

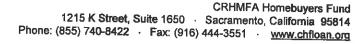
California Home Finance Authority (CHF)
Board of Directors Meeting
Thursday, June 12, 2014, 12:00 p.m.
The Miners Foundry Cultural Center
325 Spring Street, Nevada City, CA

## **AGENDA**

1.	Call to Order & Determination of Quorum Chair, Supervisor Richard Forster, Amador County Vice Chair, Supervisor Kevin Cann, Mariposa County	
2.	Approval of Minutes – March 26, 2014 Board Meeting Board Members absent from the meeting will be recorded as abstained unless the Board Member indicates otherwise	Page 1
3.	Member County Concerns	
4.	Public Testimony Presentation only of any matters of concern to the general public	
5.	Change to CHF Authority Officer Appointment - ACTION  Greg Norton	Page 7
6.	CHF 2013 Audited Financial Statements – ACTION Greg Norton, Executive Director	Page 9
7.	2014 Service Agreements and Budget Amendments - ACTION  Greg Norton	Page 41
8.	CHF Joint Powers Authority Agreement Revisions - ACTION  Greg Norton  Craig Ferguson, Vice President	Page 43
9.	CHF Proposed Multi-Family Financing - ACTION  Craig Ferguson	Page 75
10.	Energy Program Update Greg Norton Craig Ferguson	
11.	Housing Programs Update Greg Norton Craig Ferguson	

## 12. 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 participant in a public meeting, please call Sarah Bolnik at (916) 447-4806 at least 48 hours before the meeting. Agenda items will be taken as close as possible to the schedule indicated. Any member of the general public may comment on agenda items at the time of discussion. In order to facilitate public comment, please let staff know if you would like to speak on a specific agenda item.





CRHMFA Homebuyers Fund Board of Directors Meeting March 26, 2014 11:45 a.m. 1215 K Street, Suite 1650 Sacramento CA 95814 916-447-4806

## **MINUTES**

# Call to Order & Determination of Quorum

Supervisor Richard Forster, Amador County, called the meeting to order at 1:13 p.m. A quorum was determined at that time. Those present:

Supervisor	County
Richard Forster Doug Teeter Kim Dolbow Vann David Finigan John Viegas Rex Bohn Kevin Cann Rick Farinelli John Pedrozo Geri Byrne Tim Fesko Diane Dillon Nate Beason Terry Swofford Jerry Muenzer Les Baugh Lee Adams Michael Kobseff Stan Cleveland Bob Williams Debra Chapman	Amador Butte Colusa Del Norte Glenn Humboldt Mariposa Madera Merced Modoc Mono Napa Nevada Plumas San Benito Shasta Sierra Siskiyou Sutter Tehama Trinity
Randy Hanveit	Tuolumne
Absent Mary Rawson Merita Callaway Brian Veerkamp	Alpine Calaveras El Dorado

Michael Kelley Imperial Invo Linda Arcularius Lake Anthony Farrington Aaron Albaugh Lassen Mendocino Carre Brown Placer Jim Holmes Yolo Jim Provenza Yuba Roger Abe

## Others in Attendance

Allen Ishida, Supervisor, Tulare County Brian Oneto, Supervisor, Amador County Kevin Goss, Supervisor, Plumas County

## Staff in Attendance

Greg Norton, Executive Director
Patricia Megason, Deputy Director
Karl Dolk, Chief Financial Officer
Craig Ferguson, Vice President
Sanjay Lee, RCRC Staff Accountant
Sarah Bolnik, RCRC Executive Assistant/Office Manager
Justin Caporusso, RCRC Public Affairs Specialist
Staci Heaton, RCRC Regulatory Affairs Advocate
Mary Pitto, RCRC Regulatory Affairs Advocate
Paul Smith, RCRC Senior Legislative Advocate
Randal Echevarria, RCRC Legislative Analyst
Kathy Mannion, RCRC Governmental Affairs Assistant

# Approval of Minutes - December 4, 2013 Board Meeting

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

Supervisor Tim Fesko, Mono County, motioned to approve the minutes of the December 4, 2013 CHF Board of Directors Meeting. Supervisor Les Baugh, Shasta County, seconded the motion. Motion unanimously passed.

**Member County Concerns**None

Public Testimony
None

Resolution 14-02: Acceptance of Associate Members

Greg Norton, Executive Director, reminded the CHF Board that as required per the CRHMFA Homebuyers Fund (CHF) JPA Agreement, this Resolution is to approve the acceptance of current Associate Members.

This resolution ratifies all current CHF Associate Members and restates the process by which new CHF Associate Members are accepted by the Authority. CHF staff is bringing this resolution to the CHF Board of Directors as part of the annual process regarding Associate Members of CHF.

## **Staff Recommendation**

Staff recommends that the CHF Board of Directors:

- 1. Approve Resolution 14-02; and
- 2. Ratify the current list of member counties and associate members per the attached list.

Supervisor Les Baugh, Shasta County, motioned to approve staff recommendations as presented. Supervisor Bob Williams, Tehama County, seconded the motion. Motion unanimously passed.

# Appointment of the 2014 Chair and Vice Chair and Appointment of Authority Officers

Greg Norton reported that in January 2014, Supervisor Nate Beason, Nevada County, and RCRC Board Chair, nominated Supervisor Richard Forster, Amador County, as Chair, and Supervisor Kevin Cann, Mariposa County, as Vice Chair of CRHMFA Homebuyers Fund. Mr. Norton then recommended the following additional officers of CRHMFA Homebuyers Fund:

Deputy Director/Assistant Secretary Vice President/Assistant Secretary Controller/Assistant Secretary

Patricia Megason T. Craig Ferguson Karl W. Dolk

# **Staff Recommendations:**

Staff recommends that the CHF Board:

- 1. Elect Supervisor Richard Forster, Amador County, the 2014 CHF Chair and Supervisor Kevin Cann, Mariposa County, the Vice Chair per the nomination of the RCRC Chair; and
- 2. Confirm the appointment of the additional 2014 officers by the CHF Executive Director as noted above.

Supervisor John Pedrozo, Merced County, motioned to approve staff recommendations as presented. Supervisor Les Baugh, Shasta County, seconded the motion. Motion unanimously passed.

## Resolution 14-03: CRHMFA Homebuyers Fund Name Change

Greg Norton discussed with the CHF Board of Directors staff's recommendation to change the name of CRHMFA Homebuyers Fund to the California Home Finance Authority. The acronym for CHF, which is what the Authority is widely referred to, will remain the same. The Executive Committee considered the name change on February 19, 2014, and directed the CHF Executive Director to bring it to the CHF Board of Directors for approval.

## **Staff Recommendation:**

Staff recommends the CHF Board of Directors approve Resolution 14-03 to authorize the use of California Home Finance Authority for JPA operations and to proceed with efforts to amend the JPA Agreement.

Supervisor Randy Hanvelt, Tuolumne County, motioned to approve staff recommendations as presented. Supervisor Kim Dolbow Vann, Colusa County, seconded the motion. Motion unanimously passed.

## **CHF Property Assessed Clean Energy Programs**

Greg Norton explained to the CHF Board of Directors a new opportunity to expand CHF's existing energy retrofit program by participating in a Property Assessed Clean Energy (PACE) program. Mr. Norton explained that while ARRA funds have been utilized to operate a residential energy program, this new program would operate as a public/private partnership. Mr. Norton explained the opportunities the intended PACE program would provide including an additional funding source, additional eligible properties, and energy efficiency measures, course of construction financing, and provide a competitive financing option. The CHF Board of Directors talked at length regarding this issue, including discussion of programs that are already being used in some of the member counties.

## **Staff Recommendations**

Staff recommends that the CHF Board of Directors approve continued efforts to:

- Proceed with the Process to Establish a JPA-wide PACE program(s);
- 2. Establish a public-private partnership with a PACE program administrator;
- 3. Evaluate the cost/benefit of providing Course of Construction financing; and
- 4. Make the necessary recommendations for financial and staff commitments to create and implement a successful program.

Supervisor Tim Fesko, Mono County, motioned to approve staff recommendations as presented. Supervisor John Viegas, Glenn County, seconded the motion. Motion unanimously passed.

## **Energy Program Update**

Craig Ferguson, Vice President, provided an update on the existing Energy Retrofit Programs including possible enhancements and additional options staff is working on.

# **Housing Program Update**

Craig Ferguson provided an update on the various housing programs including the Portfolio 2<sup>nd</sup> Mortgage Program and the Down Payment Assistance Gift Programs.

# Adjournment

Supervisor Richard Forster, Amador County, adjourned the meeting of the CHF Board of Directors at 1:45 p.m.



California Horne Finance Authority
1215 K Street, Suite 1650 · Sacramento, California 95814
Phone: (855) 740-8422 · Fax: (916) 444-3551 · www.chfloan.org

To:

**CHF Board of Directors** 

From:

Greg Norton, Executive Director

Date:

June 3, 2014

Re:

Change to CHF Authority Officer Appointment - ACTION

The JPA Agreement (Section 9. b.) states that the President/CEO of RCRC shall serve ex officio as the Executive Director, Secretary, Treasurer, and Auditor of the Authority. Further, the Executive Director may appoint such other officers as may be required for the orderly conduct of the Authority's business and affairs who shall serve at the pleasure of the Executive Director. As Executive Director, I appoint the following additional officers for 2014:

At the March 26, 2014 CHF Board Meeting, the Board approved the following additional Corporate Officers for 2014:

Individual

Patricia Megason

Karl Dolk

Craig Ferguson

Corp Officer Appointment

Deputy Director/Assistant Secretary

Controller/Assistant Secretary

Vice President/Assistant Secretary

With the recent retirement of Karl Dolk as Chief Financial Officer and the hiring of Lisa McCargar as Chief Financial Officer, action is necessary to replace Karl Dolk with Lisa McCargar as CHF Controller/Assistant Secretary.

## Staff Recommendation:

Staff recommends the Board of Directors take the action confirm the replacement of Karl Dolk with Lisa McCargar as CHF Controller/Assistant Secretary, an Authority Officer.



California Home Finance Authority
1215 K Street, Suite 1650 · Sacramento, California 95814
Phone: (855) 740-8422 · Fax: (916) 444-3551 · www.chfloan.org

To:

CHF Board of Directors

From:

Greg Norton, Executive Director

Date:

June 3, 2014

Re:

CHF 2013 Audited Financial Statements - ACTION

## **Summary**

The 2013 audited financial statements with associated footnotes for the CRHMFA Homebuyers Fund (CHF) received an unqualified ("clean") opinion from Moss Adams LLP, our independent auditing firm, as to the fairness of presentation. The auditors also provided an information letter stating that there were no significant matters identified and no audit adjustments were proposed or made to the original trial balance.

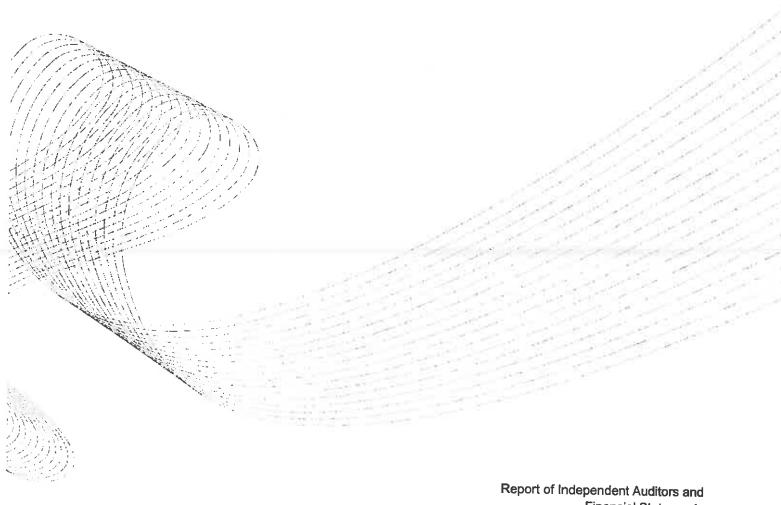
Moss Adams presented and discussed the audited financial statements and information letter with the RCRC Executive Committee, acting as the Audit Committee, on May 7, 2014. The Executive Committee directed the CHF Executive Director to present the audited financial statements to the CHF Board of Directors for adoption.

## **Staff Recommendation:**

Staff recommends that the CHF Board of Directors review and approve the 2013 audited financial statements and information letter as presented.

#### **Attachments**

- CHF 2013 Audited Financial Statements
- Information Letter



Financial Statements

**CRHMFA** Homebuyers Fund

December 31, 2013

# MOSS-ADAMS LLP

Certified Public Accountants | Eusiness Consultants

Acumen. Agility. Answers.

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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors

CRHMFA Homebuyers Fund

## Report on the Financial Statements

We have audited the accompanying financial statements of CRHMFA Homebuyers Fund ("CHF") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the CHF's basic financial statements as listed in the table of contents.

## Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CHF's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of CHF as of December 31, 2013, and the respective changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.



#### Other Matters

### Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 11, 2014 on our consideration of CHF's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 CHF's internal control over financial reporting and compliance.

Sacramento, California

Moss Adams, LLP

April 11, 2014

This section presents management's discussion and analysis of CRHMFA Homebuyers Fund's ("CHF") financial performance for the year ended December 31, 2013. Please read it in conjunction with the financial statements and notes thereto, which follow this section.

#### FINANCIAL HIGHLIGHTS

The assets of CHF exceeded liabilities at December 31, 2013, by \$66.0 million (net position), all of which is available to meet ongoing obligations. CHF's total net position increased by approximately \$4.9 million (up 8.1%) from December 31, 2012 to December 31, 2013.

The CHF Board authorized use of net position generated through bond residuals and program revenues for new program investments which continues to result in successful programs and increased revenue. As of December 31, 2013, assets include approximately \$12.2 million in second mortgage loans receivable, net of an allowance for loan losses, and approximately \$18.9 million in energy grant loans receivable. It is important to note that the second mortgage loans receivable are interest bearing; however, they are not securitized and are therefore subject to risk of default. During 2013, CHF received residual cash of \$71,465 from the payoff of conduit debt.

## **OVERVIEW OF THE FINANCIAL STATEMENTS**

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

CHF's financial statements report information about CHF using accounting methods similar to those used by private sector companies. These statements are intended to offer short-term and long-term financial information about its activities. The statement of net position includes all of CHF's operating assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to CHF 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 2013 are accounted for in the statement of revenues, expenses and change in net position. This statement measures the success of CHF's operations over the year and can be used to determine whether CHF has successfully recovered all of its costs through the services it provides.

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

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

#### **FINANCIAL ANALYSIS**

CRHMFA Homebuyers Fund Condensed Statement of Net Position December 31, 2013 and 2012

					Increase/(Decr	ease)
		2013	2012	1-	\$	%
Assets: Current assets Noncurrent assets	\$	107,771,818 31,165,811	\$ 78,232,308 33,517,019	\$	29,539,510 (2,351,208)	37.8% (7.0%)
Total assets	-	138,937,629	 111,749,327	. <u>-</u>	27,188,302	24.3%
<b>Liabilities:</b> Current liabilities	-	72,942,249	 50,677,548	- <u>-</u>	22,264,701	43.9%
Net Position: Net position, unrestricted	\$	65,995,380	\$ 61,071,779	\$	4,923,601	8.1%

The statement of net position reflects a snapshot of CHF's financial position at a given moment in time. Changes in net position over time is an indicator of whether the financial condition of CHF is improving or declining. As of December 31, 2013, CHF's net position was \$65,995,380, an increase of \$4,923,601 (up 8.1%) from December 31, 2012. The increase in current assets of \$29,539,510 (up 37.8%) resulted primarily from the increase of the Platinum Program low to moderate income housing assistance loan program pipeline. The decrease in noncurrent assets is due to energy loan and 2nd mortgage repayments. The increase in current liabilities also resulted primarily from the increase of the Platinum Program low to moderate income housing assistance loan program pipeline.

## FINANCIAL ANALYSIS (CONTINUED)

## CRHMFA Homebuyers Fund Condensed Statement of Revenues, Expenses and Change in Net Position For the Years Ended December 31, 2013 and 2012

			Increase/(	Decrease)
	2013	2012	\$	%
Operating Revenues:				
Housing program revenue	\$ 18,321,431	\$ 18,175,959	\$ 145,472	0.8%
Grant fees	505,948	13,892,215	(13,386,267)	(96.4%)
Total operating revenues	18,827,379	32,068,174	(13,240,795)	(41.3%)
Operating Expenses:				
Housing expenses	13,529,397	9,308,719	4,220,678	45.3%
Grant expenses	443,096	13,867,773	(13,424,677)	(96.8%)
Total operating expenses	13,972,493	23,176,492	(9,203,999)	(39.7%)
Operating income	4,854,886	8,891,682	(4,036,796)	(45.4%)
Non-operating Revenue:				
Interest income	101,063	140,245	(39,182)	(27.9%)
Gain/(Loss) on investments	(32,348)	17,207	(49,555)	(287.9%)
Total non-operating	60 F4 F		·	
revenue	68,715	157,452	(88,737)	(56.4%)
Change in net position	4,923,601	9,049,134	(4,125,533)	(45.6%)
Net position, beginning of year	61,071,779	52,022,645	9,049,134	17.4%
Net position, end of year	\$ 65,995,380	\$ 61,071,779	\$ 4,923,601	8.1%

The statement of revenues, expenses and change in net position reflects activity that has occurred during the fiscal period of time covered by this report. For the year ended December 31, 2013, CHF's operating revenues decreased by \$13,240,795 (down 41.3%) from the year ended December 31, 2012, primarily due to decreased revenues in the California Energy Commission (CEC) grant program. CHF also experienced a decrease in operating expenses of \$9,203,999 (down 39.7%) for the same period. The decrease was due to reduced grant expenses associated with the CEC grant program.

#### **BUDGETARY COMPARISON**

## CRHMFA Homebuyers Fund Comparison of Budget and Actual Revenues, Expenses and Change in Net Position For the Year Ended December 31, 2013

						Actual Over (U	nder) Budget
		Budget		Actual		\$	%
Operating Revenues:							
Housing program revenue	\$	19,067,284	\$	18,321,431	\$	(745,853)	(3.9%)
Grant revenue		120,000		505,948	_	385,948	321.6%
Total operating revenues	-	19,187,284	-	18,827,379	-	(359,905)	(1.9%)
Operating Expenses:							
Housing expenses		16,284,661		13,529,397		(2,755,264)	(16.9%)
Grant expenses		-		443,096		443,096	*:
Total operating expenses		16,284,661	-	13,972,493		(2,312,168)	(14.2%)
Operating income	-	2,902,623		4,854,886		1,952,263	67.2%
Non-operating Revenue		154,500		68,715		(85,785)	(55.5%)
Change in net position	\$	3,057,123	\$	4,923,601	\$	1,866,478	61.1%

The only significant difference between budget and actual was the housing expenses \$2.8 million under budget. This savings was primarily due to \$2.3 million in below budget Platinum program costs and \$220,000 in below budget professional fees.

#### **FUTURE ECONOMIC OUTLOOK**

CHF issued no tax-exempt mortgage revenue bonds in 2013. CHF has converted all \$200 million of its tax-exempt "carry-forward" mortgage revenue bond volume cap to Mortgage Credit Certificate ("MCC") volume cap, which CHF continues to utilize for its MCC program, and will do so through 2014. CHF continues to enhance its housing programs and explore ideas to improve on the organization's housing and energy programs while remaining focused on the affordability challenges of its constituents.

Beginning late 2010 CHF was awarded \$30.5 million in grants from the California Energy Commission to provide energy retrofit funding for single family residences. In 2012 CHF implemented an energy retrofit program utilizing a commitment from PG&E and the investment of private capital from a regional bank. Both these programs are anticipated to continue operation through 2014 and additional efforts are underway to further expand CHFs energy retrofit programs, including beyond residential properties.

As of December 31, 2013, CHF has \$10.8 million of amortizing second mortgage loans in portfolio from its second mortgage down payment assistance program, and beginning 2014, CHF has discontinued this program in order to commit resources toward other housing financing and energy initiatives. CHFs down payment assistance gift program, implemented in late 2010, continued its success in 2013 and is forecasted to grow further in 2014. To remain competitive and provide effective programs, it will be necessary for the organization to continue to be innovative in the development of such programs. In 2013, CHF programs assisted more than 1,900 families with the purchase of a home.

CHF revenues exceeded the projected levels for 2013. As of December 31, 2013, CHF had approximately \$66.0 million in net position available including \$60.5 million in cash which includes \$8.8 million held on behalf of the California Energy Commission and Pacific Gas & Electric (PG&E). We anticipate that continued investment in existing housing and energy programs and new program developments will lead to strong operating revenues in 2014 and future years.

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of CHF's finances for all those with an interest in CHF'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.

# CRHMFA HOMEBUYERS FUND STATEMENT OF NET POSITION DECEMBER 31, 2013

## **ASSETS**

Current assets:		
Cash and cash equivalents	\$	60,526,119
Mortgage backed securities		1,639,347
Accounts receivable, proceeds from sale of securities		45,295,625
Accounts receivable		262,594
Interest receivable		7,980
Prepaid expenses	_	40,153
Total current assets		107,771,818
Noncurrent assets:		
Energy grant loans receivable		18,932,814
Second mortgage loans receivable, net of allowance for		40.000.005
loan losses of \$559,698	-	12,232,997
Total assets	\$ _	138,937,629
LIABILITIES AND NET POSITION		
Current liabilities:		
Accounts payable	\$	29,863
Accounts payable, securities sold, at fair value		44,960,762
Accounts payable to Energy Commission		24,563,770
Accounts payable to affiliated entities		219,641
Unearned revenue	_	3,168,213
Total liabilities	_	72,942,249
Net position, unrestricted		65,995,380
Total liabilities and net position	\$	138,937,629

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

# CRHMFA HOMEBUYERS FUND STATEMENT OF REVENUES, EXPENSES AND CHANGE IN NET POSITION FOR THE YEAR ENDED DECEMBER 31, 2013

Operating revenues:		
Loan program revenue	\$	17,163,270
Bond and program residual funds		71,465
Issuer fees		26,795
Mortgage interest		1,059,901
Grant fees		505,948
Total operating revenues		18,827,379
Operating expenses:		
Support services		2,105,776
Accounting and auditing		55,922
Arbitrage rebate calculation		3,500
Bond issuance and lender expense		10,815
Business development and expansion		33,841
Consultants		201,846
Contract labor		15,367
Grant costs		443,096
Insurance		51,162
Legal fees		28,829
Provision for loan losses		178,500
Platinum program		10,715,089
Promotion and marketing		7,042
Rent		86,481
Travel		4,935
Miscellaneous		30,292
Total operating expenses		13,972,493
Operating income		4,854,886
Non-operating revenues:		
Interest income		101,063
Loss on investments		(32,348)
Total non-operating revenues		68,715
Change in net position		4,923,601
Net position, January 1, 2013		61,071,779
Net position, December 31, 2013	\$ .	65,995,380

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

# CRHMFA HOMEBUYERS FUND STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31, 2013

Cash flows from operating activities:		
Cash receipts from loan and grant programs	\$	20,344,937
Cash receipts from bond and residual funds		908,793
Cash paid for support services		(2,105,776)
Cash paid for services and supplies		(11,340,780)
Net cash provided by operating activities	-	7,807,174
Cash flows from investing activities:		
Interest received and loss on investments		69,074
merest received and root on investments	-	
Cash flows used in financing activities:		
Second mortgages purchased	_	(2,781,435)
Increase in cash and cash equivalents		5,094,813
Cash and cash equivalents, January 1, 2013		55,431,306
Cash and Cash equivalents, january 1, 2010	-	
Cash and cash equivalents, December 31, 2013	\$	60,526,119
		· · · <u>. · · · · · · · · · · · · · · · ·</u>
Reconciliation of operating income to net cash provided by operating		
activities:		
Operating income	\$	4,854,886
Adjustment to reconcile operating income to net cash		
provided by operating activities:		
Provision for loan losses		178,500
Decrease in accounts receivable		2,989,595
Decrease in second mortgage loans		2,242,056
Increase in mortgage backed securities		(1,639,347)
Increase in accounts receivable sale of securities		(23,080,000)
Increase in prepaid expenses		(3,217)
Decrease in unearned revenue		(799,253)
Increase in accounts payable to affiliated entity		350,654
Increase in accounts payable securities sold		22,700,762
Increase in accounts payable		12,538
Not each provided by operating activities	\$	7,807,174
Net cash provided by operating activities	Ψ,	/,00/,1/4

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

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **Reporting Entity**

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

CHF programs are designed to provide assistance for adequate, safe, and sanitary residential housing. CHF makes available competitively priced financing opportunities for homebuyers for the purchase of residential housing and energy retrofits, with particular emphasis on assisting low and moderate income homebuyers. CHF 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.

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

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

#### **Basis of Accounting**

CHF 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.

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

## CRHMFA HOMEBUYERS FUND NOTES TO BASIC FINANCIAL STATEMENTS

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### Basis of Accounting (continued)

When both restricted and unrestricted resources are available for use, it is CHF's policy to use unrestricted resources first, then restricted resources as they are needed.

#### Cash and Cash Equivalents

CHF considers all highly liquid investments with a 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 CHF'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 and second mortgages purchased as part of the current ACCESS program. During 2013, CHF received \$1,058,988 in interest from these assets. As of December 31, 2013, \$1,908,634 in second mortgage loans from the bond releases, \$10,784,529 in second mortgages from the ACCESS program and \$66,706 in 2007C second mortgages remain outstanding.

#### Allowance for Loan Losses

CHF 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 of historical loss trends and current exposure in the loan pools. Actual losses may vary from current estimates.

#### Mortgage Backed Securities

Mortgage backed securities represent assets purchased as part of CHF's Platinum housing program (Note 5). As of December 31, 2013, \$1,639,347 in securitized first mortgage loans, in the form of mortgage backed securities, were outstanding. Mortgage backed securities sold, not yet purchased, represent obligations of CHF to deliver the specified security at a contract price, thereby creating a liability to purchase the security at quoted market prices. The Company also records a receivable as of the trade date for the estimate proceeds receivable. Realized and unrealized gains and losses on mortgage backed securities are reported in operating income as the activity relates solely to the Platinum loan program.

# CRHMFA HOMEBUYERS FUND NOTES TO BASIC FINANCIAL STATEMENTS

## NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### **Net Position**

Net position is classified into the following categories:

- Invested in capital assets: Capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets; CHF does not have any net position in this category as of December 31, 2013.
- Restricted non-expendable: Net position subject to externally imposed conditions that CHF retains
  in perpetuity; CHF does not have any net position in this category as of December 31, 2013.
- Restricted expendable: Net position subject to externally imposed conditions that can be fulfilled by
  the actions of CHF or by the passage of time; CHF does not have any net position in this category as
  of December 31, 2013.
- *Unrestricted:* All other categories of net position; in addition, unrestricted net position may be designated for use by management or the Board of Directors.

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

## Revenue Recognition

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

#### **Income Taxes**

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

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates. The allowance for loan losses and fair market value of financial instruments are particularly subject to change.

# CRHMFA HOMEBUYERS FUND NOTES TO BASIC FINANCIAL STATEMENTS

#### NOTE 2 - CASH AND CASH EQUIVALENTS

A summary of CHF's cash and cash equivalents as of December 31, 2013, is as follows:

Deposits with financial institutions	\$ 2,080,032
Money market funds	8,064,461
Brokerage account	36,152,920
LAIF	183,094
CalTRUST	14,045,612
Total cash and cash equivalents	\$ 60,526,119

#### Deposits - Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, CHF's deposits may not be returned to it. As of December 31, 2013, CHF's deposits with financial institutions 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.

#### 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.

CHF may own mortgage-backed securities that are secured by first mortgage loans. These are fixed rate securities backed by the Government National Mortgage Association that were rated AAA by nationally recognized rating agencies. There was \$1,639,347 in mortgage-backed securities owned by CHF as of December 31, 2013.

CHF maintains money-market funds held with its bank, F&M Bank, and a securities firm, Morgan Keegan (MK). The F&M 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 CHF. The MK money-market funds are the accumulation of interest and principal from mortgage backed securities and proceeds from their sales. CHF's investment in money-market funds were rated at AAA by Standard & Poor's.

#### **Highly Liquid Investments**

As of December 31, 2013, CHF also maintains highly liquid investment accounts with CalTRUST in the amount of \$14,045,612. 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 CHF invests in two. The total amount invested by public agencies in CalTRUST as of December 31, 2013, exceeded \$1.5 billion.

# CRHMFA HOMEBUYERS FUND NOTES TO BASIC FINANCIAL STATEMENTS

# NOTE 2 - CASH AND CASH EQUIVALENTS (CONTINUED)

## Highly Liquid Investments (continued)

CalTRUST is a joint powers authority that was formed to pool and invest funds of public agencies. Three pools are offered and CHF is currently invested in the short term and medium term funds. Because CHF's deposits are maintained in a recognized Pooled Investment Fund ("Fund") under the care of a third party and CHF's share of the pool does not represent specific identifiable investment securities owned by CHF, 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 is rated AAf/S1+ by a credit rating agency. RCRC's highly liquid investment in CalTRUST is reported at fair value.

CHF also places certain funds with LAIF. CHF is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California and the Pooled Money Investment Board. The state Treasurer's Office pools these funds with those of other governmental agencies in the state and invests the cash. The fair value of the CHF's investment in the pool is reported in the accompanying financial statements based upon CHF'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 CHF's deposits are maintained in a recognized Pooled Investment Fund under the care of a third party and CHF's share of the pool does not consist of specific, identifiable investment securities owned by CHF, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required. The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Funds are accessible and transferable to the master account within twenty-four hours notice. Included in LAIF's investment portfolio are collateralized mortgage obligations, mortgage-backed securities, other asset-backed securities, and floating rate securities issued by Federal agencies, government-sponsored enterprises and corporations. LAIF is administered by the state Treasurer.

LAIF investments are audited annually by the Pooled Money Investment Board and the state Controller's Office. Copies of this audit may be obtained from the state Treasurer's Office: 915 Capitol Mall; Sacramento, California 95814. Included in the Pooled Money Investment Account's investment portfolio are certain derivative securities or similar products in the form of structured notes and asset-backed securities which represent 0.002% of the portfolio.

The Local Investment Advisory Board ("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 CHF's position in the pool. CHF's investment in LAIF is reported at fair value and is not rated by credit rating agencies.

# CRHMFA HOMEBUYERS FUND NOTES TO BASIC FINANCIAL STATEMENTS

#### NOTE 3 - SECOND MORTGAGE LOANS RECEIVABLE

Second mortgage loans consist of second mortgages funded as part of the ACCESS program and the loan activity is located throughout California. The CHF ACCESS program combines a 30 year fixed interest rate Federal Housing Administration ("FHA") first mortgage loan with down payment and/or closing cost assistance from CHF in the form of a fixed interest rate second mortgage, making combined financing of up to 99.5% of the purchase price possible. The second mortgages carry 15 year fully amortizing terms and may not exceed 3% of the sales price.

Second mortgage loans receivable as of December 31, 2013, are as follows:

Citimortgage second mortgages	\$	1,011,957
FMC second mortgages		10,851,236
US Bank second mortgages		896,677
Stocking energy loan		32,825
Allowance for loan losses		<b>(5</b> 59,698)
	_	
Total second mortgage loans receivable, net of		
allowance for loan losses	\$	12,232,997

Activity in the allowance for loan losses for the year ended December 31, 2013, was as follows:

Balance, beginning of year	\$	717,000
Charge-offs		(365,780)
Recoveries		29,978
Provision for loan losses		178,500
	<del></del>	
Balance, end of year	\$	559,698

#### **NOTE 4 - RELATED PARTY TRANSACTIONS**

For the year ended December 31, 2013, CHF entered into a support services agreement with RCRC, an affiliated entity, for a flat fee of \$176,275 a month to operate and administer CHF operations. As of December 31, 2013, CHF accrued a \$26,524 payable to RCRC for CHF's pro-rata portion of legal, insurance, rent, and miscellaneous costs that RCRC paid on behalf of CHF in 2013. Also for 2013, CHF entered into a service agreement with National Homebuyers Fund, Inc. ("NHF") to administer the Platinum program and the California Energy Commission loan servicing. Those services include lender training, customer service and support, servicing MIST loans, loan pipeline management, pooling, delivery management, and pricing. At December 31, 2013, CHF accrued a \$193,117 payable to NHF primarily for platinum administration fees, loan servicing fees and 2nd mortgage interest received by CHF on behalf of NHF. The support service agreements with both RCRC and NHF are annual agreements, expiring on December 31st of each year, with successive one year automatic renewals until terminated by either party.

# CRHMFA HOMEBUYERS FUND NOTES TO BASIC FINANCIAL STATEMENTS

## **NOTE 5 - PLATINUM HOUSING PROGRAM**

CHF implemented the Platinum down payment assistance housing program in October 2010 targeting low to moderate income homebuyers. The Platinum program provides a down payment grant. CHF has partnered with financial institutions to market the program to homebuyers. NHF manages the program for CHF.

As part of this program, CHF purchases pools of government backed mortgage backed securities ("MBS") for resale into the secondary market. To manage exposure to interest rate risk on the purchase and subsequent resale of MBS's into the secondary market, CHF enters into sales agreements of "to-be-announced" ("TBA") GNMA securities, in which CHF has committed to deliver the specified securities at contracted prices at a future date. As of December 31, 2013, CHF had outstanding \$45.0 million principal of TBA sales to be settled in January and February 2014. The entity has recorded a receivable of \$45.3 million for the estimated proceeds from the sale. CHF has also recorded a liability to purchase the securities at prevailing prices at December 31, 2013 in order to fulfill the future obligation. In addition, CHF held \$1,639,347 in mortgage backed securities as of December 31, 2013.

Revenue from this program, including \$15.1 million in gains realized through MBS program sales, net of transaction costs of the TBA sales, is included in loan program revenue on the statement of revenues, expenses, and change in net position. The down payment assistance grants and other program expenses totaling \$10.7 million are included in expense on the statement of revenue, expenses, and change in net position.

#### **NOTE 6 - ENERGY GRANT**

In September 2010, CHF was awarded a \$16.5 million grant from the California Energy Commission ("CEC"). The grant's purpose is to provide low interest loans and grants to low to moderate income homeowners to perform home energy retrofits. In April 2012, the CEC had amended the grant to award CHF an additional \$14.0 million. CEC had advanced \$26.7 million to CHF for the sole purpose of funding the loans. As of December 31, 2013, \$2.1 million of the advance had not been used for loans and is included in unearned revenue. Interest earned on the advances is due back to the CEC and is recorded as an account payable at December 31, 2013.

Under the original terms of the grant, CHF was allowed to recover its administrative costs to administer the program up to \$1.37 million. During 2013, CHF incurred legal, program, loan servicing and staff expenses of \$466,131 to operate the program and develop the required documents; however, not all of these expenses are reimbursable under the terms of the grant. CHF invoiced for \$444,048 reimbursement during the year for allowable expenses incurred.

# CRHMFA HOMEBUYERS FUND NOTES TO BASIC FINANCIAL STATEMENTS

#### **NOTE 7 - CONDUIT DEBT**

CHF has conduit debt issued and outstanding as of December 31, 2013, for tax-exempt mortgage revenue bonds of \$21.1 million. The tax-exempt mortgage revenue bonds are secured by AAA rated mortgage backed securities, guaranteed as to timely payment of interest and principal by the Government National Mortgage Association. The 2006 FH-1 bonds are secured by mortgages which are insured by Radian Guaranty, Inc. and CHF's maximum liability for the debt is \$75,000. These conduit debt financings are secured solely by the pledged assets, reserves, and insurance and do not constitute general obligations of CHF.

During 2013, CHF retired conduit debt of approximately \$420,000. The debt was retired through the optional redemption allowed by each bond's indenture. The retirement of the conduit debt resulted in \$71,465 of 2013 income for CHF.

#### **NOTE 8 – RISK MANAGEMENT**

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

### **NOTE 9 - COMMITMENTS AND CONTINGENCIES**

In August 2011, the CHF Board of Directors approved a resolution authorizing CHF to enter into a revolving debt obligation with NHF up to \$10 million. In April 2014, the loan documents were approved and signed, and the first advance totaling \$500,000 was made. Advances under the obligation may be made in minimum amounts of \$500,000 and are due one year from the date of the advance. The advances will accrue interest based on the one-month LIBOR Rate on the date of the advance plus 2.50%, provided that the minimum interest rate payable on any advance will be no less than 2.75%. No advances may be made after April 8, 2016.

## **CRHMFA HOMEBUYERS FUND**

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 CRHMFA Homebuyers Fund

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 CRHMFA Homebuyers Fund ("CHF") as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise CHF's basic financial statements, and have issued our report thereon dated April 11, 2014.

## **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered CHF'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 CHF's internal control. Accordingly, we do not express an opinion on the effectiveness of CHF'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.

## **CRHMFA HOMEBUYERS FUND**

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

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether CHF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Sacramento, California

Moss Adams, LLP

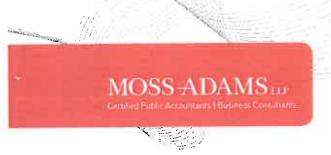
April 11, 2014

Communications with Those Charged with Governance CRHMFA Homebuyers Fund

December 31, 2013



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# To the Board of Directors and Management of **CRHMFA Homebuvers Fund**

We have audited the financial statements of CRHMFA Homebuyers Fund (CHF) as of and for the year ended December 31, 2013, and have issued our report thereon dated April 11, 2014. 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 31, 2013, 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 CHF's internal control over financial reporting. Accordingly, we considered CHF's internal control solely for the purposes of determining our audit procedures and not to provide assurance concerning such internal control.

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

#### PLANNED SCOPE AND TIMING OF THE AUDIT

We performed the audit according to the planned scope and timing previously communicated to you in the engagement letter and during planning discussions conducted on November 13, 2013.



#### 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 CHF 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 2013. We noted no transactions entered into by CHF during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

#### **Significant Accounting Estimates**

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

Management's estimate of the allowance for loan loss on second mortgages receivable is based on estimates of historical loss trends and current exposure in the loan pools. We evaluated the key factors and assumptions used to develop the 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, 2013 and the various types of risk associated with the cash balances.

Disclosure of mortgage backed securities and forward sales of "to-be-announced" (TBA) securities in Note 1 and Note 5. Mortgage backed securities sold, not yet purchased, represent obligations of CHF to deliver the specified security at a contract price, thereby creating a liability to purchase the security at quoted market prices. CHF 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 Platinum loan program.

# Significant Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all factual and judgmental misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. We did not note any factual or judgmental misstatements in the course of the engagement.

#### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated April 11, 2014.

# 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 CHF's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

# Other Significant Audit Findings or Issues

Moss Adams, LLP

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as CHF's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of the board of directors and management of CHF and is not intended to be and should not be used by anyone other than these specified parties.

Sacramento, California

April 18, 2014





April 11, 2014

Moss Adams LLP 3100 Zinfandel Drive, 5<sup>th</sup> Floor Rancho Cordova, CA 95670

We are providing this letter in connection with your audit of the financial statements of CRHMFA Homebuyers Fund ("CHF"), which comprise the statement of net assets as of December 31, 2013, and the related statement of revenues, expenses and change in net assets and cash flows for the year then ended, and the related notes to the financial statements for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States (U.S. GAAP). Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

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

We confirm that, [to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of April 11, 2014,

#### Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 18, 2013 for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 3. We acknowledge our responsibility for the design, implementation and maintenance of internal controls to prevent and detect fraud.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.
- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.

#### Information Provided

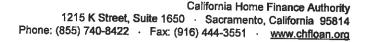
- 8. We have provided you with:
  - Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters;
  - Minutes of the meetings of the board of directors, or summaries of actions of recent meetings for which minutes have not yet been prepared;

- c. Additional information that you have requested from us for the purpose of the audit;
- d. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All material transactions have been properly recorded in the accounting records and are reflected in the financial statements.
- 10. We have no knowledge of any fraud or suspected fraud that affects the entity and involves
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others when the fraud could have a material effect on the financial statements.
- 11. We have no knowledge of any allegations of fraud or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- 12. We are not aware of any known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- 13. We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessment.
- 14. We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- 15. CHF is a joint powers authority, an exempt organization. We are not aware of any activities that would jeopardize CHF's tax-exempt status. All required filings with tax authorities are up-to-date.
- 16. As part of your audit, you assisted with the preparation of the financial statement and related notes and the schedule of expenditures of federal awards. We have designated an individual with suitable skill, knowledge, or experience to oversee your services and have made all management decisions and performed all management functions. We have reviewed, approved, and accepted responsibility for those financial statements and related notes and the schedule of expenditures of federal awards.
- 17. CHF has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
- 18. We believe that we have properly recorded the proceeds receivable for the forward sale of To-be-announced (TBA) securities and a corresponding liability at fair market value as of December 31, 2013 for our obligation to fulfill the forward sale commitment.
- 19. We have complied with all restrictions on resources and all aspects of contractual and grant agreements that would have a material effect on the financial statements in the event of noncompliance.
- 20. We acknowledge our responsibility for presenting the Management's Discussion in accordance with accounting principles generally accepted in the United States of America and we believe that the Management's Discussion and Analysis, including its form and content, is fairly presented in accordance with U.S. generally accepted accounting principles. The methods of measurement and presentation of Management's Discussion has not changed from those used in the prior periods, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
- 21. CHF did not receive any federal awards during the year December 31, 2013 that met the threshold of \$500,000 in total federal expenditures. Accordingly, it is our understanding that there is no requirement for a single audit of CHF to be performed in accordance with Government Auditing Standards (Yellow Book).
- 22. In accordance with GASB 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, we believe that the net asset balance is appropriately categorized as unrestricted.
- 23. CHF has transactions with its affiliates (RCRC and NHF), however the governing bodies of each affiliated entity do not have the ability or authority to appoint or remove board members from the other affiliates. We have concluded that none of the affiliated entities constitutes a component unit of the other affiliated entities that should be combined for financial reporting purposes.
- 24. Revenues and expenses have properly been classified between operating and non-operating.
- 25. Net position has been properly classified as unrestricted in the financial statements.

To the best of our knowledge and belief, no events have occurred subsequent to the statement of net assets date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements.

Greg Morton, Executive Director

Karl Dolk, Chief Financial Officer





To:

**CHF Board of Directors** 

From:

Greg Norton, Executive Director

Craig Ferguson, Vice President

Date:

June 3, 2014

Re:

2014 Service Agreements and Budget Amendments - ACTION

#### Summary

Annually, CHF enters into service agreement with RCRC to provide administrative and program management services. Additionally, CHF and NHF enter into an agreement to provide management and program services and support. Staff and counsel have recently completed a review and update of the RCRC/CHF and CHF/NHF Agreements to more clearly reflect current activity and appropriate compensation.

RCRC creation, implantation and operation of CHF programs have resulted in significant success and benefit to CHF. To further encourage and incentivize continued success, staff is proposing payment of a "Performance Fee" to RCRC. The RCRC/CHF Agreement "Services Fee" for RCRC's services will remain the same. The Performance Fee will be calculated based on net housing program revenues realized by CHF utilizing the formula noted below. The Performance Fee calculation will not include other revenues such as bond residuals, second mortgage portfolio earnings, or investment earnings.

#### Performance Fee Calculation:

25%
ZU70
20%
20%
4 = 0/
15%
5%

The Performance Fee will be based on housing program success and can vary dependent upon a number of market and economic variables. For purposes of amending the budget; staff has calculated the budget amount based on 2014 projected housing program activity utilized in the original budget projections. Staff recommends that the CHF expenditure budget be increased by \$855,000. As previously noted, the Performance Fee will be in addition to the contract services fee from CHF to RCRC. Payments from CHF to RCRC cover a prorated amount of salaries for RCRC personnel who provide services to the JPA through contract services with RCRC, including those of the President/CEO, the Executive Vice President and the Chief Financial Officer of RCRC. The 2014 contract services

amount and the underlying proration for RCRC personnel were approved by the RCRC Board of Directors with the adoption of the 2014 budget in December 2013.

The CHF/NHF Agreement has been amended to more clearly reflect the fees and services between the two entities. The only recommended fee change is an increase of 5 basis points in the CHF fee to NHF for program management of the Mortgage Backed Securities (MBS) program. The total fee to NHF remains less than what is typically charged in the market for such services. Staff recommends that the 2014 CHF expenditure budget be increased by \$157,500.

The proposed fee revisions and budget amendments were discussed with the Executive Committee on May 7, 2014. The Executive Committee directed the CHF Executive Director to present the recommendations to the CHF Board for approval.

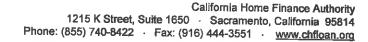
#### Staff Recommendation:

Staff recommends that the CHF Board of Directors approve the following amendments to the 2014 CHF budget retroactive to January 1, 2014:

- Increase in the expenditure budget by a projected \$855,000 to reflect the Performance Fee to RCRC a portion of which, along with the contract service fees with RCRC, could be utilized for compensation for RCRC personnel who provide services to the JPA through a contract for services with RCRC, including those of the RCRC President/CEO, Executive Vice President and Chief Financial Officer; and
- 2. Increase in the expenditure budget by a projected \$157,500 to reflect the increase in the MBS program management fee to NHF.

#### <u>Attachments</u>

None





To:

**CHF Board of Directors** 

From:

Greg Norton, Executive Director

Date:

June 3, 2014

Re:

CHF Joint Powers Authority Agreement Revisions - ACTION

#### Summary

Staff and counsel have completed a review of the CHF Joint Powers Authority Agreement (Agreement). The Agreement was last amended and restated January 28, 2004. The purpose of the review and proposed revisions is to bring the Agreement current and to provide administrative clarity to various matters.

The Agreement is attached in track changes to reflect all of the proposed revisions. The primary changes are as follows:

- Formal name Change to California Home Finance Authority (CHF)
- Clarification that financing of acquisition, improvements and rehabilitation is not limited to residential; stating that such activity may occur on real property in accordance with applicable provisions of law for the benefit of residents and communities. This clarifies the ability of CHF to provide energy efficiency and renewable financing programs for commercial, industrial, municipal buildings, etc. as well as residential properties.
- Clarification that the Authority has the ability to establish and operate a community facilities district for purposes of a Property Assessed Clean Energy (PACE) program.
- Increases the number of members necessary to establish a quorum from ten (10) to twelve (12), consistent with the same for RCRC.
- Establishes an Executive Committee of the Authority.
- Decreases the number of days for presentation and action by each Member's board for amendment of the Agreement from 180 to 60 days to permit more timely revision. The number of days previously presented to the Executive Committee was 90 days.

With the exception of the clarification regarding the PACE program and decreasing the days for Member action to 60 days, the proposed edits to the Agreement were presented and discussed with the RCRC Executive Committee (EC) on May 7, 2014. The EC directed the CHF Executive Director to present the proposed amendments to the CHF Board for approval. Subsequent to the EC meeting, counsel recommended specific amendments to clarify CHF's authority to establish and create a PACE

program. Staff has previously discussed the intent to implement a PACE program with the Board.

The process for amendment of the Agreement is as follows:

- Presentation to the CHF Board of Directors for review and approval to initiate the amendments. A majority vote of the Board is required.
- Providing of the Agreement with proposed amendments to each Member's Delegate for presentation and action by each Member's board. The Agreement amendments are passed upon to adoption of the amendments by the governing body of a majority of the Members.
- Staff requests that this process be completed within 60 days of approval by the CHF Board of Directors.

## **Staff Recommendation:**

Staff recommends that the CHF Board of Directors review and approve the proposed amendments to the CHF Joint Powers Authority Agreement direct staff to present the proposed amendments for review and approval by the Board of Supervisors of each Member.

#### **Attachments**

- Proposed Amended and Restated Joint Exercise of Powers Agreement (Track Changes)
- Proposed Amended and Restated Joint Exercise of Powers Agreement (Clean)

# CRHMFA HOMEBUYERS FUND CALIFORNIA HOME FINANCE AUTHORITY

<u>AMENDED</u>	<u>AND</u>	RESTATED	<b>JOINT</b>	<b>EXERCISE</b>	OF POW	ERS AG	REEMENT
		(Updated Jan				)	

THIS <u>AMENDED AND RESTATED</u> JOINT EXERCISE OF POWERS AGREEMENT ("Agreement") is entered into by and among the counties listed on Attachment 1 hereof and incorporated herein by reference. All such counties are referred to herein as "Members" with the respective powers, privileges and restrictions provided herein.

#### RECITALS

- A. A. WHEREAS, the California Rural Home Mortgage Finance Authority ("CRHMFA") was created by a Joint Exercise of Powers Agreement dated July 1, 1993 pursuant to the Joint Exercise of Powers Act (commencing with Article 1 of Chapter 5 of Division 7 of Title 11 of the Government Code of the State of California, hereinafter, (the "Act") authorizes the Members to create a . By Resolution 2003-02, adopted on January 15, 2003, the name of the authority was changed to CRIMFA Homebuyers Fund. The most recent amendment to the Joint Exercise of Powers authority to be called CRIMFA Homebuyers Fund (California Rural Home Mortgage Finance Authority) (the "Authority") which has the power to exercise jointly any powers common to any or all of the Members; and Agreement was most recently amended on January 28, 2004.
- B. WHEREAS, the Members of CRHMFA Homebuyers Fund desire to update, reaffirm, clarify and revise certain provisions of the joint powers agreement, including the renaming of the joint powers authority, as set forth herein.
- WHEREAS, the Members are each empowered by law to finance the construction, acquisition, improvement and rehabilitation of residential real property; and and to form community facilities districts under the Mello-Roos Community Facilities Act of 1982 (Gov. Code §53311 et seq.).
- D. C. WHEREAS, by this Agreement, the Members have determined that desire to create and establish a joint exercise of powers authority should be formed to exercise their respective powers for the purpose of financing home mortgages with respect to the construction, acquisition, improvement and rehabilitation of real property within the boundaries of the Members and Associate Members; and jurisdiction of the Authority as authorized by the Act.
- D. WHEREAS, by this Agreement the Members desire to create and establish the Authority for the purposes set forth herein and to exercise the powers described herein and as provided by law,

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Members

individually and collectively agree as follows:

#### 1. Lefinitions

Unless the context otherwise requires, the following terms shall for purposes of this Agreement have the meanings specified below:

"Act" means the Joint Exercise of Powers Act, commencing with Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including the Marks-Roos Local Bond Pooling Act of 1985, as amended.

"Agreement" means this Joint Exercise of Powers Agreement, as the same now exists or as it may from time to time be amended as provided herein.

"Associate Member" means a county, city or other public agency which is not a voting member of the Regional Council of Rural Counties Rural County Representatives of California, a California nonprofit corporation ("RCRC"), with legal power and authority similar to that of the Members, admitted pursuant to paragraph 4.d. below to associate membership herein by vote of the Board.

"Audit Committee" means a committee made up of the nine-member Executive Committee.

"Authority" means California Home Finance Authority ("CHF"), formerly known as the CRHMFA Homebuyers Fund-created hereby.

"Board" means the governing board of the Authority as described in Section 7 below.

"Bonds" means bonds, notes, warrants, leases, certificates of participation, installment purchase agreements, loan agreements and other securities or obligations issued by the Authority, or financing agreements entered into by the Authority pursuant to the Act and any other obligation within the meaning of the term "Bonds" under the Act.

"Delegate" means the Supervisor designated by the governing board of each Member to serve on the Board of the Authority.

<u>"Executive Committee" means the nine-member Executive Committee of the Board established pursuant to Section 10 hereof.</u>

"Member" means any county which is a member of RCRC, has executed this Agreement and has become a member of the Authority.

"Obligations" means bonds, notes, warrants, leases, certificates of participation, installment purchase agreements, loan agreements and other securities or obligations issued by the Authority,

**3 393427:3 34244/0001 82671,00000\\$758660.1**8754858.5 or financing agreements entered into by the Authority pursuant to the Act and any other financial or legal obligation of the Authority under the Act.

"Program" or "Project" means any work, improvement, program, project or service undertaken by the Authority-relating to the financing and development of residential housing.

"Regional Council of Rural Counties Rural County Representatives of California" or "RCRC" means the nonprofit entity incorporated under that name in the State of California.

"Supervisor" means an elected County Supervisor from an RCRC member county.

#### 2. Purpose

The purpose of the Authority is to provide financing for the acquisition, construction, acquisition, improvement and rehabilitation of residential real property in accordance with applicable provisions of law for the benefit of households within the boundaries of the Members or Associate Members conducted and communities. In pursuit of this purpose, this Agreement provides for the joint exercise of powers common to any of its Members and Associate Members as provided herein, including assisting in financing as authorized herein, jointly exercised in the manner set forth herein.

#### 3. Principal Place of Business

The principal office of the Authority shall be 801 12th 1215 K Street, Suite 600 1650, Sacramento, California 95814.

#### 4. Creation of Authority; Addition of Members or Associate Members

- a. CRHMFA Homebuyers Fund The Authority is hereby created pursuant to the Act. As provided in the Act, the Authority shall be a public entity separate and distinct from the Members or Associate Members.
- b. The Authority will cause a notice of this Agreement or any amendment hereto to be prepared and filed with the office of the Secretary of State of California in a timely fashion in the manner set forth in Section 6503.3 of the Act.
- c. A county that is a member of RCRC may petition to become a member of the Authority by submitting to the Board a resolution adopted or evidence of other formal action taken by its governing body adopting this Agreement. The Board shall review the petition for membership and shall vote to approve or disapprove the petition. If the petition is approved by a majority of the Board, such county shall immediately become a Member of the Authority.
- d. An Associate Members Member may be added to the Authority upon the affirmative approval of theirits respective governing board and pursuant to action by the Authority Board upon such terms and conditions, and with such rights, privileges and responsibilities, as may be established from time to time by the Board. Such terms and conditions, and rights, privileges and responsibilities may vary among the Associate Members. Associate Members shall be entitled to participate in one or more housing programs of the Authority as determined by the Board, but shall not be voting members of the Board. The Executive Director of the Authority shall enforce the terms and conditions for prospective Associate Members to the Authority as provided by resolution of the Board and as amended from time to time by the Board. Changes in the terms and conditions for Associate Membership by the Board will not constitute an amendment of this Agreement.

#### 5. Term and Termination of Powers

This Agreement shall become effective from the date hereof until the earlier of the time when all Bonds and any interest thereon shall have been paid in full, or provision for such payment shall have been made, or when the Authority shall no longer own or hold any interest in a public capital improvement or program. The Authority shall continue to exercise the powers herein conferred upon it until termination of this Agreement, except that if any Bonds are issued and delivered, in no event shall the exercise of the powers herein granted be terminated until all Bonds so issued and delivered and the interest thereon shall have been paid or provision for such payment shall have been made.

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# 6. Powers; Restriction upon Exercise

- a. To effectuate its purpose, the Authority shall have the power to exercise any and all powers of the Members under the Act and other applicable provisions of law, subject, however, to the conditions and restrictions herein contained. Each Member or Associate Member may also separately exercise any and all such powers. The powers of the Authority are limited to those of a general law county.
- b. The Authority may adopt, from time to time, such resolutions, guidelines, rules and regulations for the conduct of its meetings and the activities of the Authority as it deems necessary or desirable to accomplish its purpose.
- The Authority shall have the power to finance residential mortgages the construction, acquisition, improvement and rehabilitation of real property, including the power to purchase, with the amounts received or to be received by it pursuant to a bond purchase agreement, bonds issued by any of its Members or Associate Members and other local agencies at public or negotiated sale, for the purpose set forth herein and in accordance with the Act. All or any part of such bonds so purchased may be held by the Authority or resold to public or private purchasers at public or negotiated sale. The Authority shall set any other terms and conditions of any purchase or sale contemplated herein as it deems necessary or convenient and in furtherance of the Act. The Authority may issue or cause to be issued Bonds or other indebtedness, and pledge any of its property or revenues as security to the extent permitted by resolution of the Board under any applicable provision of law. The Authority may issue Bonds in accordance with the Act in order to raise funds necessary to effectuate its purpose hereunder and may enter into agreements to secure such Bonds. The Authority may issue other forms of indebtedness authorized by the Act, and to secure such debt, to further such purpose. The Authority may utilize other forms of capital, including, but not limited to, the Authority's internal resources, capital markets and other forms of private capital investment authorized by the Act...
- d. The Authority is hereby authorized to do all acts necessary for the exercise of its powers, including, but not limited to:
  - (1) **e**xecuting contracts,
  - (2) employing agents, consultants and employees,
  - (3) acquiring, constructing or providing for maintenance and operation of any building, work or improvement,
  - (4) acquiring, holding or disposing of real or personal property wherever located, including property subject to mortgage,
  - (5) incurring debts, liabilities or obligations,
  - (6) receiving gifts, contributions and donations of property, funds, services and any other forms of assistance from persons, firms, corporations or governmental entities,
  - (7) suing and being sued in its own name, and litigating or settling any suits or claims, and

- (8) doing any and all things necessary or convenient to the exercise of its specific powers and to accomplishing its purpose.
- e. Subject to the applicable provisions of any indenture or resolution providing for the investment of monies held thereunder, the Authority shall have the power to invest any of its funds as the Board deems advisable, in the same manner and upon the same conditions as local agencies pursuant to Section 53601 of the Government Code of the State of California.
- f. All property, equipment, supplies, funds and records of the Authority shall be owned by the Authority, except as may be provided otherwise herein or by resolution of the Board.
- Pursuant to the provisions of Section 6508.1 of the Act, the debts, liabilities and obligations of the Authority shall not be debts, liabilities and obligations of the Members or Associate Members. The Any Bonds, together with any interest and premium thereon, shall not constitute debts, liabilities or obligations of any Member. The Members or Associate Members hereby agree that any such Bonds issued by the Authority shall not constitute general obligations of the Authority but shall be payable solely from the moneys pledged to the repayment of principal or interest on such Bonds under the terms of the resolution, indenture, trust, agreement or other instrument pursuant to which such Bonds are issued. Neither the Members or Associate Members nor the Authority shall be obligated to pay the principal of or premium, if any, or interest on the Bonds, or other costs incidental thereto, except from the revenues and funds pledged therefor, and neither the faith and credit nor the taxing power of the Members or Associate Members or the Authority shall be pledged to the payment of the principal of or premium, if any, or interest on the Bonds, nor shall the Members or Associate Members of the Authority be obligated in any manner to make any appropriation for such payment. No covenant or agreement contained in any Bond shall be deemed to be a covenant or agreement of any Delegate, or any officer, agent or employee of the Authority in an individual capacity, and neither the Board nor any officer thereof executing the Bonds or any document related thereto shall be liable personally on any Bond or be subject to any personal liability or accountability by reason of the issuance of any Bonds.
- h. The Authority shall be empowered to establish and operate one or more community facilities districts, pursuant to SB 555 (Statutes 2011, C. 493) to finance and refinance the acquisition, installation and improvement of energy efficiency, water conservation and renewable energy improvements to or on real property and in buildings under the Property Assessed Clean Energy (PACE) program. The Authority may enter into one or more agreements, including without limitation, participation agreements and implementation agreements to fulfill such PACE programs both within and outside the jurisdictional boundaries of the Authority. Associate Members shall be allowed to participate in the PACE program.

#### 7. Governing Board

a. The Board shall consist of the number of Delegates equal to one representative

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- b. The governing body of each Member shall appoint one of its Supervisors to serve as a Delegate on the Board. A Member's designation appointment of its Delegate shall be delivered in writing (which may be by electronic mail) to the Secretary Authority and shall be effective until he or she is replaced by such governing body or no longer a Supervisor; any vacancy shall be filled by the governing body of the Member in the same manner provided above in this paragraph b...
- c. The governing body of each Member of the Board shall designate appoint a Supervisor as an alternate to serve on the Board in the absence of the Delegate; the alternate may exercise all the rights and privileges of the Delegate, including the right to be counted in constituting a quorum, to participate in the proceedings of the Board, and to vote upon any and all matters. No alternate may have more than one vote at any meeting of the Board, and any Member's designation of an alternate shall be delivered in writing (which may be by electronic mail) to the Secretary Authority and shall be effective until such alternate is replaced by his or her governing body or is no longer a Supervisor, unless otherwise specified in such writing; appointment. Any vacancy shall be filled by the governing body of the Member in the same manner provided above in this paragraph co.
- d. Any person who is not a member of the governing body of a Member and who attends a meeting on behalf of such Member may not vote or be counted toward a quorum but may, at the discretion of the Chair, participate in open meetings he or she attends.
- e. Each Associate Member may designate a non-voting representative to the Board who may not be counted toward a quorum but who may attend open meetings, propose agenda items and otherwise participate in Board Meetings.
- f. Delegates shall not receive compensation for serving as Delegates, but may claim and receive reimbursement for expenses actually incurred in connection with such service pursuant to rules approved by the Board and subject to the availability of funds.
- g. The Board shall have the power, by resolution, to the extent permitted by the Act or any other applicable law, to exercise any powers of the Authority and to delegate any of its functions to the Executive Committee or one or more Delegates, officers or agents of the Authority, and to cause any authorized Delegate, officer or agent to take any actions and execute any documents for and in the name and on behalf of the Board or the Authority.
- h. The Board may establish such committees as it deems necessary for any lawful purpose; such committees are advisory only and may not act or purport to act on behalf of the Board or the Authority.
- i. The Board shall develop, or cause to be developed, and review, modify as necessary, and adopt each Program.

### 8. Meetings of the Board

- a. The Board shall meet at least once annually, but may meet more frequently upon call of any officer or as provided by resolution of the Board.
- b. Meetings of the Board shall be called, noticed, held and conducted pursuant to the provisions of the Ralph M. Brown Act, Chapter 9 (commencing with Section 54950) of Part I of Division 2 of Title 5 of the Government Code of the State of California.
- c. The Secretary of the Authority shall cause minutes of all meetings of the Board to be taken and distributed to each Member as soon as possible after each meeting.
- d. The lesser of tentwelve (1012) Delegates or a majority of the number of current Delegates shall constitute a quorum for transacting business at any meeting of the Board, except that less than a quorum may act to adjourn a meeting. Each Delegate shall have one vote.
- e. Meetings may be held at any location designated in notice properly given for a meeting and may be conducted by telephonic or similar means in any manner otherwise allowed by law.

#### 9. Officers; Duties; Official Bonds

- a. The Board shall elect a chair and vice chair from among the Delegates at the Board's annual meeting who shall serve a term of one (1) year or until their respective successor is elected. The chair shall conduct the meetings of the Board and perform such other duties as may be specified by resolution of the Board. The vice chair shall perform such duties in the absence or in the event of the unavailability of the chair.
- b. The Board shall contract annually with RCRC for administration of to administer the Agreement and to provide administrative services to the Authority, and the President and Chief Executive Officer of RCRC shall serve ex officio as Executive Director, Secretary, Treasurer, and Auditor of the Authority. As chief executive of the Authority, the Executive Director is authorized to execute contracts and other obligations of the Authority, unless prior Board approval is required by a third party, by law or by Board specification, and to perform other duties specified by the Board. The Executive Director may appoint such other officers as may be required for the orderly conduct of the Authority's business and affairs who shall serve at the pleasure of the Executive Director. Subject to the applicable provisions of any indenture or resolution providing for a trustee or other fiscal agent, the Executive Director, as Treasurer, is designated as the custodian of the Authority's funds, from whatever source, and, as such, shall have the powers, duties and responsibilities specified in Section 6505.5 of the Act. The Executive Director, as Auditor, shall have the powers, duties and responsibilities specified in Section 6505.5 of the Act.

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- c. The Legislative Advocate for the Authority shall be the Regional Council of Rural County Representatives of California.
- d. The Treasurer and Auditor are public officers who have charge of, handle, or have access to all property of the Authority, and a bond for such officer in the amount of at least one hundred thousand dollars (\$100,000.00) shall be obtained at the expense of the Authority and filed with the Executive Director. Such bond may secure the faithful performance of such officer's duties with respect to another public office if such bond in at least the same amount specifically mentions the office of the Authority as required herein. The Treasurer and Auditor shall cause periodic independent audits to be made of the Authority's books by a certified public accountant, or public accountant, in compliance with Section 6505 of the Act.
- e. The business of the Authority shall be conducted under the supervision of the Executive Director by RCRC personnel.

#### 10. Executive Committee of the Authority

#### a. Composition

The Authority shall appoint nine (9) members of its Board to serve on an Executive Committee.

#### b. Powers and Limitations

The Executive Committee shall act in an advisory capacity and make recommendations to the Authority Board. Duties will include, but not be limited to, review of the quarterly and annual budgets, service as the Audit Committee for the Authority, periodically review this Agreement; and complete any other tasks as may be assigned by the Board. The Executive Committee shall be subject to all limitations imposed by this Agreement, other applicable law, and resolutions of the Board.

#### c. Quorum

A majority of the Executive Committee shall constitute a quorum for transacting business of the Executive Committee.

# 1011. Disposition of Assets

Upon termination of this Agreement, all remaining assets and liabilities of the Authority shall be distributed to the respective Members and Associate Members in such manner as shall be determined by the Board and in accordance with the law.

#### 1112. Agreement Not Exclusive; Operation in Jurisdiction of Member

This Agreement shall not be exclusive, and each Member expressly reserves its rights to carry out other public capital improvements and programs as provided for by law and to issue other obligations for those purposes. This Agreement shall not be deemed to amend or alter the terms of other agreements among the Members or Associate Members, except as expressly provided herein; provided, however, that the Authority shall not make or purchase any home mortgage secured by any home within the jurisdiction—of a Member or Associate Member financed by an issue of Bonds without the consent of that Member or Associate Member to the issuance of those Bonds and that the giving or withholding of that consent is in the sole and absolute discretion of the Member or Associate Member, but if given by the Member or Associate Member and then relied upon by the Authority for purposes of entering into agreements with developers, lenders, other Members, Associate Members or others, such consent may not be revoked.

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#### 1213. Conflict of Interest Code

The Authority shall by resolution adopt a Conflict of Interest Code as required by law.

# 1314 Contributions and Advances

Contributions or advances of public funds and of personnel, equipment or property may be made to the Authority by any Member, Associate Member or any other public agency to further the purpose of this Agreement. Payment of public funds may be made to defray the cost of any contribution. Any advance may be made subject to repayment, and in that case shall be repaid in the manner agreed upon by the advancing Member, Associate Member or other public agency and the Authority at the time of making the advance.

# 1415. Fiscal Year; Accounts; Reports; Annual Budget; Administrative Expenses

- a. The fiscal year of the Authority shall be the period from January 1 of each year to and including the following December 31, except for any partial fiscal year resulting from a change in accounting based on a different fiscal year previously.
- b. Prior to the beginning of each fiscal year, the Board shall adopt a budget for the succeeding fiscal year.
- c. The Authority shall establish and maintain such funds and accounts as may be required by generally accepted accounting principles. The books and records of the Authority are public records and shall be open to inspection at all reasonable times by each Member and its representatives.
- d. The Auditor shall either make, or contract with a certified public accountant or public accountant to make, an annual audit of the accounts and records of the Authority. The minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Section 26909 of the Government Code of the State of California, and shall conform to generally accepted auditing standards. When an audit of accounts and records is made by a certified public accountant or public accountant, a report thereof shall be filed as a public records record with each Member (and also with the auditor of each Sacramento County as the county in which the Authority's office is a Member located) within 12 months after the end of the fiscal year.
- e. In any year in which the annual budget of the Authority does not exceed five thousand dollars (\$5,000.00), the Board may, upon unanimous approval of the Board, replace the annual audit with an ensuing one-year period, but in no event for a period longer than two fiscal years.

# 1516. Duties of Members or Associate Members; Breach

If any Member or Associate Member shall default in performing any covenant contained herein, such default shall not excuse that Member or Associate Member from fulfilling its other obligations hereunder, and such defaulting Member or Associate Member shall remain liable for the performance of all covenants hereof. Each Member or Associate Member hereby declares that this Agreement is entered into for the benefit of the Authority created hereby, and each Member or Associate Member hereby grants to the Authority the right to enforce, by whatever lawful means the Authority deems appropriate, all of the obligations of each of the parties hereunder. Each and all of the remedies given to the Authority hereunder or by any law now or hereafter enacted are cumulative, and the exercise of one right or remedy shall not impair the right of the Authority to any or all other remedies.

#### 1617. Indemnification

To the full extent permitted by law, the Board may authorize indemnification by the Authority of any person who is or was a Board Delegate, alternate, officer, consultant, employee or other agent of the Authority, and who was or is a party or is threatened to be made a party to a proceeding by reason of the fact that such person is or was such a Delegate, alternate, officer, consultant, employee or other agent of the Authority. Such indemnification may be made against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, if such person acted in good faith amand in a manner such person reasonably believed to be in the best interests of the Authority and, in the case of an action by or in the right of the Authority, acted with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

#### 1718. Immunities

All of the privileges and immunities from liabilities, exemptions from law, ordinances and rules, all pension, relief, disability, workers' compensation and other benefits which apply to the activity of officers, agents or employees of any of the Members or Associate Members when performing their respective functions, shall apply to them to the same degree and extent while engaged as Delegates or otherwise as an officer, agent or other representative of the Authority or while engaged in the performance of any of their functions or duties under the provisions of this Agreement.

#### 1819 Amendment

This Agreement may be amended by the adoption of the amendment by the governing bodies of a majority of the Members. The amendment shall become effective on the first day of the month following the last required member agency approval. An amendment may be initiated by the Board, upon approval by a majority of the Board. Any proposed amendment, including the text of the proposed change, shall be given by the Board to each Member's Delegate for

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presentation and action by each Member's board within 18060 days, which time may be extended by the Board.

The list of Members, Attachment 1, may be updated to reflect new and/or withdrawn Members without requiring formal amendment of the Agreement by the Authority Board of Directors.

# 1920. Withdrawal of Member or Associate Member

If a Member withdraws as member of RCRC, its membership in the Authority shall automatically terminate. A Member or Associate Member may withdraw from this Agreement upon written notice to the Board; provided however, that no such withdrawal shall result in the dissolution of the Authority as long as any Bonds or other obligations of the Authority remain outstanding. Any such withdrawal shall become effective thirty (30) days after a resolution adopted by the Member's governing body which authorizes withdrawal is received by the Secretary of the Board Authority. Notwithstanding the foregoing, any termination of membership or withdrawal from the Authority shall not operate to relieve any terminated or withdrawing Member or Associate Member from Obligations incurred by such terminated or withdrawing Member or Associate Member prior to the time of its termination or withdrawal.

#### 20. Miscellaneous

- a. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.
- b. Construction. The section headings herein are for convenience only and are not to be construed as modifying or governing the language in the section referred to.
- c. Approvals. Wherever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld.
- d. Jurisdiction; Venue. This Agreement is made in the State of California, under the Constitution and laws of such State and is to be so construed; any action to enforce or interpret its terms shall be brought in Sacramento County, California.
- e. Integration. This Agreement is the complete and exclusive statement of the agreement among the parties hereto, and it supersedes and merges all prior proposals, understandings, and other agreements, whether oral, written, or implied in conduct, between and among the parties relating to the subject matter of this Agreement.
- f. Successors; Assignment. This Agreement shall be binding upon and shall inure to the benefit of the successors of the parties hereto. Except to the extent expressly provided herein, no Member may assign any right or obligation hereunder without the consent of the Board.

g. Severability. Should any part, term or provision of this Agreement be decided by the courts to be illegal or in conflict with any law of the State of California, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms or provisions hereof shall not be affected thereby.

The parties hereto have caused this Agreement to be executed and attested by their properly authorized officers.

#### Supervisor Richard Forster, Chair-

### AS ADOPTED BY THE MEMBERS:

Originally dated July 1, 1993
Amended and restated December 10, 1998
Amended and restated February 18, 1999
Amended and restated September 18, 2002
Amended and restated January 28, 2004
Amended and restated

[SIGNATURES ON FOLLOWING PAGES]

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# ATTACHMENT 1 MEMBERS

# As of August 9, 2011 Alpine COUNTY OF ALPINE

<u>By:</u>	Dated:
Name:	
Title:	
Attest:	
<u>By</u>	(Example Signature Page, To Be Provided to Each
Clerk of the Board of Supervisors	Member County)

# PLEASE SEND TO:

California Home Finance Authority 1215 K Street, Suite 1650 Sacramento, CA 95814]

# CALIFORNIA HOME FINANCE AUTHORITY

AMENDED AND	RESTATED JOINT I	EXERCISE OF PO	WERS AGREEMENT
	(Updated	)	1

THIS AMENDED AND RESTATED JOINT EXERCISE OF POWERS AGREEMENT ("Agreement") is entered into by and among the counties listed on Attachment 1 hereof and incorporated herein by reference. All such counties are referred to herein as "Members" with the respective powers, privileges and restrictions provided herein.

#### RECITALS

- A. WHEREAS, the California Rural Home Mortgage Finance Authority ("CRHMFA") was created by a Joint Exercise of Powers Agreement dated July 1, 1993 pursuant to the Joint Exercise of Powers Act (commencing with Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"). By Resolution 2003-02, adopted on January 15, 2003, the name of the authority was changed to CRHMFA Homebuyers Fund. The most recent amendment to the Joint Exercise of Powers Agreement was most recently amended on January 28, 2004.
- B. WHEREAS, the Members of CRHMFA Homebuyers Fund desire to update, reaffirm, clarify and revise certain provisions of the joint powers agreement, including the renaming of the joint powers authority, as set forth herein.
- C. WHEREAS, the Members are each empowered by law to finance the construction, acquisition, improvement and rehabilitation of real property and to form community facilities districts under the Mello-Roos Community Facilities Act of 1982 (Gov. Code §53311 et seq.).
- D. WHEREAS, by this Agreement, the Members desire to create and establish a joint powers authority to exercise their respective powers for the purpose of financing the construction, acquisition, improvement and rehabilitation of real property within the jurisdiction of the Authority as authorized by the Act.

NOW, THEREFORE, in consideration of the mutual covenants contained herein, the Members individually and collectively agree as follows:

#### 1. Definitions

Unless the context otherwise requires, the following terms shall for purposes of this Agreement have the meanings specified below:

"Act" means the Joint Exercise of Powers Act, commencing with Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, including the Marks-Roos Local Bond Pooling Act of 1985, as amended.

"Agreement" means this Joint Exercise of Powers Agreement, as the same now exists or as it may from time to time be amended as provided herein.

"Associate Member" means a county, city or other public agency which is not a voting member of the Rural County Representatives of California, a California nonprofit corporation ("RCRC"), with legal power and authority similar to that of the Members, admitted pursuant to paragraph 4.d. below to associate membership herein by vote of the Board.

"Audit Committee" means a committee made up of the nine-member Executive Committee.

"Authority" means California Home Finance Authority ("CHF"), formerly known as the CRHMFA Homebuyers Fund.

"Board" means the governing board of the Authority as described in Section 7 below.

"Bonds" means bonds, notes, warrants, leases, certificates of participation, installment purchase agreements, loan agreements and other securities or obligations issued by the Authority, or financing agreements entered into by the Authority pursuant to the Act and any other obligation within the meaning of the term "Bonds" under the Act.

"Delegate" means the Supervisor designated by the governing board of each Member to serve on the Board of the Authority.

**"Executive Committee"** means the nine-member Executive Committee of the Board established pursuant to Section 10 hereof.

"Member" means any county which is a member of RCRC, has executed this Agreement and has become a member of the Authority.

"Obligations" means bonds, notes, warrants, leases, certificates of participation, installment purchase agreements, loan agreements and other securities or obligations issued by the Authority, or financing agreements entered into by the Authority pursuant to the Act and any other financial or legal obligation of the Authority under the Act.

"Program" or "Project" means any work, improvement, program, project or service undertaken by the Authority.

"Rural County Representatives of California" or "RCRC" means the nonprofit entity incorporated under that name in the State of California.

"Supervisor" means an elected County Supervisor from an RCRC member county.

#### 2. Purpose

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The purpose of the Authority is to provide financing for the acquisition, construction, , improvement and rehabilitation of real property in accordance with applicable provisions of law for the benefit of residents and communities. In pursuit of this purpose, this Agreement provides for the joint exercise of powers common to any of its Members and Associate Members as provided herein, including assisting in financing as authorized herein, jointly exercised in the manner set forth herein.

# 3. Principal Place of Business

The principal office of the Authority shall be 1215 K Street, Suite 1650, Sacramento, California 95814.

# 4. Creation of Authority; Addition of Members or Associate Members

- a. The Authority is hereby created pursuant to the Act. As provided in the Act, the Authority shall be a public entity separate and distinct from the Members or Associate Members.
- b. The Authority will cause a notice of this Agreement or any amendment hereto to be prepared and filed with the office of the Secretary of State of California in a timely fashion in the manner set forth in Section 6503.3 of the Act.
- c. A county that is a member of RCRC may petition to become a member of the Authority by submitting to the Board a resolution or evidence of other formal action taken by its governing body adopting this Agreement. The Board shall review the petition for membership and shall vote to approve or disapprove the petition. If the petition is approved by a majority of the Board, such county shall immediately become a Member of the Authority.
- d. An Associate Member may be added to the Authority upon the affirmative approval of its respective governing board and pursuant to action by the Authority Board upon such terms and conditions, and with such rights, privileges and responsibilities, as may be established from time to time by the Board. Such terms and conditions, and rights, privileges and responsibilities may vary among the Associate Members. Associate Members shall be entitled to participate in one or more programs of the Authority as determined by the Board, but shall not be voting members of the Board. The Executive Director of the Authority shall enforce the terms and conditions for prospective Associate Members to the Authority as provided by resolution of the Board and as amended from time to time by the Board. Changes in the terms and conditions for Associate Membership by the Board will not constitute an amendment of this Agreement.

# 5. Term and Termination of Powers

This Agreement shall become effective from the date hereof until the earlier of the time when all Bonds and any interest thereon shall have been paid in full, or provision for such payment shall have been made, or when the Authority shall no longer own or hold any interest in a public capital improvement or program. The Authority shall continue to exercise the powers

herein conferred upon it until termination of this Agreement, except that if any Bonds are issued and delivered, in no event shall the exercise of the powers herein granted be terminated until all Bonds so issued and delivered and the interest thereon shall have been paid or provision for such payment shall have been made.

#### 6. Powers; Restriction upon Exercise

- a. To effectuate its purpose, the Authority shall have the power to exercise any and all powers of the Members under the Act and other applicable provisions of law, subject, however, to the conditions and restrictions herein contained. Each Member or Associate Member may also separately exercise any and all such powers. The powers of the Authority are limited to those of a general law county.
- b. The Authority may adopt, from time to time, such resolutions, guidelines, rules and regulations for the conduct of its meetings and the activities of the Authority as it deems necessary or desirable to accomplish its purpose.
- The Authority shall have the power to finance the construction, acquisition, improvement and rehabilitation of real property, including the power to purchase, with the amounts received or to be received by it pursuant to a bond purchase agreement, bonds issued by any of its Members or Associate Members and other local agencies at public or negotiated sale, for the purpose set forth herein and in accordance with the Act. All or any part of such bonds so purchased may be held by the Authority or resold to public or private purchasers at public or negotiated sale. The Authority shall set any other terms and conditions of any purchase or sale contemplated herein as it deems necessary or convenient and in furtherance of the Act. The Authority may issue or cause to be issued Bonds or other indebtedness, and pledge any of its property or revenues as security to the extent permitted by resolution of the Board under any applicable provision of law. The Authority may issue Bonds in accordance with the Act in order to raise funds necessary to effectuate its purpose hereunder and may enter into agreements to secure such Bonds. The Authority may issue other forms of indebtedness authorized by the Act, and to secure such debt, to further such purpose. The Authority may utilize other forms of capital, including, but not limited to, the Authority's internal resources, capital markets and other forms of private capital investment authorized by the Act..
- d. The Authority is hereby authorized to do all acts necessary for the exercise of its powers, including, but not limited to:
  - (1) executing contracts,
  - (2) employing agents, consultants and employees,
  - (3) acquiring, constructing or providing for maintenance and operation of any building, work or improvement,
  - (4) acquiring, holding or disposing of real or personal property wherever located, including property subject to mortgage,
  - (5) incurring debts, liabilities or obligations,
  - (6) receiving gifts, contributions and donations of property, funds, services and

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- any other forms of assistance from persons, firms, corporations or governmental entities,
- (7) suing and being sued in its own name, and litigating or settling any suits or claims, and
- (8) doing any and all things necessary or convenient to the exercise of its specific powers and to accomplishing its purpose.
- e. Subject to the applicable provisions of any indenture or resolution providing for the investment of monies held thereunder, the Authority shall have the power to invest any of its funds as the Board deems advisable, in the same manner and upon the same conditions as local agencies pursuant to Section 53601 of the Government Code of the State of California.
- f. All property, equipment, supplies, funds and records of the Authority shall be owned by the Authority, except as may be provided otherwise herein or by resolution of the Board.
- Pursuant to the provisions of Section 6508.1 of the Act, the debts, liabilities and obligations of the Authority shall not be debts, liabilities and obligations of the Members or Associate Members. Any Bonds, together with any interest and premium thereon, shall not constitute debts, liabilities or obligations of any Member. The Members or Associate Members hereby agree that any such Bonds issued by the Authority shall not constitute general obligations of the Authority but shall be payable solely from the moneys pledged to the repayment of principal or interest on such Bonds under the terms of the resolution, indenture, trust, agreement or other instrument pursuant to which such Bonds are issued. Neither the Members or Associate Members nor the Authority shall be obligated to pay the principal of or premium, if any, or interest on the Bonds, or other costs incidental thereto, except from the revenues and funds pledged therefor, and neither the faith and credit nor the taxing power of the Members or Associate Members or the Authority shall be pledged to the payment of the principal of or premium, if any, or interest on the Bonds, nor shall the Members or Associate Members of the Authority be obligated in any manner to make any appropriation for such payment. No covenant or agreement contained in any Bond shall be deemed to be a covenant or agreement of any Delegate, or any officer, agent or employee of the Authority in an individual capacity, and neither the Board nor any officer thereof executing the Bonds or any document related thereto shall be liable personally on any Bond or be subject to any personal liability or accountability by reason of the issuance of any Bonds.
- h. The Authority shall be empowered to establish and operate one or more community facilities districts, pursuant to SB 555 (Statutes 2011, C. 493) to finance and refinance the acquisition, installation and improvement of energy efficiency, water conservation and renewable energy improvements to or on real property and in buildings under the Property Assessed Clean Energy (PACE) program. The Authority may enter into one or more agreements, including without limitation, participation agreements and implementation agreements to fulfill such PACE programs both within and outside the jurisdictional boundaries of the Authority. Associate Members shall be allowed to participate in the PACE program.

#### 7. Governing Board

- a. The Board shall consist of the number of Delegates equal to one representative from each Member.
- b. The governing body of each Member shall appoint one of its Supervisors to serve as a Delegate on the Board. A Member's appointment of its Delegate shall be delivered in writing (which may be by electronic mail) to the Authority and shall be effective until he or she is replaced by such governing body or no longer a Supervisor; any vacancy shall be filled by the governing body of the Member in the same manner provided in this paragraph b..
- c. The governing body of each Member of the Board shall appoint a Supervisor as an alternate to serve on the Board in the absence of the Delegate; the alternate may exercise all the rights and privileges of the Delegate, including the right to be counted in constituting a quorum, to participate in the proceedings of the Board, and to vote upon any and all matters. No alternate may have more than one vote at any meeting of the Board, and any Member's designation of an alternate shall be delivered in writing (which may be by electronic mail) to the Authority and shall be effective until such alternate is replaced by his or her governing body or is no longer a Supervisor, unless otherwise specified in such appointment. Any vacancy shall be filled by the governing body of the Member in the same manner provided in this paragraph c..
- d. Any person who is not a member of the governing body of a Member and who attends a meeting on behalf of such Member may not vote or be counted toward a quorum but may, at the discretion of the Chair, participate in open meetings he or she attends.
- e. Each Associate Member may designate a non-voting representative to the Board who may not be counted toward a quorum but who may attend open meetings, propose agenda items and otherwise participate in Board Meetings.
- f. Delegates shall not receive compensation for serving as Delegates, but may claim and receive reimbursement for expenses actually incurred in connection with such service pursuant to rules approved by the Board and subject to the availability of funds.
- g. The Board shall have the power, by resolution, to the extent permitted by the Act or any other applicable law, to exercise any powers of the Authority and to delegate any of its functions to the Executive Committee or one or more Delegates, officers or agents of the Authority, and to cause any authorized Delegate, officer or agent to take any actions and execute any documents for and in the name and on behalf of the Board or the Authority.
- h. The Board may establish such committees as it deems necessary for any lawful purpose; such committees are advisory only and may not act or purport to act on behalf of the Board or the Authority.
- i. The Board shall develop, or cause to be developed, and review, modify as necessary, and adopt each Program.

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# 8. Meetings of the Board

- a. The Board shall meet at least once annually, but may meet more frequently upon call of any officer or as provided by resolution of the Board.
- b. Meetings of the Board shall be called, noticed, held and conducted pursuant to the provisions of the Ralph M. Brown Act, Chapter 9 (commencing with Section 54950) of Part I of Division 2 of Title 5 of the Government Code of the State of California.
- c. The Secretary of the Authority shall cause minutes of all meetings of the Board to be taken and distributed to each Member as soon as possible after each meeting.
- d. The lesser of twelve (12) Delegates or a majority of the number of current Delegates shall constitute a quorum for transacting business at any meeting of the Board, except that less than a quorum may act to adjourn a meeting. Each Delegate shall have one vote.
- e. Meetings may be held at any location designated in notice properly given for a meeting and may be conducted by telephonic or similar means in any manner otherwise allowed by law.

# 9. Officers; Duties; Official Bonds

- a. The Board shall elect a chair and vice chair from among the Delegates at the Board's annual meeting who shall serve a term of one (1) year or until their respective successor is elected. The chair shall conduct the meetings of the Board and perform such other duties as may be specified by resolution of the Board. The vice chair shall perform such duties in the absence or in the event of the unavailability of the chair.
- b. The Board shall contract annually with RCRC to administer the Agreement and to provide administrative services to the Authority, and the President and Chief Executive Officer of RCRC shall serve ex officio as Executive Director, Secretary, Treasurer, and Auditor of the Authority. As chief executive of the Authority, the Executive Director is authorized to execute contracts and other obligations of the Authority, unless prior Board approval is required by a third party, by law or by Board specification, and to perform other duties specified by the Board. The Executive Director may appoint such other officers as may be required for the orderly conduct of the Authority's business and affairs who shall serve at the pleasure of the Executive Director. Subject to the applicable provisions of any indenture or resolution providing for a trustee or other fiscal agent, the Executive Director, as Treasurer, is designated as the custodian of the Authority's funds, from whatever source, and, as such, shall have the powers, duties and responsibilities specified in Section 6505.5 of the Act. The Executive Director, as Auditor, shall have the powers, duties and responsibilities specified in Section 6505.5 of the Act.
- c. The Legislative Advocate for the Authority shall be the Rural County Representatives of California.

- d. The Treasurer and Auditor are public officers who have charge of, handle, or have access to all property of the Authority, and a bond for such officer in the amount of at least one hundred thousand dollars (\$100,000.00) shall be obtained at the expense of the Authority and filed with the Executive Director. Such bond may secure the faithful performance of such officer's duties with respect to another public office if such bond in at least the same amount specifically mentions the office of the Authority as required herein. The Treasurer and Auditor shall cause periodic independent audits to be made of the Authority's books by a certified public accountant, or public accountant, in compliance with Section 6505 of the Act.
- e. The business of the Authority shall be conducted under the supervision of the Executive Director by RCRC personnel.

#### 10. Executive Committee of the Authority

# a. <u>Composition</u>

The Authority shall appoint nine (9) members of its Board to serve on an Executive Committee.

#### b. Powers and Limitations

The Executive Committee shall act in an advisory capacity and make recommendations to the Authority Board. Duties will include, but not be limited to, review of the quarterly and annual budgets, service as the Audit Committee for the Authority, periodically review this Agreement; and complete any other tasks as may be assigned by the Board. The Executive Committee shall be subject to all limitations imposed by this Agreement, other applicable law, and resolutions of the Board.

#### c. Quorum

A majority of the Executive Committee shall constitute a quorum for transacting business of the Executive Committee.

#### 11. Disposition of Assets

Upon termination of this Agreement, all remaining assets and liabilities of the Authority shall be distributed to the respective Members in such manner as shall be determined by the Board and in accordance with the law.

#### 12. Agreement Not Exclusive: Operation in Jurisdiction of Member

This Agreement shall not be exclusive, and each Member expressly reserves its rights to carry out other public capital improvements and programs as provided for by law and to issue other obligations for those purposes. This Agreement shall not be deemed to amend or alter the

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terms of other agreements among the Members or Associate Members.

## 13. Conflict of Interest Code

The Authority shall by resolution adopt a Conflict of Interest Code as required by law.

#### 14. Contributions and Advances

Contributions or advances of public funds and of personnel, equipment or property may be made to the Authority by any Member, Associate Member or any other public agency to further the purpose of this Agreement. Payment of public funds may be made to defray the cost of any contribution. Any advance may be made subject to repayment, and in that case shall be repaid in the manner agreed upon by the advancing Member, Associate Member or other public agency and the Authority at the time of making the advance.

# 15. Fiscal Year; Accounts; Reports; Annual Budget; Administrative Expenses

- a. The fiscal year of the Authority shall be the period from January 1 of each year to and including the following December 31, except for any partial fiscal year resulting from a change in accounting based on a different fiscal year previously.
- b. Prior to the beginning of each fiscal year, the Board shall adopt a budget for the succeeding fiscal year.
- c. The Authority shall establish and maintain such funds and accounts as may be required by generally accepted accounting principles. The books and records of the Authority are public records and shall be open to inspection at all reasonable times by each Member and its representatives.
- d. The Auditor shall either make, or contract with a certified public accountant or public accountant to make, an annual audit of the accounts and records of the Authority. The minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Section 26909 of the Government Code of the State of California, and shall conform to generally accepted auditing standards. When an audit of accounts and records is made by a certified public accountant or public accountant, a report thereof shall be filed as a public record with each Member (and also with the auditor of Sacramento County as the county in which the Authority's office is located) within 12 months after the end of the fiscal year.
- e. In any year in which the annual budget of the Authority does not exceed five thousand dollars (\$5,000.00), the Board may, upon unanimous approval of the Board, replace the annual audit with an ensuing one-year period, but in no event for a period longer than two fiscal years.

# 16. Duties of Members or Associate Members; Breach

If any Member or Associate Member shall default in performing any covenant contained herein, such default shall not excuse that Member or Associate Member from fulfilling its other obligations hereunder, and such defaulting Member or Associate Member shall remain liable for the performance of all covenants hereof. Each Member or Associate Member hereby declares that this Agreement is entered into for the benefit of the Authority created hereby, and each Member or Associate Member hereby grants to the Authority the right to enforce, by whatever lawful means the Authority deems appropriate, all of the obligations of each of the parties hereunder. Each and all of the remedies given to the Authority hereunder or by any law now or hereafter enacted are cumulative, and the exercise of one right or remedy shall not impair the right of the Authority to any or all other remedies.

#### 17. Indemnification

To the full extent permitted by law, the Board may authorize indemnification by the Authority of any person who is or was a Board Delegate, alternate, officer, consultant, employee or other agent of the Authority, and who was or is a party or is threatened to be made a party to a proceeding by reason of the fact that such person is or was such a Delegate, alternate, officer, consultant, employee or other agent of the Authority. Such indemnification may be made against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with such proceeding, if such person acted in good faith and in a manner such person reasonably believed to be in the best interests of the Authority and, in the case of an action by or in the right of the Authority, acted with such care, including reasonable inquiry, as an ordinarily prudent person in a like position would use under similar circumstances.

#### 18. Immunities

All of the privileges and immunities from liabilities, exemptions from law, ordinances and rules, all pension, relief, disability, workers' compensation and other benefits which apply to the activity of officers, agents or employees of any of the Members or Associate Members when performing their respective functions, shall apply to them to the same degree and extent while engaged as Delegates or otherwise as an officer, agent or other representative of the Authority or while engaged in the performance of any of their functions or duties under the provisions of this Agreement.

#### 19. Amendment

This Agreement may be amended by the adoption of the amendment by the governing bodies of a majority of the Members. The amendment shall become effective on the first day of the month following the last required member agency approval. An amendment may be initiated by the Board, upon approval by a majority of the Board. Any proposed amendment, including the text of the proposed change, shall be given by the Board to each Member's Delegate for presentation and action by each Member's board within 60 days, which time may be extended by the Board.

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The list of Members, Attachment 1, may be updated to reflect new and/or withdrawn Members without requiring formal amendment of the Agreement by the Authority Board of Directors.

#### 20. Withdrawal of Member or Associate Member

If a Member withdraws as member of RCRC, its membership in the Authority shall automatically terminate. A Member or Associate Member may withdraw from this Agreement upon written notice to the Board; provided however, that no such withdrawal shall result in the dissolution of the Authority as long as any Bonds or other obligations of the Authority remain outstanding. Any such withdrawal shall become effective thirty (30) days after a resolution adopted by the Member's governing body which authorizes withdrawal is received by the Authority. Notwithstanding the foregoing, any termination of membership or withdrawal from the Authority shall not operate to relieve any terminated or withdrawing Member or Associate Member from Obligations incurred by such terminated or withdrawing Member or Associate Member prior to the time of its termination or withdrawal.

#### 20. Miscellaneous

- a. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.
- b. Construction. The section headings herein are for convenience only and are not to be construed as modifying or governing the language in the section referred to.
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- d. Jurisdiction; Venue. This Agreement is made in the State of California, under the Constitution and laws of such State and is to be so construed; any action to enforce or interpret its terms shall be brought in Sacramento County, California.
- e. Integration. This Agreement is the complete and exclusive statement of the agreement among the parties hereto, and it supersedes and merges all prior proposals, understandings, and other agreements, whether oral, written, or implied in conduct, between and among the parties relating to the subject matter of this Agreement.
- f. Successors; Assignment. This Agreement shall be binding upon and shall inure to the benefit of the successors of the parties hereto. Except to the extent expressly provided herein, no Member may assign any right or obligation hereunder without the consent of the Board.
- g. Severability. Should any part, term or provision of this Agreement be decided by the courts to be illegal or in conflict with any law of the State of California, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms or provisions hereof shall not be affected thereby.

The parties hereto have caused this Agreement to be executed and attested by their properly authorized officers.

# AS ADOPTED BY THE MEMBERS:

Originally dated July 1, 1993
Amended and restated December 10, 1998
Amended and restated February 18, 1999
Amended and restated September 18, 2002
Amended and restated January 28, 2004
Amended and restated

[SIGNATURES ON FOLLOWING PAGES]

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# **COUNTY OF ALPINE**

By:	Dated:
Name:	
Title:	
Attest:	
Ву	(Example Signature Page, To Be Provided to Each
Clerk of the Board of Supervisors	Member County)

# [PLEASE SEND TO:

California Home Finance Authority 1215 K Street, Suite 1650 Sacramento, CA 95814

# ATTACHMENT 1 CALIFORNIA HOME FINANCE AUTHORITY MEMBERS

#### As of March 26, 2014

Alpine County

**Amador County** 

**Butte County** 

Calaveras County

Colusa County

Del Norte County

**El Dorado County** 

Glenn County

**Humboldt County** 

Imperial County

Inyo County

Lake County

Lassen County

Madera County

Mariposa County

Mendocino County

Merced County

**Modoc County** 

Mono County

Napa County

Nevada County

**Placer County** 

**Plumas County** 

San Benito County

**Shasta County** 

Sierra County

Siskiyou County

**Sutter County** 

**Tehama County** 

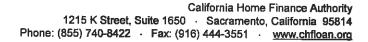
**Trinity County** 

**Tuolumne County** 

**Yolo County** 

Yuba County

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To:

**CHF Board of Directors** 

From:

Greg Norton, Executive Director

Craig Ferguson, Vice President

Date:

June 3, 2014

Re:

CHF Proposed Multi-Family Financing - ACTION

#### Summary

A multifamily renovation financing project has been proposed to staff. It consists of six properties (199 units) located in Lake, Mendocino and Humboldt Counties. Each property was originally developed between 1986 and 1990 with a USDA Rural Development loan.

The project will include the acquisition and renovation of the existing housing units to significantly update the physical structures and interior units, including new roof, windows, and siding, along with ADA related site work. Interior upgrades will focus on making units more energy efficient and will include energy star appliances, new shower surrounds and tubs, toilets, kitchen cabinets and countertops, and electrical fixtures.

In all six properties 100% of the units will be reserved for households with income equal to, or less than 60% of area median gross income as calculated by HUD, adjusted for family size and counties in which each property is located. The portfolio will also be subject to USDA Rural Development (USDA RD) Regulatory Agreements pursuant to the transfer application. One hundred eight (108) of the one hundred ninety-nine (199) units are currently covered by project based USDA RD rental assistance contracts. Upon transfer of ownership the project rents will be adjusted to the USDA RD approved market rents.

The project developer is a joint venture between Shelter Resources, Inc. and Trestle Development, LLC. Shelter Resources, Inc. (SRI) develops and renovates a full range of affordable housing, operating from its regional office in Bellevue, Washington. The Firm has built or renovated 4,665 apartment units in inner-city, suburban and rural communities within the Western States of Washington, Oregon, Alaska, Arizona and Idaho. Over 2,200 of these apartment units are located in approximately 50 communities serving senior citizens. Some of these facilities are congregate care and assisted living complexes. Many of the developer's projects involve local government participation and/or joint ventures with nonprofit organizations.

The project developer has requested that CHF, acting as the Issuer, also provide a loan in the amount of \$1,000,000 towards the project (average of \$167,000 per property). Staff is continuing to review the project and is considering the loan subject to the following conditions:

- 1. Approval by CDLAC for 4% Bond Allocation
- 2. Financial approval from all financing sources (USDA, tax credit provider)
- 3. A lien on each property position to be discussed
- 4. An agreed upon amortization scheduled (Discussed 20 year interest only with balloon at end of 20 years or sooner, if property is sold before 20 years)
- 5. Closed loan
- 6. Approval by CHF Board
- 7. Any other required documentation as seen necessary by CHF

Staff believes that participating in this renovation project would provide CHF with entry into multifamily financing, support job creation, and underline CHF's continued commitment toward assisting low income families and rural counties.

#### **Staff Recommendation:**

Staff recommends that the CHF Board of Directors approve continued efforts to:

- 1. Proceed with the multifamily project;
- 2. Evaluate the cost/benefit of providing the loan toward the project; and
- 3. When appropriate, to make the necessary recommendations for financial and staff commitments to participate in a successful project.

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