

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



**Friday, June 18, 2021
8:30 a.m.**

**Mono County
Mammoth Mountainside Conference Center
10001 Minaret Road
Mammoth Lakes, CA 93546**

**Golden State Finance Authority (GSFA)
Board of Directors Meeting
Friday, June 18, 2021 - 8:30 a.m.
Mono County
Mammoth Mountainside Conference Center
10001 Minaret Road
Mammoth Lakes, CA 93546**

The June 18, 2021, GSFA Board of Directors Meeting will be facilitated virtually through Zoom with limited in-person attendance. 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/98137919453?from=addon>
Enter Password: 617274

2. Call-in and listen to the meeting:
Dial +1 (669) 900-9128
Enter meeting ID: 981 3791 9453
Enter password: 617274

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 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 by 8:30 a.m. Thursday, June 17th to ensure arrangements for accommodation.

AGENDA

- 1. Call to Order & Determination of Quorum**
Chair, Supervisor Bob Williams, Tehama County
- 2. Approval of Minutes – April 28, 2021, 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. **Introduction and Comments from Executive Director**
Patrick Blacklock, Executive Director

6. **Business and Administrative Matters**
 - a. **Approval of GSFA 2020 Audited Financial Statements – ACTION** **Page 7**
Lisa McCargar, Chief Financial Officer
Milena De Melo, RCRC Controller
 - b. **GSFA 2021 Local Area Investment Fund (LAIF) Authorization – ACTION** **Page 41**
Lisa McCargar

7. **Program Updates**
Craig Ferguson, Deputy Director

8. **Economic Development Activity Updates**
 - a. **Rural Broadband** **Page 43**
Barbara Hayes, RCRC Chief Economic Development Officer
 - b. **Golden State Natural Resources**
Terrance Rodgers, RCRC Economic Development Officer

9. **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 Milena De Melo 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
Board of Directors Meeting
April 28, 2021, 11:00 a.m.
1215 K Street, Suite 1650
Sacramento CA 95814**

MINUTES

Call to Order & Determination of Quorum

Chair, Supervisor Bob Williams, Tehama County, called the meeting to order at 11:28 a.m. A quorum was determined at that time. Those present:

| <u>Supervisor</u> | <u>County</u> |
|--------------------------|----------------------|
| David Griffith | Alpine |
| Brian Oneto | Amador |
| Doug Teeter | Butte |
| Jack Garamendi | Calaveras |
| Denise Carter | Colusa |
| Gerry Hemmingsen | Del Norte |
| Lori Parlin | El Dorado |
| Rex Bohn | Humboldt |
| Michael Kelley | Imperial |
| Gary Bridges | Lassen |
| Miles Menetrey | Mariposa |
| Daron McDaniel | Merced |
| Geri Byrne | Modoc |
| Stacy Corless | Mono |
| Chris Lopez | Monterey |
| Dan Miller | Nevada |
| Bob Tiffany | San Benito |
| Les Baugh | Shasta |
| Lee Adams | Sierra |
| Mat Conant | Sutter |
| Bob Williams | Tehama |
| Jeremy Brown | Trinity |
| Dennis Townsend | Tulare |
| Kathleen Haff | Tuolumne |
| Randy Fletcher | Yuba |

Absent

| | |
|---------------|-------|
| Paul Barr | Glenn |
| Matt Kingsley | Inyo |

| | |
|-----------------|-----------------|
| EJ Crandell | Lake |
| David Rogers | Madera |
| Glenn McGourty | Mendocino |
| Diane Dillon | Napa |
| Jim Holmes | Placer |
| Kevin Goss | Plumas |
| John Peschong | San Luis Obispo |
| Michael Kobseff | Siskiyou |
| Angel Barajas | Yolo |

Others in Attendance

Patrick Blacklock, Executive Director
 Craig Ferguson, Deputy Director
 Lisa McCargar, Chief Financial Officer
 Barbara Hayes, RCRC Chief Economic Development Officer
 Terrance Rodgers, RCRC Economic Development Officer
 Sarah Bolnik, RCRC Economic Development Officer
 Maggie Chui, RCRC Senior Governmental Affairs Coordinator
 Dorothy Poole, RCRC External Affairs Coordinator
 Arthur Wylene, General Counsel
 Tracy Rhine, RCRC Senior Legislative Advocate
 Staci Heaton, RCRC Senior Regulatory Affairs Advocate
 John Kennedy, RCRC Legislative Advocate
 Leigh Kammerich, RCRC Regulatory Affairs Coordinator
 Sarah Dukett, RCRC Legislative Advocate
 Sidd Nag, RCRC Legislative Advocate
 Milena De Melo, RCRC Controller
 Elizabeth Jensen, RCRC Assistant Controller
 Sanjay Lee, RCRC Financial Analyst
 Anthony Rahill, RCRC Director of Data Management
 Mary Pitto, Consultant
 Greg Norton, GSNR President
 Sue Hoek – Nevada County Alternate
 Terry Woodrow, Alpine County Alternate
 John Peter, Mono County Alternate
 Ned Coe, Modoc County Alternate Crystal Crawford, Ygrene Energy Fund
 Randy Hanvelt, CA Loggers Association
 Julie Tone, AT&T External Affairs Director, California
 Lisa Ludovici, Charter - Spectrum
 Lisa Holmes, Enterprise Holdings
 Jennifer Shiffert, Deputy County Counsel at Tulare Chamber of Commerce
 Jeff Thorsby, Nevada County Staff
 Tony Shaw, Deputy County Administrative Officer
 Connie Stewart, ED of Initiatives California Center for Rural Policy
 Robbie Bendort, Capitol PFG
 Matthew Wang

Carrie Scarlata
January Riddle

Approval of Minutes – March 10, 2021 Board Meeting

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

Supervisor Dan Miller, Nevada County, motioned to approve the minutes of the March 10, 2021 GSFA Board of Directors Meeting. Supervisor Rex Bohn, Humboldt County, seconded the motion. Motion unanimously passed.

AYE: Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Humboldt, Imperial, Lassen, Mariposa, Merced, Modoc, Mono, Monterey, Nevada, San Benito, Shasta, Sierra, Sutter, Tehama, Trinity, Tulare, Tuolumne, Yuba

NAY: None

ABSTAIN: None

ABSENT: Glenn, Inyo, Lake, Madera, Mendocino, Napa, Placer, Plumas, San Luis Obispo, Siskiyou, Yolo

Member County Concerns

None

Public Testimony

None

Executive Director Report

Pat Blacklock noted that in addition to the Broadband Strategic Plan, RCRC and GSFA are working on an overall economic development plan that will be shared with the Board in the near future.

Proposed Supplemental Project Agreement with the Modoc National Forest for the Modoc West Zone Plantation Fire Risk Analysis – ACTION

- a. Adopt CEQA finding that the proposed Supplemental Project Agreement is not a “project,” and is further covered by the Class 6 Categorical Exemption*
- b. Authorize the Executive Director to Negotiate and Execute the Supplemental Project Agreement*

Mr. Blacklock, Arthur Wylene, General Counsel and GSNR Interim President Greg Norton, reminded the board of GSFA’s 20-year Master Stewardship Agreement (MSA) with the United States Forest Service, Pacific Southwest Region (Region 5), covering the majority of forest land in California. Individual projects under the MSA are authorized through Supplemental Project Agreements (SPAs). GSFA was approached for one such SPA by Modoc County, whose Modoc West Zone Plantation Fire Risk Analysis, intends to review approximately 40,000 acres of conifer tree plantations within the forest, determine which are at the highest risk of loss from wildfire, and prioritize areas for thinning and biomass material removal. The National Environmental Policy Act (NEPA)

review and related work is anticipated to cost approximately \$339,000. The Forest Service would provide a grant of \$250,000 towards these costs. Golden State Natural Resources (GSR) has committed to reimburse GSFA for the remainder of the cost, which is not expected to exceed \$100,000. This proposed SPA provides for performance of environmental review and does not commit GSFA or GSR to any specific fuel reduction or other activities that could have potential environmental impact.

Recommendation

It is recommended that the GSFA Board of Directors approve the CEQA finding and authorize the Executive Director to negotiate and execute a Supplemental Project Agreement with the U.S. Forest Service, Modoc National Forest for the Modoc West Zone Plantation Fire Risk Analysis

Supervisor Geri Byrne, Modoc County, motioned to approve the recommendation above. Supervisor Mat Conant, Sutter County, seconded the motion. Motion unanimously passed with a roll call.

AYE: Alpine, Amador, Butte, Colusa, Del Norte, El Dorado, Humboldt, Imperial, Lassen, Mariposa, Modoc, Mono, Monterey, Napa, Nevada, San Benito, Shasta, Sierra, Sutter, Tehama, Trinity, Tulare, Tuolumne

NAY: Calaveras, Merced,

ABSTAIN: None

ABSENT: Glenn, Inyo, Lake, Madera, Mendocino, Placer, Plumas, San Luis Obispo, Siskiyou, Yolo, Yuba

Fiscal Update

Milena De Melo, RCRC Controller, provided a fiscal update for GSFA, including total cash position and commitments through March 31, 2021.

GSFA Resolution 21-04: Authorizing Appointment of GSFA Financing Action Team to Review and Approve Financing and Related Actions for Specific Multi-Family, Public Infrastructure, and Real Property Improvement or Rehabilitation Projects, and Issuance of Mortgage Revenue Bonds – ACTION

Mr. Blacklock and Craig Ferguson, Executive Director noted that the GSFA Board of Directors originally established the Multi-Family Action Team in March 2018 to facilitate the implementation and operation of the GSFA multi-family program. The responsibilities of the team were further expanded in 2019 and 2020. GSFA is presently exploring options for financing continued operation and growth of the GSFA program providing downpayment assistance (DPA) in the form of second mortgage loans. Due to cashflow requirements, further expansion in this program may require securitizing some of the second mortgage receivables in order to provide cashflow to fund additional DPA. The details of such financing are still being developed, but it may require prompt action to ensure that this program can continue its current growth trend without impediment. It is therefore recommended that the Action Team be further authorized to review and approve issuance of specific Mortgage Revenue Bonds or similar instruments, for the

purposes of financing down payment assistance and similar assistance provided by GSFA and/or reimbursing the GSFA for down payment assistance or similar assistance previously provided.

Mr. Wylene, clarified that the Chair can appoint Action Team members and the Board can take a vote on both action items at once.

Chair Bob Williams appointed the following individuals, along with himself, to the Action Team: 1) Daron McDaniel; 2) Rex Bohn; 3) Les Baugh; 4) Jack Garamendi, subject to approval by the Board.

Recommendation:

It is recommended that the GSFA Board of Directors:

1. Review and approve GSFA Resolution 21-04: Authorizing the appointment of a Financing Action Team made up of five delegates to review and approve financing and related actions for specific multi-family, public infrastructure, and real property improvement or rehabilitation projects, and issuance of mortgage revenue bonds, including financing amount, all necessary documents, and all other necessary steps to implement the program on behalf of GSFA.
2. Approve the five-member Financing Action Team appointed by the Chair.

Supervisor Bob Williams, Tehama County, motioned to approve the recommendations above. Supervisor Dan Miller, Nevada County, seconded the motion. Motion unanimously passed with a roll call.

AYE: Alpine, Amador, Butte, Calaveras, Colusa, Del Norte, El Dorado, Humboldt, Imperial, Lassen, Mariposa, Merced, Modoc, Mono, Monterey, Nevada, San Benito, Shasta, Sierra, Sutter, Tehama, Trinity, Tulare, Tuolumne

NAY: None

ABSTAIN: None

ABSENT: Glenn, Inyo, Lake, Madera, Mendocino, Napa, Placer, Plumas, San Luis Obispo, Siskiyou, Yolo, Yuba

Program Updates

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

Economic Development Update

Barbara Hayes, RCRC Chief Economic Development Officer, provided an update on broadband and broadband specific strategic development process. Ms. Hayes noted that American Rescue Plan provided for grants for Broadband expansion within rural communities where dollars could be used by local governments for broadband investments that will result in community benefits for years to come. GSFA is developing

a 2021 broadband plan that will include opportunities for varying levels of technical assistance, as well as consideration of new models and methods of deploying broadband infrastructure to initiate, expand, or enhance existing broadband networks. Ms. Hayes noted a possibility where RCRC would assist those member counties that do not currently have a Broadband plan in place in, applying for grant funds from the American Rescue Plan to develop a template plan that can then be reviewed by each counties Board of Supervisors.

Adjournment

GSFA Chair, Supervisor Bob Williams, Tehama County, adjourned the meeting of the GSFA Board of Directors at 12:32 p.m.



To: GSFA Executive Committee

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

Date: June 11, 2021

Re: Approval of the GSFA 2020 Audited Financial Statements – **ACTION**

Summary

Attached are the Golden State Finance Authority (GSFA) audited financial statements as of and for the year ended December 31, 2020, 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 draft financial statements to the Executive Committee on May 12th and addressed their questions. The Executive Committee reviewed and approved the draft financial statements and communications letter acting in their capacity as the Audit Committee and have asked that the final 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 2020 audited financial statements and communication letter as presented.

Attachments

- GSFA 2020 Audited Financial Statements
- Communications to Those Charged with Governance



*Report of Independent Auditors and
Financial Statements*

Golden State Finance Authority

December 31, 2020



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Golden State Finance Authority

Management's Discussion and Analysis (unaudited)

Year Ended December 31, 2020

This section presents management's discussion and analysis of Golden State Finance Authority's (GSFA) financial performance for the year ended December 31, 2020. 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, 2020, by \$93.0 million (net position), all of which is available to meet ongoing obligations. GSFA's total net position increased by \$5.3 million (6.1%) from December 31, 2019 to December 31, 2020, resulting from increased revenue from housing and energy and water conservation programs and increased expenses associated with those programs. As of December 31, 2020, in addition to cash resources available, assets include \$19.3 million in second mortgage loans receivable, net of an allowance for loan losses, \$5.5 million in energy grant loans receivable, \$1.6 million in accounts receivable, \$3.2 million in multi-family notes receivable, and \$2.0 million in affiliated entity note receivable. GSFA's liabilities include \$10.2 million payable to the California Energy Commission (CEC), \$3.9 million in accounts payable, and \$2.6 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 2020 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 (unaudited)
Year Ended December 31, 2020

FINANCIAL ANALYSIS

Condensed Statement of Net Position
December 31, 2020 and 2019

| | <u>2020</u> | | <u>2019</u> | | <u>Increase (Decrease)</u> | |
|----------------------------|----------------------|----|--------------------|----|----------------------------|---------------|
| | | | | | <u>\$</u> | <u>%</u> |
| Assets | | | | | | |
| Current assets | \$ 233,553,440 | \$ | 96,910,096 | \$ | 136,643,344 | 141.0% |
| Non-current assets | <u>30,276,392</u> | | <u>13,000,891</u> | | <u>17,275,501</u> | <u>132.9%</u> |
| Total assets | <u>263,829,832</u> | | <u>109,910,987</u> | | <u>153,918,845</u> | <u>140.0%</u> |
| Liabilities | | | | | | |
| Current liabilities | <u>170,838,455</u> | | <u>22,245,381</u> | | <u>148,593,074</u> | <u>668.0%</u> |
| Net position | | | | | | |
| Net position, unrestricted | \$ <u>92,991,377</u> | \$ | <u>87,665,606</u> | \$ | <u>5,325,771</u> | <u>6.1%</u> |

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, 2020, GSFA's net position was \$93.0 million, an increase of \$5.3 million (6.1%) from December 31, 2019. The increase in current assets of \$136.6 million (141.0%) and the increase in current liabilities of \$148.6 million (668.0%) resulted primarily from increased 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 increased due to increased origination volume, reflecting changing market conditions related to one of the housing programs. The increase in noncurrent assets of \$17.3 million (132.9%) is primarily due to an increase in second mortgages originating from one of the housing programs.

Golden State Finance Authority
Management's Discussion and Analysis (unaudited)
Year Ended December 31, 2020

Condensed Statement of Revenues, Expenses, and Changes in Net Position
Years Ended December 31, 2020 and 2019

| | 2020 | 2019 | Increase (Decrease) | |
|---|----------------------|----------------------|---------------------|----------------|
| | | | \$ | % |
| Operating revenues | | | | |
| Housing program and other revenue | \$ 29,595,136 | \$ 8,620,567 | \$ 20,974,569 | 243.3% |
| Energy program revenue | 858,117 | 788,545 | 69,572 | 8.8% |
| Grant fees | 194,718 | 215,460 | (20,742) | (9.6)% |
| Total operating revenues | <u>30,647,971</u> | <u>9,624,572</u> | <u>21,023,399</u> | <u>218.4%</u> |
| Operating expenses | | | | |
| Housing program expenses | 17,527,645 | 4,956,782 | 12,570,863 | 253.6% |
| Energy program expenses | 203,700 | 222,500 | (18,800) | (8.4)% |
| Contract support services and performance fee | 7,573,300 | 5,864,261 | 1,709,039 | 29.1% |
| Other administrative expenses | 838,075 | 2,286,717 | (1,448,642) | (63.4)% |
| Grant costs | 192,318 | 215,460 | (23,142) | (10.7)% |
| Total operating expenses | <u>26,335,038</u> | <u>13,545,720</u> | <u>12,789,318</u> | <u>94.4%</u> |
| Operating income (loss) | 4,312,933 | (3,921,148) | 8,234,081 | (210.0)% |
| Non-operating revenues | | | | |
| Interest income | 715,600 | 1,444,026 | (728,426) | (50.4)% |
| Gain on investments | 297,238 | 237,138 | 60,100 | 25.3% |
| Total non-operating revenues | <u>1,012,838</u> | <u>1,681,164</u> | <u>(668,326)</u> | <u>(39.8)%</u> |
| Change in net position | 5,325,771 | (2,239,984) | 7,565,755 | (337.8)% |
| Net position, beginning of year | <u>87,665,606</u> | <u>89,905,590</u> | <u>(2,239,984)</u> | <u>(2.5)%</u> |
| Net position, end of year | <u>\$ 92,991,377</u> | <u>\$ 87,665,606</u> | <u>\$ 5,325,771</u> | <u>6.1%</u> |

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, 2020, GSFA's operating revenues increased by \$21.0 million (218.4%) from the year ended December 31, 2019, primarily due to the increase of the down payment assistance programs. Housing programs, which provide financing options for low to moderate income homebuyers, experienced an increase in revenue of \$21.0 million (243.3%) with increased volume resulting from historically low mortgage interest rates and increased demand for GSFA's down payment assistance programs. Housing program expenses increased by \$12.6 million (253.6%) corresponding directly to housing program revenue and activity for the same period. Contract support services and performance fee expenses paid to Rural County Representatives of California (RCRC) increased by \$1.7 million (29.1%) due to increased housing program origination volume. Other administrative expenses decreased by \$1.4 million (63.4%) as no wildfire disaster grants were distributed in 2020. Additionally, legal fees, consultants and business development and expansion fees were lower in the current year as less direct costs were incurred related to the forest resiliency and wildfire risk reduction endeavors. Lastly, the impact of novel coronavirus (COVID-19) resulted in overall decrease in other administrative expense, specifically business development and expansion and travel fees.

Golden State Finance Authority
Management's Discussion and Analysis (unaudited)
Year Ended December 31, 2020

BUDGETARY COMPARISON

Comparison of Budget and Actual Revenues, Expenses, and Changes in Net Position
Year Ended December 31, 2020

| | <u>Budget</u> | <u>Actual</u> | <u>Actual Over (Under) Budget</u> | |
|---|-------------------|---------------------|-----------------------------------|----------------|
| | | | <u>\$</u> | <u>%</u> |
| Operating revenues | | | | |
| Housing program and other revenue | \$ 12,825,250 | \$ 29,595,136 | \$ 16,769,886 | 130.8% |
| Energy program revenue | 600,000 | 858,117 | 258,117 | 43.4% |
| Grant fees | 200,000 | 194,718 | (5,282) | (3.8)% |
| Total operating revenues | <u>13,625,250</u> | <u>30,647,971</u> | <u>17,022,721</u> | <u>124.9%</u> |
| Operating expenses | | | | |
| Housing program expenses | 5,101,000 | 17,527,645 | 12,426,645 | 243.6% |
| Energy program expenses | 200,000 | 203,700 | 3,700 | 1.9% |
| Contract support services and performance fee | 7,177,000 | 7,573,300 | 396,300 | 5.5% |
| Other administrative expenses | 1,453,800 | 838,075 | (615,725) | (42.4)% |
| Grant costs | 180,000 | 192,318 | 12,318 | 6.8% |
| Total operating expenses | <u>14,111,800</u> | <u>26,335,038</u> | <u>12,223,238</u> | <u>86.6%</u> |
| Operating (loss) income | <u>(486,550)</u> | <u>4,312,933</u> | <u>4,799,483</u> | <u>986.4%</u> |
| Non-operating revenues | <u>870,000</u> | <u>1,012,838</u> | <u>142,838</u> | <u>16.4%</u> |
| Change in net position | \$ <u>383,450</u> | \$ <u>5,325,771</u> | \$ <u>4,942,321</u> | <u>1288.9%</u> |

GSFA experienced an overall change in net position of \$5.3 million, which was more than the budgeted income of \$383.5 thousand, favorable by \$4.9 million (1288.9%). Actual operating revenues exceeded budget by \$17.0 million (124.9%), due primarily to increased housing program activity. Housing programs experienced an increase of \$16.8 million (130.8%). Budgeted revenue was based on forecasted lender volume and expected market conditions associated with the housing program. Actual revenue significantly exceeded budget expectations with increased volume resulting from historically low mortgage interest rates and an increased demand for GSFA's down payment assistance programs. GSFA's operating expenses were higher than budget by \$12.2 million (86.6%), due to costs associated with increased housing program activity. GSFA's other administrative expenses were lower than budget by \$615.7 thousand (42.4%), primarily driven by lower than budgeted consultants and business development and expansion fees. Non-operating revenues were greater than budget by \$142.8 thousand (16.4%) primarily as a result of interest income and gain on investments, further contributing to the positive change in net position.

Golden State Finance Authority
Management's Discussion and Analysis (unaudited)
Year Ended December 31, 2020

FUTURE ECONOMIC OUTLOOK

GSFA's 2021 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 \$1.5 million of amortizing second mortgages remain at December 31, 2020. This balance is expected to decline going forward as borrowers pay on their second mortgage balances. However, during 2019 GSFA introduced a new program design that significantly increased the balance of second mortgage loans in 2020 and expect it will continue to do so into 2021. 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. During 2020 the GSFA Board of Directors approved a revolving loan to GSNR of up to \$10 million dollars to finance its program activities and meet cash flow requirements during the pre-development stage of the project.

As of December 31, 2020, GSFA had approximately \$93.0 million in net position available including \$80.1 million in cash and cash equivalents, inclusive of \$5.2 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 to support 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), which comprise the statement of financial position as of and for the year ended December 31, 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the year then ended, and the related notes to the financial statements.

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, 2020, 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 5 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 12, 2021, 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 12, 2021

Basic Financial Statements

Golden State Finance Authority
Statement of Net Position
December 31, 2020

ASSETS

| | | |
|--|----|---------------------------|
| Current assets | | |
| Cash and cash equivalents | \$ | 80,101,534 |
| Accounts receivable, proceeds from sale of securities | | 151,806,488 |
| Accounts receivable | | 1,608,145 |
| Interest receivable | | 7,671 |
| Prepaid expenses | | 29,602 |
| Total current assets | | <u>233,553,440</u> |
| Non-current assets | | |
| Energy grant loans receivable | | 5,499,501 |
| Restricted cash | | 140,076 |
| Multi-family notes receivable | | 3,200,000 |
| Note receivable from affiliated entity | | 2,010,240 |
| Revolving loans receivable | | 136,856 |
| Second mortgage loans receivable, net of allowance for loan losses of \$375,000 | | <u>19,289,719</u> |
| Total non-current assets | | <u>30,276,392</u> |
| Total assets | \$ | <u><u>263,829,832</u></u> |

LIABILITIES AND NET POSITION

| | | |
|---|----|---------------------------|
| Current liabilities | | |
| Accounts payable | \$ | 3,893,372 |
| Accounts payable, securities to be purchased, at fair value | | 153,153,438 |
| Accounts payable to California Energy Commission | | 10,234,209 |
| Accounts payable to affiliated entities | | 2,604,637 |
| Accrued liabilities | | 978 |
| Unearned revenue | | 951,821 |
| Total liabilities | | <u>170,838,455</u> |
| Net position, unrestricted | | <u>92,991,377</u> |
| Total liabilities and net position | \$ | <u><u>263,829,832</u></u> |

Golden State Finance Authority
Statement of Revenues, Expenses, and Changes in Net Position
Year ended December 31, 2020

| | |
|------------------------------------|----------------------|
| Operating revenues | |
| Housing program revenue | \$ 29,304,531 |
| Energy program revenue | 858,117 |
| Issuer fees | 71,399 |
| Mortgage interest | 145,690 |
| Grant fees | 194,718 |
| Miscellaneous income | 73,516 |
| Total operating revenues | <u>30,647,971</u> |
| Operating expenses | |
| Accounting and auditing | 45,546 |
| Business development and expansion | 116,053 |
| Community relations | 4,972 |
| Consultants | 251,000 |
| Contract performance fee | 2,025,300 |
| Contract support services | 5,548,000 |
| Energy program expenses | 203,700 |
| Down payment assistance program | 17,527,645 |
| Grant costs | 192,318 |
| Insurance | 52,808 |
| Legal fees | 33,560 |
| Provision for loan losses | 170,648 |
| Rent | 96,076 |
| Sponsorships | 26,000 |
| Travel | 6,475 |
| Miscellaneous | 34,937 |
| Total operating expenses | <u>26,335,038</u> |
| Operating income | <u>4,312,933</u> |
| Non-operating revenues | |
| Interest income | 715,600 |
| Gain on investments | 297,238 |
| Total non-operating revenues | <u>1,012,838</u> |
| Change in net position | 5,325,771 |
| Net position, beginning of year | <u>87,665,606</u> |
| Net position, end of year | <u>\$ 92,991,377</u> |

The accompanying notes are an integral part of these financial statements.

Golden State Finance Authority
Statement of Cash Flows
Year ended December 31, 2020

| | | |
|--|----|--------------|
| Cash flows from operating activities | | |
| Cash receipts from loan and grant programs | \$ | 16,632,677 |
| Cash paid for bond and residual funds | | (710,767) |
| Cash paid for contract services | | (6,515,310) |
| Cash paid for loan and grant programs | | (15,261,901) |
| Cash paid for other services and supplies | | (954,311) |
| Cash paid to affiliated entity | | (1,995,240) |
| | | <hr/> |
| Net cash used in operating activities | | (8,804,852) |
| | | <hr/> |
| Cash flows from investing activities | | |
| Interest received and gain on investments | | 1,319,210 |
| | | <hr/> |
| Net cash provided by investing activities | | 1,319,210 |
| | | <hr/> |
| Decrease in cash, cash equivalents, and restricted cash | | (7,485,642) |
| | | <hr/> |
| Cash, cash equivalents, and restricted cash, beginning of year | | 87,727,252 |
| | | <hr/> |
| Cash, cash equivalents, and restricted cash, end of year | \$ | 80,241,610 |
| | | <hr/> <hr/> |
| Reconciliation of operating income to net cash used in operating activities | | |
| Operating income | \$ | 4,312,933 |
| Provision for loan losses | | 170,648 |
| Adjustments to reconcile operating income to net cash used in operating activities | | |
| Increase in accounts receivable | | (976,115) |
| Decrease in energy grant loans receivable | | 906,926 |
| Increase in second mortgage loans receivable | | (16,204,144) |
| Decrease in accounts receivable for securities sold at fair value, net of accounts payable, and proceeds from sale of securities | | 1,346,169 |
| Increase in note receivable from affiliated entity | | (2,010,240) |
| Increase in revolving loans receivable | | (136,856) |
| Increase in prepaid expenses | | (743) |
| Decrease in unearned revenue | | (181,939) |
| Increase in accounts payable | | 2,443,270 |
| Increase in accounts payable to California Energy Commission | | 74,746 |
| Increase in accounts payable to affiliated entities | | 1,450,493 |
| | | <hr/> |
| Net cash used in operating activities | \$ | (8,804,852) |
| | | <hr/> <hr/> |

Golden State Finance Authority

Notes to Basic Financial Statements

December 31, 2020

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, Monterey, Napa, Nevada, Placer, Plumas, San Benito, San Luis Obispo, Shasta, Sierra, Siskiyou, Sutter, Tehama, Trinity, Tuolumne, Tulare, Yolo, and Yuba. An additional 20 counties and over 260 cities are associate members of GSFA.

GSFA financing programs are designed to provide assistance in two key areas: housing and energy/conservation. The housing programs 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, rural county broadband access, 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, 2020

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 2020, GSFA received \$145,690 in interest from these assets. As of December 31, 2020, \$19,664,719 in second mortgages remain outstanding.

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 8).

Net position – Net position is classified into the following categories:

- *Net investment 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, 2020.

Golden State Finance Authority

Notes to Basic Financial Statements

December 31, 2020

- *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, 2020.
- *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, 2020.
- *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.

New accounting pronouncements – In May 2020 GASB issued Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018 and later.

Golden State Finance Authority
Notes to Basic Financial Statements
December 31, 2020

NOTE 2 – CASH AND CASH EQUIVALENTS AND RESTRICTED CASH

A summary of cash and cash equivalents and restricted cash as of December 31, 2020, is as follows:

| | | |
|--|----|--------------------------|
| Deposits with financial institutions (including \$140,076 restricted cash) | \$ | 7,504,423 |
| Money market funds | | 3,049,462 |
| Brokerage account | | 64,406,257 |
| Total cash | | <u>74,960,142</u> |
| LAIF | | 3,429,462 |
| CalTRUST | | 1,852,006 |
| Total cash equivalents (highly liquid investments) | | <u>5,281,468</u> |
| Total cash and cash equivalents, including restricted cash | \$ | <u><u>80,241,610</u></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, cash held in a securities brokerage account, and amounts held with LAIF and CalTRUST. As of December 31, 2020, 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 – noncurrent – Restricted cash includes funds held for projects or other purposes and are restricted as to their use. These amounts are included in cash and cash equivalents in the statement of cash flows regardless of whether there are restrictions on their use. Restricted cash includes cash and cash equivalents on deposit with a financial institution required to be held as a loan loss reserve until all loans are fully paid (in excess of one year). As of December 31, 2020, cash balances of \$140,076 were restricted.

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.

Golden State Finance Authority

Notes to Basic Financial Statements

December 31, 2020

Highly liquid investments – As of December 31, 2020, GSFA maintains highly liquid investment accounts with CalTRUST in the amount of \$1,852,006. 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, 2020, 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 net asset value.

GSFA also places certain funds with LAIF, consisting of \$3,429,462 at December 31, 2020. 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 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.

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. The total amount invested by all public agencies in LAIF as of December 31, 2020, was \$34.0 billion. LAIF is a part of the California Pooled Money Investment Account (PMIA), which as of December 31, 2020, had a balance \$107.4 billion. Included in PMIA's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset-backed securities, which represent 3.28% 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 net asset 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.

Golden State Finance Authority
Notes to Basic Financial Statements
December 31, 2020

Second mortgage loans receivable as of December 31, 2020, are as follows:

| | | |
|---|----|-------------------|
| Second mortgage loans receivable | \$ | 19,664,719 |
| Allowance for loan losses | | (375,000) |
| Total second mortgage loans receivable, net of allowance for loan losses | \$ | <u>19,289,719</u> |

Activity in the allowance for loan losses for the year ended December 31, 2020, is as follows:

| | | |
|----------------------------|----|----------------|
| Balance, beginning of year | \$ | 200,000 |
| Charge-offs | | (7,248) |
| Recoveries | | 11,600 |
| Provision for loan losses | | <u>170,648</u> |
| Balance, end of year | \$ | <u>375,000</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 noninterest 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 10 – Conduit Debt.

NOTE 5 - NOTE RECEIVABLE FROM AFFILIATED ENTITY

Note receivable from affiliated entity represents a \$2,010,240 note receivable from Golden State Natural Resources (GSNR). The Board of Directors authorized GSFA to make a loan to GSNR to finance program activities and meet cash flow requirements during the pre-development phase. The note was approved for up to a \$10,000,000 principal amount, which may be disbursed through draws of \$500,000 or more. The interest rate for each draw is based on the Secured Overnight Financing Rate (SOFR) on the date of the draw, plus 2.00% (not less than 3% or more than 7% per annum) for a maximum term of 10 years. At December 31, 2020, the interest rate charged on the note was 3%. During the year ended December 31, 2020, GSFA recorded a one-time \$15,000 origination fee in accordance with the loan terms.

NOTE 6 – REVOLVING LOANS RECEIVABLE

During 2020, GSFA Board of Directors authorized the utilization of internal resources in a revolving fund to develop a program to provide short term financing to member counties and other public entities located within 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. Each loan is expected to have a term of 6 months at a 0%-2% interest rate. Additionally, a guaranty from the borrower is required to be in place from the source of the permanent financing. As of December 31, 2020, GSFA had one loan receivable in the amount of \$136,856.

Golden State Finance Authority
Notes to Basic Financial Statements
December 31, 2020

NOTE 7 – RELATED-PARTY TRANSACTIONS

For the year ended December 31, 2020, 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 \$7,573,300 for the year ended December 31, 2020, includes the monthly support services fee and performance fee. At December 31, 2020, GSFA has recorded a payable of \$2,060,588 to RCRC for the 2020 performance fee and other services. The support services agreement calls for a flat fee of \$462,333 a month to operate and administer GSFA operations.

Also, for 2020, GSFA entered into a service agreement with National Homebuyers Fund, Inc. (NHF), whereby NHF manages GSFA's housing, energy programs and residential energy loan servicing. For the year ended December 31, 2020, GSFA incurred \$398,501 for housing-related services, which are included in down payment assistance program expenses on the statement of revenues, expenses, and changes in net position. Expenses incurred for energy programs administration and residential energy loan servicing were \$203,700 and \$192,318, respectively. At December 31, 2020, \$544,049 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 8 – 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 the Down Payment Assistance 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, 2020, GSFA recorded revenue of \$1,507,633 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 \$151,806,488 for the estimated proceeds from the sale. GSFA has also recorded a liability of \$153,153,438 (fair market value) to purchase the securities at prevailing prices at December 31, 2020, in order to fulfill the future obligation.

Golden State Finance Authority

Notes to Basic Financial Statements

December 31, 2020

NOTE 9 – 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 under the Moderate-Income Sustainable Technology Program (MIST). 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, 2020, the entire amount of the advance had been used for loans. Interest earned on the advances is due back to the CEC and is recorded as an account payable at December 31, 2020. At December 31, 2020, GSFA recorded \$5,154,900 in these loans receivable. During 2020, GSFA generated revenue for servicing the outstanding loans under a separate agreement. GSFA invoiced \$192,318 for loan servicing during the year then ended for allowable expenses incurred.

During 2020, GSFA started participating in the CPUC Self Generation Incentive Program (SGIP). The program was funded by a portion of the accumulated California Energy Commission (CEC)/GSFA MIST funds and used as a bridge financing mechanism in areas affected by Public Safety Power Shut-off (PSPS). The qualified ratepayers can use the funds to alleviate up-front funding constraints thus allowing more ratepayers to participate in the program. The CEC approved up to \$2.5 million of accumulated MIST funds to be used for the program and GSFA committed up to \$5.0 million of its own funds to enhance the program, if needed. At December 31, 2020, GSFA recorded \$163,525 in CEC MIST fund loans receivable from SGIP.

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. At December 31, 2020, GSFA recorded \$181,076 in these loans receivable. Additionally, at December 31, 2020, the LLR is \$140,076 and is included in restricted cash.

Other program – GSFA also maintains an agreement with a third-party 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 third-party provider, and GSFA earns a cost recovery fee for administrative services performed under the program. For the year ended December 31, 2020, GSFA recorded \$858,117 in revenue associated with this program.

NOTE 10 – CONDUIT DEBT

As of December 31, 2020, GSFA has \$105,335,485 issued and \$96,950,350 outstanding of conduit debt for multi-family housing revenue bonds. The bonds are limited obligations of the issuer, payable solely from the revenues and other funds and moneys pledged and assigned under the indentures. As the issuer, GSFA is not liable for the payment of the principal of, premium (if any), or interest on the bonds. No new conduit debt for multi-family housing was issued during the year ended December 31, 2020.

Golden State Finance Authority
Notes to Basic Financial Statements
December 31, 2020

NOTE 11 – RISK MANAGEMENT AND UNCERTAINTIES

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.

In March 2020, 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 GSFA's. It is not possible for GSFA to predict the duration or magnitude of the adverse results of the outbreak and its disruptive effects on its operations and financial results at this time.

NOTE 12 – COMMITMENTS, CONTINGENCIES, AND SUBSEQUENT EVENTS

GSFA is subject to legal proceedings and claims which arise in the ordinary course of business. In the opinion of management, the amount of ultimate liability with respect to such actions will not materially affect the financial position or results of operations of GSFA. Management has evaluated subsequent events and transactions that occurred after December 31, 2020 up to the date that the financial statements were available to be issued. Based upon this review, GSFA did not identify any subsequent events that would have required adjustment or disclosure in the financial statements.

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, 2020, and the related notes to the financial statements, which collectively comprise GSFA's basic financial statements, and have issued our report thereon dated May 12, 2021.

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 12, 2021





*Communication with the Executive Committee,
Board of Directors, and Management*

Golden State Finance Authority

December 31, 2020

Communication with the Executive Committee, Board of Directors, and Management

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, 2020, and have issued our report thereon dated May 12, 2021. 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

As stated in our engagement letter dated October 28, 2020, 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 and to design the audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free from material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the GSFA's internal control over financial reporting. Accordingly, we considered GSFA's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

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

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter and during planning discussions.

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 2020. We noted no transactions entered into by GSFA during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Significant Accounting Estimates

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

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

Financial Statement Disclosures

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

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

Disclosure of cash and cash equivalents in Note 2, which describes the balances of cash and cash equivalents at December 31, 2020, 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 8. 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.

Disclosure of note receivable from affiliated entity in Note 5, which describes the amount outstanding, the amount authorized and the terms of the note.

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, 2020.

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 12, 2021.

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 the Company'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.

Independence

We are required to disclose to those charged with governance, in writing, all relationships between the auditors and GSFA in the auditor's professional judgment that may reasonably be thought to bear on our independence. We know of no such relationships and confirm that, in our professional judgment, we are independent of GSFA within the meaning of professional standards.

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 the Company'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 12, 2021



May 12, 2021

Moss Adams LLP
2882 Prospect Park Drive Suite 300
Rancho Cordova, CA 95670-6019

We are providing this letter in connection with your audit of the financial statements of Golden State Finance Authority ("GSFA"), which comprise the statement of net position as of December 31, 2020, and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

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

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of May 12, 2021.

Financial Statements

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated October 28, 2020, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
2. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
3. We have properly accounted and reported for conduit debt. GSFA is not responsible for repayment and we have adequately disclosed the nature and outstanding balances of these transactions.
4. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
7. All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
8. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

Information Provided

9. We have provided you with:
 - a. Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;

24. GSFA has transactions with its affiliates (Rural County Representatives of California (RCRC), National Homebuyers Fund, Inc. (NHF), and Golden State Natural Resources (GSNR)).
 - a. The governing body of GSFA has the ability and authority to appoint or remove members of NHF and GSNR's Board of Directors, as defined in each entities' bylaws, however GSFA does not appoint majority members and thus is not financially responsible and able to impose its will on NHF or GSNR.
 - b. The governing body of RCRC does not have the ability or authority to appoint or remove board members for GSFA.
 - c. We have concluded that none of the affiliated entities constitutes a component unit of the other affiliated entities that should be combined for financial reporting purposes.
25. GSFA holds \$3,200,000 in Notes Receivable as of December 31, 2020. As the issuer of conduit debt for multi-family housing projects, GSFA loaned various amounts to the developers of these 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 note. 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 2053. No provision for losses has been deemed necessary.
26. As of December 31, 2020, the principal balance outstanding for the note payable from Golden State Natural Resources was \$2,000,000.
27. GSFA is responsible for determining and maintaining the adequacy of the allowance for loan losses, as well as estimates used to determine such amounts. Management believes the allowance is adequate to absorb currently estimated loan losses in the loan portfolio as of December 31, 2020. We maintain and follow a consistent methodology for the determination of the allowance for loan losses. We have not manipulated or changed the allowance for loan loss reserve or related provision for loan losses to change the financial results of GSFA.
28. Revenues and expenses have properly been classified between operating and non-operating.
29. Net position has been properly classified as unrestricted in the financial statements.
30. In March 2020, 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.

With the exception of those items disclosed in the financial statements, to the best of our knowledge and belief, no events have occurred subsequent to the statement of net position date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.



Lisa McCargar, Chief Financial Officer



Milena De Melo, RCRC Controller





To: GSFA Board of Directors
From: Lisa McCargar, Chief Financial Officer
Date: June 11, 2021
Re: GSFA 2021 Local Area Investment Fund (LAIF) Authorization - **ACTION**

Summary

GSFA maintains investments in LAIF with the California State Treasurer's Office. The Executive Director and Chief Financial Officer have authority to transfer funds to and from LAIF.

Issue

As a result of the prior Executive Director retiring, it is recommended that the recently appointed Executive Director, Chief Financial Officer (CFO) and Deputy Director be those with authority to transact on behalf of GSFA. Thus, the newly appointed Executive Director as well as Deputy Director shall be added to the list of authorized individuals and positions.

Recommendation

It is recommended that the GSFA Board of Directors approve the removal of prior Executive Director's authority and add recently appointed Executive Director and Deputy Director as authorized individuals to deposit or withdraw funds in LAIF.

Attachment

1. Resolution Authorizing Investment of Monies in the Local Agency Investment Fund

RESOLUTION OF GOLDEN STATE FINANCE AUTHORITY

AGENCY ADDRESS 1215 K STREET, SUITE 1650, SACRAMENTO, CA

**AUTHORIZING INVESTMENT OF MONIES
IN THE LOCAL AGENCY INVESTMENT FUND**

WHEREAS, The Local Agency Investment Fund is established in the State Treasury under Government Code section 16429.1 et. seq. for the deposit of money of a local agency for purposes of investment by the State Treasurer; and

WHEREAS, the Board of Directors hereby finds that the deposit and withdrawal of money in the Local Agency Investment Fund in accordance with Government Code section 16429.1 et. Seq. for the purpose of investment as provided therein is in the best interests of the GOLDEN STATE FINANCE AUTHORITY;

NOW THEREFORE, IT BE RESOLVED, that the Board of Directors hereby authorizes the deposit and withdrawal of GOLDEN STATE FINANCE AUTHORITY monies in the Local Agency Investment Fund in the State Treasury in accordance with Government Code section 16429.1 et. seq. for the purpose of investment as provided therein.

BE IT FURTHER RESOLVED, as follows:

Section 1. The following GOLDEN STATE FINANCE AUTHORITY officers holding the title(s) specified hereinbelow **or their successors in office** are each hereby authorized to order the deposit or withdrawal of monies in the Local Agency Investment Fund and may execute and deliver any and all documents necessary or advisable in order to effectuate the purposes of this resolution and the transactions contemplated hereby:

| | | |
|---------------------------|--------------------------------|------------------------|
| <u>Patrick Blacklock</u> | <u>Elizabeth McCargar</u> | <u>Craig Ferguson</u> |
| (NAME) | (NAME) | (NAME) |
| <u>Executive Director</u> | <u>Chief Financial Officer</u> | <u>Deputy Director</u> |
| (TITLE) | (TITLE) | (TITLE) |
| _____ | _____ | _____ |
| (SIGNATURE) | (SIGNATURE) | (SIGNATURE) |

Section 2. This resolution shall remain in full force and effect until rescinded by the Board of Directors by resolution and a copy of the resolution rescinding this resolution is filed with the State Treasurer’s Office.

PASSED AND ADOPTED, by the Board of Directors of GOLDEN STATE FINANCE AUTHORITY of the State of California on June 18, 2021.

| | |
|------------------------------|-------------|
| <u>Bob Williams</u> | _____ |
| (NAME) | (NAME) |
| <u>Chairman of the Board</u> | _____ |
| (TITLE) | (TITLE) |
| _____ | _____ |
| (SIGNATURE) | (SIGNATURE) |



To: GSFA Board of Directors
From: Barbara Hayes, Chief Economic Development Officer
Date: June 11, 2021
Re: Rural Broadband

Summary

To advance the investment and delivery of robust broadband to rural California, RCRC has developed, and the Board of Directors has approved, a plan of work with different levels of service and deliverables. The service and deliverables range from activities that will increase RCRC member county readiness to take advantage of broadband funding and investment opportunities, to Demonstration Project(s) that will introduce a new model for broadband deployment in rural California.

The plan of work is divided into three levels. Updates on progress and activities within each level are provided below.

Level One

Level One is designed to assist member counties in achieving “foundational readiness” relative to accessing and inviting broadband investment into counties in a strategic manner that ultimately delivers broadband for all residents and businesses. This level of work includes arming all member counties who do not currently have a Broadband Strategic Plan, with the opportunity for development of such a plan. Broadband Strategic Plans are required to access many federal sources of funding for broadband deployment. Additionally, Broadband Strategic Plans will allow local governments to be informed and deliberate when directing and permitting investment by incumbent service providers.

- Received Letters of Support from twenty-four (24) RCRC member counties which have chosen to “opt-in” to the U.S. Department of Commerce Economic Development Administration grant for the development of individual, county-wide, broadband strategic plans
- Received Letters of Support from two (2) RCRC member counties which have chosen to “opt-in” to the same U.S. Department of Commerce Economic Development Administration grant for purposes of development of a Comprehensive Economic Development Strategy (CEDs)
- Draft Sources and Uses of Funds and grant narrative are under-going internal review in preparation for grant submittal
- Memorandums of Understanding (MOUs) outlining the roles, responsibilities, and commitments of both the individual counties and GSFA relative to the grant have

been distributed to all counties included in the grant application for review and execution by their elected bodies

Level Two

Level Two is directed to all RCRC member counties and includes information-sharing and capacity-building that will result in increased awareness and involvement of local governments in broadband investment and access for their residents and businesses. RCRC will provide information on best practices and unique approaches employed by member counties and municipal broadband providers across the US.

- RCRC has joined the Fiber Broadband Association and is a member of the Association's Public Officials Committee

Level Three

Level Three involves the launching of Demonstration Project(s) modeled on an open-access, public-benefit, municipal model. The Demonstration Project(s) would be selected based on business modeling that includes, among many components: address density, geology/geography, demographics, existing service being provided, broadband infrastructure partners, and local government support.

The Demonstration Project(s) would require the establishment of a new entity that would be comprised of and led by local governments. The new entity would bring resources and partnerships that would be unique to broadband deployment in California.

- Established key evaluative criteria on which to make business-based decision on Demonstration Project area(s)
- Analysis underway to determine potential Demonstration Project area(s) based on key evaluative criteria
- Identification of and conversations with potential partners in execution of Demonstration Project(s). Such partnerships could result in mutual benefit and bring together unique set of resources and partnerships.