

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



**Wednesday, May 12, 2021  
10:30 A.M.**

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

**Golden State Finance Authority (GSFA)  
Executive Committee Meeting  
1215 K Street, Suite 1650  
Sacramento, CA 95814  
May 12, 2021 – 10:30 a.m.**

In accordance with Executive Orders N-25-20 and N-29-20, the May 12, 2021 GSFA Executive Committee meeting will be held virtually.

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

The May 12, 2021 GSFA Executive Committee Meeting will be facilitated virtually through Zoom. Members of the public can watch or listen to the meeting using one of the following methods:

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

Go to: <https://rcrcnet.zoom.us/j/93063508613?from=addon>

Enter Password: 728468

2. Call-in and listen to the meeting:

Dial +1 (669) 900-9128

Enter meeting ID: 930 6350 8613

Enter password: 728468

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

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

**DISABLED ACCOMMODATION:** If you have a disability which requires an accommodation or an alternative format to assist you in observing and commenting on this meeting, or an alternative agenda document format, please contact GSFA at (916) 447-4806 or by email at [mdemelo@rcrcnet.org](mailto:mdemelo@rcrcnet.org) by 10:30 a.m. Tuesday, May 11<sup>th</sup> to ensure arrangements for accommodation.

Executive Committee Members:

Supervisor Bob Williams, Tehama County  
Supervisor Daron McDaniel, Merced County  
Supervisor Stacy Corless, Mono County  
Supervisor Dan Miller, Nevada County  
Supervisor Doug Teeter, Butte County

Supervisor Jack Garamendi, Calaveras County  
Supervisor Denise Carter, Colusa County  
Supervisor Gerry Hemmingsen, Del Norte County  
Supervisor Michael Kelley, Imperial County  
Supervisor Lee Adams, Sierra County

**Agenda**

**I. Call to Order and Determination of Quorum**

*Chair, Supervisor Bob Williams, Tehama County*

**II. Approval of Minutes of the February 10, 2021 Meeting**

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

### **III. Public Comment**

*At this time any member of the public may address the Board. Speakers are asked to state their name for the record. Comments are usually limited to no more than 3 minutes per speaker.*

### **IV. Approval of Draft Audited Financial Statements – December 31, 2020 – ACTION**

**Page 4**

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

### **V. GSFA Quarterly Reports** (Discussion and possible action relative to)

*Milena De Melo*

#### **a. GSFA Condensed Balance Sheet (March 31, 2021)**

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#### **b. GSFA Investment Report (March 31, 2021)**

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#### **c. GSFA Budget v. Actual Report (March 31, 2021)**

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### **VI. Program Updates** (Discussion and possible action relative to)

*Craig Ferguson, Deputy Director*

### **VII. Economic Development**

*Barbara Hayes, RCRC Chief Economic Development Officer*

#### **a. Economic Development Resource Allocation**

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#### **b. Rural Broadband**

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### **VIII. Adjournment**

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

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

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

**February 10, 2021 – 11:00 a.m.**

Executive Committee Members:

Supervisor Bob Williams, Tehama County  
Supervisor Daron McDaniel, Merced County  
Supervisor Stacy Corless, Mono County  
Supervisor Dan Miller, Nevada County  
Supervisor Doug Teeter, Butte County  
Supervisor Jack Garamendi, Calaveras County  
Supervisor Denise Carter, Colusa County  
Supervisor Gerry Hemmingsen, Del Norte County  
Supervisor Michael Kelley, Imperial County  
Supervisor Lee Adams, Sierra County

**Minutes**

**Call to Order and Determination of Quorum**

Chair, Supervisor Bob Williams, Tehama County, called the meeting of the Golden State Finance Authority Executive Committee to order at 11:29 a.m. A quorum was determined at that time; those present were as follows:

<u><b>Supervisors in Attendance</b></u>	<u><b>County</b></u>
Bob Williams	Tehama
Daron McDaniel	Merced
Stacy Corless	Mono
Dan Miller	Nevada
Doug Teeter	Butte
Jack Garamendi	Calaveras
Denise Carter	Colusa
Gerry Hemmingsen	Del Norte
Michael Kelley	Imperial
Lee Adams	Sierra

**Absent Members**

None

**Others in Attendance**

Greg Norton, Executive Director  
Craig Ferguson, Deputy Director

Lisa McCargar, Chief Financial Officer  
Barbara Hayes, RCRC Chief Economic Development Officer  
Paul A. Smith, RCRC Senior Vice President Governmental Affairs  
Arthur Wylene, RCRC General Counsel  
Staci Heaton, RCRC Senior Regulatory Advocate  
Tracy Rhine, RCRC Senior Legislative Advocate  
Maggie Chui, RCRC Senior Legislative Coordinator  
Milena De Melo, RCRC Controller  
Layne Frederiksen, RCRC IT Manager  
Sarah Dukett, RCRC Legislative Advocate  
Leigh Kammerich, RCRC Regulatory Specialist  
Terrance Rodgers, RCRC Economic Development Officer  
Sarah Bolnik, RCRC Economic Development Officer  
Liz Jensen, RCRC Assistant Controller  
Sanjay Lee, RCRC Financial Analyst  
Dorothy Poole, RCRC External Affairs Coordinator

### **Approval of Minutes of the November 18, 2020 Meeting**

*(Executive Committee Members absent from the meeting will be recorded as abstained unless the Executive Committee indicates otherwise)*

**Supervisor Daron McDaniel, Merced County, motioned to approve the minutes of the November 18, 2020 GSFA Executive Committee Meeting. Supervisor Dan Miller, Nevada County, seconded the motion. Motion unanimously passed with a roll call.**

**AYE:** Butte, Calaveras, Colusa, Del Norte, Merced, Mono, Nevada, Tehama

**Nay:** None

**Abstain:** Imperial, Sierra

**Absent:** None

### **Public Comment**

None

### **Quarterly Budget and Investment Reports for GSFA**

Lisa McCargar, Chief Financial Officer and Milena De Melo, RCRC Controller, presented the GSFA Condensed Balance Sheet, GSFA Investment Report, and GSFA Budget v. Actual Report for period ending December 31, 2020. Additionally, Ms. McCargar provided an update on TBA securities activity for the year and overview of the program, how it works, and how it is used by GSFA.

### **Program Investment – ACTION**

Craig Ferguson, Deputy Director, provided an update to the existing down payment assistance (DPA) program/s. The board previously approved up to \$30MM of existing resources toward an investment in its DPA program, specifically the Open Doors Program. Mr. Ferguson requested an approval of the Board for GSFA to commit an

additional \$10MM of existing resources to provide DPA in the form of second mortgage loans in conjunction with the existing DPA program/s.

**Recommendation**

It is recommended that the GSFA Executive Committee recommend to the GSFA Board of Directors to approve an additional commitment of up to \$10MM of existing resources to provide DPA in the form of second mortgage loans in conjunction with the GSFA existing DPA program/s.

**Supervisor Daron McDaniel, Merced County, motioned to approve the recommendation above. Supervisor Stacy Corless, Mono County, seconded the motion. Motion unanimously passed with a roll call.**

**AYE:** Butte, Calaveras, Colusa, Del Norte, Imperial, Merced, Mono, Nevada, Tehama, Sierra

**Nay:** None

**Abstain:** None

**Absent:** None

**Existing Program Updates**

Mr. Ferguson provided an update on the existing GSFA programs. Specifically, Mr. Ferguson explained that GSFA is currently working with CEC to obtain more funding for the Self-Generation Incentive Program (SGIP) given the popularity and demand for the program.

**Economic Development Update**

Greg Norton, Executive Director, provided an update on Golden State Natural Resources (GSNR), including the continued work related to site assessment and port selection. Mr. Norton reminded the Executive Committee that a GSNR Board of Directors meeting will be held on March 10, 2021 and the team anticipates a more robust update to be provided.

Barbara Hayes provided an update on Economic Development teams efforts, including continued support for GSNR, Broadband expansion, and exploring other ways and efforts in supporting overall economic development within our member counties.

**Adjournment**

Vice Chair, Supervisor Daron McDaniel, Merced County, adjourned the meeting of the GSFA Executive Committee at 11:56 a.m.



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**To:** GSFA Executive Committee

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

**Date:** May 6, 2021

**Re:** Approval of Draft Audited Financial Statements – December 31, 2020 –  
**ACTION**

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**Summary**

Attached are the *final draft versions* Golden State Finance Authority (GSFA) audited financial statements as of and for the year ended December 31, and the *draft* communication letter to Those Charged with Governance as required by auditing standards generally accepted in the United States of America and Government Auditing Standards, issued by the Comptroller General of the United States. The financial statements contain an unmodified (“clean”) audit opinion and the communications letter states that there were no significant matters identified in the course of the audit, nor were any audit adjustments 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 will be present to address the audit and audit approach as well as answer any questions.

Staff has continued efforts to enhance financial reporting and provide full disclosure of organizational financial activity. These audited financial statements further these efforts.

**Recommendation**

It is recommended that the GSFA Executive Committee, acting in their capacity as the Audit Committee, review and approve the draft 2020 audited financial statements and communication letter as presented, for presentation to and finalization and adoption by the GSFA Board of Directors.

**Attachments**

- GSFA 2020 Audited Financial Statements – in draft format
- Communications to Those Charged with Governance – in draft format

*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**

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This section presents management's discussion and analysis of Golden State Finance Authority's (GSFA) financial performance for the year ended December 31, 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**

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**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>
<b>Assets</b>				
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>
<b>Liabilities</b>				
Current liabilities	<u>170,838,455</u>	<u>22,245,381</u>	<u>148,593,074</u>	<u>668.0%</u>
<b>Net position</b>				
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	87,665,606	89,905,590	(2,239,984)	(2.5)%
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**

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**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**

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**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 [REDACTED], 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.

Sacramento, California  
[REDACTED], 2021

## **Basic Financial Statements**

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Draft

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

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**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		19,289,719
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**

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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>

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

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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)
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/>

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

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

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**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

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

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

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

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

**Second mortgage loans** – Second mortgage loans receivable represent future principal payments on outstanding second mortgage loans. During 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).

# Golden State Finance Authority

## Notes to Basic Financial Statements

### December 31, 2020

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**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.
- *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**

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

A summary of cash and cash equivalents and restricted cash as of December 31, 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

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**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.

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

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**NOTE 3 – SECOND MORTGAGE LOANS RECEIVABLE**

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

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

Second mortgage loans receivable	\$	19,664,719
Allowance for loan losses		(375,000)
		<hr/>
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		170,648
		<hr/>
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.

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

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**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.

**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.

# Golden State Finance Authority

## Notes to Basic Financial Statements

### December 31, 2020

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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.

#### 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.

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

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**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.

**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 [REDACTED], 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.

Sacramento, California  
          , 2021

Draft

*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 [REDACTED], 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 [REDACTED], 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.

Sacramento, California  
[REDACTED], 2021



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**To:** GSFA Executive Committee  
**From:** Lisa McCargar, Chief Financial Officer  
Milena De Melo, RCRC Controller  
**Date:** May 6, 2021  
**Re:** GSFA Condensed Balance Sheet (March 31, 2021)

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**Summary**

The Condensed Balance Sheet provides an overview of the Net Position of GSFA as of March 31, 2021, compared to audited Net Position as of December 31, 2020 and 2019.

**Attachment**

- GSFA Condensed Balance Sheet, as of March 31, 2021.

**Golden State Finance Authority**  
**Condensed Balance Sheet (Unaudited)**  
**March 31, 2021**

	<u>March 31, 2021</u>	<u>December 31, 2020</u>	<u>December 31, 2019</u>
<b>Current Assets</b>			
Cash in banks *	\$ 9,899,296	\$ 10,553,884	\$ 10,002,362
Cash in CalTRUST and LAIF	5,287,120	5,281,468	69,020,903
Cash in securities brokerage account	63,338,501	64,406,257	8,703,987
Accounts receivable and other assets	1,641,202	1,645,418	974,932
Accounts receivable, proceeds from sale of securities **	133,632,190	151,806,488	8,346,153
Energy loans receivable	5,048,091	5,335,977	6,406,427
SGIP program loans receivable	697,515	163,525	-
Multi-family notes receivable	3,200,000	3,200,000	3,200,000
Notes receivable from affiliated entity	2,526,499	2,010,240	-
Revolving loans receivable	136,856	136,856	-
Second mortgages receivable, less loan loss allowance ***	22,660,870	19,289,719	3,256,223
<b>Total Assets</b>	<b>\$ 248,068,141</b>	<b>\$ 263,829,831</b>	<b>\$ 109,910,987</b>
<b>Current Liabilities</b>			
Accounts payable	\$ 5,099,115	\$ 4,846,171	\$ 2,398,928
Accounts payable, securities to be purchased, at fair value **	132,619,528	153,153,438	8,346,934
Accounts payable to California Energy Commission	10,255,433	10,234,209	10,159,463
Accounts payable to affiliated entities	2,211,815	2,604,637	1,154,144
Unearned revenue	-	-	185,912
<b>Total Liabilities</b>	<b>\$ 150,185,891</b>	<b>\$ 170,838,455</b>	<b>\$ 22,245,382</b>
<b>Net Position, unrestricted</b>	<b>\$ 97,882,250</b>	<b>\$ 92,991,376</b>	<b>\$ 87,665,605</b>

\* Includes \$5,360,402, \$5,492,945 and \$4,749,134, as of March 31, 2021, December 31, 2020 and December 31, 2019, respectively, of funds belonging to California Energy Commission and PG&E.

\*\* Balances offset each other for a net impact on Statement of Revenues, Expenses, and Changes in Net Position of 1,012,662 (\$1,346,950) and (\$781), as of March 31, 2021, December 31, 2020 and December 31, 2019, respectively.

\*\*\* Loan loss allowance of \$375,000 as of March 31, 2021 and December 31, 2020, and \$200,000 as of December 31, 2019, for all types of mortgages has been included as a reduction of amounts outstanding.



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**To:** GSFA Executive Committee  
**From:** Lisa McCargar, Chief Financial Officer  
Milena De Melo, RCRC Controller  
**Date:** May 6, 2021  
**Re:** Investment Report for the Quarter Ended March 31, 2021

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**Summary**

In accordance with GSFA's investment policy, we are providing the GSFA investment report. This report provides a summary of investment transactions from December 31, 2020 to March 31, 2021. Investment returns by investment type and a comparison to the 90-day Treasury Rate for the most recent period of March 31, 2021 have been included.

The CalTRUST yields are the funds' reported March 31<sup>st</sup> yields. The LAIF return is the fund's March 31<sup>st</sup> apportionment rate.

**Attachment**

- GSFA Investment Report as of March 31, 2021

**GOLDEN STATE FINANCE AUTHORITY**  
**Investment Report**  
**For the Quarter Ended March 31, 2021**

	Total	CalTRUST Short-Term	CalTRUST Medium-Term	LAIF
Balance 12/31/2020 *	\$ 5,289,139	\$ 1,018,382	\$ 834,531	\$ 3,436,226
Additions	-	-	-	-
Withdrawals	-	-	-	-
Interest (includes accrued)	5,830	879	1,197	3,754
Capital Gain/(Loss)	(3,443)	(1,008)	(2,435)	-
Balance 3/31/2021 *	\$ 5,291,526	\$ 1,018,252	\$ 833,294	\$ 3,439,980

Yield:	Reported as of March 31, 2021		
	Short-Term	Mid-Term	LAIF
Annualized One Year	1.09%	1.35%	N/A
Quarter to Date	N/A	N/A	0.41%
Average Maturity (days)	321	741	220
90 Day Treasury Bill Rate	0.03%		

All current cash investments are held in either California Treasurer's Local Agency Investment Fund (LAIF) or CalTRUST's Short-Term Fund or Medium-Term Fund. Cash in the LAIF fund and the CalTRUST Short-Term Fund may be accessed within 24 hours. Cash in the CalTRUST Medium-Term Fund may be accessed within 72 hours.

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

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

Purpose of transactions in excess of \$1 million:

- None.



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**To:** GSFA Executive Committee  
**From:** Lisa McCargar, Chief Financial Officer  
Milena De Melo, RCRC Controller  
**Date:** May 6, 2021  
**Re:** GSFA Budget v. Actual Report (March 31, 2021)

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**Summary**

The Statement of Revenues and Expenses for GSFA provides a budget to actual comparison for the period ended March 31, 2021.

**Attachment**

- GSFA Statement of Revenues and Expenses, Budget vs. Actual, for the Period Ended March 31, 2021.

**GOLDEN STATE FINANCE AUTHORITY**  
**2021 BUDGET vs. ACTUAL**  
**March 31, 2021**

	2021 Annual Budget	Quarter Ended March 31, 2021 Budget	Quarter Ended March 31, 2021 Actual	Variance Favorable / (Unfavorable)	Percent Favorable / (Unfavorable)
<b>Revenues:</b>					
Housing Program Revenue	\$ 47,420,000	\$ 11,855,001	\$ 13,272,235	\$ 1,417,234	12.0%
Energy Program Revenue	920,000	230,001	243,324	13,323	5.8%
Grant Reimbursed Costs	180,000	45,000	44,194	(806)	-1.8%
Interest and Dividend Income	600,000	150,000	10,953	(139,047)	-92.7%
Capital Gains / (Losses)	50,000	12,501	(3,443)	(15,944)	-127.5%
Ongoing Issuer Fees	80,000	20,001	18,000	(2,001)	-10.0%
2nd Mortgage Interest	175,000	43,749	28,438	(15,311)	-35.0%
Bond & Program Residual Funds	-	-	289	289	100.0%
Interest Income - Notes: GSNR	-	-	16,259	16,259	100.0%
<b>Total Revenues</b>	<b>\$ 49,425,000</b>	<b>\$ 12,356,253</b>	<b>\$ 13,630,249</b>	<b>\$ 1,273,996</b>	<b>10.3%</b>
<b>Expenditures:</b>					
Accounting & Auditing	\$ 43,000	\$ 10,749	\$ -	\$ 10,749	100.0%
Bank Fees	1,000	249	420	(171)	-68.7%
Bus Dev & Expansion	300,000	75,000	32,953	42,047	56.1%
Broadband Expansion Implementation	800,000	200,001	-	200,001	100.0%
Custodian/Trustee	-	-	23	(23)	-100.0%
Consultants	145,000	36,249	64,385	(28,136)	-77.6%
Contract Performance Fee	2,215,000	553,749	-	553,749	100.0%
Dues, Fees & Subscriptions	20,000	5,001	12,729	(7,728)	-154.5%
Grant Cost	180,000	45,000	44,194	806	1.8%
Grant Fund - CA Disaster Assistance	1,000,000	249,999	-	249,999	100.0%
Insurance	43,000	10,749	10,794	(45)	-0.4%
Legal Fees	-	-	798	(798)	-100.0%
Loan Losses	100,000	24,999	-	24,999	100.0%
Miscellaneous	-	-	1,697	(1,697)	-100.0%
Energy Servicing Programs	270,000	67,500	67,400	100	0.1%
Gift Program (DPA)	30,000,000	7,500,000	6,486,455	1,013,545	13.5%
Pipeline Services	100,000	24,999	33,750	(8,751)	-35.0%
DPA Program Management	1,750,000	437,499	565,206	(127,707)	-29.2%
Postage	1,500	375	119	256	68.3%
Printing & Duplication	1,000	249	-	249	100.0%
Rent	103,200	25,800	24,251	1,549	6.0%
Contract Support Services	5,508,000	1,377,000	1,377,000	-	0.0%
Sponsorships	100,000	24,999	14,300	10,699	42.8%
Travel - Board Member Reimbs	5,000	1,251	-	1,251	100.0%
Travel	50,000	12,501	2,902	9,599	76.8%
<b>Total Expenditures</b>	<b>\$ 42,735,700</b>	<b>\$ 10,683,918</b>	<b>\$ 8,739,376</b>	<b>\$ 1,944,542</b>	<b>18.2%</b>
<b>Net Revenues Over Expenditures</b>	<b>\$ 6,689,300</b>	<b>\$ 1,672,335</b>	<b>\$ 4,890,873</b>	<b>\$ 3,218,538</b>	<b>192.5%</b>



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**To:** GSFA Board of Directors  
**From:** Barbara Hayes, Chief Economic Development Officer  
**Date:** May 7, 2021  
**Re:** RCRC Economic Development Resource Allocation

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**Background**

The RCRC Economic Development Team was officially formed in 2018 and quickly organized efforts around three key industry-related economic development areas of focus, as well as providing traditional economic development support and assistance to RCRC member counties.

The three industry areas of focus include: forest resiliency, rural broadband, and infrastructure.

**Forest Resiliency**

Forest resiliency activity is focused primarily on supporting the successful launch of Golden State Natural Resources (GSNR). In addition to activities directly supporting GSNR, RCRC Economic Development team members have built and maintained relationships within the wood products industry and with key partners in our member communities (Fire Safe Councils, Resource Conservation Districts, job training partners, industry participants, partner organizations, etc.). The acquisition of subject-matter experts in recent months in the form of consultants has added tremendous depth and breadth to GSNR as it advances through the next stages of pre-development. Despite the acquisition of this expertise, it is anticipated that a significant amount of support from the Economic Development Team will be needed in the next year to successfully move this important project to the next level of development.

**Rural Broadband**

Rural broadband is an important issue area for all RCRC member counties. COVID-19 greatly illuminated the cause for which RCRC has been championing legislative and regulatory change for years. In early 2020, pre-COVID-19, a plan to proactively engage in the discovery and deployment of new models for enhancing and extending broadband in rural California were developed. Through 2020, new financing models were researched, key organizational priorities for rural broadband were solidified, a number of legislative wins were celebrated, and much was learned as the GSFA Board approved the organization's participation in the FCC Rural Digital Opportunity Fund Auction 904.

New opportunities for broadband investment in RCRC member counties have been introduced via the federal CARES Act and, most recently, the American Rescue Plan

Act. The RCRC Economic Development Team, together with expertise from across the organization, has developed a framework for a broadband strategy that could result in foundational readiness for all RCRC member counties when it comes to accessing and directing broadband investment, as well as the implementation of several “open-access, public benefit model” demonstration projects.

#### Infrastructure

Advancing the identification of needed infrastructure projects and the accompanying resources to enable increased investment in RCRC member counties is an area of focus that the Economic Development Team has not had the bandwidth to take on.

#### Traditional Economic Development

Similarly, the provision of assistance and support to member county economic development priorities and goals is not supported by the Economic Development Team as completely as it could be, due to lack of bandwidth. Support and assistance have been provided in a timely and complete manner, but on a reactive basis rather than a proactive basis. Ideally, RCRC Economic Development Team members would know what individual RCRC member county economic development goals and priorities are and would work with county-level professional staff to identify resources, make key connections, and provide support to projects, resulting in the creation of jobs and increased investment. This type of assistance and support would be particularly valuable to RCRC member counties that lack economic development capacity.

#### **Recommendation:**

It is recommended that the Executive Committee affirm the key priorities for RCRC Economic Development for 2021 and support the addition of added experience and expertise when filling the open RCRC Economic Development position.

#### **Attachment:**

- 2021 Economic Development Agenda



## **ECONOMIC DEVELOPMENT AGENDA 2021**

Rural County Representatives of California (RCRC) is dedicated to representing the collective, unique interests of its membership and providing legislative and regulatory representation at the state and federal levels while executing on the mission of protecting and enhancing the quality of life in rural California counties.

RCRC is actively engaging in the economic development of its member counties in further pursuit of its mission. The program of work includes three economic development foundational areas of impact and three industry-specific areas of impact. All economic development work will be done with local capacity building, and job and investment generation as the guiding principles.

### **FOUNDATIONAL ECONOMIC DEVELOPMENT**

RCRC staff will work with the network of economic development professionals representing our member counties, and support or catalyze programs and projects in our member counties that result in job and investment generation. Focus will be directed in the areas of:

- **Resource Development** – Identifying or creating resources that promote and benefit RCRC member counties. Could include the identification of public programs that provide financial and/or technical assistance; development of resources, such as county economic profiles that support local economic development efforts; or identification and highlighting of local projects for private investment opportunities.
- **Workforce Development** – bringing together workforce development partners at the federal, state, and local levels, industry partners, and philanthropic organizations to identify and solve workforce issues such as, training, recruitment, curriculum development, and others that impede job creation. Partners include all workforce development and training entities, as well as education representatives from K-12 to higher education.
- **Business Development** – Participate in organizations and attend targeted industry conferences to promote Rural California, resulting in both foreign and domestic business expansion, location, and/or retention opportunities for RCRC member counties. In all cases, organization membership and industry conference participation will be leveraged with RCRC member economic development partners to extend presence and reach of network.

## **INDUSTRY-SPECIFIC ECONOMIC DEVELOPMENT**

RCRC has selected the following industry specific areas of focus because of the immediate need and greatest benefit that would result to the residents, businesses, and economies of our member counties.

### Forest Resiliency

Unprecedented levels of tree mortality combined with many years of drought conditions have resulted in disastrous fires harming the environment, wildlife, and residents and businesses of our member counties. Work is being done by RCRC that would substantially alleviate future fire danger and restore wildlife habitats and natural watersheds while also creating opportunities for substantial investment and job creation that would revitalize rural economies.

Under a 20-year Master Stewardship Agreement with the US Forest Service, Golden State Natural Resources, an affiliate entity of RCRC, will remove low-to-no value biomass from California's national forests and create a pelletized fuel product that will be sold to Pacific Rim countries transitioning from coal-fired industrial energy generation to biomass generated energy. Under established Guiding Principles that focus on the protection and enhancement of the health of our forests, communities, and residents, Golden State Natural Resources has identified a scalable commercial solution to a statewide program that has the potential to be sustainable over the long-term.

### Rural Broadband Deployment

High-speed broadband deployment in rural California is one of the most critical missing infrastructure components. Its absence often precludes unserved and underserved communities from participating in the 21<sup>st</sup> Century economy. High-speed broadband provides essential benefits by allowing increased economic and trade opportunities for small to medium-sized businesses, access to medical care (telehealth/telemedicine) and educational opportunities, enhanced public safety, and improving overall quality of life. RCRC is exploring methods of making "speed of commerce" service to rural California a reality.

### Infrastructure

Many communities in rural California are in desperate need of infrastructure upgrades to better serve their residents and businesses but don't have the resources, financial or otherwise, to research, apply, and implement these upgrades. RCRC is exploring programs and innovative funding options that will accelerate infrastructure investment and reduce existing barriers to entry for rural communities.

It is anticipated that economic development foundational work will support the industry specific work, as outlined above. In all cases, partnerships will be sought and leveraged with local, state, and federal program representatives, as well as with private sector investors.



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**To:** GSFA Board of Directors  
**From:** Barbara Hayes, Chief Economic Development Officer  
**Date:** May 7, 2021  
**Re:** Rural Broadband

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**Summary**

High-speed, ubiquitous broadband availability in rural California is often a critical missing component of infrastructure. Its absence precludes residents and businesses in unserved and underserved communities from participating in the 21<sup>st</sup> Century economy. High-speed broadband provides essential benefits by allowing increased economic and trade opportunities for small to medium-sized businesses, access to medical care and educational opportunities, enhanced public safety, and improving overall quality of life. In short, high performance broadband has evolved from a “nice to have” service to a “necessity” of daily life.

This fact was made abundantly clear during the first few weeks of the COVID pandemic. A quick pivot to remote work and distance learning illuminated the full impact of the digital chasm that exists between those that have high performance broadband and those that do not.

Policymakers have responded with an infusion of resources in both the Coronavirus Aid, Relief, and Economic Security (CARES) Act and American Rescue Plan Act of 2021 specifically focused on increasing broadband expansion and access. These one-time dollars could be used by local governments for broadband investments that will result in community benefits for years to come.

To advance the investment and delivery of robust broadband to rural California, RCRC has developed a proposed 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, all the way to Demonstration Project(s) that will introduce a new model for broadband deployment in rural California.

The proposed plan of work is divided into Levels.

**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.

### 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.

### 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.

The proposed plan of work will mean for RCRC member counties:

- Broadband Strategic Plans that will allow for application to federal programs for investment in broadband infrastructure.
- Broadband Strategic Plans that will inform local governments and allow for the direction of investment when permitting broadband deployment by incumbent service providers.
- Provide insight and information on best practices and unique approaches across RCRC member counties and from municipal broadband providers across the US.
- Launch Demonstration Project(s) within RCRC member counties that provide proof of concept to new model of broadband delivery and bring together unique set of resources and partnerships.