

**Golden State Finance
Authority (GSFA)
Executive Committee Meeting**



**Wednesday, November 18, 2020
12:30 P.M.**

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

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

November 18, 2020 – 12:30 p.m.

In accordance with Executive Orders N-25-20 and N-29-20, the November 18, 2020 GSFA Executive Committee meeting will be held virtually.

MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON

The November 18, 2020 GSFA Executive 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/97934848029?from=addon>

Enter Password: 542094

2. Call-in and listen to the meeting:

Dial +1 (669) 900-9128

Enter meeting ID: 979 3484 8029

Enter password: 542094

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 before or during the meeting. All emailed public comments will be forwarded to all GSFA Executive Committee 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 by 12:30 p.m. Tuesday, November 17th to ensure arrangements for accommodation.

Executive Committee Members:

Supervisor Kevin Cann, Mariposa County
Supervisor Daron McDaniel, Merced County
Supervisor Stacy Corless, Mono County
Supervisor Dan Miller, Nevada County
Supervisor Matt Kingsley, Inyo County

Supervisor Gerry Hemmingsen, Del Norte County
Supervisor Lee Adams, Sierra County
Supervisor Denise Carter, Colusa County
Supervisor Jack Garamendi, Calaveras County
Supervisor Bob Williams, Tehama County
Supervisor Kuyler Crocker, Tulare County

Agenda

I. Call to Order and Determination of Quorum

Chair, Supervisor Kevin Cann, Mariposa County

II. Approval of Minutes of the October 14, 2020 Meeting

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

- III. Approval of Minutes of the October 28, 2020 Special Meeting** **Page 4**
(Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise)
- IV. Public Comment**
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.
- V. Quarterly Reports for GSFA** (Discussion and possible action relative to)
Lisa McCargar, Chief Financial Officer
Milena De Melo, RCRC Controller
- a. GSFA Condensed Balance Sheet Report (September 30, 2020)** **Page 7**
b. GSFA Quarterly Investment Report (September 30, 2020) **Page 9**
c. GSFA Quarterly Budget Report (September 30, 2020) **Page 11**
- VI. Business and Administrative Matters** (Discussion and possible action relative to)
- a. GSFA 2021 Proposed Budget – ACTION** **Page 13**
Lisa McCargar
Milena De Melo
- VII. Program Updates** (Discussion and possible action relative to)
Craig Ferguson, Deputy Director
- VIII. Economic Development Updates** (Discussion and possible action relative to)
- a. Golden State Natural Resources Update**
Greg Norton, Executive Director
Barbara Hayes, RCRC Chief Economic Development Officer
- b. Broadband Update**
Craig Ferguson
Barbara Hayes
- IX. Adjournment**

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

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

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

October 14, 2020 – 11:00 a.m.

Executive Committee Members:

Supervisor Kevin Cann, Mariposa County
Supervisor Daron McDaniel, Merced County
Supervisor Stacy Corless, Mono County
Supervisor Dan Miller, Nevada County
Supervisor Matt Kingsley, Inyo County

Supervisor Gerry Hemmingsen, Del Norte County
Supervisor Lee Adams, Sierra County
Supervisor Denise Carter, Colusa County
Supervisor Jack Garamendi, Calaveras County
Supervisor Bob Williams, Tehama County
Supervisor Kuyler Crocker, Tulare County

Minutes

Call to Order and Determination of Quorum

Chair, Supervisor Kevin Cann, Mariposa County, called the meeting of the Golden State Finance Authority Executive Committee to order at 11:22 a.m. A quorum was determined at that time; those present were as follows:

| <u>Directors in Attendance</u> | <u>County</u> |
|---------------------------------------|----------------------|
| Jack Garamendi | Calaveras |
| Denise Carter | Colusa |
| Gerry Hemmingsen | Del Norte County |
| Matt Kingsley | Inyo |
| Kevin Cann | Mariposa |
| Daron McDaniel | Merced |
| Stacy Corless | Mono |
| Dan Miller | Nevada |
| Lee Adams | Sierra |
| Bob Williams | Tehama |
| Kuyler Crocker | Tulare |

Officers in Attendance

Greg Norton, Executive Director
Craig Ferguson, Deputy Director
Lisa McCargar, Chief Financial Officer

Others in Attendance

Paul A. Smith, RCRC Vice President Governmental Affairs
Barbara Hayes, RCRC Chief Economic Development Officer
Arthur Wylene, RCRC General Counsel
Milena De Melo, RCRC Controller
Maggie Chui, RCRC Governmental Affairs Coordinator

Mary-Ann Warmerdam, RCRC Senior Legislative Advocate
Staci Heaton, RCRC Senior Regulatory Affairs Advocate
Tracy Rhine, RCRC Legislative Advocate
Sarah Bolnik, RCRC Economic Development Officer
Terrance Rodgers, RCRC Economic Development Officer
Liz Jensen, RCRC Controller
Sanjay Lee, RCRC Financial Analyst

Approval of Minutes of the July 15, 2020 Meeting

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

Supervisor Bob Williams, Tehama County, motioned to approve the minutes of the July 15, 2020 GSFA Executive Committee Meeting. Supervisor Stacy Corless, Mono County, seconded the motion. Motion passed with a roll call.

AYE: Calaveras, Colusa, Del Norte, Inyo, Mariposa, Merced, Mono, Nevada, Sierra, Tehama, Tulare.

Nay: None

Abstain: None

Absent: None

Public Comment

None

Business and Administrative Matters

Release of Building Funds from Reserve Designation

Greg Norton, Executive Director and Milena De Melo, RCRC Controller noted that RCRC staff has transferred roughly \$8.79 million from the reserve designation to the GSFA general operations account. These funds were originally invested within CalTRUST after the sale of the building at 801 12th Street in Sacramento. As no restrictions were placed on the funds under the legal and accounting guidance staff has exercised their authority to move the funds and utilize in general operations without Executive Committee or Board approval.

Program Updates

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

Economic Development Update

Golden State Natural Resources Update

Greg Norton, Executive Director, provided an update on GSNR efforts. Mr. Norton noted GSNR's Board Meeting was held in Mariposa County on October 9, 2020 to discuss the purchase of first site for the project. The meeting included a presentation from current partners as to the scope of their services, including Claren Nilsson from Lost River Fire Management, Steve Roberts, Chris Amey and Chris Hart from Nexus

PMG and Steve Peterson and Brian Grattidge from Dudek. Additionally, Barbara Hayes noted that the team continues to work on site selection for future sites for the project.

GSFA Closed Session

The closed session of the Golden State Finance Authority Executive Committee commenced at 11:50 a.m.

Closed Session: Initiation of Litigation – Conference with Legal Counsel pursuant to Government Code section 54956.9 subdivision (d)(4). One case.

The closed session of the Golden State Finance Authority Executive Committee adjourned at 2:45 a.m.

Report of any Action taken under Item VI.b. Pursuant to Section 54957.1 of the Government Code.

Chair, Cann stated that Committee took no reportable action in closed session.

Matters Related to Federal Communication Commission Auction 904 – ACTION

Matter was continued to October 28th, 2020.

Adjournment

Supervisor Kevin Cann, Mariposa County, adjourned the meeting of the GSFA Executive Directors at 2:53 p.m.

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

October 28, 2020 – 10:30 a.m.

Executive Committee Members:

Supervisor Kevin Cann, Mariposa County
Supervisor Daron McDaniel, Merced County
Supervisor Stacy Corless, Mono County
Supervisor Dan Miller, Nevada County
Supervisor Matt Kingsley, Inyo County

Supervisor Gerry Hemmingsen, Del Norte County
Supervisor Lee Adams, Sierra County
Supervisor Denise Carter, Colusa County
Supervisor Jack Garamendi, Calaveras County
Supervisor Bob Williams, Tehama County
Supervisor Kuyler Crocker, Tulare County

Minutes

Call to Order and Determination of Quorum

Chair, Supervisor Kevin Cann, Mariposa County, called the special meeting of the Golden State Finance Authority Executive Committee to order at 10:30 a.m. A quorum was determined at that time; those present were as follows:

| <u>Directors in Attendance</u> | <u>County</u> |
|---------------------------------------|----------------------|
| Denise Carter | Colusa |
| Matt Kingsley | Inyo |
| Kevin Cann | Mariposa |
| Daron McDaniel | Merced |
| Stacy Corless | Mono |
| Dan Miller | Nevada |
| Lee Adams | Sierra |
| Bob Williams | Tehama |
| Kuyler Crocker | Tulare |

| <u>Directors Absent</u> | <u>County</u> |
|--------------------------------|----------------------|
| Jack Garamendi | Calaveras |
| Gerry Hemmingsen | Del Norte |

Officers in Attendance

Greg Norton, Executive Director
Craig Ferguson, Deputy Director
Lisa McCargar, Chief Financial Officer

Others in Attendance

Barbara Hayes, RCRC Chief Economic Development Officer
Arthur Wylene, RCRC General Counsel
Milena De Melo, RCRC Controller
Maggie Chui, RCRC Governmental Affairs Coordinator

Terrance Rodgers, RCRC Economic Development Officer
Sarah Bolnik, RCRC Economic Development Officer
Elizabeth Jensen, RCRC Assistant Controller
Sanjay Lee, RCRC Financial Analyst

Public Comment

None

GSFA Closed Session

Chairman, Kevin Cann inquired and reported that there was no public comment before the start of closed session.

The closed session of the Golden State Finance Authority Executive Committee commenced at 10:34 a.m.

Closed Session: Initiation of Litigation – Conference with Legal Counsel pursuant to Government Code section 54956.9 subdivision (d)(4). One case.

The closed session of the Golden State Finance Authority Executive Committee adjourned at 1:24 a.m.

Report of any Action taken under Item III Pursuant to Section 54957.1 of the Government Code.

General Counsel Arthur Wylene announced that the Golden State Finance Authority Executive Committee in closed session, October 28, 2020, authorized counsel to initiate litigation of one case upon certain conditions. When and if the action is formally commenced, the title and nature of the action, the defendants, and other particulars shall be disclosed to any person upon inquiry to the Clerk of the Golden State Finance Authority, unless to do so would jeopardize the Authority's ability to effectuate service of process on one or more unserved parties, or that to do so would jeopardize the Authority's ability to conclude the existing settlement negotiations to its advantage.

Matters Related to Federal Communication Commission Auction 904 – ACTION

Barbara Hayes, RCRC Chief Economic Development Officer noted that as the deadline for RDOF's Auction 904 is approaching and introduced the recommendation below:

Recommendation

It is recommended that the GSFA Executive Committee delegate authority to the Executive Director to approve those actions determined necessary or appropriate for GSFA's participation in RDOF – Auction 904. Such actions may include any or all of the following:

- formation of a nonprofit corporation to facilitate operation of broadband infrastructure funded in whole or in part through Auction 904, including designation

of the initial board of directors, and submission of application(s) for exemption from income taxation on behalf of such corporation(s),

- assignment of any winning bids obtained by GSFA during Auction 904 to the nonprofit corporation,
- submission of an application to the California Public Utilities Commission for a Certificate of Public Convenience and Necessity on behalf of the nonprofit corporation,
- extension of a grant or loan from GSFA to the nonprofit corporation, not to exceed \$100,000, as necessary to meet financial qualifications for a Certificate of Public Convenience and Necessity,
- authorization to apply for and accept grant or loan funding on behalf of the nonprofit corporation for the financing, construction, or operation of broadband infrastructure in member counties,
- establishment of the parameters for any bids submitted by GSFA during Auction 904,
- other actions determined necessary or appropriate by the Executive Director to facilitate GSFA's participation in the RDOF Program.

Supervisor Daron McDaniel, Merced County, motioned to approve the recommendation noted above. Supervisor Kuyler Crocker, Tulare County, seconded the motion. Motion passed with a roll call.

AYE: Inyo, Mariposa, Merced, Mono, Nevada, Tulare

Nay: Colusa, Sierra, Tehama

Abstain: None

Absent: Calaveras, Del Norte

Adjournment

Supervisor Kevin Cann, Mariposa County, adjourned the special meeting of the GSFA Executive Directors at 1:33 p.m.



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

To: GSFA Executive Committee
From: Lisa McCargar, Chief Financial Officer
Milena De Melo, RCRC Controller
Date: May 12, 2020
Re: GSFA Condensed Balance Sheet (September 30, 2020)

Summary

The Condensed Balance Sheet provides an overview of the Net Position of GSFA as of September 30, 2020, compared to audited Net Position as of December 31, 2019 and 2018.

Attachment

- GSFA Condensed Balance Sheet, as of September 30, 2020.

Golden State Finance Authority
Condensed Balance Sheet (Unaudited)
September 30, 2020

| | <u>September 30, 2020</u> | <u>December 31, 2019</u> | <u>December 31, 2018</u> |
|--|---------------------------|--------------------------|--------------------------|
| Current Assets | | | |
| Cash in Banks * | \$ 8,773,710 | \$ 10,002,362 | \$ 10,780,659 |
| Cash in CalTRUST and LAIF | 35,229,225 | 69,020,903 | 20,074,204 |
| Cash in Securities Brokerage Account | 37,706,869 | 8,703,987 | 62,803,628 |
| Accounts Receivable and Other Assets | 1,133,668 | 974,932 | 558,592 |
| Accounts Receivable, Proceeds from Sale of Securities ** | 216,923,852 | 8,346,153 | 66,511,329 |
| Energy Loans Receivable | 5,580,855 | 6,406,427 | 7,660,887 |
| Multi Family Notes Receivable | 3,200,000 | 3,200,000 | 3,200,000 |
| Open Doors Program Notes Receivable | 13,440,888 | 1,384,364 | - |
| Notes Receivable - Affiliate Entity | 500,000 | - | - |
| Revolving Loans Receivable | 136,856 | - | - |
| Second Mortgages Receivable, less Loan Loss Allowance *** | 1,333,914 | 1,871,859 | 2,699,463 |
| Total Assets | \$ 323,959,838 | \$ 109,910,987 | \$ 174,288,763 |
| Current Liabilities | | | |
| Accounts Payable | \$ 3,994,011 | \$ 2,398,928 | \$ 3,048,523 |
| Accounts Payable, Securities to be Purchased, at Fair Value ** | 216,938,574 | 8,346,934 | 66,907,273 |
| Accounts Payable to California Energy Commission | 10,218,750 | 10,159,463 | 12,539,526 |
| Accounts Payable to Affiliated Entities | 1,455,191 | 1,154,144 | 1,481,576 |
| Unearned Revenue | 35,850 | 185,912 | 406,274 |
| Total Liabilities | \$ 232,642,377 | \$ 22,245,382 | \$ 84,383,173 |
| Net Position, unrestricted | \$ 91,317,461 | \$ 87,665,605 | \$ 89,905,590 |

* Includes \$5,370,241, \$4,749,134, and \$6,077,260, as of September 30, 2020, December 31, 2019, and December 31, 2018, respectively, of funds belonging to California Energy Commission and PG&E.

** Balances offset each other for a net impact on Statement of Revenues, Expenses, and Changes in Net Position of (\$14,722), (\$781), and (\$395,944) as of September 30, 2020, December 31, 2019, and December 31, 2018, respectively.

*** Loan loss allowance of \$275,000 as of September 30, 2020, and \$200,000 as of December 31, 2019 and December 31, 2018, for all types of mortgages has been included as a reduction of amounts outstanding.



To: GSFA Executive Committee
From: Lisa McCargar, Chief Financial Officer
Milena De Melo, RCRC Controller
Date: November 12, 2020
Re: Investment Report for the Period Ended September 30, 2020

Summary

In accordance with GSFA's investment policy, we are providing the GSFA investment report. This report provides a summary of investment transactions since last reported from December 31, 2019 to September 30, 2020. Investment returns by investment type and a comparison to the 90-day Treasury Rate for the most recent period of September 30, 2020 have been included.

The CalTRUST yields are the funds' reported September 30th yields. The LAIF return is the fund's September 30th apportionment rate.

Attachment

- GSFA Investment Report for the Period Ended September 30, 2020

GOLDEN STATE FINANCE AUTHORITY
Investment Report
For the Period Ended September 30, 2020

| | Total | CalTRUST Short-Term | CalTRUST Medium-Term | LAIF |
|-----------------------------|---------------|------------------------|-------------------------|---------------|
| Balance 12/31/2019 * | \$ 69,334,947 | \$ 7,909,497 | \$ 12,714,621 | \$ 48,710,828 |
| Additions | - | - | - | - |
| Withdrawals | (5,000,000) | - | - | (5,000,000) |
| Interest (includes accrued) | 327,402 | 35,414 | 60,673 | 231,315 |
| Capital Gain/(Loss) | 102,435 | (23,703) | 126,139 | - |
| Balance 3/31/2020 * | 64,764,784 | 7,921,208 | 12,901,433 | 43,942,143 |
| Additions | - | - | - | - |
| Withdrawals | - | - | - | - |
| Interest (includes accrued) | 51,199 | 16,460 | 34,739 | - |
| Capital Gain/(Loss) | 189,944 | 63,262 | 126,682 | - |
| Balance 5/31/2020 * | \$ 65,005,927 | \$ 8,000,929 | \$ 13,062,855 | \$ 43,942,143 |
| Additions | - | - | - | - |
| Withdrawals | (30,000,000) | (5,000,000) | | (25,000,000) |
| Interest (includes accrued) | 267,781 | 11,546 | 52,915 | 203,319 |
| Capital Gain/(Loss) | 17,605 | 4,936 | 12,669 | - |
| Balance 9/30/2020 * | \$ 35,291,313 | \$ 3,017,411 | \$ 13,128,440 | \$ 19,145,462 |

| Yield: | Reported as of September 30, 2020 | | |
|---------------------------|-----------------------------------|----------|-------|
| | Short Term | Mid Term | LAIF |
| Annualized One Year | 1.46% | 1.67% | N/A |
| Quarter to Date | N/A | N/A | 0.80% |
| Average Maturity (days) | 299 | 788 | 169 |
| 90 Day Treasury Bill Rate | 0.10% | | |

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

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

* Amounts shown include accrued interest at the end of the period.

Purpose of transactions in excess of \$1 million:

- Q1: \$5 million transfer from LAIF to GSFA's operating account to support increased housing program as approved by the GSFA Board of Directors.
- Q3: \$25 million transfer from LAIF to GSFA's operating account to support increased housing program as approved by the GSFA Board of Directors.
- Q3: \$5 million transfer from CalTRUST to GSFA's operating account to support increased housing program as approved by the GSFA Board of Directors.



Golden State Finance Authority (GSFA)
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Phone: (855) 740-8422 · Fax: (916) 444-3219 · www.gsfa-home.org

To: GSFA Executive Committee
From: Lisa McCargar, Chief Financial Officer
Milena De Melo, RCRC Controller
Date: November 12, 2020
Re: GSFA Budget Report (September 30, 2020)

Summary

The Statement of Revenues and Expenses for GSFA provides a budget to actual comparison for the nine months ended September 30, 2020.

Attachment

- GSFA Statement of Revenues and Expenses, Budget vs. Actual, for the Nine Months Ended September 30, 2020.

GOLDEN STATE FINANCE AUTHORITY

2020 BUDGET Vs ACTUAL

September 30, 2020

| | 2020 ANNUAL | Nine Months Ended September 30, 2020 | Nine Months Ended September 30, 2020 | Variance Favorable / (Unfavorable) | Percent Favorable/ (Unfavorable) |
|---------------------------------------|----------------------|---|---|--|--|
| Income: | Budget | YTD BUDGET | YTD ACTUAL | | |
| Housing Program Revenue | \$ 12,538,750 | \$ 9,404,064 | \$ 15,778,048 | \$ 6,373,984 | 67.8% |
| Energy Program Revenue | 600,000 | 450,000 | 621,135 | 171,135 | 38.0% |
| Grant Reimbursed Costs | 200,000 | 150,003 | 145,882 | (4,121) | -2.7% |
| Interest and Dividend Income | 850,000 | 637,497 | 686,420 | 48,923 | 7.7% |
| Capital Gains / (Losses) | 20,000 | 15,003 | 309,984 | 294,981 | 1966.1% |
| Ongoing Issuer Fees | 85,000 | 63,747 | 47,998 | (15,749) | -24.7% |
| 2nd Mortgage Interest | 200,000 | 150,003 | 120,016 | (29,987) | -20.0% |
| Bond & Program Residual Funds | 1,500 | 1,125 | 58,225 | 57,100 | 5075.6% |
| Misc Income | - | - | 15,000 | 15,000 | 100.0% |
| Total Income | \$ 14,495,250 | \$ 10,871,442 | \$ 17,782,708 | \$ 6,911,266 | 63.6% |
| | | | | | |
| Expenditures: | | | | | |
| Accounting & Auditing | \$ 40,000 | \$ 29,997 | \$ 30,974 | \$ (977) | -3.3% |
| Bank Fees | 1,000 | 747 | 248 | 499 | 66.8% |
| Bus Dev & Expansion | 200,000 | 150,003 | 84,559 | 65,444 | 43.6% |
| CDLAC fees | 100,000 | 74,997 | - | 74,997 | 100.0% |
| Custodian/Trustee | 30,000 | 22,500 | - | 22,500 | 100.0% |
| Consultants | 415,000 | 311,247 | 159,500 | 151,747 | 48.8% |
| Contract Performance Fee | 1,629,000 | 1,221,750 | 1,285,800 | (64,050) | -5.2% |
| Dues, Fees & Subscriptions | 20,000 | 15,003 | 10,712 | 4,291 | 28.6% |
| Grant Cost | 200,000 | 150,003 | 145,882 | 4,121 | 2.7% |
| Insurance | 41,000 | 30,753 | 31,085 | (332) | -1.1% |
| Legal Fees | 200,000 | 150,003 | 24,612 | 125,391 | 83.6% |
| Loan Losses | 80,000 | 60,003 | 63,432 | (3,429) | -5.7% |
| Miscellaneous | - | - | 1,941 | (1,941) | 100.0% |
| Energy Servicing Programs | 180,000 | 135,000 | 145,300 | (10,300) | -7.6% |
| Gift Program (DPA) | 4,000,000 | 2,999,997 | 6,998,058 | (3,998,061) | -133.3% |
| Pipeline Services | 100,000 | 74,997 | 83,750 | (8,753) | -11.7% |
| DPA Program Management | 1,000,000 | 749,997 | 802,131 | (52,134) | -7.0% |
| Paid Insurance Programs | - | - | 4,268 | (4,268) | 100.0% |
| Postage | 4,000 | 2,997 | 1,005 | 1,992 | 66.5% |
| Printing and Duplication | 1,000 | 747 | - | 747 | 100.0% |
| Professional Fees | 200 | 153 | 80 | 73 | 47.7% |
| Promotion and Marketing | - | - | 296 | (296) | 100.0% |
| Rent | 102,600 | 76,950 | 71,956 | 4,994 | 6.5% |
| Contract Support Services | 5,548,000 | 4,160,997 | 4,160,998 | (1) | 0.0% |
| Sponsorships | 100,000 | 74,997 | 18,500 | 56,497 | 75.3% |
| Board Member Travel & Reimbs | 15,000 | 11,250 | 1,438 | 9,812 | 87.2% |
| Travel | 105,000 | 78,750 | 4,327 | 74,423 | 94.5% |
| Total Expenditures | \$ 14,111,800 | \$ 10,583,838 | \$ 14,130,852 | \$ (3,547,014) | -33.5% |
| Net Revenues Over Expenditures | \$ 383,450 | \$ 287,604 | \$ 3,651,856 | \$ 3,364,252 | 1169.8% |



To: GSFA Executive Committee
From: Lisa McCargar, Chief Financial Officer
Milena De Melo, RCRC Controller
Date: November 12, 2020
Re: GSFA 2021 Proposed Budget - **ACTION**

The proposed 2021 Golden State Finance Authority (GSFA) Operating Budget constitutes our continued commitment to the core functions of providing affordable housing, energy retrofit, economic development, infrastructure programs, and new for 2021, approved targeted efforts to pursue rural broadband. This proposed budget represents a year of continued planned investment for the organization and is representative of GSFA's continued effort to support ongoing programs and explore new opportunities for member counties in line with GSFA's purposes. The following sections describe in more detail the highlights of the attached proposed 2021 Budget and significant changes from 2020.

It is widely understood that 2020 was an unprecedented year due to the Covid-19 pandemic. Despite the pandemic-induced recession, housing demand and continued low interest rates have increased loan originations for housing nationwide. GSFA's proposed revenue and expenses contemplate the impact of the global pandemic (Attachment A).

2021 Proposed GSFA Budget Summary

The proposed 2021 GSFA Budget includes total revenues of \$49,425,000 and total expenditures of \$42,735,700 and results in net revenues over expenditures of \$6,689,300. The primary sources of revenue and expenditures are described below.

2021 Proposed Revenue Highlights

Proposed revenues are primarily derived from GSFA's housing and energy programs. In addition, interest income from second mortgage portfolio earnings and interest, dividend earnings and capital gains from portfolio investments provide proposed sources of revenue.

The proposed 2021 GSFA Budgeted Revenue of \$49,425,000 includes:

- Housing program revenue, which remains the primary source of GSFA revenues, are expected to generate \$47,420,000 in 2021.
- Revenues from energy financing programs are estimated to be \$920,000.
- Energy program loan servicing revenue are derived from the American Recovery and Reinvestment Act (ARRA) program. GSFA cost reimbursements from this grant are estimated to be \$180,000 for 2021.
- The GSFA second mortgage portfolio which is projected to generate interest income of \$175,000.
- Interest earnings from investments projected at \$600,000.

2021 Proposed Expenditure Highlights

The proposed 2021 GSFA Expenditure Budget is designed to provide the resources necessary to pursue and implement housing, energy programs and services, economic development, broadband, and infrastructure programs. The proposed 2021 Expenditure Budget totals \$42,735,700. Primary expenditures are for housing program down payment assistance (DPA), contract support services payments, estimated contract performance fees to RCRC and program management fees. In addition, the 2021 Expenditure Budget demonstrates GSFA's plan to continue to pursue rural economic development and infrastructure financing opportunities. GSFA is also in the initial stages of pursuing broadband connectivity in some member counties.

The key proposed 2021 GSFA expenditures include (significant differences from 2020 to 2021 are described under "Key Differences Between 2021 and 2020 Budgets" section):

- Housing program DPA to homebuyers of \$30,000,000.
- Program management services fees totaling \$1,750,000.
- Contract support services payments to RCRC in the amount of \$5,508,000. The proposed lump sum contract services and estimated performance fee amount for RCRC services includes a prorated amount of the salaries for RCRC personnel who provide services to the JPA through the contract for services with RCRC, including those of the President/CEO, Chief Operating Officer / Chief Financial Officer and Senior Vice President of RCRC. The proposed contract services amount and performance fee and the underlying compensation for RCRC personnel that are included in the proposed budget will be approved by the RCRC Board of Directors.

- The proposed budget includes a lump sum contract performance fee of \$2,215,000. Each year, the contract calls for the GSFA Board to consider and approve this performance fee as part of its budgeting process.
- Energy program servicing of \$450,000 includes contract payments to National Homebuyers Fund, Inc. for their servicing and managing of two energy-related programs including servicing loans associated with the ARRA program and managing the energy retrofit program. These fees are detailed in the service contract between GSFA and NHF as approved by the respective Boards.
- Possible “disaster relief and other county assistance” resources of \$1,000,000 which demonstrates GSFA’s continued commitment to its mission and goals. GSFA evaluates opportunities for give-backs each year.
- Broadband implementation efforts of \$800,000 which include the following:
 - Marketing and communication of \$50,000.
 - Legal fees of \$200,000 which includes support and services related to various tax filings, technical applications, and contract negotiations.
 - Management and technical oversight of \$150,000.
 - Design and engineering costs of \$400,000.
- \$300,000 for business development and expansion, \$145,000 for consultants, and \$100,000 for loan loss reserve.

Key Differences between the 2021 and 2020 Budgets

The proposed 2021 GSFA Operating Revenue Budget is \$49.4 million, an increase of \$34.9 million (241.0%). The proposed 2021 expenditures budget for GSFA of \$42.8 million represents an increase of \$28.7 million (202.8%) from the 2020 approved budget. Following is a summary of the key differences between the proposed 2021 and the 2020 approved budgets:

- **Housing Program Revenue and Housing Program DPA (Expense) to Homebuyers –**
 - An increase of \$34.9 million (278.2%) of housing program revenue resulting from increased demand for GSFA’s down payment assistance program. Despite the onset of the pandemic, increased loan originations and low interest rates are expected to continue, resulting in greater housing activity nationwide. It should also be noted that the forms of revenue are expected to vary from prior year. The popularity of the mix of down payment assistance options are expected to provide positive results in 2021.
 - An increase of \$26 million (650%) in housing program DPA expense resulting from greater housing demand and low interest rates.

- **Energy Program Revenue** – A increase of \$320 thousand (53.3%) resulting from GSFA anticipating greater market share as market participants decline.
- **Interest and Dividend Income** – A decrease of \$250 thousand (29.4%) associated with earnings on the entity’s investments from CalTRUST and LAIF. Interest rates are anticipated to decline on those investments.
- **DPA Program Management (Expense)** – An increase of \$750 thousand (75%) in program management expenses paid to NHF. This fee is based on underlying projected increase in program volume resulting in a higher volume of services provided by NHF.
- **Contract Support Service Expenses** – Contract Support Service Expense has been budgeted to decrease slightly of approximately \$40 thousand (0.7%).
- **Contract Performance Fee** – An increase of \$586 thousand (36.0%). The fee is calculated based on a predetermined and contracted formula based on housing and energy program activity levels, and the projected increase in such activity, including the revenues from these programs.
- **Broadband implementation** – A new item in the 2021 budget with an \$800,000 expense expectation. As stated above, amount includes initial estimated costs associated in pursuit of rural broadband. Marketing and communication, legal fees, contract management and technical oversight, and design and engineering costs have been included here. It should be noted that GSFA, as it embarks on this effort, will seek to obtain reimbursement for these expenses however, there is no guarantee that such efforts will be successful, and no offsetting revenue has thus been included in this budget.
- **Energy Program Servicing** – An increase of \$70 thousand (18.4%) due to increased program activity from greater market share.
- **Consultants** – A decrease of \$270 thousand (65.1%). In prior year, costs associated with activities specifically related to forest resiliency project were budgeted. In 2021, such costs are not contained in the GSFA expenditure budget.
- **Business Development and Expansion** – An increase of \$100 thousand (50.0%) from 2020 due to increased industry outreach related to housing programs.
- **Legal Fees** – Legal fees have been budgeted to zero for 2021. In prior years, most projected legal fees were related to economic development efforts, and while some of those are budgeted in the current budget those are specifically related to broadband expansion efforts as noted in the “**2021 Proposed Expenditure Highlights**” section above.
- **CDLAC Fees** – A decrease of \$100 thousand due to the elimination of program allocation from the state authorities.

- **Disaster/Other Assistance** – An increase of \$1 million demonstrating GSFA's potential efforts to assist and support our member counties and their communities.

Budgeted Net Revenue

The proposed budget for 2021 will result in net revenues over expenditures of \$6,689,300. The budgeted expenditures include noncash items for projected loan losses of \$100,000 and unrealized gains of \$50,000. Therefore, the proposed 2021 budget is projected to generate net cash resources of \$6,739,300.

Other Related Matters

Due to the volatility and pace of the programs and markets, request authority for the Executive Director to make necessary business decisions up to \$500,000 per decision outside of the approved operating budget. Also request the GSFA Executive Director be granted with the authority to proceed with necessary operating decisions due to changes in the market, economy or changing transactional requirements to avoid unnecessary delay and provide the necessary flexibility to effectively and timely implement and modify programs. Such expenditure and operational decisions are to be made in consultation with the GSFA Deputy Director, the GSFA Chair and the GSFA Vice Chair and are to be reported back to the Board with subsequent ratification as necessary.

During 2019, the GSFA Board of Directors approved utilization of up to \$10 million of resources as an investment into a potential housing program. In 2020 additional \$20 million was authorized for the expansion of those programs. While such investments use cash, they have created an offsetting asset in the form of notes receivable.

During the June 2020 Meeting, the GSFA Board of Directors approved a loan of up to \$10 million from GSFA to Golden State Natural Resources (GSNR) to finance program activities and meet cash flow requirements during the pre-development phase of GSNR's forest resiliency program.

Recommendations

It is recommended that the GSFA Executive Committee approve the following recommendations and direct the GSFA Executive Director to make the same recommendations to the GSFA Board of Directors.

1. Approve the attached proposed 2021 GSFA Operating Budget.
2. Grant the GSFA Executive Director the authority to make necessary business decisions and utilize up to \$500,000 per decision outside of the approved operating budget when necessary. Such decisions will be made in consultation with the GSFA Deputy Director, the GSFA Board Chair and Vice Chair and reported back to the GSFA Board at the next available Board meeting.

3. Grant the GSFA Executive Director the authority to proceed with necessary operating decisions due to changes in opportunities, the market, the economy or changing transactional requirements to provide necessary flexibility to effectively and timely implement programs. Such decisions to be made in consultation with the GSFA Deputy Director, GSFA Chair and GSFA Vice Chair with subsequent ratification by the Board of Directors as necessary.
4. Consider and approve the lump sum contract service fee to RCRC in the amount of \$5,508,000 which includes a prorated amount of the salaries for RCRC personnel who provide services to the JPA through the contract for services with RCRC, including those of the RCRC President/CEO, RCRC Chief Operating / Chief Financial Officer and RCRC Senior Vice President, and estimated performance fee in the amount of \$2,215,000.

Attachment

- 2021 GSFA Operating Budget (Attachment A)

GOLDEN STATE FINANCE AUTHORITY
FY 2021 BUDGET
For the Year Ended December 31, 2021

| | 2021 Budget | 2020 Budget | Change: Increase / (Decrease) |
|--|------------------------|------------------------|--|
| Revenue: | | | |
| Housing Program Revenue | \$ 47,420,000 | \$ 12,538,750 | \$ 34,881,250 |
| Energy Program Revenue | 920,000 | 600,000 | 320,000 |
| Grant Reimbursed Costs | 180,000 | 200,000 | (20,000) |
| Interest and Dividend | 600,000 | 850,000 | (250,000) |
| Capital Gains / (Losses) | 50,000 | 20,000 | 30,000 |
| Ongoing Issuer Fees | 80,000 | 86,500 | (6,500) |
| 2nd Mortgage Interest | 175,000 | 200,000 | (25,000) |
| Total Revenue | \$ 49,425,000 | \$ 14,495,250 | \$ 34,929,750 |
| Expenditures: | | | |
| Accounting & Auditing | \$ 43,000 | \$ 40,000 | \$ 3,000 |
| Bank Fees | 1,000 | 1,000 | - |
| Business Development and Expansion | 300,000 | 200,000 | 100,000 |
| Broadband Expansion Implementation | 800,000 | - | 800,000 |
| CDLAC fees | - | 100,000 | (100,000) |
| Consultants | 145,000 | 415,000 | (270,000) |
| Custodian/Trustee | - | 30,000 | (30,000) |
| Contract Performance Fee | 2,215,000 | 1,629,000 | 586,000 |
| Dues, Fees & Subscriptions | 20,000 | 20,000 | - |
| Energy Servicing | 450,000 | 380,000 | 70,000 |
| Insurance | 43,000 | 41,000 | 2,000 |
| Legal Services | - | 200,000 | (200,000) |
| Loan Losses | 100,000 | 80,000 | 20,000 |
| Miscellaneous | - | 200 | (200) |
| Gift Program (DPA) | 30,000,000 | 4,000,000 | 26,000,000 |
| Pipeline Services | 100,000 | 100,000 | - |
| DPA Program Management | 1,750,000 | 1,000,000 | 750,000 |
| Postage | 1,500 | 4,000 | (2,500) |
| Printing and Duplication | 1,000 | 1,000 | - |
| Rent | 103,200 | 102,600 | 600 |
| Contract Support Services | 5,508,000 | 5,548,000 | (40,000) |
| Sponsorships | 100,000 | 100,000 | - |
| Disaster/Other Assistance | 1,000,000 | - | 1,000,000 |
| Board Member Travel and Reimbursements | 5,000 | 15,000 | (10,000) |
| Travel | 50,000 | 105,000 | (55,000) |
| Total Expenditures | \$ 42,735,700 | \$ 14,111,800 | \$ 28,623,900 |
| Net Revenues Over Expenditures | \$ 6,689,300 | \$ 383,450 | \$ 6,305,850 |
| Noncash Adjustments: | | | |
| Capital Gains | \$ (50,000) | \$ (20,000) | \$ (30,000) |
| Loan Losses | \$ 100,000 | \$ 80,000 | \$ 20,000 |
| Projected net cash flow | \$ 6,739,300 | \$ 443,450 | \$ 6,295,850 |