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California Public Finance Authority  
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Attn: Michael LaPierre

Re: California Public Finance Authority

The California Public Finance Authority (“CalPFA”) was formed pursuant to a Joint Exercise of Powers Agreement (the “Agreement”) between two original members, Kings County and the Housing Authority of Kings County (the “Charter Members”). In accordance with Section 12 of the Agreement, additional cities, counties and other local government entities may, and have, joined CalPFA (each a Non-Charter Member or “Additional Member” and, together with the Charter Members, the “Members”). You have asked whether an Additional Member is exposed to liability by virtue of its decision to become a member of CalPFA and/or its approval of bonds proposed to be issued by CalPFA.

CalPFA is a political subdivision of the State of California created under the California Joint Powers Act (California Government Code Section 6500 and following) (the “Act”) and the Agreement. Pursuant to the Act and the Agreement, CalPFA is authorized to issue revenue bonds and certificates of participation for the benefit of conduit borrowers.

In order to meet state law and policy requirements for the issuance of certain private activity bonds, CalPFA has adopted a policy to not issue bonds or other forms of indebtedness unless the governing body of an Additional Member (or Charter Member, as the case may be) in which the proposed project (the “Project”) is located approves the issuance of bonds for the Project. Furthermore, in the case of most tax-exempt obligations issued by CalPFA, **Section 147(f) of the Internal Revenue Code of 1986 requires that the proposed financing be approved by a governmental unit having jurisdiction over the area in which the facility to be financed is located. A financing will be treated as having been approved by a governmental unit if “the applicable elected representative” of such governmental unit approves such issue after a public hearing following reasonable public notice of such hearing. This is referred to as “TEFRA” approval.**



Pursuant to applicable state law, CalPFA policies, and the documents providing for the issuance of bonds by CalPFA, the bonds are issued as limited obligations of CalPFA, not of any Charter Member or Additional Member, and are payable solely out of the revenues and receipts derived from the Project being financed and the loan(s) made by CalPFA to the borrower from proceeds of the bonds.

Specifically, Section 8 of the Agreement provides that “[t]he Bonds, together with the interest and premium, if any, thereon, shall *not* be deemed to constitute a debt of any Member or pledge of the faith and credit of the Members...Neither the Members nor...shall be obligated to pay the principal of, premium, if any, or interest on the Bonds, or other costs incidental thereto...” (emphasis added). The Agreement also expressly provides that CalPFA is a public entity separate and apart from the Members, and “[i]ts debts, liabilities and obligations do not constitute debts, liabilities or obligations of any Members.”<sup>1</sup>

Accordingly, bonds issued for any particular Project will be indebtedness of CalPFA, and the Member in whose jurisdiction the Project is located will not be asked to approve or execute any of the financing documents. Moreover, the disclosure prepared for the bonds will not have any information regarding the Member and will not include the Member’s name, other than with respect to where the Project is located. The documents will, however, be made available for review by the Member’s staff upon request.

In order to further limit CalPFA’s financial liability and that of its Members, CalPFA requires that, in connection with the loan of bond proceeds to a borrower, such borrower must indemnify CalPFA *and the applicable Member* from all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character relating to the applicable bonds and Project. We call attention, however, to the fact that such obligation may be subject to bankruptcy, insolvency, reorganization, arrangement and other laws relating to or affecting creditors’ rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to possible limitations on legal remedies.

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<sup>1</sup> See Cal. Government Code Section 6508.1. “...the debts, liabilities, and obligations of the agency shall be debts, liabilities, and obligations of the parties to the agreement unless the agreement specifies otherwise.”



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Please do not hesitate to contact me if you have further questions with respect to this matter.

Sincerely yours,

*/s/ Justin Cooper*

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