Golden State Finance Authority (GSFA) Executive Committee Meeting



Wednesday, May 11, 2016 10:00 A.M.

> 1215 K Street, Suite 1650 Sacramento CA 95814 916-447-4806

Golden State Finance Authority (GSFA) Executive Committee Meeting 1215 K Street, Suite 1650 Sacramento, CA 95814

May 11, 2016 - 10:00 a.m.

Executive Committee Members:

Supervisor John Viegas, Glenn County Supervisor Bob Williams, Tehama County Supervisor Rex Bohn, Humboldt County Supervisor Lee Adams, Sierra County Supervisor Kevin Cann, Mariposa County

Supervisor John Fenley, Trinity County Supervisor Kevin Goss, Plumas County Supervisor Diane Dillon, Napa County Supervisor Randy Hanvelt, Tuolumne County Supervisor John Pedrozo, Merced County

Agenda

10:00 a.m.
Special Order of Business
Simultaneous Meeting
GSFA Executive Committee Meeting
NHF Board of Directors

ACTION ITEMS

- 1. NHF 2015 Annual Audit Conference and Financial Statements
- 2. GSFA 2015 Annual Audit Exit Conference and Financial Statements
- I. Call to Order and Determination of Quorum Chair, Supervisor Kevin Cann, Mariposa County
- II. Approval of Minutes of the February 17, 2016 Meeting (Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise)

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- III. Member County Concerns
- IV. Public Comment
- V. GSFA Quarterly Reports (Discussion and possible action relative to)
 Greg Norton, Executive Director
 Lisa McCargar, Chief Financial Officer
 - a. Quarterly Budget Report (March 31, 2016)b. Quarterly Investment Report (March 31, 2016)

c. Cash and Securities Asset Report (March 31, 2016)

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VI. Business and Administrative Matters (Discussion and possible action relative to)

Greg Norton Craig Ferguson

a. PACE Consumer Protection Policies - ACTION

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b. Other Business and Administrative Matters

VII. Program Updates (Discussion and possible action relative to)

Greg Norton Craig Ferguson

- a. PACE Program Update
- b. Multi-Family Program Update
- c. Housing Program Update

VIII. Adjournment

Meeting facilities are accessible to persons with disabilities. By request, alternative agenda document formats are available to persons with disabilities. To arrange an alternative agenda document format or to arrange aid or services to modify or accommodate persons with a disability to participate in a public meeting, contact Sarah Bolnik by calling (916) 447-4806 at least 48 hours before the meeting.

Agenda items will be taken as close as possible to the schedule indicated. Any member of the general public may comment on agenda items at the time of discussion. In order to facilitate public comment, please let staff know if you would like to speak on a specific agenda item. The agenda for this meeting of the Executive Committee of the Golden State Finance Authority was duly posted at its offices, 1215 K Street, Suite 1650, Sacramento, California, 72 hours prior to the meeting.





To:

GSFA Executive Committee

From:

Lisa McCargar, Chief Financial Officer

Greg Norton, Executive Director

Date:

May 3, 2016

Re:

GSFA 2015 Annual Audit Exit Conference and Financial Statements -

ACTION, Special Order of Business

Summary

Attached are the Golden State Finance Authority financial statements as of and for the year ended December 31, 2015, audited by Moss Adams LLP. The financial statements contain an unmodified ("clean") audit opinion. The auditors also issued a communication letter to Those Charged With Governance as required by U.S. audit standards. In summary, the communication states that there were no significant matters identified in the course of the audit and no audit adjustments were proposed or made to the original trial balance prepared by management.

The financial statements and communication letter to Those Charged With Governance provide information useful to Executive Committee members in exercising their fiduciary responsibility. Moss Adams will be present to address the audit and audit approach as well as answer any questions.

Recommendation:

It is recommended that the GSFA Executive Committee, acting in their function as the Audit Committee, review and approve the 2015 audited financial statements and communication letter as presented, for presentation and adoption by the GSFA Board of Directors.

Attachments

- GSFA 2015 Audited Financial Statements
- Communications to Those Charged with Governance



Golden State Financing
Authority

December 31, 2015

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Golden State Finance Authority

Report on the Financial Statements

We have audited the accompanying financial statements of Golden State Financing Authority (GSFA) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the GSFA'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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the GSFA'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 respective financial position of GSFA as of December 31, 2015, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 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 April 27, 2016 on our consideration of GSFA's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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 GSFA's internal control over financial reporting and compliance.

Sacramento, California

Moss Adams, LLP

April 27, 2016

This section presents management's discussion and analysis of Golden State Financing Authority (GSFA) financial performance for the year ended December 31, 2015. Please read it in conjunction with the financial statements and notes thereto, which follow this section.

FINANCIAL HIGHLIGHTS

The assets of GSFA exceeded liabilities at December 31, 2015, by \$74.3 million (net position), all of which is available to meet ongoing obligations. GSFA's total net position increased by approximately \$5.9 million (up 8.6%) from December 31, 2014 to December 31, 2015 resulting from successful housing programs. As of December 31, 2015, in addition to cash resources available, assets include approximately \$6.9 million in second mortgage loans receivable, net of an allowance for loan losses. GSFA's reported assets include approximately \$13.3 million in energy grant loans receivable, along with roughly \$13.5 million in cash deposits that are held on behalf of the California Energy Commission (CEC).

OVERVIEW OF THE FINANCIAL STATEMENTS

GSFA's basic financial statements include the (1) statement of net position, (2) statement of revenues, expenses, and change in net position, (3) statement of cash flows, and (4) notes to basic financial statements, which explain in more detail some of the information in the financial statements.

GSFA's financial statements report information about GSFA using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about its activities. The statement of net position includes all of GSFA's operating assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to GSFA creditors (liabilities). The assets and liabilities are presented in a classified format, which distinguishes between current and long-term assets and liabilities.

All of the revenues and expenses for 2015 are accounted for in the statement of revenues, expenses, and change in net position. This statement measures the success of GSFA's operations over the year and can be used to determine whether GSFA has successfully recovered all of its costs through the services it provides.

The statement of cash flows provides information about GSFA's cash receipts and cash payments during the reporting period. The statement reports cash receipts, cash payments, and net changes in cash resulting from operating, investing, non-capital financing, and financing activities.

The notes to the financial statements provide additional information that is essential to a full understanding of GSFA's financial statements.

FINANCIAL ANALYSIS

Condensed Statement of Net Position December 31, 2015 and 2014

						Increase (D	ecrease)
				2014		\$	<u></u>
Assets							
Current assets	\$	790,689,160	\$	217,842,052	\$	572,847,108	263.0%
Non-current assets	_	20,850,331	_	25,915,542		(5,065,211)	(19.6%)
Total assets	_	811,539,491		243,757,594		567,781,897	232.9%
Liabilities							
Current liabilities	-	737,255,066		175,363,757	_	561,891,309	320.4%
Net position							
Net position, unrestricted	\$	74,284,425	\$	68,393,837	\$	5,890,588	8.6%

The statement of net position reflects a snapshot of GSFA's financial position at a given moment in time. Changes in net position over time is an indicator of whether the financial condition of GSFA is improving or declining. As of December 31, 2015, GSFA's net position was \$74,284,425, an increase of \$5,890,588 (up 8.6%) from December 31, 2014. The increase in current assets of \$572,847,108 (up 263.0%) and the increase in current liabilities of \$561,891,309 (up 320.4%) resulted primarily from increased demand in GSFA's housing program and receivables and payables associated with estimated proceeds and obligations of mortgage backed securities to be settled at a future date. The decrease in noncurrent assets is primarily due to energy loan and 2nd mortgage repayments.

FINANCIAL ANALYSIS (CONTINUED)

Condensed Statement of Revenues, Expenses, and Change in Net Position Years Ended December 31, 2015 and 2014

				Increase (Decrease)
	2015	2014		\$	%
Operating revenues					
Housing program revenue	\$ 38,745,976	\$ 22,345,056	\$	16,400,920	73.4%
Administrative service fee revenue	2,186,151	1,198,203		987,948	82.5%
Grant fees	375,452	468,958		(93,506)	(19.9%)
Total operating revenues	41,307,579	24,012,217		17,295,362	72.0%
Operating expenses					
Housing program expenses	35,176,333	21,365,046		13,811,287	64.6%
Grant costs	345,952	398,696		(52,744)	(13.2%)
Total operating expenses	35,522,285	21,763,742		13,758,543	63.2%
Operating income	5,785,294	2,248,475	_	3,536,819	157.3%
Non-operating revenues (expenses)					
Interest income	136,439	169,128		(32,689)	(19.3%)
Loss on investments	(31,145)	(19,146)		(11,999)	62.7%
Total non-operating income	105,294	149,982		(44,688)	(29.8%)
Change in net position	5,890,588	2,398,457		3,492,131	145.6%
Net position, beginning of year	68,393,837	65,995,380		2,398,457	3.6%
Net position, end of year	\$ 74,284,425	\$ 68,393,837	\$	5,890,588	8.6%

The statement of revenues, expenses, and change in net position reflects activity that has occurred during the fiscal period of time covered by this report. For the year ended December 31, 2015, GSFA's operating revenues increased by \$17,295,361 (up 72.0%) from the year ended December 31, 2014, primarily due to increased revenues resulting from higher demand of the down payment assistance gift program. GSFA also experienced an increase in operating expenses of \$13,758,543 (up 63.2%) for the same period, which correspond directly with gift housing program activity. Included in housing program expense is a \$500,000 contribution to two member counties for disaster wildfire relief of temporary shelter to qualified residents.

BUDGETARY COMPARISON

Comparison of Budget and Actual Revenues, Expenses, and Change in Net Position Year Ended December 31, 2015

						Actu	ıal
						Over (Unde	r) Budget
		Budget		Actual	-	\$	%
Operating revenues							
Housing program revenue	\$	22,881,500	\$	38,745,976	\$	15,864,476	69.3%
Administrative service fee revenue		-0-		2,186,151		2,186,151	100.0%
Grant fees		363,000		375,452		12,452	3.4%
Total operating revenues	-	23,244,500		41,307,579		18,063,079	77.7%
Operating expenses							
Housing expenses		21,122,061		35,176,333		14,054,272	66.5%
Grant costs		363,000		345,952		(17,048)	(4.7%)
Total operating expenses	-	21,485,061	· -	35,522,285	-	14,037,224	65.3%
Operating income	_	1,759,439		5,785,294		4,025,855	228.8%
Non-operating revenues	_	120,000		105,294	_	(14,706)	(12.3%)
Change in net position	\$_	1,879,439	\$_	5,890,588	\$_	4,011,149	213.4%

Operating revenue exceeded budget by \$18,063,079 and GSFA's change in net position of \$5,890,588 exceeded budget by \$4,011,149, an increase of 213.4%, due to increased housing program activity. GSFA's operating expenses exceeded budget by \$14,037,224, an increase of 65.3%, due to costs associated with increased housing program activity and \$500,000 of Disaster Relief to counties GSFA serves. GSFA offered a Residence Emergency Disaster Assistance Program for the purpose of assisting residents of two GSFA member counties that were displaced by State or Federally declared fire disasters.

FUTURE ECONOMIC OUTLOOK

Favorable down payment assistance gift program activity for GSFA is expected to continue through 2016, generating increased revenues associated with housing programs. Demand for GSFA's housing program remains strong and the program continues to expand as more professionals and homebuyers learn about the products. Further, GSFA expects growth of its new energy efficiency and water conservation program with Ygrene Energy Fund which was implemented in the latter part of 2015.

FUTURE ECONOMIC OUTLOOK (CONTINUED)

As of December 31, 2015, GSFA has \$7.3 million of amortizing second mortgage loans in portfolio from prior years' second mortgage down payment assistance programs, the last of which was discontinued at the end of 2013. GSFA's down payment assistance gift program, implemented in late 2010, contributed to the \$16,400,920 of growth in 2015 and is budgeted to grow approximately 28.5% in 2016. To remain competitive and continue to provide effective programs, it will be necessary for the organization to continue to be innovative in the development of such programs.

GSFA revenues exceeded the projected levels for 2015. As of December 31, 2015, GSFA had approximately \$74.3 million in net position available including \$96.2 million in cash which includes \$13.5 million held on behalf of the California Energy Commission and Pacific Gas & Electric (PG&E). We anticipate that continued investment in existing and new housing and energy programs will lead to strong operating revenues in 2016, with revenues from housing and energy programs budgeted to increase by approximately \$9,000,000.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of GSFA's finances for all those with an interest in GSFA's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Chief Financial Officer, 1215 K Street, Suite 1650, Sacramento, CA 95814.

GOLDEN STATE FINANCING AUTHORITY STATEMENT OF NET POSITION DECEMBER 31, 2015

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Current assets		
Cash and cash equivalents	\$	96,179,016
Restricted cash (Note 2)		346,563
Accounts receivable, proceeds from sale of securities		693,638,048
Accounts receivable		484,202
Interest receivable		12,845
Prepaid expenses	_	28,486
Total current assets		790,689,160
Noncurrent assets		
Energy grant loans receivable		13,269,272
Restricted cash (Note 2)		340,184
Notes receivable		300,000
Second mortgage loans receivable, net of allowance for loan losses of \$400,000	_	6,940,875
Total assets	\$ _	811,539,491
LIABILITIES AND NET POSITION		
Current liabilities		
Accounts payable	\$	4,645,625
Accounts payable, securities to be purchased, at fair value		694,921,095
Accounts payable to California Energy Commission		25,116,081
Accounts payable to affiliated entities		10,355,402
Unearned revenue		2,216,863
Total liabilities	_	737,255,066
Net position, unrestricted		74,284,425
Total liabilities and net position	\$_	811,539,491

The accompanying notes are an integral part of these financial statements

GOLDEN STATE FINANCING AUTHORITY STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION YEAR ENDED DECEMBER 31, 2015

Operating revenues		
Housing program revenue	\$	37,976,841
Administrative service fee revenue		2,186,151
Issuer fees		45,211
Mortgage interest		723,924
Grant fees		375,452
m . 1	•	
Total operating revenues		41,307,579
Operating expenses		
Accounting and auditing		29,617
Business development and expansion		73,976
Community relations		502,113
Consultants		114,000
Contract performance fee		1,720,122
Contract support services		1,461,275
Grant costs		345,952
Insurance		35,783
Legal fees		37,771
Recovery of provision for loan losses		(107,996)
Gift program		31,140,609
Promotion and marketing		44,213
Rent		51,273
Travel		14,242
Miscellaneous		59,335
Total operating expenses	_	35,522,285
Operating income	_	5,785,294
Non-operating revenues (expenses)		
Interest income		126 420
Loss on investments		136,439 (31,145)
	-	(31,143)
Total non-operating expenses	_	105,294
Change in net position		5,890,588
Net position, beginning of year	_	68,393,837
Net position, end of year	\$	74,284,425
The accompanying notes are an integral part of these financial statements		

GOLDEN STATE FINANCING AUTHORITY STATEMENT OF CASH FLOWS YEAR ENDED DECEMBER 31, 2015

Cash flows from operating activities		
Cash receipts from loan and grant programs	\$	54,274,949
Cash receipts from bond and residual funds		146,025
Cash paid for contract services		(3,181,397)
Cash paid for services and supplies		(26,238,933)
Net cash provided by operating activities		25,000,644
Cash flows from investing activities		
Interest received and loss on investments		102,182
Net cash provided by investing activities		102,182
Increase in cash and cash equivalents		25,102,826
Cash and cash equivalents, beginning of year		71,762,937
Cook and cook aguiralants and of years	¢	06.065.763
Cash and cash equivalents, end of year	\$	96,865,763
Reconciliation of operating income to net cash provided by operating activities		
Operating income	\$	5,785,294
Recovery of provision for loan losses	·	(107,996)
Adjustments to reconcile operating income to net cash		, ,
provided by operating activities		
Increase in accounts receivable		(214,950)
Decrease in energy grant loans		2,953,947
Decrease in second mortgage loans receivable		2,462,405
Increase in accounts receivable, proceeds from sale of securities		(547,482,579)
Increase in notes receivables		(300,000)
Decrease in prepaid expenses		13,214
Decrease in unearned revenue		(358,125)
Increase in accounts payable		4,731,729
Increase in accounts payable securities sold, at fair value		547,671,251
Increase in accounts payable to affiliated entities		9,846,454
Net cash provided by operating activities	\$.	25,000,644

The accompanying notes are an integral part of these financial statements

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity – Golden State Financing Authority (GSFA), a California joint powers authority, is an organization of certain political subdivisions of the state of California, engaged in the exercise of an essential government function and not required to file federal or state income tax returns. GSFA was organized on July 1, 1993, under the provisions of the Government Code of the state of California, which authorized GSFA to be created by the joint powers agreement entered into by counties for the purpose of assisting homebuyers with mortgage financing. GSFA is governed by representatives of its member counties, each of which appoints an elected county supervisor which comprises the Board of Directors, which are counties in California having an interest in the general and specific purposes of GSFA. Member counties of GSFA are as follows: Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Imperial, Inyo, Lake, Lassen, Madera, Mariposa, Mendocino, Merced, Modoc, Mono, Napa, Nevada, Placer, Plumas, San Benito, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, Yolo and Yuba.

GSFA programs are designed to provide assistance for adequate, safe, and sanitary residential housing. GSFA makes available competitively priced financing opportunities for homebuyers for the purchase of residential housing, with particular emphasis on assisting low and moderate income homebuyers. GSFA works in cooperation with regional lenders to provide mortgage loan financing and down-payment assistance to families and individuals in the state of California who otherwise may not be able to afford to purchase a home. GSFA also makes available financing for energy efficiency and water conservation improvements to residential, commercial, industrial, agricultural and other real properties.

GSFA contracts for various administrative and support services with the Rural County Representatives of California (RCRC), a California nonprofit mutual benefit corporation. RCRC was organized to serve and strengthen county and local governments through definition, study, and actions relative to problems affecting the member counties and their resources to include but not be limited to those of social, economic, environmental, and ecological importance.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing government accounting and financial reporting principles. The more significant of GSFA's accounting policies are described below.

Basis of Accounting – GSFA is accounted for as an enterprise fund and its financial statements are prepared on the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows.

GSFA distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with GSFA's principal ongoing operations. The principal operating revenues of GSFA are charges for programs provided (i.e., loan program fees, energy program fees, investment gains, bond issuance fees, on-going issuer fees, and bond residuals) associated with its affordable housing loan and energy efficiency/water conservation financing programs. Interest and capital gain income earned on second mortgage loans and mortgage-backed securities is also reported as operating income. Operating expenses of GSFA include the cost of providing the services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenue and expense.

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents - GSFA considers all highly liquid investments with an original maturity of three months or less when purchased to be cash and cash equivalents, including investments in the California Local Agency Investment Fund (LAIF) and CalTRUST.

California statutes and GSFA's investment policy authorize the investment of idle or surplus funds in U.S. Treasury obligations, U.S. government agencies, bankers' acceptances, commercial paper, negotiable CD's, medium-term notes, repurchase agreements, time certificates of deposit, LAIF, and CalTRUST.

Second Mortgage Loans – Second mortgage loans receivable represent future principal payments on outstanding second mortgage loans. During 2015, GSFA received \$723,924 in interest from these assets. As of December 31, 2015, \$6,940,875 in second mortgages remain outstanding, net of the allowance for loan losses.

Allowance for Loan Losses – GSFA maintains an allowance for loan losses at a level considered adequate to provide for probable losses on existing second mortgages receivable. The allowance for loan losses is based on estimates using historical loss trends and current exposure in the loan pools. Actual losses may vary from current estimates.

Mortgage-Backed Securities Housing Program Revenue – Housing program revenue consists of program fees earned on GSFA's down payment assistance gift program, including gains and losses on the sale of mortgage-backed securities, interest on second mortgage loans, and other administrative programs.

As part of the down-payment assistance gift program, GSFA purchases pools of government mortgage-backed securities (MBS) for resale into the secondary market. To manage exposure to interest rate risk on the purchase and subsequent resale of MBS's into the secondary market, GSFA enters into sales agreements of "to-be-announced" (TBA) Government National Mortgage Association (GNMA) and Federal National Mortgage Association (FNMA) securities, in which GSFA has committed to deliver securities at contracted prices at a future date. Realized and unrealized gains and losses on the mortgage-backed securities are reported in housing program revenue as the activity relates solely to the down payment assistance program (Note 6).

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position - Net position is classified into the following categories:

- Invested in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets; GSFA does not have any net position in this category as of December 31, 2015.
- Restricted non-expendable: Net position subject to externally imposed conditions that GSFA retains
 in perpetuity; GSFA does not have any net position in this category as of December 31, 2015.
- Restricted expendable: Net position subject to externally imposed conditions that can be fulfilled by the actions of GSFA or by the passage of time; GSFA does not have any net position in this category as of December 31, 2015.
- *Unrestricted:* All other categories of net position; in addition, unrestricted net position may be designated for use by management or the Board of Directors.

GSFA has adopted a policy of generally utilizing restricted – expendable funds, prior to unrestricted funds, when an expenditure is incurred for purposes for which both are available.

Revenue Recognition - Operating revenue such as loan program, bond residual, and issuer fees are recognized as earned. Operating and non-operating interest and investment income is also recognized as earned. Grant revenue is recognized as allowable expenditures are incurred. Advances received are deferred until allowable expenses are incurred.

Income Taxes – Because GSFA is a political subdivision of the state of California and engaged in the exercise of an essential government function, it is not required to file federal or state income tax returns.

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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The allowance for loan losses and fair market value of financial instruments are particularly subject to change.

NOTE 2 - CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

A summary of cash and cash equivalents and restricted cash as of December 31, 2015, is as follows:

Deposits with financial institutions	\$	7,515,639
Collateral account (restricted)		346,563
Money market funds		13,529,318
Brokerage account		56,067,816
LAIF		184,043
CalTRUST		19,222,384
Total cash and cash equivalents, including restricted cash	\$	96,865,763

Deposits-Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, GSFA's deposits may not be returned to it. Cash and cash equivalents and restricted cash consist of deposits with financial institutions, a collateral account, cash held in a securities brokerage account and amounts held with LAIF and CalTRUST. As of December 31, 2015, GSFA's deposits with financial institutions, including money market funds, are entirely insured or collateralized. Section 53652 of the California Governmental Code requires financial institutions to secure deposits made by governmental units in excess of insured amounts, by the pledging of governmental securities as collateral. The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by governmental units.

Collateral Account – GSFA has funds held with a securities firm. The funds represent collateral for the sales agreements of "to-be-announced" (TBA) GNMA and FNMA securities. As required by the Master Securities Forward Transaction Agreement between the securities firm and GSFA, if at any time GSFA has an "Out-of-the-Money" net unsecured forward exposure, the securities firm shall require GSFA to maintain collateral having a margin value sufficient to eliminate such net unsecured forward exposure. If at any time GSFA has an excess forward collateral amount, GSFA may request the funds from the securities firm. At December 31, 2015, the entire amount of \$346,563 on deposit with the securities firm represented collateral for a net unsecured forward exposure, and the funds have therefore been presented as restricted cash in the statement of net position. Funds at the securities firm are not insured.

Restricted Cash–Noncurrent – Restricted cash includes funds held for projects or other purposes and are restricted as to their use. These amounts are included in cash and cash equivalents in the statement of cash flows regardless of whether there are restrictions on their use. Restricted cash includes cash and cash equivalents on deposit with a financial institution required to be held as a loan loss reserve until all loans are fully paid (in excess of one year). As of December 31, 2015 cash balances of \$340,184 were restricted.

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Interest Rate and Credit Risk – Interest rate risk is the risk that changes in the market interest 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. 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.

GSFA may own mortgage-backed securities that are secured by first mortgage loans. These are fixed rate securities backed by the Government National Mortgage Association or the Federal National Mortgage Association that were rated AAA by nationally recognized rating agencies. There were no mortgage-backed securities owned by GSFA as of December 31, 2015.

GSFA maintains money-market funds held with its banks and a securities firm. Bank money market funds are held in connection with its housing programs to provide the required deposit for the California Debt Limit Allocation Committee tax-exempt bond allocation to GSFA. Money-market funds held at the securities firm are the accumulation of interest and principal from mortgage backed securities and proceeds from their sales. GSFA's investment in money-market funds were rated at AAA by Standard & Poor's.

Highly Liquid Investments – As of December 31, 2015, GSFA also maintains highly liquid investment accounts with CalTRUST in the amount of \$19,222,384. CalTRUST is a program established by local public agencies in California for the purpose of pooling and investing local agency funds. CalTRUST offers three investment accounts, of which GSFA invests in two. The total amount invested by public agencies in CalTRUST as of December 31, 2015, exceeded \$2 billion.

CalTRUST is a joint powers authority that was formed to pool and invest funds of public agencies. Three pools are offered and GSFA is currently invested in the short term and medium term funds. Because GSFA's deposits are maintained in a recognized Pooled Investment Fund (Fund) under the care of a third party and GSFA's share of the pool does not represent specific identifiable investment securities owned by GSFA, no disclosure of the individual deposits and investments and related custodial credit risk is required.

A Board of Trustees supervises and administers the investment program of CalTRUST. CalTRUST invests in fixed income securities eligible for investment pursuant to California Government Code Sections 53602, et seq. and 53635, et seq. CalTRUST Short Term and Medium Term funds are rated A- or better by a credit rating agency. GSFA's highly liquid investment in CalTRUST is reported at fair value.

GSFA also places certain funds with LAIF. GSFA is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The State Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash.

NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

Highly Liquid Investments (continued) – The fair value of the GSFA's investment in the pool is reported in the accompanying financial statements based upon GSFA's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). Because GSFA's deposits are maintained in a recognized Pooled Investment Fund under the care of a third party and GSFA's share of the pool does not consist of specific, identifiable investment securities owned by GSFA, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the State Treasurer.

LAIF investments are audited annually by the Pooled Money Investment Board and the state Controller's Office. Copies of this audit may be obtained from the State Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. Included in the Pooled Money Investment Account's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset-backed securities which represent 1.08% of the portfolio.

The Local Investment Advisory Board (the Board) has oversight responsibility for LAIF. The Board consists of five members as designated by state statute. The value of pool shares in LAIF that may be withdrawn is determined on an amortized cost basis, which is different than the fair value of GSFA's position in the pool. GSFA's investment in LAIF is reported at fair value and is not rated by credit rating agencies.

NOTE 3 - SECOND MORTGAGE LOANS RECEIVABLE

Second mortgage loans receivable represent future principal payments on outstanding second mortgage loans financed as part of various GSFA down payment assistance programs.

Second mortgage loans receivable as of December 31, 2015, are as follows:		
Second mortgages	\$	7,340,875
Allowance for loan losses		(400,000)
Total second mortgage loans receivable,	_	
net of allowance for loan losses	\$	6,940,875
	· ·—	
Activity in the allowance for loan losses for the year ended December 31, 2015, is as follows:		
Balance, beginning of year	\$	650,000
Charge-offs		(153,882)
Recoveries		11,878
Recovery of provision for loan losses		(107,996)
Balance, end of year	\$	400,000
Balance, end of year	\$	400,000

NOTE 4 - NOTES RECEIVABLE

Notes receivable represent two \$150,000 loans outstanding as part of GSFA multi-family housing rehabilitation housing projects. As the issuer of conduit revenue bonds, GSFA loaned \$150,000 each to the developer of these projects. The notes are non-interest-bearing until after the twentieth anniversary of the note, and no payments are due until after the twentieth anniversary of the notes. After the 20th anniversary, the notes bear interest at 3% per annum and mature on the earlier of the 35th anniversary or a sale or refinancing transaction. If the notes are held to maturity, principal and accrued interest will become due in August and December, 2050. No provision for losses has been deemed necessary. See Note 8 – Conduit Debt.

NOTE 5 - RELATED PARTY TRANSACTIONS

For the year ended December 31, 2015, GSFA maintained a contract support services agreement with RCRC, an affiliated entity, that included support services payments and a performance fee. The contract performance fee calculation is based on housing program success and provides an incentive to RCRC. The total expense of \$3,181,397 for the year ended December 31, 2015, includes the monthly fee and performance fee. The support services agreement calls for a flat fee of \$121,773 a month to operate and administer GSFA operations.

Also for 2015, GSFA entered into a service agreement with National Homebuyers Fund, Inc. (NHF) whereby NHF manages GSFA's housing programs and residential energy loan servicing. For the year ended December 31, 2015, GSFA incurred approximately \$2.4 million for such housing-related services, which are included in gift program expenses. At December 31, 2015, \$8,616,231 is payable to NHF for proceeds from mortgage-backed securities trades and housing related services. Expenses incurred for residential energy administration were approximately \$346,000. Also, GSFA charges a fee to NHF for administrative services related to one of its housing programs. Fees earned are reported as administrative service fee revenue in the statement of revenue, expenses, and change in net position.

The support service agreements with both RCRC and NHF are annual agreements, expiring on December 31st of each year, with successive one year automatic renewals until terminated by either party. The annual agreement amounts are approved by the applicable Board of Directors.

NOTE 6- GIFT HOUSING PROGRAM

GSFA implemented the down payment assistance gift housing program in October 2010 targeting low to moderate income homebuyers. The gift program provides a down payment assistance grant ranging up to 5%. GSFA has partnered with financial institutions to market the program to homebuyers.

NOTE 6- GIFT HOUSING PROGRAM (CONTINUED)

As part of this program, GSFA purchases pools of government backed mortgage-backed securities (MBS) for resale into the secondary market. To manage exposure to interest rate risk on the purchase and subsequent resale of MBS's into the secondary market, GSFA enters into sales agreements of "to-be-announced" (TBA) GNMA & FNMA securities, in which GSFA has committed to deliver securities at contracted prices at a future date. The entity has recorded a receivable of \$693.6 million for the estimated proceeds from the sale. GSFA has also recorded a liability of \$695 million to purchase the securities at prevailing prices at December 31, 2015 in order to fulfill the future obligation. As of December 31, 2015, there were no mortgage backed securities outstanding.

NOTE 7 - ENERGY PROGRAMS

California Energy Commission Grant – In September 2010, GSFA was awarded a \$16.5 million grant from the California Energy Commission (CEC). The grant's purpose is to provide low interest loans and grants to low to moderate income homeowners to perform home energy retrofits. In April 2012, the CEC had amended the grant to award GSFA an additional \$14.0 million. CEC had advanced \$26.7 million to GSFA for the sole purpose of funding the loans. As of December 31, 2015, \$1.2 million of the advance had not been used for loans and is included in unearned revenue. Interest earned on the advances is due back to the CEC and is recorded as an account payable at December 31, 2015.

Under the original terms of the grant, GSFA was allowed to recover its administrative costs to administer the program up to \$1.37 million. During 2015, GSFA generated revenue for servicing the outstanding loans under a separate agreement. GSFA invoiced \$345,952 for loan servicing during the year for allowable expenses incurred.

In December 2012, GSFA entered into an Energy Upgrade California (EUC) contract with Pacific Gas & Electric (PG&E) to participate in the EUC related energy efficiency financing program. Under the terms of the contract, GSFA utilized funds pursuant to the contract to leverage private financing to provide a residential energy retrofit program. GSFA administers the program and funded a Loan Loss Reserve (LLR) with funds contributed by PG&E. PG&E customers' actual loans are financed by a bank. As of December 31, 2015, the LLR is \$340,184 and is included in restricted cash.

In March 2015, GSFA entered into an agreement with Ygrene Energy Fund California, LLC to participate in program to finance energy efficiency, renewable energy improvements and water conservation improvements on properties in California. As of December 31, 2015, GSFA recorded \$222,006 in revenue associated with this program.

NOTE 8 - CONDUIT DEBT

During the year ended December 31, 2015, GSFA issued \$11.8 million in conduit debt for multi-family housing. As of December 31, 2015, GSFA has \$21.2 million of conduit debt for tax-exempt mortgage and multi-family housing revenue bonds issued and outstanding. The bonds are limited obligations of the Issuer, payable solely from the revenues and other funds and moneys pledged and assigned under the indenture. As the Issuer, GSFA is not liable for the payment of the principal of, premium (if any), or interest on the bonds.

NOTE 9 - RISK MANAGEMENT

GSFA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. RCRC purchases commercial insurance through an insurance agent who obtains the appropriate insurance coverage needed from insurance companies, which includes coverage for GSFA. GSFA reimbursed RCRC for its pro-rata portion of the insurance premiums. There have been no settlement amounts that have exceeded commercial insurance coverage for the last three years.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

In May 2015, GSFA along with two affiliated entities (RCRC and NHF), were named as defendants in a summons brought by the Washington State Housing Finance Commission ("Commission"). The lawsuit alleges that NHF does not have the authority to provide homeownership financing services outside of the boundaries of California, and named GSFA as an affiliated entity of NHF. A hearing is currently scheduled for November 2016. Management believes that the lawsuit is without merit and the outcome will not have a material adverse effect on the financial position or results of operations.



REPORT OF INDEPENDENT AUDITORS ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors Golden State Financing Authority

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 Golden State Financing Authority (GSFA) as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise GSFA's basic financial statements, and have issued our report thereon dated April 27, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered GSFA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GSFA's internal control. Accordingly, we do not express an opinion on the effectiveness of GSFA'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.



REPORT OF INDEPENDENT AUDITORS 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 (CONTINUED)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether GSFA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and 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*.

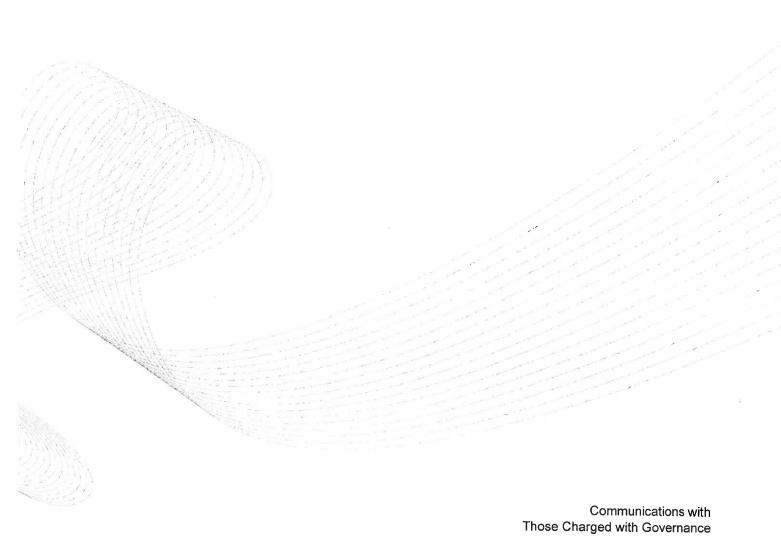
Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting 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.

Sacramento, California

Moss Adams, LLP

April 27, 2016

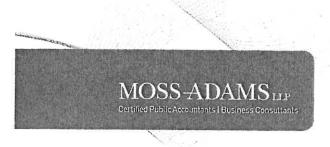


Golden State Finance Authority

December 31, 2015



Certified Public Accountants | Business Consultants



To the Board of Directors and Management Golden State Finance Authority

We have audited the financial statements of Golden State Finance Authority (GSFA) as of and for the year ended December 31, 2015, and have issued our report thereon dated April 27, 2016. 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 OF AMERICA AND GOVERNMENT AUDITING STANDARDS

As stated in our engagement letter dated October 14, 2015, our responsibility, as described by professional standards, is to form and 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 of America. Our audit of the financial statements does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit in accordance with auditing standards generally accepted in the United States of America as well as Government Auditing Standards, issued by the Comptroller General of the United States, and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the GSFA's internal control over financial reporting. Accordingly, we considered GSFA's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

We are also responsible for communicating significant matters related to the financial statement audit that, in our professional judgment, are relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter and during planning discussions conducted on November 18, 2015.



SIGNIFICANT AUDIT FINDINGS AND ISSUES

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by GSFA are described in Note 1 to the financial statements. No new accounting policies were adopted and there were no changes in the application of existing policies during 2015. We noted no transactions entered into by GSFA during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

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 are 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 most sensitive estimate affecting the financial statements was:

Management's estimate of the allowance for loan loss on second mortgages receivable is based on estimates of historical loss trends and current exposure in the loan pools. We evaluated the key factors and assumptions used in the estimate in determining that it is reasonable in relation to the financial statements as a whole.

Financial Statement Disclosures

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

Disclosure of the reporting entity and its operations, basis of accounting, and summary of significant accounting policies are described in Note 1.

Disclosure of cash and cash equivalents in Note 2, which describes the balances of cash, and cash equivalents at December 31, 2015, and the various types of risk associated with the cash balances.

Disclosure of mortgage backed securities and forward sales of "to-be-announced" (TBA) securities in Note 1 and Note 6. Mortgage backed securities sold, not yet purchased, represent obligations of GSFA to deliver the specified security at a contract price, thereby creating a liability to purchase the security at quoted market prices. GSFA also records a receivable as of the trade date for the estimated proceeds receivable. Realized and unrealized gains and losses on mortgage backed securities are reported in operating income as the activity relates solely to the gift housing program.

Significant 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 factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. There were no corrected or uncorrected misstatements as of and for the year ended December 31, 2015.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 April 27, 2016.

Management Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to GSFA's financial statements, or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Significant 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 GSFA's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

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

Sacramento, California

Moss Adams, LLP

April 28, 2016

Golden State Finance Authority (GSFA) Executive Committee Meeting 1215 K Street, Suite 1650 Board Room Sacramento, CA 95814 (916) 447-4806

February 17, 2016 - 10:30 a.m.

Executive Committee Members:

Supervisor Kevin Cann, Mariposa County Supervisor Randy Hanvelt, Tuolumne County Supervisor John Viegas, Glenn County Supervisor Bob Williams, Tehama County Supervisor Rex Bohn, Humboldt County

Supervisor John Pedrozo, Merced County Supervisor Diane Dillon, Napa County Supervisor Kevin Goss, Plumas County Supervisor Lee Adams, Sierra County Supervisor John Fenley, Trinity County

Minutes

Call to Order and Determination of Quorum

Chair, Supervisor Kevin Cann, Mariposa County, called the meeting of the Golden State Finance Authority Executive Committee to order at 10:44 a.m. A quorum was determined at that time; those present were as follows:

Supervisors in Attendance	County
John Viegas	Glenn
Rex Bohn	Humboldt
Kevin Cann	Mariposa
John Pedrozo	Merced
Kevin Goss	Plumas
Bob Williams	Tehama
Randy Hanvelt	Tuolumne

Absent Members

Diane Dillon	Napa
Lee Adams	Sierra
John Fenley	Trinity

Staff in Attendance

Greg Norton, Executive Director
Patricia Megason, Deputy Director
Peter Tran, Director of Operations
Lisa McCargar, Chief Financial Officer
Sarah Bolnik, Office Manager
Terrance Rodgers, Economic Development Officer

Others in Attendance

None

Approval of Minutes of the November 18, 2015 Meeting

(Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise)

Supervisor Rex Bohn, Humboldt County, motioned to approve the minutes of the November 18, 2015 GSFA Executive Committee Meeting. Supervisor Randy Hanvelt, Tuolumne County, seconded the motion. Motion passed.

Member County Concerns

None

Public Comment

None

Quarterly Budget and Investment Reports for GSFA

Greg Norton, Executive Director, presented the Quarterly Investment Report, the Budget Report, and the Cash and Securities Asset Report for period ending December 31, 2015.

Facsimile Signature Authorization

Greg Norton informed the GSFA Executive Committee that with the successful launch of the PACE program in multiple cities and counties, the volume of applications received is increasing as well. A primary focus is customer service, and to become even more efficient. Currently "wet signatures" are required on all of the PACE tax and assessment liens. By eliminating these wet signatures and moving forward with e-signatures, the process will be simplified as well as quicker from start to finish.

Recommendation:

It is recommended that the GSFA Executive Committee direct the GSFA Executive Director to recommend the GSFA Board:

- Adopt the use of facsimile signatures in conjunction with the recording of tax and assessment liens associated with the GSFA/Ygrene PACE program for recordation; and
- 2. Authorize the individuals included in the attached letter as those whose signatures are authorized for this practice.

Supervisor John Viegas, Glenn County, motioned to approve the presented recommendations. Supervisor Randy Hanvelt, Tuolumne County, seconded the motion. Motion unanimously passed.

Resolution 16-03: Authorizing Application to the California Debt Limit Allocation Committee (CDLAC) to Permit the Issuance of Qualified Mortgage Bonds and/or Mortgage Credit Certificates

Greg Norton reviewed with the GSFA Executive Committee Resolution 16-03. This resolution would authorize GSFA to issue an amount of tax-exempt mortgage revenue bonds and/or mortgage credit certificates not to exceed \$1,000,000,000.

Peter Tran, Director of Operations, gave the Executive Committee an update on the current Mortgage Credit Certificates.

Recommendation

It is recommended that the GSFA Executive Committee:

- 1. Review and approve Resolution 16-03 and direct the GSFA Executive Director to recommend approval of the resolution by the GSFA Board of Directors.
- 2. Direct staff to take the actions necessary for authorization, notification and holding of the required TEFRA hearing.

Supervisor Bob Williams, Tehama County, motioned to approve the presented recommendations. Supervisor John Viegas, Glenn County, seconded the motion. Motion unanimously passed.

Program Updates

Greg Norton and Peter Tran provided an update on the current GSFA programs to the Executive Committee.

Adjournment

Supervisor Kevin Cann, Mariposa County, adjourned the meeting of the GSFA Executive Committee at 11:06 a.m.



Golden State Finance Authority (GSFA)

1215 K Street, Suite 1650 · Sacramento, California 95814

Phone: (855) 740-8422 · Fax: (916) 444-3219 · www.gsfahome.org

To:

GSFA Executive Committee

From:

Greg Norton, Executive Director

Lisa McCargar, Chief Financial Officer

Date:

May 3, 2016

Re:

Quarterly Budget Report for GSFA

Summary

The Statement of Revenues and Expenses for GSFA provides a budget to actual comparison for the quarter ended March 31, 2016.

Attachment

 GSFA Statement of Revenues and Expenses, Budget vs. Actual, for the Quarter ended March 31, 2016

GOLDEN STATE FINANCE AUTHORITY Statement of Revenue and Expenses Budget Vs. Actual - Unaudited For the Quarter Ended March 31, 2016

		2016 Annual	2000	uarter Ended arch 31, 2016		arter Ended		Varaiance Favorable/	Percent Favorable/
Income:		Budget		Budget		Actual		Infavorable)	
Housing Program Revenue	\$	31,095,000	\$	7,773,750	\$	7,087,498	\$	(686,252)	(Unfavorable) -8.83%
Energy Program Revenue		745,000	¥-	186,250	₩-	656,694	-	470,444	
Grant Reimbursed Costs		345,000		86,250	 	79,990	1-	(6,260)	252.59%
Interest Income and Capital Gain/(Loss)		145,000		36,250		127,700	II	91,450	-7.26%
Ongoing Issuer Fees		10,000	18	2,500	 	4,726	-	2.226	252.28%
2nd Mortgage Interest		496,000	-	124,000	 	78,502			89.04%
Miscellaneous Income		20,000		5,000		78,302	1	(45,498) (5,000)	-36.69% -100.00%
Total Income	\$	32,856,000	\$	8,214,000	\$	8,035,110	\$	(178,890)	441.13%
Expenditures;					1		ų.		
Accounting & Auditing	\$	29,200	\$	7,300	\$	13,263	-	(5.963)	-81.68%
Business Development and Expansion		100,000		25,000	 -	13,000	1	12,000	48.00%
CDLAC fees		50,000		12,500	 	- 10,000	-	12,500	100.00%
Community Relations		15,000	8-	3,750	 	24	! -	3.726	99.36%
Custodian/Trustee		50,000	H	12,500			-	12,500	100.00%
Consultants		84,000	8	21,000		66,000		(45,000)	-214.29%
Contract Labor - Temps		10,000		2,500	 		-	2,500	100.00%
Contract Performance Fee		1,189,500		297,375		-	-	297,375	100.00%
Grant Costs		345,000	1	86,250		79,990	⊪	6,260	7.26%
Insurance		37,700		9,425		9.898	-	(473)	-5.02%
Infrastructure Program		200,000		50,000	†	0,000	t-	50,000	100.00%
Legal Services		125,000		31,250		13,414		17,836	57.08%
Loan Losses		150,000		37,500	 	51,967	1	(14,467)	-38.58%
Multi Family Bonds		10,000	_	2,500		01,507	1	2,500	100.00%
Gift Program		25,000,000		6,250,000		8,949,916	_	(2,699,916)	-43.20%
Grant Fund - California Disaster Assistance		1,000,000		250,000			-	250,000	100.00%
Pipeline Services		180,000		45,000		58,750	1	(13,750)	-30.56%
DPA Program Management		2,000,000		500,000		773,730	_	(273,730)	-54.75%
Printing and Duplication		1,000		250		770,700	1-	250	100.00%
Promotion and Marketing		75,000		18,750		4,672		14,078	75.08%
Rent		67,950	1	16,988	 	17,161	-	(174)	-1.02%
Contract Support Services		2,023,100		505,775	<u> </u>	505,776	1-	(1)	0.00%
Sponsorships		50,000		12,500	 	25,250	-	(12,750)	-102.00%
Board Member Travel and Reimbursements		15,000		3,750			J	3,750	100.00%
Travel		10,000	8	2,500		854		1,646	65.84%
Other Expenses		38,000		9,500		2,696		6,804	71.62%
Total Expenditures	\$	32,855,450	\$	8,213,863	\$	10,586,361	\$	(2,372,499)	-28.88%
Net Revenues Over Expenditures	.	550	\$	138	·	(2,551,251)	s	2.193.609	45050500
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To:

GSFA Executive Committee

From:

Greg Norton, Executive Director

Lisa McCargar, Chief Financial Officer

Date:

May 3, 2016

Re:

Quarterly Investment Report for GSFA

Summary

In accordance with GSFA's investment policy, we are providing the 1st quarter 2016 investment report. This report provides a summary of year-to-date investment transactions through the quarter ending March 31, 2016. In addition, the report provides the 1st quarter's returns by investment type and a comparison to the 90 day Treasury Rate.

The CalTRUST yields are the funds' reported 1st quarter yields. The LAIF return is the fund's 1st quarter apportionment rate.

Attachment

GSFA Investment Report – 1st Quarter 2016

GOLDEN STATE FINANCE AUTHORITY Investment Report

As of and for the Quarter Ended March 31, 2016

	Total	CalTRUST Short-Term	CalTRUST Medium-Term	LAIF
Balance 12/31/15	\$19,419,058	\$7,399,916	\$11,835,142	\$184,000
Additions	-4	_	-	-
Withdrawals	_	-	-	-
Interest (accrued)	40,562	11,626	28,723	213
Capital Gain/(Loss)	78,227	7,392	70,835	-
Balance 3/31/16	\$19,537,847	\$7,418,934	\$11,934,700	\$184,213

Yield:	Short Term	Mid Term	LAIF*
Annualized One Year	0.49%	0.84%	0.46%
Average Maturity (days)	350	712	146
90 Day Treasury Bill Rate	0.16%		

All current cash investments are held in either California Treasurer's Local Agency Investment Fund (LAIF) or CalTRUST's Short-Term Fund or Medium-Term Fund. Cash in the LAIF fund and the CalTRUST Short-Term Fund may be accessed within 24 hours. Cash in the CalTRUST Medium-Term Fund may be accessed at the end of each month.

No members of the Investment Committee have any conflict of interest with any current investment firms.

Purpose of transactions in excess of \$1 million: -None





To:

GSFA Executive Committee

From:

Greg Norton, Executive Director

Date:

May 3, 2016

Re:

PACE Consumer Protection Policies - ACTION

Summary

The attached Golden State Finance Authority (GSFA) Ygrene Works residential PACE Consumer Protection Policies document is intended to address best practices and guidelines for GSFA/Ygrene's residential property assessed clean energy (PACE) program for single-family homes and multi-family (less than 4 units) properties. The consumer protection policies include the areas of risk, disclosures & documentation, financing terms, operations, post-funding support, data security, privacy, marketing & communications, protected classes, contractors, eligible products, pricing, reporting, and closing & funding.

Ygrene Energy Fund worked with other PACE program administrators to develop the policies document to essentially become an industry document. The document is intended to be a living document that evolves with best practices and any changes in the applicable laws and regulations.

Recommendations:

It is recommended that the GSFA Executive Committee direct the GSFA Executive Director to recommend the GSFA Board approve and authorize the use of the attached residential PACE Consumer Protection Policies essentially as in the form presented and to amend as necessary.

Attachments

PACE Consumer Protection Policies



Golden State Finance Authority (GSFA) / Ygrene Works

PACE Consumer Protection Policies

Residential Property Assessed Clean Energy Program

Updated: March 21, 2016



OVERVIEW

Thirty-two states and the District of Columbia have enacted legislation enabling Property Assessed Clean Energy (PACE) programs. PACE programs provide an essential public benefit and contribute to the general public welfare by reducing carbon emissions, improving the quality of the environment, and improving energy and weather resiliency of the U.S. building stock. Various state and federal legislation presents the following arguments in support of the public benefit derived from PACE programs:

- 1. That global warming poses a serious threat to the economy, public health, natural resources and the environment;
- 2. That in 2009 the Environmental Protection Agency ("EPA") declared that the rising levels of carbon dioxide emissions contribute hazard to human health and are consequently considered pollutants for regulatory purposes;
- 3. That such conditions as climate change and habitat degradation necessitate urgent efforts to maximize energy and water resources;
- 4. That the public purpose will be served by encouraging and installing energy- and water-saving, and renewable energy-generating improvements on private property;
- 5. That Federal tax credit legislation for solar energy systems, geothermal heat pumps, wind turbines and fuel cells recognizes the public benefit and provides incentives for installation on private property of these renewable energy generation systems;
- 6. That California PACE legislation qualifies as an "urgency statute" necessary for the immediate preservation of the public peace, health or safety within the meaning of Article IV of the Constitution:
- 7. That action taken to curb energy and water consumption and to reduce carbon emissions will have far-reaching effects in each participating state and, potentially, in the world.

PACE programs provide demonstrated public benefit while enabling an unprecedented range of homeowners to access energy efficiency, renewable energy and water efficiency measures that improve the financial, functional and environmental aspects of home ownership. Such improvements make homes less costly to operate and more comfortable to live in, while reducing energy and water consumption. Without PACE programs many homeowners would have no, or costly, access to such benefits.



PACE programs ("PACE Programs" or the "Program"), including the government authority sponsoring and administering them ("Authority") and, where applicable, the entity or entities who help implement them ("Partner" or "Program Administrator"), deliver tools and resources that enable homeowners to make smart, informed and responsible choices regarding energy efficiency, renewable energy generation, water conservation, weather resiliency and seismic upgrade measures ("Measures"). Appropriate use of such tools is the responsibility of all Programs, which means that care needs to be taken with homeowners before, during and after origination of Program financing. In other words, upholding consumer protections that serve homeowners must be a core value of the Program, the Authority and the Partner. In this document, "Partner" refers to the government authority in all cases where the Program does not include a third-party partner.

This document is intended to address best practices and guidelines for Golden State Finance Authority (GSFA) and Ygrene Energy Fund's 'Ygrene Works' residential PACE program for single-family homes and multi-family (<4) units, and is intended to be a living document that evolves with best practices, consistent with enabling legislation enacted in a plurality of states. This document incorporates policies first developed and implemented by Ygrene Energy Fund in 2011, and has been updated from time to time. The baseline consumer protection policies of the Program cover the following areas: (i) Risk, (ii) Disclosures and Documentation, (iii) Financing Terms, (iv) Operations, (v) Post-Funding Support, (vi) Data Security, (vii) Privacy, (viii) Marketing and Communications, (ix) Protected Classes, (x) Contractors, (xi) Eligible Products, (xii) Pricing, (xiii) Reporting, and (xiv) Closing & Funding. These Policies provide homeowners with a greater level of consumer protection than any other form of financing. They also guide the Program's implementation, enabling the transformation of its potential into tangible benefits for homeowners.



1. RISK

Policy Summary: The Program blends statutory requirements and legislative policy with traditional credit risk considerations to develop risk criteria that are fitted to the Program. These criteria take into account the unique risk profile that this form of financing presents to enable qualifying homeowners to access it. While this process will exclude unqualified homeowners and properties, special consideration has been given to developing inclusive standards. These criteria examine four key attributes of every financed project: (i) the real property on which the improvements will be installed ("Property" or "Properties"), (ii) the encumbrances presently recorded against the Property, (iii) the nature of the improvements to be installed; and (iv) the homeowner's mortgage and property tax payment history.

- 1.1. Properties Consistent with foundational considerations, it is the policy of the Program to make the Program available to the entirety of the existing residential housing stock within the municipal boundaries of the Program. If requested in good faith by the homeowner applying for the Program, the rejecting Partner must complete an eligibility review of all applications related to properties initially determined to be excluded, re-examining the specific attributes of the Property in question and confirming or modifying the original determination.
- **1.2. Encumbrances** The encumbrance profile of Properties is an important element of the decision process for Program participation. The Program is designed to harness unused financing capacity of homes in which eligible improvements are installed. Such financing is inappropriate if it burdens Properties too greatly. Accordingly, Properties eligible for Program financing will have the following attributes:
 - 1.2.1. Mortgage debt on the Property may not exceed 90% of the Property's fair market value ("FMV"), or assessed value if market value data is unavailable or unreliable, at the time of initial approval;
 - 1.2.2. Reliability of the Program FMV model should be derived from generally accepted third-party property valuation services;
 - 1.2.3. Financing may not exceed (i) fifteen percent (15%) of the FMV of the Property;
 - 1.2.4. Total mortgage debt on the underlying Property plus Program financing may not exceed the FMV of the Property; and
 - 1.2.5. The total amount of annual property taxes and assessments shall not exceed five percent (5%) of the Property's FMV.
- **1.3. Eligible Improvements** The Program provides financing for a broad range of eligible products and projects permanently affixed to the Property, the details of which are set forth in Section 12 below. The Program is not available to finance ineligible products and projects



that are disallowed or excluded by individual state laws. While the Program is responsible for confirming compliance with the Section 12 requirements, it is not responsible for determining post-installation energy performance, savings or efficacy of such products or projects. The Program relies primarily on applicable state PACE laws, as well as U.S. Department of Energy, the EPA and other government agencies in determining what constitutes an eligible improvement.

- 1.4. Homeowners PACE Program taxes or assessments appear as line items on property tax bills and homeowners repay their financing when they pay their property tax bills. Thus the mortgage and property tax payment history of homeowners of record is an important factor in determining Program eligibility. Accordingly, at the time of application, homeowners eligible for Program financing will have status and payment histories that are generally consistent with the following:
 - 1.4.1. The Applicants are the owners of record;
 - 1.4.2. Property tax payments for the assessed Property are current. Additionally, the homeowner must certify that there is no more than one late payment for the shorter of (i) the previous three years, or (ii) since the present homeowner acquired the Property;
 - 1.4.3. Homeowner(s) are current on all mortgage debt and have not had a Notice of Default (NOD) recorded on the property for the last 3 years, Additionally, the homeowner must certify that there has been no more than one "30-day late" payment during the 12-month period preceding funding;
 - 1.4.4. Homeowner(s) cannot currently be in bankruptcy and must meet additional bankruptcy provisions as specified by the relevant state PACE law: and
 - 1.4.5. Any involuntary lien(s) recorded against the Property in excess of \$1,000 must be added to the mortgage debt for the purposes of calculating the debt on the Property.
- 1.5. Exceptions From time to time, the Administrator or Partner will approve exceptions to these criteria, provided that the homeowner presents compelling justification and documentation of the unique compensating factors related to their application for financing, and provided that such exception is approved by the participating financial partner(s) and conforms to state law.



2. DISCLOSURES & DOCUMENTATION

Policy Summary: The enforceability of the Program is derived from the documentation established and approved by the Authority consistent with enabling state legislation. Further, in states where judicial validation proceedings are available, it is considered best practice to complete judicial validation of the Program prior to commencement. Program documentation embodies principles key to the Program such as clarity, fairness, compliance, disclosure, knowledge and completeness. A reader who has spent time with the documentation should develop an unambiguous understanding of each and every right, risk and obligation associated with the Program's financing product. PACE is a form of tax financing that, while sharing some features of traditional debt financing, presents new considerations for homeowners. Disclosures covering Program financing's unique repayment cycle (annual or semiannual) and the Federal Housing Finance Authority announcement regarding payoff of Program financing at the time of sale or refinance are among the new considerations. Best practices counsel the Program to disclose traditional financing terms (e.g., interest rates, financing term, payment amounts) as well. In the end, a homeowner who understands a Program's disclosures will be informed and have a clear understanding of the Program's traditional and non-traditional features.

- 2.1. Document Timing Before commencement of any Program-financed project, a homeowner must: (i) submit an application; (ii) receive approval of the Measures from the Partner; and (iii) execute documentation covering the terms describe in this Section and in the Disclosures summarized in this Section. Following installation of the Measures, a homeowner must: (i) execute an acknowledgement that the installation of the Measures has been completed satisfactorily and (ii) approve a final summary of costs and payments. Delivery to, and execution of all such documentation by, the homeowner is the responsibility of the Partner.
- 2.2. Purchase Terms Terms that are fundamental to the Program and that need to be reflected in its documents comprise: (i) the amount financed, fees and capitalized interest included; (ii) the repayment process and schedule; (iii) the payment amounts; (iv) a term that does not exceed the useful life of the majority of the improvements; (v) the rate of interest charged; (vi) a payment schedule that fully amortizes the amount financed, (vii) the nature of the lien created upon recordation; (viii) the specific improvements to be installed; (ix) the 3-day right to cancel the financing; and (x) the right to withhold approval of payment until the project is complete. It is the responsibility of the Partner to prepare, deliver and arrange for execution of documents reflecting such terms.



2.3. Homeowner Disclosures Policies Disclosures heighten homeowners' awareness of key program financing terms and risks that appear in the Program terms and documentation. It is the policy of the Program that Partners confirm delivery to, and receipt by, homeowners of these disclosures, and obtain written acknowledgement that homeowners have read them.

The following comprise the key financing disclosures of the Program provided by Partners.

Disclosures	Description
Term of financing	The maximum time period of the financing
Amount financed	The total amount financed, including fees and capitalized interest
Annual payment amount	The amount due each year, even if paid in semi-annual installments or through impound payments
Improvements financed	The Measures installed
FHFA risks	The risk that the homeowner may need to pay off the PACE special tax or assessment at the time of sale or refinance
Right to cancel	The 3-day right to rescind the financing
Prepayment	The right to prepay the Program financing, with or without penalty, depending on terms selected by the homeowner

The following comprise additional program-specific disclosures of the Program provided by Partners.

Additional Disclosures	Description
Program overview	A document or section of a document that provides a comprehensive summary of the Program, including a summary of a homeowner's rights and obligations
Property tax repayment process	Payment of a homeowner's property tax bill that will include a line item related to the installed Measures
Tax benefits	Benefits associated with the purchase of certain Measures and the annual payments related to them
Privacy	A notice describing the privacy policies of the Program
Federal disclosures	Those appearing in the Program application



Additional Disclosures	Description
Foreclosure	The foreclosure process in the event of a homeowner default

2.4 Confirmation of Terms For all Program financing applications associated with contractors that are either new to the Program or are on some form of watch list, it is the policy of the Program that such Partners confirm live by telephone with the homeowner applicant each Program financing term listed in 2-7 of this Section 2.4 below. This requirement does not apply to contractors who have reached the Partner's top rating category. For these contractors, it is the policy of the Program that they conduct randomized calls to homeowners to confirm financing terms.

Notwithstanding the above, irrespective of the contractor with whom the Program financing is associated, it is the policy of the Program that Partners confirm live by telephone with each applicant who is over 64 years old, or is a member of another special category of homeowners as designated by the Program financing terms listed in 1-7 of this Section 2.4 below. For homeowners over 64 years old, a voicemail message does not satisfy the requirement of Program financing term confirmation under this Section 2.4.

When confirming terms of a Program financing with a homeowner, Partners will:

- 2.4.1 Ask the homeowner to give a general description of the improvement(s) being financed under the Program. Ascertain that the homeowner understands the reason for the specific improvement(s) being made;
- 2.4.2 Ascertain that the homeowner understands his or her total estimated annual payment;
- 2.4.3 Ascertain that the homeowner understands the date his or her first tax payment will be due;
- 2.4.4 Ascertain that the homeowner understands the term of the Program financing;
- 2.4.5 Ascertain that the homeowner understands any additional fees (including recording fees) that will be charged to him or her;
- 2.4.6 Ascertain that the homeowner understands that payments for the Program financing will be added to his or her property tax bill and will cause the property tax bill to increase;
- 2.4.7 Ascertain that the homeowner understands that he or she may make payments on the Program financing either directly to the county assessor's office or through his or her mortgage impound account.
- 2.5 Lender Disclosure Policy For all Program financing contracts a notification must be sent to all lenders of record outlining the key terms of the project to be undertaken on the Property. This notification shall be transmitted by the Partner on behalf of, and with the consent of, the Property Owner.



3 Funding

Policy Summary: PACE is a new form of tax financing that, while sharing some features of traditional debt financing, presents new considerations for financing capital sources and structures. Best practices counsel the Program to proactively solicit feedback from Program stakeholders and homeowners and incorporate lessons into policy improvements which benefit homeowners.

- **3.1 Interest Rates** It is the policy of the Program that Partners offers payment arrangements that fully amortize the obligation over the term of the financing.
- 3.2 Sustainable Funding Source It is the policy of the Program that Partners establish a sustainable source of capital for funding PACE-financed projects separate from the Authority's general fund or budget and have access to capital markets to ensure funding of qualified projects is available on a consistent basis. Each Partner must demonstrate the capacity to fund assessments that the Administrator anticipates originating through such Partner over the six (6) month period immediately following the Administrator's review of such Partner's committed capital sources.
- 3.3 Subordination The Program is not required to but may offer the capability to accommodate homebuyers and homeowners by offering subordination of certain rights of its PACE assessment lien to the lien under a deed of trust. The subordination may provide the lien under a deed of trust with senior rights such that the lender will be induced to make a loan on a PACE-assessed property. The subordination option may be made available to homebuyers and homeowners in accordance with policy agreed upon by the Authority and the Partner.
- 3.4 Contractor Fees It is the policy of the Program that Partners can charge fees to contractors offering Program financing only if those Partners clearly and conspicuously disclose such fees to homeowners.



4 OPERATIONS

Policy Summary: Partner Operations delivers the Program to homeowners. Operations commercializes, productizes and draws on the work completed in a broad range of disciplines by the Program or its Partner, such as sales, training, risk, contractor engagement, municipal engagement, accounting, finance, legal, capital markets, compliance, business development, marketing, government affairs and corporate development. While each operating unit incorporates thoughtful and highly effective consumer protections in the work it produces, Operations is the gatekeeper responsible for assuring that the Program has the people, processes, tools and technology necessary to deliver to homeowners the Program financing product, as well as the consumer protections described in these Policies.

Operational Consumer Protection Policies It is the policy of the Program that the Administrator or its Partner develop and provide people, processes, tools and technology necessary to support the consumer protection measures described in detail elsewhere in this manual, including: (i) risk and underwriting processes; (ii) terms and documentation delivery systems; (iii) documentation, maintenance and retrieval processes; (iv) disclosure development, delivery and acknowledgment receipt; (v) post-funding support for homeowners and other stakeholders such as real estate professionals; (vi) data security measures; (vii) privacy policy development and protections; (viii) marketing and communication oversight; (ix) protected class data and communication processes; (x) contractor management and engagement; (xi) eligible product database and/or list development and maintenance; (xii) implementation of the maximum financing amounts; (xiii) key metrics reporting; (xiv) closing and funding processes (including the ability to fulfill financing obligations); (xv) examination data production; and (xvi) implementation of procedures to identify and prohibit conflicts of interest within and associated with the Program.



5 POST-FUNDING HOMEOWNER SUPPORT

Policy Summary A public/private partnership is at the core of the Program. This partnership carries with it elevated consumer protection responsibilities that apply to the Program with as much significance during the post-funding period as they do during the time of application and origination. Establishing and operating an executive office responsible for customer care that responds to inquiries, complaints, contractor and workmanship concerns, product performance questions and related matters for the lifecycle of the improvements financed is fundamental to the consumer protections that the Program provides.

- 5.1 Proactive Engagement It is the policy of the Program to proactively monitor and test the consumer protections Partners deliver to homeowners, and periodically request feedback from homeowners and contractors to identify areas in need of improvement.
- 5.2 Onboarding It is the policy of the Program that Partners develop and implement a post-installation onboarding procedure to reinforce key characteristics of the Program, such as those highlighted in the Program disclosures.
- 5.3 Payments It is the policy of the Program that Partners have disclosures and resources in place to resolve homeowner questions regarding matters such as impound account catchup payments, payment timing inquires and payment amount reconciliation. It is also the policy of the Program that Partners implement procedures for responding in a timely and complete manner to requests for partial or full prepayment of their PACE property tax assessment.
- 5.4 Inquiries and Complaints It is the policy of the Program that Partners receive, manage, track, timely resolve, and report all inquiries and complaints from homeowners. This policy contemplates development of a team with the skills necessary to perform inspections, meet with homeowners and contractors, investigate matters, and mediate disagreements between homeowners and contractors. The Partner must proactively work to resolve inquiries and complaints in a reasonable and timely manner and in accordance with the Program guidelines and must make communication for homeowners available during regular business hours by phone, email and facsimile communication.
- 5.5 Real Estate Transactions It is the policy of the Program that Partners develop



capabilities to assist homeowners, and their associated real estate professionals, who are refinancing or selling their Properties.



6 DATA SECURITY

Policy Summary Trust is fundamental to any financing relationship, and Program financing is no exception. The public/private partnership at the center of the Program, as well as the confidential relationship homeowners have with the Program Partner, mandate that any market-ready Program be in robust compliance with sturdy cyber-security standards, and develop secure and tested processes that protect homeowners' personal identifiable information at points of potential vulnerability, especially during the application process.

6.1 Information systems It is the policy of the Program that Partners develop and comply with secure and tested processes to protect the personal identifiable information of the homeowner described in Section 7 below. Such secure and tested processes should, at a minimum, comply with existing state and federal data security laws and good faith protocols.

6.2 Personnel

- 6.2.1 Partners are responsible for informing and enforcing the compliance with the Program's data privacy and security policies on the part of every employee, contractor, vendor, agent, service provider, representative, and associate who is exposed to personal identifiable information of homeowners.
- **6.2.2** Partners are responsible for implementing protections and controls to prevent unauthorized copying, disclosure, or other misuse of sensitive consumer information.



7 PRIVACY

Policy Summary: The trusting and confidential relationship that exists between homeowners and the Program extends to the Partners' use of homeowner data. Compliance with the Graham Leach Bliley Act as well as the establishment of clear opt-in and opt-out protocols for information sharing are the pillars of the Program's privacy policy. More broadly, the Program must protect and manage sensitive consumer information; must respect the privacy of all homeowners; and must implement robust controls to prevent unauthorized collection, use and disclosure of such information. These protections are subject to the limitation that property owner names, special tax or assessment amount, payment amount and other terms of the PACE financing are all public information consistent with property tax law.

The following summarizes the Program's privacy policy:

- 7.1 Privacy policy The Program obtains sensitive consumer information from homeowners as part of the application process for Program participation or through other homeowner touch points with the Program. It is the policy of the Program that Partners develop and deliver to homeowners who apply for the Program or who otherwise provide personal identifiable information a privacy policy that complies with state and federal law (e.g., the Graham Leach Bliley Act) and, in particular, prohibits sharing with third parties personal identifying information of homeowners without the homeowners' express authorization, except where expressly permitted by state and federal law. Such privacy policy will cover (i) the sources from which sensitive consumer information is obtained, (ii) the Partner's use of sensitive consumer information, and (iii) a mechanism by which a consumer may opt-out of sharing information. Partners will deliver to homeowners any updates to such privacy policies.
- 7.2 Application process It is the policy of the Program that all personal identifying information provided by a homeowner to a Partner during the application process is provided directly by the homeowner to the Partner. Partners will establish processes and controls to ensure that personal identifiable information of a homeowner is obtained directly from such homeowner (or his verifiable legal representative or attorney in fact) and not from a contractor or other third party.



8 Marketing & Communications

Policy Summary: Clear, informative, truthful, balanced, transparent and complete communications are essential for the Program. The stakeholders of any Program include (without limitation) homeowners, contractors, the Authority, government officials and staff, investors, finance partners, real estate professionals and lenders. Communications, acts and practices that mislead stakeholders add ineligible expense to PACE financing or to the Program, abuse stakeholders, and otherwise fail to meet the core communication standards of appropriateness for the Program and are not acceptable.

- 8.1 Prohibited Practices It is the policy of the Program to prohibit practices that are or could appear to be unfair, deceptive, abusive, and/or misleading, that violate laws or regulations, that provide tax advice, that are inappropriate, incomplete or are inconsistent with the Program's purpose. Marketing practices that unlawfully use sensitive consumer data, or that violate any other law or regulation (including, for example, practices related to telemarketing) are prohibited.
- 8.2 Permitted Practices It is the policy of the Program to adhere to all legal and regulatory requirements (e.g., those governing telemarketing) pertaining to its advertising and marketing efforts. On the basis of providing clear and concise communication to consumers, any practice that promotes informed decision-making on the part of homeowners and is not prohibited as described in section 8.1 above is permitted. Partners are responsible for developing, delivering to and enforcing marketing guidelines for the Program's Certified Contractors.
- 8.3 Tax Advice It is the policy of the Program that no Partner, contractor or third party other than a tax expert may provide tax advice to consumers regarding their Program financing, including making affirmative statements or claims as to the tax deductibility of any portion of the payments. However, it is acceptable to state that "PACE financing may have certain tax benefits. Consult your tax advisor to find out what, if any, may apply to your individual circumstances." Homeowners are encouraged to seek the advice of an expert regarding tax matters related to the Program.
- **8.4** Payments in Exchange for Financing It is the policy of the Program that no Partner may provide direct cash payment to a contractor or Affiliated Individual explicitly in



exchange for such contractor or Affiliated Individual's offering Program financing to a homeowner.

It is the policy of the Program that no Partner, contractor or Affiliated Individual may provide a direct cash payment or other thing of value to a homeowner explicitly in exchange for such homeowner's selecting Program financing. For avoidance of doubt, the limitations provided in this Section 8.4 are not intended to prevent the Program from offering to homeowners, contractors or Affiliated Individuals promotions that are not explicitly part of the exchange referred to in the preceding sentence.



9 PROTECTED CLASSES

Policy Summary: It is the Partner's responsibility to ensure compliance with all state and federal laws that cover individuals in protected classes (e.g., race, religion, color, marital status, sex, national origin, citizenship, presence of children, disability, gender, age and/or sexual preference, because an applicant receives income from a public assistance program, or because an applicant has in good faith exercised any right under the Consumer Credit Protection Act.) Heightened protections for homeowners over 64 years old, such as confirming understanding of financing terms and project specifications, is a focus of the Program. The Partner is responsible for protecting against intended and unintended non-compliance with such standards, and in particular for providing legally unbiased access to, and decisioning of, requests for Program financing.

- 9.1 General It is the policy of the Program that controls be designed to monitor and test compliance with all state and federal laws covering homeowners in protected classes.
- 9.2 Elders It is the responsibility of the Partner to develop and implement a program that validates elder homeowners' (i.e., homeowners over 64 years of age) understanding of the eligible improvement project for which they are seeking Program financing, including the terms of such financing.
- 9.3 Financing Access and Decisioning It is the responsibility of the Partner to provide legally unbiased access to, and decisioning of, requests for Program participation.



10 CONTRACTOR REQUIREMENTS

Policy Summary: Contractors and their sales persons are one of the primary means through which homeowners become aware of Program participation options. Contractors and their sales persons enter into contracts with Partners, and register with all relevant state and local licensing boards and agencies. Contractors are required to follow a code of conduct, maintain policies of insurance, post bonds, follow marketing requirements, complete training courses, among other similar obligations, all of which are designed to assure positive and productive homeowner interaction with the Program.

- 10.1 Policies It is the policy of the Program that all contractors who sell, install, or manage subcontractors who install, eligible improvements will have executed and that all such contractors and all employees, entities, owners, partners, principals, independent contractors, third-party agents or other person who perform any services for the contractor in connection with a Program financing (collectively, the "Affiliated Individuals") meet the requirements of the Program's Contractor Participation Agreement, which include:
 - 10.1.1 Compliance with the Registered Contractor code of conduct;
 - 10.1.2 Maintenance of an active license, and be in good standing, with the California Contractor State License Board ("CSLB"), including compliance with the CSLB (or equivalent agency or program) insurance and bonding requirements;
 - 10.1.3 Execution of the Program's Contractor Participation Agreement only by a person who is authorized to act on behalf of, and who is responsible for the actions of, a Registered Contractor (a "Qualifying Individual");
 - 10.1.4 Oversight and management of employees, independent contractors and subcontractors who provide services to Registered Contractors accessing the Program;
 - 10.1.5 Meeting all other state and local licensing, training and permitting requirements;
 - 10.1.6 Compliance with the Program's marketing policies; and
 - **10.1.7** Ensuring all Affiliated Individuals register with the Program, including completing the Program's identity verification procedures.
- **10.2 Contractor Management** It is the policy of the Program that Partners implement contractor management processes and procedures that manage and track contractor training and compliance violations on an individual and company basis.
- 10.3 Contractor Training It is the policy of the Program that each Partner make available contractor training regarding, at a minimum, the following: (i) the applicable contractor



code of conduct as required by the Program, (ii) protected classes, including, without limitation, elder protection, and (iii) other consumer protection measures as required by the Program.

10.4 Remedial Action Partners may warn, suspend or terminate a Certified Contractor and/or Affiliated Individual from the Program based on violations of the Contractor Participation Agreement. The Program does not knowingly accept Program applications processed by suspended or terminated contractors and/or associated representatives.



11 ELIGIBLE PRODUCTS

Policy Summary: The Program enables and encourages homeowners to install Measures on their homes that are permissible under the applicable PACE statutes, and designed but not guaranteed to save water or energy. The Program is responsible for implementing practices and controls (e.g., eligible product databases and product confirmation processes) to ensure that financing is provided only for eligible Measures. Program product eligibility criteria ensure that property owners are financing improvements that are industry recognized for achieving higher levels of home energy or water efficiency. While the Program is responsible for confirming compliance with the initial capacities of such products, it is not responsible for determining post-installation energy performance, savings or efficacy of such Measures.

- 11.1 Policies Consistent with the objectives of the PACE-enabling legislation, it is the policy of the Program, through consultation with the Partner and the Authority to:
 - 11.1.1. Establish and maintain an eligible products database and/or list, documenting the associated eligibility specifications;
 - 11.1.2. Define processes for adding or modifying the eligible product database;
 - 11.1.3. Use credible third-party sources to determine the useful life of the product, which will be used to set the maximum term for the Program's financing; and
 - 11.1.4. Require that the product is permanently affixed to the Property.
- 11.2. Procedures It is the policy of the Program that Partners establish procedures confirming that the homeowner applying for Program financing intends to install eligible products, and that at the time of funding such improvements have been installed.

11.3. Ineligible Products

- 11.3.1. Financing of ineligible products under the Program is prohibited.
- 11.3.2. Products that are not included on the eligible products list or in the eligible products database can be submitted for review by the Program, if a homeowner has a good faith reason to believe they should have been included.



12 FINANCING AMOUNT

Policy Summary: Many homeowners often cannot readily access price information regarding the installation of energy efficiency, renewable energy and water conservation improvements for their homes, and cost often is a key economic consideration. While the Program does not set price controls, it reviews each project on a case-by-case basis to affirm that the pricing for each Measure conforms to generally accepted market pricing ranges.

The Program's policies provide as follows:

- 12.1 It is the policy of the Program to review pricing based on market data and the sponsoring Partner's experience, but not to set pricing for installation of eligible products and projects. Partners are presumed to take into account regional factors and special installation characteristics or scenarios that may contribute to the pricing of improvements.
- 12.2 It is the policy of the Program that Partners will review various product types (e.g. for central air conditioners, solar PV systems, solar thermal systems and artificial turf) to ensure pricing falls in a generally acceptable range. For example, there may be different types of central air conditioners, solar PV systems, solar thermal systems and artificial turf.
- 12.3 It is the policy of the Program that each Partner will establish processes for purposes of reviewing contractors' estimated project costs and determine that proposed project measures meet acceptable guidelines for energy efficiency, renewable energy, water conservation, or seismic or hurricane protection.
- A product may only be funded for an amount that is justified by reasonable standards that are acceptable to the Authority.



13 REPORTING

Policy Summary: Reporting the economic and environmental results of Program participation is essential for the Program, Partners, elected officials, environmental agencies, the investment community, the real estate and mortgage industry and many other stakeholders. Metrics such as economic stimulus dollars invested, greenhouse gas reduction, the number of Measures funded, the amounts funded, renewable energy production and energy savings serve this need. The Partner is responsible for producing, on a quarterly basis, a key metrics report.

- 13.1 Reporting Categories It is the policy of the Program that Program statistics reporting and estimated impact metrics in the following categories be developed and reported quarterly to the Authority: (i) number of projects funded, (ii) project amount funded, (iii) estimated amount of energy savings, (iv) estimated amount of renewable energy production, (v) estimated amount of water savings, (vi) estimated amount of greenhouse gas reductions, and (vii) estimated economic stimulus of dollars invested.
- 13.2 Reporting Standards It is the policy of the Program that all data collected for the quarterly metrics reports are developed and collected using standardized, third party-verified methodologies. Partners must make the methodologies and supporting assumptions and/or sources available to the Authority. It is the responsibility of each Partner to develop reports consistent with each of the categories listed above, and to test and verify the data collection and reporting methods and models used. All reports shall include only aggregate data without the inclusion of any sensitive customer information.



14 PROJECT COMPLETION & DISBURSEMENT OF FUNDS

Policy Summary: The Program provides limited purpose financing to homeowners, and not general purpose financing that is common among traditional sources of financing. The Program has front-end (e.g., eligible product call-in requirements) and pre-funding (e.g., completion certificates and permits) procedures designed to confirm that its financing dollars are used for permissible purposes. A policy requiring such procedures is essential to protecting the integrity of the Program.

- 14.1 Installation Completion Signoff It is the policy of the Program to confirm, before final funding, that the eligible products financed are installed, operational and in a condition that is acceptable to the homeowner and the contractor, and to require that the homeowner and the contractor attest to such by signing a document stating that all products have been installed to the homeowner's satisfaction and in accordance with product specifications. It is the Partner's responsibility to confirm any such document is signed within the maximum allowable installation time as specified by the Program.
- 14.2 Permits It is the policy of the Program that homeowners seeking Program financing obtain required permits for the installation of Measures and provide verification thereof upon request. Each permit must be signed off by the issuing authority as proof of project completion.
- 14.3 Funding It is the policy of the Program to disburse funds only for specified phased payments, progress payments or for projects that are complete.
- 14.4 Recording It is the policy of the Program to record the Notice of Assessment and Payment of Contractual Assessment Required documentation in a manner consistent with state law.
- 14.5 Asset Verification It is the policy of the Program to confirm that product(s) listed on the Completion Certificate and for which Program financing has been provided have been installed by providing proof of completion by city inspector or other third-party inspector.

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DELEGATE EXPENSE CLAIM

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EXPENSES	Amount	Description of Expense	Amount	Miles	Dinner	Lunch	Breakfast		(Where Expenses Were Incurred)	Time	Date
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