



CALIFORNIA MUNICIPAL PUBLIC FINANCE AUTHORITY

Regular Meeting Agenda

August 20, 2020 at 6:00 p.m.

Pursuant to Governor Newsom’s Executive Order, Board of Directors of the California Municipal Public Finance Authority or staff may participate in this meeting via a teleconference. In the interest of maintaining appropriate social distancing, members of the public may participate in the meeting telephonically. Members of the public may observe and offer comment at this meeting telephonically by dialing 415-655-0001 Meeting ID 126 474 7374# Passcode 99975596#. If you are an individual with a disability and need a reasonable modification or accommodation pursuant to the Americans with Disabilities Act (“ADA”) please contact us at 1-415-789-3550 prior to the meeting for assistance.

A. OPENING AND PROCEDURAL ITEMS

1. Call to Order and Roll Call.
2. Approve Minutes of the meeting of the Board on August 4, 2020.
3. Public Comment.

B. ITEMS FOR CONSIDERATION

4. Consideration of a resolution adopting CalMuni PFA’s conflict of interest code.
5. Consideration of a resolution approving CalMuni PFA’s debt management policy.

C. INFORMATIONAL ITEMS FOR CALMUNI PFA

5. Administrative Issues.
 - a. Manager’s Report

D. ADJOURNMENT



CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY

MINUTES

Regular Meeting of the Board of the California Municipal Public Financing Authority (the “Authority”)

Date: August 4, 2020

Time: 6:00 PM

Meeting Held Virtually via WebEx and Phone

Dial In Instructions: (415) 655-0001; Meeting ID 1264747374#; Pass Code 99975596#

1. Roll Call

In attendance via WebEx for the Authority’s meeting were Board Members Rick Gilmore, Isaac Moreno, Bruce Pope, Margaret Silveira, Chris Wilkes as voting members, comprising a quorum.

Also in attendance via WebEx were Cameron Weist of The Weist Law Firm, as legal counsel to the Authority, and Dmitry Semenov of the California Municipal Advisors LLC, as municipal advisor to the Authority.

This was the initial meeting of the Board.

The meeting was called to order.

2. Public Comment

There was no public comment.

3. Staff Update

Weist provided an overview of the vision, goals, and financing programs of the Authority and requested that the Board members decide on the appointments of the Chairman, the Vice Chairman, and Secretary, and the Treasurer of the Board.

4. Appointments of the Officers

Silveira motioned for Gilmore to be appointed as the Chairman. The motion was seconded by the rest of the Board Members. Motion carries by a roll call vote, without abstentions. Gilmore accepted the appointment.

Moreno nominated himself for the position of the Vice Chairman. The motion was seconded by Pope. Motion carries by a roll call vote, without abstentions. Moreno accepted the appointment.

Silveira nominated herself for the position of the Secretary. The motion was seconded by Moreno. Motion carries by a roll call vote, without abstentions. Silveira accepted the appointment.

Pope nominated himself for the position of the Treasurer. The motion was seconded by Silveira. Motion carries by a roll call vote, without abstentions. Pope accepted the appointment.

5. Board Discussion

Board discussed policies that will need to be adopted by the Authority.

6. Adjourn

The meeting was adjourned.

Submitted by: Dmitry Semenov, California Municipal Advisors LLC

NEXT MEETING: Thursday, August 20, 2020, at 6:00 pm

AGENDA REPORT

CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY

ORDER OF BUSINESS

August 20, 2020

RESOLUTION / TITLE:

A RESOLUTION OF THE GOVERNING BOARD OF THE CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY ADOPTING THE CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY CONFLICT OF INTEREST CODE

RECOMMENDATION

That the Governing Board review this Agenda Report and consider adopting the subject Resolution.

EXECUTIVE SUMMARY

The Political Reform Act requires all local governments to adopt a local Conflict of Interest Code that designates positions required to file Statements of Economic Interests (Form 700), and assigns disclosure categories specifying the types of interests to be reported. The Political Reform Act also requires local governments to update their Conflict of Interest Code when revisions are necessitated by changed circumstances, including the creation of new positions. Gov. Code § 87306.5; see also, Gov. Code §§ 87300, 87306.

The Conflict of Interest Code must list positions that make or participate in making decisions which may have a material effect on economic interests. Therefore, the Conflict of Interest Code for the Authority needs to be adopted at this time. For your consideration, please find the proposed Conflict of Interest Code for the California Municipal Public Financing Authority.

Once adopted by the Authority, the Conflict of Interest Code must be submitted to the FPPC Executive Director for approval. The approved code becomes effective on the thirtieth day following its approval.

FISCAL IMPACT

There are no negative financial impacts expected to emanate from adoption of the subject Resolution.

ATTACHMENTS:

1. Resolution No. PFA-2020-02
2. Form of Conflict of Interest Code (attached as Exhibit A to Resolution)

AGENDA REPORT

CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY

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RESOLUTION NO. PFA-2020-02

**A RESOLUTION OF THE GOVERNING BOARD OF THE
CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY
ADOPTING THE CALIFORNIA MUNICIPAL PUBLIC
FINANCING AUTHORITY CONFLICT OF INTEREST CODE**

CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY

WHEREAS, the Political Reform Act, Government Code sections 81000 et seq., requires state and local government agencies to adopt and promulgate Conflict of Interest Codes; and

WHEREAS, the Fair Political Practices Commission has adopted 2 Cal. Code of Regulations sections 18720 and 18730, which contains the terms of a standard model conflict of interest code, which may be amended by the Fair Political Practices Commission to conform to amendments in the Political Reform Act after public notice and hearings; and

WHEREAS, incorporation by reference of the terms of the aforementioned regulation and amendments to it in the model conflict of interest code will save this body time and money by minimizing the actions required of this body to keep its conflict of interest code in conformity with the Political Reform Act.

NOW, THEREFORE, THE GOVERNING BOARD OF THE CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY DOES HEREBY FIND, ORDER AND DETERMINE AS FOLLOWS:

Section 1. Recitals. The Board hereby specifically finds and declares that each of the recitals set forth above are true and correct and are hereby incorporated in conjunction with the respective staff report.

Section 2. Approval of the Conflict of Interest Code. The provisions of 2 Cal. Code of Regulations sections 18720 and 18730, and any amendments to it duly adopted by the Fair Political Practices Commission, as memorialized in the Exhibit A hereto, along with the listing of designated officials and employees and their respective disclosure categories are hereby incorporated by reference and constitute the Conflict of Interest Code of the Authority.

Section 3. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

* * * * *

THE FOREGOING RESOLUTION WAS PASSED AND ADOPTED by the members of the California Municipal Public Financing Authority at a regular meeting held on this August 20, 2020, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Chair

ATTEST:

Secretary

Exhibit A

CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY

CONFLICT OF INTEREST CODE

TERMS OF THE CODE

The Political Reform Act (Government Code Section 81000 *et seq.*, the “Code” herein) requires every state and local government agency to adopt and promulgate conflict of interest code, and to amend its conflict of interest code when revisions are necessitated by changed circumstances, including the creation of new positions. The Fair Political Practices Commission (FPPC) has adopted terms of a standard conflict of interest code (2 CCR §18730). After public notice and hearing, the standard code may be amended by the FPPC to conform to amendments in the Political Reform Act. The FPPC’s standard conflict of interest code, and any amendments to it duly adopted by the FPPC, together with the terms herein, are hereby incorporated by reference and constitute the California Municipal Public Financing Authority’s Conflict of Interest Code (the “Conflict of Interest Code”).

DESIGNATED POSITIONS

This Regulation and the attached Appendix, designating positions and establishing disclosure categories, shall constitute the Conflict of Interest Code of the California Municipal Public Financing Authority (the “Authority”). Board members are the designated positions for purposes of this Conflict of Interest Code and shall file statements of economic interests (Form 700).

DISCLOSURE CATEGORIES

All designated positions under this Conflict of Interest Code shall disclose all investments, all income, business positions in business entities, interests in real property and income, including gifts, loans, and travel payments.

FILINGS

Each Board Member shall file their statement of economic interests with the Manager, as specified in 2 CCR §18753, which may change from time-to-time, and through the FPPC electronic filing system. Any Board Member who is an elected state officer shall file a statement of economic interests according to Government Code section 87500. The Conflict of Interest Code Filing Officer for all matters dealing with this Conflict of Interest Code is the Manager, 20 South Santa Cruz Avenue, Suite 300, Los Gatos, California, 95030.

AMENDMENT OF THE CONFLICT OF INTEREST CODE

Certain changes in circumstances require amendments to the Conflict of Interest Code. Changed circumstances include, but not are limited to, the following: the creation of new positions which must be designated pursuant to the Code and relevant changes in the duties assigned to existing

positions. Within 90 days after the changed circumstances necessitating the amendment to the Conflict of Interest Code become apparent, the Manager, or their designee, shall submit a proposed amendment to the Board. The Conflict of Interest Code shall be amended by resolution of the Board and processed in accordance with the Code.

REVIEW OF THE CONFLICT OF INTEREST CODE

No later than July 1 of each even-numbered year, the Manager, or their designee, shall review the Code. If a change in the Code is necessitated by changed circumstances, it shall be amended by resolution of the Board. If no change in this Code is required, the Manager or their designee, shall submit a written statement to that effect to the Board no later than October 1 of the same year.

DISCLOSURE CATEGORIES

Category 1: Designated positions assigned to this category shall disclose all business entities and non-profit organizations in which they have an investment or in which they are a director, officer, partner, trustee, employee or hold any position of management; all interests in real property; and all sources of income, including gifts, loans and travel payments.

Category 2: Designated positions assigned to this category shall disclose business entities and non-profit organizations in which they have an investment or in which they are a director, officer, partner, trustee, employee or hold any position of management; and income, including gifts, loans and travel payments; if the business entity, non-profit organization or source of income manufactures, distributes, sells or otherwise provides goods or services of the type utilized by the division or program to which the designated employee is assigned.

DATE OF ADOPTION

This Conflict of Interest Code was adopted on August 20, 2020 pursuant to Resolution No. PFA-2020-02.

APPENDIX

<u>Designated Position</u>	<u>Assigned Disclosure Category^[1]</u>
Directors and Alternate Directors	1
Manager	1
General Counsel	1
Consultants*	1

* Definition of Consultants and Note Regarding Disclosure Categories for Consultants: This category of designated employees includes consultants who make (not just recommend) governmental decisions, such as whether to approve a rate, rule, or regulation, whether to issue, deny, suspend, or revoke any permit, license, application, certificate or similar authorization, adopt or grant Authority approval to a plan, design, report, study, or adopt or grant Authority approval of policies, standards, or guidelines for the Authority. Such consultants shall disclose in Category 1. This category also includes consultants who act in a staff capacity with the Authority, and in that capacity perform the same or substantially all the same duties for Authority that would otherwise be performed by an individual holding a designated position in Authority 's Conflict of Interest Code. Such consultants shall disclose at the same level as the comparable designated position identified elsewhere in the Code.

RESOLUTION NO. PFA-2020-03

**A RESOLUTION OF THE GOVERNING BOARD OF THE
CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY
APPROVING THE CALIFORNIA MUNICIPAL PUBLIC
FINANCING AUTHORITY DEBT MANAGEMENT POLICY**

CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY

WHEREAS, the Board of Directors (the “Board”) of California Municipal Public Financing Authority (the “Authority”) recognizes that cost-effective access to the capital markets depends on prudent management of the Authority’s debt program; and

WHEREAS, SB 1029 (amending Government Code section 8855) has been signed into law and imposes a new requirement on California local government agencies who will issue municipal debt; and

WHEREAS, Government Code section 8855(i) requires any issuer of public debt to provide to California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the sale of any debt issue a report of the proposed issuance (the “Report of Proposed Debt Issuance”), and must certify on the Report of Proposed Debt Issuance that they have adopted local debt policies concerning the use of debt and that the proposed debt issuance is consistent with those policies (the “CDIAC Requirements”); and

WHEREAS, the Authority, and possibly other agencies controlled by the Authority, expect to be an issuer of new debt in 2020 and thereafter within the meaning of SB 1029 and the CDIAC Requirements; and

WHEREAS, the Board wishes to set parameters for issuing debt, managing the debt portfolio and providing guidance to decision makers; and

WHEREAS, the Board hereby finds and determines that adoption of the attached Debt Management Policy (the “Debt Management Policy”) will help ensure that debt is issued and managed prudently in order to maintain sound fiscal policy, and is intended to also satisfy the requirements of SB 1029 and the CDIAC Requirements; and

NOW, THEREFORE, THE GOVERNING BOARD OF THE CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY DOES HEREBY FIND, ORDER AND DETERMINE AS FOLLOWS:

Section 1. Recitals. The Board hereby specifically finds and declares that each of the recitals set forth above are true and correct and are hereby incorporated in conjunction with the respective staff report.

Section 2. Approval of the Debt Management Policy. The Board hereby finds and declares that the proposed Debt Management Policy attached as Exhibit "A" hereto, is hereby approved as the official California Municipal Public Financing Authority Debt Management Policy to be effective as of August 20, 2020.

Section 3. Authorization to Manage Debt Issuance Functions. The Chair, Vice-Chair, Treasurer and Manager are hereby authorized to manage debt issuance functions for the Authority in accordance with the Debt Management Policy.

Section 4. Effective Date. This Resolution shall take effect from and after the date of its passage and adoption.

THE FOREGOING RESOLUTION WAS PASSED AND ADOPTED by the members of the California Municipal Public Financing Authority at a regular meeting held on this August 20, 2020, by the following roll call vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Chair

ATTEST:

Secretary

Exhibit A

DEBT MANAGEMENT POLICY

CALIFORNIA MUNICIPAL PUBLIC FINANCING AUTHORITY

AUGUST 20, 2020

Section 1: Policy

This Debt Management Policy sets forth debt management objectives for the California Municipal Public Financing Authority (interchangeably, “CalMuni PFA” or the “Authority”), and any other entity for which the Board of Directors of the Authority (the “Board”) acts as legislative body, and the term “Authority” shall refer to each of such entities, and the term “Board” shall refer to the governing boards of each such entity.

This Debt Management Policy establishes general parameters for issuing and administering debt. Recognizing that cost-effective access to the capital markets depends on prudent management of debt incurred or arranged by or through the Authority (or any of its controlled entities), the Board has adopted this Debt Management Policy by resolution. This Debt Management Policy is also intended to comply with California Government Code Section 8855(i).

Section 2: Scope

The guidelines established by this policy will govern the issuance and management of all debt funded for long-term capital financing needs and not for general operating functions. When used in this policy, “debt” refers to all forms of indebtedness, including, but not limited to, bonds, notes, loans, certificates of participation, installment sale agreements and lease obligations (sometimes referred to herein as “Bonds”). Bonds issued to fund CalMuni PFA’s programs in which bond proceeds are used for its own programs are direct Bonds. Bonds that are issued on behalf of another entity (“Borrower”) that is responsible for repayment of the obligation but for which the Authority participates in the structuring and post-issuance bond administration on behalf of the Borrower are also considered Bonds for purposes of this Debt Policy. Bonds issued on the behalf of, administered and repaid by a Borrower are conduit Bonds.

CalMuni PFA recognizes that changes in the capital markets and other unforeseen circumstances may require action that deviates from this Debt Management Policy. In cases that require exceptions to this Debt Management Policy, approval from the Board will be necessary for implementation.

CalMuni PFA intends for this Debt Policy to be applied in conjunction with other Board-approved policies, including, but not limited to, its Investment Policy, Reserve Policy, Continuing Disclosure Policy, and Post-Issuance Tax Compliance Policy, and to not supersede any of these policies.

Section 3: Objectives

The purpose of this Debt Management Policy is to assist the Authority in pursuit of the following equally important objectives, while providing full and complete financial disclosure and ensuring compliance with applicable state and federal laws:

- Minimize debt service and issuance costs
- Maintain access to cost-effective capital
- Preserve financial flexibility while assuring public transparency
- Achieve the highest practical credit rating when ratings are required by the Authority
- Ensure full and timely repayment of debt
- Maintain full and complete financial disclosure and reporting
- Ensure compliance with debt covenants
- Ensure compliance with applicable state and federal laws

Section 4: Delegation of Authority

The Weist Law Firm shall serve as Bond Counsel and California Municipal Advisors LLC shall serve as Municipal Advisor for all debt incurred or arranged by or through the Authority. This Debt Management Policy grants the Chair of the Board (the “Chair”) and California Municipal Advisors LLC, as Manager of the Authority (the “Manager”) the authority to select other members of the Financing Team, coordinate the administration and issuance of debt, communicate with the rating agencies, and fulfill all of the pre-issuance and post-issuance requirements imposed by or related to state law, federal tax law and federal securities law.

Financing Team Definitions and Roles – The financing team is the working group of Authority staff and outside consultants necessary to complete a debt issuance proposal for presentation to the Board, including, but not limited to, bond counsel, disclosure counsel, underwriter, municipal advisor, trustee, pricing consultant and/or arbitrage analyst. Typically, the Chair, the Treasurer of the Authority (the “Treasurer”) and the Manager form the Authority staff portion of the Financing Team. As needed, other Board or staff members or designees (such as a standing committee of the Authority) may be appointed to the Financing Team.

Consultant Selection –The Authority will consider the professional qualifications and experience of consultants as it relates to the specific bond issue or other financing under consideration. In certain instances, the Authority will conduct a request for proposal/qualification process to select such consultants. The Chair and Manager may, however, decide to select such consultants without having to undertake a request for proposal/qualification process, on an as-needed basis.

Section 5: Methods of Financing

The Chair, Bond Counsel and Manager will investigate all possible financing alternatives including, but not limited to, bonds, notes, loans, warrants, certificates of participation, installment sale agreements, financing agreements, lease obligations, bond pools, grants, land-secured (assessment and special tax) bonds, refunding bonds and other obligations which may be structured and consummated under any of the below described methods of financing.

- General obligation bonds
- Conduit revenue bonds or notes
- Bond or grant anticipation notes
- Leases, lease revenue bonds, installment sale or purchase agreements, certificates of participation and lease-purchase transactions
- Revenue bonds
- Tax and revenue anticipation notes
- Land-secured financings, such as special tax revenue bonds issued under the Mello-Roos Community Facilities Act of 1982, as amended, and limited obligation bonds issued under applicable assessment acts
- Refunding Obligations
- Any other type of debt permitted under the joint exercise of powers agreement forming the Authority, dated as of June 24, 2020 (the “Agreement”) and authorized by law

Section 6: Structure and Term

Term of Debt – Bonds will be structured with a final maturity and average life that complies with state and federal laws and in keeping with prudent fiscal practices so that maturity is consistent with the life of the capital assets being financed. The standard term of long-term debt borrowing is typically 10-40 years.

Reserve Fund -- The Authority may issue Bonds that are secured by amounts on deposit in or credited to a debt service reserve fund or account in order to minimize the net cost of borrowing and/or to provide additional reserves for debt service or other purposes. Debt service reserve funds may secure one or more issues of Bonds, and may be funded by proceeds of the Bonds, other available moneys of the Authority, and/or by surety policies, letters or lines of credit or other similar instruments.

Bond Maturity Options – For each issuance, the Authority will select serial bonds or term bonds, or both.

Interest Rate Structure – Capitalized interest on Bonds is permitted when deemed appropriate.

Credit Ratings – The Chair and Manager with the assistance of advisors will determine if and how many credit ratings are recommended in association with a particular transaction.

Credit Enhancement – Credit enhancement may be used to improve or establish a credit rating on Bonds issued by the Authority. Types of credit enhancement include letters of credit, bond insurance and surety policies. The Chair and Manager will recommend the use of a credit enhancement if it reduces the overall cost of the proposed financing or if the use of such credit enhancement furthers the Authority’s overall financial objectives.

Call Options / Redemption Provisions – A call option or optional redemption provision gives the Authority and/or Borrower the right to prepay or retire debt prior to its stated maturity date. This option may preserve the ability to achieve interest savings in the future through the refunding of an issue of Bonds. Because the cost of call options can vary depending on market conditions, an evaluation of factors will be conducted in connection with each issuance. The Chair and Manager shall evaluate and recommend the use of a call option on a case by case basis.

Section 7: Method of Issuance and Sale; Disclosure

Debt issues are sold to a single underwriter or to an underwriting syndicate, either through a competitive sale or a negotiated sale. A negotiated sale may involve the sale of securities to investors through an underwriter or the private placement of the securities with a financial institution or other sophisticated investor. The selected method of sale will be that which is most beneficial to the Authority in terms of lowest net interest rate, most favorable terms in financial structure, and market conditions. The Chair and Manager will review conditions in conjunction with information and advice presented by the Authority’s Financing Team.

Competitive Sales of Bonds – In a competitive sale, the terms of the debt will be defined by the Authority and the Authority’s Finance Team, and the price of the debt will be established through a bidding process amongst impartial underwriters and/or underwriting syndicates. The issue is awarded to the underwriter judged to have submitted the best bid that offers the lowest true interest cost taking into account underwriting spread, interest rates and any discounts or premiums.

Negotiated Sale of Bonds – A method for sale for bonds, notes, or other financing vehicles in which the Authority selects in advance, based upon proposals received or by other means, one or more underwriters to work with it in structuring, marketing and finally offering an issue to investors. The negotiated sale method is often used when the issue is: a first-time sale by an issuer (a new credit), a complex security structure, such as variable rate transaction, an unusually large issue, or in a highly volatile or congested market where flexibility as to bond sale timing is important.

Private Placement – A private placement is a variation of a negotiated sale in which the Authority, usually with the help of a placement agent will attempt to place the entire new issue directly with a single investor or lender. The investor will negotiate the specific terms and conditions of the financing before agreeing to purchase the issue. Private placements are generally undertaken because the transaction is complex or unique, requiring direct negotiations with the investor, or because the issue is small or of a shorter duration and a direct offering provides economies of scale, lower interest costs and reduced continuing disclosure.

Derivative Products – Because of their complexity, unless otherwise amended, Derivative Products such as interest rate swaps, interest floaters, and other hybrid securities are prohibited by this Debt Management Policy.

Initial Disclosure Requirements – The Authority acknowledges its disclosure responsibilities. Under the guidance of Disclosure Counsel, the Authority will distribute or cause an underwriter to distribute its Preliminary Official Statement (the “POS”) and final Official Statement (neither is typically required in a private placement, although in some cases a “private placement memorandum” may be required by the investor).

The Financing Team shall be responsible for soliciting “material” information (as defined in Securities and Exchange Rule 10b-5) from Authority/Borrower departments and identifying contributors who may have information necessary to prepare portions of the Official Statement or who should review portions of the Official Statement. In doing so, the Financing Team shall confirm that the Official Statement accurately states all “material” information relating to the decision to buy or sell the subject Bonds and that all information in the Official Statement has been critically reviewed by an appropriate person.

In connection with an initial offering of securities, the Authority and other members of the Financing Team will:

- Identify material information that should be disclosed in the Official Statement;
- Identify other persons that may have material information (contributors);
- Review and approve the Official Statement; and
- Ensure the Authority’s compliance, and that of its related entities, with federal and state security laws, including notification to the California Debt and Investment Advisory Board (“CDIAC”) of the proposed debt issue no later than 30 days prior to the sale of any debt issue, and submission of a final report of the issuance to the CDIAC by any method approved by the CDIAC.

The Financing Team shall critically evaluate the Official Statement for accuracy and compliance with federal and state securities laws. The approval of an Official Statement shall be placed on the Board agenda, and shall not be considered as a Consent Calendar item. The staff report will summarize the Board’s responsibilities with respect to the Official Statement and provide the Board the opportunity to review a substantially final Official Statement. The Board shall undertake such review as deemed necessary by the Board to fulfill the Board’s securities law responsibilities.¹

¹ The Securities and Exchange Commission (the SEC), the agency with regulatory authority over the Authority’s compliance with the federal securities laws, has issued guidance as to the duties of issuers boards with respect to its approval of any POS. In their “Report of Investigation in the Matter of County of Orange, California as it Relates to the Conduct of the Members of the Board of Supervisors” (Release No. 36761 / January 24, 1996) (the “Release”), the SEC stated that, if a member of the Board of Supervisors has knowledge of any facts or circumstances that an investor would want to know about prior to investing in the bonds, whether relating to their repayment, tax-exempt status, undisclosed conflicts of interest with interested parties, or otherwise, he or she should endeavor to discover whether such factors are adequately disclosed in the Official Statement. In the Release, the SEC stated that the steps that a member of the Board of Supervisors would take include becoming familiar with the POS and questioning staff and consultants about the disclosure of such facts.

For any privately placed debt with no Official Statement, the final staff report describing the issue and such other documents will be provided to the Board for approval.

Section 8: Creditworthiness Objectives

Ratings are a reflection of the general fiscal soundness of the Borrower and the capabilities of its management. Typically, the higher the credit ratings are, the lower the interest cost is on an issue of Bonds.

The most familiar nationally recognized bond rating agencies are Standard and Poor's, Moody's Investors Service, and Fitch Ratings. When issuing a credit rating, rating agencies consider various factors, including, but not limited to:

- Borrower's fiscal status;
- Borrower's general management capabilities;
- Economic conditions that may impact the stability and reliability of debt repayment sources;
- General reserve levels;
- Borrower's debt history and current debt structure;
- Project(s) being financed; and
- Covenants and conditions in the governing legal documents.

Bond Ratings – The Financing Team will assess whether a credit rating should be obtained for an issuance. The Authority typically seeks a rating from at least one nationally recognized rating agency on new and refunded issues being sold in the public market. The Chair, Treasurer and Manager, working with the Financing Team, shall be responsible for determining which of the major rating agencies the Authority shall request to provide a rating. When applying for a rating on an issue, the Authority and Financing Team shall prepare a presentation for the rating agency when the Authority determines that a presentation is in the best interests of the Authority.

Rating Agency Communications – The Chair, Treasurer and Manager are responsible for maintaining relationships with the rating agencies that assign ratings to the Authority's various debt obligations. This effort shall include providing the rating agencies with the Authority's financial statements, if applicable, as well as any additional information requested.

Section 9: Post Issuance Administration

Notification to the CDIAC – The Authority shall work with Bond Counsel to submit all reports required by CDIAC by any method approved by the CDIAC. The reports shall include the information required by CDIAC.

Investment of Proceeds – The Treasurer and Manager shall direct the investment of Bond proceeds and reserve funds in accordance with each issue's indenture or trust agreement, utilizing competitive bidding when appropriate. All investments will be made in compliance with the Authority's investment policy objectives of safety, liquidity and then yield. The investment of Bond proceeds and reserve funds shall comply with federal tax law requirements specified in the indenture or trust agreement and the tax certificate.

Whenever reasonably possible, unexpended Bond proceeds and reserve fund monies shall be held by the bank trustee. The trustee will be responsible for recording all investments and transactions relating to the proceeds and providing monthly statements regarding the investments and transactions.

Use of Bond Proceeds – The member of the Authority for whom Bonds were issued shall be responsible for ensuring Bond proceeds are spent for the intended purposes identified in the related legal documents and that the proceeds are spent in the time frames identified in the tax certificate prepared by Bond Counsel. Whenever reasonably possible, proceeds of Bonds will be held by a third-party trustee and the Authority will submit written requisitions for such proceeds. The Authority will submit a requisition only after obtaining the signature of either the Chair, Vice Chair, Treasurer or the Manager. In those cases where it is not reasonably possible for the proceeds of Bonds to be held by a third-party trustee, the Treasurer or Manager shall retain records of all expenditures of proceeds through the final payment date for the Bonds.

Continuing Disclosure – When required by SEC Rule 15c2–12(b)(5) (the “Rule”) the Manager or designee will ensure the Authority’s annual financial statements and associated reports are posted on the Authority’s web site, and will also comply with the Rule by filing its annual financial statements, other financial and operating data and notices of enumerated events for the benefit of its bondholders on the Electronic Municipal Market Access (EMMA) website of the Municipal Securities Rulemaking Board (MSRB). The Authority shall submit an annual report to the CDIAC in compliance with the requirements of Government Code Section 8855 and related regulations.

Internal Control Procedures Concerning Use of Bond Proceeds – One of the Authority’s priorities in the management of Bonds is to assure that the proceeds of each issue of Bonds will be directed to the intended use for which the Bonds have been issued. In furtherance of this priority, the following procedures shall apply:

1. A copy, which may be an electronic copy, of all debt-related records shall be retained at 20 South Santa Cruz Avenue, Suite 300, Los Gatos, California 95030. At minimum, these records shall include all official statements, Bond legal documents/transcripts, resolutions, trustee statements, leases, and title reports for each financing (to the extent available). Such records shall be retained while any debt of an issue is outstanding and during the three-year period following the final maturity or redemption of the Bond issue or, if later, while any Bonds that refund Bonds of that original issue are outstanding and for the three year period following the final maturity or redemption date of the latest refunding Bond issue.
2. The Manager shall retain, for the applicable period specified in the above paragraph 1 of this Policy, a copy of each annual report filed with CDIAC pursuant to Section 8855(k) of the California Government Code concerning (1) debt authorized during the applicable reporting period (whether issued or not), (2) debt outstanding during the reporting period, and (3) the use during the reporting period of proceeds of issued debt.
3. In connection with the preparation of each annual report to be filed with CDIAC pursuant to Section 8855(k) of the California Government Code, the Manager or the designee of the Manager shall keep a record of the original intended use for which the debt has been issued, and indicate whether the proceeds spent during the applicable one-year reporting period for such annual report comport with the intended use (at the time of original issuance or as modified pursuant to the following sentence). If a change in intended use has been authorized subsequent to the original issuance of the debt, the Manager or the designee of the Manager shall indicate in the record when the change in use was authorized and whether the Authority authorized the change in intended use.

4. If the Bonds have been issued to finance a capital project and the project timeline or scope of project has changed in a way that all or a portion of the Bond proceeds cannot be expended on the original project, the member of the Authority for whom the Bonds were issued shall consult with legal counsel (which may be bond counsel, if applicable, or the general counsel to the member) to determine an appropriate alternative for the expenditure of the remaining Bond proceeds (including prepayment of the Bonds).

Investor Relations – CalMuni PFA will post its annual financial report as well as certain other financial reports on its website. Information that the Authority intends to reach the investing public, including bondholders, rating analysts, investment advisors, or any other members of the investment community shall be filed on the EMMA system.

Additional requirements for financial statements – It is the Authority’s policy to hire an auditing firm that has the technical skills and resources to properly perform an annual audit of the Authority’s financial statements. More specifically, the firm shall be a recognized expert in the accounting rules applicable to the Authority and shall have the resources necessary to review the Authority’s financial statements on a timely basis.

Section 10: Disclosure

All Bonds issued by the Authority shall contain on the face thereof a statement to the following effect: “Neither the full faith and credit nor the taxing power of the Authority is pledged to the payment of the principal of, or interest on, this Bond.”