

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



**Wednesday, December 9, 2020
11:30 a.m.**

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

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Board of Directors Meeting
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1215 K Street Suite 1650
Sacramento, CA 95814**

In accordance with Executive Orders N-25-20 and N-29-20, the December 9, 2020 GSFA Board of Directors meeting will be held virtually.

MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON

The December 9, 2020 GSFA Board of Directors Meeting will be facilitated virtually through Zoom. Members of the public can watch or listen to the meeting using one of the following methods:

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

Go to: <https://rcrcnet.zoom.us/j/98571391129?from=addon>

Enter Password: 745008

2. Call-in and listen to the meeting:

Dial +1 (669) 900-9128

Enter meeting ID: 985 7139 1129

Enter password: 745008

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

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

DISABLED ACCOMMODATION: If you have a disability which requires an accommodation or an alternative format to assist you in observing and commenting on this meeting, or an alternative agenda document format, please contact GSFA at (916) 447-4806 or by email at mdemelo@rcrcnet.org by 11:30 a.m. Tuesday, December 8th to ensure arrangements for accommodation.

AGENDA

1. Call to Order & Determination of Quorum

Chair, Supervisor Kevin Cann, Mariposa County

Vice Chair, Supervisor Bob Williams, Tehama County

2. Approval of Minutes – September 16, 2020 Board Meeting

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

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3. Member County Concerns

4. Public Testimony

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

5. GSFA 2021 Proposed Budget – Action

*Greg Norton, Executive Director
Lisa McCargar, Chief Financial Officer
Milena De Melo, RCRC Controller*

6. Business Development and Program Updates

Craig Ferguson, Deputy Director

7. Economic Development Activity Updates

Barbara Hayes, RCRC Chief Economic Development Officer

8. Adjournment

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

Agenda items will be taken as close as possible to the schedule indicated. Any member of the general public may comment on agenda items at the time of discussion. In order to facilitate public comment, please let staff know if you would like to speak on a specific agenda item.



**Golden State Finance Authority
Board of Directors Meeting
September 16, 2020
11:30 a.m.
1215 K Street, Suite 1650
Sacramento CA 95814**

MINUTES

Call to Order & Determination of Quorum

The meeting was called to order at 11:31 a.m. by Chair, Supervisor Kevin Cann, Mariposa County. A quorum was determined at that time. Those present:

<u>Supervisor</u>	<u>County</u>
David Griffith	Alpine
Brian Oneto	Amador
Doug Teeter	Butte
Denise Carter	Colusa
Gerry Hemmingsen	Del Norte
Lori Parlin	El Dorado
John Viegas	Glenn
Rex Bohn	Humboldt
Michael Kelley	Imperial
Matt Kingsley	Inyo
Aaron Albaugh	Lassen
David Rogers	Madera
Kevin Cann	Mariposa
Carre Brown	Mendocino
Daron McDaniel	Merced
Geri Byrne	Modoc
Stacy Corless	Mono
Diane Dillon	Napa
Dan Miller	Nevada
Jim Holmes	Placer
Anthony Botelho	San Benito
Lynn Compton	San Luis Obispo
Les Baugh	Shasta
Lee Adams	Sierra
Bob Williams	Tehama
Jeremy Brown	Trinity
Kuyler Crocker	Tulare
Randy Hanvelt	Tuolumne
Randy Fletcher	Yuba

Absent

Jack Garamendi	Calaveras
Eddie Crandell	Lake
Chris Lopez	Monterey
Kevin Goss	Plumas
Michael Kobseff	Siskiyou
Mat Conant	Sutter
Gary Sandy	Yolo

Officers in Attendance

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

Others in Attendance

Paul A. Smith, RCRC Senior Vice President Governmental Affairs
Barbara Hayes, RCRC Chief Economic Development Officer
Arthur Wylene, RCRC General Counsel
Mary-Ann Warmerdam, RCRC Senior Legislative Advocate
Tracy Rhine, RCRC Legislative Advocate
Staci Heaton, RCRC Senior Regulatory Affairs Advocate
John Kennedy, RCRC Legislative Advocate
Leigh Kammerich, RCRC Legislative Analyst
Maggie Chui, RCRC Senior Governmental Affairs Coordinator, Clerk of Board
Milena De Melo, RCRC Controller
Liz Jensen, RCRC Assistant Controller
Sanjay Lee, RCRC Financial Analyst
Terrance Rodgers, RCRC Economic Development Officer
Layne Frederiksen, RCRC IT Manager
Dorothy Poole, RCRC External Affairs Coordinator
Anthony Rahill, RCRC Director of Data Management
Jeffrey Thorsby, Nevada County Staff
Susan Bonilla, CEO of California Pharmacists Association
Michelle Rivas, California Pharmacists Association
Sheila Johnston, California Pharmacists Association
John Peters, Mono County Alternate
Legal Intern at Robbins, Browning, Godwin & Marchini LLP
Miles Menetrey, Mariposa County Supervisor, RCRC Board Alternate
Terry Woodrow, Alpine County Supervisor, RCRC Board Alternate
Crystal Crawford, Ygrene Energy Fund
Carolyn Gallagher
Sarah Holyhead

Approval of Minutes – August 12, 2020 Board Meeting

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

Supervisor Dan Miller, Nevada County, motioned to approve the minutes of the August 12, 2020 GSFA Board of Directors Meeting. Supervisor Stacy Corless, Mono County, seconded the motion. Motion unanimously passed with a roll call.

AYE: Alpine, Butte, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Imperial, Inyo, Lassen, Mariposa, Mendocino, Merced, Modoc, Mono, Napa, Nevada, Placer, San Luis Obispo, Shasta, Sierra, Tehama, Trinity, Tulare, Tuolumne, Yuba

NAY: None

ABSTAIN: Amador

ABSENT: Calaveras, Lake, Madera, Monterey, Plumas, San Benito, Siskiyou, Sutter, Yolo

Member County Concerns

None

Public Testimony

None

Financial Update

Milena De Melo, RCRC Controller, provided a financial update as of July 31st, 2020. The financial update included cash and other investments balances as well as entity's net commitments.

GSFA Program Investment – ACTION

Craig Ferguson, Deputy Director, provided an update to the existing down payment assistance (DPA) program/s. The board previously approved up to \$20MM of existing resources toward an investment in its DPA program, specifically the Open Doors Program. Mr. Ferguson requested an approval of the Board for GSFA to commit an additional \$10MM of existing resources to provide DPA in the form of second mortgage loans in conjunction with the existing DPA program/s.

Recommendation

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

Supervisor John Viegas, Glenn County, motioned to approve the recommendation above approving an additional commitment of up to \$10MM of existing resources to provide DPA in the form of second mortgage loans in conjunction with the existing DPA program/s. Supervisor Dan Miller, Nevada County, seconded the motion. Motion unanimously passed with a roll call.

AYE: Alpine, Butte, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Imperial, Inyo, Lassen, Mariposa, Modoc, Mono, Nevada, Placer, Shasta, Sierra, Tehama, Trinity, Tulare, Tuolumne, Yuba

NAY: None

ABSTAIN: None

ABSENT: Amador, Calaveras, Lake, Madera, Mendocino, Merced, Monterey, Napa, Plumas, San Benito, San Luis Obispo, Siskiyou, Sutter, Yolo

Economic Development Activity Updates

- **Golden State Natural Resources Update**

Greg Norton, Executive Director, provided an update on GSNR efforts. Mr. Norton noted that the project has had three feasibility studies done, which all came back favorable. The results were shared with the GSNR Board. During September 9, 2020 GSNR Board meeting, the draft business plan and operating budget for the remainder of 2020 and 2021 were presented. The GSNR Board formally accepted the GSFA \$10 million loan.

Mr. Norton announced that the next GSNR Board would be meeting on September 18, 2020 to discuss site selection.

- **Golden State Natural Resources acceptance of Golden State Finance Authority \$10 million Revolving Loan – Information Only**

Lisa McCargar, Chief Financial Officer provided an update on discussions with GSNR's Board of Directors and noted that on September 9, 2020, GSNR Board of Directors adopted a recommendation to approve and accept the terms of the revolving loan of up to \$10 million from GSFA. The GSNR board approved such loan after reviewing and approving GSNR's budget and business plan. Ms. McCargar also noted that there have been no draws on the loan to date.

Chair Cann updated the Board on his assessment of feasibility studies presented to the GSNR board and complimented the staff on work performed.

- **Rural Broadband Update**

Barbara Hayes, Chief Economic Development Officer, provided an update on the Rural Broadband program effort. Ms. Hayes reviewed the key factors driving the development of a GSFA Rural Broadband program – financially sustainable, scalable, and built for the future. Despite significant efforts, legislation containing language necessary to enable implementation of the model was not adopted in the most recent legislative session. Hayes emphasized that despite this outcome, work is still being done to overcome the hurdles in the hopes that GSFA may participate in the RDOF Auction in October.

- **GSFA Resolution No. 20-09 - Resolution Authorizing Delegation of Authority to GSFA Executive Committee for Matters Related to Federal Communication Auction 904**

Given the important items that remain to be aligned and the short timeframe leading into the RDOF Auction in October, it was recommended that the Board

approve Resolution 20-09, designating their Authority in the GSFA Executive Committee for purposes of reviewing and approving any items requiring governing body approval.

Recommendation:

It is recommended that the GSFA Board review and approve GSFA Resolution 20-09 authorizing the delegation of necessary authority to the GSFA Executive Committee for all matters requiring governing board review and approval related to Auction 904.

The Board unanimously approved Resolution 20-09 via roll call.

Supervisor Stacy Corless, Mono County, motioned to approve GSFA Resolution 20-09 authorizing the delegation of necessary authority to the GSFA Executive Committee for all matters requiring governing board review and approval related to Auction 904. Supervisor David Griffith, Alpine County, seconded the motion. Motion unanimously passed with a roll call.

AYE: Alpine, Amador, Butte, Colusa, Del Norte, El Dorado, Glenn, Humboldt, Imperial, Inyo, Lassen, Mariposa, Modoc, Mono, Napa, Nevada, Placer, San Luis Obispo, Shasta, Sierra, Tehama, Tulare, Tuolumne

NAY: None

ABSTAIN: Mendocino

ABSENT: Calaveras, Lake, Madera, Merced, Monterey, Plumas, San Benito, Siskiyou, Sutter, Trinity, Yolo, Yuba

Adjournment

Vice Chair, Supervisor Kevin Cann, Mariposa County, adjourned the meeting of the GSFA Board of Directors at 12:30 p.m.



To: GSFA Board of Directors
From: Lisa McCargar, Chief Financial Officer
Milena De Melo, RCRC Controller
Date: December 1, 2020
Re: GSFA 2021 Proposed Budget - **ACTION**

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

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

2021 Proposed GSFA Budget Summary

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

2021 Proposed Revenue Highlights

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

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

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

2021 Proposed Expenditure Highlights

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

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

- Housing program DPA to homebuyers of \$30.0 million
- Program management services fees totaling \$1.75 million.
- Contract support services payments to RCRC in the amount of \$5,508,000. The proposed lump sum contract services and estimated performance fee amount for RCRC services includes a prorated amount of the salaries for RCRC personnel who provide services to the JPA through the contract for services with RCRC, including those of the President/CEO, Chief Operating Officer / Chief Financial Officer and Senior Vice President of RCRC. The proposed contract services amount and performance fee and the underlying compensation for RCRC personnel that are included in the proposed budget will be approved by the RCRC Board of Directors.

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

Key Differences between the 2021 and 2020 Budgets

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

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

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

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

Budgeted Net Revenue

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

Other Related Matters

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

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

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

The GSFA Executive Committee approved the 2021 Budget along with the recommendations noted below during the November 18, 2020 Executive Committee Meeting.

Recommendations

It is recommended that the GSFA Board of Directors approve the following recommendations:

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

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

Attachment

- 2021 GSFA Operating Budget (Attachment A)

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

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