

PRELIMINARY AGENDA

Conduit Financing: Transparency and Accountability

10:30 a.m. to noon
Wednesday, February 6, 2008
State Capitol, Room 112

10:30 to 10:40 a.m. Introduction.

Senator Gloria Negrete McLeod, Committee Chair

10:40 to 11:00 a.m. Public Agencies That Issue Tax-Exempt Bonds.

Erin Riches, Senate Office of Research

11:00 to 11:20 a.m. State Agencies' Responses.

Tricia Wynne, Deputy Treasurer
State Treasurer's Office

John Korach, Senior Advisor for
Accounting & Reporting
State Controller's Office

Invited representative
State Department of Finance

11:20 to 11:40 a.m.

Joint Powers Authorities' Responses.

Dwight Stenbakken, Deputy Executive Director
League of California Cities, on behalf of
Calif. Statewide Communities Development Authority

Paula Connors, Executive Director
California Enterprise Development Authority

Lee McCormick, Financial Advisor
California Municipal Finance Authority

Clarke Howatt, Public Finance Director
ABAG Finance Authority for Nonprofit Corporations

11:40 a.m. to noon

Advice and Comment.

This time is available for public comments.

12:00 noon

Adjourn.

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Revised: 1-30-08

MEMORANDUM

January 30, 2008

To: Senate Local Government Committee Members and Other Interested Parties
From: Brian Weinberger
Re: Informational Hearing on Conduit Financing

The attached document from the Senate Office of Research (SOR) summarizes the results of research that SOR conducted at the request of Senator Gloria Negrete McLeod.

This research, comparing state and local authorities that issue tax exempt bonds, provides the background for an informational hearing the Committee will hold on February 6, 2008 to examine the issue of “Conduit Financing: Transparency and Accountability.”

Based on four key policy issues that emerged from SOR’s research, the Committee members may want to ask these questions at the February 6 hearing:

More conduit bond issuers and increasing competition. An increase in the number of Joint Powers Authority (JPA) tax-exempt bond issuers in recent years has made the conduit financing market “substantially more competitive.” Chart 1 in the SOR report suggests that the volume of bonds issued by some JPA conduit financing authorities has grown significantly faster than the volume of bonds issued by state authorities. The Committee may wish to consider:

Does increased competition in the conduit bond issuance market affect the “public benefit” that is promoted by extending tax-exempt financing to private entities?

What factors are responsible for the relatively strong growth in the volume of conduit bonds issued by JPAs when compared to state authorities?

In what ways does the JPAs’ growing share of conduit financing offer advantages or disadvantages for local borrowers and the public benefit projects they finance?

Administrative fees. JPAs that issue tax exempt bonds can charge local borrowers for administrative costs and expenses at a rate that does not exceed the JPA’s costs of issuance and administration (Government Code §6588[o]). Appendix C of the SOR report shows notable

Informational Hearing on Conduit Financing

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variations in the fee structures of various conduit financing authorities. The report also questions how some JPAs spend their fee revenues. The Committee may wish to consider:

Why do different conduit financing authorities charge different fees?

How do different conduit financing authorities spend fee revenues? Should fee revenues be spent on charitable activities? Marketing efforts? Programs to benefit local businesses?

Does the statutory requirement that fees be disclosed to the California Debt and Investment Advisory Commission provide sufficient transparency to ensure that fees comply with state law?

Financial reporting requirements. State bond-issuing authorities must comply with different annual financial reporting requirements than those that apply to conduit-financing JPAs. Certain conduit financing authorities are exempt from some annual financial reporting requirements that apply to other JPAs. The Committee may wish to consider:

Are financial reporting requirements uniformly enforced for all bond issuing authorities?

Do current JPA reporting requirements provide sufficient transparency for understanding the activities of bond-issuing authorities?

Should financial reporting requirements for state and JPA conduit bond issuers be more standardized?

Public meeting requirements. State bond-issuing authorities are subject to the Bagley-Keene Open Meeting Act, which is more stringent than the Ralph M. Brown Act, which applies to JPAs' meetings. The Committee may wish to consider:

Do the Brown Act's provisions, which allow JPAs to convene special meetings with as little as 24-hours of advance public notice, provide sufficient transparency and opportunity for public involvement in the conduit financing decisions made by JPAs?

Should the Internet posting requirements that apply to state conduit bond authorities also apply to JPAs that issue conduit bonds?

Do public hearings required under the federal Tax Equity and Fiscal Responsibility Act (TEFRA) provide sufficient transparency and opportunity for public participation in conduit bond issuance?

Do differences between the public meeting requirements that apply to state authorities and JPAs give some conduit bond issuers a competitive advantage in providing conduit financing services?

January 8, 2008

MEMORANDUM

TO: Senator Gloria Negrete McLeod
Attn: Peter Detwiler

FROM: Erin Riches

SUBJECT: Comparison of Public Agencies That Issue Tax-Exempt Bonds

You asked the Senate Office of Research to investigate and compare state and non-state authorities that issue tax-exempt bonds. This memo provides a brief introduction to the world of bond-issuing authorities and then includes some policy questions based on the statutory requirements, policies, and procedures of the following seven authorities:

- California Educational Facilities Authority (CEFA)
- California Health Facilities Financing Authority (CHFFA)
- California Pollution Control Financing Authority (CPCFA)
- California Municipal Finance Authority (CMFA)
- California Enterprise Development Authority (CEDA)
- California Statewide Communities Development Authority (CSCDA)
- Association of Bay Area Governments' Finance Authority for Nonprofit Corporations (ABAG)

Several appendices (attached) provide more detailed information on these seven authorities.

Introduction

A joint powers agreement, authority, or agency (JPA) is created when two or more public agencies jointly establish a formal agreement, project, or entity for a specific purpose or activity. No public vote is required in order to form a JPA

and, although several state agencies collect data from and relating to JPAs, these entities are not directly overseen by any state agency. JPAs are commonly formed to jointly implement a program, deliver a service, or build a facility; by combining resources, public officials can save taxpayer dollars.

According to the California Debt and Investment Advisory Commission (CDIAC), more than half of all JPAs formed in California since 1985 issue bonds to finance public improvements.¹ Local agencies can form a JPA to sell a large bond, then loan the money to local agencies. This practice, known as pooling, enables local agencies to achieve lower interest rates and finance charges than if they were to sell the bonds individually. JPAs also often act as conduits to provide tax-exempt financing for projects that provide public benefit but are funded by private entities (see “Conduit Financing 101” below).

Several state agencies with the longest history of issuing tax-exempt bonds, such as CEFA, CPCFA, and CHFFA, are overseen by the State Treasurer’s Office (STO). With more and more JPAs issuing bonds in recent years, the market has become substantially more competitive.

Conduit Financing 101

To qualify for tax-exempt financing, an agency must be able to show a public benefit.² Public improvements include projects such as solid waste facilities, multifamily housing, hospitals, and pollution control facilities, among others. JPAs and state authorities are authorized to issue numerous types of bonds to finance public improvements (please see Appendix A).

JPAs and STO authorities commonly act as “conduits” for issuing tax-exempt debt. For example, a JPA will borrow as a tax-exempt issuer then pass through the funding and liability to a private borrower. The private entity is legally obligated to make the debt payments on the bonds, while the issuer retains ultimate control and responsibility for the financing plan. The issuer puts together a debt financing team that includes bond counsel, a disclosure counsel, and a financial advisor and/or underwriter. The bond counsel certifies that the bonds are valid and binding obligations of the issuer and that interest on the bonds is exempt from federal and state income taxes. The role of bond counsel has become increasingly important in recent years, due to frequent

¹ Senate Committee on Local Government, *Governments Working Together: A Citizen’s Guide to Joint Powers Agreements* (August 2007).

² Government Code, Section 6586.5 states that an authority cannot authorize issuance of bonds unless certain requirements are met, including approval of the bond issuance and a finding of significant public benefit at a public hearing of the local agency in the city or county where the project is located.

changes in tax laws. While the law does not generally require bonds to be rated, issuers often find it difficult to sell unrated bonds. (Ratings are provided by credit rating agencies, which analyze the probability of the full amount of principal being returned to the investor.) Some conduit issuers, such as CEFA and CHFFA, have policies requiring a certain minimum rating in order to issue bonds.³

How Much Money Is Involved?

Despite the fact that the non-STO authorities were established much more recently than the STO authorities, they are issuing millions—even billions—of dollars in conduit bonds each year (please see Chart 1). In this year alone:

- CSCDA (established 1988) has issued more than \$4.2 billion;
- ABAG (established 1990) has issued nearly \$700 million;
- CMFA (established 2004) has issued over \$500 million;
- CEDA (established 2006) has issued slightly more than \$80 million.

In comparison, STO authorities have issued the following amounts of conduit bonds in 2007:

- CPCFA (established 1973) has issued roughly \$275 million;
- CEFA (also established 1973) has issued over \$770 million;
- CHFFA (established 1979) has issued nearly \$1 billion.⁴

Where Is the Money Going?

In general, tax-exempt bonds are spent on project costs; STO authorities also authorize borrowers to spend bond funds on costs of bond issuance and refinancing or refunding of prior debt. The bond-issuing authorities spend fee revenues on administration costs, with a few exceptions:

- CEFA's Academic Assistance Program helps private colleges and universities expand programs to provide access to higher education for low-income and very low-income students in grades 7-12. In addition, CEFA's Student Loan Program helps students finance higher education costs.
- CPCFA's Capital Access Loan Program (CalCAP) provides additional risk coverage for loans that are made by lenders to businesses in severely

³ California Debt and Investment Advisory Commission, *California Debt Issuance Primer*, Chapter 1.

⁴ Per CDIAC; reflects debt issuance reported to CDIAC as of November 7, 2007.

affected communities. CalCAP allows CPCFA to contribute up to 150 percent of the combined premium payments by the lender and borrower for each loan made in these communities. A severely affected community is any state Enterprise Zone, as well as any other comparable economically distressed geographic area, as designated by CPCFA.

- CMFA directs 25 percent of issuance fees to the California Foundation for Stronger Communities to support local charities.

How Are Environmental Requirements Enforced?

Most tax-exempt financings require major environmental issues to be addressed, primarily compliance with the California Environmental Quality Act (CEQA) and other environmental laws that govern public projects. A public agency may trigger CEQA, simply by approving a permit for activities by private entities. Financing for a project generally constitutes an approval under CEQA.⁵ Current statute has generated some confusion as to when in the bond issuance process a state versus non-state authority must establish proof of CEQA compliance. One question that arises is whether the requirement should be clarified and/or made uniform for all bond-issuing authorities.

Are the Savings Pass-Through and Public Benefit Requirements Working?

State law encourages CHFFA to approve projects that will pass through the savings from tax-exempt bonds to the customers of the health facilities funded by the bonds.⁶ Pursuant to this legislative intent, the CHFFA application specifically asks the applicant how it intends to pass on the savings. The other STO authorities do not include this requirement in their applications, nor do the non-state authorities. One question that arises is whether the pass-through requirement puts CHFFA at a competitive disadvantage.

As noted above, an agency must be able to show a public benefit in order to qualify for tax-exempt financing. One question that arises is whether, and to what extent, the public benefit requirement is being enforced. Another question that arises is whether bond-issuing authorities are tracking projects after the bonds are issued.

⁵ California Debt and Investment Advisory Commission, *California Debt Issuance Primer*, Chapter 5.

⁶ Government Code, Section 15438.5 states legislative intent that “all or part of any savings experienced by a participating health institution, as a result of that tax-exempt revenue bond funding, be passed on to the consuming public through lower charges or containment of the rate of increase in hospital rates.” This language was included in the original enabling legislation, the Health Facilities Authority Act, Chapter 1033, Statutes of 1979.

Are All Bond Issuing Authorities Equally Transparent?

All bond-issuing authorities are under some form of state reporting requirement. STO authorities are all required, by statute and regulation, to submit annual reports to the Legislature, the governor, the insurance commissioner, and/or the treasurer. In terms of state regulation, JPAs generally fall under the requirements for special districts. State law requires JPAs to undergo an annual independent audit, the minimum requirements of which shall be those prescribed by the controller for special districts.⁷ State law also requires a report of any audit to be filed as public record each year with each of the members of the JPA, the county auditor for the county in which the home office of the JPA is located, and sent to any public agency or person in the state that requests it.⁸ One question that arises is whether reporting requirements are being enforced for all bond-issuing authorities. Another question that arises is whether the JPA reporting requirements are appropriate for bond-issuing authorities.

All bond-issuing authorities are also subject to public meeting requirements. As local public entities, JPAs are subject to Brown Act requirements for providing public notice of their meetings. Specifically, the Brown Act requires that local public agencies post a notice at least 72 hours prior to a meeting.⁹ The Bagley-Keene Act, which governs state agencies, requires 10 days' notice, as well as requiring that notice be posted on the Internet.¹⁰ One question that arises is whether all bond-issuing authorities should be required to post notices on the Internet.

Is There Overlap Between Bond-Issuing State Entities?

Multiple state agencies issue tax-exempt bonds (please see Table 1). In some cases, such as projects financed with industrial development bonds, more than one agency must approve the project before bonds can be issued. One question that arises is whether some services should be consolidated so that projects do not have to go through multiple agencies.

⁷ Government Code, Sections 6505(b) and 26909.

⁸ Government Code, Section 53895.

⁹ Government Code, Section 54954.2.

¹⁰ Government Code, Section 11125(a).

Table 1: A Sampling of State Bond-Issuing Authorities¹¹

Agency	Established	Mission/Function	Location	Board Members
California Educational Facilities Authority (CEFA)	1973	Issues revenue bonds to help private colleges and universities expand and build educational facilities through lower-cost financing.	State Treasurer's Office	<ul style="list-style-type: none"> ▪ state treasurer (chair) ▪ state controller ▪ director of Department of Finance ▪ 2 gubernatorial appointees
California Pollution Control Financing Authority (CPCFA)	1973	Issues tax-exempt bonds to help pollution control facilities meet state and federal environmental standards.	State Treasurer's Office	<ul style="list-style-type: none"> ▪ state treasurer (chair) ▪ state controller ▪ director of Department of Finance
California Health Facilities Financing Authority (CHFFA)	1979	Provides loans funded by issuance of tax-exempt revenue bonds to public and nonprofit health care providers.	State Treasurer's Office	<ul style="list-style-type: none"> ▪ state treasurer (chair) ▪ state controller ▪ director of Department of Finance ▪ 2 gubernatorial appointees ▪ 2 Senate pro Tem appointees ▪ 2 Assembly Speaker appointees
California Industrial Development Financing Advisory Commission (CIDFAC)	1980	Issues industrial development bonds to finance capital expenditures in order to increase employment or economic development.	State Treasurer's Office	<ul style="list-style-type: none"> ▪ state treasurer (chair) ▪ state controller ▪ secretary of Business, Transportation, and Housing ▪ director of Department of Finance ▪ commissioner of Department of Corporations

¹¹ Source: Agency Web sites.

Agency	Established	Mission/Function	Location	Board Members
California Debt Limit Allocation Committee (CDLAC)	1985	Administers the state's tax-exempt private activity bond program. Any applicant for industrial development bonds must go through this agency in addition to the bond-issuing authority.	State Treasurer's Office	<ul style="list-style-type: none"> ▪ state treasurer (chair) ▪ state controller ▪ governor
California Infrastructure and Economic Development Bank (I-Bank) ¹²	1994	Issues tax-exempt and taxable revenue bonds, provides financing to public agencies, provides credit enhancements, acquires or leases facilities, and leverages state and federal funds, in order to help finance public infrastructure.	Office of the Secretary of Business, Transportation, and Housing	<ul style="list-style-type: none"> ▪ secretary of Business, Transportation, and Housing (chair) ▪ state treasurer ▪ director of Department of Finance ▪ 1 gubernatorial appointee

Regional Council of Rural Counties

You also asked SOR to look at the Regional Council of Rural Counties' (RCRC) JPA that is focused on assisting homebuyers. RCRC was established in 1973 and has a membership of 30 rural counties. RCRC's mission is "improving the ability of rural California county government to provide services, reducing the burden of state and federal mandates and promoting a 'rural' understanding among urban focused policy makers"

RCRC established the California Rural Home Mortgage Finance Authority (Cal Rural) as a JPA in 1993 and later changed its name to the CRHMFA Homebuyers Fund, Inc. (CHF). In 2002 CHF formed the National Homebuyers Fund, Inc. (NHF), a nonprofit public benefit corporation, to administer its home loan programs. The loan programs are targeted to homebuyers who cannot afford the down payment and closing costs; up to 105 percent of a home's purchase price can be provided through the programs (to cover purchase price, down payment, and closing costs), packaged as a single monthly mortgage payment. The programs are financed through the issuance of tax-exempt bonds, taxable bonds, and private financing. CHF serves all 58 counties in the

¹² Note: According to STO, STO has a "noncompete clause" with the I-Bank.

state. According to the NHF Web site, NHF and CHF have processed over \$7.2 billion in first and second mortgage loans on approximately 53,000 properties (please see Table 2). CHF is not listed in the controller's 2004-05 special districts report (the most recent year the report was published), either as reporting or as failing to report.

Table 2: CRHMFA/CHF Bond Issuance Volume, 2000-07¹³

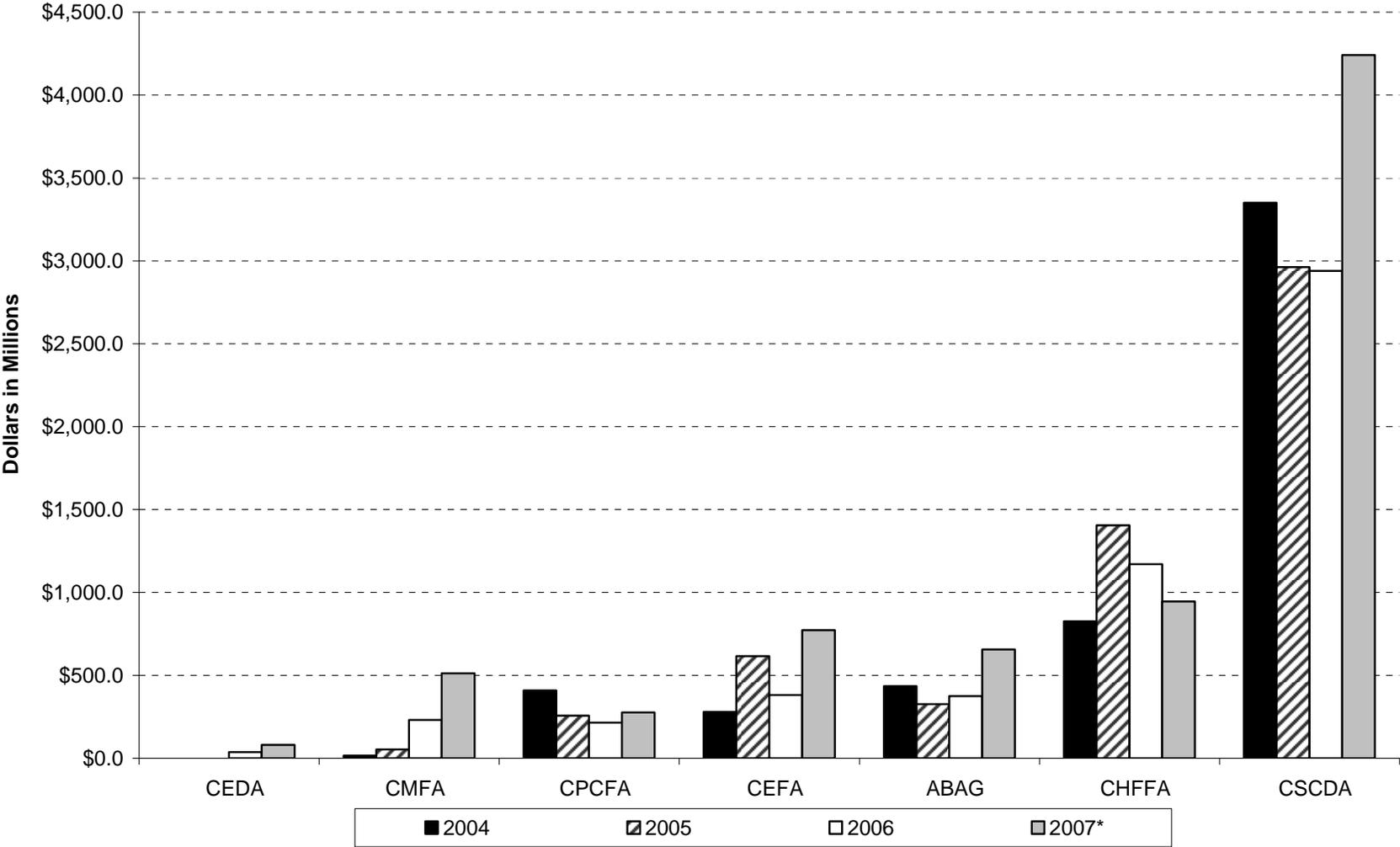
Year	Dollars in Millions
2000	\$983.5
2001	\$715.5
2002	\$478.5
2003	\$430.0
2004	\$530.1
2005	\$35.0
2006	\$495.3
2007	\$245.0
TOTAL	\$3,912.9

RCRC also established the Environmental Services JPA (ESJPA) in 1993 "in response to new and costly federal mandates regulating local solid waste management programs." ESJPA, which has 22 member counties, provides regulatory advocacy and technical assistance to its member counties, supports local public education campaigns, and administers grants for recycling and hazardous-waste management programs. ESJPA is also not listed in the controller's special districts report.

ER:dc
Attachments

¹³ Reflects debt issuance reported to the California Debt Investment Advisory Commission as of November 7, 2007.

Chart 1: Comparison of Bond Issuance Volume, 2004-2007*



* Reported to CDIAC as of November 7, 2007. Note: CMFA was established in 2004, CEDA in 2006. Source: CDIAC.

APPENDICES

Appendix A: Bonds That Joint Powers Authorities Are Authorized to Issue

Provides a summary of the types of bonds that various entities are authorized to issue.

Appendix B: Comparison of Bond-Issuing Authorities

Provides a comprehensive overview of various key statutory requirements, policies, and procedures of the seven authorities.

Appendix C: Fees Charged by Bond-Issuing Authorities

Provides a comparative breakdown of the various fees charged by the seven authorities.

Appendix D: Comparison of Bond-Issuing Authority Applications

Provides a side-by-side comparison of information requested by the applications of each of the seven authorities.

APPENDIX A
BONDS THAT JOINT POWERS AUTHORITIES ARE AUTHORIZED TO ISSUE

Instrument	Bond Type	Issuer	Security	Typical Projects	Project Examples
Direct bonds	Public enterprise revenue bonds	Cities, counties, JPAs	Revenue from the enterprise	Revenue-producing enterprises	Public buildings, stadiums, electric utilities, water/sewer treatment, airports, police stations, libraries, low-income housing, police/fire vehicles, computers
Direct bonds	Public lease revenue bonds	JPAs, nonprofits, redevelopment agencies, parking authorities, public works departments	Lease payments	Capital improvements to be leased by a public agency	Stadiums, parking facilities, convention centers, school buildings, airports, entire water or sewer systems
Conduit bonds	Conduit revenue bonds—economic development	CEDFA, CPCFA, JPAs, industrial development agencies	Revenue derived from project	Small manufacturing facilities, pollution control facilities, specific narrowly defined projects	Manufacturing, assembly fabrication, renovation, or processing plants for goods or agriculture; hazardous waste disposal and processing facilities, waste collection/treatment facilities
Conduit bonds	Conduit revenue bonds—educational facility	CEFA, JPAs, charter cities	Payments from educational facility	Educational facilities	Dormitories, administration buildings, dining halls, student unions, school libraries, research facilities, student loan programs
Conduit bonds	Conduit revenue bonds—hospital and health care	CHFFA, county health care districts, charter cities, JPAs	Payments from health care facility	Construction, renovation, expansion of health care facilities	Acute care hospitals, psychiatric care hospitals, skilled nursing facilities, community clinics, outpatient hospitals
Conduit bonds	Conduit revenue bonds—multifamily housing	Cities, counties, JPAs, housing authorities, redevelopment agencies	Revenue derived from project or lending program	Financing and/or refinancing construction, renovation, rental housing developments for private developers	Multifamily projects, including apartment buildings
Conduit bonds	Marks-Roos bonds	JPAs	General Fund or revenue derived from participating local agency	Assisting local agencies with financing needs: capital improvement bonds, bond pooling, and working capital or insurance programs	Public buildings, stadiums, electric utilities, water/sewer treatment, airports, police stations, libraries, low-income housing, mass transit, telecommunications

Instrument	Bond Type	Issuer	Security	Typical Projects	Project Examples
Conduit bonds	Single-family mortgage revenue bonds	Cities, counties, JPAs, housing authorities	Revenue from project	Below-market loan programs for low- to moderate-income families; acquisition, rehabilitation, and improvement of single-family homes	Purchase mortgage loans originated by one or more lenders participating in the program
Leases	Certificates of participation/financial leases	JPA, nonprofit corporation, leasing company, bank, or other lessor	Rent	Public buildings; only land and depreciable property that a public agency has statutory authority authorization to lease	Educational facilities; irrigation, water, sewer, police, and fire facilities; transportation equipment

Source: California Debt and Investment Advisory Commission, "California Debt Issuance Primer," 2006, Appendix E.

**APPENDIX B
COMPARISON OF BOND-ISSUING AUTHORITIES**

Issuer	California Educational Facilities Authority (CEFA)	California Health Facilities Financing Authority (CHFFA)	California Pollution Control Financing Authority (CPCFA)	California Municipal Finance Authority (CMFA)	California Enterprise Development Authority (CEDA)	California Statewide Communities Development Authority (CSCDA)	Association of Bay Area Governments' Finance Authority for Nonprofit Corporations (ABAG)
General Information							
Authorization	Education Code, Sections 94100-94216.11 and California Code of Regulations, Title 4, Division 12, Chapters 1-3	Government Code, Sections 15430-15462.5 and California Code of Regulations, Title 4, Division 10, Chapters 1-3	Health and Safety Code, Sections 44500-44559.9 and California Code of Regulations, Title 4, Division 11, Articles 1-11	Government Code, Sections 6500 et. seq. (Joint Exercise of Powers Act)	Government Code, Sections 6500 et seq. (Joint Exercise of Powers Act)	Government Code, Sections 6500 et seq. (Joint Exercise of Powers Act)	Government Code, Sections 6500 et seq. (Joint Exercise of Powers Act)
Year Established	1973 ¹	1979 ²	1973 ³	2004 ⁴	2006 ⁵	1988 ⁶	1990 ⁷
Sunset Date	n/a ⁸	n/a	n/a ⁹	n/a	n/a	n/a	n/a
Public Agency	Yes (Reports to State Treasurer's Office)	Yes (Reports to State Treasurer's Office)	Yes (Reports to State Treasurer's Office)	Yes (CA Foundation for Stronger Communities board acts as CMFA board)	Yes (Established by CA Assn. for Local Economic Development)	Yes (Sponsored by League of CA Cities, California State Association of Counties, and California State Association of Counties Financial Corp.)	Yes (Sponsored by Association of Bay Area Governments)

Issuer	California Educational Facilities Authority (CEFA)	California Health Facilities Financing Authority (CHFFA)	California Pollution Control Financing Authority (CPCFA)	California Municipal Finance Authority (CMFA)	California Enterprise Development Authority (CEDA)	California Statewide Communities Development Authority (CSCDA)	Association of Bay Area Governments' Finance Authority for Nonprofit Corporations (ABAG)
Purpose/ Mission Statement	Issues revenue bonds to help private colleges and universities expand and build educational facilities through lower-cost financing.	Provides financial assistance to public and nonprofit health care providers through loans funded by issuance of tax-exempt revenue bonds.	Provides financing for pollution control facilities to help meet environmental standards.	Assists local governments, nonprofits, and businesses with issuance of tax-exempt and taxable financing for local economic and social programs aimed at improving the standard of living in the state. ¹⁰	Dedicated to issuance of conduit revenue bonds for economic development projects. ¹¹	Provides local governments and private entities access to low-cost, tax-exempt financing for projects that provide a tangible public benefit, contribute to social and economic growth, and improve the overall quality of life in local communities throughout the state. ¹²	Acts as a conduit issuer on behalf of not-for-profit agencies and other borrowers with projects located within the jurisdictions of its members. ¹³
Types of Projects Financed	Higher education	Health care	Waste and recycling facilities, other pollution control	Affordable housing, infrastructure, manufacturing, solid waste, water, water treatment facilities, educational/healthcare/cultural	Economic development	Affordable housing, infrastructure, solid waste and exempt facilities, manufacturing	Affordable housing, health care and social services, education
State Laws That Apply to Issuer Operations							
AB 1341 CEQA Requirements Apply?¹⁴	Yes	Yes	Yes	No	No	No	No
Pass-Through Savings Requirement	No	Yes ¹⁵	No	No	No	No	No
Level of Review of Proposals by Issuer - SEE ATTACHED APPLICATION COMPARISON SPREADSHEET FOR MORE DETAILS							
Analysis of Public Benefits¹⁶	Yes ¹⁷	Yes ¹⁸	Yes ¹⁹	Yes ²⁰	Yes ²¹	Yes ²²	Yes ²³

Issuer	California Educational Facilities Authority (CEFA)	California Health Facilities Financing Authority (CHFFA)	California Pollution Control Financing Authority (CPCFA)	California Municipal Finance Authority (CMFA)	California Enterprise Development Authority (CEDA)	California Statewide Communities Development Authority (CSCDA)	Association of Bay Area Governments' Finance Authority for Nonprofit Corporations (ABAG)
Review of Legal or Other Issues That Could Affect Borrower	Yes ²⁴	Yes ²⁴	Yes ²⁴	Yes ²⁵	Yes ²⁶	Yes ²⁷	Yes ²⁸
Specificity Required for Project Descriptions	See attached application comparison spreadsheet						
Fees Charged by Issuer							
Fees Charged	See attached fee comparison spreadsheet for this and annual fee question						
Fees Posted on Web site	Yes	Yes (in application)	Yes (in application)	Yes	No	Yes	Yes
Ongoing Yearly Fees for Outstanding Bonds	Yes	Yes	No	Yes	Yes	Yes	Yes

Issuer	California Educational Facilities Authority (CEFA)	California Health Facilities Financing Authority (CHFFA)	California Pollution Control Financing Authority (CPCFA)	California Municipal Finance Authority (CMFA)	California Enterprise Development Authority (CEDA)	California Statewide Communities Development Authority (CSCDA)	Association of Bay Area Governments' Finance Authority for Nonprofit Corporations (ABAG)
Fee Revenues							
How Applicants Spend Bond Revenues (Eligible Projects)	<ul style="list-style-type: none"> ▪ Construction ▪ Remodeling and renovation ▪ Land acquisition ▪ Purchase or lease of equipment ▪ Refinancing or refunding of prior debt ▪ Costs of bond issuance and reimbursement of prior expenses 	<ul style="list-style-type: none"> ▪ Construction ▪ Remodeling and renovation ▪ Land acquisition ▪ Acquisition of existing health facilities ▪ Purchase or lease of equipment ▪ Refinancing or refunding of prior debt ▪ Working capital for startup facilities ▪ Costs of bond issuance, feasibility studies, and reimbursement of prior expenses 	<ul style="list-style-type: none"> ▪ Buildings and equipment ▪ Machinery and furnishings ▪ Land ▪ Costs of architects, engineers, attorneys, and permits ▪ Costs of bond issuance 	<ul style="list-style-type: none"> ▪ Manufacturing facilities and equipment ▪ Solid waste, water, wastewater treatment facilities and infrastructure ▪ Nonprofit projects, including education, health care, and cultural facilities ▪ Affordable multifamily and senior housing ▪ Government-sponsored financing 	<ul style="list-style-type: none"> ▪ Industrial development bond financing ▪ 501(c)(3) financings ▪ Exempt facility financings ▪ No housing projects 	<ul style="list-style-type: none"> ▪ 501(c)(3) nonprofit: acquisition, construction, installation, expansion, rehabilitation of land, buildings, equipment ▪ Affordable housing: low-income multifamily and senior housing ▪ Lease Finance Program (helps local agencies finance equipment and real estate) ▪ Industrial development bonds/ manufacturing: acquisition, rehabilitation, construction of manufacturing facilities ▪ Tax and revenue anticipation notes (help local governments finance short-term cash flow deficits) ▪ Water/wastewater ▪ Solid waste and exempt facilities 	<ul style="list-style-type: none"> ▪ Facility acquisition and rehabilitation ▪ Equipment acquisition ▪ New construction ▪ Finance projects for hospitals, health care clinics, retirement facilities, affordable housing, private schools, behavioral health care agencies, substance abuse facilities, and community service organizations

Issuer	California Educational Facilities Authority (CEFA)	California Health Facilities Financing Authority (CHFFA)	California Pollution Control Financing Authority (CPCFA)	California Municipal Finance Authority (CMFA)	California Enterprise Development Authority (CEDA)	California Statewide Communities Development Authority (CSCDA)	Association of Bay Area Governments' Finance Authority for Nonprofit Corporations (ABAG)
Other Beneficial Programs Funded from Fee Revenues	Yes ²⁹	No ³⁰	Yes ³¹	Yes ³²	No	No	No
Discounts or Rebates for Small Businesses	No	No	Yes ³³	No	No	No	No ³⁴
Public Accessibility to Information by Issuer							
Meeting Agendas Posted?	Yes (14 days prior) ³⁵	Yes (14 days prior) ³⁶	Yes (10 days prior) ³⁷	Yes (as per state law) ³⁸	Yes (3 days prior) ³⁹	Yes (at least 3 days prior) ⁴⁰	Yes (about a week prior) ⁴¹
Days in Advance of Meeting Agenda Should be Posted	10 days ⁴²	10 days ⁴²	10 days ⁴²	3 days ⁴³	3 days ⁴³	3 days ⁴³	3 days ⁴³
Meeting Agendas Posted On Web⁴⁴	Yes	Yes	Yes	No	Yes	Yes	No
Past Agendas Posted on Web	Yes	Yes	Yes	No	No	No	No
Future Meeting Dates Posted on Web	Yes	Yes	Yes	No	No	No	No
Current Staff Reports Posted on Web	Yes	Yes	Yes	No	No	No	No

Issuer	California Educational Facilities Authority (CEFA)	California Health Facilities Financing Authority (CHFFA)	California Pollution Control Financing Authority (CPCFA)	California Municipal Finance Authority (CMFA)	California Enterprise Development Authority (CEDA)	California Statewide Communities Development Authority (CSCDA)	Association of Bay Area Governments' Finance Authority for Nonprofit Corporations (ABAG)
Past Staff Reports Posted on Web	Yes	Yes	Yes	No	No	No	No
Minutes Posted on Web\	Yes	Yes	Yes	No	No	No	No
Tax Equity and Fiscal Responsibility Act (TEFRA) Notices Posted on Web⁴⁵	Yes	Yes ⁴⁶	Yes	No	No	TEFRA requirements posted on Web site	TEFRA requirements posted on Web site and included in Issuance Guidelines
Annual Reports Posted on Web	Yes	Yes ⁴⁷	Yes	No	No	No	No ⁴⁸
Applications for Funding							
Application Posted on Web	Yes	Yes	Yes	Yes	No	Yes (on-line app)	Yes
Information Required in Application	See attached application comparison spreadsheet						
Requests Environmental Benefits Detail	Yes	No	Yes	No	No	No	No

Issuer	California Educational Facilities Authority (CEFA)	California Health Facilities Financing Authority (CHFFA)	California Pollution Control Financing Authority (CPCFA)	California Municipal Finance Authority (CMFA)	California Enterprise Development Authority (CEDA)	California Statewide Communities Development Authority (CSCDA)	ABAG Finance Authority for Nonprofit Corporations (ABAG)
Post-Issuance Compliance							
Clear Procedure to Track/Monitor Borrower Activities for Compliance with Bond Documents, Tax Law, etc.	Yes ⁴⁹	Yes ⁵⁰	Yes ⁵¹	Yes ⁵²	Yes ⁵³	Yes ⁵⁴	Yes ⁵⁵
Reporting Requirements							
Report to Legislature, Governor, Other⁵⁶	Annual reports to Legislature and governor ⁵⁷	Annual reports to insurance commissioner, Legislature ⁵⁸	Annual reports to Legislature, treasurer, and governor ⁵⁹	Annual report to controller ⁶⁰	Annual report to controller ⁶⁰	No ⁶¹	Annual report to controller ⁶⁰

ENDNOTES:

- ¹ Per CEFA.
- ² Created by Chapter 1033, Statutes of 1979, the Health Facilities Authority Act.
- ³ According to California Code of Regulations, Title 4, Division 11, Foreword, the authorization for the state to issue Pollution Control Revenue Bonds was passed by a vote of the people on November 7, 1972, in the form of Proposition 3. Enabling legislation (AB 925, Knox, Chapter 1257, Statutes of 1972) was signed in 1972, with an effective date of March 7, 1973.
- ⁴ CMFA was created January 1, 2004. The California Foundation for Stronger Communities, whose board serves as the governing board for CMFA, was incorporated as a nonprofit public benefit corporation on February 17, 2004. The official contact (who is also a board member) for the foundation is Eric Iwafuchi, who is CFO and VP of Finance for Scope Industries, a company that recycles bakery waste material into animal feed supplements.
- ⁵ Per CEDA, CEDA was formed on June 14, 2006, when they officially filed with the secretary of state. However, the JPA agreement had already been signed by the original three members, which effectively activated the JPA.
- ⁶ According to CSCDA, CSCDA was created by the League of California Cities and the California State Association of Counties in 1988.
- ⁷ Per ABAG Finance Authority.
- ⁸ Education Code, Section 94216.11 extends CEFA's Academic Assistance Program until January 1, 2009.
- ⁹ Pursuant to Health and Safety Code, Section 44557, CPCFA "may be terminated at any time by the Legislature." Health and Safety Code, Section 44525.6 (AB 1341, Committee on Environmental Safety and Toxic Materials, Chapter 724, Statutes of 2006) extends CPCFA's Sustainable Communities Grant and Loan Program to 2012.

- 10 Per CMFA, “at this point in time” the membership is 60 cities and counties; however, the membership changes on a daily basis due to new members constantly coming in as transactions are made (must join CMFA in order to get the bonds).
- 11 Per CEDA, CEDA currently has eight counties and six cities as members; they will be adding two more cities and one more county in December 2007.
- 12 The CSCDA Web site lists 473 local public agencies as members, including 325 cities, all 58 counties, 63 special districts, and 17 redevelopment and water agencies.
- 13 The ABAG Finance Authority Web site lists seven counties, 19 cities, and one city/county as members, and an additional 14 counties and 29 cities as “associate members.”
- 14 AB 1341 (Assembly Committee on Environmental Safety and Toxic Materials, Chapter 714, Statutes of 2006) requires an applicant for project funding by CPCFA, CHHFA, or CEFA to provide documentation that the project has complied with CEQA (or is not subject to CEQA), before the authority can approve bonds to be issued for the project.
- 15 Pursuant to Government Code, Section 15438.5, CHFFA policy is to require savings resulting from tax-exempt bond financing to be transferred to the public in the form of lower costs for health service delivery. (This was part of the original legislation creating CHFFA, Chapter 1033, Statutes of 1979). The CHFFA application specifically asks how the applicant intends to pass on the savings.
- 16 Pursuant to Government Code, Section 6586.5, an authority cannot authorize the issuance of bonds unless certain requirements are met, including a finding of significant public benefit at a public hearing of the local agency in the city or county in which the project is located.
- 17 Per CEFA, staff does a public benefits analysis immediately upon receiving an application. CEFA’s authorizing statute (Education Code, Section 94110) specifically states that borrowers must be a nonprofit that serves an educational purpose to qualify. Borrowers are asked to describe how the projects are eligible under Education Code, Section 94110.
- 18 Per CHFFA, they look at public benefits immediately upon receiving an application. If the applicant is a hospital, CHFFA reviews their annual community benefit report; if the applicant is not a hospital, they typically submit a narrative response and attestation concerning the various community services their organization provides to the surrounding community, which is analyzed by CHFFA staff. CHFFA is currently in the process of establishing new review procedures.
- 19 Questions relating to public benefit are included in the CPCFA application. In addition, according to CPCFA, they review public benefit in the Final Resolution stage before the project is voted on for allocation by CDLAC. (Industrial development bonds are private activity bonds as defined by federal law, and therefore require a CDLAC allocation prior to bond issuance). CDLAC procedures include a section on public benefit.
- 20 The CMFA application asks for a description of the public benefit associated with the project.
- 21 The CEDA Pre-Application has a “Public Benefits Associated with the Project” attachment.
- 22 The CSCDA Housing Application asks for percentage of units in low-income housing and percentage of area median income for low-income housing units. The Industrial Development Bonds/Manufacturing and Exempt Facilities/Solid Waste applications ask for a public benefit summary (see Appendix D for details).
- 23 According to the ABAG Finance Authority’s Issuance Guidelines, “All applications must demonstrate sufficient public benefit as determined by the Authority,” based on factors such as affordability, availability, and level of services.
- 24 Per CEFA, CHFFA, and CPCFA, borrowers must respond to a legal status questionnaire to determine the financial viability and legal integrity of borrowers. Additionally, the Attorney General’s Office serves as counsel to all three authorities and approves transactions after conducting an extensive legal review.
- 25 Per CMFA, they do “due diligence review” but do not ask up-front in the application in order to avoid liability if issues come up later.
- 26 Per CEDA, they require secretary of state information regarding good standing and any necessary company board resolutions as part of closing. CEDA also does “due diligence” to ensure that what is being represented is correct at the application stage.
- 27 Per CSCDA, “CSCDA reviews all legal issues that could affect the borrower, and equally as important, the bondholder.” A “Legal Status of Project Sponsor” is included in the application.
- 28 Per ABAG Finance Authority Issuance Guidelines, the authority requires a comprehensive legal opinion regarding the sufficiency of the disclosure in each official statement.
- 29 CEFA’s Academic Assistance Program helps private colleges and universities create and expand programs to provide access to higher education for low-income and very low-income students in grades 7-12. CEFA’s Student Loan Program helps students finance higher education costs.
- 30 Per CHFFA, this is in process.

31 CPCFA's Capital Access Loan Program (CalCAP) also provides additional risk coverage for loans that are made by lenders to businesses located in severely affected communities. CalCAP allows CPCFA to contribute up to 150 percent of the combined premium payments by the lender and borrower for each loan made in these communities. A severely affected community is any state Enterprise Zone, as well as any other comparable economically distressed geographic area, as designated by CPCFA. CPCFA also operates the Sustainable Communities Grant and Loan Program, the CalReUSE Program, and the Small Business Assistance Fund. (Source: CPCFA Web site).

32 Twenty-five percent of issuance fees go to CA Foundation for Stronger Communities to support local charities; the board of this foundation acts as the governing board for CMFA.

33 Health and Safety Code, Section 44548(a)(1)(C) authorizes CPCFA to establish a small business assistance fund or funds, and Health and Safety Code, Sections 44559-44559.9 detail the Capital Access Loan Program. The CPCFA application states that small businesses are exempt from general fees (p. iii).

34 While there is not a discount for small businesses, the authority "strongly encourages the participation of Minority-, Women-, and Disabled American Veteran-Owned Businesses in its financings."

35 Per CEFA.

36 Per CHFFA.

37 Per CPCFA.

38 Per CMFA.

39 Per CEDA.

40 Per CSCDA, "all agenda postings meet or exceed the time posting requirements of Section 54954.2 and Section 54956 of the Ralph M. Brown Act."

41 Per ABAG.

42 Bagley-Keene Open Meetings Act, Government Code, Section 11125(a).

43 Brown Act (Government Code, Section 54954.2) requires 72-hours notice.

44 While the Bagley-Keene Open Meetings Act, which governs state government, requires notice to also be posted on the Internet, the Brown Act, which governs local government, does not require Internet posting.

45 The federal Tax Equity and Fiscal Responsibility Act (TEFRA) requires authorities to hold a public hearing before selling any bonds. An authority must publish notice, as well as project description(s), at least 14 days prior to hearing.

46 Per CHFFA, they will begin posting TEFRA notices with the next bond financing.

47 No overall annual report posted, but the Web site does include an annual report for 2006 on the Children's Hospital Program. See Reporting Requirement section of this Appendix also.

48 Although annual reports are not posted, audited financial statements are posted.

49 Pursuant to Education Code, Sections 94110(j)(2)(C) and 94142, CEFA is required to monitor projects on an annual and ongoing basis to ensure compliance with statutory requirements, regulatory agreements, CEFA requirements, and bond indenture requirements. California Code of Regulations, Title 4, Division 12, Chapter 2, specifies that applicants to the Academic Assistance Grant Program shall report to CEFA each fiscal year that grant funds are disbursed; submit a final report the fiscal year following the final year grant funds are received; and retain all program documentation and financial data for three years after the final report is submitted.

50 Government Code, Section 15459.3 requires each borrower to make available to CHFFA and the public an annual report detailing compliance as specified.

51 CCR Title 4, Division 11, Articles 10 and 11, specify that grant and loan recipients shall provide quarterly reports to CPCFA; submit a final report after project completion; and retain program documentation and financial data for three years after project completion.

52 Per CMFA.

53 Per CEDA, they track projects for what they have issued thus far (CEDA was just formed in 2006); CEDA charges an annual fee for this purpose.

54 Per CSCDA, they have internal procedures to track and monitor borrowers' activities for compliance with bond documents, tax laws, etc. Their compliance services platform performs post-issuance compliance activities to ensure compliance with federal and state laws.

- ⁵⁵ Per ABAG, tracking procedures are particularly involved for affordability requirement monitoring on housing issues for bonds allocated by the state.
- ⁵⁶ State law (Government Code, Section 6503.5) also requires that when a joint powers agency is formed, the information must be filed with the Secretary of State's Office. Any agency or entity administering a joint powers agreement forming a new agency is prohibited from issuing bonds or incurring indebtedness until the filing is completed.
- ⁵⁷ Pursuant to Education Code, Sections 94155 and 94216, CEFA is required to submit an annual report of prior calendar year activities to the Legislature and governor by March 1 and an annual report to the Legislature as specified. CEFA is also required to cause an audit of its books and accounts at least once per year by certified public accountants.
- ⁵⁸ Per CHFFA, CHFFA submits an annual report to the insurance commissioner regarding Anthem-Wellpoint Grant Funds and to the Legislature regarding the Children's Hospital Program. The Children's Hospital report is required by statute, while the Anthem-Wellpoint report is required by regulation.
- ⁵⁹ Health and Safety Code, Section 44525.6 requires an annual report to the Legislature regarding the Sustainable Communities Grant and Loan Program (till 2012). Health and Safety Code, Section 44538 requires an annual report of prior year activities, as specified, to the Legislature and treasurer by March 31. Health and Safety Code, Section 44559 requires an annual report to the Legislature and governor regarding the Capital Access Loan Program for small businesses.
- ⁶⁰ Government Code, Section 6505(b) requires JPAs to undergo an annual independent audit, the minimum requirements of which shall be those prescribed by the state controller for special districts under Government Code, Section 26909. Government Code, Section 6505(c) requires a report of any audit to be filed as public record each year with each of the members of the JPA, the county auditor for the county in which the home office of the JPA is located, and sent to any public agency or person in the state that requests it. Government Code, Section 26909 requires special districts to file an audit report each year with the state controller and with the county auditor for the county in which the district is located. Pursuant to Government Code, Section 53895, the state controller shall levy a fine of between \$1,000 and \$5,000, depending on the agency's revenue level, on agencies that fail to report; the state controller can also request the attorney general to prosecute (the state controller can, however, waive the fine upon a satisfactory showing of good cause).
- ⁶¹ According to the state Controller's Office, CSCDA "is a Joint Powers Authority that exists exclusively as an administrative vehicle to permit the issuance of bond/debt obligations for local government entities and nonprofit and private enterprises. As such, the Authority is a pure financing conduit with no revenues, expenditures, assets, or liabilities." (2004-05 Special Districts Annual Report, p. 1057). As a conduit financing district, it appears that CSDCA does not fall under the controller's reporting requirement for JPAs.

**APPENDIX C
FEES CHARGED BY BOND-ISSUING AUTHORITIES**

	California Educational Facilities Authority (CEFA)	California Health Facilities Financing Authority (CHFFA)	California Pollution Control Financing Authority (CPCFA)	California Municipal Finance Authority (CMFA)	California Enterprise Development Authority (CEDA)¹	California Statewide Communities Development Authority (CSCDA)	Association of Bay Area Governments' Finance Authority for Nonprofit Corporations (ABAG)
Application Fees	Bond Financing Program <ul style="list-style-type: none"> ▪ Due with application ▪ \$1,000 ▪ Nonrefundable Simplified Equipment Financing Program <ul style="list-style-type: none"> ▪ No fee SMART Green Equipment Financing Program <ul style="list-style-type: none"> ▪ No fee 	<ul style="list-style-type: none"> ▪ Due with application ▪ \$500 ▪ Nonrefundable 	<ul style="list-style-type: none"> ▪ Due with application ▪ 0.0005% of amount financing requested ▪ \$250 minimum, \$5,000 maximum ▪ Nonrefundable, but applied to general fees if project is financed 	<ul style="list-style-type: none"> ▪ Due with application ▪ \$2,500 	<ul style="list-style-type: none"> ▪ Due with application ▪ \$1,500 ▪ Nonrefundable 	Bond Program <ul style="list-style-type: none"> ▪ \$5,000 per borrower, per calendar year Small Issue Public Benefit Program <ul style="list-style-type: none"> ▪ \$2,500 per borrower, per calendar year 	<ul style="list-style-type: none"> ▪ Nonrefundable, but credited against bond administration fees due at closing ▪ \$5,000 for Multifamily Housing Application ▪ \$1,000 for all other applications
Annual Administration Fees	Bond Financing Program <ul style="list-style-type: none"> ▪ \$500/year for first 5 years that debt is outstanding ▪ \$250/year thereafter Simplified	<ul style="list-style-type: none"> ▪ 0.02% of bonds outstanding (maximum \$150,000) or lesser of 0.02% of bonds outstanding or \$500 (depends on category of applicant) 	<ul style="list-style-type: none"> ▪ No² 	<ul style="list-style-type: none"> ▪ Due in advance each year ▪ Minimum annual fee for affordable housing transactions: \$4,000 ▪ No annual fee for government- 	<ul style="list-style-type: none"> ▪ \$500 per year, or a portion thereof, until bonds are redeemed 	Conduit Fees <ul style="list-style-type: none"> ▪ Depends on type of project ▪ Housing, nonprofit housing: 0.08%-0.12% ▪ Airports: 0.05% ▪ Solid waste: 0.10% 	Annual Bond Administration Fees <ul style="list-style-type: none"> ▪ Credit Enhanced: 2 basis points ▪ Investment Grade-Rated but not Credit Enhanced:

	California Educational Facilities Authority (CEFA)	California Health Facilities Financing Authority (CHFFA)	California Pollution Control Financing Authority (CPCFA)	California Municipal Finance Authority (CMFA)	California Enterprise Development Authority (CEDA)¹	California Statewide Communities Development Authority (CSCDA)	Association of Bay Area Governments' Finance Authority for Nonprofit Corporations (ABAG)
	<p>Equipment Financing Program</p> <ul style="list-style-type: none"> Waived for participants with other outstanding CEFA debt All others: same as Bond Financing Program <p>SMART Green Equipment Financing Program</p> <ul style="list-style-type: none"> No fee 	<ul style="list-style-type: none"> First payment assessed in year following year in which bonds issued 		sponsored or school district transactions		<ul style="list-style-type: none"> Native American: 0.10% <p>Small Issue Public Benefit Program</p> <ul style="list-style-type: none"> No annual administration fee 	<p>2 basis points</p> <ul style="list-style-type: none"> Non-rated: 5 basis points On original principal amount, subject to \$10,000 maximum <p>Project Monitoring Fees</p> <ul style="list-style-type: none"> Lesser of 12/5 bps annually on original principal amount of permanent financing, or \$4,000 per project Applicable to private activity bonds issued for multifamily housing
Initial Fees/ General Fees/ Issuance Fees	<p>Bond Financing Program</p> <ul style="list-style-type: none"> Due at closing 0.15% of issue amount 	<ul style="list-style-type: none"> Due at loan closing 0.75% of aggregate amount of issue 	<ul style="list-style-type: none"> Due at closing 0.002% of face value of bond issued for non-small business 	<ul style="list-style-type: none"> Depends on category of applicant, bond rating, and issuance 	<ul style="list-style-type: none"> Issuance fee due upon bond closing Up to \$10 million: 0.25% 	<p>Conduit Fees</p> <ul style="list-style-type: none"> Depends on category of applicant and bond issuance 	<p>Bond Closing Fees</p> <ul style="list-style-type: none"> Credit enhanced: 5 basis points

	California Educational Facilities Authority (CEFA)	California Health Facilities Financing Authority (CHFFA)	California Pollution Control Financing Authority (CPCFA)	California Municipal Finance Authority (CMFA)	California Enterprise Development Authority (CEDA)¹	California Statewide Communities Development Authority (CSCDA)	Association of Bay Area Governments' Finance Authority for Nonprofit Corporations (ABAG)
	(\$75,000 maximum) Simplified Equipment Financing Program <ul style="list-style-type: none"> ▪ Due at closing ▪ 0.75% of financed amount SMART Green Equipment Financing Program <ul style="list-style-type: none"> ▪ No fee 	(\$300,000 maximum) or \$1,000 <ul style="list-style-type: none"> ▪ Depends on category of applicant 	applicants (small businesses are exempt) <ul style="list-style-type: none"> ▪ STO's Agent for Sale Fee: \$1,500 - \$8,000 	amount <ul style="list-style-type: none"> ▪ \$0-\$20 million: 18.75-25 basis points ▪ over \$20 million: \$27,500 + 7.5-12.5 basis points or \$50,000 + 10-12.5 basis points ▪ For government-sponsored or school district transactions: 5 basis points for all issuance amounts 	<ul style="list-style-type: none"> ▪ \$10-\$15m: \$25k + 0.15% of amount under \$10 million ▪ \$15-\$20 million: \$32.5k + 0.10% of amount under \$15 million ▪ \$20-\$95m: \$37.5k + 0.05% of amount under \$20 million ▪ Over \$95m: \$75,000 ▪ Applicant responsible for all other costs (bond counsel, state agency approval, etc.) ▪ If applicant uses non-CEDA finance team, CEDA may charge fee to cover independent review 	amount <ul style="list-style-type: none"> ▪ Up to \$20 million: 0.15-0.25% (minimum \$7,500-\$30,000) ▪ Over \$20 million: \$20,000-\$55,000 + .05%-0.125% Small Issue Public Benefit Program <ul style="list-style-type: none"> ▪ Up to \$2 million: 3.00% ▪ Over \$2 million: 2.00% 	<ul style="list-style-type: none"> ▪ Investment grade-rated but not credit enhanced: 10 basis points ▪ Non-rated: 15 basis points ▪ All closing fees subject to \$5,000 minimum, \$25,000 maximum ▪ \$10,000 minimum closing fee for private activity bonds issued for multifamily housing

	California Educational Facilities Authority (CEFA)	California Health Facilities Financing Authority (CHFFA)	California Pollution Control Financing Authority (CPCFA)	California Municipal Finance Authority (CMFA)	California Enterprise Development Authority (CEDA)¹	California Statewide Communities Development Authority (CSCDA)	Association of Bay Area Governments' Finance Authority for Nonprofit Corporations (ABAG)
Small Business Assistance Fees	No	No	<ul style="list-style-type: none"> ▪ Due at closing ▪ Non-small business applicants only ▪ 1% of face value of tax-exempt bonds issued, or less, pursuant to federal tax law and 0.003% of face value of any taxable bonds issued 	No	No	No	No
Resolution Extension Fees	No	<ul style="list-style-type: none"> ▪ For extending an approved resolution ▪ \$500 	No	No	No	No	No

Source: CEFA Program Fees (on Web site); CHFFA application, Exhibit C; CPCFA application, p. iii; CMFA Schedule of Fees (on Web site); CEDA Fee Schedule (obtained from CEDA); CSCDA Fee Schedule (on Web site); ABAG Fees (on Web site).

ENDNOTES:

¹ Per CEDA, CEDA fees are identical to I-Bank and very similar to CMFA and ABAG.

² Per CPCFA.

**APPENDIX D
COMPARISON OF BOND-ISSUING AUTHORITY APPLICATIONS**

	California Educational Facilities Authority (CEFA)	California Health Facilities Financing Authority (CHFFA)	California Pollution Control Financing Authority (CPCFA)	California Municipal Finance Authority (CMFA)	California Enterprise Development Authority (CEDA)	California Statewide Communities Development Authority (CSCDA)	Association of Bay Area Governments' Finance Authority for Nonprofit Corporations (ABAG)
Length and Type of Application¹	<ul style="list-style-type: none"> ▪ 9 pages ▪ Download and print from Web site or fill out online and print 	<ul style="list-style-type: none"> ▪ 34 pages ² ▪ Download and print from Web site or fill out online and print 	<ul style="list-style-type: none"> ▪ 28 pages ▪ Download and print from Web site or fill out online and print 	<ul style="list-style-type: none"> ▪ 5 pages ▪ Download and print from Web site 	<ul style="list-style-type: none"> ▪ 7 pages ▪ Obtain from CEDA 	<ul style="list-style-type: none"> ▪ 7 pages ▪ Fill out online 	<ul style="list-style-type: none"> ▪ 2 pages (health care and ed app) ▪ 3 pages initial application, 1 page final application, for multifamily housing ▪ Download and print from Web site
Application Certification	Yes	Yes	Yes	Yes	Yes	No	No
Contact Information	<ul style="list-style-type: none"> ▪ Name, address, etc. ▪ Location of campuses for which financing is sought, if different from contact information 	<ul style="list-style-type: none"> ▪ Legal name, address, etc. ▪ Principal contact person/title, CEO, and CFO ▪ Contact information for each health facility with projects being financed if different from applicant 	<ul style="list-style-type: none"> ▪ Legal name of applicant ▪ Type of business ▪ Name, address, etc. for applicant and project contacts 	<ul style="list-style-type: none"> ▪ Name, address, etc. of applicant/ borrower ▪ Business specifics ▪ Occupant/user, if different ▪ Guarantor, if applicable 	<ul style="list-style-type: none"> ▪ Name, address, etc. of applicant/ borrower ▪ Current number of full-time employees, both in CA and company-wide ▪ Type of business ▪ Occupant/user contact, business info, if different 	<ul style="list-style-type: none"> ▪ Name, address, etc. 	<ul style="list-style-type: none"> ▪ Legal name, address, etc. of borrower and for each facility with projects being financed, if different ▪ Contact info for TEFRA hearing ▪ Contact for status of required local approval/ actions/ funding, if different

	California Educational Facilities Authority (CEFA)	California Health Facilities Financing Authority (CHFFA)	California Pollution Control Financing Authority (CPCFA)	California Municipal Finance Authority (CMFA)	California Enterprise Development Authority (CEDA)	California Statewide Communities Development Authority (CSCDA)	Association of Bay Area Governments' Finance Authority for Nonprofit Corporations (ABAG)
Finance Team Information	<ul style="list-style-type: none"> ▪ Contact info for bond counsel, bond underwriter, credit enhancement provider, financial advisor/consultant, private placement agent and bond purchaser, if applicable 	<ul style="list-style-type: none"> ▪ Contact info for bond counsel, bond underwriter, credit enhancement provider, financial advisor/consultant, and private placement agent³ 	<ul style="list-style-type: none"> ▪ Contact info for bond counsel, bond underwriter, credit enhancement provider, financial advisor/consultant, private placement agent and bond purchaser, if applicable 	<ul style="list-style-type: none"> ▪ Credit enhancement provider 	<ul style="list-style-type: none"> ▪ Financial advisor/underwriter contact information, if known ▪ Bond counsel contact information, if known 	<ul style="list-style-type: none"> ▪ Contact information for bond counsel, underwriter/bond purchaser, financial advisor, rebate analyst 	<ul style="list-style-type: none"> ▪ Contact information for investment banker or financial advisor, underwriter/lender(s), bond counsel, underwriter's counsel, borrower's legal counsel, trustee
Borrower Description	<ul style="list-style-type: none"> ▪ Details of bond structure, credit enhancement, etc. ▪ Debt service schedule ▪ Rating letter(s) ▪ Appendix A from Preliminary Official Statement is provided by underwriter counsel 	<ul style="list-style-type: none"> ▪ Name of borrowing entity ▪ Type of nonprofit health facility ▪ Prior financings through CHFFA 	<ul style="list-style-type: none"> ▪ Small business or not ▪ Business description ▪ Ownership/key officials (partners, stockholders, etc.) ▪ All affiliated companies' prior financings through CPCFA 	<ul style="list-style-type: none"> ▪ Description of ownership entity and affiliates ▪ Description of developer's experience (including multifamily projects completed in last 5 years)⁴ 	<ul style="list-style-type: none"> ▪ Description of the applicant 	<ul style="list-style-type: none"> ▪ Name of borrowing entity ▪ Type of entity (i.e., nonprofit corporation) ▪ Date organized ▪ Number of multifamily housing projects completed in last 10 years 	<ul style="list-style-type: none"> ▪ Brief description, including annual reports or marketing materials for applicant

	California Educational Facilities Authority (CEFA)	California Health Facilities Financing Authority (CHFFA)	California Pollution Control Financing Authority (CPCFA)	California Municipal Finance Authority (CMFA)	California Enterprise Development Authority (CEDA)	California Statewide Communities Development Authority (CSCDA)	Association of Bay Area Governments' Finance Authority for Nonprofit Corporations (ABAG)
Project Information	<ul style="list-style-type: none"> ▪ List and description of projects to be financed ▪ Brief description of how eligible to apply per Education Code, Section 94110 ▪ Time and responsibility schedule 	<ul style="list-style-type: none"> ▪ Proposed financing and project calendar ▪ Construction company or contractor ▪ Any other lender or credit enhancer participating in project ▪ Seller if acquiring real property ▪ Financial institution holding debt to be refinanced, if applicable ▪ Comprehensive project description ▪ Purpose of project 	<ul style="list-style-type: none"> ▪ Project name ▪ Strategic objective ▪ Communities to be served by proposed facility ▪ Real estate details ▪ Anticipated timelines 	<ul style="list-style-type: none"> ▪ Project name and description ▪ Activity/ products manufactured ▪ Is application related to previously submitted project? ▪ Project site location ▪ Jobs to be created or retained at this site ▪ Type of activity (housing, government, etc.) ▪ Summary of project costs 	<ul style="list-style-type: none"> ▪ Description of business activities that will occur at the location(s) to be funded ▪ Brief project description ▪ Site address, current number of full-time employees at site, full-time jobs to be created/retained at site ▪ Type of activity (manufacturing, nonprofit, other) 	<ul style="list-style-type: none"> ▪ Project name, address, county ▪ Is project located in unincorporated part of county? ▪ Total number of units, market versus restricted ▪ Lot size ▪ Amenities ▪ Type of construction ▪ Contact information for city or county contact if available 	<ul style="list-style-type: none"> ▪ Estimated timeline or schedule ▪ Detailed uses of funds, including costs of issuance and construction ▪ Copy of any available property appraisal report ▪ Optional: photos, drawings, plan elevations, or site maps ▪ For refunding projects, an official statement or other documentation for previous financing if issuer was other than ABAG

	California Educational Facilities Authority (CEFA)	California Health Facilities Financing Authority (CHFFA)	California Pollution Control Financing Authority (CPCFA)	California Municipal Finance Authority (CMFA)	California Enterprise Development Authority (CEDA)	California Statewide Communities Development Authority (CSCDA)	Association of Bay Area Governments' Finance Authority for Nonprofit Corporations (ABAG)
Financial Information	<ul style="list-style-type: none"> ▪ Copies of consolidated audited financial statements for 3 most recent FYs ▪ Brief discussion of “going concern” or any substantive year-to-year changes or trends in revenues, expenditures, assets, or liabilities for prior 3 years ▪ Brief discussion of financial outlook for institution for next 3 years, including effects of proposed bond financing 	<ul style="list-style-type: none"> ▪ Income statement discussion—last 3 years audited and current interim financial statements, year-to-year changes ▪ Balance sheet discussion—same as above ▪ Financial outlook over next 3 years ▪ Copy of feasibility study, if applicable ▪ Proposed structure of new bonds ▪ Refunding debt information, if applicable ▪ Cost-saving analysis 	<ul style="list-style-type: none"> ▪ Type of sale ▪ How will bonds be secured? ▪ Anticipated loan term ▪ Target date of financing based on project schedule ▪ Variable or fixed rate on bonds ▪ Will bond issue be used to refinance outstanding issue? ▪ Describe credit enhancement structure or private placement transaction ▪ Anticipated bond rating and date ▪ Amount and proposed terms of any taxable bonds to be issued 	<ul style="list-style-type: none"> ▪ Financial forecast of project ▪ Income statement, balance sheet, cash flow summary ▪ Maximum amount of bonds expected ▪ Date of sale and scheduled maturity of bonds ▪ Type of financing ▪ Public or private offering? ▪ Credit enhancement, expected rating, rating agency 	<ul style="list-style-type: none"> ▪ Project budget and requested bond financing breakdown ▪ Annual financial statements for the most recent 3 years 	<ul style="list-style-type: none"> ▪ Maturity (in years) ▪ Interest rate mode (fixed versus variable) ▪ Type of financing (public sale, private placement, or refunding) ▪ Credit enhancement ▪ Name of credit enhancement provider or private placement purchaser ▪ Expected rating ▪ Projected state allocation pool ▪ Will the project use tax credit as a source of funding? 	<ul style="list-style-type: none"> ▪ Proposed terms of financing ▪ Amount of bonds requested ▪ Financing structure ▪ Number of years to maturity and interest rate mode ▪ Credit enhancement, rating, reserves, and other applicable security provisions ▪ Copy of any feasibility study/report and/or project financial forecasts

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Sources and Uses	<ul style="list-style-type: none"> ▪ Details of bond structure ▪ Estimated sources and uses ▪ Debt service schedule 	<ul style="list-style-type: none"> ▪ Estimated total project cost breakdown³ ▪ Purpose of financing ▪ Breakdown of fund sources and uses 	<ul style="list-style-type: none"> ▪ Estimated total project cost breakdown ▪ How much to be paid from bond proceeds? 	<ul style="list-style-type: none"> ▪ Forecasted sources and uses of funding 	No	<ul style="list-style-type: none"> ▪ Breakdown of fund sources and uses 	<ul style="list-style-type: none"> ▪ Summarize sources and uses of funds ▪ Include description of all funding sources ▪ Copies of commitment letters for all sources of funding
Environmental Benefits Detail	<ul style="list-style-type: none"> ▪ List of environmental benefits associated with proposed projects 	No	<ul style="list-style-type: none"> ▪ Describe facility to be built/renovated; green building? ▪ Other environmental benefits 	No	No	No	No
CEQA/Other Environmental Detail	<ul style="list-style-type: none"> ▪ CEQA checklist and documents ▪ CEQA review (Exhibit C of application) 	<ul style="list-style-type: none"> ▪ CEQA compliance documents³ ▪ CEQA review 	<ul style="list-style-type: none"> ▪ Environmental compliance and permits ▪ Documentation of CEQA compliance ▪ Describe new equipment/vehicles to be installed or purchased; meet Air Resources Board standards? ▪ Describe pollution control and/or waste diversion 	No	No	No	No

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Public Benefit Summary	<ul style="list-style-type: none"> ▪ Description of public benefit (tab 2 of application)⁵ 	<ul style="list-style-type: none"> ▪ Community service certification ▪ Pass-through savings 	<ul style="list-style-type: none"> ▪ Consumer cost savings or efficiencies ▪ Other public benefits⁶ 	<ul style="list-style-type: none"> ▪ Public benefit associated with project ▪ Percentage of units and area median income in low-income housing, if applicable 	<ul style="list-style-type: none"> ▪ Public benefits associated with project 	<ul style="list-style-type: none"> ▪ Percentage of units in low-income housing, percentage of area median income for low-income housing units (Housing application) ▪ Employment creation and any other benefits (Industrial Development Bond/ Manufacturing application) ▪ Volume of solid waste diverted, recyclables recovered, source of solid waste/ recyclable, any other benefits (Exempt Facility/Solid Waste application) 	<ul style="list-style-type: none"> ▪ Discussion of public benefit provided by the project

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Legal/Other Issues	<ul style="list-style-type: none"> ▪ Legal status questionnaire (criminal/civil disclosure) 	<ul style="list-style-type: none"> ▪ Legal status questionnaire (criminal/civil disclosure) 	<ul style="list-style-type: none"> ▪ Legal status of applicant and project sponsor 	No ⁷	No ⁷	<ul style="list-style-type: none"> ▪ Legal status of project sponsor (attachment to application) 	No ⁷
Other	<ul style="list-style-type: none"> ▪ Religious certification(s)⁸ ▪ Copies of accreditation letters from Western Association of Schools and Colleges, State Bar Examiners, or appropriate entity ▪ Copies of ratings letters 	<ul style="list-style-type: none"> ▪ General discussion of contracting with Medi-Cal, Medicare, significant private payers ▪ Type(s) of licensure of health facility(ies) to receive funding ▪ Religious affiliation ▪ Seismic upgrades, if applicable 	<ul style="list-style-type: none"> ▪ Certification of small business ▪ Breakdown of companies affiliated with borrower ▪ Discretionary permit assessment worksheet 	No	No	No	<ul style="list-style-type: none"> ▪ TEFRA hearing date, if already scheduled ▪ Summarize status of all required local approval and actions

Sources: CEFA Bond Financing Program Application, CHFFA Bond Financing Program Application, CPCFA Application, CMFA application + two-page Housing Application Addendum, CEDA Project Pre-Application for Bond Financing, CSCDA Housing online application, and ABAG Application for Health Care and Education Bond Financing, unless otherwise noted.

ENDNOTES

- ¹ The STO applications are longer primarily because they contain a great deal of explanatory supporting material.
- ² Per CHFFA, the application is currently being revised.
- ³ Per CHFFA.
- ⁴ This information is requested only in the Housing Application Addendum.

- ⁵ Per CEFA, they do due diligence but public benefit is also implicit. The authorizing statute (Education Code, Section 94110) specifically states that borrowers must be a nonprofit to qualify; by definition, a 501(c)(3) is a public benefit corporation. In addition, borrowers must be funding an educational resource or facility (as defined by IRS guidelines) in order to qualify.
- ⁶ In addition, according to CPCFA, they review public benefit in the Final Resolution stage before the project is voted on for allocation by CDLAC. CDLAC procedures include a section on public benefit.
- ⁷ Application does not include a legal questionnaire; however, a legal review is conducted by the authority.
- ⁸ Religious discrimination on entry or in classes is prohibited, pursuant to Education Code, Section 94110(h).