bonds $(3,968,148)

Net position $(249,645,241)

NOTE 4 - ADJUSTMENTS BETWEEN GOVERNMENTAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND STATEMENT OF ACTIVITIES

The financial statement presented on page 8 includes an adjustments column that reconciles the debt service governmental fund revenues, expenditures, and changes in fund balance and the government-wide statement of activities. These adjustments are further detailed below while reconciling the change in fund balance of the debt service governmental fund and the change in net position of the government-wide financial information.

Change in fund balance $4,226,949

The payment of the principal of long-term liabilities consumes the current financial resources of the governmental fund. However, this transaction has no effect on net position. $2,180,000

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental fund.

Change in accrued interest payable 20,435
Change in accreted interest (9,054,368)
Amortization of bonds discounts (159,792)

Revenues in the statement of activities that do not provide current financial resources are reported as unavailable revenue in the fund. This amount represents the change in the unavailable revenue from the previous year. 187,424

Change in net position $(2,599,352)
NOTE 5 - RESTRICTED INVESTMENTS

Investments at June 30, 2018 totaling $26,405,835 are held by the indenture trustee and are restricted for the payment of future debt service.

Funds held by the indenture trustee may be invested in eligible investments as governed by the provisions of the indenture.

The following are eligible investments:

a) Defeasance collateral;
b) Direct obligations of, or obligations guaranteed by, the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, or the Federal Farm Credit System;
c) Demand and time deposits or certificates of deposit, or bankers’ acceptances;
d) General obligations of, or obligations guaranteed by, any state of the United States or the District of Columbia;
e) Commercial or finance company paper;
f) Repurchase obligations;
g) Corporate securities;
h) Investment agreements or guaranteed investment contracts;
i) Money market funds;
j) The State of California Local Agency Investment Fund or any state administered pool investment fund in which any participant is statutorily permitted or required to invest;
k) Any other investment described in California Government Code Section 53601, as it may be amended or supplemented; and
l) Other obligations, securities, agreements, or contracts that are non-callable and that are acceptable to each rating agency.

Provided that eligible investments shall not include any obligations of any of the participating counties.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, one of the ways that the indenture trustee manages the Authority’s exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturing evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, an entity will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The indenture does not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments.

Investments in external investment pools and mutual funds are not exposed to custodial credit risk because their existence is not evidenced by securities that exist in physical or book entry form. The commercial paper is also not exposed to custodial credit risk.

Concentration of Credit Risk

The indenture between the Authority and indenture trustee contains no limitations on the amount that can be invested in any one issuer. Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from this requirement. At June 30, 2018 there were no investments in any one issuer that represented 5 percent or more of total investments.
NOTE 5 - RESTRICTED INVESTMENTS (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Debt proceeds held by the indenture trustee were used to purchase investments with the minimum ratings required by the indenture. As of June 30, 2018, the Authority’s investments and credit ratings are as follows:

<table>
<thead>
<tr>
<th>Maturities Less than 30 days</th>
<th>Credit Rating</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Investments held by fiscal agent:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>Aaa</td>
<td>$26,405,835</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td>$26,405,835</td>
</tr>
</tbody>
</table>

Fair Value Measurements

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The Authority has the following recurring fair value measurements as of June 30, 2018:

<table>
<thead>
<tr>
<th>Investment Type</th>
<th>Total</th>
<th>Fair Value Measurements Using:</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Level 1</td>
</tr>
<tr>
<td>Money Market Funds</td>
<td>$26,405,835</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$26,405,835</td>
<td>-</td>
</tr>
</tbody>
</table>

NOTE 6 - LONG-TERM LIABILITIES

Long-term liabilities consisted of the following original issues:

$98,770,000 for two issues of Series 2002A Bonds, including $10,090,000 in serial bonds, issued with interest rates ranging from 3.125% to 5.125%, which final matured on May 1, 2017. The second series of A bonds represent three issues of term bonds. The first term bond is for $28,045,000 with an interest rate of 5.625%, and due on May 1, 2029. The second term bond is for $27,540,000 with an interest rate of 6%, with an expected final turbo redemption date of May 1, 2019, and due on May 1, 2037. The third term bond is for $33,095,000 with an interest rate of 6%, with an expected final turbo redemption date of May 1, 2022, and due on May 1, 2043.

$97,775,000 for two issues of Series 2002B Bonds, including $9,980,000 in serial bonds, issued with interest rates ranging from 3.125% to 5.125%, which final matured on May 1, 2017. The second series of B bonds represent three issues of term bonds. The first term bond is for $27,765,000 with an interest rate of 5.625%, due on May 1, 2029. The second term bond is for $27,265,000 with an interest rate of 6%, with an expected final turbo redemption date of May 1, 2019, and due on May 1, 2037. The third term bond is for $32,765,000 with an interest rate of 6%, with an expected final turbo redemption date of May 1, 2022, and due on May 1, 2043.
NOTE 6 - LONG-TERM LIABILITIES (Continued)

$25,566,106 Series 2006A Turbo Capital Appreciation Bonds with an interest rate of 6.25%, with an expected final turbo redemption date of June 1, 2028, and due on June 1, 2046.

$6,466,114 Series 2006B Turbo Capital Appreciation Bonds with an interest rate of 6.375%, with an expected final turbo redemption date of June 1, 2030, and due on June 1, 2046.

$18,913,518 Series 2006C Turbo Capital Appreciation Bonds with an interest rate of 7%, with an expected final turbo redemption date of June 1, 2035, and due on June 1, 2055.

$10,804,800 Series 2006D Turbo Capital Appreciation Bonds with an interest rate of 7.875%, with an expected final turbo redemption date of June 1, 2040, and due on June 1, 2055.

Future debt service requirements at June 30, 2018 are as follows:

<table>
<thead>
<tr>
<th>Years Ended June 30,</th>
<th>Principal</th>
<th>Interest</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>$ -</td>
<td>$ 8,665,838</td>
</tr>
<tr>
<td>2020</td>
<td>-</td>
<td>8,665,838</td>
</tr>
<tr>
<td>2021</td>
<td>-</td>
<td>8,665,838</td>
</tr>
<tr>
<td>2022</td>
<td>-</td>
<td>8,665,838</td>
</tr>
<tr>
<td>2023</td>
<td>-</td>
<td>8,665,838</td>
</tr>
<tr>
<td>2024-2028</td>
<td>-</td>
<td>43,329,190</td>
</tr>
<tr>
<td>2029-2033</td>
<td>25,350,000</td>
<td>37,625,438</td>
</tr>
<tr>
<td>2034-2038</td>
<td>54,805,000</td>
<td>32,911,200</td>
</tr>
<tr>
<td>2039-2043</td>
<td>65,860,000</td>
<td>19,758,000</td>
</tr>
<tr>
<td>2044-2048</td>
<td>32,032,220</td>
<td>291,155,400</td>
</tr>
<tr>
<td>2049-2053</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>2054</td>
<td>29,718,318</td>
<td>938,916,194</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 207,765,538</td>
<td>$1,407,024,612</td>
</tr>
</tbody>
</table>

The following summarizes the long-term liabilities activity during the year:

<table>
<thead>
<tr>
<th>Balance</th>
<th>Additions</th>
<th>Retirements</th>
<th>Due within One Year</th>
</tr>
</thead>
<tbody>
<tr>
<td>July 1, 2017</td>
<td>Bonds payable</td>
<td>$ 209,945,538</td>
<td>$ -</td>
</tr>
<tr>
<td></td>
<td>Add accreted interest</td>
<td>68,800,132</td>
<td>9,054,368</td>
</tr>
<tr>
<td></td>
<td>Less discounts</td>
<td>(4,127,940)</td>
<td>-</td>
</tr>
<tr>
<td>Balance</td>
<td>Bonds payable</td>
<td>$ 274,617,730</td>
<td>$ 9,054,368</td>
</tr>
</tbody>
</table>

NOTE 7 - PLEDGED TOBACCO SETTLEMENT PROCEEDS

In November 1998, 46 states (including California), six other United States jurisdictions and participating cigarette manufacturers entered into a Master Settlement Agreement (MSA) in settlement of certain cigarette smoking litigation. The MSA calls for the cigarette manufacturers to make annual payments to the settling states, beginning in 2000 and continuing in perpetuity.

The State of California entered into a separate Memorandum of Understanding (MOU) with all California counties and certain affected cities regarding the distribution and use of the State's share of tobacco settlement revenues (TSRs). The MOU calls for 45% of the State's allocation to be distributed to the counties and certain affected cities based on population.
NOTE 8 - DEFICIT IN NET POSITION

Under the terms of the MSA as described in Note 7, the tobacco companies have agreed to make annual TSR payments in perpetuity. Under GASB Statement No. 48, Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues, these rights do not meet the criteria for recognition as an asset in the financial statements as the tobacco companies have no obligation to make TSR payments until cigarettes are shipped. The event that results in the recognition of an asset and revenue by the Authority is therefore the domestic shipment of cigarettes (sales). And since only the domestic shipment of cigarettes for the period of January 2018 through June 2018 had occurred and not been received by year end, this is the only receivable recognized by the Authority, which can only be estimated as it won’t be received until 2019. That amount is estimated to be $7,045,120, which is one half of the $14,090,240 in TSRs estimated to be received for calendar year 2017 based on the analysis contained in the official statement of the California Statewide Financing Authority, Tobacco Settlement Asset-Backed Bonds, Series 2006, adjusted downward based on actual TSRs received in recent years.

As a result of the full amount of the long-term liabilities in the amount of $281,651,890 being presented on the face of these financial statements, but only $7,045,120 in TSRs accrued on the face of these financial statements, net position is shown as a deficit of $249,645,241 at June 30, 2018.

It should be noted that a decline in the overall consumption of cigarettes below the levels estimated, based on the analysis contained in the official statement of the California Statewide Financing Authority, Tobacco Settlement Asset-Backed Bonds, Series 2006, could have a material adverse effect on the payments received by the Authority used to pay its debt service payments of the Bonds. Although the Authority is currently on track to meet the maturity dates of the Bonds, it is presently behind on the expected final turbo redemption dates of those same Bonds.

As a result, on June 15, 2016, Fitch withdrew all ratings assigned to U.S. tobacco asset-backed securities because modifications to material calculations originally part of the base Master Settlement Agreement have eroded Fitch’s confidence that ratings can be consistently maintained, as insufficient information exists to predict the likelihood and effect of future modifications, or that insufficient information will exist to support new, material variables included in the modifications.

Moody’s ratings on the Series 2002 Bonds are Baa1 on the term bonds maturing on May 1, 2029, Ba2 on the term bonds maturing on May 1, 2037, and Ba3 on the term bonds maturing on May 1, 2043. Moody's hasn’t rated the Series 2006 Bonds.
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Board of Directors
California Statewide Financing Authority
Sacramento, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the financial statements of the governmental activities and the debt service fund of California Statewide Financing Authority as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise California Statewide Financing Authority’s basic financial statements, and have issued our report thereon dated September 25, 2018.

Internal Control Over Financial Reporting
In planning and performing our audit of the financial statements, we considered California Statewide Financing Authority’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of California Statewide Financing Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of California Statewide Financing Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters
As part of obtaining reasonable assurance about whether California Statewide Financing Authority’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Purpose of this Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Authority’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mann, Urrutia, Nelson CPAs
Sacramento, California
September 25, 2018