REGULAR MEETING AGENDA

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

League of California Cities
1400 K Street, 3rd 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

3252 Southern Hills Drive
Fairfield, CA 94534

County of Monterey
168 Alisal Street
Salinas, CA 93901

County of Kern
1115 Truxtun Avenue, Bakersfield, CA 93301

County of Butte
7 County Drive, Oroville, CA 95965

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 January 5, 2017 and January 19, 2017 Regular Meetings.

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

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. The Emerald Park 2016, LP (Emerald Gardens Apartments), City of Buena Park , County of Orange; issue up to $22,000,000 in multi-family housing revenue bonds.

   b. Cypress Villa 2016, LP (Cypress Villa Apartments), City of La Habra, County of Orange; issue up to $15,000,000 in multifamily housing revenue bonds.

6. Review Q2 2016-2017 Budget, Financial Progress and Bank Account Activity.

7. CSCDA Issuance Policy Update.

C. STAFF ANNOUNCEMENTS, REPORTS ON ACTIVITIES OR REQUESTS

8. Executive Director Update.

9. Staff Updates.

10. Adjourn.

NEXT MEETING: Thursday, February 16, 2017 at 2:00 p.m.
California State Association of Counties
1100 K Street, 1st Floor, Sacramento, CA 95814

CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

CONSENT CALENDAR

1. Consent Calendar

   a. Inducement of Kings Canyon Affordable Housing, LLC (Kings Canyon Apartments), City of Fresno, County of Fresno; issue up to $35 million in multi-family housing revenue bonds.

February 2, 2017

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

February 2, 2017 at 2:00 p.m.
or upon adjournment of the Regular CSCDA Meeting

League of California Cities
1400 K Street, 3rd Floor, Sacramento, CA 95814

Telephonic Locations:

709 Portwalk Place
Redwood City, CA 94061

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

County of Monterey
168 Alisal Street
Salinas, CA 93901

27788 Hidden Trail Road
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3252 Southern Hills Drive
Fairfield, CA 94534

County of Kern
1115 Truxtun Avenue, Bakersfield, CA 93301

County of Butte
7 County Drive, Oroville, CA 95965

A. OPENING AND PROCEDURAL ITEMS

1. Roll Call.
   - ____ Dan Harrison, Chair
   - ____ Larry Combs, Vice Chair
   - ____ Kevin O'Rourke, Treasurer
   - ____ Ron Holly, Secretary
   - ____ Jordan Kaufman, Alt. Member
   - ____ Tim Snellings, Member
   - ____ Dan Mierzwa, Member
   - ____ Irwin Bornstein, Member
   - ____ Brian Moura, 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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February 2, 2017

ANNUAL MEETING OF THE
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
(CSCDA)

League of California Cities
1400 K Street, 3rd Floor, Sacramento, California

January 5, 2017

MINUTES

Commission chair Dan Harrison called the meeting to order at 2:04 pm.

1 Roll Call.

Commission members present: Kevin O'Rourke; Irwin Bornstein; Dan Harrison; Larry Combs; Dan Mierzwa; Ron Holly; and Tim Snellings.

CSCDA Executive Director, Catherine Bando was also present.

Others present included: Norman Coppinger, Perry Stottlemeyer and Carolyn Coleman, League of California Cities; Laura Labanieh and Aaron Fernandes, CSAC Finance Corporation; James Hamill and Jon Penkower, Bridge Strategic Partners; Greg Stepanicich and Tricia Ortiz, Richards Watson Gershon; Mark Paxson, State Treasurer's Office; Justin Cooper, Patricia Eichar, John Knox and Roger Davis, Orrick Herrington Sutcliffe; Mimi Frusha and Cliff Staton, Renew Financial; Marshall Linn, Raette Frazeur and Sara Tobin, Urban Futures; Bob Williams, RBC Capital Markets; Josh Anzel and Chris Lynch, Jones Hall; Josh Smith and Craig Hall, CleanFund Commercial PACE Capital; James Vergara and Ryan Donovan, Spruce Finance; Karen Breckenridge, Breckenridge Consulting; Neel Shah, Shah Capital Advisors; Bob Schuman, Alliance NRG; Ofer Elitzur and Lisa Wil, Cox Castle Nicholson; and John Law and Robert Giles, PACE Funding.

2 Election of Officers.

Motion to nominate Dan Harrison as Chair; motion seconded; unanimously approved by voice vote.

Motion to nominate Larry Combs as Vice-chair; motion seconded; unanimously approved by voice vote.

Motion to nominate Ron Holly as Secretary; motion seconded; unanimously approved by voice vote.

Motion to nominate Kevin O'Rourke as Treasurer; motion seconded; unanimously approved by voice vote.

3 Approval of the minutes of the December 15, 2016 regular meeting.

Chair Dan Harrison noted the need for a slight correction to the third paragraph of item 6 of the minutes: change 1.5% to 0.75%.
Motion to approve, as amended; motion seconded; unanimously approved by voice vote.

4 Approval of consent calendar:

   a Approve renewal of membership with California Society of Municipal Finance Officers (CSMFO).

   b Approve and acknowledge assignment to Macquarie Investments US, Inc. to close and fund improvement bonds or assignments related to the CaliforniaFIRST program.

   Motion to approve; motion seconded; unanimously approved by voice vote.

5 Public comment.

None.

6 Approval 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 Uptown Newport Building Owner, LP (Uptown Newport Apartments), City of Newport Beach, County of Orange; issue up to $180 million in multi-family housing revenue bonds.

   Executive Director Bando explained that this project is for the new construction of a 455-unit affordable housing facility on 4.8 acres in Newport Beach, California by The Picerne Group (TPG). This is TPG's first financing through CSCDA. The 40-year variable rate investment grade bonds will be placed publicly. Bando recommends approval of this project.

   Chair Dan Harrison suggested that in a future meeting the Commission have a discussion regarding establishing a break-point for such projects.

   Motion to approve Executive Director Bando's recommendation; motion seconded; unanimously approved by voice vote.

   b Carondelet High School, City of Walnut Creek, County of Contra Costa; issue up to $15 million in nonprofit revenue obligations.

   Executive Director Bando explained that this project is for the acquisition and renovation of a training, fitness and sports facility for Carondelet High School on 6.33 acres in Walnut Creek, California. The 30-year unrated fixed rate bonds will be placed privately.

   Bando indicated that the financing complies with CSCDA's general and issuance policies for K-12 private school facilities and she recommends approval.

   Motion to approve Executive Director Bando's recommendation; seconded; unanimously approved by voice vote.

   c Guidance Support Services, LLC (Guidance Charter School), City of Palmdale, County of Los Angeles; issue up to $32 million in school facility revenue bonds.

Executive Director Bando explained that this project is for the acquisition and construction of a new school site on approximately 31 acres in Palmdale, California. The 30-year fixed rate bonds will be placed publicly.

Bando indicated that the financing complies with CSCDA's general and issuance policies and she recommends approval.

Motion to approve Executive Director Bando's recommendation; seconded; unanimously approved by voice vote.

7 Statewide Community Infrastructure Program (SCIP).

a Conducted proceedings with respect to the Statewide Community Infrastructure Program (SCIP) 2016-02 bonds not to exceed $4 million (approximately $1.3 million for East Bay Municipal Utilities District Single Family Water Service connection charges and the remainder for the City of Hercules Assessment District No. 2005-1):

(1) Assessment District public hearing opened at 2:26 pm.
(2) Assessment District public hearing closed at 2:26 pm due to no public comment.
(3) Tricia Eichar, Orrick Herrington Sutcliffe, reported results: ballot was in favor of the District with no objections.

b Approve the following resolutions with respect to SCIP:

(1) Resolution approving final engineer's report, levying assessments, ordering the financing of specified development impact fees and capital improvements, and confirming unpaid assessment amounts.

Motion to approve resolution; seconded; unanimously approved by voice vote.

(2) Resolution providing for the issuance of a separate series of SCIP limited obligation for improvement bonds and approving the form and substance of a trust agreement

Motion to approve; seconded; unanimously approved by voice vote.

8 Approval of CSCDA Debt Policy in accordance with SB 1029.

Executive Director Bando explained that General Counsel, Richards Watson Gershon, prepared the policy, which was reviewed and approved by Issuer Counsel, Orrick Herrington Sutcliffe. The policy outlines the purposes of debt that will be financed by CSCDA, the types of debt that are allowable, the policy's goals and objectives, and internal control procedures relating to the use of proceeds of such debt. Bando recommends approval of the policy.

Commissioner Mierzwa inquired as to the meaning of the term "bullet payment" in item B 3 of the policy. After discussion, it was agreed to amend the definition of item B 3.

Commissioner Bornstein suggested an amendment to item B 1 so that the term "budget shortfall" is omitted from the definition.

Motion to approve in accordance with Executive Director Bando's recommendation, as amended; seconded; unanimously approved by voice vote.

9 Recognition of John Knox's retirement and career commitment to CSCDA.

Commission chair Dan Harrison recapped John Knox's involvement in CSCDA over many years as Bond Counsel and thanked him for his service, including his assistance in developing the SCIP program. Harrison then presented Knox with a Certificate of Appreciation.

10 Annual updates by CSCDA partners.

Executive Director Cathy Bando provided an overview of CSCDA's accomplishments for the calendar year ending 12/31/16. She then introduced the following CSCDA partners for their respective updates:

Renew Financial. Mimi Frusha summarized Renew Financial's 2016 accomplishments for CSCDA's PACE program.

AllianceNRG. Bob Shuman summarized AllianceNRG's 2016 accomplishments for CSCDA's

PACE Funding. John Law summarized PACE Funding's 2016 accomplishments for CSCDA's

CleanFUND Commercial PACE Capital. Josh Smith summarized CleanFUND's 2016 accomplishments for CSCDA's

Spruce Finance. Ryan Donovan summarized Spruce Financial's 2016 accomplishments for CSCDA's

11 Executive Director update.

Executive Director Bando reminded everyone present that drinks are at 5:00 pm at the Sutter Club, followed by dinner. She also reminded everyone that there is a CSCDC meeting that follows this meeting.

12 Staff updates.

None.

13 Chair Dan Harrison adjourned the meeting at 4:29 pm.

Submitted by: Perry Stottlemeyer, League of California Cities staff

The next regular meeting of the commission is scheduled for
Thursday, January 19, at 2:00 pm
in the California Association of Counties' office at 1100 K Street, 1st Floor, Sacramento, California.

REGULAR MEETING OF THE
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY
(CSCDA)

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

January 19, 2017

MINUTES

Commission chair Dan Harrison called the meeting to order at 2:01 pm.

1 Roll Call.

Commission members present: Dan Harrison. Alternate commissioner Brian Moura (representing Irwin Bornstein); Larry Combs; Dan Mierzwa; Ron Holly; and alternate commissioner Jordan Kaufman (representing Tim Snellings) participated by conference telephone.

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

Others present included: Perry Stottlemeyer, League of California Cities; James Hamill, Bridge Strategic Partners; and Greg Stepanicich, Richards Watson Gershon. Patricia Eichar, Orrick Herrington Sutcliffe; and Jon Penkower, Bridge Strategic Partners, participated by conference telephone.

2 Approval of the minutes of the January 5, 2017 annual meeting.

Chair Harrison noted that minutes were not timely posted to CSCDA's website, so this item will be deferred until next meeting.

3 Approval of consent calendar:

a Approve renewal of memberships with the Council of Development Finance Agencies (CDFA) and the California Council for Affordable Housing (CCAH).

b Approve SB 165 reports (this item pulled from consent calendar).

c Approve amendment to legal services agreement with Orrick Herrington Sutcliffe.

Motion to approve items 3 a and 3 c by Combs; second by Moura; unanimously approved by roll-call vote.

4 Public comment.

None.

5 Approval 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 The Promenade Housing Partners, LP (The Promenade Apartments), City of West Covina, County of Los Angeles; issue up to $12 million in multi-family housing revenue bonds.

Executive Director Bando explained that this project is for the acquisition and rehabilitation of a 124-unit affordable housing facility on 3.7 acres in West Covina, California by National Community Renaissance (National CORE). National CORE has financed approximately 12 projects through CSCDA. The 35-year unrated bonds will be placed directly with Bank of the West.

Bando indicated that this project complies with CSCDA's general and issuance policies for unrated debt, and recommends approval of the project.

Motion to approve Executive Director Bando's recommendation by Holly; second by Combs; unanimously approved by roll-call vote.

b Georgiana Bruce Kirby Preparatory School, City of Santa Cruz, County of Santa Cruz; issue up to $10.5 million in nonprofit school facility bonds.

Executive Director Bando explained that this project is for the refinancing of existing debt and to finance certain capital improvement projects at the facility located in Santa Cruz, California. This is Georgiana Bruce Kirby Preparatory School's second financing with CSCDA. The 30-year unrated fixed rate bonds will be placed privately.

Bando indicated that the financing complies with CSCDA's general and issuance policies for K-12 private school facilities and she recommends approval, subject to TEFRA approval.

Motion to approve Executive Director Bando's recommendation, subject to TEFRA approval, by Mierzwa; second by Kaufman; unanimously approved by roll-call vote.

6 Approve the following resolutions for several Statewide Community Infrastructure Program (SCIP) Assessment Districts.

a Resolutions of intention to finance the payment of capital improvements and/or development fees, including approval of proposed boundary maps.

Executive Director Bando explained that these bonds are for new SCIP programs, Series 2017A, which will finance capital improvements and development fees for nine projects, as described in the agenda packet, including approval of proposed boundary maps. There is a resolution of intent for each of the nine projects. Bando recommends approval of the nine resolutions of intent.

Motion to approve Executive Director Bando's recommendation by Combs; second by Moura; unanimously approved by roll-call vote.

b Resolutions approving the preliminary engineer's reports, and setting the public hearing of protests and providing property owner ballots.

Executive Director Bando explained that this action will approve preliminary engineer's reports and sets the public hearing at CSAC's office on March 16, 2017 at 2:00 pm. Bando recommends approval of the resolutions and setting the public hearing.

Motion to approve Executive Director Bando's recommendation by Combs; second by Holly; unanimously approved by roll-call vote.

7 Authorized the issuance, sale and delivery by private placement of Statewide Community Infrastructure Program Refunding Revenue Bonds, Series 2017R1 and certain other actions in connection therewith.

Executive Director Bando explained that due to current favorable market conditions, SCIP bonds issued for Series 2006A and 2007A were approved by the CSCDA Commission in December 2016 for refunding. The action before the Commission today requests a change in structure, from a public offering to private placement with Western Alliance Bank (Texas Capital Bank to be deleted from this transaction and resolution).

Savings from the refunding will be credited back to property owners within the districts. Bando explained that the refunding of SCIP 2006A and 2007A complies with CSCDA's general, issuance and land secured policies and she recommends approval.

Motion to approve in accordance with Executive Director Bando's recommendation, and subject to deletion of Texas Capital Bank from the resolution, by Kaufman; second by Mierzwa; unanimously approved by roll-call vote.

8 Approval of amendment to commercial PACE approval process for CaliforniaFIRST program.

Executive Director Bando explained that the CSCDA Commission previously requested all commercial PACE financings of $10 million and higher to be approved individually. However, as the program has evolved, the Commission authorized CleanFund to issue up to $100 million without having to seek individual approval for projects of $10 million and higher. This action seeks to level the playing field for all CSCDA-approved commercial PACE providers by implementing the same standard as applied to CleanFund. Bando recommends approval.

Motion to approve in accordance with Executive Director Bando's recommendation by Holly; second by Moura; unanimously approved by roll-call vote.

9 Update regarding CSCDA Housing Compliance (informational item).

Executive Director Bando explained that the California Debt Limit Allocation Committee (CDLAC) recently adopted relaxed regulations relating to the required housing compliance work that is currently being performed by Urban Futures Housing Compliance (Urban). Accordingly, steps will be taken to amend the scope of work that Urban performs. Once the amendment is worked out, an action item will be presented to the Commission.

10 Executive Director update.

Executive Director Bando thanked everyone who was able to attend the annual meeting and the dinner that followed. She also asked Commissioners to submit their expenses to her for processing.

11 Staff updates.

James Hamill explained that some housing projects are being delayed due to uncertainty relating to the incoming Administration's policy for tax credits. Staff believes these projects will eventually close as things settle down after the inauguration.

12 Chair Dan Harrison adjourned the meeting at 2:27 pm.

Submitted by: Perry Stottlemeyer, League of California Cities staff

The next regular meeting of the commission is scheduled for
Thursday, February 2, at 2:00 pm
in the League of California Cities' office at 1400 K Street, 3rd Floor, Sacramento, California.

RESOLUTION NO. ___

A RESOLUTION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY (THE "AUTHORITY") SETTING FORTH THE AUTHORITY'S OFFICIAL INTENT TO ISSUE MULTIFAMILY HOUSING REVENUE BONDS OR NOTES TO UNDERTAKE THE FINANCING OF A MULTIFAMILY RENTAL HOUSING PROJECT 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 or notes 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 borrower identified in Exhibit A hereto and/or related entities (collectively, the "Borrower") has requested that the Authority issue and sell multifamily housing revenue bonds or notes (the "Bonds") pursuant to the Act for the purpose of financing the acquisition and construction as set forth in Exhibit A, of that certain multifamily rental housing development identified in Exhibit A hereto (the "Project"); and

WHEREAS, the Authority, in the course of assisting the Borrower in financing the Project, expects that the Borrower has paid or may pay certain expenditures (the "Reimbursement Expenditures") in connection with the Project 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 Project 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 Project 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 Project (including reimbursement of the Reimbursement Expenditures, when so requested by the Borrower upon such terms and conditions 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 the 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 Project (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 an aggregate principal amount not to exceed the amount set forth in Exhibit A. This action is taken expressly for the purpose of inducing the Borrower to undertake the Project, and nothing contained herein shall be construed to signify that the Project complies 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 Project, 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 the Project in an amount not to exceed the amount 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 2, 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 2, 2017.

By:____________________________________
Authorized Signatory

EXHIBIT A

Project Name	Project Location	Project Description (units)	New Construction/ Acquisition or Rehabilitation	Legal Name of initial owner/operator	Bond Amount
Kings Canyon Apartments	5070 E. Kings Canyon Road, Fresno, CA 93727	135 (including 1manager unit)	New Construction	Kings Canyon Affordable Housing, LP	$35,000,000

Agenda Item No. 5a

Agenda Report

DATE: February 2, 2017

TO: CSCDA COMMISSIONERS

FROM: Cathy Bando, Executive Director

PROJECT: Emerald Gardens Apartments

PURPOSE: Approve the Financing of Rental Affordable Housing Project Located in the City of Buena Park, County of Orange

AMOUNT: Not to Exceed $22,000,000

EXECUTIVE SUMMARY:

Emerald Gardens Apartments (the "Project") is an acquisition and rehabilitation of a 110-unit rental affordable housing project located in the City of Buena Park. 100% of the units will remain rent restricted for low-income tenants.

PROJECT DESCRIPTION:

- Acquisition and rehabilitation of 110-unit affordable rental housing facility located at 8720 Valley View Street in the City of Buena Park.
- 3.89 acre site.
- 11 two-story wood frame buildings.
- Consists of 109 two-bedroom units and one manager's unit.

PROJECT ANALYSIS:

Background on Applicant:

KDF Communities LLC, a California limited liability company, is an affordable housing development company based in Newport Beach, California that was founded in 1996. Since that time, KDF has emerged as one of the largest developers and owners of affordable family and senior housing developments in California. KDF has been involved in the construction, acquisition and rehabilitation of more than 5,300 affordable rental units in 44 properties throughout California. KDF's success is evident through its long-term city and financial relationships that support the team's commitment to quality and integrity. KDF's ground-up new construction expertise and renovation turnaround stories that comprise the company's portfolio exemplify a true focus on quality and building community. KDF has financed more than 20 prior affordable housing projects with CSCDA.

Public Agency Approval:

TEFRA Hearing: June 14, 2016 – City of Buena Park – unanimous approval

CDLAC Approval: December 14, 2016

Public Benefits:

- 100% of the units will be rent restricted for 55 years.
  - 90% (97 units) restricted to 60% or less of area median income households.
  - 10% (12 units) restricted to 50% or less of area median income households.
  - 1 manager's unit.
- The Project is in close proximity to parks, grocery stores, a shopping center and public K-12 schools.

Sources and Uses:

Sources of Funds:	
Tax-Exempt Bonds:	$ 19,000,000
Tax Credits:	$ 3,729,178
Working Capital:	$ 48,983
Seller Carryback Loan:	$ 1,977,474
Reserves/Income:	$ 1,306,152
Total Sources:	$ 26,061,787
Uses of Funds:	
Acquisition:	$ 21,200,000
Construction Costs:	$ 2,604,216
Architecture & Engineering:	$ 75,500
Capitalized Interest:	$ 1,119,969
Developer Fee:	$ 100,000
Cost of Issuance:	$ 453,730
Soft Costs:	$ 508,372
Total Uses:	$ 26,061,787

Finance Partners:

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

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

Private Placement Purchasers: Citibank

Finance Terms:

Rating: Unrated
Term: 35 years at a fixed interest rate
Structure: Private Placement
Closing: February 14, 2017

CSCDA Policy Compliance:

The financing for Emerald Gardens Apartments complies with CSCDA's general and issuance policies for unrated debt.

DOCUMENTS: (as attachments)

1. Photographs of Emerald Gardens Apartments (Attachment A)
2. CSCDA Resolution (Attachment B)

COMMISSION ACTION RECOMMENDED BY THE EXECUTIVE DIRECTOR:

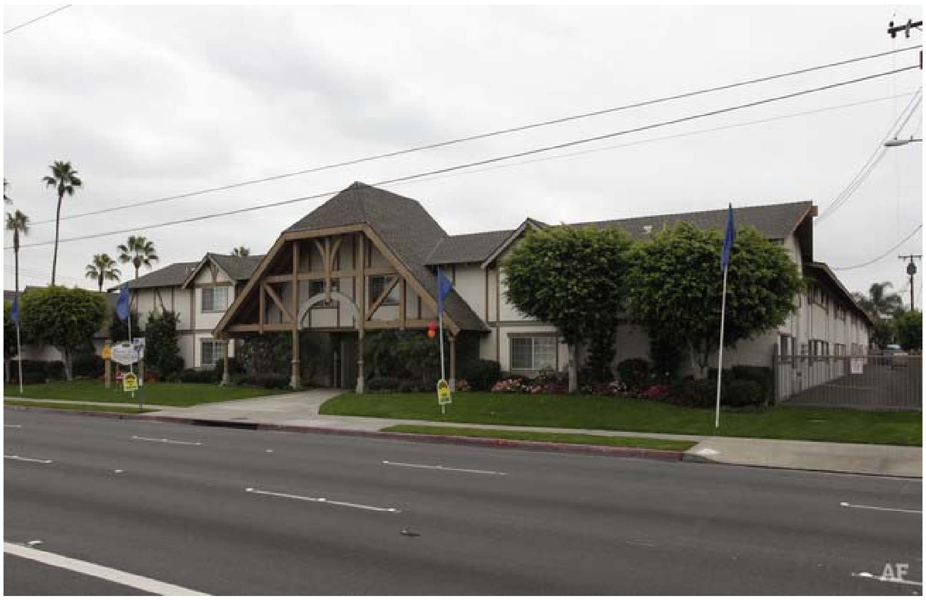
1. Approves the issuance of the Bonds and the financing of the Project;

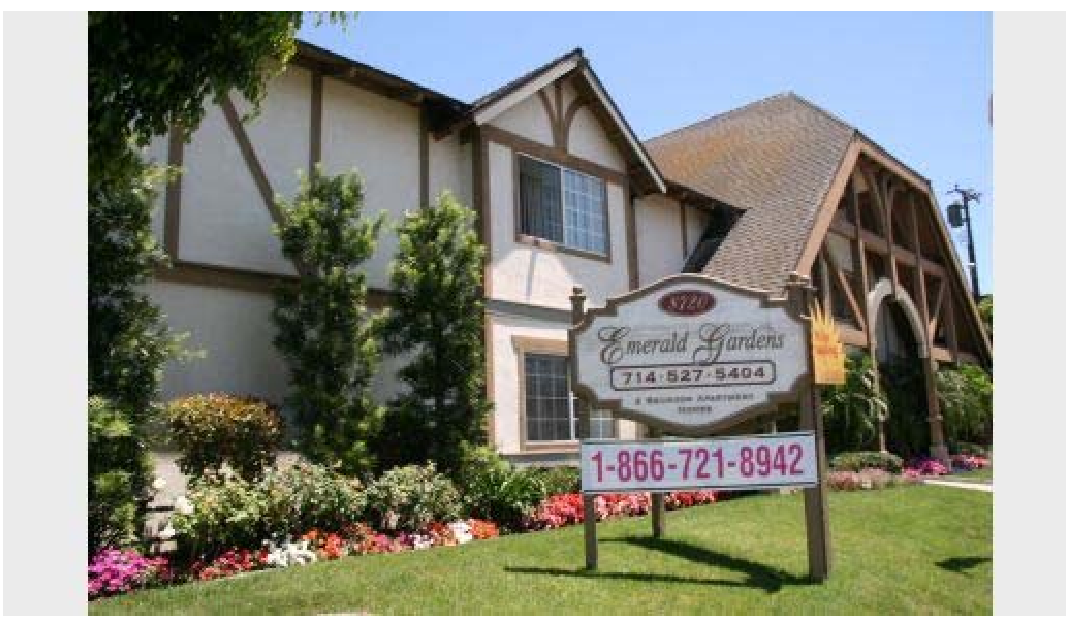
2. Approves all necessary actions and documents in connection with the financing; and

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

ATTACHMENT A

Emerald Gardens Apartments





ATTACHMENT B

RESOLUTION NO. 17H-__

A RESOLUTION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF MULTIFAMILY HOUSING REVENUE NOTES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $22,000,000 FOR THE FINANCING OF A MULTIFAMILY RENTAL HOUSING PROJECT GENERALLY KNOWN AS EMERALD GARDENS; 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 NOTES.

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 and execute and deliver revenue notes for the purpose of financing, among other things, the acquisition, construction, 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, Emerald Park 2016 LP, a California limited partnership, and entities related thereto (collectively, the "Borrower"), has requested that the Authority execute and deliver its California Statewide Communities Development Authority Multifamily Housing Revenue Note (Emerald Gardens) 2017 Series C-1 and its California Statewide Communities Development Authority Multifamily Housing Revenue Note (Emerald Gardens) 2017 Series C-2 (collectively, the "Notes") to assist in the financing of the acquisition, rehabilitation and development of a 110-unit multifamily housing rental development located in the City of Buena Park, California, and known or to be known as Emerald Gardens (the "Project");

WHEREAS, on December 14, 2016, the Authority received an allocation in the amount of $19,000,000 (the "Allocation Amount") from the California Debt Limit Allocation Committee in connection with the Project;

WHEREAS, the City of Buena Park (the "City") is a Program Participant (as defined in the Agreement) of the Authority and has authorized the execution and delivery of the Notes;

WHEREAS, the Authority is willing to execute and deliver the Notes in an aggregate principal amount not to exceed $22,000,000, provided that the portion of such Notes executed and delivered as federally tax-exempt obligations shall not exceed the Allocation Amount, and to loan the proceeds thereof to the Borrower to assist in providing financing for the

Project, which will allow the Borrower to reduce the cost of the Project and to assist in providing housing for low income persons;

WHEREAS, the Notes will be executed and delivered to Citibank, N.A. (the "Funding Lender"), as the initial holder of the Notes;

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 execution and delivery of the Notes, and such documents are now in substantial form and appropriate instruments to be executed and delivered for the purposes intended:

(1) Funding Loan Agreement (the "Funding Loan Agreement") to be entered into between the Funding Lender and the Authority;

(2) Borrower Loan Agreement (the "Borrower Loan Agreement") to be entered into between the Authority and Borrower;

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

(4) Contingency Draw-Down Agreement (the "Contingency Draw-Down Agreement") to be entered into by the Funding Lender and the Borrower;

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 and the Funding Loan Agreement, and in accordance with the Housing Law, the Authority is hereby authorized to execute and deliver the Notes in one or more series. The Notes shall be designated as "California Statewide Communities Development Authority Multifamily Housing Revenue Note (Emerald Gardens) 2017 Series C-1" and "California Statewide Communities Development Authority Multifamily Housing Revenue Note (Emerald Gardens) 2017 Series C-2" including, if and to the extent necessary, one or more sub-series, with appropriate modifications and series and sub-series designations as necessary, in an aggregate principal amount not to exceed $22,000,000; provided that the aggregate principal amount of any tax-exempt Notes executed and delivered shall not exceed the Allocation Amount. The Notes shall be executed and delivered in the form set forth in and otherwise in accordance with the Funding Loan Agreement, and shall be executed on behalf of the Authority by the manual signature of any Authorized Signatory. The Notes shall be secured in accordance with the terms of the Funding Loan Agreement presented to this meeting, as hereinafter approved. Payment of the principal and purchase price of, and prepayment premium, if any, and interest on, the Notes shall be made solely from amounts pledged thereto under the Funding Loan Agreement, and the Notes shall not be deemed to constitute a debt or liability of the Authority or any Program Participant or Member of the Commission of the Authority (each, a "Member").

Section 3. The Funding Loan Agreement 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 delegatees 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 Funding 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. The date, maturity date or dates (which shall not extend beyond February 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 prepayment and other terms of the Notes shall be as provided in the Funding Loan Agreement as finally executed.

Section 4. The Borrower 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 Borrower 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 Contingency Draw-Down Agreement in the form presented at this meeting is hereby approved.

Section 7. The Authority is hereby authorized to execute and deliver the Notes to the Funding Lender pursuant to the terms and conditions of the Funding Loan Agreement.

Section 8. All actions heretofore taken by the officers and agents of the Authority with respect to the financing of the Project and the execution and delivery of the Notes are hereby approved, ratified and confirmed, and any Authorized Signatory, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to a tax certificate, loan related documents, an assignment of deed of trust, an endorsement, allonge or assignment of any note, termination of regulatory agreement and such other documents as described in the Funding Loan Agreement and the other documents herein approved, which they, or any of them, may deem necessary or advisable in order to consummate the lawful execution and delivery of the Notes 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 9. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the execution and delivery of the Notes, 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 Notes or any prepayment of the Notes, 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 Funding Loan Agreement and other documents approved herein.

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

PASSED AND ADOPTED by the California Statewide Communities Development Authority this February 2, 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 2, 2017.

By ________________________________
Authorized Signatory

CSCDA
CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY

Agenda Item No. 5b

Agenda Report

DATE: February 2, 2017

TO: CSCDA COMMISSIONERS

FROM: Cathy Bando, Executive Director

PROJECT: Cypress Villa Apartments

PURPOSE: Approve the Financing of Rental Affordable Housing Project Located in the City of La Habra, County of Orange

AMOUNT: Not to Exceed $15,000,000

EXECUTIVE SUMMARY:

Cypress Villa Apartments (the "Project") is an acquisition and rehabilitation of a 72-unit rental affordable housing project located in the City of La Habra. 100% of the units will remain rent restricted for low-income tenants.

PROJECT DESCRIPTION:

- Acquisition and rehabilitation of 72-unit affordable rental housing facility located at 900 Cypress Street in the City of La Habra.
- 2.89 acre site.
- 3 two-story wood frame buildings.
- Consists of 20 one-bedroom units, 51 two-bedroom units and one manager's unit.

PROJECT ANALYSIS:

Background on Applicant:

KDF Communities LLC, a California limited liability company, is an affordable housing development company based in Newport Beach, California that was founded in 1996. Since that time, KDF has emerged as one of the largest developers and owners of affordable family and senior housing developments in California. KDF has been involved in the construction, acquisition and rehabilitation of more than 5,300 affordable rental units in 44 properties throughout California. KDF's success is evident through its long-term city and financial relationships that support the team's commitment to quality and integrity. KDF's ground-up new construction expertise and renovation turnaround stories that comprise the company's portfolio exemplify a true focus on quality and building community. KDF has financed more than 20 prior affordable housing projects with CSCDA.

Public Agency Approval:

TEFRA Hearing: August 1, 2016 – City of La Habra – unanimous approval

CDLAC Approval: December 14, 2016

Public Benefits:

- 100% of the units will be rent restricted for 55 years.
    - 89% (63 units) restricted to 60% or less of area median income households.
    - 11% (8 units) restricted to 50% or less of area median income households.
    - 1 manager's unit.
- The Project is in close proximity to parks, grocery stores, a shopping center and public K-12 schools.

Sources and Uses:

Sources of Funds:	
Tax-Exempt Bonds:	$ 12,000,000
Tax Credits:	$ 2,411,541
Seller Carry-Back Loan:	$ 1,665,600
Working Capital:	$ 136,034
Reserves/Income:	$ 817,924
Total Sources:	$ 17,031,097

Uses of Funds:	
Acquisition:	$ 12,850,000
Construction Costs:	$ 2,437,354
Architecture & Engineering:	$ 78,930
Permits/Fees:	$
Relocation:	$
Capitalized Interest:	$ 705,742
Developer Fee:	$ 100,000
Reserves:	$
Cost of Issuance:	$ 348,411
Soft Costs:	$ 510,660
Total Uses:	$ 17,031,097

Finance Partners:

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

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

Private Placement Purchasers: Citibank

Finance Terms:

Rating: Unrated
Term: 35 years at a fixed interest rate
Structure: Private Placement
Closing: February 14, 2017

CSCDA Policy Compliance:

The financing for Cypress Villa Apartments complies with CSCDA's general and issuance policies for unrated debt.

DOCUMENTS: (as attachments)

1. Photographs of Cypress Villa Apartments (Attachment A)
2. CSCDA Resolution (Attachment B)

COMMISSION ACTION RECOMMENDED BY THE EXECUTIVE DIRECTOR:

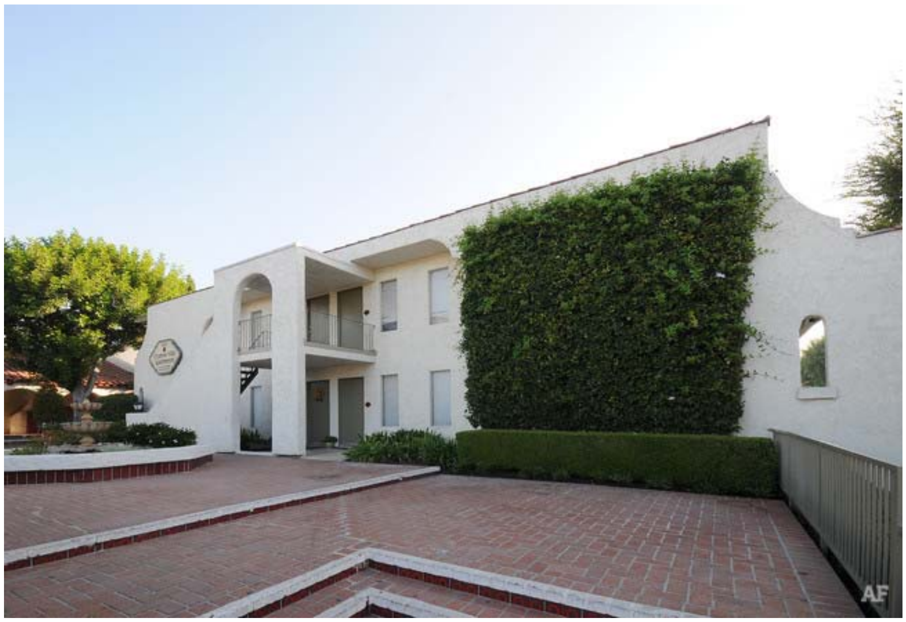
1. Approves the issuance of the Bonds and the financing of the Project;

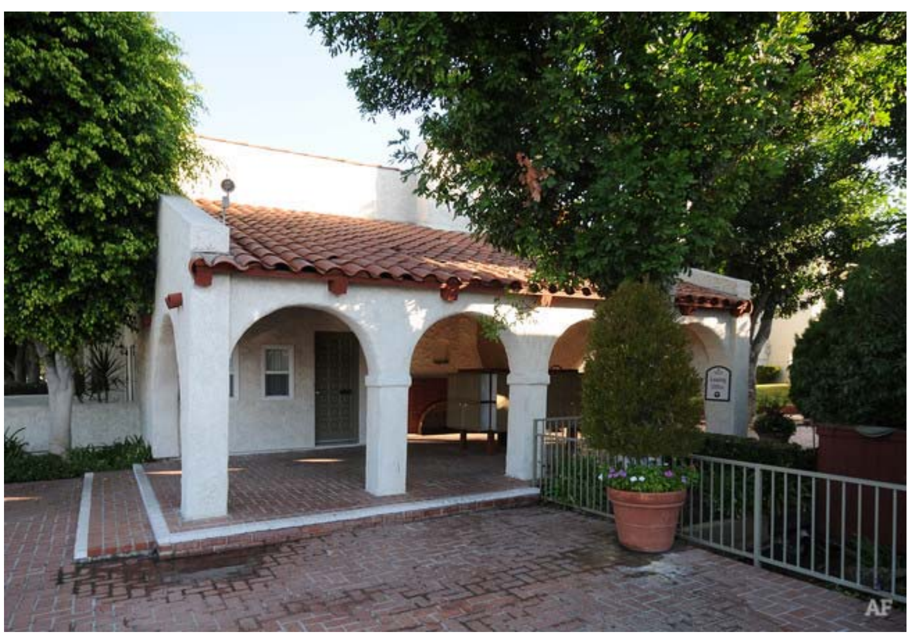
2. Approves all necessary actions and documents in connection with the financing; and

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

ATTACHMENT A

Cypress Villa Apartments





ATTACHMENT B

RESOLUTION NO. 17H-__

A RESOLUTION OF THE CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY AUTHORIZING THE EXECUTION AND DELIVERY OF MULTIFAMILY HOUSING REVENUE NOTES IN AN AGGREGATE PRINCIPAL AMOUNT NOT TO EXCEED $15,000,000 FOR THE FINANCING OF A MULTIFAMILY RENTAL HOUSING PROJECT GENERALLY KNOWN AS CYPRESS VILLA; 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 NOTES.

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 and execute and deliver revenue notes for the purpose of financing, among other things, the acquisition, construction, 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, Cypress Villa 2016 LP, a California limited partnership, and entities related thereto (collectively, the "Borrower"), has requested that the Authority execute and deliver its California Statewide Communities Development Authority Multifamily Housing Revenue Note (Cypress Villa) 2017 Series D-1 and its California Statewide Communities Development Authority Multifamily Housing Revenue Note (Cypress Villa) 2017 Series D-2 (collectively, the "Notes") to assist in the financing of the acquisition, rehabilitation and development of a 72-unit multifamily housing rental development located in the City of La Habra, California, and known or to be known as Cypress Villa (the "Project");

WHEREAS, on December 14, 2016, the Authority received an allocation in the amount of $13,000,000 (the "Allocation Amount") from the California Debt Limit Allocation Committee in connection with the Project;

WHEREAS, the City of La Habra (the "City") is a Program Participant (as defined in the Agreement) of the Authority and has authorized the execution and delivery of the Notes;

WHEREAS, the Authority is willing to execute and deliver the Notes in an aggregate principal amount not to exceed $15,000,000, provided that the portion of such Notes executed and delivered as federally tax-exempt obligations shall not exceed the Allocation Amount, and to loan the proceeds thereof to the Borrower to assist in providing financing for the

Project, which will allow the Borrower to reduce the cost of the Project and to assist in providing housing for low income persons;

WHEREAS, the Notes will be executed and delivered to Citibank, N.A. (the "Funding Lender"), as the initial holder of the Notes;

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 execution and delivery of the Notes, and such documents are now in substantial form and appropriate instruments to be executed and delivered for the purposes intended:

(1) Funding Loan Agreement (the "Funding Loan Agreement") to be entered into between the Funding Lender and the Authority;

(2) Borrower Loan Agreement (the "Borrower Loan Agreement") to be entered into between the Authority and Borrower;

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

(4) Contingency Draw-Down Agreement (the "Contingency Draw-Down Agreement") to be entered into by the Funding Lender and the Borrower;

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 and the Funding Loan Agreement, and in accordance with the Housing Law, the Authority is hereby authorized to execute and deliver the Notes in one or more series. The Notes shall be designated as "California Statewide Communities Development Authority Multifamily Housing Revenue Note (Cypress Villa) 2017 Series D-1" and "California Statewide Communities Development Authority Multifamily Housing Revenue Note (Cypress Villa) 2017 Series D-2" including, if and to the extent necessary, one or more sub-series, with appropriate modifications and series and sub-series designations as necessary, in an aggregate principal amount not to exceed $15,000,000; provided that the aggregate principal amount of any tax-exempt Notes executed and delivered shall not exceed the Allocation Amount. The Notes shall be executed and delivered in the form set forth in and otherwise in accordance with the Funding Loan Agreement, and shall be executed on behalf of the Authority by the manual signature of any Authorized Signatory. The Notes shall be secured in accordance with the terms of the Funding Loan Agreement presented to this meeting, as hereinafter approved. Payment of the principal and purchase price of, and prepayment premium, if any, and interest on, the Notes shall be made solely from amounts pledged thereto under the Funding Loan Agreement, and the Notes shall not be deemed to constitute a debt or liability of the Authority or any Program Participant or Member of the Commission of the Authority (each, a "Member").

Section 3. The Funding Loan Agreement 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 delegatees 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 Funding 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. The date, maturity date or dates (which shall not extend beyond February 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 prepayment and other terms of the Notes shall be as provided in the Funding Loan Agreement as finally executed.

Section 4. The Borrower 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 Borrower 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 Contingency Draw-Down Agreement in the form presented at this meeting is hereby approved.

Section 7. The Authority is hereby authorized to execute and deliver the Notes to the Funding Lender pursuant to the terms and conditions of the Funding Loan Agreement.

Section 8. All actions heretofore taken by the officers and agents of the Authority with respect to the financing of the Project and the execution and delivery of the Notes are hereby approved, ratified and confirmed, and any Authorized Signatory, acting alone, is hereby authorized and directed, for and in the name and on behalf of the Authority, to do any and all things and take any and all actions and execute and deliver any and all certificates, agreements and other documents, including but not limited to a tax certificate, loan related documents, an assignment of deed of trust, an endorsement, allonge or assignment of any note, termination of regulatory agreement and such other documents as described in the Funding Loan Agreement and the other documents herein approved, which they, or any of them, may deem necessary or advisable in order to consummate the lawful execution and delivery of the Notes 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 9. All consents, approvals, notices, orders, requests and other actions permitted or required by any of the documents authorized by this Resolution, whether before or after the execution and delivery of the Notes, 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 Notes or any prepayment of the Notes, 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 Funding Loan Agreement and other documents approved herein.

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

PASSED AND ADOPTED by the California Statewide Communities Development Authority this February 2, 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 2, 2017.

By ______________________________
Authorized Signatory

Agenda Item No. 6

Agenda Report

DATE: February 2, 2017

TO: CSCDA COMMISSIONERS

FROM: Cathy Bando, Executive Director

PURPOSE: Review Q2 2016-2017 Budget, Financial Progress and Bank Account Activity

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This is an information item and includes two financial reports for CSCDA that provide information for 2017 Q2 bank account activity and budget to actual figures through December 31, 2016.

BANK ACCOUNT ACTIVITY:

1. **Professional Services Account** - The June 30, 2016 balance in the Professional Services Account was $73,343. Deposits equal to $286,555 were made with $264,285 in disbursements. Disbursements include $98,705 of FY 2016 expenses that were paid in FY 2017. The balance as of December 31, 2016 was $95,612.
2. **Operations[1] –** The June 30, 2016 balance in the Operations Account was $284,446. Deposits equal to $15,582 were made with zero in disbursements. The balance as of December 31, 2016 was $300,028.
3. **Charitable Contributions -** CSCDA's June 30, 2016 balance in the Charitable Contributions Account was $25,815. The account has earned $3 in interest. Disbursements equal to $17,659 were made and the balance as of December 31, 2016 was $8,159.

2017 Q2 CSCDA BUDGET REPORT:

This report provides actual FY 2015-16 actual figures for CSCDA, 2016-17 budget information, year-to-date results for 2016-17 and a 2016-17 budget to actual variance calculation. The variance reflects the percent of budget received through December 31, 2016. If a variance is over 50%, CSCDA is over budget as of the second quarter. Similarly, if a variance is under 50%, CSCDA is under budget as the second quarter.

1. **Issuance Fee Collections –** CSCDA's issuance fee collections were over or close to budget in all categories except SCIP/Mello Roos and Other Municipal Bond Programs. Based on CSCDA's pipeline for SCIP/Mello Roos we expect to meet the budget by June 30, 2017. Other Municipal Bond Programs included anticipated revenue from the GO Saver Program which remains to be uncertain. CSCDA's overall issuance fee collections are over budget by approximately $204,000 or 55% of the amount budgeted for the fiscal year.

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[1] The Operations Account was established in July 2015 when it was determined that the Professional Services Account balance would be insufficient to meet CSCDA's operating costs. The League of California Cities and CSAC each contributed $150,000 to the Operations Account to provide an initial balance of $300,000. The Operations Account pays CSCDA's expenses when funds in the Professional Services Account are insufficient. When the Operations Account falls below $300,000, the League and CSAC contribute 5% of new issuance fees until the $300,000 initial balance is restored.

2. **Bond Administrative Fee Collections –** CSCDA's bond administrative fee collections are slightly over budget in every category except investment earnings which have not been realized. Overall bond administrative fee collections are over budget at 54% of the amount budgeted for the year which is approximately $586,000 over budget.
3. **Issuance Fee Disbursements –** Overall issuance fee disbursements are slightly ahead of budget by approximately $188,000.
4. **Bond Administration Fee Disbursements –** Bond administration fee disbursements are ahead budget in all categories except housing compliance.
5. **General Administrative –** CSCDA had $218,970 in General Administrative expenses through December 31, 2016 which represents approximately 37% of the amount budgeted overall for the year. The amount includes $35,681 in accrued expenses that were actually disbursed after December 31, 2016.[2] Certain expenses like insurance, auditor and bank fees are paid annually. We currently expect legal expense to be lower than budgeted based on new fee negotiations.

QUESTIONS

CSCDA staff and League accounting personnel are available to respond to any questions the Commissioners may have about the Q2 2017 financial reports.

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[2] Bank account activity shows $281,944 of disbursements in Q2 2017 which include $98,705 in FY 2016 Expenses that were paid in FY 2017. Before adding $35,681 in accruals, the net Q2 2017 disbursements were only $183,289. Adding $35,681 in accruals to this figure balances to $218,970 in G&A Expenses for Q2.

CSCDA

Budget-to-Actual for Fiscal Year 2016-17

For the Six Months Ended December 31, 2016

	Actual 2015-16	**Budget 2016-17**	**YTD 2016-17**	**Variance 2016-17**
Amounts collected				
Issuance fees				
Qualified 501 (c)(3)	714,075	500,000	419,668	83.93%
Qualified residential rental program	1,201,505	1,100,000	543,418	49.40%
PACE	1,225,924	1,400,000	952,941	68.07%
SCIP / Mello Roos	683,825	950,000	277,150	29.17%
Other municipal bond programs	50,000	50,000	10,000	20.00%
Investment income	450	400	415	103.64%
Total issuance fees	3,875,779	4,000,400	2,203,591	55.08%
Bond administrative fees				
Qualified 501 (c)(3)	2,845,117	2,710,290	1,410,230	52.03%
Qualified residential rental program	6,927,762	6,703,911	3,747,597	55.90%
SCIP / Mello Roos	142,882	206,098	189,779	92.08%
Other municipal bond programs	465,562	379,950	270,024	71.07%
Investment income	301,903	600	(234,406)	-39067.75%
Total bond administrative fees	10,683,225	10,000,849	5,383,224	53.83%
Total amounts collected	**14,559,004**	**14,001,249**	**7,586,815**	54.19%
Amounts disbursed				
Issuance				
Program management fees - BSP	1,894,126	1,866,667	1,055,644	56.55%
Program governance fees - CSAC	845,936	1,066,667	566,246	53.09%
Program governance fees - League	845,936	1,066,667	566,246	53.09%
Total issuance	3,585,998	4,000,001	2,188,136	54.70%
Bond administration				
Program management fees - BSP	110,738	313,333	171,909	54.86%
Compliance monitoring fees - BSP	89,553	150,000	96,429	64.29%
Administration fees - HB Capital	5,699,360	5,041,055	2,999,103	59.49%
Program governance fees - CSAC	1,273,635	1,366,683	804,149	58.84%
Program governance fees - League	1,273,635	1,366,683	804,149	58.84%
Compliance fees - Compliance Services LLC	626,103	0	0	
Compliance fees - Urban Futures	580,131	1,020,000	490,349	48.07%
Charitable Contribution	0	40,000	0	0.00%
Total bond administration	9,653,155	9,297,754	5,366,088	57.71%
Subtotal Issuance & Bond Administration	13,239,153	13,297,755	7,554,224	56.81%

CSCDA

Budget-to-Actual for Fiscal Year 2016-17

For the Six Months Ended December 31, 2016

	Actual 2015-16	Budget 2016-17	YTD 2016-17	Variance 2016-17
General administrative				
Executive Director	110,198	72,000	32,633	45.32%
General Counsel - Richards Watson Gershon	223,777	150,000	44,782	29.85%
Insurance	26,518	30,000	400	1.33%
Board travel reimbursements	2,761	5,000	1,066	21.32%
Issuer counsel - Orrick	140,450	181,250	74,079	40.87%
Auditor - MGO	20,600	30,000	0	0.00%
Other professional services: Nielsen	46,386	45,000	22,595	50.21%
BSP municipal advisor fee	24,000	24,000	12,000	50.00%
Bank service fees	5,962	7,000	0	0.00%
Marketing and Sponsorships	11,885	30,000	13,500	45.00%
Other	27,679	20,000	17,915	89.57%
Total general administrative	640,215	594,250	218,970	36.85%
Total amounts disbursed	**13,879,368**	**13,892,005**	**7,773,194**	55.95%
Net surplus (deficit)	**679,636**	**109,244**	**(186,379)**	-170.61%

CSCDA

Bank Account Activity

For the Six Months Ended December 31, 2016

	Beg Bal 06/30/16	Add: Deposits	Less: Disbursements	End Bal 12/31/16
Bank account:				
Professional Services	73,343	286,555	(264,285)	95,612
Operations	284,446	15,582	0	300,028
Charitable Contributions	25,815	3	(17,659)	8,159
	383,604	302,139	(281,944)	403,799

Agenda Item No. 7

Agenda Report

DATE: February 2, 2017

TO: CSCDA COMMISSIONERS

FROM: Cathy Bando, Executive Director

PURPOSE: CSCDA Issuance Policy Update

BACKGROUND AND SUMMARY:

CSCDA Staff and Orrick, Herrington & Sutcliffe (Orrick) acting as issuer counsel annually review issuance and other policies to determine if any refinements or changes need to be made. Two revisions are being recommended by Orrick to be integrated into the current issuance policies and standard document packet as outlined below:

1. **Post-Issuance Compliance for Nonprofit Borrowers –** The following section was added to ensure that conduit borrowers meet all of the post-issuance compliance requirements. This ensures with the new requirements under SB 1029 involving CSCDA's local debt policy are the responsibility of the conduit borrower.

> *Post-Issuance Compliance Undertaking. The Corporation acknowledges that the Internal Revenue Service mandates certain filing requirements with respect to post-issuance tax compliance, private use and/or unrelated trade or business use, including the proper method for computing whether any such use has occurred under Section 145 of the Code. The Corporation covenants that it will undertake to determine (or have determined on its behalf) the information required to be reported on the IRS Form 990 (Schedule K) Supplemental Information on Tax-Exempt Bonds on an annual basis and will undertake to comply with the aforementioned filing requirements and any related requirements that may be applicable to the Bonds (collectively, the "Post-Issuance Requirements"). Further, the Corporation covenants that it has adopted, or, if not, will promptly adopt, management practices and procedures to ensure the Corporation complies with the Post-Issuance Requirements with respect to the Bonds.*

2. **Preliminary Official Statement/Offering Memorandum –** Historically CSCDA has not taken responsibility for the contents in the preliminary official statement or preliminary offering memorandum associated with litigation or background on CSCDA. A number of requests have been made in 2016 by underwriters counsel for CSCDA to cover this language since investors are relying on it. After review and discussion with Orrick this change does not subject CSCDA to more liability because CSCDA does cover these sections for the official statement, and other conduit issuers are covering this language thus it is becoming common practice. The following is the language:

> *To the knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the Authority seeking to restrain or enjoin the sale or issuance of the Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the sale thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, in any way contesting the validity or enforceability of the Authority Documents or contesting in any way the completeness or accuracy of the [Preliminary Offering Memorandum/Official Statement] and the [Limited Offering Memorandum/Official Statement] or the existence or powers of the Authority relating to the sale of the Bonds;*
>
> *(d)The statements and information contained in the [Preliminary Offering Memorandum/Preliminary Official Statement][1] and the [Limited Offering Memorandum/Official Statement] under the captions "THE AUTHORITY" and "LITIGATION—The Authority" are true and correct in all material respects, and the information contained under the captions "THE AUTHORITY" and "LITIGATION—The Authority" in the [Preliminary Offering Memorandum/Preliminary Official Statement][1] and [Limited Offering Memorandum/Official Statement] does not contain an untrue statement of a material fact or omit any statement or information concerning the Authority which is necessary to make such statements and information therein, in the light of the circumstances under which they were made, not misleading in any material respects.*

RECOMMENDATION:

CSCDA's Executive Director recommends the approval of the modifications to CSCDA's issuance policies and standard document provisions.

[1] The Authority will provide coverage of the preliminary official statement or preliminary offering memorandum only if the Corporation also does the same.

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

California Statewide Financing Authority (CSFA)

Agenda Item No. 7

Agenda Report

DATE: February 2, 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 that 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

mgo Certified Public Accountants

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

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MGO Certified Public Accountants

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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.

Net Position

	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	$(243,099,953)	$(238,096,842)

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

Changes in Net Position

	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	(238,096,842)	(232,318,182)
Unrestricted net position, end of year	$(243,099,953)	$(238,096,842)

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
ASSETS			
Restricted investments	$ 21,340,320	$ -	$ 21,340,320
Interest receivable	1	-	1
Pledged tobacco settlement proceeds receivable	6,047,655	-	6,047,655
Total assets	$ 27,387,976	$ -	$ 27,387,976
LIABILITIES			
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	-	265,996,602	265,996,602
Total liabilities	-	270,487,929	270,487,929
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	6,047,655	(6,047,655)	-
FUND BALANCE/NET POSITION			
Fund balance:			
Restricted for debt service	21,340,321	(21,340,321)	-
Total liabilities, deferred inflows of resources, and fund balance	$ 27,387,976		
Net position:			
Unrestricted deficit		$ (243,099,953)	$ (243,099,953)

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
EXPENDITURES/EXPENSES			
Debt service:			
Principal	$ 3,595,000	$ (3,595,000)	$ -
Interest and fiscal charges	9,288,071	8,033,648	17,321,719
Total expenditures/expenses	12,883,071	4,438,648	17,321,719
PROGRAM REVENUES			
Investment income	571,240	-	571,240
Pledged tobacco settlement proceeds	11,807,633	(60,265)	11,747,368
Total revenues	12,378,873	(60,265)	12,318,608
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	$ 21,340,321	$ (264,440,274)	$ (243,099,953)

See accompanying notes to the basic financial statements.

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.

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.

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		$ (243,099,953)

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)
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
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)
Change in net position			$	(5,003,111)

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.

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.

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

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:

		Maturity		
	Credit Rating	Under 30 days	31 - 180 days	Fair Value
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
		$15,286,296	$ 6,054,024	$21,340,320

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
	$ 21,340,320	$ 21,340,320

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.

NOTE 5 – LONG-TERM LIABILITIES (CONTINUED)

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

Years Ended June 30,	Principal	Interest
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
Totals	$ 212,945,538	$ 1,551,680,431

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

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
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	$264,526,178	$ 7,905,632	$ (3,435,208)	$268,996,602	$ 3,000,000

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.

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

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