



## **REGULAR MEETING AGENDA**

**February 16, 2017 at 2:00 p.m.**

**California State Association of Counties  
1100 K Street, 1st Floor, Sacramento, CA 95814**

Telephonic Locations:

709 Portwalk Place  
Redwood City, CA 94061

27788 Hidden Trail Road  
Laguna Hills, CA 92653

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

County of Kern  
1115 Truxtun Avenue, Bakersfield, CA 93301

County of Monterey  
168 Alisal Street, Salinas, CA 93901

County of Butte  
7 County Drive, Oroville, CA 95965

City of Auburn  
1225 Lincoln Way, Auburn, CA 95603

### **A. OPENING AND PROCEDURAL ITEMS**

1. Roll Call.

_____ Dan Harrison, Chair	_____ Tim Snellings, Member
_____ Larry Combs, Vice Chair	_____ Dan Mierzwa, Member
_____ Kevin O'Rourke, Treasurer	_____ Irwin Bornstein, Member
_____ Ron Holly, Secretary	_____ Brian Moura, Alt. Member
_____ Jordan Kaufman, Alt. Member	
2. Consideration of the minutes of the February 2, 2017 Regular Meeting.
3. Consideration of the Consent Calendar.
4. Public Comment.

This \_\_\_ page agenda was posted at 1100 K Street, Sacramento, California on \_\_\_\_\_, 2017 at \_\_\_: \_\_\_ m, Signed \_\_\_\_\_. Please email signed page to [info@cscda.org](mailto:info@cscda.org)

**B. ITEMS FOR CONSIDERATION**

5. 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:
  - a. Enloe Medical Center, City of Chico, County of Butte; issue up to \$28,000,000 in nonprofit revenue obligations.
  - b. La Puente Park Preservation, L.P. (La Puente Park Apartments), City of La Puente, County of Los Angeles; issue up to \$27,000,000 in multifamily housing revenue bonds.
6. Consideration of resolution adding James Hamill and Jon Penkower as authorized signatories for documents approved by the CSCDA Commission.
7. Consideration of First Amendment to Professional Services Contract with Urban Futures Bond Administration.

**C. STAFF ANNOUNCEMENTS, REPORTS ON ACTIVITIES OR REQUESTS**

8. Executive Director Update.
9. Staff Updates.
10. Adjourn.

**NEXT MEETING:** Thursday, March 2, 2017 at 2:00 p.m.  
League of California Cities  
1400 K Street, 3rd Floor, Sacramento, CA 95814

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY**

**CONSENT CALENDAR**

1. Consent Calendar

- a. Inducement of WP Sierra Heights Apartments, LP (Sierra Heights Apartments), City of Oroville, County of Butte; issue up to \$15 million in multi-family housing revenue bonds.
- b. Consideration of Bronze Level Patron Program Sponsorship of CCAH.

February 16, 2017

**SPECIAL MEETING AGENDA OF  
THE CALIFORNIA STATEWIDE FINANCING AUTHORITY (CSFA)**

**February 16, 2017 at 2:15 p.m.  
or upon adjournment of the Regular CSCDA Meeting**

**California State Association of Counties  
1100 K Street, 1st Floor, Sacramento, CA 95814**

Telephonic Locations:

709 Portwalk Place  
Redwood City, CA 94061

27788 Hidden Trail Road  
Laguna Hills, CA 92653

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7 County Drive, Oroville, CA 95965

City of Auburn  
1225 Lincoln Way, Auburn, CA 95603

**A. OPENING AND PROCEDURAL ITEMS**

1. Roll Call.

_____ Dan Harrison, Chair	_____ Tim Snellings, Member
_____ Larry Combs, Vice Chair	_____ Dan Mierzwa, Member
_____ Kevin O'Rourke, Treasurer	_____ Irwin Bornstein, Member
_____ Ron Holly, Secretary	_____ Brian Moura, Alt. Member
_____ Jordan Kaufman, Alt. Member	
2. Consideration of the minutes of the May 21, 2015 Regular Meeting.
3. Public Comment.
4. Consideration of Audited Financial Statements for Fiscal Year Ending June 30, 2016.
5. Executive Director Update.
6. Staff Updates.
7. Adjourn.



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## **Agenda Item No. 3**

### **Agenda Report**

**DATE:** February 16, 2017  
**TO:** CSCDA COMMISSIONERS  
**FROM:** Cathy Bando, Executive Director  
**PURPOSE:** Consent Calendar

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#### **SUMMARY:**

- b. Consideration of Bronze Level Patron Program Sponsorship of CCAH.

**It is recommended that CSCDA consider renewing its Bronze Level Patron Sponsorship of CCAH. CCAH (California Council for Affordable Housing) is a tax-exempt nonprofit organization dedicated to facilitating the development and expansion of affordable housing in the State of California. CCAH devotes its resources to tracking relevant state and federal legislation, monitoring current housing development and finance programs, making recommendations on appropriate housing and programs, and keeping the CCAH membership informed about these matters. CCAH sponsors two annual statewide conferences and presents special seminars on a wide range of topics facing the affordable housing industry. Bronze Level Conference Sponsorship costs \$1,500 for each of the spring and fall conferences.**

**RESOLUTION NO. 17H-\_\_**

**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 February 16, 2017.

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 February 16, 2017.

By: \_\_\_\_\_  
Authorized Signatory

**EXHIBIT A**

<b>Project Name</b>	<b>Project Location</b>	<b>Project Description (units)</b>	<b>New Construction/ Acquisition and Rehabilitation</b>	<b>Legal Name of initial owner/operator</b>	<b>Bond Amount</b>
Sierra Heights Apartments	City of Oroville, County of Butte	60	New Construction	WP Sierra Heights Apartments, LP	\$15,000,000



## **Agenda Item No. 5a**

### **Agenda Report**

**DATE:** February 16, 2017

**TO:** CSCDA COMMISSIONERS

**FROM:** Cathy Bando, Executive Director

**PROJECT:** Enloe Medical Center

**PURPOSE:** Authorize the Issuance of 501c3 Nonprofit Obligations to Finance the Equipping of Health and Support Facilities located in the City of Chico, County of Butte

**AMOUNT:** Not to Exceed \$28,000,000

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#### **EXECUTIVE SUMMARY:**

Enloe Medical Center, a 501c3 nonprofit organization (“Enloe”), has requested that CSCDA issue nonprofit obligations in an amount not to exceed \$28,000,000 (the “Obligations”) to finance the equipping of health and support facilities located in the City of Chico (the “Project”). The Obligations are being issued to finance the acquisition of an electronic health records system and related property.

#### **PROJECT ANALYSIS:**

##### **About Enloe Medical Center:**

Enloe Medical Center is a 298-bed non-profit hospital with the mission of improving the quality of life through patient-centered care. It is one of two Level II trauma centers north of Sacramento, houses the region’s only Level II neonatal intensive care unit and operates the FlightCare air ambulance service. Enloe’s comprehensive medical services include cardiac surgery and heart care, neurosurgery, orthopedics, total joint replacement, cancer care, maternity care, women's services and bariatrics. Enloe caregivers are focused on engaging each other to achieve higher quality of care, reaching out to patients and families to create meaningful programs and building bridges with the community to support health and well-being. Enloe is one of the few California hospitals still locally governed. The hospital’s community-based, volunteer Board of Trustees protects this local status and assures that dollars earned are reinvested to improve the health of the community.

**Public Agency Approval:**

**TEFRA Hearing:** February 7, 2017 – City of Chico – unanimous approval.

**Economic Development:**

- Enloe employs more than 3,000 staff and 300 physicians throughout its City of Chico facilities.
- Enloe's role in the community has generated the establishment of medical clinics, pharmacies, rehabilitation centers and other medical related businesses to assist those in need of continued medical care. In addition, many Enloe employees live, eat and shop within the community and support the local economy.

**Public Benefit:**

- Emergency care – Enloe provides 24-hour emergency care to all individuals, regardless of their ability to pay.
- In 2016, Enloe contributed more than \$105 million in total community benefits, including quantifiable benefits for the poor and broader community.
- Medi-Cal, Medicaid and Medicare acceptance – Enloe provides healthcare and helps to subsidize the cost of service for patients that participate in government sponsored programs such as Medi-Cal, Medicaid and Medicare. In 2016, Enloe subsidized more than \$90 million for the unpaid cost of federal, state, and local programs.
- Non-reimbursed community benefit costs – In 2016, Enloe provided more than \$3 million in traditional charity care charges and \$4 million in non-billed services.
- Community Health Fair – Enloe welcomes more than 1,200 area residents for free health screenings and other educational programs at its annual community health fair.

**Sources and Uses:**

Sources of Funds:

Tax-Exempt Loan:	\$ 28,000,000
Total Sources:	\$ 28,000,000

Uses of Funds:

Project Fund:	\$ 27,875,000
Cost of Issuance	\$ 125,000
Total Uses:	\$ 28,000,000

**Finance Partners:**

Bond Counsel: Gilmore & Bell, P.C., Kansas City (501c3 Equipment Purchase Program)

Lender: Banc of America Public Capital Group, Seattle

**Finance Terms:**

**Rating:** Unrated  
**Term:** 8 years at a fixed interest rate of 2.35%  
**Structure:** Direct bank placement  
**Estimated Closing:** February 28, 2017

**CSCDA Policy Compliance:**

The financing for Enloe complies with CSCDA's general and issuance policies.

**DOCUMENTS:** (as attachments)

1. CSCDA Resolution (Attachment A)

**COMMISSION ACTION RECOMMENDED BY THE EXECUTIVE DIRECTOR:**

1. Approves the issuance of the Obligations 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. 2017SI-1**

**A RESOLUTION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY AUTHORIZING THE ISSUANCE OF ITS 501(c)(3) EQUIPMENT PURCHASE PROGRAM NOTE TO FINANCE THE ACQUISITION OF CERTAIN EQUIPMENT BY THE BORROWER NAMED HEREIN AND PROVIDING THE TERMS AND CONDITIONS FOR THE ISSUANCE OF THE NOTE AND OTHER MATTERS RELATING THERETO**

<b>Issuer:</b>	California Statewide Communities Development Authority
<b>Borrower:</b>	Enloe Medical Center or an affiliate
<b>Note:</b>	501(c)(3) Equipment Purchase Program Note (Enloe Medical Center Project)
<b>Equipment:</b>	Electronic health records system
<b>Local Government Participant:</b>	City of Chico, California
<b>Local Government Participant's Statutory Authority:</b>	Section 37350 of the California Government Code
<b>Maximum Principal Amount:</b>	\$28,000,000
<b>Maximum Interest Rate:</b>	12.00% per annum
<b>Maximum Final Maturity:</b>	8 years from date of issuance
<b>Expected Public Benefits:</b>	<ol style="list-style-type: none"><li>(1) Creates opportunities for the creation or retention of employment.</li><li>(2) Provides the educational background and vocational training to provide the economy with a capable work force.</li><li>(3) Provides stimulation to economic activity that increases the tax base.</li></ol>

**WHEREAS**, pursuant to the Joint Exercise Powers Act, comprising Article 1, Article 2 and Article 3 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the "Act"), a number of California cities, counties and other California local public agencies have entered into a joint exercise of powers agreement (the "Joint Powers Agreement") pursuant to which the Issuer was organized and those cities, counties and other local public entities became program participants of the Issuer; and

**WHEREAS**, the Issuer is authorized by the Act and its Amended and Restated Joint Exercise of Powers Agreement, dated as of June 1, 1988, as the same may be amended, to

undertake financing programs under the Act or other applicable provisions of law to promote economic development through the issuance of bonds, notes or other evidences of indebtedness; and

**WHEREAS**, the Local Government Participant is a program participant of the Issuer with the power to participate in financings for facilities that are owned and operated by nonprofit public benefit corporations pursuant to the Local Governmental Participant's Statutory Authority; and

**WHEREAS**, the Borrower is a California nonprofit public benefit corporation; and

**WHEREAS**, the Borrower is undertaking the financing or refinancing of the acquisition of the Equipment, which is located or is to be located within the territorial limits of the Local Government Participant, and the financing or refinancing of the acquisition of the Equipment is expected to promote economic development by providing the Expected Public Benefits within the jurisdiction of the Local Government Participant; and

**WHEREAS**, the Borrower is requesting the Issuer's assistance in providing funds for financing or refinancing the acquisition of the Equipment; and

**WHEREAS**, to that end, the Borrower proposes that the Issuer issue the Note and loan the proceeds thereof to the Borrower to finance or refinance the acquisition of the Equipment and, if requested, pay certain costs associated with the acquisition of the Equipment; and

**WHEREAS**, the maximum aggregate principal amount of the Note to be issued with respect to the Equipment is the lesser of (i) the Maximum Principal Amount or (ii) the expected cost of the Equipment, including costs of issuance of not to exceed 2% of the principal amount of the Note; and

**WHEREAS**, the Issuer wishes to order the issuance of the Note in an aggregate principal amount not to exceed the Maximum Principal Amount for the foregoing purposes and to authorize the execution of certain other related documents and agreements; and

**WHEREAS**, there have been presented to this meeting the following:

- (1) Proposed form of Loan Agreement (the "Loan Agreement") to be entered into among the Issuer, the Borrower and the lender identified therein (the "Lender");
- (2) Proposed form of Escrow Agreement (the "Escrow Agreement") to be entered into in connection with the issuance of the Note among the Issuer, the Borrower, the Lender and an escrow agent identified therein (the "Escrow Agent"); and
- (3) Proposed form of Tax Compliance Agreement (the "Tax Compliance Agreement") to be entered into in connection with the issuance of the Note between the Issuer and the Borrower.

**NOW, THEREFORE, BE IT RESOLVED** by the Commission of the Issuer, as follows:

**Section 1.** The Issuer, based on the information provided in the application by the Borrower with respect to the Equipment hereby finds that the financing or refinancing of the acquisition of the Equipment is expected to provide the Expected Public Benefits within the jurisdiction of the Local Government Participant.

**Section 2.** The forms of the Loan Agreement, the Escrow Agreement and the Tax Compliance Agreement are hereby approved in substantially the forms presented at this meeting with such changes and insertions therein as are approved by the person executing those documents on behalf of the Issuer, that person's execution of those documents to be conclusive evidence of that person's approval thereof. Any Authorized Signatory duly authorized pursuant to a resolution of the Issuer (each, an "Authorized Signatory"), is hereby authorized and directed, for and on behalf of the Issuer, to execute and deliver the Loan Agreement, the Escrow Agreement and the Tax Compliance Agreement in connection with the issuance of the Note.

**Section 3.** The issuance of the Note is hereby authorized in an aggregate principal amount not to exceed the Maximum Principal Amount. The Note shall be issued in accordance with the terms of and shall be secured by the Loan Agreement. The Note shall bear interest at a rate (which shall not exceed the Maximum Interest Rate) set forth in or determined in accordance with the Loan Agreement, shall mature in installments (with a final maturity which shall not exceed the Maximum Final Maturity) as set forth in the Loan Agreement, shall be subject to prepayment and shall have such other terms and provisions as set forth in the Loan Agreement and shall be substantially in the form attached to the Loan Agreement as Exhibit B, with such changes and insertions therein as are approved by the person executing the Note on behalf of the Issuer, that person's execution of the Note to be conclusive evidence of that person's approval thereof. Payment of the principal of, and any redemption premium and the interest on, the Note shall be made solely from the revenues to be received by the Issuer pursuant to the Loan Agreement, and the Note shall not be deemed to constitute a debt or liability of the Issuer or any member of the Issuer.

**Section 4.** The Note shall be executed on behalf of the Issuer by the manual or facsimile signature of any Authorized Signatory of the Issuer, and said Authorized Signatories are hereby authorized to deliver the Note to the Lender upon payment of the purchase price therefor of the principal amount thereof plus accrued interest, if any, to its issuance date.

**Section 5.** All actions heretofore taken by the officers and agents of the Issuer with respect to the issuance and sale of the Note are hereby approved, confirmed and ratified, and the officers of the Issuer and their authorized deputies and agents are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all certificates and other documents in addition to those enumerated herein which they or bond counsel may deem necessary or advisable in order to consummate the issuance, sale and delivery of the Note and otherwise to effectuate the purposes of this Resolution.

**Section 6.** This resolution shall take effect from and after its adoption.



**PASSED AND ADOPTED** by the California Statewide Communities Development Authority  
this 16<sup>th</sup> day of February, 2017.

\* \* \* \*

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 Issuer at a duly called meeting of the Commission of the Issuer held in accordance with law on February 16, 2017.

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Authorized Signatory  
California Statewide  
Communities Development Authority



## **Agenda Item No. 5b**

### **Agenda Report**

**DATE:** February 16, 2017

**TO:** CSCDA COMMISSIONERS

**FROM:** Cathy Bando, Executive Director

**PROJECT:** La Puente Park Apartments

**PURPOSE:** Approve the Financing of Rental Affordable Housing Project Located in the City of La Puente, County of Los Angeles

**AMOUNT:** Not to Exceed \$27,000,000

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#### **EXECUTIVE SUMMARY:**

La Puente Park Apartments (the “Project”) is an acquisition and rehabilitation of a 132-unit rental affordable housing project located in the City of La Puente. 100% of the units will remain rent restricted for low-income tenants.

#### **PROJECT DESCRIPTION:**

- Acquisition and rehabilitation of 132-unit affordable rental housing facility located at 14714 East Prichard Street in the City of La Puente.
- 6 acre site.
- 14 two-story residential buildings, laundry rooms, playground and a community room.
- Consists of 8 one-bedroom units, 88 two-bedroom units, 35 three-bedroom units, and one manager’s unit.

#### **PROJECT ANALYSIS:**

##### **Background on Applicant:**

Preservation Partners Development (PPD) acquires, rehabilitates and permanently preserves “at-risk” affordable housing resources which were originally developed under U.S. Department of Housing and Urban Development (HUD) financing and direct rental subsidy programs. PPD’s objective is to provide long term, secure housing communities, and in partnership with affiliated nonprofit corporations, provide supportive social services focused on the most basic needs of very low income families and seniors. PPD has previously constructed or rehabilitated more than 30 multifamily properties and this is PPD’s seventh financing with CSCDA.

**Public Agency Approval:**

**TEFRA Hearing:** June 14, 2016 – City of La Puente – unanimous approval

**CDLAC Approval:** December 14, 2016

**Public Benefits:**

- 100% of the units will be rent restricted for 55 years.
  - 80% (104 units) restricted to 60% or less of area median income households.
  - 20% (27 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:	\$ 16,900,000
Subordinate Bonds:	\$ 6,600,000
FHA 221d4 Loan:	\$ 27,795,000
Tax Credits:	\$ 11,361,198
Deferred Developer Fee:	\$ 2,422,117
Total Sources:	\$ 65,078,315

Uses of Funds:

Acquisition:	\$ 25,500,000
Construction Costs:	\$ 12,003,336
Architecture & Engineering:	\$ 102,000
Capitalized Interest	\$ 1,846,498
Developer Fee:	\$ 4,922,117
Tax Credit Fees:	\$ 91,598
Bond Costs:	\$ 631,875
Cost of Issuance:	\$ 1,179,951
Soft Costs/Reserves:	\$ 1,900,940
Repayment of Senior Bonds:	\$ 16,900,000
Total Uses:	\$ 65,078,315

**Finance Partners:**

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

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

Underwriter: Citibank

**Finance Terms:**

**Rating:** AA+ (S&P)  
**Term:** 40 years at a fixed interest rate  
**Structure:** Public Offering/Cash Collateralized FHA Insured Loan  
**Estimated Closing:** March 15, 2017

**CSCDA Policy Compliance:**

The financing for the Project complies with CSCDA's general and issuance policies.

**DOCUMENTS:** (as attachments)

1. Photo of La Puente Park Apartments (Attachment A)
2. CSCDA Resolution (Attachment B)

**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**



**ATTACHMENT B**

**RESOLUTION NO. 017H-\_\_**

**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 \$27,000,000 FOR THE FINANCING OF A MULTIFAMILY RENTAL HOUSING PROJECT GENERALLY KNOWN AS LA PUENTE PARK 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, rehabilitation and development 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**, La Puente Park Preservation LP, a California limited partnership, and entities related thereto (collectively, the “Borrower”), has requested that the Authority issue and sell revenue bonds to assist in the financing of the acquisition, rehabilitation and development of a 132-unit multifamily rental housing development located in the City of La Puente, California and known as La Puente Park Apartments (the “Project”);

**WHEREAS**, on December 14, 2016, the Authority received an allocation in the amount of \$23,500,000 (the “Allocation Amount”) from the California Debt Limit Allocation Committee (“CDLAC”) in connection with the Project;

**WHEREAS**, the City of La Puente is a Program Participant (as defined in the Agreement) of the Authority and has authorized the issuance of the Bonds;

**WHEREAS**, the Authority is willing to issue not to exceed \$27,000,000 aggregate principal amount of its Multifamily Housing Revenue Bonds (La Puente Park Apartments) 2017 Series F (the “Senior Bonds”) and its Subordinate Multifamily Housing Revenue Bonds (La Puente Park Apartments) 2017 Series F-S (the “Subordinate Bonds,” and together with the Senior Bonds, the “Bonds”), provided that the aggregate portion of such Bonds issued as federally tax-exempt obligations shall not exceed the Allocation Amount, and 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**, the Senior Bonds will initially be offered for sale to the public by Citigroup Global Markets, Inc., as Underwriter, and the Subordinate Bonds will be privately placed with La Puente Preservation Limited Partnership, or a related entity, as the initial purchasers of the Subordinate Bonds, in each case in accordance with the Authority's private placement policy.

**WHEREAS**, there have been prepared and made available to the members of the Commission of the Authority (the "Commission") the following documents required for the issuance of the Bonds, and such documents are now in substantial form and appropriate instruments to be executed and delivered for the purposes intended:

(1) Trust Indenture with respect to the Senior Bonds (the "Indenture"), to be entered into between the Authority and Wilmington Trust, National Association, as trustee (the "Trustee");

(2) Loan Agreement with respect to the Senior Bonds (the "Loan Agreement"), to be entered into between the Authority and the Borrower;

(3) Regulatory Agreement and Declaration of Restrictive Covenants (the "Regulatory Agreement"), to be entered into among the Borrower, the Authority and the Trustee; and

(4) Bond Purchase Agreement (the "Bond Purchase Agreement") relating to the Senior Bonds, to be entered into by the Authority, Citigroup Global Markets, Inc., as Underwriter (the "Underwriter"), and the Borrower;

(6) Official Statement with respect to the Senior Bonds (the "Official Statement"), to be used in connection with the offer and sale of the Senior Bonds;

(7) Subordinate Master Pledge and Assignment (the "Pledge and Assignment") to be entered into among the Authority, La Puente Preservation Limited Partnership, as agent (the "Subordinate Bonds Agent"), and La Puente Preservation Limited Partnership, as bondholder, relating to the Subordinate Bonds; and

(8) Subordinate Master Agency Agreement (the "Agency Agreement") to be entered into between the Authority and the Subordinate Bonds Agent, relating to the Subordinate Bonds.

**NOW, THEREFORE, BE IT RESOLVED** by the members of the Commission 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, the Indenture and the Pledge and Assignment, and in accordance with the Housing Law, the Authority is hereby authorized to issue one or more series of Bonds. The Bonds shall be designated as “California Statewide Communities Development Authority Multifamily Housing Revenue Bonds (La Puente Park Apartments) 2017 Series F” including, if and to the extent necessary, Senior Bonds in one or more sub-series and Subordinate Bonds in one or more sub-series, with appropriate modifications and series and sub-series designations as necessary, in an aggregate principal amount not to exceed \$27,000,000; provided that the Bonds may not be issued unless and until CDLAC grants the Project the Allocation Amount, and provided further that the aggregate principal amount of any tax-exempt Bonds issued shall not exceed the Allocation Amount. The Bonds shall be issued in the form set forth in and otherwise in accordance with the Indenture and the Pledge and Assignment, 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 and the Pledge and Assignment, 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 Pledge and Assignment, 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. 15R-53 of the Authority, adopted on October 22, 2015) (together with the Members, each such person is referred to herein individually as an “Authorized Signatory”), acting alone, is authorized to execute by manual signature and deliver 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 date, maturity date or dates (which shall not extend beyond January 1, 2062), 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 Senior Bonds shall be as provided in the Indenture as finally executed.

Section 4. The Loan Agreement in the form presented at this meeting is 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 Regulatory Agreement in the form presented at this meeting is hereby approved. Any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Regulatory 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 6. The Authority is hereby authorized to sell the Senior Bonds to the Underwriter pursuant to the terms and conditions of the Bond Purchase Agreement. The form, terms and provisions of the Bond Purchase 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 Bond Purchase 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 hereby approved by counsel to the Authority, such approval to be conclusively evidenced by the delivery thereof.

Section 7. The form, terms and provisions of the Official Statement in the form presented at this meeting are hereby approved and the Commission hereby approves the distribution of the Official Statement to prospective purchasers of the Senior Bonds. Any Authorized Signatory, acting alone, is authorized to certify on behalf of the Authority that the Official Statement as to the sections therein related directly to the Authority is deemed final as of its date, within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934. Any Authorized Signatory, acting alone, is authorized to execute, at the time of the sale of the Senior Bonds, said Official Statement in final form, 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 8. The Pledge and Assignment in the form presented at this meeting is hereby approved. Any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Pledge and Assignment, 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 date, maturity date or dates (which shall not extend beyond January 1, 2062), 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 Subordinate Bonds shall be as provided in the Pledge and Assignment as finally executed.

Section 9. The Agency Agreement in the form presented at this meeting is hereby approved. Any Authorized Signatory, acting alone, is authorized to execute by manual signature and deliver the Agency 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 10. The Senior Bonds, when executed, shall be delivered to the Trustee for authentication. The Trustee is hereby requested and directed to authenticate the Senior Bonds by executing the certificate of authentication of the Trustee appearing thereon, and to deliver the Senior Bonds, when duly executed and authenticated, to or at the direction of the Underwriter, in accordance with written instructions executed and delivered on behalf of the Authority by an Authorized Signatory, which any 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 Senior Bonds to or at the direction of the Underwriter in accordance with the Bond Purchase Agreement upon payment of the purchase price thereof.

Section 11. The Subordinate Bonds, when executed, shall be delivered to the Paying Agent for authentication. The Paying Agent is hereby requested and directed to authenticate the Subordinate Bonds by executing the certificate of authentication appearing thereon, and to deliver the Subordinate Bonds, when duly executed and authenticated, to or at the direction of the purchasers thereof in accordance with written instructions executed and delivered on behalf of the Authority by an Authorized Signatory, which any Authorized Signatory, acting alone, is hereby authorized and directed to execute and deliver such instructions to the Paying Agent. Such instructions shall provide for the delivery of the Subordinate Bonds to the purchasers thereof upon payment of the purchase price thereof.

Section 12. All actions heretofore taken by the officers and agents of the Authority with respect to the financing of the Project and the sale, issuance and delivery 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 one or more tax certificates, a subordination or intercreditor agreement, any endorsement and/or assignment of the deed of trust, a termination of regulatory agreement related to the Project and such other documents as described in the Indenture, the Pledge and Assignment, and the other documents herein approved, 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 and otherwise in order to carry out the financing of the Project.

Section 13. 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, the Pledge and Assignment, and other documents approved herein.

This Resolution shall take effect upon its adoption.

**PASSED AND ADOPTED** by the California Statewide Communities Development Authority this February 16, 2017.

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 the Authority held in accordance with law on February 16, 2017.

By \_\_\_\_\_  
Authorized Signatory



## **Agenda Item No. 6**

### **Agenda Report**

**DATE:** February 16, 2017

**TO:** CSCDA COMMISSIONERS

**FROM:** Cathy Bando, Executive Director

**PURPOSE:** Consideration of resolution adding James Hamill and Jon Penkower as authorized signatories for documents approved by the CSCDA Commission.

---

#### **BACKGROUND AND SUMMARY:**

Currently the following staff at CSAC, the League and CSCDA's Executive Director are authorized signatures to sign documents approved by the Commission: Alan Fernandes, Dorothy Holzem, Graham Knaus, Catherine Bando, Laura Labanieh and Norman Coppinger. With the increase in the volume of PACE signatures, travel schedules and a general increased volume of CSCDA bond transactions the recommendation is to add James Hamill and Jon Penkower as authorized signatories for documents that have been approved by the Commission. The recommendation was discussed with the CSCDA Professional Service Ad Hoc Committee and they are in agreement to make the additions.

#### **ATTACHMENTS:**

Attachment A: CSCDA Designation Resolution

#### **RECOMMENDATION:**

CSCDA's Executive Director recommends the approval of adding James Hamill and Jon Penkower as authorized signatories for documents approved by the CSCDA Commission.

**RESOLUTION NO. 17R-\_\_**

**A RESOLUTION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY AUTHORIZING, AMONG OTHER MATTERS, DESIGNEES THEREOF TO EXECUTE AND DELIVER ON BEHALF OF THE COMMISSION OR THE AUTHORITY DOCUMENTS REQUIRING SIGNATURE BY A MEMBER OF THE COMMISSION AND AUTHORIZED BY AUTHORITY RESOLUTION**

**WHEREAS**, pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the “Act”), a number of California cities, counties and special districts entered into a joint exercise of powers agreement (the “Agreement”) pursuant to which the California Statewide Communities Development Authority (the “Authority”) was organized; and

**WHEREAS**, pursuant to the Agreement, the Authority is administered by a commission (the “Commission”) consisting of seven members (the “Members”) vested with the powers set forth therein, four of which are appointed by the California State Association of Counties (“CSAC”), successor to County Supervisors Association of California, and three of which are appointed by the League of California Cities (the “League”); and

**WHEREAS**, pursuant to the Agreement, the Commission has the power, by resolution, to the extent permitted by the Act and any other applicable law, to delegate any of its functions to one or more of the Members, its officers or its agents and to cause such designees to take any actions and execute any documents or instruments for and in the name and on behalf of the Commission; and

**WHEREAS**, given the increase in the number of issues of bonds per year by the Authority and the related documentation since the formation of the Authority, the Commission desires to delegate to certain agents the function of execution and delivery on behalf of the Authority of any documents, certificates or instruments requiring signature by any Member, including any Member acting as an officer of the Commission, that are authorized for execution and delivery by adoption of a resolution of the Authority (each an “Authority Resolution”); and

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

Section 1. The Authority hereby finds and determines that the foregoing recitals are true and correct.

Section 2. The Authority hereby appoints James Hamill and Jon Penkower, and such other persons as may from time to time be appointed pursuant to a resolution of the Authority, as delegates of the Members with certain administrative duties as further specified in Sections 4 and 5 below.

Section 3. The Authority hereby confirms its appointment of Alan Fernandes, originally appointed pursuant to Resolution No. 15R-53, adopted by the Authority on October 22, 2015; Dorothy Holzem and Graham Knaus, originally appointed pursuant to Resolution No. 15R-11, adopted by the Authority on April 9, 2015; Executive Director, Catherine Bando, originally appointed pursuant to Resolution No. 14R-4, adopted by the Authority on February 6, 2014; Laura Labanieh (formerly Laura Campbell), originally appointed pursuant to Resolution No. 13R-20, adopted by the Authority on September 5, 2013, with her name change from Laura Campbell to Laura Labanieh recognized by the Authority pursuant to Resolution No. 14R-58, adopted by the Authority on November 6, 2014; and Norman Coppinger, originally appointed pursuant to Resolution No. 13R-12, adopted by the Authority on May 30, 2013. James Hamill, Jon Penkower, Alan Fernandes, Dorothy Holzem, Graham Knaus, Catherine Bando, Laura Labanieh and Norman Coppinger, are each referred to herein as an “Authorized Signatory.”

Section 4. To the extent permitted by the Act or any other applicable law, the Commission hereby delegates to each Authorized Signatory, on behalf of a Member, the administrative authority to execute and deliver, any documents, certificates or instruments requiring signature by any Member, including any Member acting as an officer of the Commission, that are authorized for execution and delivery by Authority Resolution, including, but not limited to, the execution and delivery of any bonds, notes or other evidences of indebtedness issued and/or delivered by the Authority.

Section 5. To the extent permitted by the Act or any other applicable law, the Commission hereby further delegates to each Authorized Signatory, on behalf of a Member, the administrative authority to execute and deliver any amendments, waivers, consents, approvals, notices, orders, requests and other actions of the Authority entered into or given in accordance with the documents approved by an Authority Resolution or as otherwise provided in Resolution No. 00R-5, adopted by the Authority on March 28, 2000, as provided to such Authorized Signatory by staff to the Authority upon the advice of counsel to the Authority.

Section 6. The Commission hereby further delegates to each Authorized Signatory, the administrative authority to record and publish minutes of meetings of the Commission on behalf of the Authority and further authorizes each Authorized Signatory, to delegate such functions to staff of the League or CSAC, as he or she may deem necessary or appropriate.

Section 7. All actions heretofore taken by any Member, Authorized Signatory and other appropriate officers and agents of the Authority with respect to the matters herein contained are hereby ratified, confirmed and approved.

Section 8. This resolution shall take effect immediately upon its passage.

**PASSED AND ADOPTED** by the California Statewide Communities Development Authority this February 16, 2017.

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 February 16, 2017.

By \_\_\_\_\_  
Authorized Signatory  
California Statewide Communities  
Development Authority



## **Agenda Item No. 7**

### **Agenda Report**

**DATE:** February 16, 2017

**TO:** CSCDA COMMISSIONERS

**FROM:** Cathy Bando, Executive Director

**PURPOSE:** Consideration of First Amendment to Professional Services Contract with Urban Futures Bond Administration.

---

#### **BACKGROUND AND SUMMARY:**

At the January 19, 2017 CSCDA meeting an update was provided to the Commission about the changes in the CDLAC housing compliance requirements. The CSCDA Professional Services Ad Hoc Committee, General Counsel, and Issuer Counsel were consulted on next steps. Staff and the Executive Director worked with Urban Futures Housing Compliance to amend the scope of work and fee arrangement and reported back to the Ad Hoc Committee. The Ad Hoc Committee agreed with the proposed amendment.

The following is a summary of the proposed first amendment to the Urban Futures contract:

1. Fees - \$300 per project versus \$23 per restricted unit to be monitored. Since annual monitoring is not required the flat fee makes more financial sense.
2. Scope of Work – Adjusts requirements to meet the CDLAC requirements for submission of an annual certification of compliance by the project.

The proposed amended contract is attached and has been reviewed and approved by CSCDA's General Counsel.

#### **RECOMMENDATION:**

CSCDA's Executive Director recommends approval of the First Amendment to the Professional Services Contract with Urban Futures Bond Administration.

**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY  
FIRST AMENDMENT TO COMPLIANCE MONITORING SERVICES CONTRACT**

This First Amendment to that certain Compliance Monitoring Services Contract dated December 1, 2015 (the "Contract"), is made by and between California Statewide Communities Development Authority ("Authority"), and Urban Futures Bond Administration, Inc., a California Corporation ("Contractor") (collectively, the "Parties" and each individually, a "Party").

The Authority and the Contractor are desirous of amending the Contract for the purposes of (a) revising the services provided by Contractor as set forth in the Scope of Services (Exhibit A) (the "Amended Services"); (b) revising the fee structure as specified in the Fee Schedule (Exhibit B) (the "Amended Fees"); and

The Authority and the Contractor agree that the Contract be amended effective as of February 1, 2017 as follows:

1. Amend Section 2.0, Scope of Services, by deleting Sections 2.1 and 2.2 and replacing them to read as follows:

**§ 2.1** Contractor shall provide to Authority (a) Multi-family and Senior Housing Projects ("Projects") reporting for California Debt Limit Allocation Committee (CDLAC) compliance, and (b) CDLAC compliance filings for Industrial Development Bonds ("IDBs"), Recovery Zone Facility Bonds ("RZFDs") and Solid Waste Bonds ("Solid Waste") (collectively, "Other Projects") issued by the Authority before July 1, 2015, as set forth in the amended Scope of Services (Exhibit A).

**§ 2.2** Contractor shall perform the Services (a) in a professional manner according to the highest ethical standards recognized in the industry; (b) in a quality, competent, timely and workmanlike manner, consistent with industry standards for analogous services; and (c) in accordance with the California Debt Limit Allocation Committee Regulations Adopted 12-15-2016.

2. Amend Section 5.0, Compensation and Fees, by deleting the Sections 5.1 and 5.1.1 and



replacing them to read as follows:

**§ 5.1 Compensation.** For the Services rendered pursuant hereto and all costs expenses incurred hereunder, Contractor shall be paid an annual fee based on a per Project rate as set forth in the amended Fee Schedule (Exhibit B). The annual fees shall be paid to Contractor by Authority according to the terms of Section 6 and Exhibit B. In the event this Contract is terminated pursuant to Section(s) 4.2 or 4.3, the annual fees shall be prorated from the preceding periods to the date of termination.

**§ 5.1.1** Services performed outside amended Scope of Services, if requested by Authority, will be billed at Contractor's hourly rates as set for in amended Fee Schedule (Exhibit B). No services outside the scope of the Services shall be performed by Contractor, and no additional hourly fees shall be charged by Contractor, without the prior written consent of Authority.

Except as herein amended, all terms and conditions of the Contract shall remain in full force and in effect.

*[Remainder of Page Intentionally Left Blank – Signatures Follow]*

IN WITNESS WHEREOF, the Parties hereto have caused this First Contract Amendment to be executed by their duly authorized representatives as of the date set forth below.

“AUTHORITY”

California Statewide Communities Development Authority

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Cathy Bando, Executive Director

“CONTRACTOR”

Urban Futures Bond Administration, Inc.

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Marshall F. Linn, CEO/President

## **Amended Exhibit “A”**

### **SCOPE OF SERVICES**

This Scope of Services encompasses the California Statewide Communities Development Authority's (CSCDA) current portfolio reporting to California Debt Limit Allocation Committee (CDLAC) based on State requirements.

#### **CDLAC REPORTING AND DOCUMENT RETENTION**

##### **TASK 1 – Manage Current Portfolio Data and Documents via On-Line Monitoring System:**

- Maintain project information for each existing project to include:
  - Project Name
  - Address
  - Total Units
  - Restricted Units
  - Contact Information
    - Owner
    - Property Manger
    - Trustee
  - CSCDA/CDLAC Identification Numbers
  - Resolution/Covenant Start/End Dates
  - Bond Covenant Requirements
    - AMI Limits
    - Set-Aside Restrictions
- Collect and retain CDLAC form “Certification of Compliance I”
  - CDLAC “Certification of Compliance I” to be collected from sponsor on an annual basis
  - UFBA to send reminder notice 60 days prior to collection due date
    - Reminder notice out November 1<sup>st</sup>
    - Collection due date December 31<sup>st</sup>
    - Late notice out January 1<sup>st</sup> with extended date of January 15<sup>th</sup>
  - Follow-up phone calls
    - UFBA to make follow-up calls to projects if documentation not received by the extended due date
  - Confirm certification is completed accurately and in its entirety
  - UFBA’s on-line system will provide access to electronic certification form
  - All certifications to be retained electronically and filed by project
- Collect and retain Property Status Report and Certificate of Continuing Property Compliance
- Maintain CSCDA Project Agreements, Resolutions and other pertinent documentation
  - Documents to be organized in a comprehensive electronic filing system by project

## **Amended Exhibit “A”**

### **SCOPE OF SERVICES (continued)**

#### **TASK 2 – CDLAC Annual Reporting:**

- Verify CSCDA projects listed on CDLAC’s “Annual Applicant Public Benefits and Ongoing Compliance Self-Certification System” for annual reporting
- Complete and submit Issuer’s electronic “Annual Applicant Public Benefits and Ongoing Compliance Self-Certification” form for each project listed via CDLAC on-line reporting system”
  - Note: the completion of this electronic certification form is based on the successful collection of the Sponsor’s (Owner) “Certification of Compliance I” form
  - Obtain copy of “Confirmation Submission” to be filed with project documents

#### **TASK 3 – IDB, RZFD & Solid Waste (Other Projects) Required Filings:**

- Obtain any/all necessary documentation to complete and submit certifications/filings as required for Other Projects.

Amended Exhibit "B"

FEE SCHEDULE

The Scope of Services will be performed by UFBA based on the following fee schedule. Hourly rates will be applied only to services performed outside of the Scope of Services, as requested in writing by the Authority:

**Reporting Services**

PER PROJECT FEE SCHEDULE	
	PER PROJECT RATE
TASKS 1 – 2 CDLAC Reporting and Documentation Retention	\$ 300
TASK 3 Required Filings for IDB, RZFD & Solid Waste Bonds (Other Projects) to be performed at no cost	No Charge

**Hourly Rates:**

Manager Director	\$ 175
Compliance Lead	\$ 100
Compliance Specialist	\$ 65
Compliance Assistant	\$ 50

**PAYMENT SCHEDULE – 1/12<sup>th</sup> of the annualized fees will be paid on a per Project basis, monthly in arrears for services performed.**

**SPECIAL MEETING OF THE  
CALIFORNIA STATEWIDE FINANCING AUTHORITY  
(CSFA)**

California State Association of Counties  
1100 K Street, Sacramento, California

May 21, 2015

**MINUTES**

Commission chair Larry Combs called the meeting to order at 10:20 am.

**I. Roll Call.**

Commission members present: Larry Combs, Terry Schutten, Kevin O'Rourke, Irwin Bornstein, Dan Harrison, alternate commissioner Ron Holly (representing Tim Snellings), and alternate commissioner Brian Moura (unable to vote because cities are fully represented).

CSCDA Executive Director, Catherine Bando was present.

Others present included: Perry Stottlemeyer and Norman Coppinger, League of California Cities; Dorothy Holzem and Graham Knaus, California State Association of Counties; Laura Labanieh and Nancy Parrish, CSAC Finance Corporation; Greg Stepanicich, Richards Watson & Gershon; James Hamill and Jon Penkower, Bridge Strategic Partners; and Mark Paxson, State Treasurer's Office. Caitlin Lanctot, GPM Municipal Advisors; and Tricia Ortiz, Richards Watson & Gershon participated by conference telephone.

**II. Consideration of minutes—April 9, 2015 and May 7, 2015.**

The commission approved the minutes for the April 9, 2015 and May 7, 2015 meetings.

Motion to approve by O'Rourke; second by Holly; unanimously approved by voice-vote.

**III. Approval of a pricing agent/financial advisor agreement with Raymond James & Associates in connection with the proposed refunding and restructuring of the California Statewide Financing Authority 2002 and 2006 Pooled Tobacco Settlement asset-backed bonds.**

Executive Director Bando reminded board members that on March 26, 2015, the Commission appointed an underwriting team to evaluate a restructure/refunding of the Authority's 2002 and 2006 Pooled Tobacco Settlement asset-backed bonds. The underwriting team consisted of Citi, RBC and JP Morgan. At that time, Bando recommended that a pricing agent/financial advisor be engaged in connection with the restructure. On April 9, 2015, the Commission approved an RFP for such services.

On April 30, 2015, four proposals were received. On May 7, 2015, the Commission verbally appointed Raymond James & Associates as the pricing agent/financial advisor. Today the Commission is being asked to approve the written agreement (relating to refinancing of the bonds).

Motion to approve the final contract by Schutten; second by O'Rourke; unanimously approved by voice-vote.

**IV. Approval of an advisor agreement with Raymond James & Associates in connection with the termination of the debt service reserve fund forward delivery agreement for CSFA's Series 2002 and 2006 Pooled Tobacco Settlement asset-backed bonds.**

This second agreement relates to an agreement in connection with termination of the debt service reserve fund, which is necessary because it involves a separate division of Raymond James & Associates.

Motion to approve the final contract by Schutten; second by O'Rourke; unanimously approved by voice-vote.

**V. Public comment.**

None.

**VI. Adjournment.**

Commission chair Larry Combs adjourned the meeting at 10:23 am.

Submitted by: Perry Stottlemeyer, League of California Cities staff

**Agenda Report**

**DATE:** February 16, 2017

**TO:** CSCDA COMMISSIONERS

**FROM:** Cathy Bando, Executive Director

**PURPOSE:** Consideration of Audited Financial Statements for Fiscal Year Ending June 30, 2016.

---

**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, 2016 financial statements:

- The largest asset of the CSFA (78% 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 \$243.1 and \$238.1 million as of June 30, 2016 and 2015 respectively. Since the interest accreted during the year in the amount of \$7,905,632, this was more than the principal paid of \$3,595,000 the overall outstanding bond liability and deficit increased.
- The revenue activity in 2016 was \$1.1 million more than 2015 due to reductions in tobacco settlement proceeds in 2015.
- During the year long term debt increase by \$4.5 million attributable to principal payments in the amount of \$3.6 million, amortization of the bond discount of .2 million and the accretion of interest in the amount of \$7.9 million.
- Fitch withdrew its ratings assigned to all U.S. tobacco settlement securities.
- 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, 2016 financial statements for CSFA.



**CALIFORNIA STATEWIDE FINANCING AUTHORITY**

Independent Auditor's Reports, Basic Financial Statements,  
and Required Supplementary Information

For the Year Ended June 30, 2016



Certified  
Public  
Accountants

**CALIFORNIA STATEWIDE FINANCING AUTHORITY**  
For the Year Ended June 30, 2016

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Certified  
Public  
Accountants

Century City  
Los Angeles  
Newport Beach  
Oakland  
Sacramento  
San Diego  
San Francisco  
Walnut Creek  
Woodland Hills

## Independent Auditor's Report

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, 2016 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 Statements*

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 opinions 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 opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the debt service fund of the California Statewide Financing Authority as of June 30, 2016, and the respective changes in financial position thereof 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 7 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 Ba3 to Baa2. Our opinion is not modified with respect to this matter.

### ***Other Matter***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis (MD&A), as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements 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 statements, and other knowledge we obtained during our audit of the basic financial statements. 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 January 13, 2017 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.

*Macias Gini & O'Connell LLP*

Sacramento, California

January 13, 2017

## 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, 2016.

### 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, 2016. 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 9-17 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 (78% 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 \$243.1 and \$238.1 million as of June 30, 2016 and 2015, 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 \$7,905,632 was more than the principal paid of \$3,595,000, the overall outstanding bond liability and deficit net position increased. While outstanding, the bonds will remain the primary liability of the Authority.

	<u>Net Position</u>	
	2016	2015
Current and other assets	\$ 27,387,976	\$ 27,952,439
Long-term liabilities	268,996,602	264,526,178
Other liabilities	1,491,327	1,523,103
Total liabilities	270,487,929	266,049,281
Unrestricted net position	<u>\$(243,099,953)</u>	<u>\$(238,096,842)</u>

Activity for the years ended June 30, 2016 and 2015 were as follows:

	<u>Changes in Net Position</u>	
	2016	2015
Program revenues	\$ 12,318,608	\$ 11,197,966
Expenses	17,321,719	16,976,626
Change in unrestricted net position	(5,003,111)	(5,778,660)
Unrestricted net position, beginning of year	<u>(238,096,842)</u>	<u>(232,318,182)</u>
Unrestricted net position, end of year	<u>\$(243,099,953)</u>	<u>\$(238,096,842)</u>

The revenue activity in 2016 was \$1.1 million more than 2015 due to a trend adjustment made in 2015 reducing tobacco settlement proceeds because of lower than expected receipts. 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, 2016 and 2015, the Authority reported ending fund balances of \$21.3 and \$21.8 million, respectively, which is all restricted for debt service purposes. For the year ended June 30, 2016, the Authority's fund balance decreased by \$0.5 million to \$21.3 million as a result of the Authority incurring approximately \$12.9 million for debt service expenditures, net of \$11.8 million in tobacco settlement proceeds and \$0.6 million 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%, with maturities commencing May 1, 2005 and final maturity 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%, with an expected final turbo redemption date of May 1, 2015, 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%, with maturities commencing May 1, 2005 and final maturity 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%, with an expected final turbo redemption date of May 1, 2015, and 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, 2016, long-term debt increased by \$4.5 million attributable to principal payments in the amount of \$3.6, amortization of the bond discount of \$0.2 million, and the accretion of interest in the amount of \$7.9 million.

The Moody's ratings on the Series 2002 Bonds are Aaa on the serial bonds maturing on May 1, 2017, Baa2 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 financial information should be addressed to:

California Statewide Communities Development Authority  
1100 K Street, Suite 101  
Sacramento, CA 95814



**CALIFORNIA STATEWIDE FINANCING AUTHORITY**

Statement of Net Position and  
Governmental Fund Balance Sheet  
June 30, 2016

	Debt Service Fund	Adjustments (Note 2)	Statement of Net Position
<b>ASSETS</b>			
Restricted investments	\$ 21,340,320	\$ -	\$ 21,340,320
Interest receivable	1	-	1
Pledged tobacco settlement proceeds receivable	<u>6,047,655</u>	<u>-</u>	<u>6,047,655</u>
Total assets	<u><u>\$ 27,387,976</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 27,387,976</u></u>
<b>LIABILITIES</b>			
Accrued interest payable	\$ -	\$ 1,491,327	\$ 1,491,327
Long-term liabilities:			
Due within one year	-	3,000,000	3,000,000
Due after one year	<u>-</u>	<u>265,996,602</u>	<u>265,996,602</u>
Total liabilities	<u>-</u>	<u>270,487,929</u>	<u>270,487,929</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue	<u>6,047,655</u>	<u>(6,047,655)</u>	<u>-</u>
<b>FUND BALANCE/NET POSITION</b>			
Fund balance:			
Restricted for debt service	<u>21,340,321</u>	<u>(21,340,321)</u>	<u>-</u>
Total liabilities, deferred inflows of resources, and fund balance	<u><u>\$ 27,387,976</u></u>		
Net position:			
Unrestricted deficit		<u><u>\$ (243,099,953)</u></u>	<u><u>\$ (243,099,953)</u></u>

See accompanying notes to the basic financial statements.

# 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, 2016

	Debt Service Fund	Adjustments (Note 3)	Statement of Activities
<b>EXPENDITURES/EXPENSES</b>			
Debt service:			
Principal	\$ 3,595,000	\$ (3,595,000)	\$ -
Interest and fiscal charges	9,288,071	8,033,648	17,321,719
	<u>12,883,071</u>	<u>4,438,648</u>	<u>17,321,719</u>
Total expenditures/expenses			
	<u>12,883,071</u>	<u>4,438,648</u>	<u>17,321,719</u>
<b>PROGRAM REVENUES</b>			
Investment income	571,240	-	571,240
Pledged tobacco settlement proceeds	11,807,633	(60,265)	11,747,368
	<u>12,378,873</u>	<u>(60,265)</u>	<u>12,318,608</u>
Total revenues			
	<u>12,378,873</u>	<u>(60,265)</u>	<u>12,318,608</u>
Change in fund balance/net position	(504,198)	(4,498,913)	(5,003,111)
Fund balance/net position, beginning of year	21,844,519	(259,941,361)	(238,096,842)
Fund balance/net position, end of year	<u>\$ 21,340,321</u>	<u>\$ (264,440,274)</u>	<u>\$ (243,099,953)</u>

See accompanying notes to the basic financial statements.

## CALIFORNIA STATEWIDE FINANCING AUTHORITY

Notes to The Basic Financial Statements  
For the Year Ended June 30, 2016

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### Reporting Entity

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.

#### 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 2 and 3.

#### 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.



**CALIFORNIA STATEWIDE FINANCING AUTHORITY**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2016

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.

# CALIFORNIA STATEWIDE FINANCING AUTHORITY

Notes to the Basic Financial Statements (Continued)

For the Year Ended June 30, 2016

## NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### Implementation of New Governmental Accounting Pronouncement

During the year, the Authority implemented Governmental Accounting Standards Board Statement No. 72 (GASB 72), *Fair Value Measurement and Application*. The objective of GASB 72 is to improve financial reporting by clarifying the definition of fair value for financial reporting purposes, establishing general principles for measuring fair value, providing additional fair value application guidance, and enhancing disclosures about fair value measurements. These improvements are based in part on the concepts and definitions established in Concepts Statement No. 6, *Measurement of Elements of Financial Statements*, and other relevant literature. Information required by GASB 72 to be disclosed can be found in Note 4.

## NOTE 2 – 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		\$	21,340,321
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.			6,047,655
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			(1,491,327)
Bonds payable	\$	(212,945,538)	
Accreted interest		(60,338,796)	
Bond discounts		4,287,732	(268,996,602)
Net position			<u>\$ (243,099,953)</u>



**CALIFORNIA STATEWIDE FINANCING AUTHORITY**

Notes to the Basic Financial Statements (Continued)

For the Year Ended June 30, 2016

**NOTE 3 – 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	\$	(504,198)
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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.		3,595,000
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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	\$	31,776	
Change in accreted interest		(7,905,632)	
Amortization of bond discounts		(159,792)	(8,033,648)

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.		(60,265)
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Change in net position	\$	(5,003,111)
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**NOTE 4 – RESTRICTED INVESTMENTS**

Investments at June 30, 2016, are held by the indenture trustee and are restricted for the payment of future debt service. Investments at June 30, 2016, amounted at \$21,340,320.

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

## CALIFORNIA STATEWIDE FINANCING AUTHORITY

Notes to the Basic Financial Statements (Continued)

For the Year Ended June 30, 2016

### NOTE 4 – RESTRICTED INVESTMENTS (CONTINUED)

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.



# CALIFORNIA STATEWIDE FINANCING AUTHORITY

Notes to the Basic Financial Statements (Continued)

For the Year Ended June 30, 2016

## NOTE 4 – RESTRICTED INVESTMENTS (CONTINUED)

### 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. Investments in any one issuer that represent 5 percent or more of total investments, are as follows:

Bank of Tokyo-Mitsubis (Commercial Paper)	\$ 14,786,000
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### 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, 2016, the Authority's investments and credit ratings are as follows:

	Credit Rating	Maturity		Fair Value
		Under 30 days	31 - 180 days	
Investments held by fiscal agent:				
Commercial Paper	Not Rated	\$14,786,000	\$ -	\$14,786,000
Money Market Funds	AAAm	500,296	6,054,024	6,554,320
		<u>\$15,286,296</u>	<u>\$ 6,054,024</u>	<u>\$21,340,320</u>

### 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, 2016:

Investment Type	Total	Fair Value Measurements Using Level 2
Commercial Paper	\$ 14,786,000	\$ 14,786,000
Money Market Funds	6,554,320	6,554,320
	<u>\$ 21,340,320</u>	<u>\$ 21,340,320</u>



**CALIFORNIA STATEWIDE FINANCING AUTHORITY**

Notes to the Basic Financial Statements (Continued)

For the Year Ended June 30, 2016

**NOTE 5 – LONG-TERM LIABILITIES**

Long-term liabilities consist 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%, with maturities commencing May 1, 2005 and final maturity 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%, with an expected final turbo redemption date of May 1, 2015, 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%, with maturities commencing May 1, 2005 and final maturity 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%, with an expected final turbo redemption date of May 1, 2015, and 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.

**CALIFORNIA STATEWIDE FINANCING AUTHORITY**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2016

**NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)**

Future debt service requirements at June 30, 2016 are as follows:

<u>Years Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>
2017	\$ 3,000,000	\$ 8,915,619
2018	-	8,788,462
2019	-	8,788,463
2020	-	8,788,462
2021	-	8,788,463
2022 - 2026	-	43,942,312
2027 - 2031	27,530,000	40,845,188
2032 - 2036	-	36,199,500
2037 - 2041	54,805,000	23,046,300
2042 - 2046	97,892,220	357,995,980
2047 - 2051	-	-
2052 - 2055	29,718,318	1,005,581,682
	<u>                    </u>	<u>                    </u>
Totals	\$ 212,945,538	\$ 1,551,680,431

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

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30, 2016</u>	<u>Due Within One Year</u>
Bonds payable	\$216,540,538	\$ -	\$ (3,595,000)	\$212,945,538	\$ 3,000,000
Add accreted interest	52,433,164	7,905,632	-	60,338,796	-
Less discount	(4,447,524)	-	159,792	(4,287,732)	-
Long-term liabilities	<u>\$264,526,178</u>	<u>\$ 7,905,632</u>	<u>\$ (3,435,208)</u>	<u>\$268,996,602</u>	<u>\$ 3,000,000</u>

**NOTE 6 – 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.



**CALIFORNIA STATEWIDE FINANCING AUTHORITY**  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2016

**NOTE 7 – DEFICIT NET POSITION**

Under the terms of the MSA as described in Note 6, 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 2016 through June 2016 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 2017. That amount is estimated to be \$6,047,655, which is one half of the \$12,095,309 in TSRs estimated to be received for calendar year 2016 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 \$268,996,602 being presented on the face of these financial statements, but only \$6,047,655 in TSRs accrued on the face of these financial statements, net position is shown as a deficit of \$243,099,953 at June 30, 2016.

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.

It should also be noted that Moody's ratings on the Series 2002 Bonds are Aaa on the serial bonds maturing on May 1, 2017, Baa2 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.

## **OTHER REPORT**



Certified  
Public  
Accountants

Century City  
Los Angeles  
Newport Beach  
Oakland  
Sacramento  
San Diego  
San Francisco  
Walnut Creek  
Woodland Hills

**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**

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 the California Statewide Financing Authority (the Authority), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 13, 2017.

***Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

Sacramento, California  
January 13, 2017