



Agenda

Tuesday, May 24, 2016

Place: County Board of Supervisors Chambers
Kings County Government Center, Hanford, CA

Time: 11:00 a.m.

1. **CALL TO ORDER**

ROLL CALL – Clerk to the Board

2. **APPROVAL OF MINUTES**

Approval of the minutes from the May 10, 2016 regular meeting.

3. **CONSENT CALENDAR**

A. Consideration of approving resolution 16-03M for the addition of program participants to the Authority.

B. Consideration of approving an inducement resolution 16-03I for:

1. Islas Development, LLC (Willowbrook Apartments), City of Bay Point, County of Contra Costa; up to \$15,000,000 of revenue bonds.
2. Bayshore Affordable Housing, LP (Bayshore Affordable Apartments), City of Millbrae, County of San Mateo; up to \$20,000,000 of revenue bonds.

4. **NEW BUSINESS**

A. Consideration and discussion in regards to Asset Acquisition of the Farmers Market Complex. (Staff – Scott Carper)

B. Consideration of approving WIPFLi as auditor for all California Public Finance Authority financial statements. (Staff – Mike LaPierre)

5. **PUBLIC COMMENT**

Any person may directly address the Board at this time on any item on the agenda, or on any other items of interest to the public, that is within the subject matter jurisdiction of the Board. Five (5) minutes are allowed for each item.

6. **STAFF UPDATES**

7. **ADJOURNMENT**

Adjourn as the California Public Finance Authority.



CALIFORNIA
PUBLIC
FINANCE
AUTHORITY

2. APPROVAL OF MINUTES

Approval of the minutes from the May 10, 2016 regular meeting.



Action Summary

Tuesday, May 10, 2016

Place: County Board of Supervisors Chambers
Kings County Government Center, Hanford, CA

Time: 11:00 a.m.

1. B 1 **CALL TO ORDER**
ROLL CALL – Clerk to the Board
ALL MEMBERS PRESENT

2. **APPROVAL OF MINUTES**
Approval of the minutes from the April 26, 2016 regular meeting.
ACTION: APPROVED AS PRESENTED (JN/CP/RV/RF/DV-Aye)

3. **CONSENT CALENDAR**
A. Consideration of approving an inducement resolution 16-02I for:
 1. Providence Health & Services - Washington (Providence House Oakland), City of Oakland, County of Alameda; up to \$8,000,000 of revenue bonds.
 2. Solano Carolina Partners, LP (Carolina Heights), City of Vallejo, County of Solano; up to \$17,000,000 of revenue bonds.
 3. Mountain View Community Partners, LP (Mountain View Apartments), City of Cathedral City, County of Riverside; up to \$22,000,000 of revenue bonds.
 4. CANV Construction Company, Inc. (Springville Senior Apartments), City of Camarillo, County of Ventura; up to \$22,000,000 of revenue bonds.**ACTION: APPROVED AS PRESENTED (RF/JN/RV/CP/DV-Aye)**

4. **PUBLIC COMMENT**
Any person may directly address the Board at this time on any item on the agenda, or on any other items of interest to the public, that is within the subject matter jurisdiction of the Board. Five (5) minutes are allowed for each item.
None

5. **STAFF UPDATES**
None

6. **ADJOURNMENT**
The meeting was adjourned at 11:04 a.m.



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3. CONSENT CALENDAR

- A.** Consideration of approving resolution 16-03M for the addition of program participants to the Authority.
- B.** Consideration of approving an inducement resolution 16-03I for:
 - 1.** Islas Development, LLC (Willowbrook Apartments), City of Bay Point, County of Contra Costa; up to \$15,000,000 of revenue bonds.
 - 2.** Bayshore Affordable Housing, LP (Bayshore Affordable Apartments), City of Millbrae, County of San Mateo; up to \$20,000,000 of revenue bonds.

RESOLUTION NO. 16-03M

**RESOLUTION OF THE CALIFORNIA PUBLIC FINANCE AUTHORITY APPROVING
AND RATIFYING THE ADDITION OF PROGRAM PARTICIPANTS TO THE
AUTHORITY**

WHEREAS, pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California (the "Act"), Kings County and the Housing Authority of Kings County entered into a joint exercise of powers agreement (the "Agreement") pursuant to which the California Public Finance Authority (the "Authority") was organized;

WHEREAS, pursuant to Section 12 of the Agreement, the Authority may add a qualifying public agency to become a Non-Charter Member (an "Additional Member") upon the filing by such public agency with the Authority of a resolution of the governing body of such public agency requesting to be added as an Additional Member of the Authority and adoption of a resolution of the Board approving the addition of such public agency as an Additional Member;

WHEREAS, the Cities and/or Counties listed on Exhibit A hereto (the "City/County") have by resolution requested to join the Authority and the Authority has authorized each such City/County to become an Additional Member pursuant to the provisions of the Agreement;

WHEREAS, the Board hereby finds and determines that each City/County is qualified to be added as an Additional Member to the Authority;

NOW, THEREFORE, BE IT RESOLVED by the Board of the California Public Finance Authority, as follows:

Section 1. This Board hereby finds and determines that the foregoing recitals are true and correct.

Section 2. The addition of the Cities and/or Counties listed on Exhibit A hereto as Additional Members of the Authority is hereby approved, confirmed and ratified, and any actions heretofore taken on behalf of each City/County is hereby approved, confirmed and ratified.

Section 3. This resolution shall take effect immediately upon its passage.

PASSED AND ADOPTED by the California Public Finance Authority this ____ day of _____, 20__.

I, the undersigned, an Authorized Signatory of the California Public Finance Authority, DO HEREBY CERTIFY that the foregoing resolution was duly adopted by the Board of Directors of the Authority at a duly called meeting of the Board of Directors of the Authority held in accordance with law on _____, 20__.

By: _____
Authorized Signatory
California Public Finance Authority

EXHIBIT A

**ADDITION OF CITIES AND/OR COUNTIES AS ADDITIONAL MEMBERS OF THE
CALIFORNIA PUBLIC FINANCE AUTHORITY**

1. City of Norco
2. City of Antioch
3. County of Contra Costa

RESOLUTION NO. 16-03I

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

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

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

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

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

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

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

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

WHEREAS, Section 8869.85 of the California Government Code requires a local agency desiring an allocation of the state ceiling to file an application with the California Debt Limit Allocation Committee (the "Committee") for such allocation, and the Committee has certain policies that are to be satisfied in connection with any such application;

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

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

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

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

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

PASSED AND ADOPTED by the California Public Finance Authority this 24th day of May, 2016.

The undersigned, an Authorized Signatory of the California Public Finance Authority, DOES HEREBY CERTIFY that the foregoing resolution was duly adopted by the Board of Directors of said Authority at a duly called meeting of the Board of Directors of said Authority held in accordance with law on May 24, 2016.

By: _____
Authorized Signatory

EXHIBIT A

| Project Name | Project Location | Project Description (units) | New Construction/ Acquisition and Rehabilitation | Legal Name of initial owner/operator | Bond Amount |
|--------------------------------|--|------------------------------------|---|---|--------------------|
| Willowbrook Apartments | City of Bay Point, County of Contra Costa | 72 | Acquisition and Rehabilitation | Islas Development, LLC | \$15,000,000 |
| Bayshore Affordable Apartments | City of Millbrae, County of San Mateo | 55 | New Construction | Bayshore Affordable Housing, LP | \$20,000,000 |



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4. NEW BUSINESS

- A.** Consideration and discussion in regards to Asset Acquisition of the Farmers Market Complex. (Staff – Scott Carper)
- B.** Consideration of approving WIPFLi as auditor for all California Public Finance Authority financial statements. (Staff – Mike LaPierre)

Asset Ownership Introduction & Discussion

Farmers Market Complex

(California Department of Transportation Leased Buildings)



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May 2016

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California Public Finance Authority



California Public Finance Authority

- **California Public Finance Authority (“CalPFA”)** is a **political subdivision of the State of California** established under the Joint Exercise of Powers Act for the purpose of issuing tax-exempt and taxable conduit bonds for public and private entities throughout California. CalPFA was created by Kings County and the Housing Authority of Kings County, California.
- CalPFA is empowered to promote economic, cultural, and community development opportunities that create temporary and permanent jobs, affordable housing, community infrastructure and improve the overall quality of life in local communities.
- **Community Benefit Program:** In an effort to offset any staff time of a public agency that facilitates public hearing proceedings on behalf of CalPFA and to offset the cost of public services to any respective CalPFA project over the life of the financing, CalPFA has established a Community Benefit Program which provides for a percentage sharing of the CalPFA annual administrative fee collected for the term of the respective bonds issued.

CalPFA Asset Ownership Policy

1. Sponsor would agree to include structural and document protections of CalPFA, including (a) Disclaimers of contractual liability of any kind with respect to the bonds and all the other agreements to which CalPFA is a party, (b) Disclaimer of responsibility for information contained in any disclosure document (other than the “Authority” and “Litigation” sections), (c) Adequate indemnifications or Indenture provisions for the funding of accounts with enough revenues from the project to cover any expenses the CalPFA may incur for any reason (budgeted and unbudgeted), and (d) Delegation as much as possible to the Bond Trustee, the Property Manager or the Financial Consultant of any additional responsibilities CalPFA might otherwise have as a result of its ownership of the project.
2. CalPFA will engage Bond Counsel, and in such capacity, Bond Counsel would report to the Board any material adverse deviations prior to authorization of bonds and documents by the Board.
3. CalPFA will engage Issuer Counsel to ensure the finance terms are consistent with typical CalPFA guidelines and real estate and general counsel to ensure the asset ownership provisions are consistent with the CalPFA guidelines.
4. In the event a disclosure document is prepared, any opinion rendered by disclosure or underwriters counsel would also be addressed to CalPFA.
5. In event of private placement or limited offering, an investor letter would be required in connection with the original sale in form satisfying #1 and #2 above.
6. CalPFA would select an Insurance Consultant, and the insurance required with respect to the project would meet or exceed the recommendations of the Insurance Consultant.
7. CalPFA would not select, but would review the qualifications and concur in the selection of, the Property Manager.
8. CalPFA would engage a Financial Consultant to act as PFA’s fiduciary financial consultant on the transaction, and post-closing to oversee performance of the Property Manager, including formulation of budgets and approving disbursements, performing other tasks of the CalPFA as owner that are specified in accordance with #1 above, review post-issuance rebate and other tax and disclosure compliance, and report annually to the Board on the foregoing.
9. CalPFA will, at its discretion, annually review the Insurance Consultant, Property Manager and Financial Consultant, and make any changes it deems appropriate, including replacement of any such party if it is in default or otherwise not performing satisfactorily, provided that CalPFA will not seek to change the Property Manager without concurrence of the Bond Trustee and any ground lessor, donee of the project or other holder of residential interests in the project, and subject to any conditions set out in the bond documents.

Property Tax Exemption*

- The Joint Exercise Powers Act authorizes two or more public agencies to enter into an agreement to exercise jointly any power common to them. Local Governments may also form a “joint powers agency pursuant to the Joint Exercise Powers Act, such joint powers agency is a local government within the meaning of article XIII, section 3, subdivision (b) of the California Constitution. *See* California Government Code sections 6500 – 6599
- "Local government" means any city, county, city and county, school district, special district, authority, or other political subdivision of or within the state. *See* Article XIII subdivision (b).
- “Political Subdivision” includes any city, city and county, county, district or other local governmental agency or public agency authorized by law. *See* California Government Code Section 8557(b)
- Article XIII, section 3, subdivision (b) of the California Constitution provides in provides property owned by a local government is exempt from property taxation, except as otherwise provided in Section 11(a).
- Article XIII, section 11, subdivision (a) of the California Constitution provides in part... Lands owned by a local government that are outside its boundaries are taxable...
- Assuming a joint powers agency is a local government per Section 6500 of the California Government Code, real property owned by a joint powers agency is exempt from taxation per Article XIII, Section 3 of the California Constitution, **unless** subject to the provisions of Section 11, subdivision (a).
- All real property acquired by the joint powers agency that is **outside the pre-established boundaries** of each of the members, and that was taxable when acquired, is **subject to section 11 assessment**. Conversely, **all real property within the boundaries of each of the members of the agency is not subject to assessment under section 11**.
- The exemption for public property is liberally construed because taxing such property is the exception rather than the rule; public property is taxed only if there is express authority to do so. *Sacramento Mun. Utility District v. County of Sonoma (1991) 235 Cal. App. 3d 726, 732*

Farmers Market Complex Overview



Farmers Market Complex Project General Overview

- **Property Location:** 1801 30th Street
1820 Alhambra Blvd
1727 30th Street
Sacramento, CA 95816
- **Buildings Constructed:** 1989, 1990, and 1995
- **Property Foot Print:** 3.18 acres located in Midtown Sacramento
- **Property Sq. Feet:** 376,134
- **Additional Leasehold Interest:** 697 space parking garage situated on 2.5 acres
- **Property Lease Term:** In 2014 the State of California (the “State”) executed an 8 year and 6 month lease (the “Property Lease”) on behalf of the CalTrans. The Property Lease expires on May 31, 2023 and has an optional termination provision exercisable by the State upon 30 days written notice beginning on May 31, 2019.
- **Tenant:** The State of California Department of Transportation (“Cal Trans”) occupies 99% of the Property and has occupied each building since constructed.
- **Annual Rent Escalations:** \$.60 psf
- **Operating Expense Recoveries:** Annual CPI/overtime utility adjustments

Farmers Market Complex – Asset Management Function

CalPFA as owner of the Farmers Market Office complex will outsource key property asset management functions to a qualified 3rd party professional organization. Functions of the Asset Manager will include:

- Serving as the Owners Representative when interfacing with 3rd party vendors
 - Building Maintenance
 - Technology
 - Janitorial
 - Security
 - Property management
 - Building Engineer
 - Security
- Act as Liaison between Auditor/Bond Trustee/Legal
- Oversee leasing and re-leasing of property upon expiration of existing property leases
- Assist in developing property maintenance & repair budget and overseeing capital expenditures for the building
- Hiring and Supervision of Property Manager
- Preparation of Quarterly Reports to Owner

*Property Cashflow Pro-Forma

| Years Ending | Jul-16 | Jul-17 | Jul-18 | Jul-19 | Jul-20 | Jul-21 | Jul-22 | Jul-23 | |
|----------------------------------|------------------|------------------|-------------------|-------------------|-------------------|-------------------|--------------------|--------------------|--------------------|
| Base Rental Revenue | 8,862,747 | 9,086,842 | 9,311,034 | 9,535,204 | 9,647,776 | 9,760,367 | 9,984,595 | 10,134,431 | |
| Percentage Increase | Base Year | 2.53% | 2.47% | 2.41% | 1.18% | 1.17% | 2.30% | 1.50% | |
| Vacancy Percentage | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% | |
| \$ Loss to Vacancy | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | |
| Base Rental Step Revenue | 33,950 | 101,850 | 169,750 | 237,650 | 305,550 | 373,450 | 441,350 | 509,250 | |
| Overtime Utility Reimbursement | 2.00% | 76,387 | 77,915 | 79,473 | 81,062 | 82,684 | 84,337 | 86,024 | |
| Parking/Garage | 660,000 | 693,000 | 693,000 | 721,395 | 752,760 | 784,125 | 784,125 | 784,125 | |
| Percentage Increase | Base Year | 5.00% | 0.00% | 4.10% | 4.35% | 4.17% | 0.00% | 0.00% | |
| Effective Gross Revenue | 9,633,084 | 9,959,606 | 10,253,257 | 10,575,311 | 10,788,770 | 11,002,279 | 11,296,094 | 11,515,551 | |
| Operating Expenses | 2.00% | Jul-16 | Jul-17 | Jul-18 | Jul-19 | Jul-20 | Jul-21 | Jul-22 | Jul-23 |
| Accounting | | 10,353 | 10,560 | 10,771 | 10,987 | 11,206 | 11,431 | 11,659 | 11,892 |
| Insurance | | 158,888 | 162,066 | 165,307 | 168,613 | 171,985 | 175,425 | 178,934 | 182,512 |
| Janitorial | | 397,346 | 405,293 | 413,399 | 421,667 | 430,100 | 438,702 | 447,476 | 456,426 |
| Landscaping | | 18,630 | 19,003 | 19,383 | 19,770 | 20,166 | 20,569 | 20,980 | 21,400 |
| Office Expenses/Supplies | | 8,568 | 8,739 | 8,914 | 9,092 | 9,274 | 9,460 | 9,649 | 9,842 |
| Parking Expenses | | 109,283 | 111,469 | 113,698 | 115,972 | 118,291 | 120,657 | 123,070 | 125,532 |
| Land Lease | | 347,371 | 354,318 | 361,405 | 368,633 | 376,006 | 383,526 | 391,196 | 399,020 |
| Pest Control | | 2,917 | 2,975 | 3,035 | 3,096 | 3,157 | 3,221 | 3,285 | 3,351 |
| Repair & Maintenance | | 367,967 | 375,326 | 382,833 | 390,490 | 398,299 | 406,265 | 414,391 | 422,678 |
| Taxes - Ad Valorem | | (913,549) | (931,820) | (950,456) | (969,466) | (988,855) | (1,008,632) | (1,028,805) | (1,049,381) |
| Taxes - Other | | 12,688 | 12,942 | 13,201 | 13,465 | 13,734 | 14,009 | 14,289 | 14,575 |
| Trash Removal | | 24,113 | 24,595 | 25,087 | 25,589 | 26,101 | 26,623 | 27,155 | 27,698 |
| Utilities | | 938,713 | 957,487 | 976,637 | 996,170 | 1,016,093 | 1,036,415 | 1,057,143 | 1,078,286 |
| Property Management Fee | | 102,117 | 104,159 | 106,243 | 108,367 | 110,535 | 112,745 | 115,000 | 117,300 |
| Pro-Forma Energy Savings Program | | 0 | (200,000) | (200,000) | (200,000) | (200,000) | (200,000) | (200,000) | (200,000) |
| Total Operating Expenses | | 2,498,954 | 2,348,933 | 2,399,912 | 2,451,910 | 2,504,948 | 2,559,047 | 2,614,228 | 2,670,513 |
| Net Operating Income | | 7,134,130 | 7,610,673 | 7,853,345 | 8,123,402 | 8,283,822 | 8,443,232 | 8,681,866 | 8,845,038 |

*Estimated, Actual numbers will vary

Building Entrance 1727 30th Street



Farmers Market Complex Property Photos





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DATE: MAY 24, 2016
SUBJECT: CALPFA AUDITOR APPOINTMENT
PURPOSE: CONSIDERATION OF APPROVING WIPFLI AS THE AUDITOR FOR CALPFA AND ACCOUNTING CONSULTANT AS NEEDED

Background:

It is necessary and good practice to provide audited financial statements for the Authority on an annual basis to interested parties. Audited financial statements provide assurance that funds are being handled in accordance with the Authority's charter and that appropriate controls are in place to ensure the financial statements are properly reflecting the Authority's results.

The Authority's staff received two responses to a Request for Proposal for audit services, from WIPFLi, LLP and MGO. The Authority staff has worked with both audit firms who responded to the RFP for audit services. WIPFLi, LLP serves over 500 clients in California, including not for profits, grant funded programs, businesses, health care organizations, and individuals. WIPFLi, LLP has exceeded auditor expectations in interactions with the Authority staff on audits for other conduit issuer related activities.

The Authority staff reviewed the RFP responses with respect to expected services as well as anticipated costs for the services. WIPFLi, LLP has the lower anticipated cost at ~\$18,000 (fee, plus out of pocket) versus \$27,300 (fee, plus out of pocket).

The Authority staff feels that WIPFLi, LLP is well qualified to serve as the auditor for CalPFA. In addition, the Authority staff has worked with WIPFLi, LLP on ad hoc accounting consulting as needed for issues such as Public Private Partnership and the impact on authority financial statements.

Recommendation:

It is recommended that this Board approve WIPFLi, LLP as the provider of audit services and ad hoc accounting consulting needs as required.