

**NOTICE AND AGENDA
OF REGULAR MEETING OF GOVERNING BOARD OF
SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY**

Notice is hereby given of the time and place of a regular meeting of the Governing Board of the San Mateo County Joint Powers Financing Authority (the "Authority") and of the business to be transacted at said meeting. Said meeting is to be held at the time and place hereinafter set forth:

*****BY VIDEOCONFERENCE ONLY*****

On March 17, 2020, the Governor issued Executive Order N-29-20 suspending certain provisions of the Ralph M. Brown Act in order to allow for local legislative bodies to conduct their meetings telephonically or by other electronic means. Thus, pursuant to Executive Order N-29-20, local and statewide health orders, and the CDC's social distancing guidelines which discourage large public gatherings, the regular meeting location of the Joint Powers Financing Authority is no longer open for public meetings.

*Please see instructions for written and spoken public comments at the end of this agenda.

Time: 11:00 a.m.

Date: Wednesday, March 24, 2021

Place: Zoom Videoconference Link: <https://smcgov.zoom.us/j/97430143763>
Or via Dial-in: (669) 900-6833
Meeting ID: 974 3014 3763

The agenda of said meeting shall be as follows:

1. Roll Call
2. Public Comment
3. Welcome and introduction of new members
 - A) Oaths of Office for Donna Vaillancourt and Jim Saco
4. Approval of the Minutes of February 24, 2021
5. Review Audit Report
6. Approval of legal and financial agreements
 - Agreements with: CFS, ORRICK, and Norton Rose Fulbright
7. Update: Cordilleras Bond
8. Other Business (*Discussion only*)
 - Next meetings: April 28 and May 26
9. Adjournment

*Public Participation – Written Public Comments:

- Written public comments should be emailed to rmanchia@scmgov.org and sgolestan@smcgov.org and should include the specific agenda item on which you are commenting, or note that your comment concerns an item that is not on the agenda or is on the consent agenda.
- The length of the emailed comment should be commensurate with the two minutes customarily allowed for verbal comments, which is approximately 250-300 words.
- Written comments received by 5:00 p.m. on the day before the meeting will be distributed to the Members of the JPFA Board and made publicly available on the JPFA's agenda webpage. The Clerk will make every effort to read emails received after that time but cannot guarantee such emails will be read during the meeting, although such emails will still be included in the administrative record.

*Public Participation – Spoken Public Comments:

- Spoken public comments will be accepted during the meeting through Zoom (see Zoom link on the first page of the Agenda)
- You may download the Zoom client or connect to the meeting using an internet browser. If using your browser, make sure you are using a current, up-to-date browser: Chrome 30+, Firefox 27+, Microsoft Edge 12+, Safari 7+. Certain functionality may be disabled in older browsers including Internet Explorer.
- You will be asked to enter an email address and name. We request that you identify yourself by name as this will be visible online and will be used to notify you that it is your turn to speak.
- When the Board President or Clerk of the Board calls for the item on which you wish to speak, click on "raise hand." The Clerk will activate and unmute speakers in turn. Speakers will be notified shortly before they are called to speak.
- For any questions or concerns regarding Zoom, including troubleshooting, privacy, or security settings, please contact Zoom directly.

Public records that relate to any item on the open session agenda for a regular board meeting are available for public inspection. Those records that are distributed less than 72 hours prior to the meeting are available for public inspection at the same time they are distributed to all members, or a majority of the members of the JPFA Board. The JPFA Board has designated the office of the Clerk of the Board of Supervisors, located at 400 County Center, Redwood City, CA 94063, for the purpose of making those public records available for inspection. Documents and upcoming meetings are also available on the JPFA's website at <https://cmo.smcgov.org/joint-powers-financing-authority>.

AFFIDAVIT OF POSTING AND OF MAILING OF NOTICE

STATE OF CALIFORNIA)

COUNTY OF SAN MATEO)

Roberto Manchia hereby declares that he is a citizen of the United States of America, over the age of 18 years; that at all times herein mentioned he was an employee of the County of San Mateo; that acting for the Governing Board of the San Mateo County Joint Powers Financing Authority he posted on March 19, 2021, at County Government Building, 400 County Center, Redwood City, California, a location freely accessible to members of the public, and emailed on March 19, 2021 a Notice of Regular Meeting of the Governing Board, a copy of which is attached hereto, addressed to each member of the Governing Board on list attached hereto; and that on said day there was regular communication sent electronically to the members' names shown on the attached list.

Dated: March 19, 2021 at Redwood City, California.

I declare under penalty of perjury that the foregoing is true and correct.



Joint Powers Financing Authority Board Members

Paul T. Scannell
Thomas F. Casey
John M. Gemello
Donna Vaillancourt
Jim Saco

**DRAFT MINUTES OF FEBRUARY 24, 2021
REGULAR MEETING OF GOVERNING BOARD OF
SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY**

*****BY VIDEOCONFERENCE ONLY*****

The meeting began at 11:09 AM

1. Roll Call: Thomas Casey; John Gemello, President Scannell
Members Present: 3 - John Gemello, and Paul Scannell, Thomas F. Casey III
(*Thomas F. Casey III was not present for initial roll call but joined the meeting at 11:11 AM and was present until adjournment*)

Members Absent: 0 -
Vacant Seat: 2

Staff Present: Roberto Manchia, County Chief Financial Officer;
Rebecca Archer, Chief Deputy County Counsel
Daniel McCloskey, Deputy County Counsel;
Kim-Anh Le, Deputy Controller; and
Sherry Golestan, Deputy Clerk of the Board.

2. Public Comment – There were no public comments.
3. Approval of the Minutes of September 23, 2020

Item No. 3 was heard after Item No. 4 for quorum purposes, after the arrival of Thomas F. Casey III during Item No. 4 discussion.

Motion: Gemello

Second: Casey

Ayes: 3 - Gemello, Casey, Scannell

Noes: 0

Members Absent: 0

Vacant Seat: 2

4. Update: Cordilleras Mental Health Facility, and County Office Building 3 (COB3)

Scott Gurley, Sr. Project Manager for the Product Development Unit, provided an overview of the status, schedule and current spend on construction of the Cordilleras Mental Health Facility. Cordilleras has been fully permitted by environmental agencies and is now in Construction Phase II, which began on November 18, 2020, and which has included clearing and tree removal activities and taking down some of the existing facility. The current Board of Supervisors approved Bond budget is \$155 million, \$13.2 million of which has been spent. The final completion date is November 16, 2023.

Roberto Manchia reminded the group that the bond will cover most of the cost, at about one-third of the debt service on the building.

5. Update: Cordilleras Bond

Roberto Manchia provided an update regarding the response to the Request for Proposals for underwriter/banker services for the Lease Revenue Bonds to finance the Cordilleras project and the anticipated schedule for the issuance of the bonds. We have received six responses to the RFP and will meet with Paul Scannell and Mark Epstein to decide on next steps to interview and select the underwriters. There was discussion of potential uses of \$45M that will be available as part of the financing, including that the funds may be applied toward other debt service and to borrow the total amount to align debt service across the board. The current plan is to have a bond in place by June, prior to the next fiscal year's budget. We may have a meeting in March 2021 to discuss banker selection for the bond itself and an alignment discussion, work in April to get the documents finalized by May to go out for bond by June.

Mark Epstein discussed a refunding of 93s and 94s in combination with the current bond issuance to smooth out decline in debt by 2024-28 during the peak debt service.

Steven Gald discussed that we have collected information on the structure to meet the June timeline and bring back in March more information on final selection of banking team.

Roberto Manchia reported goal of having all legal and financial services contracts in place, and that County Counsel is working with providers to determine costs ahead of June.

John Palmer reminded the group that three meetings will be needed for approval: JPFA, Board of Supervisors, and again to JPFA for final approval.

Robert Manchia suggested using March 24 for a JPFA informational and review meeting, the April 28 meeting for JPFA bond approval, then to the Board of Supervisors for authorization, and May 26 to come back to JPFA for final approval.

There was a discussion of timing for closing the financing and potential impact of state and local budgeting on the required disclosures.

6. Other Business (*Discussion only*) – Scheduling of Next JPFA Meeting: March 24, April 28, and May 26, 2021.

San Mateo Medical Center:

The group discussed that the San Mateo Medical Center project is moving forward and construction and occupancy of the building is on schedule. The hospital is running during the current pandemic, though the pandemic added some delay. Per Robert Manchia, will go to the Board of Supervisors for approval of further funding.

Parking Structure:

This project is moving quickly and will be on time if or ready ahead of schedule.

County Office Building 3 (COB3):

Adam Ely provided an update that their team is working on a new plan for COB3 (original architect's plans were significantly above value) and are moving toward a building plan that is better suited for the County at a better price. The new plan would give lower cost per square foot due to design and net zero energy usage.

COB3 was not included in the bond so there is no occupancy date required as part of the lease agreement. The building is 207k square feet and plan is tracking slightly over \$1000/sq. ft. Robert added that we will need to cover between the \$152-\$215 million margin.

Vacant JPFA seats:

Roberto Manchia and Deputy County Counsel Dan McCloskey shared the intent to recommend Jim Saco and Donna Vaillancourt to be appointed to the JPFA at the March 9, 2021 Board of Supervisors meeting.

7. Adjournment: **The meeting adjourned at 11:48 a.m.**

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
(A Component Unit of the
County of San Mateo, California)

Independent Auditor's Reports,
Management's Discussion and Analysis,
Basic Financial Statements,
and Supplementary Information

For the Fiscal Year Ended June 30, 2020



Certified
Public
Accountants



Independent Auditor's Report

Board of Directors
San Mateo County Joint Powers Financing Authority
Redwood City, California

Report on the Financial Statements

We have audited the accompanying financial statements of the San Mateo Joint Powers Financing Authority (Authority), a component unit of the County of San Mateo (County) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2020, and the changes in its financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2020 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Macias Gini É O'Connell LAP

Walnut Creek, California
November 13, 2020



SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2020

This Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the San Mateo County Joint Powers Financing Authority (the Authority) for the fiscal year ended June 30, 2020. We encourage readers to read this section in conjunction with the Authority's financial statements beginning on page 5.

Financial Highlights

- In October 2020, the Authority issued a total of \$45.2 million of Forward Refunding Lease Revenue Bonds (the "2019A Bonds"). The bond proceeds, together with other available moneys were used to refund the outstanding 2009 Refunding Series A Bonds ("2009 Bonds") totaling \$49.3 million and to pay bond issuance costs. The economic gain from the refunding was \$4.9 million.
- The Authority's net position decreased by \$33.1 million during the course of fiscal year 2019-20 due primarily to increase in construction expenses resulting in a net position of \$165.3 million. Of this amount, \$172.8 million was restricted for capital projects, \$26.6 million was restricted for debt service, and a deficit of \$34.1 million was unrestricted.
- The Authority's total outstanding long-term debt has decreased by \$37.8 million to \$570.2 million from \$608.0 million. The decrease was caused by the refunding of the 2009 Bonds and the scheduled retirement of outstanding debts (\$38.2 million).

Financial Statements

The Authority is a special-purpose government engaged solely in financing capital projects of the County of San Mateo (the County). Pursuant to Governmental Accounting Standards Board Statement No. 34, governments like the Authority that has only business-type activities may present only enterprise fund financial statements: (1) statement of net position; (2) statement of revenues, expenses, and changes in net position; and (3) statement of cash flows, using the economic resources measurement focus and the accrual basis of accounting.

The Authority's net position decrease from \$198.4 million in prior fiscal year to \$165.3 million. The Authority's total net position as of June 30, 2020 and 2019 are as follows:

	2020	2019	\$ Change	% Change
Assets				
Current assets	\$ 248,132,561	\$ 283,301,481	\$ (35,168,920)	-12.41%
Non-current assets	491,439,385	524,400,879	(32,961,494)	-6.29%
Total assets	<u>739,571,946</u>	<u>807,702,360</u>	<u>(68,130,414)</u>	-8.44%
Deferred Outflows of Resources				
Unamortized loss on refunding of debt	12,619,451	13,836,733	(1,217,282)	-8.80%
Liabilities				
Current liabilities	46,916,106	50,141,962	(3,225,856)	-6.43%
Non-current liabilities	538,014,926	572,994,698	(34,979,772)	-6.10%
Total liabilities	<u>584,931,032</u>	<u>623,136,660</u>	<u>(38,205,628)</u>	-6.13%
Deferred Inflows of Resources				
Unamortized gain on refunding of debt	1,972,398	-	1,972,398	n/a
Net Position				
Restricted for capital projects	172,838,394	197,759,914	(24,921,520)	-12.60%
Restricted for debt service	26,579,758	37,253,754	(10,673,996)	-28.65%
Unrestricted	(34,130,185)	(36,611,235)	2,481,050	-6.78%
Total net position	<u>\$ 165,287,967</u>	<u>\$ 198,402,433</u>	<u>\$ (33,114,466)</u>	-16.69%

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
Management's Discussion and Analysis
Required Supplementary Information (Unaudited)
For the Fiscal Year Ended June 30, 2020

The Authority's total assets decreased \$68.1 million, primarily from a \$30.2 million decrease in cash, \$35.7 million decrease in lease receivable, and a \$2.1 million decrease in investments and interest receivable.

- The decrease in cash is primarily due to project expenditures on the San Mateo County Health Campus Upgrade and County Office Building 3.
- The decrease in lease receivable is due to the refunding of the 2009 Bonds and receipt of the scheduled lease revenue payments in the amount of \$58.2 million.

The Authority's liabilities are predominantly made up of lease revenue bonds. As of June 30, 2020, the Authority's liabilities decreased by \$38.2 million when compared to the end of the prior fiscal year. This decrease was due to the refunding of the 2009 Bonds for \$49.3 million (\$45.2 million in par value and \$4.1 million in bond premium), offset by the retirement of outstanding debt totaling \$86.7 and a \$0.8 million decrease in various payables.

Changes in the Authority's net positions between fiscal years 2020 and 2019 are as follows:

	2020	2019	\$ Change	% Change
Revenues				
Lease interest revenue	\$ 24,739,440	\$ 23,250,087	\$ 1,489,353	6.41%
Lease contract revenue	-	217,640,000	(217,640,000)	-100.00%
Interest and investment income	7,364,317	4,593,107	2,771,210	60.33%
Other operating revenues	160,600	45	160,555	356788.89%
Total revenues	<u>32,264,357</u>	<u>245,483,239</u>	<u>(213,218,882)</u>	<u>-86.86%</u>
Expenses				
General and administrative	80,079	77,063	3,016	3.91%
Reimbursement of County project costs	26,951,612	18,011,317	8,940,295	49.64%
Interest expense	22,984,322	21,331,481	1,652,841	7.75%
Extinguished receivable due to refunding	3,750,000	-	3,750,000	n/a
Contribution to the County	11,295,610	1,957,715	9,337,895	476.98%
Bond issuance costs	274,391	1,453,718	(1,179,327)	-81.12%
Bond insurance	42,809	32,331	10,478	32.41%
Total expenses	<u>65,378,823</u>	<u>42,863,625</u>	<u>22,515,198</u>	<u>52.53%</u>
Change in net position	(33,114,466)	202,619,614	(235,734,080)	-116.34%
Net position, beginning of year	198,402,433	(4,217,181)	202,619,614	-4804.62%
Net position, end of year	<u>\$ 165,287,967</u>	<u>\$ 198,402,433</u>	<u>\$ (33,114,466)</u>	<u>-16.69%</u>

The Authority's total revenues decreased \$213.2 million. This decrease is due primarily from \$217.6 million issuance of the 2018 Bonds in FY 18-19, offset by \$1.5 million increase in lease interest revenue, and \$2.8 million increase in interest and investment income.

The Authority's total expenses increased \$22.5 million. This increase is due primarily to \$9.3 million increase in contribution to the County from the residual moneys from the 2018 Bonds, \$8.9 million increase in the San Mateo County Health Campus Upgrade and County Office Building 3 construction expenses reimbursed to the County, \$3.8 million increase in extinguished receivable due to refunding, \$1.7 million increase in interest expense from payments of long-term debt, offset by \$1.2 million decrease in bond issuance costs.

Request for Information

Questions concerning any information provided in this report or requests for additional financial information can be obtained by writing to the Office of the County Manager, 400 County Center, 1st Floor, Redwood City, CA 94063.

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
Statement of Net Position
June 30, 2020

ASSETS

Current assets:

Cash equivalents	\$ 186,700,762
Cash equivalents - restricted for debt service	19,040,846
Investments - restricted for debt service	7,521,830
Prepaid items	643,329
Net investment in leases - current	24,665,000
Interest receivable:	
Net investment in leases	8,638,586
Cash equivalents and investments	<u>922,208</u>
Total current assets	<u>248,132,561</u>

Noncurrent assets:

Net investment in leases - noncurrent	<u>491,439,385</u>
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Total assets	<u><u>739,571,946</u></u>
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DEFERRED OUTFLOWS OF RESOURCES

Unamortized loss on refunding of debt	<u>12,619,451</u>
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LIABILITIES

Current liabilities:

Accounts payable	5,165,698
Interest payable	8,892,711
Due to the County	160,755
Advance from the County	64,872
Lease revenue bonds, net of unamortized premium - current	31,812,981
Accreted interest on capital appreciation bonds - current	<u>819,089</u>
Total current liabilities	<u>46,916,106</u>

Noncurrent liabilities:

Accreted interest on capital appreciation bonds - noncurrent	4,325,040
Lease revenue bonds, net of unamortized premium - noncurrent	<u>533,689,886</u>
Total noncurrent liabilities	<u>538,014,926</u>

Total liabilities	<u><u>584,931,032</u></u>
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DEFERRED INFLOWS OF RESOURCES

Unamortized gain on refunding of debt	<u>1,972,398</u>
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NET POSITION

Restricted for capital projects	172,838,394
Restricted for debt service	26,579,758
Unrestricted	<u>(34,130,185)</u>

Total net position	<u><u>\$ 165,287,967</u></u>
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The notes to the basic financial statements are an integral part of this statement.

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
Statement of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

Operating revenues	
Lease interest revenue from the County	\$ 24,739,440
Other	160,600
Total operating revenues	<u>24,900,040</u>
Operating expenses	
General and administrative	80,079
Reimbursement of County project costs	26,951,612
Total operating expenses	<u>27,031,691</u>
Operating loss	<u>(2,131,651)</u>
Nonoperating revenues (expenses)	
Interest and investment income	7,364,317
Interest expense	(22,984,322)
Extinguished receivable due to refunding	(3,750,000)
Contribution to the County	(11,295,610)
Bond issuance costs	(274,391)
Bond insurance	(42,809)
Net nonoperating expenses	<u>(30,982,815)</u>
Change in net position	(33,114,466)
Net position, beginning of year	<u>198,402,433</u>
Net position, end of year	<u>\$ 165,287,967</u>

The notes to the basic financial statements are an integral part of this statement.

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
Statement of Cash Flows
For the Fiscal Year Ended June 30, 2020

Cash flows from operating activities:	
Cash received from lessee, principal portion	\$ 31,620,104
Cash received from lessee, interest portion	26,588,987
Cash received from other sources	160,600
Cash paid for general and administrative expenses	(141,363)
Cash paid for reimbursement of County project costs	(27,206,141)
Net cash provided by operating activities	<u>31,022,187</u>
Cash flows from noncapital financing activities:	
Due to the County	160,755
Advance from the County	(120,128)
Net cash provided by noncapital financing activities	<u>40,627</u>
Cash flows from capital and related financing activities:	
Cash received from bond proceeds	49,259,763
Cash paid for bond issuance costs	(274,391)
Cash paid from reserves to the County	(11,295,610)
Cash paid for early retirement of debt	(49,992,706)
Cash paid for principal on bonds	(31,335,104)
Cash paid for interest on bonds	(26,729,741)
Net cash used in capital and related financing activities	<u>(70,367,789)</u>
Cash flows from investing activities:	
Cash received from earnings on investments and cash equivalents	9,086,402
Net cash provided by investing activities	<u>9,086,402</u>
Net decrease in cash and cash equivalents	(30,218,573)
Cash and cash equivalents, beginning of year	235,960,181
Cash and cash equivalents, end of year	<u>\$ 205,741,608</u>
Financial statement presentation:	
Cash equivalents	\$ 186,700,762
Cash equivalents - restricted for debt service	19,040,846
Cash and cash equivalents, end of year	<u>\$ 205,741,608</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating loss	\$ (2,131,651)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in operating assets and liabilities:	
Increase in net investment in leases - principal	31,981,494
Increase in net investment in leases - interest	1,488,157
Decrease in accounts payable	(315,813)
Net cash provided by operating activities	<u>\$ 31,022,187</u>
Supplemental disclosure of noncash activities:	
Noncash capital and related financing activities:	
Amortized premium/discount on lease revenue bonds	\$ 2,980,810
Amortized gain/(loss) on refunding of debt	(986,035)
Accreted interest on capital appreciation bonds	(413,506)
Defeasance of debt paid through escrow agent	50,545,288

The notes to the basic financial statements are an integral part of this statement.

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SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
Notes to the Basic Financial Statements
For the Fiscal Year Ended June 30, 2020

NOTE 1 – REPORTING ENTITY

The San Mateo County Joint Powers Financing Authority (the Authority) was established pursuant to the provisions of the State of California Government Code’s Articles 1 and 4 of Chapter 5 of Division 7 of Title 1 and a Joint Exercise of Powers Agreement, dated May 15, 1993, as amended by the County and the now dissolved Community Development Commission. The Authority assists the County of San Mateo (the County) in the financing of public capital projects. The Authority acts as the issuer for debt financings as well as the lessor of properties leased to the County. The debts issued are limited obligations of the Authority, payable primarily from rent payments made by the County under “Facility Lease” agreements.

The Authority functions as an independent entity and has no employees. The County Board of Supervisors appointed all five members in its governing board to set policies. The County staff and consultants are in charge of its operation. Although legally separate from the County, the Authority is an integral part of the County as its sole purpose is to provide lease financing to the County. As such, the Authority is a component unit of the County, and its basic financial statements are blended within the County’s basic financial statements. Services provided by the County staff are not included in the accompanying basic financial statements since the amount is considered insignificant.

The basic financial statements present only the Authority’s financial activities in conformity with accounting principles generally accepted in the United States of America (GAAP) and are not intended to present fairly the financial position, the change in financial position, and the cash flows of the County.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Basis of Presentation and Accounting

The Authority is reported as a single enterprise fund. The Authority’s basic financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting in accordance with GAAP. All of its assets, deferred outflows/inflows of resources, and liabilities are included in the statement of net position. The net position (i.e., total assets and deferred outflows of resources net of total liabilities and deferred inflows of resources) is classified into restricted and unrestricted. The restricted portion includes amounts restricted for debt service and capital projects. The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions affecting certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

Proprietary (enterprise) funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services in connection with the fund’s principal ongoing operations. The principal operating revenue of the Authority is lease interest income from the County. The Authority also recognizes lease contract revenue at the time the lessee covenants to commence base rental payments. Operating expenses of the Authority include project costs and administrative expenses for services solicited from outside entities. Revenues and expenses not meeting these definitions are reported as nonoperating revenues and expenses.

B. Statement of Net Position

1. Cash Equivalents and Investments

The Authority considers all liquid investments with maturity of three months or less when purchased to be cash equivalents. This includes deposits and money market mutual funds held in trust as well as investments in the County investment pool. The County investment pool is governed by the California Government Code and the County Investment Policy. The Authority’s investment in the County pool is determined at fair value at June 30, 2020.

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For the Fiscal Year Ended June 30, 2020

The Authority records investment transactions on the trade date. Investments in nonparticipating interest-earning investment contracts are reported at cost for the term of the contract; other investments are reported at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Authority measures its investments at fair value and categorizes its fair value measurements within the fair value hierarchy established by GAAP. As of June 30, 2020, a portion of the Authority's investments was held in trust and part was held in the County's investment pool.

In accordance with the Authority's bond trust agreements, the types of investment in which the Authority can engage include the following:

- a. Government securities.
- b. Any obligations which are then legal investments for moneys of the County under the laws of the State of California and comply with the County's investment policy; provided that such investments shall be rated in the highest short-term or one of three highest long-term rating categories by Moody's Investors Service and Standard & Poor's Corporation.
- c. Money markets or mutual funds which are rated by Standard & Poor's Corporation "AAAm-G" or "AAAm" or higher and; if rated by Moody's Investors Service, are rated "Aaa" or higher.
- d. The County of San Mateo Investment Pool.
- e. The Local Agency Investment Fund of the State of California.
- f. Unsecured certificate of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term of which are rated "A-1" or better by Standard & Poor's Corporation.
- g. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation, in banks which have capital and surplus of at least \$5 million.
- h. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by Standard & Poor's Corporation and "Prime-1" by Moody's Investors Service.
- i. Repurchase agreements.
- j. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability of the guarantor is rated at least "AA" by Standard & Poor's Corporation and "Aa" by Moody's Investors Service.
- k. The Investment Agreement.
- l. Any other obligations with 30 days prior notice to Standard & Poor's Corporation and the prior written approval of the Bond Insurer.
- m. Unsecured demand deposits of any bank the short-term obligations of which are rated "A-1" or better by Standard & Poor's Corporation.

2. Net Investment in Leases

Debt service on the outstanding lease revenue bonds are funded with lease payments from the County for the use of equipment and facilities acquired or constructed with proceeds of debt issued by the Authority. Under the lease agreements, the County has covenanted to make rental payments in amounts corresponding to the Authority's debt service requirements and related costs. Net investment in leases reflects the present value of remaining future lease payments due from the County. Unexpended funds upon completion of all projects will be used to retire outstanding debt and reduce lease payments from the County.

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JOINT POWERS FINANCING AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

3. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense) until the outflow occurs. As of June 30, 2020, the Authority has deferred outflows of resources related to the unamortized loss on refunding of debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until the inflow occurs. As of June 30, 2020, the Authority has deferred inflows of resources related to the unamortized gain on refunding of debt.

4. Net Position

Net position, cumulative net earnings from operating and nonoperating activities, is classified into the following categories:

- *Restricted for capital projects* represents funds restricted for the acquisition or construction of equipment and facilities. Upon the completion of capital projects, residual net position becomes restricted for debt services.
- *Restricted for debt service* represents funds held by the trustee for repayment of debt principal and interest.
- *Unrestricted* represent funds with no external restriction as to use or purpose. Restricted resources are generally depleted first.

C. Statement of Revenues, Expenses, and Changes in Net Position

1. Bond Issuance Costs, Discounts, and Premiums

Bond issuance costs (other than insurance) are expensed once incurred. Bond discounts and bond premiums are deferred and amortized over the life of the bonds. Lease revenue bonds payable are reported net of the applicable bond discount and premium.

2. Unamortized Gain/Loss on Refunding of Debt

The gain/loss on refunding is determined by the difference between the book value of the refunded (old) debt and the amount required to retire the debt. The gain/loss is amortized over the remaining term of the old debt or the term of the new debt issued to finance the refunding, whichever is lesser. The unamortized gain/loss on refunding is reported as deferred inflows/outflows of resources in the statement of net position.

3. Contribution to the County

The Authority may utilize interest earnings on reserves to supplement the County's lease payments and refunding transactions. For the fiscal year 2019-20, the Authority applied \$11.3 million of its interest earnings on reserves toward the County's lease payments.

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Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

NOTE 3 – CASH EQUIVALENTS AND INVESTMENTS

GASB Statement No. 72, *Fair Value Measurement and Application*, sets forth the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The investments in an external investment pool are not subject to reporting within the level hierarchy. The three levels of the fair value hierarchy are described below:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets in inactive markets; inputs other than quoted prices that are observable for the asset or liability; or inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The Authority’s cash equivalents and investments by fair value level as of June 30, 2020, include the following:

<u>Investment Type</u>	<u>Total</u>	<u>Significant Observable Inputs (Level 2)</u>
Investments subject to fair value hierarchy:		
Investment agreement	\$ 5,470,450	\$ 5,470,450
Mutual funds	19,681,905	19,681,905
Repurchase agreement	938,265	938,265
U.S. Treasury notes	16,839,625	16,839,625
U.S. agency securities	1,113,115	1,113,115
Total investments subject to fair value hierarchy	<u>44,043,360</u>	<u>\$ 44,043,360</u>
Investments not subject to fair value hierarchy:		
County Investment Pool	<u>167,848,637</u>	
Total investments	<u>211,891,997</u>	
Cash equivalents:		
Money market deposit accounts	<u>1,371,441</u>	
Total cash equivalents and investments	<u>\$ 213,263,438</u>	

Cash and Cash Equivalents

The Authority has authorized its trustee to invest cash collections in the mutual funds and money market deposit accounts. Such funds can be converted to cash whenever necessary to meet the Authority’s operating needs. As of June 30, 2020, the Authority held \$19.7 million in mutual funds and \$1.4 million in money market deposit accounts. The Authority also invests in the County’s investment pool, which is considered cash equivalents. The Authority’s investment in the pool amounted to \$167.8 million as of June 30, 2020.

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For the Fiscal Year Ended June 30, 2020

Investments

The Authority's investments measured at fair value on a recurring basis using significant unobservable inputs (Level 2) as of June 30, 2020, include the following:

	<u>Fair Value</u>	<u>Maturity (Years)</u>
Repurchase agreement		
Hong Kong and Shanghai Banking Corporation	\$ 938,265	6.4
U.S. government security		
U.S. Treasury notes	16,839,625	1.1
Guaranteed investment contract		
Financial Guaranty Insurance Company Capital Market Services Group	5,470,450	1.0
Mutual funds		
First American Government Obligations Fund - D Class	14,242,831	*
First American Treasury Obligations Fund - D Class	5,439,074	*
External investment pool		
Investments in County's Investment Pool	167,848,637	1.8
U.S. agency securities		
Resolution Funding Corporation Principal STRIPS	1,113,115	*
Total investments	<u>\$ 211,891,997</u>	

* Maturity is less than 0.1 year.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Authority has not adopted a formal policy that limits investment maturity as a means of managing its exposure to declines in fair values arising from increasing interest rates. As of June 30, 2020, the Authority's investment portfolio had a weighted average maturity of 1.6 years.

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The Authority's bond trust agreements include provisions which restrict the Authority's investment in (a) money market mutual funds rated "AaM-G" or "AaM" by Standard & Poor's Corporation, or better; (b) repurchase agreements with any domestic bank the long-term debt of which is rated at least "A" or better by Standard & Poor's Corporation and Moody's Investors Service; (c) specific obligations of government sponsored agencies which are not backed by the full faith and credit of the United States of America; and (d) investment agreements.

As of June 30, 2020, the money market mutual fund was rated "Aaa-mf" by Moody's Investors Service. The repurchase agreement with the Hong Kong and Shanghai Banking Corporation was rated "A-" by Standard & Poor's, "A3" by Moody's Investors Service, and "A+" by Fitch. The U.S. Treasury note was rated "AA+" by Standard & Poor's, "Aaa" by Moody's Investors Service, and "AAA" by Fitch. The remaining investments were unrated, including the investment contract with Financial Guaranty Insurance Company Capital Market Services Group.

Concentration of Credit Risk. Concentration of credit risk is the risk of loss attributed to the magnitude of the Authority's investment in a single issuer of securities. The Authority places no limit on the amount invested in any single issuer. The Authority has \$0.9 million, or 0.4%, of its overall investments in repurchase agreement with the Hong Kong and Shanghai Banking Corporation; \$18 million, or 8.5%, in U.S. Treasury Notes; and \$5.5 million, or 2.6%, in an investment contract with Financial Guaranty Insurance Company Capital Market Services Group.

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JOINT POWERS FINANCING AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

NOTE 4 – NET INVESTMENT IN LEASE AND INSTALLMENT AGREEMENTS

Under California law, the County cannot make lease payments until the County has constructive use or occupancy of the property being financed. Once construction is completed, the leases act like direct financing leases with lease payments equal to debt service payments. A direct-financing lease is basically the coupling of a sale and financing transaction. In a direct financing lease arrangement, the lessor (the Authority) purchases the property only for the purpose of leasing it. The lessor thus removes the leased asset from its books and replaces it with a receivable from the lessee (the County).

The *lease revenue bonds* are payable by a pledge of revenues from the base rental payments payable by the County and all interest or other interest income from investment, pursuant to individual lease agreements between the Authority and the County.

In the fiscal year 2019-20, the Authority received \$58.2 million of lease payments from the County. The Authority's net investment in lease and installment agreements at June 30, 2020 is as follows (in thousands):

<u>Fiscal Year Ended June 30,</u>	<u>Lease Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 23,846 ¹	\$ 23,254
2022	27,514	22,145
2023	22,674	21,057
2024	24,785	19,874
2025	25,091	18,629
2026-2030	120,651	74,199
2031-2035	86,410	48,514
2036-2040	49,140	33,215
2041-2045	41,955	23,370
2046-2050	52,165	13,095
2051-2053	36,730	2,308
Total requirements	<u>510,960</u>	<u>\$ 299,661</u>
Interest accretion	6,746	
Less: unaccreted principal	<u>(1,602)</u>	
Total	<u>\$ 516,104</u>	

¹ Net investment in leases are lower than the Authority's debt service requirements due to the collection of principal and interest on the North County Satellite Clinic Bonds prior to June 30, 2020.

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JOINT POWERS FINANCING AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

NOTE 5 – LONG-TERM LIABILITIES

The Authority's long-term liabilities as of June 30, 2020, are as follows (in thousands):

Type of indebtedness (purpose)	Maturities	Interest Rates	Annual Principal Installments	Original Issue Amount	Outstanding at June 30, 2020
Lease Revenue Bonds:					
<u>1993 Issue</u>					
Purpose: To defease 1991 Certificates of Participation and finance the costs of a parking garage and jail.					
Term Current Interest Bonds	7/1/20 - 7/1/21	5%	\$4,960 - \$5,205	\$ 23,520	\$ 10,165
<u>1993 Issue - Satellite Clinic</u>					
Purpose: To finance a portion of the costs of constructing and equipping the North County Satellite Clinic and an adjacent parking structure.					
Serial Capital Appreciation Bonds	9/1/20 - 9/1/26	5.95% - 6%	\$188 - \$216	2,085	1,405
Accreted interest on capital appreciation bonds				8,941	5,144
1993 Issue - Satellite Clinic				<u>11,026</u>	<u>6,549</u>
<u>2009 Issue</u>					
Purpose: To provide funds, together with other available moneys, to refund a portion of the outstanding 1997 Bonds and the outstanding 1999 Bonds (collectively, the "Prior Bonds"), to pay costs of issuance of the 2009 Bonds, and to pay other costs relating to the refunding of the Prior Bonds.					
Serial Current Interest Bonds	7/15/20	4% - 5%	\$7,165	115,505	7,165
<u>2013 Issue</u>					
Purpose: To provide funds, together with other available moneys, (i) to redeem outstanding 1997, 1999, and 2001 Bonds, (ii) finance certain capital improvements, and (iii) to pay costs of issuance of the 2013 Bonds.					
Serial Current Interest Bonds	7/15/20 - 7/15/32	4.25% - 5.25%	\$580 - \$10,320	40,065	32,765
<u>2014 Issue</u>					
Purpose: To provide funds, together with other available moneys, to (i) finance the acquisition, construction and equipping of the Maple Street Correctional Center, (ii) refund all of the outstanding notes previously issued by the County in FY 2013-14, the proceeds of which were used to reimburse the County for the purchase price of the jail project site, (iii) pay capitalized interest on the 2014 Bonds through May 30, 2016, (iv) provide the Reserve Account Requirement, and (v) pay issuance costs of the 2014 Bonds.					
Serial Current Interest Bonds	6/15/21 - 6/15/31	3% - 5%	\$5,675 - \$12,220	157,895	90,465
Term Interest Bonds	6/15/32 - 6/15/35	4%	\$2,500 - \$5,010	15,145	15,145
Term Interest Bonds	6/15/36 - 6/15/37	4%	\$495 - \$1,530	2,025	2,025
2014 Issue				<u>175,065</u>	<u>107,635</u>
<u>2016 Issue</u>					
Purpose: To provide funds, together with other available moneys, to refund the outstanding 2008 Bonds, to pay costs of issuance of the 2016 Bonds, and to pay costs relating to the refunding of the 2008 Bonds.					
Serial Current Interest Bonds	7/15/20 - 7/15/36	3% - 5%	\$3,695 - \$7,620	107,600	93,975
<u>2018 Issue</u>					
Purpose: To provide funds, together with other available moneys, to (i) finance the acquisition, construction and equipping of capital improvement projects of the Medical Center Upgrade and County Office Building No. 3, (ii) pay capitalized interest through September 15, 2022, (iii) purchase a municipal bond insurance policy, (iv) purchase a municipal bond debt service reserve insurance policy, and (v) pay costs of issuance.					
Serial Bonds	7/15/21 - 7/15/38	5%	\$1,175 - \$6,890	64,560	64,560
Serial Bonds, Insured	7/15/33 - 7/15/35	5%	\$4,800 - \$5,200	15,000	15,000
Term Bonds	7/15/39 - 7/15/43	5%	\$7,230 - \$8,790	39,955	39,955
Term Bonds	7/15/44 - 7/15/52	4%	\$4,995 - \$6,875	53,125	53,125
Term Bonds	7/15/44 - 7/15/52	4.25%	\$4,235 - \$5,865	45,000	45,000
				<u>217,640</u>	<u>217,640</u>
<u>2019 Issue</u>					
Purpose: To provide funds, together with other available moneys, to (i) refund the outstanding 2009 Bonds, (ii) pay costs of issuance.					
Serial Bonds	7/15/21 - 7/15/26	5%	\$7,045 - \$8,290	45,170	45,170
Total lease revenue bonds and accreted interest on capital appreciation bonds				<u>\$ 735,591</u>	<u>\$ 521,064</u>

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Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

The table below summarizes changes in the Authority's long-term liabilities (in thousands).

	Balance July 1, 2019	Accretion/ Additions	Retirements	Balance June 30, 2020	Amounts Due Within One Year
Lease revenue bonds	\$ 551,005	\$ 45,170	\$ (80,255)	\$ 515,920	\$ 28,806
Accreted interest on capital appreciation bonds	5,506	413	(775)	5,144	819
Add: unamortized premium	51,511	4,090	(6,463)	49,138	3,007
Total long-term liabilities, net	<u>\$ 608,022</u>	<u>\$ 49,673</u>	<u>\$ (87,493)</u>	<u>\$ 570,202</u>	<u>\$ 32,632</u>

The Authority's long-term liabilities are secured by revenues from the base rental payments payable by the County. Events of default include nonpayment of interest on and the principal of the outstanding bonds when due and payable, the Authority filing for bankruptcy, and the failure to observe any covenant or provision of bond indentures for a period of 30 days, with the exception of the 2014 Lease Revenue Bonds and 2016 Refunding Lease Revenue Bonds which is for a period of 60 days. In the event of default, the trustee, U.S. Bank National Association, may, upon written request of a majority of bondholders in aggregate principal amount and accreted value of the outstanding bonds, or at the direction of the bond insurer, declare the principal and accreted value of and the interest on all outstanding bonds to be due and payable immediately.

Principal and interest payments on lease revenue bonds come from lease payments made by the County General Fund. The Authority's annual debt service requirements to maturity as of June 30, 2020, are as follows (in thousands):

Fiscal Year Ended June 30,	Lease Revenue Bonds		
	Principal	Interest Accretion	Interest
2021	\$ 28,806	\$ 819	\$ 23,508
2022	27,514	866	22,145
2023	22,674	911	21,057
2024	24,785	960	19,874
2025	25,091	1,009	18,629
2026-2030	120,651	2,180	74,199
2031-2035	86,410	-	48,514
2036-2040	49,140	-	33,215
2041-2045	41,955	-	23,370
2046-2050	52,165	-	13,095
2051-2053	36,730	-	2,308
Total requirements	515,920	6,746	299,915
Less: unaccreted interest	-	(1,602)	-
Total	<u>\$ 515,920</u>	<u>\$ 5,144</u>	<u>\$ 299,915</u>

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JOINT POWERS FINANCING AUTHORITY
Notes to the Basic Financial Statements (Continued)
For the Fiscal Year Ended June 30, 2020

Forward Refunding of 2019 Series A Lease Revenue Bonds

In October 2019, the Authority issued 2019 Series A Lease Revenue Bonds (Forward Refunding) (the “2019A Bonds”) for a total of \$45.2 million with an interest rate of 5% and a bond premium of \$4.1 million. Together with other available moneys, the proceeds of the 2019A Bonds totaling \$49.3 million were used to refund the outstanding 2009 Bonds and pay costs of issuance. On the refunding date of the 2009 Bonds, certain bonds were not callable until January 2020. Thus, the proceeds were deposited into an escrow account to redeem the 2009 Bonds on January 15, 2020. In July 2020, the Authority paid its scheduled outstanding principal amount of \$7.2 million plus interest to fully retire the 2009 Bonds.

The Authority in effect realized an economic gain of \$4.9 million (the difference between the present value of the debt service payments on the old debt and the present value of the debt service payments on the new debt) by reducing its aggregate debt service payments of \$5.8 million over the next 6 years. While the refunding resulted in an economic gain, the refunding also resulted in a \$2.2 million accounting gain, which is the difference between the funds required to refund the old debt and the net carrying amount of the old debt. The accounting gain is reported as deferred inflow of resources on the statement of net position and the accounting gain will be amortized over the remaining life of the new debt.

The 2019A Bonds are limited obligations of the Authority payable solely from, and secured solely by, revenues of the Authority, consisting primarily of Base Rental Payments to be received by the Authority from the County under a Master Facility Lease between the Authority and the County, for the right to use and possess certain real property and facilities.

NOTE 6 – COMMITMENTS

San Mateo County Health Campus Upgrade aka “Medical Center Upgrade”

The San Mateo County Health System Campus consists of the San Mateo Medical Center and the Health Services departments. The San Mateo Health System Campus Upgrade Project is a complex project comprised of: (1) demolition of the outdated Health Services Building and the 1954 Administration Building; (2) renovation of the ground floor of the Nursing Tower and the Central Plant to accommodate essential Office of Statewide Health Planning Development (OSHPD) functions; and (3) construction of a new 70,000-square-foot non-OSHPD administration building to support hospital functions. Consistent with the County Municipal Green Building Policy, upgrades and construction will be designed to operate at zero net energy (ZNE) and to achieve Leadership in Energy and Environmental Design (LEED) certification. This project will occur in phases, with the final project completion estimated for June 2024. The estimated project cost is \$132 million.

County Office Building 3

County Office Building 3 (COB3) will be an elevated structure, contain four levels of offices and shared amenities. The ground level will consist of outdoor public space with a multi-function board chambers for public meetings and events. This property will house the Board of Supervisors Chambers, offices for the Board of Supervisors and the County Manager as well as staff for various departments of the County. Consistent with the County Municipal Green Building Policy, COB3 will be designed to operate at ZNE to achieve certification in LEED. The design phase will be completed by July 2021, and construction will be substantially completed by June 2023. The estimated project costs are \$152 million, of which \$96 million from the 2018 Bonds.

SAN MATEO COUNTY
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 Supplementary Schedule of Net Position
 June 30, 2020

	1993 Refunding	Satellite Clinic	Health Center	2001 Capital Projects	2008 Refunding	2009 Refunding
ASSETS						
Current assets:						
Cash equivalents	\$ 4,225,876	\$ -	\$ 266,321	\$ 1,198,097	\$ 22,565	\$ 551
Cash equivalents - restricted for debt service	1,213,197	974,692	-	-	-	-
Investments - restricted for debt service	5,470,450	938,265	-	-	-	-
Prepaid Items	-	-	-	-	-	-
Net investment in leases - current	-	1,035,000	-	-	-	7,165,000
Interest receivable:						
Net investment in leases	-	-	-	-	-	155,031
Cash equivalents and investments	26	18,332	1	4,715	26	-
Total current assets	<u>10,909,549</u>	<u>2,966,289</u>	<u>266,322</u>	<u>1,202,812</u>	<u>22,591</u>	<u>7,320,582</u>
Noncurrent assets:						
Net investment in leases - noncurrent	<u>5,205,000</u>	<u>5,514,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets	<u>16,114,549</u>	<u>8,480,674</u>	<u>266,322</u>	<u>1,202,812</u>	<u>22,591</u>	<u>7,320,582</u>
DEFERRED OUTFLOWS OF RESOURCES						
Unamortized loss on refunding of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>61,103</u>
LIABILITIES						
Current liabilities:						
Accounts payable	1,250	1,250	-	-	-	1,250
Interest payable	254,125	-	-	-	-	155,031
Due to the County	-	-	-	-	-	-
Advance from the County	-	-	-	-	-	-
Lease revenue bonds, net of unamortized premium - current	4,960,000	215,911	-	-	-	7,165,000
Accreted interest on capital appreciation bonds - current	-	819,089	-	-	-	-
Total current liabilities	<u>5,215,375</u>	<u>1,036,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,321,281</u>
Noncurrent liabilities:						
Accreted interest on capital appreciation bonds - noncurrent	-	4,325,040	-	-	-	-
Lease revenue bonds, net of unamortized premium - noncurrent	<u>5,205,000</u>	<u>1,189,345</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>444,839</u>
Total noncurrent liabilities	<u>5,205,000</u>	<u>5,514,385</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>444,839</u>
Total liabilities	<u>10,420,375</u>	<u>6,550,635</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,766,120</u>
DEFERRED INFLOWS OF RESOURCES						
Unamortized gain on refunding of debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION						
Restricted for capital projects	-	-	-	-	-	-
Restricted for debt service	6,683,647	1,930,039	-	-	-	-
Unrestricted (deficit)	<u>(989,473)</u>	<u>-</u>	<u>266,322</u>	<u>1,202,812</u>	<u>22,591</u>	<u>(384,435)</u>
Total net position	<u>\$ 5,694,174</u>	<u>\$ 1,930,039</u>	<u>\$ 266,322</u>	<u>\$ 1,202,812</u>	<u>\$ 22,591</u>	<u>\$ (384,435)</u>

(continued)

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
 Supplementary Schedule of Net Position
 June 30, 2020

2013	2014	2016	2018	2019	Total
Refunding and Capital Project	Capital Projects	Refunding	Capital Project	Refunding	
\$ 116,547	\$ 2,816,949	\$ 4,907	\$ 177,997,842	\$ 51,107	\$ 186,700,762
13,332	-	-	16,839,625	-	19,040,846
1,113,115	-	-	-	-	7,521,830
550,000	164,400	83,584	395,345	-	643,329
755,889	12,220,000	3,695,000	-	-	24,665,000
19,172	213,417	1,889,697	4,589,406	1,035,146	8,638,586
2,568,055	11,007	-	868,929	-	922,208
	15,425,773	5,673,188	200,691,147	1,086,253	248,132,561
32,215,000	95,415,000	90,280,000	217,640,000	45,170,000	491,439,385
34,783,055	110,840,773	95,953,188	418,331,147	46,256,253	739,571,946
55,781	-	12,502,567	-	-	12,619,451
-	-	2,500	5,159,448	-	5,165,698
755,889	213,417	1,889,697	4,589,406	1,035,146	8,892,711
-	-	-	160,755	-	160,755
-	-	-	-	64,872	64,872
707,603	13,277,372	4,469,508	411,696	605,891	31,812,981
-	-	-	-	-	819,089
1,463,492	13,490,789	6,361,705	10,321,305	1,705,909	46,916,106
-	-	-	-	-	4,325,040
33,955,204	112,288,906	101,962,153	230,419,740	48,224,699	533,689,886
33,955,204	112,288,906	101,962,153	230,419,740	48,224,699	538,014,926
35,418,696	125,779,695	108,323,858	240,741,045	49,930,608	584,931,032
-	-	-	-	1,972,398	1,972,398
-	-	-	172,838,394	-	172,838,394
1,126,447	-	-	16,839,625	-	26,579,758
(1,706,307)	(14,938,922)	131,897	(12,087,917)	(5,646,753)	(34,130,185)
\$ (579,860)	\$ (14,938,922)	\$ 131,897	\$ 177,590,102	\$ (5,646,753)	\$ 165,287,967

ASSETS

Current assets:

Cash equivalents
 Cash equivalents - restricted for debt service
 Investments - restricted for debt service
 Prepaid Items
 Net investment in leases - current
 Interest receivable:
 Net investment in leases
 Cash equivalents and investments
 Total current assets

Noncurrent assets:

Net investment in leases - noncurrent

Total assets

DEFERRED OUTFLOWS OF RESOURCES

Unamortized loss on refunding of debt

LIABILITIES

Current liabilities:

Accounts payable
 Interest payable
 Due to the County
 Advance from the County
 Lease revenue bonds, net of unamortized premium - current
 Accreted interest on capital appreciation bonds - current
 Total current liabilities

Noncurrent liabilities:

Accreted interest on capital appreciation bonds - noncurrent
 Lease revenue bonds, net of unamortized premium - noncurrent
 Total noncurrent liabilities
 Total liabilities

DEFERRED INFLOWS OF RESOURCES

Unamortized gain on refunding of debt

NET POSITION

Restricted for capital projects
 Restricted for debt service
 Unrestricted (deficit)

Total net position

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
 Supplementary Schedule of Revenues, Expenses, and Changes in Net Position
 For the Fiscal Year Ended June 30, 2020

	1993 Refunding	Satellite Clinic	Health Center	2001 Capital Projects	2008 Refunding	2009 Refunding
Operating revenues						
Lease interest revenue from the County	\$ 508,250	\$ 413,506	\$ -	\$ -	\$ -	\$ 670,220
Lease contract revenue	-	-	-	-	-	-
Other	-	-	-	-	-	-
Total operating revenues	<u>508,250</u>	<u>413,506</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>670,220</u>
Operating expenses						
General and administrative	7,500	6,387	-	-	-	8,526
Reimbursement of County project costs	-	-	-	-	-	-
Total operating expenses	<u>7,500</u>	<u>6,387</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,526</u>
Operating income (loss)	<u>500,750</u>	<u>407,119</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>661,694</u>
Nonoperating revenues (expenses)						
Interest and investment income	381,915	56,380	299	42,346	407	1,052
Interest expense	(508,250)	(413,506)	-	-	-	(1,194,202)
Extinguished receivable due to refunding	-	-	-	-	-	(48,920,000)
Contribution to the County	(1,282,360)	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-
Bond insurance	-	-	-	-	-	-
Net nonoperating revenues (expenses)	<u>(1,408,695)</u>	<u>(357,126)</u>	<u>299</u>	<u>42,346</u>	<u>407</u>	<u>(50,113,150)</u>
Income (loss) before transfers	(907,945)	49,993	299	42,346	407	(49,451,456)
Transfers in	-	-	24,624	-	-	52,201,126
Transfers out	(2,874)	-	(4,775)	-	(3,000)	-
Change in net position	(910,819)	49,993	20,148	42,346	(2,593)	2,749,670
Net position, beginning of year	<u>6,604,993</u>	<u>1,880,046</u>	<u>246,174</u>	<u>1,160,466</u>	<u>25,184</u>	<u>(3,134,105)</u>
Net position, end of year	<u>\$ 5,694,174</u>	<u>\$ 1,930,039</u>	<u>\$ 266,322</u>	<u>\$ 1,202,812</u>	<u>\$ 22,591</u>	<u>\$ (384,435)</u>

(continued)

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
Supplementary Schedule of Revenues, Expenses, and Changes in Net Position
For the Fiscal Year Ended June 30, 2020

2013 Refunding and Capital Project	2014 Capital Projects	2016 Refunding	2018 Capital Project	2019 Refunding	Elimination	Total	
\$ 1,652,098	\$ 5,766,000	\$ 4,128,892	\$ 10,013,250	\$ 1,587,224	\$ -	\$ 24,739,440	Operating revenues
-	-	-	-	45,170,000	(45,170,000)	-	Lease interest revenue from the County
-	-	-	-	160,600	-	160,600	Lease contract revenue
1,652,098	5,766,000	4,128,892	10,013,250	46,917,824	(45,170,000)	24,900,040	Other
							Total operating revenues
2,500	17,500	5,000	17,666	15,000	-	80,079	Operating expenses
-	-	-	26,951,612	-	-	26,951,612	General and administrative
2,500	17,500	5,000	26,969,278	15,000	-	27,031,691	Reimbursement of County project costs
							Total operating expenses
1,649,598	5,748,500	4,123,892	(16,956,028)	46,902,824	(45,170,000)	(2,131,651)	Operating income (loss)
49,677	100,017	6,338	6,725,886	-	-	7,364,317	Nonoperating revenues (expenses)
(1,499,128)	(4,708,628)	(4,131,746)	(9,601,554)	(927,308)	-	(22,984,322)	Interest and investment income
-	-	-	-	-	45,170,000	(3,750,000)	Interest expense
-	-	-	(10,013,250)	-	-	(11,295,610)	Extinguished receivable due to refunding
-	-	-	-	(274,391)	-	(274,391)	Contribution to the County
-	(9,671)	(5,197)	(27,941)	-	-	(42,809)	Bond issuance costs
(1,449,451)	(4,618,282)	(4,130,605)	(12,916,859)	(1,201,699)	45,170,000	(30,982,815)	Bond insurance
							Net nonoperating revenues (expenses)
200,147	1,130,218	(6,713)	(29,872,887)	45,701,125	-	(33,114,466)	Income (loss) before transfers
-	-	-	-	912,106	(53,137,856)	-	Transfers in
(912,106)	-	-	(18,750)	(52,196,351)	53,137,856	-	Transfers out
(711,959)	1,130,218	(6,713)	(29,891,637)	(5,583,120)	-	(33,114,466)	Change in net position
132,099	(16,069,140)	138,610	207,481,739	(63,633)	-	198,402,433	Net position, beginning of year
\$ (579,860)	\$ (14,938,922)	\$ 131,897	\$ 177,590,102	\$ (5,646,753)	\$ -	\$ 165,287,967	Net position, end of year

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
 Supplementary Schedule of Cash Flows
 For the Fiscal Year Ended June 30, 2020

	1993 Refunding	Satellite Clinic	Health Center	2001 Capital Projects	2008 Refunding	2009 Refunding
Cash flows from operating activities:						
Cash received from lessee, principal portion	\$ 4,960,000	\$ 220,104	\$ -	\$ -	\$ -	\$ 6,815,000
Cash received from lessee, interest portion	508,250	774,896	-	-	-	3,068,700
Cash received from other sources	-	-	-	-	-	-
Cash paid for general and administrative expenses	(6,250)	(5,137)	-	-	-	(7,275)
Cash paid for reimbursement of County project costs	-	-	-	-	-	-
Net cash provided by (used in) operating activities	5,462,000	989,863	-	-	-	9,876,425
Cash flows from noncapital financing activities:						
Due to the County	-	-	-	-	-	-
Advance from the County	-	-	24,624	-	-	4,775
Transfers in	-	-	(4,775)	-	(3,000)	-
Transfers out	(2,874)	-	-	-	-	-
Net cash used in noncapital financing activities	(2,874)	-	19,849	-	(3,000)	4,775
Cash flows from capital and related financing activities:						
Cash received from bond proceeds	-	-	-	-	-	-
Cash paid for bond issuance costs	-	-	-	-	-	-
Cash paid from reserves to the County	(1,282,360)	-	-	-	-	-
Cash paid for early retirement of debt	-	-	-	-	-	-
Cash paid for principal on bonds	(4,675,000)	(220,104)	-	-	-	(6,815,000)
Cash paid for interest on bonds	(648,500)	(774,896)	-	-	-	(3,068,700)
Net cash used in capital and related financing activities	(6,605,860)	(995,000)	-	-	-	(9,883,700)
Cash flows from investing activities:						
Cash received from earnings on investments	571,872	56,603	359	44,471	447	1,052
Net cash provided by investing activities	571,872	56,603	359	44,471	447	1,052
Net increase (decrease) in cash and cash equivalents	(574,862)	51,466	20,208	44,471	(2,553)	(1,448)
Cash and cash equivalents, beginning of year	6,013,935	923,226	246,113	1,153,626	25,118	1,999
Cash and cash equivalents, end of year	<u>\$ 5,439,073</u>	<u>\$ 974,692</u>	<u>\$ 266,321</u>	<u>\$ 1,198,097</u>	<u>\$ 22,565</u>	<u>\$ 551</u>
Financial statement presentation:						
Cash equivalents	\$ 4,225,876	\$ -	\$ 266,321	\$ 1,198,097	\$ 22,565	\$ 551
Cash equivalents - restricted for debt service	1,213,197	974,692	-	-	-	-
Cash and cash equivalents, end of year	<u>\$ 5,439,073</u>	<u>\$ 974,692</u>	<u>\$ 266,321</u>	<u>\$ 1,198,097</u>	<u>\$ 22,565</u>	<u>\$ 551</u>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	\$ 500,750	\$ 407,119	\$ -	\$ -	\$ -	\$ 661,694
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Changes in operating assets and liabilities:						
Decrease (increase) in net investment in leases - principal	4,960,000	581,494	-	-	-	6,815,000
Decrease (increase) in lease receivable - interest	-	-	-	-	-	2,398,480
Increase (decrease) in accounts payable	1,250	1,250	-	-	-	1,251
Net cash provided by (used in) operating activities	\$ 5,462,000	\$ 989,863	\$ -	\$ -	\$ -	\$ 9,876,425
Supplemental disclosure of noncash activities:						
Noncash capital and related financing activities:						
Amortized premium on lease revenue bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,458
Amortized gain/(loss) on refunding of debt	-	-	-	-	-	(435,287)
Accreted interest on capital appreciation bonds	-	(413,506)	-	-	-	-
Transfer of deferred gain on refunding	-	-	-	-	-	2,203,646
Defeasance of debt paid through escrow agent	-	-	-	-	-	50,545,288

(continued)

SAN MATEO COUNTY
JOINT POWERS FINANCING AUTHORITY
 Supplementary Schedule of Cash Flows
 For the Fiscal Year Ended June 30, 2020

2013 Refunding	2014 Capital Projects	2016 Refunding	2018 Capital Projects	2019 Capital Projects	Elimination	Total	
\$ 1,385,000	\$ 14,690,000	\$ 3,550,000	\$ -	\$ -	\$ -	\$ 31,620,104	Cash flows from operating activities:
1,683,838	5,794,000	4,193,975	10,013,250	552,078	-	26,588,987	Cash received from lessee, principal portion
-	-	-	-	160,600	-	160,600	Cash received from lessee, interest portion
(2,500)	(17,500)	(2,499)	(85,202)	(15,000)	-	(141,363)	Cash received from other sources
-	-	-	(27,206,141)	-	-	(27,206,141)	Cash paid for general and administrative expenses
-	-	-	-	-	-	-	Cash paid for reimbursement of County project costs
<u>3,066,338</u>	<u>20,466,500</u>	<u>7,741,476</u>	<u>(17,278,093)</u>	<u>697,678</u>	<u>-</u>	<u>31,022,187</u>	Net cash provided by (used in) operating activities
-	-	-	160,755	-	-	160,755	Cash flows from noncapital financing activities:
-	(15,000)	-	-	(105,128)	-	(120,128)	Due to the County
-	-	-	-	912,106	(941,505)	-	Advance from the County
(912,106)	-	-	(18,750)	-	941,505	-	Transfers in
-	-	-	-	-	-	-	Transfers out
<u>(912,106)</u>	<u>(15,000)</u>	<u>-</u>	<u>142,005</u>	<u>806,978</u>	<u>-</u>	<u>40,627</u>	Net cash used in noncapital financing activities
-	-	-	-	49,259,763	-	49,259,763	Cash flows from capital and related financing activities:
-	-	-	-	(274,391)	-	(274,391)	Cash received from bond proceeds
-	-	-	(10,013,250)	-	-	(11,295,610)	Cash paid for bond issuance costs
-	-	-	-	(49,992,706)	-	(49,992,706)	Cash paid from reserves to the County
(1,385,000)	(14,690,000)	(3,550,000)	-	-	-	(31,335,104)	Cash paid for early retirement of debt
(1,683,838)	(5,794,000)	(4,193,975)	(10,013,250)	(552,582)	-	(26,729,741)	Cash paid for principal on bonds
-	-	-	-	-	-	-	Cash paid for interest on bonds
<u>(3,068,838)</u>	<u>(20,484,000)</u>	<u>(7,743,975)</u>	<u>(20,026,500)</u>	<u>(1,559,916)</u>	<u>-</u>	<u>(70,367,789)</u>	Net cash used in capital and related financing activities
898,666	119,164	6,342	7,387,266	160	-	9,086,402	Cash flows from investing activities:
898,666	119,164	6,342	7,387,266	160	-	9,086,402	Cash received from earnings on investments
-	-	-	-	-	-	-	Net cash provided by investing activities
(15,940)	86,664	3,843	(29,775,322)	(55,100)	-	(30,218,573)	Net increase (decrease) in cash and cash equivalents
145,819	2,730,285	1,064	224,612,789	106,207	-	235,960,181	Cash and cash equivalents, beginning of year
<u>\$ 129,879</u>	<u>\$ 2,816,949</u>	<u>\$ 4,907</u>	<u>\$ 194,837,467</u>	<u>\$ 51,107</u>	<u>\$ -</u>	<u>\$ 205,741,608</u>	Cash and cash equivalents, end of year
\$ 116,547	\$ 2,816,949	\$ 4,907	\$ 177,997,842	\$ 51,107	\$ -	\$ 186,700,762	Financial statement presentation:
13,332	-	-	16,839,625	-	-	19,040,846	Cash equivalents
<u>\$ 129,879</u>	<u>\$ 2,816,949</u>	<u>\$ 4,907</u>	<u>\$ 194,837,467</u>	<u>\$ 51,107</u>	<u>\$ -</u>	<u>\$ 205,741,608</u>	Cash equivalents - restricted for debt service
-	-	-	-	-	-	-	Cash and cash equivalents, end of year
\$ 1,649,598	\$ 5,748,500	\$ 4,123,892	\$ (16,956,028)	\$ 46,902,824	\$ (45,170,000)	\$ (2,131,651)	Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:
-	-	-	-	-	-	-	Operating income (loss)
1,385,000	14,690,000	3,550,000	-	(45,170,000)	45,170,000	31,981,494	Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:
31,740	28,000	65,083	-	(1,035,146)	-	1,488,157	Changes in operating assets and liabilities:
-	-	2,501	(322,065)	-	-	(315,813)	Decrease (increase) in net investment in leases - principal
-	-	-	-	-	-	-	Decrease (increase) in net investment in leases - interest
-	-	-	-	-	-	-	Increase (decrease) in accounts payable
<u>\$ 3,066,338</u>	<u>\$ 20,466,500</u>	<u>\$ 7,741,476</u>	<u>\$ (17,278,093)</u>	<u>\$ 697,678</u>	<u>\$ -</u>	<u>\$ 31,022,187</u>	Net cash provided by (used in) operating activities
\$ 157,603	\$ 1,057,372	\$ 774,508	\$ 411,696	\$ 429,173	\$ -	\$ 2,980,810	Supplemental disclosure of noncash activities:
(4,633)	-	(777,362)	-	231,247	-	(986,035)	Noncash capital and related financing activities:
-	-	-	-	-	-	(413,506)	Amortized premium on lease revenue bonds
-	-	-	-	-	-	-	Amortized gain/(loss) on refunding of debt
-	-	-	-	(2,203,646)	-	-	Accreted interest on capital appreciation bonds
-	-	-	-	-	-	-	Transfer of deferred gain on refunding
-	-	-	-	-	-	50,545,288	Defeasance of debt paid through escrow agent

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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Directors
San Mateo County Joint Powers Financing Authority
Redwood City, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Mateo County Joint Powers Financing Authority (Authority), a component unit of the County of San Mateo, California (County), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 13, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

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

Macias Gini & O'Connell LLP

Walnut Creek, California
November 13, 2020



FIRST AMENDMENT TO AGREEMENT BETWEEN THE COUNTY OF SAN MATEO, THE SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY AND CALIFORNIA FINANCIAL SERVICES

THIS FIRST AMENDMENT TO THE AGREEMENT, is entered into this ___ day of March, 2021, by and between the COUNTY OF SAN MATEO, hereinafter called "County," San Mateo County Joint Powers Financing Authority (hereinafter called the "Authority"), and California Financial Services (hereinafter called "Contractor");

WITNESSETH

WHEREAS, on April 10, 2018, the County and the Authority entered into an agreement with Contractor (the "Agreement") in connection with the financing of certain capital projects as part of the County's Capital Master Plan through multiple issuances of Lease Revenue Bonds ("Capital Projects") as set forth in the Agreement;

WHEREAS, under the Agreement, Contractor agreed to provide financial consulting services to the County and Authority relative to the issuances as specified in Exhibit A to the Agreement in exchange for payment at rates specified in Exhibit B to the Agreement;

WHEREAS, the recitals of the Agreement and Exhibit B specify the Capital Projects for which Lease Revenue Bonds ("LRBs"), Certificates of Participation ("COPs") and refunding financings were contemplated at the time the Agreement was entered;

WHEREAS, Contractor has been paid \$250,000 under the Agreement in connection with issuances of LRBs and \$125,000 remains;

WHEREAS, pursuant to § 4 of the Agreement, the term of the Agreement is from April 10, 2018 through July 15, 2021;

WHEREAS, the Authority is in the process of preparing for an issuance in connection with LRBs for the Cordilleras Mental Health Facility Project and refunding certain 2013-14 LRBs under more favorable terms and conditions;

WHEREAS, the County, the Authority and Contractor wish to amend the Agreement to extend the term of the Agreement to September 30, 2021 in order to provide adequate time to close the anticipated financing for the Cordilleras Mental Health Facility Project and refunding 2013-14 LRBs and to update the list of Capital Projects to reflect the financings for which Contractor has been and will be providing financial consulting services (the "First Amendment");

**NOW THEREFORE, IT IS HEREBY AGREED BY THE PARTIES
HERETO AS FOLLOWS:**

1. Section 4 (Term and Termination) of the Agreement is amended and restated in its entirety to read as follows:

Subject to compliance with all terms and conditions, the term of this Agreement shall be from April 10, 2018 through September 30, 2021.

This Agreement may be terminated by Contractor, the County Manager, or his designee, at any time without a requirement of good cause upon thirty (30) days' written notice to the other party.

In the event of termination, all finished or unfinished documents, data, studies, maps, photographs, reports, and materials (hereafter referred to as materials) prepared by Contractor under this Agreement shall become the property of the County and shall be promptly delivered to the County. Upon termination, the Contractor may make and retain a copy of such materials. Subject to availability of funding, Contractor shall be entitled to receive payment for work/services provided prior to termination of the Agreement. Such payment shall be that portion of the full payment which is determined by comparing the work/services completed to the work/services required by the Agreement.

2. The numbered list (1-6) set forth in the first recital on page 1 of the Agreement is amended and restated in its entirety to read as follows:

- 1) Refunding of the outstanding portion of the Authority's 2009 Lease Revenue Bonds;
- 2) Refunding of the outstanding portion of the Authority's 2013 Lease Revenue Bonds;
- 3) Refunding of the outstanding portion of the Authority's 2014 Lease Revenue Bonds;
- 4) Health Center Campus Project – demolition of the 1954 wing of the San Mateo Medical Center and construction of a new Health Services Administration Building;
- 5) Redwood City Master Plan Campus Project – construction of a new County Office Building No. 3 and a new Parking Garage No. 2;
- 6) Cordilleras Mental Health Facility Project – construction of a new Mental Health Facility and removal of the old facility;
- 7) North County Health Clinic – construction of a new Health Clinic on the site of the parking lot of the North County Courthouse in South San Francisco. Project may also require parking structure; and

8) South County Homeless Shelter – construction of a new homeless shelter, replacing the current shelter on Maple Street in Redwood City. Project has not been sited.

3. Exhibit B to the Agreement is replaced with Exhibit B-1 attached hereto and incorporated by reference herein.
4. All other terms and conditions of the Agreement shall remain in full force and effect and are incorporated by reference as if fully set forth herein.
5. This First Amendment constitutes the entire understanding of the parties hereto with respect to this subject matter herein and correctly states the rights, duties, and obligations of each party as of this document’s date. Any understandings, promises, negotiations, or representations between the Parties not expressly stated in this document are not binding. All subsequent modifications of this Amendment shall not be effective unless set forth in writing and executed by both parties.

IN WITNESS WHEREOF and in agreement with this First Amendment’s terms, the parties, by their duly authorized representatives, affix their respective signatures:

COUNTY OF SAN MATEO

By: _____ Date: _____
President, Board of Supervisors, San Mateo County

ATTEST:

By: _____
Clerk of Said Board

SAN MATEO COUNTY JOINT POWERS FINANCING AUTHORITY

By: _____ Date: _____
Roberto Manchia

CALIFORNIA FINANCIAL SERVICES

By:  _____ Date: 3-9-2021
Steven Gald

Exhibit "B-1"

In consideration of the services provided by Contractor in Exhibit "A", Issuers shall pay Contractor based on the following fee schedule:

The Issuers agrees to pay and the Contractor agrees to receive as full compensation for the rendering of the services described in Exhibit "A" relative to the Lease Revenue Bonds (LRBs), Certificates of Participation (COPs), and for any services heretofore performed by Contractor in connection therewith for the fee of One Hundred and Twenty-Five Thousand Dollars (\$125,000) per issuance, for a not-to-exceed total amount of Three Hundred and Seventy-Five Thousand Dollars (\$375,000) payable upon the delivery of and receipt of payment for the LRBs and/or COPs; as follows:

- 1) Refunding of the outstanding portion of the Authority's 2009 Lease Revenue Bonds;
- 2) Refunding of the outstanding portion of the Authority's 2013 Lease Revenue Bonds;
- 3) Refunding of the outstanding portion of the Authority's 2014 Lease Revenue Bonds;
- 4) Health Center Campus Project – demolition of the 1954 wing of the San Mateo Medical Center and construction of a new Health Services Administration Building;
- 5) Redwood City Master Plan Campus Project – construction of a new County Office Building No. 3 and a new Parking Garage No. 2;
- 6) Cordilleras Mental Health Facility Project – construction of a new Mental Health Facility and removal of the old facility;
- 7) North County Health Clinic – construction of a new Health Clinic on the site of the parking lot of the North County Courthouse in South San Francisco. Project may also require parking structure; and
- 8) South County Homeless Shelter – construction of a new homeless shelter, replacing the current shelter on Maple Street in Redwood City. Project has not been sited.

AGREEMENT FOR BOND COUNSEL SERVICES

This Agreement is entered into as of March __, 2021 between the County of San Mateo, (the “County”), the San Mateo County Joint Powers Financing Authority (the “Authority” and collectively, with the County, the “Issuer”) and Orrick, Herrington & Sutcliffe LLP (“Bond Counsel”), as follows:

Recitals

A. The Issuer currently contemplates the need, from time to time, to finance cash flow needs, capital improvements, and the refunding of outstanding obligations, all through direct issuances or issuances in conjunction with the San Mateo County Joint Powers Financing Authority of Lease Revenue Bonds or other obligations (collectively, the “Bonds”) in one or more issuances. The Issuer desires to retain Bond Counsel to perform legal services in connection with the Bonds, and to set forth the terms of Bond Counsel’s employment in connection with the preparation of proceedings for the delivery of the Bonds and for consultation and related legal services in connection therewith.

B. Bond Counsel possesses the necessary professional capabilities and resources to provide the legal services required by Authority as described in this Agreement.

Agreements

1. Term: This Agreement shall remain in effect unless terminated in writing as provided herein; provided that services provided hereunder are expected to be provided on or before July 1, 2022.

2. Scope of Services.

Bond Counsel shall provide the following services with respect to the Bonds of each series:

(a) Consultation with the Issuer and its staff and counsel and the County’s financial consultant concerning the proceedings for authorizing the issuance of the Bonds, including preparation of resolutions, documents, notices, and certificates as required by law for such issuance.

(b) Consultation with the Issuer, the Issuer’s financing consultant, and any other participating entities, concerning the timing, terms and structure of the proposed financing, including analysis of the advantages and disadvantages of each available financing technique and considerations of state law, federal tax law, federal securities law and general public finance law.

(c) Preparation of the proceedings for the authorization, issuance and sale of the Bonds, including resolutions, authorizing the issuance of the Bonds and securing and setting forth the terms and conditions of the Bonds, and their form, date, denominations and maturity, and preparation of the proceedings for the sale of the Bonds (but excluding preparation of the Bond Purchase Contract which is prepared by counsel to the Underwriters).

- (d) Attendance at meetings of the Issuer, as requested by the Authority or County.
- (e) Assistance in the preparation of a timetable setting forth the actions necessary to accomplish the authorization and sale of the Bonds.
- (f) Review, as to those matters that are related to the issuance and sale of the Bonds, of the official statement describing the Bonds to be prepared by the Issuer's disclosure counsel or underwriter's counsel, and participation in meetings reviewing the official statement, but Bond Counsel will not be responsible for the preparation or content thereof or the rendering of any opinion thereon.
- (g) Review, as to those matters that are related to the issuance and sale of the Bonds, any environmental impact reports on the Project to be prepared by the County; but Bond Counsel will not be responsible for the preparation or content of such documents.
- (h) Attendance at and participation in meetings with rating agencies and prospective bond bidders, if deemed necessary or desirable by the County.
- (i) If the Bonds are to be sold at public sale, participation in the public sale of the Bonds, if requested, and review and approval as to legality of the bids received for the Bonds.
- (j) Assistance in obtaining any governmental approvals necessary as a condition precedent to issuance of the Bonds, but Bond Counsel shall not be responsible for the obtaining of such approvals.
- (k) Examination of the form of the Bonds, the preparation of final closing papers, the organization and conducting of the closing, and the rendering of a final legal opinion at the time of delivery of and receipt of payment for the Bonds with respect to the validity of such Bonds and the tax status of such Bonds.
- (l) Review of any Bond insurance or any other credit enhancement arrangements, such as letters of credit or lines of credit entered into in connection with the financings, if such credit enhancement is desired by the Issuer.
- (m) Such other legal services as may be incidental to the foregoing, including services requiring Bond Counsel's tax, and other lawyers.

(c). *Excluded Services.* Bond Counsel services are limited to those specifically set forth above. Bond Counsel services do not include representation of the Authority, the County, or any other party to the transaction in any litigation or other legal or administrative proceeding involving any of the Bonds or any related matter. Bond Counsel services also do not include any responsibility for compliance with state blue sky, environmental, land use, real estate, or similar laws. Bond Counsel services do not include any financial advice or analysis. Bond Counsel will not be responsible for the services performed by or acts or omissions of any other participant. Bond Counsel's services hereunder will not extend past the date of issuance of each series of the Bonds and will not, for example, include services related to rebate compliance or continuing disclosure, investment of Bond proceeds, or otherwise related to the Bonds or the permitted use of

Bond proceeds after delivery of the Bonds, for which Bond Counsel may be separately compensated.

3. Compensation.

(a) Bond Issuance. Bond Counsel will be paid a fixed fee upon delivery of the Bonds of each series in the amount agreed to prior to the pricing of the issue of Bonds. Such fee includes out-of-pocket expenses which, together with the fixed fee, shall be included in the sizing of the issue and paid at closing of the issue. Such fee will be contingent on the issuance of the Bonds and payable solely from proceeds of the Bonds. The fees for the San Mateo County Joint Powers Financing Authority Lease Revenue Bonds (Capital Projects), 2021 Series A, will be in the amount of \$175,000. The fees for the San Mateo County Joint Powers Financing Authority 2021 Lease Revenue Refunding Bonds will be in the amount of \$125,000.

(b) Additional financings may be issued prior to July 1, 2022, however, the total fees for the Bond issuances contemplated herein prior to July 1, 2022 shall not exceed \$525,000. The maximum amount payable hereunder may be adjusted to reflect legal services required additional to those assumed herein.

(c) Additional Legal Advice and Services. The parties acknowledge that the County or the Authority might need consultation of Bond Counsel from time to time, prior to or following issuance of the Bonds, or on matters not directly related to a pending bond issue, including opinions on the permitted use of bond proceeds. Bond Counsel shall be available at the request of the County or the Authority to perform such legal analysis and render such advice in written or oral form, as the County or the Authority shall request. Unless otherwise arranged between the parties, compensation for such advice shall be on the basis of Bond Counsel's customary hourly rates in effect at the time, noncontingent, and shall be billed and payable upon receipt of an invoice, and may be paid upon the issuance of the next following series of Bonds at the preference of the County.

(d) Other Services. Bond Counsel subsidiary BondLogistix is available to provide rebate compliance, continuing disclosure, and/or investment services pursuant to separate agreement.

(e) Assumptions and Adjustments. Bond Counsel is able to deliver its services at the fee quoted before pricing by working as efficiently as possible. The parties understand that significant departure from the structure or schedule described, or significant change in the legal structure after agreeing on a fee and after drafting of the basic legal documents has commenced, if such is requested by the Issuer or by or on the advice of the Issuer's financing consultant, is expected to occasion substantial additional time and effort on the part of Bond Counsel, and shall entitle Bond Counsel to an adjustment to the fee.

(f) Hourly Rate Services. The Issuer agrees that any additional services requested will be charged at the hourly rates of the attorneys and paralegals assigned, unless otherwise agreed upon between the Issuer and Bond Counsel following notice to Bond Counsel by the Issuer or the Issuer's financing consultant that such work is desirable. Hourly rates are adjusted annually, and Bond Counsel agrees to provide such rates upon request.

4. Reimbursement. In addition to the compensation provided for above, Authority will reimburse Bond Counsel for costs and expenses (direct and indirect) incurred in connection with the services, including (without limitation) filing and publication, document reproduction and delivery, travel, long distance telephone, fax, word processing, computer research, secretarial overtime and other similar expenses. Any filing, publication, printing or data costs required in connection with the Bonds shall be paid directly by the Issuer, but if paid by Bond Counsel on behalf of the Issuer, shall be reimbursed to Bond Counsel on request, notwithstanding any other provision of this Agreement.

Bond Counsel will provide copies of transcripts electronically, and the transcripts will be available for download.

5. Payment. Unless otherwise noted, or unless this Agreement is terminated by the County or the Authority, fees and expenses shall be payable by the Issuer upon issuance of the Bonds, and payment shall be entirely contingent upon issuance of the Bonds. *See* “Termination of Agreement and Legal Services” below. Parties acknowledge and agree that in certain circumstances, payment may be made by the underwriter of the Bonds from gross proceeds of the Bonds, as provided in the bond sale document.

6. Termination of Agreement and Legal Services. This Agreement and all legal services to be rendered under it may be terminated at any time by written notice from either party, with or without cause, and shall be deemed terminated by a course of action inconsistent with a continuing engagement, such as engagement of another bond counsel to provide similar services. In that event, all finished and unfinished documents prepared for adoption or execution by the Issuer, shall, at the option of the Issuer, become its property and shall be delivered to it or to any party it may designate; provided that Bond Counsel shall have no liability whatsoever for any subsequent use of such documents. In the event of termination by the Issuer, Bond Counsel shall be paid for all satisfactory work performed and not previously compensated hereunder, at the customary hourly rates of the attorneys and paralegals who have provided services, and reimbursed for all actual expenses (whether or not bonds are issued), unless the termination is made for cause, in which event compensation, if any, shall be adjusted in the light of the particular facts and circumstances involved in the termination. Upon termination, Bond Counsel shall have no future duty of any kind to the Issuer with respect to the Bonds.

7. Nature of Engagement; Relationships With Other Parties. Bond Counsel, the County, and the Authority acknowledge that the County and the Authority each have other counsel to render day-to-day and ongoing general counsel legal services (the “County Counsel”). Bond Counsel shall circulate documents to and coordinate its services with County Counsel to the extent requested by the Issuer. Bond Counsel shall be entitled to assume that County Counsel has reviewed all documents and matters submitted to the Governing Board and/or the Board of Supervisors for adoption or approval or to officers of the Issuer for execution prior to such adoption, approval or execution. In rendering opinions and performing legal services under this Agreement, Bond Counsel shall be entitled to rely on the accuracy and completeness of information provided and certifications made by, and opinions provided by counsel to, the County and the Authority and other parties, without independent investigation or verification. Bond Counsel will be entitled to rely on direction given by any authorized officer of the Issuer or the County. From time to time, the Issuer’s financing consultant may direct Bond Counsel with

respect to terms of the Bonds to appear in draft legal documents, bond structure, financing schedules, and other matters related to the Bonds. Bond Counsel will be entitled to rely on such instructions given to Bond Counsel by the financing consultant without confirming each such instruction with County staff, and, unless otherwise informed, to assume such instruction is given at the direction of County staff.

The role of bond counsel, generally, is to prepare or review the procedures for issuance of the bonds, notes or other evidence of indebtedness and to provide an expert legal opinion with respect to the validity thereof and other subjects addressed by the opinion. Consistent with the historical origin and unique role of bond counsel, and reliance thereon by the public finance market, Bond Counsel's role as counsel under this Agreement is to provide an opinion and related legal services that represent an objective judgment on the matters addressed rather than the partisan position of an advocate.

In performing its services as counsel in connection with the Bonds, Bond Counsel will act as bond counsel to the issuer with respect to issuance of the Bonds; i.e., with respect to lease revenue bonds, Bond Counsel will assist Authority Counsel in representing Authority but only with respect to validity of the Bonds, the bond documents and the issuance resolutions and tax status of interest on the Bonds, and in a manner not inconsistent with the general role of Bond Counsel described in this section.

Bond Counsel's function and responsibility under this Agreement with respect to each series of Bonds terminates upon issuance of each such series of the Bonds (unless terminated sooner as provided herein). Bond Counsel's services as bond counsel are limited to those contracted for explicitly in this Agreement. Any engagement of Bond Counsel with respect to rebate compliance, post-issuance disclosure or any other matter after issuance of any series of the Bonds shall be separate and distinct from its engagement as special counsel through issuance of said series of Bonds. However, unless otherwise provided, any such post-issuance engagement with respect to said Bonds shall continue on the same basis set forth in this section.

The County and the Authority each hereby agree to the joint representation by Bond Counsel of both entities in transactions where both are involved and waive any conflict that may arise from such joint representation. In addition, each hereby acknowledges that Bond Counsel regularly performs legal services for many private and public entities in connection with a wide variety of matters. Some of these clients may have some direct or indirect relationship with the County or the Authority, as, for example, issuers, insurers, suppliers, lenders, investment bankers, consultants, pension plan trustees, landlords, donors or bondholders. With varied client representation, there is always the possibility of other transactions between clients and of disputes among them. Bond Counsel has served as bond counsel, special counsel or underwriter's counsel in financings by governmental entities that include states, counties, municipalities, special districts, joint powers authority and other political subdivisions, as well as departments and agencies of the foregoing, including the State of California. In addition, Bond Counsel is currently advising most major investment banking firms on a variety of matters. Bond Counsel is now providing services for these clients and expects to continue to do so in the future. To the extent there might appear to be or is any actual or potential conflict arising from such relationships, the County and the Authority waive any such conflict.

8. Limitation of Rights to Parties; Successor and Assigns. Nothing in this Agreement or in any of the documents contemplated hereby, expressed or implied, is intended or shall be construed to give any person other than the County, the Authority and Bond Counsel any legal or equitable right or claim under or in respect of this Agreement, and this Agreement shall inure to the sole and exclusive benefit of the County, the Authority and Bond Counsel.

Bond Counsel may not assign its obligations under this Agreement without written consent of the County except to a successor partnership or corporation to which all or substantially all of the assets and operations of Bond Counsel are transferred. The County may assign its rights and obligations under this Agreement to (but only to) any other public entity that issues the Bonds (if not the Authority). The County and the Authority shall not otherwise assign its rights and obligations under this Agreement without written consent of Bond Counsel. All references to Bond Counsel and County in this Agreement shall be deemed to refer to any such successor of Bond Counsel and to any such assignee of County and shall bind and inure to the benefit of such successor and assignee whether so expressed or not.

9. Miscellaneous.

(a) Bond Counsel shall at all times keep a complete and thorough record of the services and time expended by Bond Counsel and Bond Counsel shall also make available to the County and Authority for inspection purposes all of such records so maintained.

(b) Bond Counsel shall keep in full force and effect during the term of this Agreement an errors and omissions insurance policy in the minimum of One Million Dollars (\$1,000,000.00).

(c) Bond Counsel agrees to comply with the following policies: Non-discrimination. No person shall, on the grounds of race, color, religion, ancestry, gender, age (over 40), national origin, medical condition (cancer), physical or mental disability, sexual orientation, pregnancy, childbirth or related medical condition, marital status, or political affiliation be denied any benefits or subject to discrimination under this agreement. Bond Counsel shall ensure equal employment opportunity based on objective standards of recruitment, classification, selection, promotion, compensation, performance evaluation, and management relations for all employees under this agreement. Bond Counsel's equal employment policies shall be made available to County of San Mateo upon request.

(d) With respect to the provision of employee benefits, Bond Counsel shall comply with the County Ordinance which prohibits Bond Counsel from discriminating in the provision of employee benefits between an employee with a domestic partner and an employee with a spouse.

(e) Violation of Non-discrimination provisions. Violation of the non-discrimination provisions of this Agreement shall be considered a breach of this Agreement and subject the Bond Counsel to penalties, to be determined by the County Manager, including but not limited to

- (i) termination of this Agreement;
- (ii) disqualification of the Bond Counsel from bidding on or being awarded a County contract for a period of up to 3 years;

- (iii) liquidated damages of \$2,500 per violation;
- (iv) imposition of other appropriate contractual and civil remedies and sanctions, as determined by the County Manager.
- (v) To effectuate the provisions of this section, the County Manager shall have the authority to:
 1. examine Bond Counsel's employment records with respect to compliance with this paragraph;
 2. set off all or any portion of the amount described in this paragraph against amounts due to Bond Counsel under the Contract or any other Bond Counsel between Bond Counsel and County.

(f) Bond Counsel shall report to the County Manager the filing by any person or employee regarding the San Francisco offices of Bond Counsel, in any court of any complaint of discrimination or the filing by any such person of any and all charges with the Equal Employment Opportunity Commission, the Fair Employment and Housing Commission or any other entity charged with the investigation of allegations within 30 days of such filing, provided that within such 30 days such entity has not notified Bond Counsel that such charges are dismissed or otherwise unfounded. Such notification shall include the name of the complainant, a copy of such complaint and a description of the circumstance. Bond Counsel shall provide County with a copy of their response to the Complaint when filed.

(g) Employee Jury Service. Bond Counsel shall comply with the County Ordinance with respect to provision of jury duty pay to employees and have and adhere to a written policy that provides that its employees shall receive from the Bond Counsel, on an annual basis, no less than five days of regular pay for actual jury service in San Mateo County. The policy may provide that employees deposit any fees received for such jury service with the Bond Counsel or that the Bond Counsel deduct from the employees' regular pay the fees received for jury service.

(h) In performing services under this Agreement, Bond Counsel shall comply with all procedures established by the County Counsel's Office.

(i) This Agreement may be terminated at any time by any party upon the giving of written notice to the other parties hereto.

10. Notices. Any and all notice pertaining to this Agreement shall be given in writing, including by email, fax, or sent by U.S. Postal Service, first class, postage prepaid to Orrick, Herrington & Sutcliffe LLP at 405 Howard Street, San Francisco, CA 94105-2669, Attention: John Palmer, Esq., and to the County and the Authority at County of San Mateo, Office of County Counsel, 400 County Center, 6th Floor, Redwood City, CA 94063, Attention: County Counsel.

11. Counterparts. This Agreement may be executed in any number of counterparts and each counterpart shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same Agreement.

WITNESS THE EXECUTION HEREOF as of the day and year first hereinabove set forth.

ATTEST:

COUNTY OF SAN MATEO

By: _____
Clerk of Said Board

By _____
Title:

SAN MATEO COUNTY JOINT POWERS
FINANCING AUTHORITY

By _____
Title:

ORRICK, HERRINGTON & SUTCLIFFE LLP

By _____
John Palmer, Partner

PROFESSIONAL SERVICES AGREEMENT
BETWEEN
NORTON ROSE FULBRIGHT US LLP,
SAN MATEO COUNTY AND THE SAN MATEO JOINT POWERS FINANCING
AUTHORITY

THIS AGREEMENT is made and entered into effective as of March 10, 2021, between Norton Rose Fulbright US LLP, a limited liability partnership (hereinafter, the “Firm”), the County of San Mateo (the “County”) and the San Mateo County Joint Powers Financing Authority (the “Authority,” and together with the County, the “Issuers”).

WHEREAS, the Issuers desire to retain the Firm as “disclosure counsel” to provide legal assistance, hereinafter outlined, upon the terms and conditions hereinafter set forth, relating to the issuance of various lease revenue bonds or other obligations (“bonds”) by the Issuers or other financing authorities controlled by the County (hereinafter, the Issuers and such other financing authorities controlled by the County may be referenced herein as “County financing parties”) issued to finance capital improvements of the County; and

WHEREAS, the Firm represents that it is a law firm that specializes in municipal finance law and that it is ready, willing and able to perform said work and possesses expertise in the field of such bond financing; and

NOW THEREFORE, in consideration of the promises and of the mutual covenants, terms and conditions hereinafter contained, the parties agree as follows:

1. Scope of Services. The Issuers employ the Firm to provide the following legal services, as required, with respect to the issuance of the bonds:
 - a. Assist in preparing Official Statements relating to the issuance of bonds from information and source material provided to the Firm;
 - b. Provide the County financing parties and the underwriters or purchasers with a “10(b)-5” opinion, in customary form, with respect to the Official Statement;
 - c. Review documents and attend phone conferences at which the financing documents are discussed;
 - d. Prepare and advise on the negotiation of continuing disclosure agreements relating to bond issuances;
 - e. Provide curbside advice to the County financing parties on matters relating to compliance with federal securities laws, including annual disclosure, material event disclosure and voluntary disclosure; and
 - f. Provide such other legal services as may be incidental to the foregoing.

2. Assignment of Duties. The County reserves the right to assign duties as between the Firm and any other attorneys representing the County in matters arising under this contract. In all services, the Firm shall be deemed to be representing the County.

3. Excluded Services. The services of the Firm provided for herein will not include representation of the County (a) in any legal action challenging the validity of the sale of bonds contemplated hereby, or (b) in connection with any inquiry or proceeding made or initiated by the Internal Revenue Service concerning the tax-exempt status of bonds, or any rebate required to be paid by the County with respect thereto; or (c) in connection with any proceeding challenging the tax-exempt status of the County under State law; or (d) in connection with the investment of the proceeds of bonds following the closing.

4. Compensation. The Firm agrees that, subject to the qualifications and assumptions set forth herein, the Firm's fee for the attorney and paralegal services rendered hereunder will be based upon a "blended rate" of \$705 for attorneys and \$310 for paralegals for 2021. These blended rates will be subject to annual adjustment at the blended rates to \$715 and \$330, commencing on January 1, 2022. In connection with any bond issuance or any other engagement under this Agreement, the Firm will provide to the County a budget estimate which upon approval by the County shall constitute a Not-to-Exceed amount, or a fixed price for the issuance or engagement, which will be evidenced by a letter supplementing this Agreement (a "fee letter supplement"). Upon execution of such fee letter supplement by the County Counsel, each such fee letter supplement shall constitute a part of this Agreement.

Subject to the Not-to-Exceed amount, in addition to the hourly rates, the County agrees to reimburse the Firm for its out-of-pocket expenses, which include: long distance telephone call charges; secretarial overtime; reproduction costs or document costs incurred on the Firm's word processing equipment used to prepare documents, filing fees, printing charges and like expenditures. No travel by the firm personnel will be required.

Payment of the Firm's fee may be made contingent upon the delivery of bonds, as provided in any fee letter supplement.

5. Waiver. The Firm agrees that waiver by the County of any one or more of the conditions of performance under this Agreement shall not be construed as waiver of any other condition of performance under this Agreement.

6. Notice to Parties. In all cases where written notice is to be given under this Agreement, service shall be deemed sufficient if said notice is deposited in the United States mail, postage paid. When so given, such notice shall be effective from the date of mailing of the same. For the purpose hereof, unless otherwise provided by notice in writing from the respective parties, notice to the County shall be addressed to:

John C. Beiers, Esq.
County Counsel
County of San Mateo
400 County Center, 6th Floor
Redwood City, CA 94063-1662

Notice to the Firm shall be addressed to:

Eric D. Tashman, Esq.
Norton Rose Fulbright US LLP
555 California Street, Suite 3300
San Francisco, California 94104

Nothing herein contained shall preclude or render inoperative service or such notice in the manner provided by law.

7. Independent Contractor. It is understood and agreed by and between the parties hereto that the Firm, in the performance of this Agreement, shall act as, and be an independent contractor and not an agent or employee of the County or any other County financing party.

All acts of the Firm, its agents, officers and employees and all other actions on behalf of the Firm relating to the performance of this Agreement, shall be performed as independent contractors not as agents, officers, or employees of the County financing parties. The Firm, by virtue of this Agreement, has no authority to bind or incur any obligation on behalf of the County. It should be understood by the Firm and the County that this Agreement shall not, under any circumstances, be construed or considered to create an employer-employee relationship or joint venture. It is further understood and agreed that the Firm must issue W-2 Forms or other forms as required by law for income and employment tax purposes for all of the Firm's assigned personnel under the terms and conditions of this Agreement.

8. Personnel. Eric D. Tashman will be the partner-in-charge and will be charged with overall supervision and/or performance of duties under this contract. Dave Sanchez, senior counsel, or Stepan Haytayan, senior counsel, will provide day-to-day support. These attorneys will consult with and be assisted by such other associates and/or employees as he deems necessary, but shall remain committed to this contract unless the County consents to a substitution, which consent shall be at the County's sole discretion.

9. Discrimination Prohibited. In performing the services required hereunder, the Firm shall not discriminate against any person on the basis of race, color, religion, sex, national origin or ancestry, age or physical handicap.

10. Reports and Information. At such times and in such forms as the County may require, there shall be furnished to the County such statements, records, reports, data and information as such parties may request pertaining to matters covered by this Agreement.

11. Compliance with Laws. In performing the services required hereunder, the Firm shall comply with all applicable laws, ordinances and codes of the federal, state and local governments.

12. Changes. The County may, from time to time, request changes in the services to be performed hereunder. Such changes, including any increase or decrease in the amount of the Firm's compensation, which are mutually agreed upon by the County and the Firm shall be incorporated in written amendments to this Agreement, signed by such parties.

13. Nonexclusivity. The County may employ other counsel from time to time, as required.

14. Term. This Agreement shall remain in effect until terminated by either the Firm or the County upon 30 days' written notice by any such party, or until terminated for cause as provided in Section 15.

15. Termination for Cause. The County shall have the right at any time to terminate this Agreement for cause effective immediately upon notification of termination by any reasonable means. In such event, all finished or unfinished documents, data, maps, studies, surveys, drawings, models, photographs and reports prepared by the Firm under this Agreement shall become the County's property, as appropriate. The Firm will be entitled to receive just and equitable compensation for any work satisfactorily completed hereunder, as reasonably determined by the County.

16. Entire Agreement. This Agreement contains the entire understanding between the parties with respect to the subject matter herein. There are no representations, agreements or understandings (whether oral or written) between or among the parties relating to the subject matter of this Agreement which are not fully expressed herein. This Agreement may not be amended except pursuant to a written instrument signed by both parties.

17. Construction and Severability. If any part of this Agreement is held to be invalid or unenforceable, such holding will not affect the validity or enforceability of any other part of this Agreement so long as the remainder of the Agreement is reasonably capable of completion.

18. Enforcement. The non-prevailing party in any action or proceeding brought to enforce the rights or remedies of either party in connection with this Agreement shall pay costs and expenses of such action or proceeding, including reasonable attorney's fees, as awarded by the court.

19. Insurance Requirements. The Firm shall provide at its own expense and maintain at all times the following insurance with insurance companies licensed in the State of California and shall provide evidence of such insurance as may be required by the County: Professional liability insurance from and after the execution of this Agreement and until termination of this Agreement in an amount not less than \$25 million.

20. Waiver of Conflict; General Conflict Provisions. The County hereby acknowledges, consents to and agrees to the representation by the Firm, and waives any right to object to or raise any defense or claim against the Firm for such representation.

The Firm shall immediately notify the County if any services to be performed under this Agreement involve an actual or potential conflict of interest, financial or otherwise under the California Rules of Professional Conduct. The Firm shall not engage in any activity under this Agreement that involves any actual or potential conflict of interest under such Rules unless the Firm first makes a full and complete disclosure of all relevant facts and obtains a written waiver of such conflict in advance from the County. The County has been advised that the Firm represents numerous other clients including other public entities in the state of California and that many of these clients rely on the Firm for general representation. It may develop in the future that an

adverse relationship may develop between the County and one of the Firm's other clients. If the Firm is not representing the County in that matter and the matter in which the County and the other client have adverse interests is not substantially related to the Firm's representation of the County under this Agreement, the County agrees that the Firm may represent the other client. With respect to any other conflict or potential conflict situation that the Firm may bring to the attention of the County under this paragraph, the County agrees that it will give practical and reasonable consideration to any request from the Firm for consent to the Firm's handling of the other matter giving rise to the conflict or potential conflict, but nothing herein shall require the County to provide consent to a conflict that, under the California Rules of Professional Conduct, is one to which a client may choose not to consent.

21. Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California, and all other applicable laws, rules, regulations and/or ordinances.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement for disclosure counsel services to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

COUNTY OF SAN MATEO

By: _____
John Beiers, County Counsel

**SAN MATEO COUNTY JOINT POWERS
FINANCING AUTHORITY**

By: _____
Paul Scannell, President

NORTON ROSE FULBRIGHT US LLP



By: _____
Eric D. Tashman

March 10, 2021

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Dear John:

Reference is made to the Professional Services Agreement (the “Agreement”), by and among the County of San Mateo (the “County”), the San Mateo County Joint Powers Financing Authority (the “Authority”) and Norton Rose Fulbright US LLP (the “Firm”) to be presented to the Board of Supervisors on March 10, 2021, of which this fee letter supplement is a part.

This fee letter supplement will serve to memorialize our retention as disclosure counsel in connection with the issuance of (i) lease revenue bonds for the purpose of financing construction of the Cordilleras Mental Health Center and potentially a refunding of outstanding lease revenue bonds of the Authority (collectively, the “Lease Revenue Bonds”) and (ii) with respect to disclosure counsel services provided upon request by the County in connection with certain voluntary disclosures of the County Services provided by the Firm to the County will be subject to the terms of the Agreement.

Our fees will be based upon the following budget components:

- Disclosure Counsel services (including drafting of the Official Statement, drafting required supplements to the Official Statement for the Lease Revenue Bonds, drafting continuing disclosure agreements for the Lease Revenue Bonds and delivery of our standard disclosure counsel opinion with respect to the Lease Revenue Bonds).

Total Budget for Disclosure Services for Lease Revenue Bonds: \$120,000

- Disclosure Counsel services provided upon request by the County in connection with certain ongoing voluntary disclosures of the County.

Total Budget for Disclosure Services for ongoing voluntary disclosures: \$ 30,000

Total Overall Budget: \$150,000

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Among other assumptions, the budget assumes that the Lease Revenue Bonds will be issued in two series in short succession, *i.e.*, within 30 days. If only one official statement is required, our budget for the Lease Revenue Bonds Disclosure Counsel services would be limited to \$90,000. The budget amounts stated herein are considered to be not-to-exceed (“Not-to-Exceed”) amounts, which amounts shall be the maximum amount payable and shall not be exceeded unless adjusted by an amendment to the Agreement. A proposed separate fee letter supplement to amend the Agreement will be developed for the County’s review and approval concerning any potential additional issuances of lease revenue bonds as “forwards” or if there are any material changes from the financing plan as assumed.

Any payment exceeding this budget would be subject to the discretion of County Counsel and appropriate documentation by the Firm. We will promptly inform the County if unanticipated, material events occur which would cause the budget to change and will provide a proposed separate fee letter supplement to amend the Agreement for the County’s review and approval. In the event that the County elects not to proceed with the issuance the Lease Revenue Bonds due to a change in interest rate (market) conditions, we would request that the County pay us a breakage fee (representing a discounted value of our services) to be negotiated in good faith. Such negotiations would be based upon an assumed “blended rate” for attorneys as provided in the Agreement. Our out-of-pocket expenses, including transcript costs, travel, federal express and similar costs consistent with the County’s policies will be added to this budget but the aggregate of any such expenses together with our actual fees cannot exceed the maximum Not-to-Exceed amount stated herein .

If this arrangement is satisfactory to you, please return to us a copy of this letter executed by an authorized officer of the County.

Respectfully submitted,

Norton Rose Fulbright US LLP



By: Eric D. Tashman, Partner

Accepted and Agreed this ____ day of March, 2021

COUNTY OF SAN MATEO

By: _____
Name: John C. Beiers
Title: County Counsel