

**Golden State Finance  
Authority (GSFA)  
Board of Directors Meeting**



**Wednesday, June 17, 2020  
10:00 a.m.**

**1215 K Street, Suite 1650  
Sacramento, California 95814**

**Golden State Finance Authority (GSFA)  
Board of Directors Meeting  
Wednesday, June 17, 2020  
10:00 a.m.  
Via Zoom Conference Call**

In accordance with Executive Orders N-25-20 and N-29-20, the June 17, 2020 GSFA Board of Directors meeting will be held virtually.

**MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON**

The June 17, 2020 GSFA Board of Directors Meeting will be facilitated virtually through Zoom. Members of the public can watch or listen to the meeting using one of the following methods:

1. Join the Zoom meeting application on your computer, tablet or smartphone:

Go to: <https://rcrcnet.zoom.us/j/95870528869>

Enter Password: 227613

2. Call-in and listen to the meeting:

Dial +1 (669) 900-9128

Enter meeting ID: 958 7052 8869

Enter password: 227613

**PUBLIC COMMENT USING ZOOM:** Members of the public who join the Zoom meeting, either through the Zoom app or by calling in, will be able to provide live public comment at specific points throughout the meeting.

**EMAIL PUBLIC COMMENT:** One may also email public comment to [mdemelo@rcrcnet.org](mailto:mdemelo@rcrcnet.org) before or during the meeting. All emailed public comments will be forwarded to all GSFA Board of Directors members.

**DISABLED ACCOMMODATION:** If you have a disability which requires an accommodation or an alternative format to assist you in observing and commenting on this meeting, or an alternative agenda document format, please contact GSFA at (916) 447-4806 or by email at [mdemelo@rcrcnet.org](mailto:mdemelo@rcrcnet.org) by 10:00 a.m. Tuesday, June 16<sup>th</sup> to ensure arrangements for accommodation.

**AGENDA**

**1. Call to Order & Determination of Quorum**

*Chair, Supervisor Kevin Cann, Mariposa County*

*Vice Chair, Supervisor Bob Williams, Tehama County*

**2. Approval of Minutes – March 11, 2020 Board Meeting**

**Page 1**

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

**3. Member County Concerns**

4. **Public Comments**  
*At this time any member of the public may address the Board. Speakers are asked to state their name for the record. Comments are usually limited to no more than 3 minutes per speaker.*
5. **Approval of GSFA 2019 Audited Financial Statements – ACTION** **Page 8**  
*Lisa McCargar, Chief Financial Officer  
Milena De Melo, RCRC Controller*
6. **Financial Update**  
*Lisa McCargar, Chief Financial Officer  
Milena De Melo, RCRC Controller*
7. **Appointment of GSNR Board Member – ACTION** **Page 40**  
*Greg Norton, Executive Director*
8. **GSFA Resolution 20-05: Authorizing Applications to the Federal Communications Commission for Rural Development Opportunity Fund Support – ACTION** **Page 41**  
*Barbara Hayes, RCRC Chief Economic Development Officer  
Craig Ferguson, Deputy Director*
9. **Self-Generation Incentive Program (SGIP) Bridge Financing Program – ACTION** **Page 47**  
*Craig Ferguson, Deputy Director  
Barbara Hayes, RCRC Chief Economic Development Officer*
10. **GSFA Resolution 20-06: Authorizing the Implementation of a Revolving Loan Fund to Support Short Term Loans for Member Counties – ACTION** **Page 49**  
*Craig Ferguson, Deputy Director*
11. **GSFA Resolution 20-07: Acceptance of GSFA Associate Members – ACTION** **Page 53**  
*Craig Ferguson, Deputy Director*
12. **Program Updates**  
*Craig Ferguson, Deputy Director*
13. **Economic Development Activity Updates**
  - a. **Community Development Block Grant (CDBG) – CARES Act Funding – Information Only** **Page 61**  
*Barbara Hayes, RCRC Chief Economic Development Officer*

**14. 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, please call Sarah Bolnik at (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.



Golden State Finance Authority  
1215 K Street, Suite 1650 · Sacramento, California 95814  
Phone: (855) 740-8422 · Fax: (916) 444-3551 · [www.gsfa-home.org](http://www.gsfa-home.org)

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**Golden State Finance Authority  
Board of Directors Meeting  
March 11, 2020  
11:00 a.m.  
1215 K Street, Suite 1650  
Sacramento CA 95814**

**MINUTES**

**Call to Order & Determination of Quorum**

Chair, Supervisor Kevin Cann, Mariposa County, called the meeting to order at 11:08 a.m. A quorum was determined at that time. Those present:

<b><u>Supervisor</u></b>	<b><u>County</u></b>
David Griffith	Alpine
Doug Teeter	Butte
Jack Garamendi	Calaveras
Denise Carter	Colusa
Gerry Hemmingsen	Del Norte
Lori Parlin	El Dorado
John Viegas	Glenn
Rex Bohn	Humboldt
Matt Kingsley	Inyo
Aaron Albaugh	Lassen
Bruno Sabatier	Lake
David Rogers	Madera
Kevin Cann	Mariposa
Carre Brown	Mendocino
Daron McDaniel	Merced
Geri Byrne	Modoc
Stacy Corless	Mono
Susan Hock	Nevada
Jim Holmes	Placer
Anthony Botelho	San Benito
Lynn Compton	San Luis Obispo
Mary Rickert	Shasta
Mat Conant	Sutter
Bob Williams	Tehama
Jeremy Brown	Trinity
Kuyler Crocker	Tulare
Sherri Brennan	Tuolumne
Randy Fletcher	Yuba

**Absent**

Brian Oneto	Amador
Michael Kelley	Imperial
Diane Dillon	Napa
Kevin Goss	Plumas
Lee Adams	Sierra
Michael Kobseff	Siskiyou
Gary Sandy	Yolo

**Others in Attendance**

Greg Norton, Executive Director  
Craig Ferguson, Deputy Director  
Lisa McCargar, Chief Financial Officer  
Barbara Hayes, RCRC Chief Economic Development Officer  
Sarah Bolnik, RCRC Economic Development Specialist  
Paul A. Smith, RCRC Senior Vice President Governmental Affairs  
Arthur Wylene, RCRC Legal Counsel  
Tracy Rhine, RCRC Legislative Advocate  
Staci Heaton, RCRC Senior Regulatory Affairs Advocate  
Mary-Ann Warmerdam, RCRC Senior Legislative Advocate  
Maggie Chui, RCRC Senior Governmental Affairs Coordinator  
John Kennedy, RCRC Legislative Advocate  
Leigh Kammerich, RCRC Regulatory Affairs Coordinator  
Milena DeMelo, RCRC Controller  
Dorothy Poole, RCRC External Affairs Coordinator  
Supervisor Ned Coe, Modoc County  
Supervisor Chris Lopez, Monterey County  
Supervisor Paul Barr, Glenn County  
Connie Stewart, California Center for Rural Policy  
Jeff Thornsby, Nevada County Economic Development  
Crystal Crawford, Ygrene Energy Fund  
Randy Hanvelt, CA Loggers Association

**Approval of Minutes – January 15, 2020 Board Meeting**

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

**Supervisor Carre Brown, Mendocino County, motioned to approve the minutes of the January 15, 2020 GSFA Board of Directors Meeting. Supervisor David Griffiths, Alpine County, seconded the motion. Motion unanimously passed.**

***Abstaining:***

***Supervisor John Viegas, Glenn County; Supervisor Lynn Compton, San Luis Obispo County***

**Member County Concerns**

None

## **Public Testimony**

None

### **Approval of Loan to Golden State Natural Resources, Inc.**

**Adopt finding that the proposed loan to Golden State Natural Resources, Inc. Is not a Project as defined in CEQA Guidelines section 15378, and is further exempt from CEQA review under CEQA Guidelines section 15061(b)(3)**

### **GSFA Resolution 20-03: Authorizing a Loan of up to \$10 Million from GSFA to Golden State Natural Resources, Inc.**

Greg Norton, Executive Director discussed the GSNR fire fuels reduction and pellet creation project. Mr. Norton provided an outline of the project's purpose and potential future operations and discussed the steps that have been taken to date in furtherance of the project. He further discussed the need for GSNR to have its own funding source going forward, rather than continuing to pay for GSNR expenses through the GSFA budget and emphasized that time is of the essence for the project. He stated that GSFA could legally provide funds to GSNR as a grant, but instead GSNR is asking for a loan that will be paid back.

Mr. Norton and Lisa McCargar, CFO proceeded to review the current expected expenditures of GSNR and the proposed GSNR budget. Mr. Norton assured the Board that GSNR would not draw the entire \$10 million immediately, and that GSNR would go back to the GSNR board for approval each time a draw was taken on the loan.

Mr. Norton acknowledged that when this matter was originally presented to the Executive Committee, it had been proposed to have the GSNR Board of Directors review and approve the proposed loan before bringing the item to the GSFA Board. After the Executive Committee meeting, it had been determined to alter the order of approvals due to the time sensitivity of the proposed loan for the GSNR project. Mr. Norton stated that no disrespect for with the Executive Committee or the GSNR Board was intended.

Director Garamendi and several other expressed concern about asking GSFA to approve the loan before it had been reviewed by the GSNR Board, and regarding the absence of a business plan for GSNR. Multiple Directors stated strong support for the project, but not the order in which things were being done. There was further discussion amongst the Board members, and several members expressed that they would support the proposed loan so long as nothing is done with the funds until the GSNR Board approves accepting the loan, and accepting the budget and business plan.

Upon further discussion, the Board members acknowledged that the GSNR project will require additional expenditures before the GSNR Board can meet and receive additional information regarding the project and business plan; however they expressed interest in limiting those expenditures, and requiring GSNR to reimburse GSFA for any amounts expended in the interim. The Board members further expressed their intention that the GSNR Board will approve the Business Plan as soon as practicable and then bring it back to the GSFA Board.

Mr. Norton reminded the Board that that their budget action on December 11, 2019 authorized the Executive Director to "to make necessary business decisions and utilize up to \$500,000 per decision outside of the approved operating budget when necessary." Mr. Norton said that \$500,000 would give GSNR enough money to continue the project's necessary progress until the next GSNR Board meeting. He proposed to use this authority to expend up to \$500,000, in addition to the amounts previously included in the GSFA budget, to keep the project moving forward in the interim, and to revise the loan agreement to require GSNR to reimburse GSFA for the additional expenditures.

Arthur Wylene, General Counsel, advised that, if the Board was agreeable to this proposal, the loan approval motion set forth in the Board packet (Item No. 5.b) should be revised as follows:

Move to approve Resolution 20-03, with the following amendment to the Loan Agreement: As a condition precedent to the first advance, the GSNR Board of Directors shall approve reimbursement of GSFA for amounts expended by GSFA in furtherance of the GSNR program in excess of the 2020 approved GSFA budget.

Upon inquiry from the Board, Mr. Wylene further clarified that the loan approval and the associated CEQA action (Item No. 5.a) could be combined in a single motion.

**Action:**

The GSFA Board of Directors:

a. Adopted a finding that the proposed loan to Golden State Natural Resources, Inc. is not a project as defined in CEQA Guidelines section 15378, and is further exempt from CEQA review under CEQA Guidelines section 15061(b)(3)

b. Approved Resolution 20-03, with the following amendment to the Loan Agreement: As a condition precedent to the first advance, the GSNR Board of Directors shall approve reimbursement of GSFA for amounts expended by GSFA in furtherance of the GSNR program in excess of the 2020 approved GSFA budget.

**Supervisor Randy Fletcher, Yuba County, motioned to approve the actions above and GSFA Resolution 20-03. Supervisor Jim Holmes, Placer County, seconded the motion. Motion passed by a roll call vote.**

**AYES:** Alpine County, Butte County, Colusa County, Del Norte County, El Dorado County, Glenn County, Humboldt County, Inyo County, Lassen County, Madera County, Mariposa County, Mendocino County, Modoc County, Mono County, Nevada County, Placer County, San Benito County, San Luis Obispo County, Shasta County, Tehama County, Trinity County, Tuolumne County, Yuba County

**NOES:** Calaveras County, Lake County



**ABSENT:** Amador County, Merced County, Imperial County, Napa County, Plumas County, Sierra County, Siskiyou County, Sutter County, Tulare County, Yolo County

**ABSTAIN:** NONE

**GSFA Resolution 20-04: Authorizing Appointment of GSFA Multi-Family Action Team to Review and Approve Specific Multi-Family Projects, Public Infrastructure Financing Projects, and Projects for the Improvement or Rehabilitation of Real Property for Public Safety or Environmental Protection Purposes**

Craig Ferguson, Deputy Director, discussed the role of the multi-family action team. Originally the team was created to facilitate the implementation and operation of the GSFA multi-family program. Mr. Ferguson outlined the responsibilities of the five-member board which includes review and approval of financing structures, bond documents, application procedures, and time-sensitive public infrastructure financing projects.

After further discussion, it was decided that the members of the 2020 five-member Multi-Family Action Team would be:

Supervisor Kevin Cann, Mariposa County  
Supervisor Bob Williams, Tehama County  
Supervisor Rex Bohn, Humboldt County  
Supervisor Daron McDaniel, Merced County  
Supervisor Les Baugh, Shasta County

**Recommendation:**

It is recommended that the GSFA Board of Directors:

1. Review and approve GSFA Resolution 20-04: Authorizing the appointment of a multi-family review and approval action team made up of five delegates to review and approve specific multi-family projects, public infrastructure financing projects, and projects for the improvement or rehabilitation of real property for public safety or environmental protection purposes, including financing amount, all necessary documents, and all other necessary steps to implement the program on behalf of GSFA.
2. Following appointment by the GSFA Chair, approve the five-member Multi-Family Action Team.

**Supervisor Bob Williams, Tehama County, motioned to approve GSFA Resolution 20-04. Supervisor John Viegas, Glenn County, seconded the motion. Motion unanimously passed.**

**Supervisor David Rogers, Madera County motioned to approve the five-member Multi-Family action team. Supervisor Jim Holmes, Placer County, seconded the motion. Motion unanimously passed.**

### **California Debt Limit Allocation Committee Mortgage Credit Certificate Program Defunding**

Craig Ferguson discussed that on January 15, 2020, the California Debt Limit Allocation Committee (CDLAC) unexpectedly took action to reduce the Single-Family Housing pool to \$0, thereby defunding the MCC program entirely. Although CDLAC staff has previously advised the committee that "local governments use the MCC program to satisfy their fair share of housing goals" and warned them to "anticipate resistance to its' entire elimination as a category," there were no outreach efforts or adequate prior notification to the hundreds of stakeholders across California who would have strenuously objected. Mr. Ferguson provided a letter addressed to the State Treasurer to be signed by Supervisor Kevin Cann on behalf of the GSFA Board of Directors to support restoration of full funding for the MCC program, and direct CDLAC to reconsider the matter at their next meeting.

#### **Recommendation**

It is recommended that the GSFA Board of Directors approve the attached letter to State Treasurer Fiona Ma, requesting that she support restoration of full funding for the MCC program, and direct CDLAC to reconsider the matter at their next meeting.

**Supervisor David Rogers, Madera County, motioned to approve the recommendations listed above. Supervisor Jeremy Brown, Trinity County, seconded the motion. Motion unanimously passed.**

### **Program Updates**

Craig Ferguson provided an update on the existing Housing and Energy Programs.

#### **Economic Development Updates**

Barbara Hayes, RCRC Chief Economic Development Officer, provided an update on recent Economic Development activities. While Golden State Natural Resources is a large part of the work the Economic Development Team is concentrating on, the Team continues to support programs and projects with local economic development professionals across RCRC member counties. Work on broadband is also underway - models for deployment of rural broadband from across the U.S. are being reviewed and evaluated for potential implementation in rural California. In the 2019 legislative session, RCRC Governmental Affairs staff was able to positively impact the regulations for the Infill Infrastructure Grant (IIG) program at the California Department of Housing and Community Development (HCD) to better serve RCRC member communities. Approximately \$90 million was earmarked for use in rural communities. Staff at HCD have reported that there has been a tremendous response in the form of project applications for these dollars. RCRC staff would like to see all these dollars allocated to projects so the argument can be made that even more dollars should be budgeted for rural communities in future years. In addition, HCD staff also mentioned that the new

Community Development Block Grant - Economic Development Set-Aside Program began receiving applications for the new Over-The-Counter (OTC) application system in January. The application rate has exceeded staff expectations. OTC applications have eliminated competitive project evaluation, which oftentimes pitted projects in large population areas against those in small communities. Individual projects are evaluated on a stand-alone (non-competitive) basis. RCRC members are encouraged to consider both of these programs for local projects.

**Adjournment**

GSFA Chair, Supervisor Kevin Cann, Mariposa County, adjourned the meeting of the GSFA Board of Directors at 1:35 p.m.

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**To:** GSFA Executive Committee

**From:** Lisa McCargar, Chief Financial Officer  
Milena De Melo, RCRC Controller

**Date:** June 10, 2020

**Re:** Approval of the GSFA 2019 Audited Financial Statements – **ACTION**

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**Summary**

Attached are the Golden State Finance Authority (GSFA) audited financial statements as of and for the year ended December 31, 2019, issued 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 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. 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.

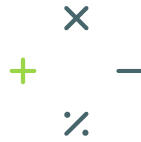
The financial statements and communication letter to Those Charged with Governance provide information useful to Executive Committee members in exercising their fiduciary responsibility as the Audit Committee. Moss Adams presented the financial statements to the Executive Committee on May 20<sup>th</sup> and addressed their questions. The Executive Committee reviewed and approved the financial statements and communications letter acting in their capacity as the Audit Committee and have asked that the financial statements be presented to the GSFA Board of Directors for their review and approval.

**Recommendation**

It is recommended that the GSFA Board of Directors review and approve the 2019 audited financial statements and communication letter as presented.

**Attachments**

- GSFA 2019 Audited Financial Statements
- Communications to Those Charged with Governance



*Report of Independent Auditors and  
Financial Statements*

**Golden State Finance Authority**

*December 31, 2019*



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# **Golden State Finance Authority**

## **Management's Discussion and Analysis**

### **Year Ended December 31, 2019**

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This section presents management's discussion and analysis of Golden State Finance Authority's (GSFA) financial performance for the year ended December 31, 2019. 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, 2019, by \$87.7 million (net position), all of which is available to meet ongoing obligations. GSFA's total net position decreased by \$2.2 million (2.5%) from December 31, 2018 to December 31, 2019, resulting from declining housing and energy and water conservation programs and increased expenses associated with enhanced economic development and fire resiliency efforts. As of December 31, 2019, in addition to cash resources available, assets include \$3.3 million in second mortgage loans receivable, net of an allowance for loan losses, \$6.4 million in energy grant loans receivable, and \$3.2 million in multi-family notes receivable. GSFA's liabilities include \$10.2 million payable to the California Energy Commission (CEC) and \$1.2 million due to affiliated entities.

#### **OVERVIEW OF THE FINANCIAL STATEMENTS**

GSFA's basic financial statements include the (1) statement of net position, (2) statement of revenues, expenses, and changes 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 basic 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 2019 are accounted for in the statement of revenues, expenses, and changes 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 basic financial statements provide additional information that is essential to a full understanding of GSFA's financial statements.

**Golden State Finance Authority**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2019**

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**FINANCIAL ANALYSIS**

**Condensed Statement of Net Position**  
**December 31, 2019 and 2018**

			<b>Increase (Decrease)</b>	
	<b>2019</b>	<b>2018</b>	<b>\$</b>	<b>%</b>
<b>Assets</b>				
Current assets	\$ 96,910,096	\$ 160,614,257	\$ (63,704,191)	(39.7)%
Non-current assets	13,000,891	13,674,476	(673,585)	(4.9)%
Total assets	109,910,987	174,288,763	(64,377,776)	(36.9)%
<b>Liabilities</b>				
Current liabilities	22,245,381	84,383,173	(62,137,792)	(73.6)%
<b>Net position</b>				
Net position, unrestricted	\$ 87,665,606	\$ 89,905,590	\$ (2,239,984)	(2.5)%

The condensed statement of net position reflects a snapshot of GSFA's financial position at a given moment in time. Changes in net position over time are an indicator of whether the financial condition of GSFA is improving or declining. As of December 31, 2019, GSFA's net position was \$87.7 million, a decrease of \$2.2 million (2.5%) from December 31, 2018. The decrease in current assets of \$63.7 million (39.7%) and the decrease in current liabilities of \$62.1 million (73.6%) resulted primarily from decreased receivables and payables associated with estimated proceeds from and obligations related to mortgage-backed securities to be settled at a future date. The receivables and payables declined as a result of decreased origination volume, reflecting changing market conditions related to the housing program. The decrease in noncurrent assets of \$674 thousand (4.9%) is primarily due to energy loan principal repayments.



**Golden State Finance Authority**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2019**

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**Condensed Statement of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2019 and 2018**

	2019	2018	Increase (Decrease)	
			\$	%
<b>Operating revenues</b>				
Housing program and other revenue	\$ 8,620,567	\$ 34,881,430	\$ (26,260,863)	(75.3)%
Energy program revenue	788,545	1,221,791	(433,246)	(35.5)%
Grant fees	215,460	235,486	(20,026)	(8.5)%
Total operating revenues	9,624,572	36,338,707	(26,714,135)	(73.5)%
<b>Operating expenses</b>				
Housing program expenses	4,956,782	30,488,975	(25,532,193)	(83.7)%
Energy program expenses	222,500	398,700	(176,200)	(44.2)%
Contract support services and performance fee	5,864,261	3,770,311	2,093,950	55.5%
Other administrative expenses	2,286,717	755,089	1,531,628	202.8%
Grant costs	215,460	235,486	(20,026)	(8.5)%
Total operating expenses	13,545,720	35,648,561	(22,102,841)	(62.0)%
Operating (loss) income	(3,921,148)	690,146	(4,611,294)	(668.2)%
<b>Non-operating revenues</b>				
Interest income	1,444,026	860,774	583,252	67.8%
Gain (loss) on investments	237,138	(79,476)	316,614	(398.4)%
Total non-operating revenues	1,681,164	781,298	899,866	115.2%
Change in net position	(2,239,984)	1,471,444	(3,711,428)	(252.2)%
Net position, beginning of year	89,905,590	88,434,146	1,471,444	1.7%
Net position, end of year	\$ 87,665,606	\$ 89,905,590	\$ (2,239,984)	(2.5)%

# **Golden State Finance Authority**

## **Management's Discussion and Analysis**

### **Year Ended December 31, 2019**

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The condensed statement of revenues, expenses, and changes in net position reflects activity that has occurred during the fiscal period covered by this report. For the year ended December 31, 2019, GSFA's operating revenues decreased by \$26.7 million (73.5%) from the year ended December 31, 2018, primarily due to the reduction of the down payment assistance gift and energy programs. Housing programs, which provide financing options for low to moderate income homebuyers, experienced a decline in revenue of \$26.3 million (75.3%) due to changing market conditions, ultimately resulting in decreased origination volume. Housing program expenses decreased by \$25.5 million (83.7%) corresponding directly to housing program revenue and activity for the same period. Energy program revenue and related program expenses decreased by \$433 thousand (35.5%) and \$176 thousand (44.2%), respectively due to a decline in the volume of energy loans originating in the current year consistent with declining market demand and changing underwriting requirements for the underlying product. Contract support services and performance fee expenses paid to Rural County Representatives of California (RCRC) increased by \$2.1 million (55.5%) as RCRC performed a higher level of service on behalf of GSFA in 2019, including additional resources spent on GSFA projects. Other administrative expenses increased by \$1.5 million (202.8%) primarily due to catastrophic wildfire disaster grants for the benefit of the Carr and Camp fire victims, legal and consulting fees related to expanded economic development efforts, and consulting and other expenditures related to forest resiliency and wildfire risk reduction endeavors.

**Golden State Finance Authority**  
**Management's Discussion and Analysis**  
**Year Ended December 31, 2019**

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**BUDGETARY COMPARISON**

**Comparison of Budget and Actual Revenues, Expenses, and Changes in Net Position**  
**Year Ended December 31, 2019**

	<b>Budget</b>	<b>Actual</b>	<b>Actual Over (Under) Budget</b>	
			<b>\$</b>	<b>%</b>
<b>Operating revenues</b>				
Housing program and other	\$ 25,880,000	\$ 8,620,565	\$ (17,259,43	(66.7)%
Energy program revenue	851,500	788,544	(62,956)	(7.4)%
Grant fees	250,000	215,460	(34,540)	(13.8)%
Total operating revenues	26,981,500	9,624,569	(17,356,93	(64.3)%
<b>Operating expenses</b>				
Housing program expenses	22,731,000	4,956,781	(17,774,21	(78.2)%
Energy program expenses	245,000	222,500	(22,500)	(9.2)%
Contract support services and performance fee	5,718,000	5,864,261	146,261	2.6%
Other administrative expenses	1,691,500	2,286,715	595,215	35.2%
Grant costs	250,000	215,460	(34,540)	(13.8)%
Total operating expenses	30,635,500	13,545,717	(17,089,78	(55.8)%
Operating loss	(3,654,000)	(3,921,148)	267,148	(7.3)%
<b>Non-operating revenues</b>	620,000	1,681,164	1,061,164	171.2%
Change in net position	\$ (3,034,000)	\$ (2,239,984)	\$ 794,016	26.2%

GSFA experienced an overall change in net position of \$2.2 million, which was less than the budgeted deficit of \$3 million, favorable by \$794 thousand (26.2%). Actual operating revenues were less than budget by \$17.4 million, a decrease of 64.3%, due primarily to decreased housing program activity. Housing programs experienced a decline of \$17.3 million when compared to the budget, due to changing market conditions, ultimately resulting in decreased origination volume. GSFA's operating expenses were less than budget by \$17.1 million, a decrease of 55.8%, due to costs associated with decreased housing program activity. GSFA's other administrative expenses were greater than budget by \$595 thousand, primarily driven by greater than budgeted fire disaster grants. Non-operating revenues were greater than budget by \$1.1 million primarily as a result of interest income and gain on investments, contributing to the positive change in net position.

# **Golden State Finance Authority**

## **Management's Discussion and Analysis**

### **Year Ended December 31, 2019**

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#### **FUTURE ECONOMIC OUTLOOK**

GSFA's 2020 budget provides for continued revenues from housing and energy and water conservation programs. GSFA continues to modify the design of housing programs as needed based on customer preferences, the interest rate environment, and market conditions. The energy efficiency and water conservation program will also continue to serve existing, and in some instances new, communities, however, a decline in revenue is budgeted as a result of changing market conditions and enhanced underwriting requirements for the underlying product.

As a result of past second mortgage down payment assistance programs, discontinued in late 2013, a balance of \$2.0 million of amortizing second mortgages remain at December 31, 2019. This balance is expected to decline going forward as borrowers pay on their second mortgage balances. However, GSFA introduced a new program design that is expected to result in an increase in second mortgage loan balances in 2020. To remain competitive and continue to provide effective programs, it will be necessary for GSFA to continue to be innovative in the development and modification of such programs.

During 2019, GSFA, and an affiliated entity Rural County Representatives of California (RCRC), formed Golden State Natural Resources (GSNR), a 501(c)(3) entity. GSNR was created to research and develop potential strategies to lessen the intensity of catastrophic wildfires occurring in member counties. It is anticipated that GSFA will continue to provide resources on this front although budgeted research and development expenses are expected to decline as GSNR initiates its own operations.

As of December 31, 2019, GSFA had approximately \$87.7 million in net position available including \$87.7 million in cash and cash equivalents, inclusive of \$4.4 million held on behalf of the CEC and Pacific Gas & Electric (PG&E) associated with energy efficiency programs. It is anticipated that GSFA will continue to operate its' existing programs, with housing, energy and interest earnings providing the organization with its' primary source of revenues. GSFA also anticipates continuing supporting member counties, utilizing existing resources to seek out new opportunities in line with GSFA's mission.

#### **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.

## **Report of Independent Auditors**

To the Board of Directors  
Golden State Finance Authority

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

We have audited the accompanying financial statements of Golden State Finance Authority (GSFA) as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise 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 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 financial position of GSFA as of December 31, 2019, and the changes in its net 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 management's discussion and analysis on pages 1 through 6 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 which 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 May 8, 2020, 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.

Moss Adams LLP

Sacramento, California  
May 8, 2020

## **Basic Financial Statements**

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**Golden State Finance Authority**  
**Statement of Net Position**  
**December 31, 2019**

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**ASSETS**

Current assets		
Cash and cash equivalents	\$	87,339,011
Restricted cash		250,000
Accounts receivable, proceeds from sale of securities		8,346,153
Accounts receivable		632,030
Interest receivable		314,043
Prepaid expenses		28,859
Total current assets		<u>96,910,096</u>
Non-current assets		
Energy grant loans receivable		6,406,427
Restricted cash		138,241
Multi-family notes receivable		3,200,000
Second mortgage loans receivable, net of allowance for loan losses of \$200,000		<u>3,256,223</u>
Total non-current assets		<u>13,000,891</u>
Total assets	\$	<u>109,910,987</u>
Current liabilities		
Accounts payable	\$	1,451,080
Accounts payable, securities to be purchased, at fair value		8,346,934
Accounts payable to California Energy Commission		10,159,463
Accounts payable to affiliated entities		1,154,144
Unearned revenue		<u>1,133,760</u>
Total liabilities		<u>22,245,381</u>
Net position, unrestricted		<u>87,665,606</u>
Total liabilities and net position	\$	<u>109,910,987</u>



**Golden State Finance Authority**  
**Statement of Revenues, Expenses, and Changes in Net Position**  
**Year ended December 31, 2019**

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Operating revenues	
Housing program revenue	\$ 8,334,378
Energy program revenue	788,545
Issuer fees	87,394
Mortgage interest	197,296
Grant fees	215,460
Miscellaneous income	1,499
Total operating revenues	<u>9,624,572</u>
Operating expenses	
Accounting and auditing	41,135
Business development and expansion	185,998
Community relations	746,705
Consultants	615,247
Contract performance fee	956,261
Contract support services	4,908,000
Energy program expenses	222,500
Gift program	4,956,782
Grant costs	215,460
Insurance	39,789
Legal fees	325,479
Promotion and marketing	2,343
Provision for loan losses	72,266
Rent	87,588
Sponsorships	75,500
Travel	37,354
Miscellaneous	57,313
Total operating expenses	<u>13,545,720</u>
Operating loss	<u>(3,921,148)</u>
Non-operating revenues	
Interest income	1,444,026
Gain on investments	237,138
Total non-operating revenues	<u>1,681,164</u>
Change in net position	(2,239,984)
Net position, beginning of year	<u>89,905,590</u>
Net position, end of year	<u>\$ 87,665,606</u>

**Golden State Finance Authority**  
**Statement of Cash Flows**  
**Year ended December 31, 2019**

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Cash flows from operating activities	
Cash receipts from loan and grant programs	\$ 8,892,164
Cash receipts from bond and residual funds	78,652
Cash paid for contract services	(6,034,262)
Cash paid for services and supplies	<u>(10,274,450)</u>
Net cash used in operating activities	<u>(7,337,896)</u>
Cash flows from investing activities	
Interest received and gain on investments	<u>1,406,657</u>
Net cash provided by investing activities	<u>1,406,657</u>
Decrease in cash and cash equivalents, and restricted cash	(5,931,239)
Cash and cash equivalents, and restricted cash, beginning of year	<u>93,658,491</u>
Cash and cash equivalents, and restricted cash, end of year	\$ <u><u>87,727,252</u></u>
Reconciliation of operating income to net cash used in operating activities	
Operating loss	\$ (3,921,148)
Provision for loan losses	72,266
Adjustments to reconcile operating income to net cash used in operating activities	
Increase in accounts receivable	(140,260)
Decrease in energy grant loans	1,254,462
Increase in second mortgage loans receivable	(629,026)
Increase in accounts receivable for securities sold at fair value, net of accounts payable, and proceeds from sale of securities	(395,163)
Increase in prepaid expenses	(1,574)
Decrease in unearned revenue	(216,381)
Decrease in accounts payable	(268,344)
Decrease in accounts payable to California Energy Commission	(2,380,064)
Decrease in accounts payable to affiliated entities	<u>(712,664)</u>
Net cash used in operating activities	\$ <u><u>(7,337,896)</u></u>

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Reporting entity** – Golden State Finance Authority (GSFA), a California joint powers authority, is an organization of certain political subdivisions of the state of California, engaged in the exercise of essential government functions. 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, the purpose of which is to provide financing for the acquisition, construction, improvement, preservation, and rehabilitation of real property and infrastructure in accordance with applicable provisions of law for the benefit of residents and communities. The existing joint powers authority agreement, as amended, additionally allows for establishing and operating programs and projects to promote public safety, economic development, and environmental protection, including without limitation forest resiliency, wildfire risk reduction, air quality improvement, and waste diversion and reuse. GSFA is governed by representatives of its member counties which are counties in California having an interest in the general and specific purposes of GSFA, each of which appoints an elected county supervisor, which comprises the Board of Directors. 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, San Luis Obispo, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, Tulare, Yolo, and Yuba. An additional 21 counties and over 250 cities are associate members of GSFA.

GSFA financing programs are designed to provide assistance in two key areas: housing and energy/conservation. The housing program provides for adequate, safe, and sanitary residential housing. GSFA makes competitively priced financing opportunities available for homebuyers for the purchase or refinancing 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, wildfire safety, seismic strengthening, and renewable energy improvements, or any other improvements authorized by law, to residential, commercial, industrial, agricultural and other real properties and multi-family financing. GSFA is also expanding its efforts in projects promoting rural economic development, forest resiliency and wildfire risk mitigation in response to California's overgrown forests and recent catastrophic wildfires.

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.

**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.

# Golden State Finance Authority

## Notes to Basic Financial Statements

### December 31, 2019

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GSFA distinguishes operating revenues and expenses from nonoperating 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, bond issuance fees, ongoing issuer fees, and bond residuals associated with its affordable housing loan and energy efficiency/water conservation financing programs). Interest income earned on second mortgage loans and capital gains income from sales of mortgage-backed securities are also reported as operating income. Operating expenses of GSFA include the cost of providing services and administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**Accounting standards** – 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.

**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 2019, GSFA received \$197,296 in interest from these assets. As of December 31, 2019, \$3,256,223 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 income earned on GSFA's down payment assistance program, including gains and losses on the sale of mortgage-backed securities. Interest on second mortgage loans and other administrative housing-related revenues are presented separately.

As part of the down payment assistance 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 Home Loan Mortgage Corporation (FHLMC) 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).

# Golden State Finance Authority

## Notes to Basic Financial Statements

### December 31, 2019

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**Fair value measurements** – GSFA categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments in CalTrust and LAIF of \$69.0 million are valued at net asset value and therefore excluded from the fair value hierarchy.

GSFA has the following recurring fair value measurements as of December 31, 2019:

- Money market funds (Level 2 inputs)
- Accounts payable, securities to be purchased, are valued using quoted market prices (Level 1)

**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, 2019.
- *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, 2019.
- *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, 2019.
- *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 revenues such as housing program, energy program, administrative services, bond residuals, 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 recorded as unearned revenue 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.

**Golden State Finance Authority**  
**Notes to Basic Financial Statements**  
**December 31, 2019**

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**NOTE 2 – CASH AND CASH EQUIVALENTS AND RESTRICTED CASH**

A summary of cash and cash equivalents and restricted cash as of December 31, 2019, is as follows:

Deposits with financial institutions (including \$138,241 restricted cash)	\$	5,280,397
Collateral account		727
Collateral account – restricted		250,000
Money market funds		4,721,964
Brokerage account		8,453,260
Total cash		<u>18,706,348</u>
LAIF		48,432,547
CalTRUST		20,588,357
Total cash equivalents (highly liquid investments)		<u>69,020,904</u>
Total cash and cash equivalents, including restricted cash	\$	<u>87,727,252</u>

**Deposits and 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, 2019, 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.

**Restricted cash – non-current** – 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, 2019, cash balances of \$138,241 were restricted.

**Collateral account** – GSFA has funds held with a securities firm. The funds represent collateral for the sales agreements of 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, 2019, a portion of the funds on deposit with the securities firm represented collateral for a net unsecured forward exposure, and \$250,000 of those funds have therefore been presented as restricted cash in the statement of net position. Funds at the securities firm are not insured.

# Golden State Finance Authority

## Notes to Basic Financial Statements

### December 31, 2019

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**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 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.

**Highly liquid investments** – As of December 31, 2019, GSFA also maintains highly liquid investment accounts with CalTRUST in the amount of \$20,588,357. 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, 2019, exceeded \$2.2 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 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.

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 24-hour 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.

# Golden State Finance Authority

## Notes to Basic Financial Statements

### December 31, 2019

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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, CA 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 2.79% 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, 2019, are as follows:

Second mortgages	\$	3,456,223
Allowance for loan losses		(200,000)
Total second mortgage loans receivable, net of allowance for loan losses	\$	<u>3,256,223</u>

Activity in the allowance for loan losses for the year ended December 31, 2019, is as follows:

Balance, beginning of year	\$	200,000
Charge-offs		(81,638)
Recoveries		9,372
Provision for loan losses		<u>72,266</u>
Balance, end of year	\$	<u>200,000</u>

#### NOTE 4 – NOTES RECEIVABLE

Notes receivable represent \$3,200,000 in loans outstanding as part of GSFA's multi-family housing finance and rehabilitation housing program. As the issuer of conduit revenue bonds, GSFA loaned various amounts to the developer of the projects. The notes are non-interest-bearing until after the 20th anniversary of the note, and no payments are due until after the 20th 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 beginning August 2050 through December 2051. No provision for losses has been deemed necessary. See Note 8 – Conduit Debt.



**Golden State Finance Authority**  
**Notes to Basic Financial Statements**  
**December 31, 2019**

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**NOTE 5 – RELATED-PARTY TRANSACTIONS**

For the year ended December 31, 2019, 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 and energy program success and provides an incentive to RCRC. The total expense of \$5,864,261 for the year ended December 31, 2019, includes the monthly support services fee and performance fee. At December 31, 2019, GSFA has recorded a payable of \$956,261 to RCRC for the 2019 performance fee and other services. The support services agreement calls for a flat fee of \$409,000 a month to operate and administer GSFA operations.

Also for 2019, GSFA entered into a service agreement with National Homebuyers Fund, Inc. (NHF), whereby NHF manages GSFA's housing and energy programs and residential energy loan servicing. For the year ended December 31, 2019, GSFA incurred \$130,191 for housing-related services and \$222,500 energy-related services, which are included in gift program expenses. Expenses incurred for residential energy administration were \$215,460. At December 31, 2019, \$179,799 is payable to NHF for housing and energy program related services. Fees earned are reported as administrative service fee revenue in the statement of revenues, expenses, and changes in net position.

The support service agreements with both RCRC and NHF are annual agreements, expiring on December 31 of each year, with successive one-year automatic renewals until terminated by either party. The annual agreements are revised for fee and scope as needed and are approved by the applicable Board of Directors.

**NOTE 6 – HOUSING PROGRAMS**

GSFA implemented its Platinum down payment assistance program in October 2010, targeting low to moderate income homebuyers. The program currently provides down payment assistance ranging up to 5% of the home purchase price in the form of a zero-interest rate second mortgage that is forgiven after three years (forgivable seconds) or a non-repayable gift. GSFA has partnered with lenders to market the programs to homebuyers.

GSFA has accounted for the forgivable seconds as a nonexchange transaction, therefore no receivable has been recorded for the book value of the loan. The principal amount of the loan has been included as a component of Gift program in the Statement of Revenues, Expenses and Changes in Net Position. Any amounts received upon sale or refinance prior to the three-year term are recorded as income. As of December 31, 2019, GSFA recorded revenue of \$748,877 related to forgivable seconds. This amount is included in housing program revenue.

As part of the housing program, GSFA purchases pools of government backed 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 TBA GNMA and FNMA and/or FHLMC securities, in which GSFA has committed to deliver securities at contracted prices at a future date. The entity has recorded a receivable of \$8,346,153 for the estimated proceeds from the sale. GSFA has also recorded a liability of \$8,346,934 to purchase the securities at prevailing prices at December 31, 2019, in order to fulfill the future obligation.

# Golden State Finance Authority

## Notes to Basic Financial Statements

### December 31, 2019

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#### 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 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, 2019, \$185,912 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, 2019.

During 2019, GSFA generated revenue for servicing the outstanding loans under a separate agreement. GSFA invoiced \$215,460 for loan servicing during the year for allowable expenses incurred.

**Energy Upgrade California** – 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, 2019, the LLR is \$138,241 and is included in restricted cash.

**Other program** – GSFA also maintains an agreement with a provider to participate in a program to finance energy efficiency, renewable energy improvements, and water conservation improvements on residential and commercial properties in California. The actual loans are financed by the provider, and GSFA earns a cost recovery fee for administrative services performed under the program. For the year ended December 31, 2019, GSFA recorded \$788,544 in revenue associated with this program.

#### NOTE 8 – CONDUIT DEBT

During the year ended December 31, 2019, GSFA issued \$35,400,000 in conduit debt for multi-family housing. As of December 31, 2019, GSFA has \$109,869,284 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 that 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 has been no significant reduction in coverage compared to prior year and there have been no settlements in excess of coverage for the prior three years.

**NOTE 10 – COMMITMENTS AND CONTINGENCIES AND SUBSEQUENT EVENTS**

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 in the state of Washington and named GSFA as an affiliated entity of NHF. A Washington state judge ruled that NHF did not have the authority to offer services in the state of Washington, which has no impact on GSFA's operations. NHF appealed the decision and the court unanimously ruled in favor of NHF. The Commission sought and was granted review from the Washington Supreme Court, and on July 25, 2019, the Washington Supreme Court issued a 6-3 opinion finding that the Commission had standing and remanding the action to the Washington Court of Appeals to determine the remaining issues on appeal. The case is fully briefed and awaiting oral argument or further order from the Washington Court of Appeals. Management of GSFA believes that the outcome will not have a material adverse effect on the financial position or results of operations.

Subsequent to December 31, 2019, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. This contagious disease outbreak, which has continued to spread, and any related adverse public health developments, has adversely affected workforces, customers, economies, and financial markets globally, potentially leading to an economic downturn. It has also disrupted the normal operations of many businesses and organizations, including ours. It is not possible for us to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on our operations and financial results at this time. GSFA held investments at December 31, 2019 in LAIF and CalTRUST, that have experienced a decline in market value through May 2020 as a result of the market's reaction to the pandemic. Additionally, at December 31, 2019 GSFA held \$3,256,223 in second mortgage loans receivable, net of allowance for loan losses. Management is uncertain of the impact the pandemic will have on the collectability of these loans. GSFA will continue to monitor the situation closely, but the market volatility and the continuing situation surrounding the pandemic is uncertain. Management believes that the decline in fair value for these investments is temporary.

## **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 Finance 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 Finance Authority (GSFA) as of and for the year ended December 31, 2019, and the related notes to basic financial statements, which collectively comprise GSFA's basic financial statements, and have issued our report thereon dated May 8, 2020.

### **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.

## **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, and 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.

Moss Adams LLP

Sacramento, California  
May 8, 2020





*Communications with  
Those Charged with Governance*

**Golden State Finance Authority**

*December 31, 2019*

## **Communications with Those Charged with Governance**

To the Executive Committee, 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, 2019, and have issued our report thereon dated May 8, 2020. 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 November 13, 2019, 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 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 February 19, 2020.



## **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 2019. 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 transactions 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 are:

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, 2019, 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 Notes 1 and 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, 2019.

### ***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 May 8, 2020.

### ***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 Executive Committee, Board of Directors, and management of GSFA and is not intended to be, and should not be, used by anyone other than these specified parties.

Moss Adams LLP

Sacramento, California  
May 8, 2020



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**To:** GSFA Board of Directors

**From:** Greg Norton, Executive Director

**Date:** June 10, 2020

**Re:** Designate Two Members of the GSFA Board to Serve on the Golden State Natural Resources, Inc. Board of Directors - **ACTION**

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**Summary**

This item is an annual action that would designate two members of the GSFA Board to serve on the Board of Directors of the Golden State Natural Resources (GSNR) nonprofit corporation for the forthcoming year.

**Background:**

Section 4.e of the GSNR Bylaws provides that GSNR's Board of Directors will include "two members of the Board of Directors of the Golden State Finance Authority ("GSFA"), designated by the GSFA Board." The designated Directors would serve a one-year term, and could be reappointed for additional terms without term limits. These Directors could also be removed or replaced by the GSFA Board at any time.

At the May 2, 2019 meeting, the GSFA Board designated Supervisors Kevin Cann (Mariposa) and Jack Garamendi (Calaveras) for the initial one-year term on the GSNR Board of Directors. In March, 2020, Supervisor Garamendi submitted his resignation from the GSNR Board to Chair Cann. Acting as the Chairman of GSFA, Supervisor Cann has recommended the following appointments to the GSNR Board for the upcoming year:

- Supervisor Kevin Cann (Mariposa)
- Supervisor Michael Kobseff (Siskiyou)

**Recommendation**

It is recommended that the GSFA Board designate two members to serve on the GSFA Board of Directors for a one-year term.

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**To:** GSFA Board of Directors

**From:** Barbara Hayes, RCRC Chief Economic Development Officer  
Craig Ferguson, Deputy Director

**Date:** June 10, 2020

**Re:** GSFA Resolution 20-05: Authorizing Applications to the Federal  
Communications Commission for Rural Development Opportunity Fund  
Support – **ACTION**

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**Summary**

High-speed, ubiquitous broadband availability in rural California is one of the most critical missing infrastructure components. Its absence often precludes unserved and underserved communities from participating in the 21<sup>st</sup> Century economy. High-speed broadband would provide essential benefits to these communities by allowing increased economic and trade opportunities for small to medium-sized businesses through expansion of markets, access to medical care and educational opportunities for kids and adults, enhanced public health, safety, and delivery of services, and improving overall quality of life. Viewed in context with all infrastructure needs facing the state, including water supply resiliency, electricity, and rail expansion, the needed investments in broadband would be considered modest, but also essential for enabling and supporting other infrastructure development and increasing economic productivity and benefits.

Rural communities, although not alone in the absence of this service, are more uniformly left unserved or underserved by existing service providers. Despite years of public investment in and by incumbent service providers, one thing is perfectly clear – the current system of granting public dollars to private companies to provide service to all rural Californians is not working. We can – and must – do better for the residents of rural California with the use of public dollars for broadband deployment.

GSFA has examined a number of programs and engaged in conversations with experts in the telecommunications industry with the goal of identifying a model that will provide high speed, consistent and reliable broadband service to the residents and businesses of rural California. The best program would be one that leverages public dollars with municipal financing tools to create an open access, public benefit system that delivers fiber to the homes and businesses of rural California.

GSFA is pursuing development of a program that would be modeled as a municipal utility and would operate for the benefit of residents and businesses in the areas served. By structuring the program as an open access, public benefit utility, it will be assured, through program governance and planning, that the highest priority is fiber to homes and businesses and benefit to the public.

In addition, the contemplated fiber network can be prioritized and used for public benefit purposes, such as:

- Public WiFi in parks and on Main Street
- Fire Detection for public safety
- Air Sensors for public health

In January 2020, the Federal Communications Commission established the Rural Digital Opportunity Fund (RDOF) for the purpose of directing a \$20.4 billion investment over ten years to finance gigabit speed broadband networks in unserved and underserved rural areas across the country. The first program phase, consisting of \$16 billion for projects in unserved areas, kicks off in July 2020. An initial “Intent to Participate” application for this phase is due by July 15th. Applicants deemed eligible are then able to participate in the RDOF “auction” process in October, through which funds are awarded. Submitting the application in July does not obligate applicants to participate in the in October auction. However, an applicant must file in July to be permitted to participate in the auction process.

A portion of the project envisioned by GSFA could potentially be funded with RDOF monies, further leveraging the private investment, and providing grant funds to deploy infrastructure in some of the most remote and expensive areas for broadband deployment in RCRC’s member counties. GSFA is still exploring the RDOF funding criteria and evaluating whether and how GSFA can effectively obtain and utilize this funding.

### **Recommendation**

It is recommended that the GSFA Board of Directors approve the attached Resolution 20-05 authorizing GSFA to file all necessary applications to obtain RDOF support for broadband infrastructure deployment in one or more member counties.

### **Attachment**

- Resolution 20-05
- Federal Communications Commission News Release announcing \$20 billion Rural Digital Opportunity Fund opportunity

## **GSFA RESOLUTION NO. 20-05**

### **RESOLUTION OF THE BOARD OF DIRECTORS OF THE GOLDEN STATE FINANCE AUTHORITY AUTHORIZING THE APPLICATION TO THE FEDERAL COMMUNICATIONS COMMISSION FOR RURAL DEVELOPMENT OPPORTUNITY FUND SUPPORT**

WHEREAS, the Golden State Finance Authority (the “Authority”) is a joint powers authority, created under California law, and is authorized to finance the construction, acquisition, improvement and rehabilitation of real property in furtherance of the public functions of its member counties, and to establish and operate programs and projects to promote economic development in member counties; and

WHEREAS, promoting economic development and high-speed broadband infrastructure deployment are essential governmental functions of the Authority's member counties; and

WHEREAS, to assist member counties in exercising the foregoing essential governmental functions, the Authority finds it necessary and desirable to provide initial and ongoing financing for the construction, acquisition, improvement and rehabilitation necessary to operate public programs to promote high-speed broadband infrastructure deployment and economic development; and

WHEREAS, financial support for broadband infrastructure deployment in the Authority's member counties may be available through the Federal Communications Commission (the “FCC”) via the FCC's Rural Development Opportunity Fund (“RDOF”); and

WHEREAS, the first step in the process to obtain such support is the submission of an initial application with the FCC, which is due in July 2020; and

WHEREAS, submitting an initial application does not obligate GSFA to participate in the auction process to obtain RDOF support, or otherwise commit GSFA to request or accept RDOF support;

NOW, THEREFORE, BE IT RESOLVED BY THE Board of the Authority as follows:

1. The Executive Director or his designee is authorized, but not required, to file all necessary applications to obtain RDOF support for broadband infrastructure deployment in one or more member counties.

PASSED APPROVED AND ADOPTED by the Board of Golden State Finance Authority, the 17th day of June 2020, by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

Golden State Finance Authority

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2020 Chair of the Board

I certify that the foregoing resolution is a true and accurate copy of GSFA Resolution No. 20-05, approved by the governing board of the Golden State Finance Authority on June 17, 2020 in Sacramento, California.

Date: June 17, 2020

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Assistant Secretary



**Media Contact:**

Tina Pelkey, (202) 418-0536  
tina.pelkey@fcc.gov

**For Immediate Release****FCC LAUNCHES \$20 BILLION RURAL DIGITAL OPPORTUNITY  
FUND TO EXPAND RURAL BROADBAND DEPLOYMENT**

*Represents FCC's Largest Investment Ever to Close Digital Divide*

WASHINGTON, January 30, 2020—The Federal Communications Commission today took its single biggest step to date to close the digital divide by establishing the new Rural Digital Opportunity Fund to efficiently fund the deployment of high-speed broadband networks in rural America. Through a two-phase reverse auction mechanism, the FCC will direct up to \$20.4 billion over ten years to finance up to gigabit speed broadband networks in unserved rural areas, connecting millions more American homes and businesses to digital opportunity.

Without access to broadband, rural Americans cannot participate in the digital economy or take advantage of the opportunities broadband brings for better education, healthcare, and civic and social engagement. In recent years, the Commission has made tremendous strides toward increasing the availability of broadband in rural America. But more work remains to be done, and the Rural Digital Opportunity Fund is a key part of the FCC's continuing efforts.

The first phase of the Rural Digital Opportunity Fund will begin later this year and target census blocks that are wholly unserved with fixed broadband at speeds of at least 25/3 Mbps. This phase would make available up to \$16 billion to census blocks where existing data shows there is no such service available whatsoever. Funds will be allocated through a multi-round reverse auction like that used in 2018's Connect America Fund (CAF) Phase II auction. FCC staff's preliminary estimate is that about six million rural homes and businesses are located in areas initially eligible for bidding in the Phase I auction.

The Rural Digital Opportunity Fund auction will prioritize networks with higher speeds, greater usage allowances, and lower latency. To support the deployment of sustainable networks in this auction, the auction will prioritize bidders committing to provide fast service with low latency. This will encourage the deployment of networks that will meet with needs of tomorrow as well as today. Bidders must also commit to provide a minimum speed more than double than was required in the CAF Phase II auction.

Phase II of the program will make available at least \$4.4 billion to target partially served areas, census blocks where some locations lack access to 25/3 Mbps broadband. Using the granular, precise broadband mapping data being developed in the FCC's Digital Opportunity Data Collection, along with census blocks unawarded in the Phase I auction.

The Connect America Fund has been a success in distributing resources to help bridge the digital divide and that success will be carried forward in the new Rural Digital Opportunity Fund. Both programs, supported by the Universal Service Fund, are part of the Commission's ongoing commitment to provide rural America with the same opportunities available in urban areas.

Action by the Commission January 30, 2020 by Report and Order (FCC 20-5). Chairman Pai, Commissioners O'Rielly and Carr approving. Commissioners Rosenworcel and Starks approving in part and dissenting in part. Chairman Pai, Commissioners O'Rielly, Carr, Rosenworcel, and Starks issuing separate statements.

WC Docket Nos. 19-126, 10-90

###

**Media Relations: (202) 418-0500 / ASL: (844) 432-2275 / TTY: (888) 835-5322 / Twitter: @FCC / [www.fcc.gov](http://www.fcc.gov)**

*This is an unofficial announcement of Commission action. Release of the full text of a Commission order constitutes official action. See MCI v. FCC, 515 F.2d 385 (D.C. Cir. 1974).*

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**To:** GSFA Board of Directors  
**From:** Craig Ferguson, Deputy Director  
Barbara Hayes, RCRC Chief Economic Development Officer  
**Date:** June 10, 2020  
**Re:** Self Generation Incentive Program (SGIP) Bridge Financing Program -  
**ACTION**

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**Summary**

Under the American Recovery and Reinvestment Act of 2009, California received millions of dollars for various recovery related initiatives. One of those initiatives was around funding third-party energy programs. The California Energy Commission (CEC) conducted a competitive solicitation for programs under ARRA, and one of the programs funded was the Moderate-Income Sustainable Technology Program (MIST).

MIST was a very successful residential energy efficiency finance program operated by GSFA. In just 6 months of operation, MIST enrolled close to 100 contractors and financed over 1,100 comprehensive residential energy efficiency upgrades. Since the end of the program, GSFA has continued under contract to the CEC to service those loans and act as a trustee for the collected funds. The accumulated principal, interest, and early repayment funds from the MIST program are periodically tapped by the CEC for other program purposes.

The impact of Public Safety Power Shut-off (PSPS) events on vulnerable populations in California is significant, and the California Public Utility Commission (CPUC) is working on mitigating those impacts. One of the primary mechanisms that is being used to mitigate those impacts is to target the funds of the existing Self Generation Incentive Program (SGIP) to help this group.

Under the reconfigured SGIP rules, incentives to vulnerable populations in affected areas have been considerably increased, but there is still an issue. The “up-front” cost of installing an energy storage system is quite large and presents a barrier to installation, particularly for the low/moderate income households that are targeted by the increased incentive levels.

Recently, GSFA approached CPUC and CEC staff regarding a new use for the accumulated MIST funds as a bridge finance mechanism for residential ratepayers looking to participate in the SGIP. The CEC can approve up to \$2.5M per fiscal year of accumulated MIST funds to other projects or programs, and the fund has approximately \$4.5M accumulated at present. The goal of the proposed program is to provide short

term “bridge” financing to qualified ratepayers to alleviate up-front funding constraints and allow more ratepayers to participate in the program.

Once this program is implemented and proving to be successful, an option GSFA would consider, if approved by the GSFA board of directors, is to commit up to \$5MM into a revolving fund from its own existing set-aside resources to leverage the MIST funds, to provide the above-mentioned bridge financing. The program would be structured that GSFA would utilize the MIST funds for administrative fees as well as earn a rate of return of up to 4.5% on outstanding GSFA funds and obtain the SGIP rebates to replenish the revolving fund. Also, if practicable, GSFA intends to hold the capacity rights of each battery installed with the intent to sell the capacity rights from the portfolio to any interested “load serving entities”, and retain the revenue generated from that sale.

**Recommendation:**

It is recommended that the GSFA Board of Directors take the following actions:

- Authorize GSFA to offer the SGIP bridge financing program as set forth in this memo.
- Authorize GSFA to utilize up to \$5MM of internal GSFA resources in a revolving fund to leverage the existing MIST funds and enhance the SGIP bridge financing program.
- Authorize the Executive Director or designee to establish SGIP bridge financing program terms and approve program contracts and implementing documents consistent with this memo.



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**To:** GSFA Board of Directors  
**From:** Greg Norton, Executive Director  
Craig Ferguson, Deputy Director  
**Date:** June 10, 2020  
**Re:** GSFA Resolution 20-06: Authorizing the Implementation of a Revolving Loan Fund to Support Short Term Loans for Member Counties - **ACTION**

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### **Summary**

On several occasions, GSFA Member Counties have requested of GSFA if any programs exist that would assist in providing financing to help cover the upfront costs associated with the delay in obtaining grants or other forms of funding from the State or other agencies.

While continuing to work on developing a feasible and larger funding source of outside private capital, GSFA is considering implementing a short-term loan program. GSFA intends to commit up to \$3MM into a revolving fund from its own existing set-aside resources to provide short term “gap” financing to Member Counties to alleviate up-front funding constraints and allow projects to be completed and/or completed in a timelier manner.

It is anticipated the GSFA revolving fund would allow for a maximum one time draw of \$250,000; a term of 6 months at a 0%-2% interest rate; and a guaranty in place from the source of the permanent financing.

The GSFA Executive Committee approved action at its May 20<sup>th</sup>, 2020 board meeting to recommend to the GSFA Board of Directors to authorize GSFA committing up to \$3MM in a revolving fund from its own existing set-aside resources to develop a program to provide short term financing to member counties.

### **Recommendation:**

Approve GSFA Resolution 20-06, which would:

- Authorize GSFA to utilize up to \$3MM of internal GSFA resources in a revolving fund to develop a program to provide short term financing to member counties to

help cover the upfront costs associated with the delay in obtaining grants or other forms of funding from the State or other agencies.

- Authorize the Executive Director or designee to establish loan financing program terms and approve program contracts and implementing documents consistent with this memo.

## **GSFA RESOLUTION NO. 20-06**

### **RESOLUTION OF THE BOARD OF DIRECTORS OF THE GOLDEN STATE FINANCE AUTHORITY AUTHORIZING THE IMPLEMENTATION OF A REVOLVING LOAN FUND TO SUPPORT SHORT TERM LOANS FOR MEMBER COUNTIES**

WHEREAS, the Golden State Finance Authority (the “Authority”) is a joint powers authority, created under California law, and is authorized to finance the construction, acquisition, improvement, preservation, and rehabilitation of real property and infrastructure in furtherance of the public functions of its member counties; and

WHEREAS, the Authority is further empowered to establish and operate programs and projects to promote public safety, economic development, and environmental protection; and

WHEREAS, the Authority is authorized to exercise the common powers of the Members and exercise all additional powers given to a joint powers entity under any of the laws of the State of California for the foregoing purposes, including the power to make advances of public funds (Government Code section 6504), and to make secured or unsecured loans to any local agency in connection with the financing of capital improvement projects, working capital or insurance programs in accordance with an agreement between the authority and the local agency (Government Code section 6588); and

WHEREAS, few if any programs currently exist that would assist in providing financing to help member counties cover the upfront costs associated with the delay in obtaining payment under grants or other forms of funding from the State or other public agencies; and

WHEREAS, promoting infrastructure project development and economic development is an essential governmental function of the Authority's member counties; and

WHEREAS, to assist member counties in exercising the foregoing essential governmental function, the Authority finds it desirable to implement a revolving loan fund to provide short term financing to member counties with approved grants to alleviate up-front funding constraints and allow projects to be completed and/or completed in a timelier manner; and

WHEREAS, the Authority desires to commit up to \$3MM into a revolving fund from its own existing set-aside resources to develop and implement the revolving loan fund.

NOW, THEREFORE, BE IT RESOLVED BY THE Board of the Authority as follows:

1. GSFA is authorized to offer the revolving loan program to member counties as set forth in this resolution and the accompanying memo.
2. GSFA is authorized to utilize up to \$3MM of internal GSFA resources in a revolving fund to provide short term financing to member counties with approved grants to alleviate up-front funding constraints associated with delayed payment thereunder.

3. The Executive Director or designee is authorized to establish revolving loan program terms and approve program contracts and implementing documents consistent with this resolution.

PASSED APPROVED AND ADOPTED by the Board of Golden State Finance Authority, the 17th day of June 2020, by the following vote:

**AYES:**

**NOES:**

**ABSENT:**

**ABSTAIN:**

Golden State Finance Authority

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2020 Chair of the Board

I certify that the foregoing resolution is a true and accurate copy of GSFA Resolution No. 20-06, approved by the governing board of the Golden State Finance Authority on June 17, 2020 in Sacramento, California.

Date: June 17, 2020

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Assistant Secretary



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**To:** GSFA Board of Directors  
**From:** Craig Ferguson, Deputy Director  
**Date:** June 10, 2020  
**Re:** GSFA Resolution 20-07: Acceptance of GSFA Associate Members -  
**ACTION**

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**Summary**

As required per the Golden State Finance Authority (GSFA) JPA Agreement, GSFA Resolution 20-07 is to approve the acceptance of current associate members.

This resolution ratifies all current GSFA associate members and restates the process by which new GSFA associate members are accepted by the Authority. Resolution 20-07 is presented to the GSFA Board of Directors as part of the annual process regarding associate members of GSFA.

The GSFA Joint Exercise of Powers Agreement allows associate members to be added to GSFA “pursuant to action by the Board upon such terms and conditions, and with such rights, privileges and responsibilities, as may be established from time to time by the Board.” GSFA Resolution 20-07 allows the GSFA Board to fulfill all Board responsibilities of governance required in the Joint Exercise of Powers Agreement by documenting the process by which the Authority accepts associate members.

This resolution also authorizes the Executive Director to approve or deny associate members to join GSFA under additional specific terms and conditions so long as these terms and conditions are not inconsistent with the terms and conditions of the JPA Agreement that allow them to join GSFA.

The current list of GSFA members and associate members (attached) is provided for the Board of Directors’ ratification. Currently GSFA membership includes thirty-five regular member counties. Additionally, GSFA membership includes twenty-one associate member counties, two hundred fifty-nine associate member cities and one associate member joint powers authority.

Updates will be provided at future GSFA Board of Directors meetings on the status of membership and associate membership as appropriate.

**Recommendations**

It is recommended that the GSFA Board of Directors:

1. Review, Approve, and Adopt GSFA Resolution 20-07;
2. Ratify the current list of member counties and associate members per the attached list.

**Attachments**

- GSFA Resolution 20-07
- GSFA Member and Associate Member List

## **GSFA RESOLUTION NO. 20-07**

### **A RESOLUTION OF THE BOARD OF DIRECTORS OF GOLDEN STATE FINANCE AUTHORITY REGARDING THE ACCEPTANCE OF ASSOCIATE MEMBERS AND APPROVING OTHER RELATED ACTIONS IN CONNECTION THEREWITH**

WHEREAS, counties, cities and other specified entities are permitted to join, for the express purpose of the joint exercise of the powers of said counties, cities and entities, agencies created by a joint powers agreement entered into by pursuant to Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California; and

WHEREAS, Chapters 1-5 of Part 5 of Division 31 of the Health and Safety Code of the State of California (the "Act") authorize joint powers agencies established by cities and counties to incur indebtedness for the purpose of financing activities authorized by the Act, and the Act provides a complete additional and alternative method for doing the things authorized thereby; and

WHEREAS, numerous rural counties in the State of California have agreed, and additional counties, cities and joint powers agencies may agree, pursuant to the provisions of the Government Code referenced above, to cooperate and participate in a financing program and have entered into a Joint Exercise of Power Agreement, dated as of August 14, 2019 as amended (the "Agreement"), creating the Golden State Finance Authority (the "Authority") and authorizing the Authority to exercise its powers pursuant to the Act for the purpose of authorized financing, as well as participate in other authorized programs; and

WHEREAS, the Agreement provides that Associate Members may be added to the Authority upon the affirmative approval of their respective governing boards and pursuant to action by the Authority's Board upon such terms and conditions, and with such rights, privileges, and responsibilities, as may be established from time to time by the Board; and

WHEREAS, the Authority desires to ratify all current associate members and to clarify the terms by which new associate members may be added.

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

Section 1. Recitals. All of the above recitals are true and correct, and the Authority so finds and determines.

Section 2. Acceptance and Ratification of Associate Members. The Authority hereby ratifies the appointment of all of its current associate members, as shown on Exhibit A, which is attached hereto and incorporated herein by this reference.

Section 3. New Associate Members. The Authority authorizes the Executive Director to approve or deny any entity that desires to become an associate member, provided that any condition agreed upon with respect to proposed new associate members is not inconsistent with any other term and condition specified in the Agreement. At the first available Authority Board Meeting and at least annually after an associate member's governing board has taken action to become an associate member, the Executive Director shall notify the Authority of the new associate member.

Section 4. Effective Date. This Resolution shall take effect immediately upon its adoption.

PASSED APPROVED AND ADOPTED by the Board of the Golden State Finance Authority, the 17th day of June 2020.

GOLDEN STATE FINANCE AUTHORITY

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2020 GSFA Chair of the Board

I certify that the foregoing resolution is a true and accurate copy of GSFA Resolution 20-07 approved by the governing board of the Golden State Finance Authority on June 17<sup>th</sup>, 2020 in Sacramento, California.

Date:6/17/2020

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Assistant Secretary



Golden State Finance Authority (GSFA)  
1215 K Street, Suite 1650 · Sacramento, California 95814  
Phone: (855) 740-8422 · Fax: (916) 444-3219 · [www.gsfa-home.org](http://www.gsfa-home.org)

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## MEMBERS

Alpine County	Lassen County	San Luis Obispo County
Amador County	Madera County	Shasta County
Butte County	Mariposa County	Sierra County
Calaveras County	Mendocino County	Siskiyou County
Colusa County	Merced County	Sutter County
Del Norte County	Modoc County	Tehama County
El Dorado County	Mono County	Trinity County
Glenn County	Napa County	Tulare County
Humboldt County	Nevada County	Tuolumne County
Imperial County	Placer County	Yolo County
Inyo County	Plumas County	Yuba County
Lake County	San Benito County	

## ASSOCIATE MEMBERS

Alameda County	Orange County	San Mateo County
Contra Costa County	Riverside County	Santa Barbara County
Fresno County	Sacramento County	Santa Cruz County
Kern County	San Bernardino County	Solano County
Kings County	San Diego County	Sonoma County
Marin County	San Francisco County	Stanislaus County
Monterey County	San Joaquin County	Ventura County

## ASSOCIATE MEMBER JOINT POWERS AUTHORITY (JPA)

Independent Cities Finance Authority (ICFA)

## ASSOCIATE MEMBER CITIES

Adelanto (San Bernardino County)	Arcata (Humboldt County)
Alameda (Alameda County)	Atwater (Merced County)
Aliso Viejo (Orange County)	Avenal (Kings County)
Alturas (Modoc County)	Azusa (Los Angeles County)
American Canyon (Napa County)	Bakersfield (Kern County)
Anaheim (Orange County)	Baldwin Park (Los Angeles County)
Angels Camp (Calaveras County)	Beaumont (Riverside County)
Antioch (Contra Costa County)	Bell (Los Angeles County)
Apple Valley (San Bernardino County)	Bellflower (Los Angeles County)

### ASSOCIATE MEMBER CITIES (continued)

Belmont (San Mateo County)	El Monte (Los Angeles County)
Belvedere (Marin County)	El Segundo (Los Angeles County)
Benicia (Solano County)	Elk Grove (Sacramento County)
Berkeley (Alameda County)	Encinitas (San Diego County)
Blue Lake (Humboldt County)	Escondido (San Diego County)
Blythe (Riverside County)	Eureka (Humboldt County)
Brea (Orange County)	Fairfax (Marin County)
Brentwood (Contra Costa County)	Fairfield (Solano County)
Brisbane (San Mateo County)	Farmersville (Tulare County)
Buena Park (Orange County)	Ferndale (Humboldt County)
Burlingame (San Mateo County)	Firebaugh (Fresno County)
Calabasas (Los Angeles County)	Folsom (Sacramento County)
Calexico (Imperial County)	Fontana (San Bernardino County)
Camarillo (Ventura County)	Fort Bragg (Mendocino County)
Campbell (Santa Clara County)	Fortuna (Humboldt County)
Carlsbad (San Diego County)	Foster City (San Mateo County)
Carson (Los Angeles County)	Fountain Valley (Orange County)
Cathedral City (Riverside County)	Fowler (Fresno County)
Ceres (Stanislaus County)	Fremont (Alameda County)
Chico (Butte County)	Fresno (Fresno County)
Chino (San Bernardino County)	Galt (Sacramento County)
Chula Vista (San Diego County)	Garden Grove (Orange County)
Citrus Heights (Sacramento County)	Gardena (Los Angeles County)
Claremont (Los Angeles County)	Gilroy (Santa Clara County)
Clovis (Fresno County)	Glendale (Los Angeles County)
Coachella (Riverside County)	Glendora (Los Angeles County)
Coalinga (Fresno County)	Grover Beach (San Luis Obispo County)
Colma (San Mateo County)	Gustine (Merced County)
Colton (San Bernardino County)	Hanford (Kings County)
Compton (Los Angeles County)	Hawthorne (Los Angeles County)
Concord (Contra Costa County)	Hayward (Alameda County)
Corcoran (Kings County)	Hesperia (San Bernardino County)
Corning (Tehama County)	Highland (San Bernardino County)
Corona (Riverside County)	Hughson (Stanislaus County)
Coronado (San Diego County)	Huntington Beach (Orange County)
Costa Mesa (Orange County)	Huntington Park (Los Angeles County)
Crescent City (Del Norte County)	Huron (Fresno County)
Cudahy (Los Angeles County)	Imperial Beach (San Diego County)
Cupertino (Santa Clara County)	Indian Wells (Riverside County)
Danville (Contra Costa County)	Indio (Riverside County)
Del Mar (San Diego County)	Inglewood (Los Angeles County)
Dinuba (Tulare County)	Ione (Amador County)
Dixon (Solano County)	Irwindale (Los Angeles County)
Dos Palos (Merced County)	Jackson (Amador County)
Duarte (Los Angeles County)	Kingsburg (Fresno County)
Dublin (Alameda County)	La Habra (Orange County)
Dunsmuir (Siskiyou County)	La Mesa (San Diego County)
El Cajon (San Diego County)	La Mirada (Los Angeles County)
El Cerrito (Contra Costa County)	La Puente (Los Angeles County)

### ASSOCIATE MEMBER CITIES (continued)

La Quinta (Riverside County)	Paradise (Butte County)
Lafayette (Contra Costa County)	Paramount (Los Angeles County)
Laguna Beach (Orange County)	Petaluma (Sonoma County)
Lake Forest (Orange County)	Pinole (Contra Costa County)
Lakewood (Los Angeles County)	Pismo Beach (San Luis Obispo County)
Lancaster (Los Angeles County)	Pittsburg (Contra Costa County)
Larkspur (Marin County)	Placerville (El Dorado County)
Lathrop (San Joaquin County)	Pleasant Hill (Contra Costa County)
Lemon Grove (San Diego County)	Pleasanton (Alameda County)
Lemoore (Kings County)	Plymouth (Amador County)
Livingston (Merced County)	Point Arena (Mendocino County)
Lomita (Los Angeles County)	Porterville (Tulare County)
Long Beach (Los Angeles County)	Poway (San Diego County)
Los Angeles (Los Angeles County)	Rancho Cordova (Sacramento County)
Los Banos (Merced County)	Rancho Cucamonga (San Bernardino County)
Lynwood (Los Angeles County)	Rancho Mirage (Riverside County)
Madera (Madera County)	Redding (Shasta County)
Malibu (Los Angeles County)	Redondo Beach (Los Angeles County)
Mammoth Lakes (Mono County)	Redwood City (San Mateo County)
Manhattan Beach (Los Angeles County)	Reedley (Fresno County)
Manteca (San Joaquin County)	Rialto (San Bernardino County)
Martinez (Contra Costa County)	Richmond (Contra Costa County)
Mill Valley (Marin County)	Rio Dell (Humboldt County)
Milpitas (Santa Clara County)	Riverbank (Stanislaus County)
Mission Viejo (Orange County)	Riverside (Riverside County)
Montebello (Los Angeles County)	Rolling Hills Estates (Los Angeles County)
Montclair (San Bernardino County)	Sacramento (Sacramento County)
Moorpark (Ventura County)	Salinas (Monterey County)
Moreno Valley (Riverside County)	San Anselmo (Marin County)
Morgan Hill (Santa Clara County)	San Bernardino (San Bernardino County)
Morro Bay (San Luis Obispo County)	San Diego (San Diego County)
Mount Shasta (Siskiyou County)	San Fernando (Los Angeles County)
Napa (Napa County)	San Francisco (San Francisco County)
National City (San Diego County)	San Jacinto (Riverside County)
Nevada (Nevada County)	San Jose (Santa Clara County)
Newark (Alameda County)	San Leandro (Alameda County)
Newport Beach (Orange County)	San Luis Obispo (San Luis Obispo County)
Norwalk (Los Angeles County)	San Marino (Los Angeles County)
Novato (Marin County)	San Mateo (San Mateo County)
Oakland (Alameda County)	San Rafael (Marin County)
Oakley (Contra Costa County)	San Ramon (Contra Costa County)
Oceanside (San Diego County)	Sanger (Fresno County)
Orland (Glenn County)	Santa Ana (Orange County)
Oroville (Butte)	Santa Clara (Santa Clara County)
Oxnard (Ventura County)	Santa Cruz (Santa Cruz County)
Pacifica (San Mateo County)	Santa Fe Springs (Los Angeles County)
Palm Desert (Riverside County)	Santa Monica (Los Angeles County)
Palm Springs (Riverside County)	Santee (San Diego County)
Palmdale (Los Angeles County)	Sausalito (Marin County)



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### **ASSOCIATE MEMBER CITIES (continued)**

Seaside (Monterey County)  
Sebastopol (Sonoma County)  
Selma (Fresno County)  
Shasta Lake (Shasta County)  
Simi Valley (Ventura County)  
Solana Beach (San Diego County)  
South Gate (Los Angeles County)  
South Lake Tahoe (El Dorado County)  
South San Francisco (San Mateo County)  
Stanton (Orange County)  
Stockton (San Joaquin County)  
Suisun City (Solano County)  
Taft (Kern County)  
Tehama (Tehama County)  
Thousand Oaks (Ventura County)  
Tiburon (Marin County)  
Torrance (Los Angeles County)  
Tracy (San Joaquin County)  
Trinidad (Humboldt County)  
Truckee (Nevada County)  
Tustin (Orange County)  
Twentynine Palms (San Bernardino County)  
Ukiah (Mendocino County)

Union City (Alameda County)  
Upland (San Bernardino County)  
Vacaville (Solano County)  
Vallejo (Solano County)  
Ventura (Ventura County)  
Victorville (San Bernardino County)  
Vista (San Diego County)  
Walnut (Los Angeles County)  
Walnut Creek (Contra Costa County)  
Waterford (Stanislaus County)  
Watsonville (Santa Cruz County)  
Weed (Siskiyou County)  
West Covina (Los Angeles County)  
West Hollywood (Los Angeles County)  
West Sacramento (Yolo County)  
Westminster (Orange County)  
Williams (Colusa County)  
Willits (Mendocino County)  
Willows (Glenn County)  
Yreka (Siskiyou County)  
Yucca Valley (San Bernardino County)  
Yucaipa (San Bernardino County)



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**To:** GSFA Board of Directors

**From:** Barbara Hayes, RCRC Chief Economic Development Officer

**Date:** June 10, 2020

**Re:** Community Development Block Grant (CDBG) Program Update –  
**Informational Item**

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**Summary**

The California Department of Housing and Community Development (HCD) announced the availability of \$18.7 million in Coronavirus Aid, Relief, and Economic Security (CARES) Act funding to non-entitlement communities to address the coronavirus (COVID-19) pandemic. This memo provides a summary of process and requirements to apply for these funds.

**Background**

HCD receives funding from the United States Department of Housing and Urban Development (HUD) for the CDBG Program and allocates funds to CDBG eligible non-entitlement jurisdictions. Approximately \$18.7 million in new CDBG coronavirus response round 1 (CDBG-CV1) federal funds will be allocated to eligible jurisdictions to perform eligible activities related to COVID-19 response and recovery, targeted to prevent, prepare for, and respond to coronavirus.

In April, RCRC responded to the draft Distribution Plan for CDBG CARES Act Funds and supported the amendments that created an expedited and more efficient method of delivery for the CDBG-CV, Emergency Solutions Grant (ESG-CV), and Housing Opportunities for Persons with Aids (HOPWA-CV) programs (attached). The changes are needed in light of the urgency of the situation and to quickly get funds out the door to local governments.

RCRC requested that a more balanced allocation methodology be developed that takes into consideration the state mandates imposed on county governments to implement public health and emergency response programs. The CDBG formula suggested by HCD, however, was not designed to allocate funds in a public health emergency but rather is based on low-to-moderate housing and community development conditions.

HCD released the Notice of Funding Availability (NOFA) on June 5, 2020. The NOFA outlines the application process, activities eligible for funding, and the allocation for each jurisdiction. Applications will be accepted between June 8 and August 31, 2020. Applications will be accepted online only.

### **Issue**

One of the elements of the draft Distribution Plan that RCRC supported was the elimination of the requirement for submission and approval of the Housing Element (HE). Unfortunately, this NOFA continues to make it a requirement, despite concerns that it will disadvantage some very vulnerable jurisdictions. There are four counties and thirteen cities that are currently ineligible until their housing element issues are resolved. RCRC encourages those jurisdictions to engage with HCD immediately to see what can be worked through in regard to the HE to meet the NOFA requirements. HCD will work with jurisdictions to achieve compliance within the confines of the statute. For additional assistance, contact Paul McDougall at [paul.mcdougall@hcd.ca.gov](mailto:paul.mcdougall@hcd.ca.gov).

The following is a summary of some of the key components of the CDBG-CV1 program. The NOFA explains that eligible activities include:

- Public services related to COVID-19 support.
- Facility improvements related to COVID-19 healthcare and homeless housing needs.
- Acquisition of real property to be used for the treatment or recovery of infectious diseases in response to COVID-19.
- Assistance to businesses and microenterprises impacted by COVID-19 stay-at-home orders and shut-downs.

Applicants can apply for a total of three (3) Activities with the total request not exceeding the allocation amount in the NOFA Appendix A. Each activity will require a separate stand-alone application with a complete budget, National Objective, scope of work, and milestone timeline. There will be no “combo” Activities or applications accepted in this NOFA cycle.

HUD provided a waiver for the 15 percent cap for public services that are in response to COVID-19. HCD strongly encourages jurisdictions to use that waiver for public services with this funding. In addition, HCD is still working on an exemption for the 50% expenditure rule and expects it to be approved.

Applications will be reviewed and awarded as received. For the complete application process and requirements refer to the NOFA. The following outlines some of the key elements of this program:

- The application must be complete and accurate and meet federal CDBG eligibility requirements. Applicants may be asked to make changes to their Activities to meet eligibility requirements.
- Costs incurred in COVID-19 response prior to allocation may be eligible for reimbursement as per the CARES Act. Applicants will be required to identify

pre-agreement costs as part of the application budget, or these costs will not be eligible for reimbursement.

- Applicants must meet the CDBG abbreviated noticing and public information requirements for this program.
- Grantees will be allowed to use a total of 17 percent of their allocation for program administration costs.
- Activities funded under this NOFA will have a 12-month expenditure period.
- For a jurisdiction to be eligible, HCD must determine the Housing Element is in compliance with the guidelines adopted by HCD.
- Applicants must submit their approved governing body resolution prior to the Department's execution of a Standard Agreement. To reduce delays in the application review, award, and contracting processes, HCD has provided a sample resolution.

HCD will be conducting a workshop webinar on June 24 explaining the over-the-counter (OTC) application process and what activities are eligible for funding.

### **Staff Recommendation**

Information only.

### **Attachments**

- RCRC Comments on the draft Distribution Plan for CDBG CARES Act Funds (dated April 21, 2020)
- NOFA Appendix A, List of Allocations



April 21, 2020

Mr. Gustavo Velasquez  
Director  
California Department of Housing & Community  
Development  
2020 West El Camino Avenue  
Sacramento, CA 95833

**RE: Public Comment on Distribution Plan for CDBG CARES Act Funds, and Expedited Allocation of FY 2019-2020 CDBG Economic Development Funds for Non-Entitlement Communities**

Dear Director Velasquez:

On behalf of the Rural County Representatives of California (RCRC), I am writing to express our appreciation for the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) Amendments to the 2015-2020 Consolidated Plan and 2019-2020 Annual Action Plan. RCRC is an association of thirty-seven rural California counties, and the RCRC Board of Directors is comprised of elected supervisors from those member counties.

The CARES Act identified additional funding for several of the state's Department of Housing and Community Development (HCD) programs, including the Community Development Block Grant (CDBG) program, to support prevention, preparation for, and response to the community impacts of the COVID-19 pandemic. Jurisdictions could use the funds for activities directly related to COVID-19 response, including public services, public facilities, and economic development as approved activities. HCD will receive \$19,331,744 in additional funding via the CDBG-CARES ACT (CDBG-CV) to be deployed in the state's non-entitlement jurisdictions. The 2015-2020 Consolidated Plan and the 2019-2020 Annual Action Plan (AP) are being amended to incorporate the additional funding and to provide quick access to and deployment of the funding necessary to address the immediate crisis resulting from the COVID-19 pandemic.

RCRC supports the amendments that create an expedited and more efficient method of delivery for the CDBG-CV, Emergency Solutions Grant (ESG-CV), and Housing Opportunities for Persons with Aids (HOPWA-CV) programs. HCD's traditional process is lengthy and not conducive to distributing these funds quickly. These changes

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are needed in light of the urgency of the situation and to quickly get funds out the door to local governments. RCRC supports the following proposed amendments to help our jurisdictions access these funds for their emergency public health needs during this challenging time:

- Formulaic allocation to jurisdictions rather than a competitive application process.
- Removal of the CDBG public services cap.
- Waiver of the traditional CDBG set-aside requirements.
- Creation of a streamlined application process for accessing funds.
- Waiver of the traditional 50 percent rule.
- Elimination of the requirement for submission and approval of the Housing Element.
- Allowance of 17 percent for local administration costs.
- Making costs incurred prior to allocation of funds eligible for reimbursement

RCRC also supports the effort to accelerate the allocation of FY 2019 and FY 2020 CDBG Economic Development funds through an over-the-counter process, and encourages the HCD to facilitate access by local agencies to these funds by:

- Streamlining the application process to reduce administrative burdens on local agencies.
- Offering webinars, technical assistance, and ensuring the availability of knowledgeable staff to assist communities attempting to complete applications.
- Providing a quick turnaround on approved applications to ensure expedited access to funding.

While RCRC supports your efforts to streamline distribution of funds, we request that you develop a more balanced allocation methodology that takes into consideration the state mandates imposed on county governments to implement public health and emergency response programs. The CDBG formula suggested was not designed to allocate funds in a public health emergency but rather is based on low-to-moderate housing and community development conditions. Given the reality of the unprecedented resources counties need for COVID-19 response, we respectfully ask that modify the use of the traditional CDBG formula to better reflect the needs of counties.

Counties are at the front lines of California's response to COVID-19, from public health departments leading the community health response to those that assist and maintain our state's social safety net. As a result, it is vital that these CARES Act COVID-19 funds are allocated based on direct service responsibilities for local pandemic response. The California safety net system is almost entirely delivered by counties and is under immense strain as we take all measures to support those impacted by COVID-19. Federal funds are critical to keeping our safety net in place and stable during this public health crisis.

Mr. Gustavo Velasquez

April 21, 2020

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We strongly support the proposed plan amendments that allow California's non-entitlement communities to access this relief as quickly as possible. While we suggest modifying the allocations to better reflect costs to counties, we are not interested in any lengthy delays in implementing these changes or deploying these funds. We are hopeful that you recognize that health and human services functions are delivered predominately by counties as you finalize these programmatic changes.

If I can be of assistance to expedite the approval of these documents, please do not hesitate to contact me at [jkennedy@rcrcnet.org](mailto:jkennedy@rcrcnet.org) or (916) 447-4806.

Sincerely,

A handwritten signature in blue ink that reads "John Kennedy". The signature is fluid and cursive, with the first name "John" and the last name "Kennedy" clearly legible.

JOHN KENNEDY  
Legislative Advocate

**DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT  
DIVISION OF FINANCIAL ASSISTANCE**

2020 W. El Camino Avenue, Suite 670  
Sacramento, CA 95833  
(916) 263-2771  
[www.hcd.ca.gov](http://www.hcd.ca.gov)



June 5, 2020

**MEMORANDUM FOR:** All Potential Applicants

**FROM:** Jennifer Seeger, Acting Deputy Director  
Division of Financial Assistance

A handwritten signature in blue ink, reading "Jennifer Seeger".

**SUBJECT:** Community Development Block Grant Program –  
Coronavirus Response Round 1 (CDBG-CV1)  
Notice of Funding Availability

The California Department of Housing and Community Development (Department) is pleased to announce the availability of approximately \$18.7 million in new federal funds for the Community Development Block Grant Coronavirus Response Round 1 (CDBG-CV1) funding for local assistance. Funding for this Notice of Funding Availability (NOFA) is made available pursuant to the Coronavirus Aid, Relief, and Economic Security (CARES) Act signed into law March 27, 2020.

The Department will be accepting applications through the Grants Network portal beginning June 8, 2020. Applications and required documentation must be received by the Department no later than **Monday, August 31, 2020, 5:00 p.m. Pacific Daylight Time.** **Any applications received after this time will not be accepted.**

Applications will be reviewed and awarded as received. Applicants must submit their approved governing body resolution prior to the Department's execution of a Standard Agreement. The Department will not execute agreements without an approved governing body resolution that is acceptable to the Department. In the event that the CDBG-CV1 funds are not fully awarded by the application closing date, the Department will either allocate additional funding to active contracts that have met performance and timeliness milestones, or it will roll unawarded funds into subsequent rounds of CARES Act funding as appropriate and available.

Applicants are encouraged to set-up their profiles in the Grants Network portal located at <https://portal.ecivis.com/#/login> as early as possible. Profile set-up instructions can be found in the Grants Network portal, external user manual on the CDBG webpage at <https://www.hcd.ca.gov/grants-funding/active-funding/cdbbg.shtml>.

Applicants are encouraged to begin the application process early to ensure successful submission before the application deadline. If you have any trouble logging into the portal or have questions on how to complete the online application, please contact the CDBG staff at [cdbg@hcd.ca.gov](mailto:cdbg@hcd.ca.gov) and make sure to include CDBG-CV1 in the subject line of your message.

To receive CDBG-CV1 NOFA FAQs, notice of the NOFA webinar, and other program information and updates, please subscribe to the CDBG listserv at [https://www.hcd.ca.gov/HCD\\_SSI/subscribe-form.html](https://www.hcd.ca.gov/HCD_SSI/subscribe-form.html). For questions or assistance, please email [cdbgnofa@hcd.ca.gov](mailto:cdbgnofa@hcd.ca.gov).

Attachment



## **JURISDICTION ALLOCATIONS**

Housing Element Eligibility status is as of June 1, 2020. This is a static list. Ineligible jurisdictions are encouraged to resolve Housing Element issues as early to be able to participate in the CDBG-CV1 funding. Eligible jurisdictions that fail to meet Housing Element timelines may be ineligible at application. For additional information and assistance, please contact Paul McDougall at [paul.mcdougall@hcd.ca.gov](mailto:paul.mcdougall@hcd.ca.gov).

Jurisdiction Low-Mod Income percentages are based on HUD's 2020 Area Benefit instructions.

<b>Jurisdiction</b>	<b>CDBG-CV1 Allocation</b>	<b>Jurisdiction-Wide % Low-Mod Income</b>	<b>Housing Element Eligibility</b>
Alpine County	\$56,890	39.82%	Currently Ineligible
Alturas	\$66,337	48.47%	Eligible
Amador City	\$55,037	46.67%	Currently Ineligible
Amador County	\$112,462	38.76%	Eligible
American Canyon	\$98,383	33.80%	Eligible
Anderson	\$86,899	61.16%	Currently Ineligible
Angels	\$68,004	43.94%	Eligible
Arcata	\$147,657	67.47%	Eligible
Artesia	\$113,758	53.95%	Eligible
Arvin	\$116,166	66.80%	Eligible
Atwater	\$132,653	49.81%	Eligible
Auburn	\$100,421	43.22%	Eligible
Avenal	\$87,639	74.18%	Eligible
Benicia	\$118,575	23.60%	Eligible
Biggs	\$59,113	58.07%	Eligible
Bishop	\$70,042	49.67%	Eligible
Blue Lake	\$57,075	39.69%	Currently Ineligible
Brawley	\$126,725	52.15%	Eligible
Butte County	\$279,919	45.99%	Eligible
Calaveras County	\$173,220	41.57%	Eligible
Calexico	\$170,998	51.68%	Eligible
Calimesa	\$74,302	38.19%	Eligible
Calipatria	\$64,484	57.63%	Eligible
Calistoga	\$71,338	54.19%	Eligible
Capitola	\$88,010	52.78%	Eligible
Carmel-by-the-Sea	\$68,560	28.46%	Eligible
Chowchilla	\$92,456	61.49%	Currently Ineligible
Clearlake	\$122,279	71.16%	Eligible
Coalinga	\$86,343	40.56%	Eligible
Colfax	\$60,224	56.79%	Eligible
Colusa	\$71,894	47.70%	Eligible
Colusa County	\$69,856	38.92%	Eligible
Corcoran	\$95,420	67.17%	Eligible
Corning	\$77,451	66.47%	Eligible
Crescent City	\$67,634	62.71%	Eligible

<b>Jurisdiction</b>	<b>CDBG-CV1 Allocation</b>	<b>Jurisdiction-Wide % Low-Mod Income</b>	<b>Housing Element Eligibility</b>
Del Norte County	\$118,019	45.60%	Eligible
Dinuba	\$124,317	60.81%	Eligible
Dixon	\$96,716	38.99%	Eligible
Dorris	\$55,593	72.58%	Eligible
Dos Palos	\$69,301	65.38%	Currently Ineligible
Dunsmuir	\$60,224	62.58%	Eligible
El Dorado County	\$403,103	34.73%	Eligible
Etna	\$56,149	68.57%	Eligible
Eureka	\$157,290	50.52%	Eligible
Exeter	\$81,897	54.96%	Eligible
Farmersville	\$82,268	59.18%	Eligible
Ferndale	\$59,483	34.69%	Eligible
Firebaugh	\$79,859	61.04%	Eligible
Fort Bragg	\$89,492	52.65%	Eligible
Fort Jones	\$57,816	47.96%	Eligible
Fortuna	\$90,974	49.51%	Eligible
Fowler	\$67,819	49.83%	Eligible
Glenn County	\$89,492	48.08%	Eligible
Grass Valley	\$113,573	65.31%	Eligible
Greenfield	\$117,278	64.77%	Eligible
Gridley	\$77,451	45.79%	Eligible
Grover Beach	\$101,532	53.61%	Eligible
Guadalupe	\$84,676	69.04%	Eligible
Gustine	\$61,521	46.42%	Eligible
Hidden Hills	\$59,668	18.33%	Eligible
Hollister	\$151,177	45.57%	Eligible
Holtville	\$69,115	59.48%	Eligible
Humboldt County	\$289,181	46.58%	Eligible
Huron	\$83,379	70.69%	Eligible
Imperial	\$76,525	20.91%	Eligible
Imperial County	\$145,805	48.54%	Eligible
Indian Wells	\$74,302	23.11%	Eligible
Industry	\$54,815	65.85%	Eligible
Inyo County	\$86,899	41.44%	Eligible
lone	\$63,003	38.75%	Eligible
Jackson	\$73,191	49.71%	Eligible
King City	\$112,462	68.41%	Eligible
Kings County	\$137,099	46.93%	Eligible
Lake County	\$202,859	51.44%	Currently Ineligible
Lakeport	\$66,337	41.50%	Currently Ineligible
Lassen County	\$85,417	38.47%	Eligible
Lemoore	\$121,724	41.05%	Eligible

<b>Jurisdiction</b>	<b>CDBG-CV1 Allocation</b>	<b>Jurisdiction-Wide % Low-Mod Income</b>	<b>Housing Element Eligibility</b>
Lincoln	\$170,442	33.27%	Eligible
Lindsay	\$98,198	67.17%	Eligible
Live Oak	\$75,043	55.17%	Eligible
Livingston	\$91,159	41.01%	Eligible
Loomis	\$68,375	24.55%	Eligible
Los Banos	\$157,845	52.59%	Eligible
Loyalton	\$56,519	55.81%	Currently Ineligible
Madera County	\$229,904	47.90%	Eligible
Mammoth Lakes	\$68,375	53.34%	Eligible
Maricopa	\$55,778	60.66%	Currently Ineligible
Marina	\$132,097	46.32%	Currently Ineligible
Mariposa County	\$107,645	38.31%	Eligible
Marysville	\$92,456	56.37%	Eligible
McFarland	\$94,493	75.01%	Eligible
Mendocino County	\$293,812	45.87%	Eligible
Merced County	\$261,024	51.54%	Eligible
Modoc County	\$63,929	48.50%	Currently Ineligible
Mono County	\$64,484	50.27%	Eligible
Montague	\$57,445	43.29%	Eligible
Mount Shasta	\$75,228	45.91%	Eligible
Napa County	\$120,057	41.84%	Eligible
Nevada City	\$65,966	48.00%	Eligible
Nevada County	\$257,134	39.32%	Eligible
Orange Cove	\$84,861	75.54%	Currently Ineligible
Orland	\$77,451	55.25%	Eligible
Oroville	\$114,870	55.20%	Eligible
Pacific Grove	\$99,495	23.93%	Eligible
Palos Verdes Estates	\$80,971	15.31%	Eligible
Parlier	\$111,906	71.45%	Eligible
Pismo Beach	\$83,379	43.06%	Eligible
Placer County	\$382,171	31.45%	Eligible
Placerville	\$92,826	55.93%	Eligible
Plumas County	\$101,532	41.09%	Eligible
Plymouth	\$56,334	55.42%	Eligible
Point Arena	\$56,334	53.85%	Eligible
Portola	\$63,003	59.34%	Eligible
Rancho Mirage	\$144,323	34.32%	Eligible
Red Bluff	\$103,941	58.69%	Eligible
Rio Dell	\$66,152	48.88%	Currently Ineligible
Rio Vista	\$80,600	43.80%	Eligible
Riverbank	\$102,273	35.70%	Eligible
San Benito County	\$101,532	45.98%	Eligible
San Joaquin	\$65,781	76.81%	Eligible

<b>Jurisdiction</b>	<b>CDBG-CV1 Allocation</b>	<b>Jurisdiction-Wide % Low-Mod Income</b>	<b>Housing Element Eligibility</b>
San Juan Bautista	\$63,558	51.56%	Eligible
San Juan Capistrano	\$198,413	51.84%	Eligible
Sand City	\$56,112	62.90%	Eligible
Sanger	\$129,689	47.09%	Eligible
Santa Cruz County	\$475,347	50.09%	Eligible
Scotts Valley	\$86,899	24.62%	Eligible
Shasta County	\$240,833	42.64%	Currently Ineligible
Shasta Lake	\$85,602	44.42%	Eligible
Sierra County	\$56,519	42.56%	Eligible
Siskiyou County	\$119,130	50.10%	Eligible
Solano County	\$107,460	39.35%	Eligible
Soledad	\$101,347	56.49%	Eligible
Sonora	\$76,525	54.59%	Eligible
South Lake Tahoe	\$138,951	59.15%	Eligible
St. Helena	\$74,487	36.53%	Eligible
Suisun City	\$129,689	41.31%	Eligible
Susanville	\$78,007	42.62%	Eligible
Sutter County	\$97,457	40.84%	Eligible
Sutter Creek	\$65,781	50.48%	Eligible
Taft	\$75,784	45.35%	Eligible
Tehama	\$54,815	47.56%	Currently Ineligible
Tehama County	\$156,586	47.18%	Eligible
Trinidad	\$55,222	27.27%	Eligible
Trinity County	\$101,903	48.72%	Eligible
Truckee	\$87,639	27.72%	Eligible
Tulare County	\$490,166	53.64%	Eligible
Tulelake	\$57,260	63.50%	Eligible
Tuolumne County	\$203,229	38.07%	Eligible
Ukiah	\$108,757	49.25%	Eligible
Vernon	\$54,630	75.00%	Eligible
Wasco	\$113,573	57.01%	Eligible
Weed	\$64,114	65.41%	Eligible
Westmorland	\$60,780	77.14%	Eligible
Wheatland	\$60,224	30.21%	Eligible
Williams	\$67,634	36.54%	Eligible
Willits	\$77,266	55.82%	Eligible
Willows	\$78,377	44.56%	Eligible
Winters	\$74,302	40.32%	Eligible
Woodlake	\$75,228	62.74%	Currently Ineligible
Yolo County	\$114,499	50.42%	Eligible
Yountville	\$67,819	44.71%	Eligible
Yreka	\$85,417	59.78%	Eligible
Yuba County	\$228,607	45.13%	Eligible

Local Assistance Total	\$17,579,805
Non-Federal Tribe 1.25%	\$234,397
Colonia 5%	\$937,590
<b>Total Local Assistance</b>	<b>\$18,751,792</b>
State of California Operations	\$579,952
<b>Program Total</b>	<b>\$19,331,744</b>