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# Agenda

Tuesday, January 14, 2020

**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. **ELECTION OF OFFICERS**

3. **APPROVAL OF MINUTES**

Approval of the minutes from the December 10, 2019 regular meeting.

4. **CONSENT CALENDAR**

- a. Consideration of approving an inducement resolution 20-01I for Hayward Preservation Limited Partnership (Hayward Senior Apartments), City of Hayward, County of Alameda; up to \$45,000,000 in revenue bonds.

5. **NEW BUSINESS**

- a. Consideration and approval of the CalPFA Audited Financial Statements for the fiscal year ending June 30, 2019. (Staff – Mike LaPierre / Audrey Hall)

6. **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.*

7. **STAFF UPDATES**

8. **ADJOURNMENT**

*Adjourn as the California Public Finance Authority.*



**3. APPROVAL OF MINUTES**

Approval of the minutes from the December 10, 2019 regular meeting.



## Action Summary

Tuesday, December 10, 2019

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

**Time:** 11:00 a.m.

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1. **CALL TO ORDER**

ROLL CALL – Clerk to the Board  
**ALL MEMBERS PRESENT**

2. **APPROVAL OF MINUTES**

Approval of the minutes from the November 26, 2019 regular meeting.  
**ACTION: APPROVED AS PRESENTED (RF/DV/RV/CP/JN-Aye)**

3. **CONSENT CALENDAR**

- a. Consideration of approving an inducement resolution 19-11I for ELOM LLC (Dorie Miller Manor), City of Los Angeles, County of Los Angeles; up to \$17,000,000 in revenue bonds.
- b. Consideration of approving the 2020 CalPFA regular meeting calendar.  
**ACTION: APPROVED AS PRESENTED (RF/DV/RV/CP/JN-Aye)**

4. **NEW BUSINESS**

- a. Consideration of approving resolution 19-12A for Royals 4 Preservation Limited Partnership, LP (Royals Apartments), City of Los Angeles, County of Los Angeles; up to \$65,000,000 in revenue bonds. (Staff – Caitlin Lancotot)  
**ACTION: APPROVED AS PRESENTED (RF/DV/RV/CP/JN-Aye)**

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. None*

6. **STAFF UPDATES**

Mike LaPierre stated that staff received a request yesterday for letter of support for the UC Santa Barbara, Ocean Road faculty and staff housing project and asked for consensus from the Board to have the Chairman sign the letter due to the requested letter needing to be submitted by the end of the week. The Board gave consensus for the Chairman to sign the letter on behalf of CalPFA.

7. **ADJOURNMENT**

*The meeting was adjourned at 11:09 a.m.*



**4. CONSENT CALENDAR**

- a. Consideration of approving an inducement resolution 20-01I for Hayward Preservation Limited Partnership (Hayward Senior Apartments), City of Hayward, County of Alameda; up to \$45,000,000 in revenue bonds.

## **RESOLUTION NO. 20-011**

### **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 14<sup>th</sup> day of January, 2020.

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 January 14, 2020.

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

## EXHIBIT A

<b>Project Name</b>	<b>Project Location</b>	<b>Project Description (units)</b>	<b>New Construction/ Acquisition and Rehabilitation</b>	<b>Legal Name of initial owner/operator</b>	<b>Bond Amount</b>
Hayward Senior Apartments	City of Hayward, County of Alameda	110	New Construction	Hayward Preservation Limited Partnership	\$45,000,000





**5. NEW BUSINESS**

- a. Consideration and approval of the CalPFA Audited Financial Statements for the fiscal year ending June 30, 2019. (Staff – Mike LaPierre / Audrey Hall)



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December 4, 2019

Board of Directors  
California Public Finance Authority  
Hanford, California

Dear Board of Directors:

We have audited the financial statements of California Public Finance Authority (the "Authority") for the year ended June 30, 2019 and have issued our report thereon dated December 4, 2019. Professional standards require that we provide you with the following information related to our audit:

#### **Our Responsibility Under Auditing Standards Generally Accepted in the United States**

As stated in our engagement letter dated July 8, 2019, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States (GAAP). Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the Authority. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

#### **Other Information in Documents Containing Audited Financial Statements**

The auditor's responsibility for other information in documents containing audited financial statements does not extend beyond the financial information identified in our report, and we have no obligation to perform any procedures to corroborate other information contained in a document. Our responsibility is to read the other information and consider whether such information, or the manner of its presentation, is materially inconsistent with information, or the manner of its presentation, appearing in the financial statements. We have read Management's Discussion and Analysis and have found no material inconsistencies with the information appearing in the audited financial statements.

#### **Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our discussions about planning matters, in addition to our engagement letter dated July 8, 2019, accepted by Mr. Joe Neves.

### Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. The application of existing accounting policies were not changed during the year.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates may be particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- The disclosure of revenue recognition methodologies for each revenue stream in Note 1.
- The disclosure of related party transactions and significant contracts in Note 4.
- The disclosure of net position restrictions in Note 5.

### Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management.

We proposed no audit adjustments that could, in our judgement, either individually or in the aggregate, have a significant effect on the Authority's financial reporting process.

### Disagreements With Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 4, 2019, a copy of which accompanies this letter.

### Management Consultations With Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. To our knowledge, management has not obtained any opinions from other independent accountants on the application of accounting principles generally accepted in the United States which would affect the Authority's financial statements or on the type of opinion which may be rendered on the financial statements.

### Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Authority's auditors for the preceding year. However, these discussions occurred in the normal course of our professional relationship and our responses were not, in our judgment, a condition of our retention.

We appreciate the opportunity to be of service to the Authority.

This communication is intended solely for the information and use of the Board of Directors and, if appropriate, management and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Wipfli LLP". The signature is written in a cursive, flowing style.

Wipfli LLP

Enc.





CALIFORNIA  
PUBLIC  
FINANCE  
AUTHORITY

December 4, 2019

Wipfli LLP  
10000 W. Innovation Drive, Suite 250  
Milwaukee, WI 53226

This representation letter is provided in connection with your audit of the financial statements of California Public Finance Authority (the "Authority"), which comprise the statement of net position as of June 30, 2019, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the financial position and remaining fund information of the Authority and the respective changes in financial position and cash flows, in conformity with accounting principles generally accepted in the United States (GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits and through the date of this letter:

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated July 8, 2019.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States and include all other financial information of the Authority required by accounting principles generally accepted in the United States.
3. We acknowledge our responsibility for 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.
4. We acknowledge our responsibility for the design and implementation of programs and controls to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.

6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of GAAP.
7. All events subsequent to the date of the financial statements and for which GAAP requires adjustment or disclosure have been adjusted or disclosed. No events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.
8. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with GAAP.
9. Material concentrations, if any, are required to be disclosed in accordance with GAAP, except that concentrations of funds in excess of custodial limits have been disclosed without specific identification of the exposure.
10. The Authority has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or equity.
11. Guarantees, whether written or oral, under which the Authority is contingently liable, if any, have been properly recorded or disclosed in accordance with GAAP.

#### Information Provided

12. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the Authority from who you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of the Authority or summaries of actions of recent meetings for which minutes have not yet prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have no knowledge of any fraud or suspected fraud affecting the entity involving:
  - a. Management.
  - b. Employees who have significant roles in internal control.
  - c. Others where the fraud could have a material effect on the financial statements.
15. We have no knowledge of any allegations of fraud or suspected fraud affecting the Authority's financial statements communicated by employees, former employees, regulators, or others.



16. We have disclosed to you all known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements.
17. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with GAAP.
18. We have disclosed to you the identity of the Authority's related parties and all the related party relationships and transactions of which I am we are aware.
19. We have made available to you all financial records and related data.
20. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
21. We have identified to you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and we have identified and disclosed to you all laws, regulations, and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
23. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting noncompliance.
24. As part of your audit, you assisted with preparation of the financial statements and related notes. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes.
25. We have no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
26. The Authority has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
27. Components of net position are properly classified and, if applicable, approved.
28. We have appropriately disclosed the Authority's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available and have determined that net assets were properly recognized under the policy.

29. The Authority has identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
30. There are no estimates that may be subject to a material change in the near term that have not been properly disclosed in the financial statements. We understand that near term means the period within one year of the date of the financial statements. In addition, we have no knowledge of concentrations existing at the date of the financial statements that make the Authority vulnerable to the risk of severe impact that have not been properly disclosed in the financial statements.

Sincerely,

CALIFORNIA PUBLIC FINANCE AUTHORITY

  
\_\_\_\_\_  
Signature of Authorized Member & Signer

Date Signed 12/4/19

  
\_\_\_\_\_  
Signature of Authorized Member & Signer

Date Signed 12/4/19



# **California Public Finance Authority**

Hanford, California

## **Financial Statements and Supplementary Information**

Years Ended June 30, 2019 and 2018



## **Independent Auditor's Report**

Board of Directors  
California Public Finance Authority  
Hanford, California

### **Report on the Financial Statements**

We have audited the accompanying financial statements of California Public Finance Authority, which comprise the statements of net position as of June 30, 2019 and 2018, and the related statements of revenues, expenses and changes in net position and cash flows for the years then ended and the related notes to the financial statements.

### **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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of California Public Finance Authority as of June 30, 2019 and 2018, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States.



#### **Other Matter - Required Supplementary Information**

Accounting principles generally accepted in the United States require that the management's discussion and analysis on pages 3 through 5 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, 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.

*Wipfli LLP*

Wipfli LLP

December 4, 2019  
Madison, Wisconsin

## **California Public Finance Authority**

### **Management's Discussion and Analysis (Unaudited) June 30, 2019 and 2018**

As management of the California Public Finance Authority ("CalPFA" or the "Authority"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Authority for the years ended June 30, 2019 and 2018.

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 in May 2015.

The Authority's financings consist of conduit finance issuer transactions. Conduit debt obligations issued through CalPFA are those of the governments, nonprofit organizations, and private companies who are the borrower when the Authority issues conduit bonds under its own governmental status in the tax-exempt and taxable municipal finance marketplace.

CalPFA was established by local governments, for local governments, to provide a means to efficiently and reliably finance projects on behalf of local governments in 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.

Although cities, counties, and special districts are able to issue their own debt obligations or serve as a conduit issuer of private activity bonds that promote economic development and provide critical community services, many local agencies find stand-alone financing too costly or lack the necessary resources or experience to facilitate the bond issuance and perform post-issuance activities for the term of the bonds.

#### **Financial Highlights**

For the years ended June 30, 2019 and 2018, the Authority issued a total of 12 conduit revenue bonds totaling \$260 million and 16 conduit revenue bonds totaling \$346 million, respectively. As of June 30, 2019 and 2018, the total amount of CalPFA conduit debt obligations outstanding issued on behalf of program participants totaled \$1,334 million and \$1,124 million.

#### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to CalPFA's financial statements. The financial statements consist of a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Net Position, and a Statement of Cash Flows. The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

#### **Analysis of the Financial Statements**

The Statement of Net Position provides information about the nature and amount of investment in resources (assets) and the obligations (liabilities) of the Authority, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Authority is improving or deteriorating.



**Table 1**  
**Condensed Statement of Net Position**

At June 30, 2019 and 2018	2019	2018
Total current assets	\$ 1,412,620	\$ 1,559,968
Total assets	1,412,620	1,559,968
Total current liabilities	806,872	1,146,886
Total liabilities	806,872	1,146,886
Net position:		
Restricted	565,575	360,082
Unrestricted	40,173	53,000
Total net position	\$ 605,748	\$ 413,082

Assets reported by CalPFA at June 30, 2019 and 2018, consist of cash and cash equivalents received from bond issuance and bond administration fee payments, borrower deposits, deposits held for housing projects submitted to the California Debt Limit Advisory Commission ("CDLAC"), bond administration fees receivable, and restricted cash held in reserve accounts to be used to pay specific expenses of the Authority. Current liabilities are comprised of amounts payable to the Authority's program administrator, GPM Municipal Advisors, LLC (the "Program Administrator"), per the provisions of the Master Services Agreement (Note 4), in reimbursement of costs incurred by the Program Administrator on the Authority's behalf and the annual municipal advisor fee, amounts payable to legal counsel for formation and initial organization related work and unearned revenue related to pending bond issues and deposits held for CDLAC. At June 30, 2019 and 2018, total payables to the Program Administrator were \$104,554 and \$116,101, and total unearned revenue was \$61,571 and \$68,180.

The statement of revenues, expenses and changes in net position show how the Authority's net position changed during the years ended June 30, 2019 and 2018 and accounts for all of the period's revenues and expenses.

**Table 2**  
**Condensed Statement of Revenues, Expenses, and Changes in Net Position**

Years ended June 30, 2019 and 2018	2019	2018
Total revenues	\$ 607,487	\$ 755,751
Conduit debt expenses	430,724	524,849
Operating income	176,763	230,902
Interest income	15,903	5,552
Change in net position	192,666	236,454
Beginning net position	413,082	176,628
Ending net position	\$ 605,748	\$ 413,082

Revenues are comprised of bond issuance and bond administration fees earned by the Authority. Issuance fees are amounts charged to borrowers by CalPFA to issue conduit revenue bonds. The Authority contracts program management services from the Program Administrator. The Authority invoices the borrower in advance for bond issuance fees for conduit issuance services and then places the payment on deposit in trust with nationally-recognized banking institutions. Once the bonds are issued, the trustee distributes payments for services directly to the Program Administrator and the Authority's sponsors, and the deposits become revenue.

Bond Administration fees are amounts assessed by the Authority for the performance of ongoing administration and compliance work to help keep long-term bond issues in good standing. Bond administration fees are generally paid semi-annually in arrears by the borrower and are remitted into a trust account with a nationally-recognized bank. For the year ended June 30, 2019 and 2018, the amount of administration fees earned was \$267,703 and \$181,261.

The Authority's operating expenses are comprised of management fees and professional service fees.

The Statement of Cash Flows provides information about the Authority's cash receipts, cash payments, and net changes in cash resulting from operating, noncapital financing, capital and related financing, and investing activities.

#### **Currently Known Facts and Economic Factors**

The Authority expects revenues to remain consistent with past years as it leverages its years of experience in tax-exempt private activity and municipal finance to benefit local communities.

#### **Requests for Information**

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

California Public Finance Authority  
1400 West Lacey Boulevard, Building 1  
Hanford, California 93230

# California Public Finance Authority

## Statements of Net Position

At June 30, 2019 and 2018	2019	2018
<i>Assets</i>		
Current assets:		
Unrestricted cash and cash equivalents	\$ 156,256	\$ 197,423
Restricted cash and cash equivalents	607,624	426,643
Restricted cash and cash equivalents - CDLAC	518,221	882,871
Unbilled administration fees	130,519	53,031
<b>Total assets</b>	<b>\$ 1,412,620</b>	<b>\$ 1,559,968</b>
<i>Liabilities and Net Position</i>		
Current liabilities:		
Accounts payable	\$ 128,377	\$ 104,620
Accounts payable - from restricted assets	98,703	91,215
CDLAC deposits	518,221	882,871
Unearned revenue	61,571	68,180
<b>Total current liabilities</b>	<b>806,872</b>	<b>1,146,886</b>
Net position:		
Restricted	565,575	360,082
Unrestricted	40,173	53,000
<b>Total net position</b>	<b>605,748</b>	<b>413,082</b>
<b>Total liabilities and net position</b>	<b>\$ 1,412,620</b>	<b>\$ 1,559,968</b>

See accompanying notes to financial statements.

# California Public Finance Authority

## Statements of Revenues, Expenses and Change in Net Position

For the Years Ended June 30, 2019 and 2018	2019	2018
Bond issuance fees	\$ 339,784	\$ 574,490
Bond administration fees	267,703	181,261
Total revenues	607,487	755,751
Operating expenses:		
Management fees	376,802	475,320
Professional fees	45,422	39,929
Other expenses	8,500	9,600
Total operating expenses	430,724	524,849
Operating income	176,763	230,902
Nonoperating revenues:		
Interest income	15,903	5,552
Change in net position	192,666	236,454
Total net position - Beginning	413,082	176,628
Total net position - Ending	\$ 605,748	\$ 413,082

See accompanying notes to financial statements.



# California Public Finance Authority

## Statements of Cash Flows

For the Years Ended June 30, 2019 and 2018	2019	2018
Cash flows from operating activities:		
Cash received from customers	\$ 158,740	\$ 1,250,236
Cash paid to suppliers and service providers	(399,479)	(388,068)
Net cash and cash equivalents provided by (used in) operating activities	(240,739)	862,168
Cash flows from investing activities:		
Interest received	15,903	5,552
Net cash and cash equivalents from investing activities	15,903	5,552
Net increase (decrease) in cash and cash equivalents	(224,836)	867,720
Cash and cash equivalents - Beginning of period	1,506,937	639,217
Cash and cash equivalents - End of period	\$ 1,282,101	\$ 1,506,937
Schedule reconciling operating income to net cash and cash equivalents from operating activities:		
Operating income	\$ 176,763	\$ 230,902
Adjustments to reconcile net operating income to net cash and cash equivalents provided by (used in) operating activities:		
Changes in operating assets and liabilities:		
Unbilled administration fees	(77,488)	(42,748)
Accounts payable	31,245	136,781
CDLAC deposits	(364,650)	519,900
Unearned revenue	(6,609)	17,333
Total adjustments	(417,502)	631,266
Net cash and cash equivalents from operating activities	\$ (240,739)	\$ 862,168

See accompanying notes to financial statements.

# California Public Finance Authority

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies**

#### **Nature of Organization**

California Public Finance Authority ("CalPFA" or the "Authority") is a political subdivision of the State of California established under the Joint Exercise of Powers Act. CalPFA is empowered to promote economic, cultural and community development opportunities through the issuance of tax-exempt and taxable bonds for public and private entities throughout California. CalPFA was created by Kings County, California and the Kings County Housing Authority.

CalPFA was established by local governments, for local governments, to provide a means to efficiently and reliably finance projects on behalf of local governments in California. CalPFA provides local governments and eligible private entities access to low-cost, tax-exempt and other financing for projects that contribute to social and economic growth and improve the overall quality of life in communities throughout the state.

CalPFA's governing board (the "Board") is comprised of elected Supervisors of Kings County. The Board determines all of CalPFA's financing policies and procedures which includes a review and approval process for each proposed financing.

Conduit debt obligations issued through the Authority are those of the governments, non-profit organizations, and private companies who use the Authority's own governmental status to access the tax-exempt and taxable municipal finance marketplace. Once a borrower uses the Authority to issue debt, financial servicing of that debt falls to a trustee, or potentially to the investor itself in certain private placements. The Authority maintains no ongoing interest in bonds issued through its conduit and no debt servicing responsibility.

#### **Basis of Accounting and Management Focus**

The financial statements are prepared in accordance with accounting principles generally accepted in the United States (GAAP) as applied to governmental entities.

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. The basis of accounting utilized depends on the purpose for which the fund has been established. The accounting and financial reporting treatment applied to a fund is determined by its measurement focus.

The financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Operating revenues result from providing services in connection with the Authority's principal ongoing operations. Operating expenses include management fees, professional fees, and other expenses. Revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

# California Public Finance Authority

## Notes to Financial Statements

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### **Note 1: Summary of Significant Accounting Policies (Continued)**

#### **Use of Estimates**

The preparation of the accompanying financial statements in conformity with accounting principles generally accepted in the United States (GAAP) requires management to make certain estimates and assumptions that directly affect the results of reported assets, liabilities, revenue, and expenses. Actual results may differ from these estimates and are subject to change in the near term.

#### **Cash and Cash Equivalents**

Cash equivalents are defined as short-term, highly liquid investments, which are readily convertible to cash and have remaining maturities of three months or less at the date of acquisition.

#### **Restricted Cash and Net Position**

Restricted cash and net position represent net position set aside for CalPFA or program manager purposes as required by the Authority's Services Agreement (see Note 4). Such funds may be disbursed for only the purposes specified in the Services Agreement. Accounts payable from these restricted accounts is separately classified. If disbursed for CalPFA purposes, authorization of the Board is required, and if disbursed for Program Manager purposes, the consent of all management service providers is required.

Certain restricted cash and cash equivalents consist of deposits received from applicants for housing projects submitted to the California Debt Limit Allocation Committee (CDLAC). Deposits are returned to the applicant or remitted to CDLAC based upon CDLAC instructions to the Authority. Funds reserved for these purposes have no impact on net position.



# California Public Finance Authority

## Notes to Financial Statements

### Note 1: Summary of Significant Accounting Policies (Continued)

#### Revenue Recognition

The Authority receives revenue from various fees. Bond issuance fees are received from bond proceeds and are recognized as revenue upon issuance of the bonds. Administrative fees are invoiced to bond issuers monthly or semiannually in arrears, and recognized as revenue and receivables as earned.

CalPFA borrower fees consisted of the following for the year ended June 30, 2019:

Bond Program	Issuance Fee (up to \$20 million in bonding)	Issuance Fee (over \$20 million in bonding)	Annual Administration Fee
Affordable Housing	17.5 basis points (bps) (min \$15,000)	\$35,000 Plus 10.0 bps on bond amount over \$20 million	5.0 bps**
501(c)(3) Nonprofit ***	17.5 bps (min \$15,000)	\$35,000 plus 5.0 bps on bond amount over \$20 million	1.5 bps
Other exempt facilities, Airports, Solid waste	17.5 bps (min \$15,000)	\$35,000 plus 10.0 bps on bond amount over \$20 million	5.0 bps
Industrial development	\$20,000	N/A	10.0 bps
Taxable	15.0 bps (min \$20,000)	\$30,000 plus 5.0 bps on bond amount over \$20 million	1.5 bps
Municipal	12.5 bps (min \$7,500)	\$25,000 plus 2.5 bps on bond amount over \$20 million	1.5 bps

\*\* Annual administration fee for affordable housing bonds assessed against outstanding bond principal on interest payment date. Minimum fee for each affordable housing project is \$5,000 (a \$1,000 annual compliance monitoring fee will replace the existing annual administration fee throughout the CDLAC compliance period after the qualified project period has expired).

\*\*\*501(c)(3) nonprofit healthcare financing issuance fee will be capped at \$100,000 per issuance and the annual administration fee capped at \$150,000 per issuance.

All bond-financed projects located within Kings County, California will receive a 25% discount from the standard fees stated above.

Unearned revenue is recorded when issuance fees or administration fees are received prior to their service period. As of June 30, 2019 and 2018, unearned revenues were \$61,571 and \$68,180.

CalPFA shares a portion of its annual administrative fee with public agencies under its Community Benefit Reserve Fund as indicated in Note 4.

# California Public Finance Authority

## Notes to Financial Statements

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### Note 1: Summary of Significant Accounting Policies (Continued)

#### Income Taxes

The Authority is a public entity that is exempt from federal and state taxation.

#### Subsequent Events

The Authority has evaluated subsequent events through December 4, 2019, which is the date the financial statements were available to be issued.

### Note 2: Deposits and Investments

California Government Code Section 53601 (the Code) permits the Authority to invest available cash balances in various investments, as outlined by the Code. The Authority maintains its cash and equivalents in a money market account with a financial institution.

Custodial credit risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority does not have a deposit policy for custodial credit risk. As of June 30, 2019 and 2018, the Authority's bank balances exceeding custodial limits were exposed to custodial credit risk.

### Note 3: Conduit Debt

Conduit debt refers to certain limited-obligation revenue bonds and notes issued by CalPFA for the express purpose of providing capital financing for a specific third party. Although the conduit debt obligations bear the name of CalPFA, CalPFA has no obligation for such debt beyond the resources provided by financing loans with third parties on whose behalf they were issued. Accordingly, the bonds and notes are not reported as liabilities in the Authority's basic financial statements. There were no conduit bonds authorized but unsold at June 30, 2019 and 2018. Conduit debt activity for the years ended June 30, 2019 and 2018, are summarized as follows:

Balance at June 30, 2017	\$ 528,066,635
New issuances	595,745,000
Principal repayments	(240,135)
Balance at June 30, 2018	1,123,571,500
New issuances	259,864,475
Principal repayments	(49,323,209)
Balance at June 30, 2019	\$ 1,334,112,766

At June 30, 2019, there was \$1,453,979,504 in bonds pending but not issued.



# California Public Finance Authority

## Notes to Financial Statements

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### Note 4: Related-Party Transactions/Significant Contracts

CalPFA has entered into a Services Agreement with GPM Municipal Advisors, LLC and certain affiliates (collectively "GPM") for advisory, consulting, and project management services related to CalPFA's finance programs, including post-issuance management and compliance oversight. Acting as CalPFA's staff, GPM personnel implement the issuance policies established by the Board, present transactions to the Board for review and approval, and work with the financial and legal community, local agencies and regulatory bodies, and others, to ensure that bonds issued in CalPFA's name remain in good standing. The Services Agreement expires July 6, 2025, with the option for up to three successive five year renewal periods.

Under the Services Agreement as amended, CalPFA incurred service fees to GPM of \$376,802 and \$475,320 for the years ended June 30, 2019 and 2018. At June 30, 2019 and 2018, \$128,377 and \$104,620 was payable to GPM for such services.

Under the Services Agreement as amended, CalPFA incurred consulting fees to GPM of \$10,000 for the years ended June 30, 2019 and 2018. At June 30, 2019 and 2018, \$40,000 and \$30,000 was payable to GPM for such services.

The Services Agreement provides that when there are insufficient funds in the CalPFA's reserves to pay necessary operating costs, any such costs paid by GPM on behalf of CalPFA shall be repaid at such time as the reserves are sufficiently funded. During previous years, GPM paid \$9,858 of costs on behalf of CalPFA, which is due to GPM and outstanding as of June 30, 2019 and 2018.

In addition, the Services Agreement calls for the establishment of the following reserve funds:

*Reserve Fund ("RF")* - A custody account owned by the Authority and maintained by GPM for the benefit of the Authority with a financial institution acceptable to the Authority for the purpose of payment by GPM on behalf of the Authority of legal, legislative representation, accounting, consulting, professional, and other service fees incurred by GPM in connection with any Authority programs or otherwise in connection with the Service Agreement, subject to authorization by the Authority. The RF receives 5% of issuance and administrative fees.

*Community Benefit Reserve Fund ("CBRF")* - A custody account owned by the Authority and maintained by GPM for the benefit of the Authority with a financial institution acceptable to the Authority for the purpose of payment by GPM of fees to public agencies. The CBRF receives 10% (affordable housing, industrial development, and other facilities) or 15% (501(c)(3) non profit) of annual administrative fees collected. The CBRF is designed to offset the cost of public services to any Authority program over the life of the financing.

# California Public Finance Authority

## Notes to Financial Statements

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### **Note 5: Restricted Net Position**

According to the Services Agreement, GPM is directed to deposit 5% of bond issuance and administration fees into the RF (see Note 4). At June 30, 2019 and 2018, \$(55,533) and \$(55,457), of net position are restricted for this purpose. When the balance in the RF reaches \$250,000, deposits into the fund will be suspended until such time as the balance falls below \$200,000.

According to the Services Agreement, the Authority retains a portion of the issuance fees and administration fees received. These funds are reserved for use as directed by the CalPFA Board of Directors for the benefit of the Kings County community. Funds reserved for these purposes as of June 30, 2019 and 2018 are \$605,119 and \$410,150.

Additionally, GPM is directed to deposit a portion of bond administration fees into the CBRF (see Note 4). These funds are paid out to the Authority members who held required TEFRA meetings for the Authority in the process of issuing the conduit bonds. The funds are paid out annually, 45 days after fiscal year end. At June 30, 2019 and 2018, \$16,171 and \$5,389 of net position are restricted for this purpose.